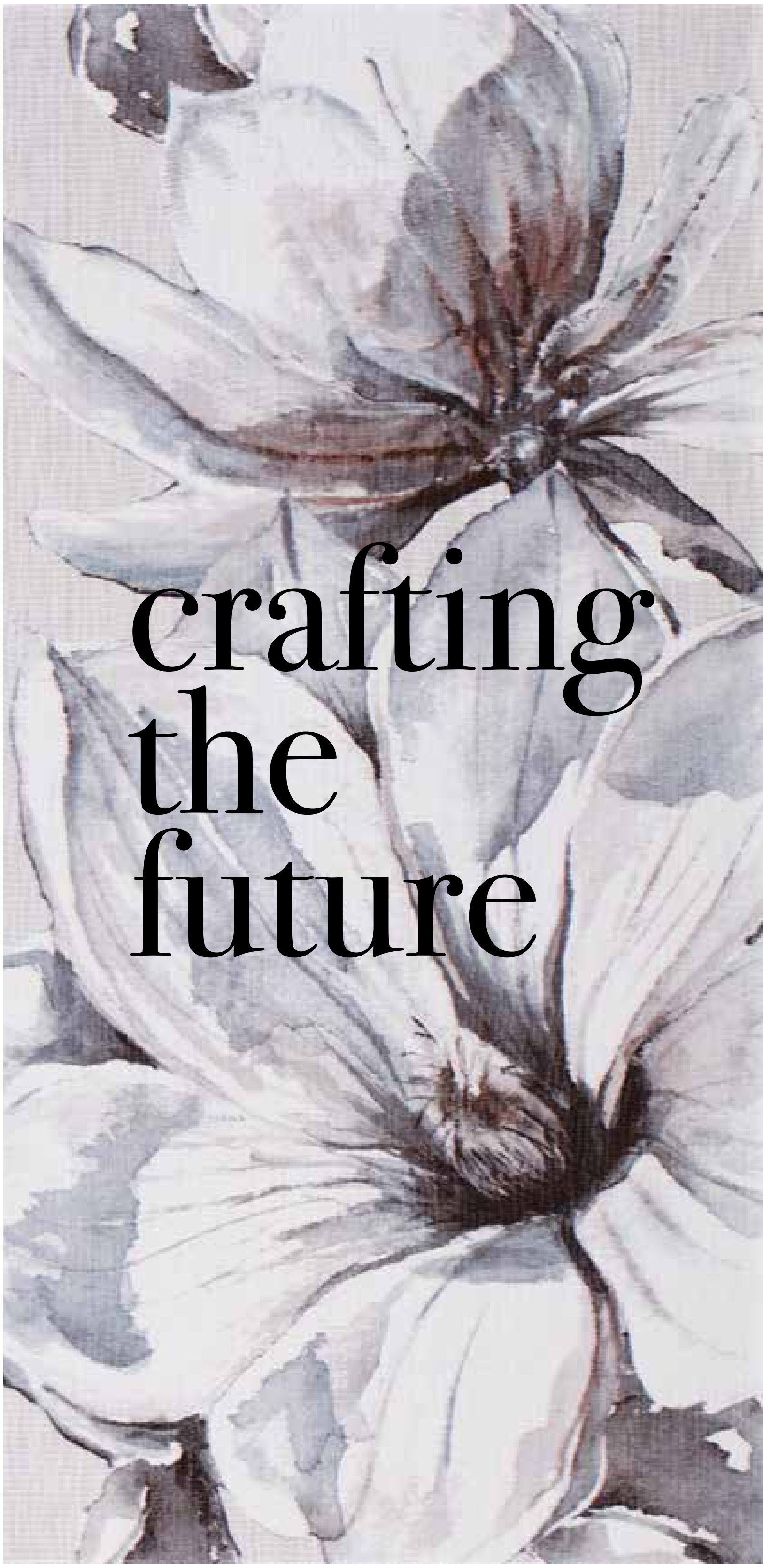


crafting the future

The Fine Art of Living

LANKA WALLTILES PLC
INTEGRATED ANNUAL REPORT 2018/19

contents

GRI 102-44 102-47

The tiles showcased throughout this report are a selection from the vast range we offer. Perfectly crafted, their unique, intricate designs set us apart from the rest - displaying the dedicated skill and craftsmanship we devote to everything we do.

crafting the future

At Lanka Walltiles, we are renowned for our craftsmanship. Our masterfully designed tiles have brought us recognition on an international scale, while our unique skills, steadfast principles and ingenuity have held us in good stead, enabling us to achieve the trust and confidence of the countless stakeholders we serve, year after year.

As we continue to craft and mould our business to better serve you, we are focusing on the future, fine-tuning ourselves and renewing our commitment to generate even more value in the years to come. We are designing a future of change, and crafting a story of enduring success.

Lanka Walltiles PLC. We're crafting the future.

ABOUT the report

GRI 102-01 102-45 102-46 102-49 102-50 102-51 102-52 102-53 102-54

Welcome to our 2nd integrated Annual Report. We strive to provide our stakeholders a concise yet insightful report in accordance with regulatory requirements and internationally accepted reporting frameworks. The Board of directors acknowledge responsibility for the report and seek to provide a comprehensive performance review covering financial, social and environmental performance. In addition, we seek to give our readers an insight to how we create and deliver value through a coherent strategy while carefully balancing the interests of our stakeholders.

SCOPE AND BOUNDARY

The report covers the operations of Lanka Walltiles PLC and its subsidiaries for the period ended 31st March 2019. We adopt an annual reporting cycle and the most recent report was for the period 1st April 2017 to 31st March 2018. The content of our report was determined by performing materiality assessments as discussed in page 12 and includes both financial and non-financial information. There were no restatements of information nor changes to reporting during the year.

The following standards, frameworks and guidelines were used to prepare the report.

Regulatory Requirements	Voluntary Frameworks
• Companies Act No.7 of 2007 • Continued Listing Requirements of the Colombo Stock Exchange • Sri Lanka Accounting & Auditing Standards Act No.15 of 2015 • Sri Lanka Financial Reporting Standards	• Integrated Reporting Framework issued by the International Integrated Reporting Council. • Core option of the GRI standards. • The Code of Best Practice on Corporate Governance for public listed companies, jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange.

Improvements to our report during the year

- Enhanced the strategic focus of the report by linking Strategy with KPIs.
- Provide a balanced review by discussing our inclusive value creation in key areas of the report such as sector reviews.
- Enhanced the conciseness and connectivity of the report by defining our reporting content through materiality assessments.

Reliability of information has been enhanced by assurance of the financial statements by the external auditors, M/s Ernst & Young.

For inquiries about this report, please contact

Name of contact person:
Mr. Tyrell Roche - *General Manager (Finance)*
Telephone number: 011 4526700
Email: tyrell@lankatiles.com

GRI 102-16

OUR vision

To be a leading producer of wall and floor coverings and related products for local and international markets.

our MISSION

The production and marketing of exceptional quality products at optimum affordability.

OUR values

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

2. Style: Our portfolio features a wide range of tiles in a variety of colours, textures and sizes including special trim and decorated tiles.

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

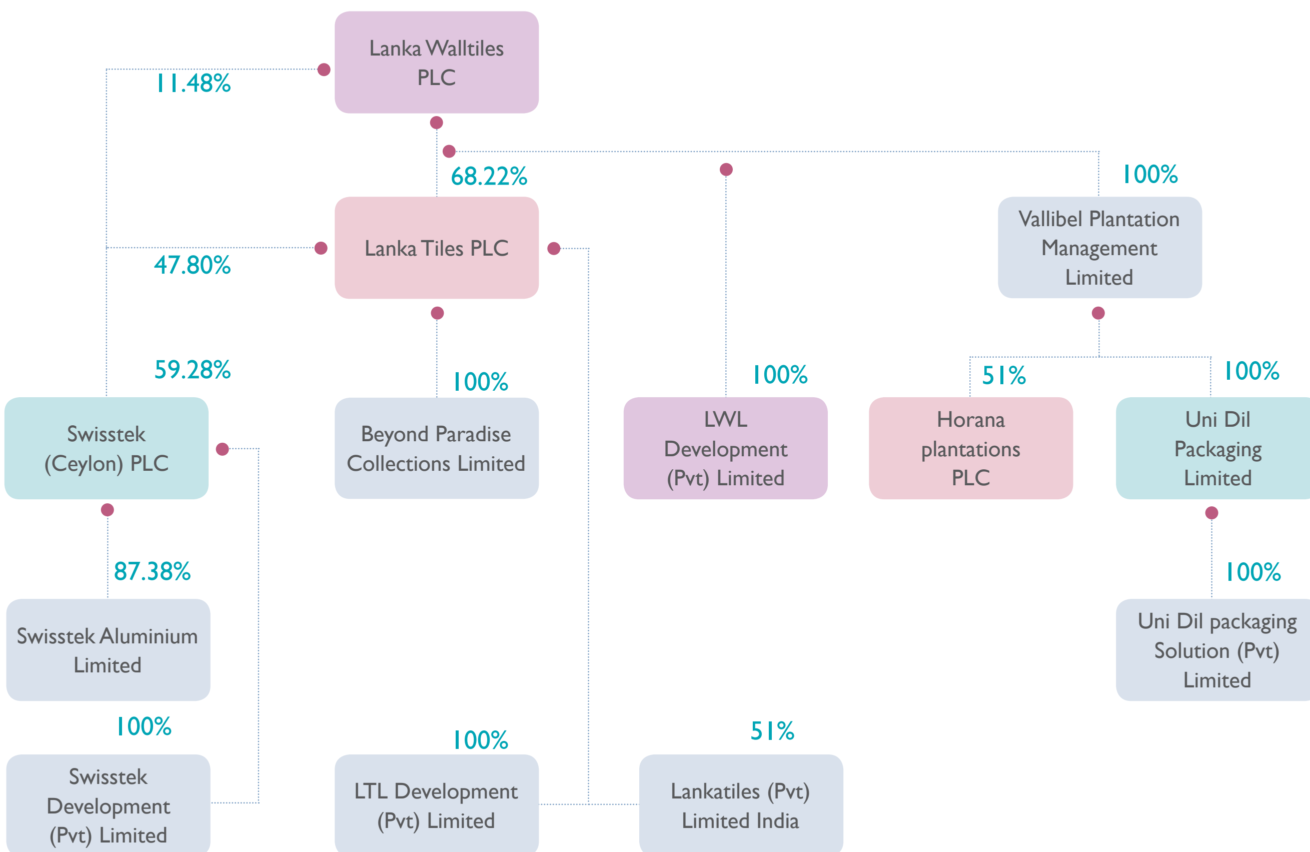
4. Value: Our stakeholders are diverse and demanding. Over the years we have delivered unmatched value to all of them.

about us

GRI 102-05

"Since inception in 1977, Lanka Walltiles PLC manufactures wall tiles of varying textures and hues enhancing the aesthetic appeal of homes and offices, enabling customers to define their spaces according to their taste and style. Our operations have grown with our aspirations and now include 02 manufacturing facilities in Sri Lanka and 13 manufacturing facilities in India which are operated by us. Lanka Walltiles is the market leader in wall tiles with a market share of over 30% as we maintain our focus on quality, upholding the trust of our loyal customers.

We are also a holding company with significant investments in related industries and other strategic investments as depicted below."



GRI 102-02

Tiles and Associated Items
- Lanka Walltiles PLC
- Lanka Tiles PLC
- Swisstek (Ceylon) PLC
- Rs. 10,945 Mn
- 56 % of total revenue

Aluminium Products
- Swisstek Aluminium Limited
- Rs. 3,134 Mn
- 16 % of total revenue

Plantation Products
- Horana Plantations PLC
- Rs. 2,005 Mn
- 10 % of total revenue

Packaging Materials
- Uni Dil Packaging Limited
- Uni Dil Packaging Solutions (Pvt) Limited
- Rs. 3,543 Mn
- 18 % of total revenue

Quality | Trust | Responsible Stewardship

CREATING BEAUTIFUL SPACES

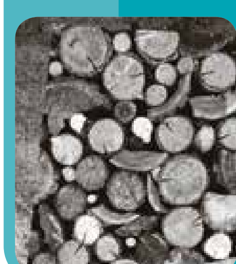
Our collections offer an array of tiles to suit every purpose, mood and lifestyle for tasteful interiors.

CONCRETE

CONCRETE

Powerful, urban hues that represent the modern industrial charm

XILOSOPHY



XILOSOPHY

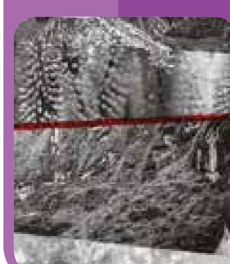
Get back to nature with the mesmerizing shades of the forests

HEARTS OF EARTH

HEARTS OF EARTH

Awe inspiring geological formations inspire elegant spaces

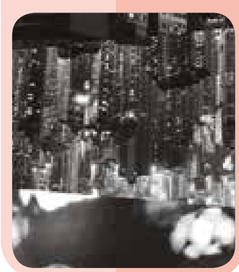
SENSES



senses

Spontaneous and colourful wonders of nature for enchanting interiors

ESSENTIAL +



ESSENTIAL +

Simple, colourful and minimal spaces for your idiosyncratic haven

about us

KEY NUMBERS - GROUP

8,001
Employees
(Direct Employees)

31,056
Total Assets
(Rs. Mn)

16,823
Property, Plant & Equipment
(Rs. Mn)

2,956
Capital Expenditure
(Rs. Mn)

92,241
Water Effluents Discharge
(M_3)

2,664
Suppliers

FINELY HONED CAPABILITIES

- ISO 9001 2015
- ISO 14000 for Environment Management Systems
- SLS
- Green Label Certification

GRI 102-07

OUR ECONOMIC IMPACT

DIRECT EMPLOYMENT

- The Lanka Walltiles Group provides employment to 8,001 full time employees

INDIRECT EMPLOYMENT

- Through our network of dealers, franchise outlets, and outsourced services we create indirect employment opportunities for approximately 1,000 people. We also train around 300 tilers every year together with the National Vocational Qualitifications Institute and provide tiles and mortar for the trainees free of charge

ECONOMIC VALUE CREATED

- We created economic value of Rs. 5.8 Bn and distributed Rs. 4.3 Bn to employees, suppliers, government and providers of finance as given in our Economic Value Added Statement on page 197 of this report.

TAXATION PAID

- The Lanka Walltiles Group paid taxes totalling to Rs. 1,299 Mn comprising direct taxes of Rs. 328 Mn which included income and pass through taxes of Rs. 971 Mn in the form of VAT, NBT, PAYE & WHT.

IMPORT SUBSTITUTION

- Operating in a market with intense competition from cheap imports, this has a significant impact. We estimate that the net import substitution impact will be Rs. 18,407 Mn which excludes items imported by us.

FOREIGN EXCHANGE EARNED

- The Group earned US$ 4.4 Mn in foreign exchange during the year which includes exports of tiles, grout & mortars and tea.

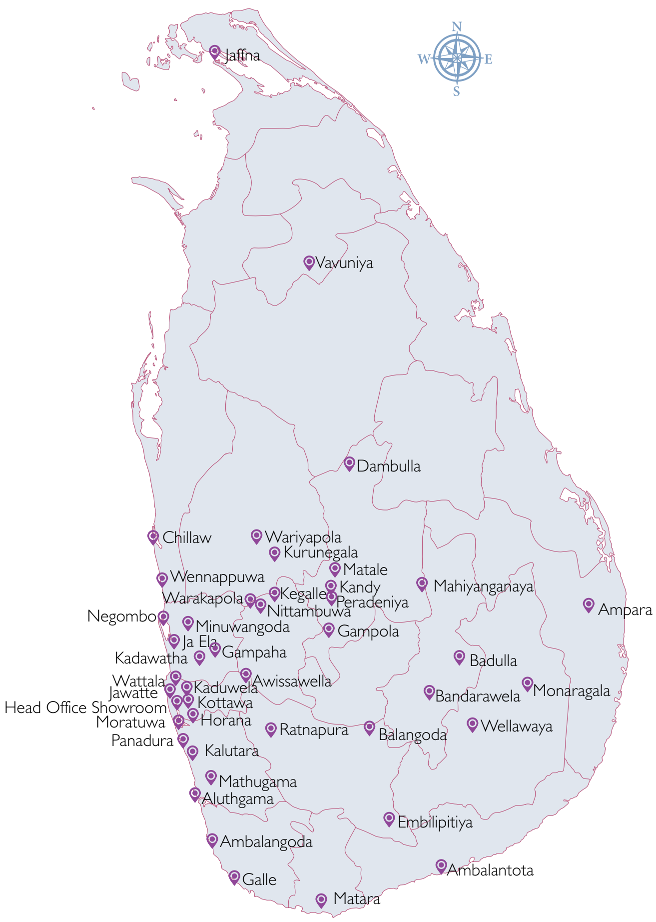
about us

GRI 102-04 102-06

"Lanka Walltiles products are now getting closer to consumers where ever they may be. Our distribution and retail network is expanding rapidly to make sure more Sri Lankan consumers"

OUR FOOTPRINT AROUND THE COUNTRY

Lanka Walltiles products are now getting closer to consumers wherever they may be. Our distribution and retail network is expanding rapidly to make sure more Sri Lankan consumers have access to world class products to make their homes and office premises reflect their aspirations. As at end March 2019, Lanka Walltiles had 48 showrooms.



OUR GROWING GLOBAL PRESENCE

The Lanka Walltiles brand is gaining ground as a global brand with exports to 9 countries by end March 2019. Our global footprint now extends to Australia, Canada, India, Maldives, Netherlands, UK, USA, and Pakistan. With our subsidiary Lanka Tiles, our international presence increases to 11 countries with the addition of Singapore, Japan and New Zealand.

CA Sri Lanka, Gold Award - 2018

AWARDS AND ACCOLADES

At the at CA Sri Lanka Annual Report Award 2018 Lanka Walltiles PLC was awarded the 'Gold Award' in the Manufacturing Sector (Turnover up to LKR 5 Bn).

performance HIGHLIGHTS

Financial Performance	Unit	Group 2018/19	Group 2017/18	Group Variance (%)	Company 2018/19	Company 2017/18	Company Variance (%)
Revenue	Rs.000	19,627,160	18,313,245	7	3,220,934	3,316,247	(3)
Gross profits	Rs.000	4,303,014	5,317,385	(19)	929,053	1,209,441	(23)
Earnings before interest and tax (EBIT)	Rs.000	2,040,365	2,791,084	(27)	454,683	980,594	(54)
Profits before tax	Rs.000	1,192,772	2,310,938	(48)	288,196	867,409	(67)
Profits after tax	Rs.000	780,070	1,611,164	(52)	231,281	691,041	(67)
Profits attributable to shareholders	Rs.000	617,157	1,086,902	(43)	231,281	691041	(67)
Gross profit margin	%	22	29	(24)	29	36	(27)
Net profit margin	%	4	9	(88)	7	21	(66)
Return on assets (ROA)	%	3	6	(50)	3	9	(66)
Return on equity (ROE)	%	5	11	(34)	4	14	(71)
Interest cover	No of times	2.40	5.58	(57)	2.73	8.66	(68)
Financial Position							
Assets	Rs.000	31,056,456	25,722,893	21	8,961,369	7,820,837	15
Capital expenditure	Rs.000	2,955,647	1,589,582	86	201,802	167,299	21
Interest bearing liabilities	Rs.000	9,214,647	5,515,740	67	1,646,972	1,172,639	40
Other liabilities	Rs.000	6,656,704	5,792,404	15	1,974,696	1,667,159	18
Shareholders' equity	Rs.000	11,241,553	10,516,814	7	5,339,701	4,981,039	7
Gearing: Debt/equity	%	61	38	60	31	24	29
Net assets per share	Rs/share	205.89	192.62	7	97.80	91.23	7
Current ratio	No of times	1.34	1.56	(14)	1.32	1.45	(9)
Quick assets ratio	No of times	0.47	0.64	(27)	0.39	0.49	20
Shareholder information							
No of shares in issue	No	54,600,000	54,600,000	-	54,600,000	54,600,000	-
Market value per share	Rs/share	60	98.4	(39)	60	98.4	(39)
Dividend per share	Rs/share	3	9.5	(68)	3	9.5	(68)
Earnings per share	Rs/share	11.3	19.91	(43)	4.24	12.66	(67)
Market capitalization	Rs.000	3,276,000	5,372,640	(39)	3,276,000	5,372,640	(39)
Dividend payout ratio	%	21	32	(34)	71	75	(5)

11,242
SHAREHOLDERS EQUITY (Rs. Mn)

206
NET ASSET PER SHARE (Rs.)

2,956
CAPITAL EXPENDITURE (Rs. Mn)

	Unit	Group			Company		
		2018/19	2017/18	Variance (%)	2018/19	2017/18	Variance (%)
Human capital							
Number of employees	No	8,001	7,846	2	552	530	4
New recruits	No	1,573	720	118	100	108	(7)
Female participation	No	3,465	3,439	1	77	61	26
Investment in employee learning	Rs.000	15,718	11,926	32	650	442	47
Total training hours	Hours	14,685	2,969	395	2,576	422	510
Employee injury rate	100 Employee	1	1	-	1	1	-
Manufactured and Intellectual capital							
Value of PPE	Rs.000	16,822,752	14,316,493	18	4,536,281	4,114,548	(10)
Capital expenditure	Rs.000	2,955,647	1,589,582	86	201,802	167,299	21
Depreciation and amortization	Rs.000	813,877	709,855	15	166,491	154,612	8
New product designs	No	611	517	18	292	311	(6)
Investment in R&D	Rs.	29,301	25,431	15	12,983	7,690	69
Social and Relationship capital							
Dealers	No	263	190	38	37	25	48
Distributors	No	51	47	9	28	24	17
Member in tilers clubs	No	3,678	3,371	9	3,678	3,371	9
Franchises	No	58	51	14	46	42	10
Number of suppliers	No	2,664	2,062	-	298	145	106
SME suppliers	No	1,367	903	-	234	116	102
Payments for local suppliers	Rs.000	10,802,605	7,545,419	43	2,436,604	2,349,540	4
Payments to suppliers	Rs.000	24,783,796	11,769,379	111	3,602,435	2,949,800	22
CSR	Rs.000	27,826	17,9355	55	5,043	4,800	5
No of beneficiaries of CSR	Approx.	20,000	20,000	-	8,800	8,400	-
Natural Capital							
Raw materials consumed	MT	174,078	162,239	19	32,628	26,726	22
Aluminium billets	MT	5,367	5,991	(10)	-	-	-
Energy consumption	Liters	2,383,173	1,363,654	75	158,655	201,645	(21)
LPG	Kg	14,862,538	13,814,480	8	5,576,788	5,410,804	3
Electricity	Units	37,677,422	35,842,370	5	10,021,545	9,875,089	1
Water withdrawn	M_3	238,832	204,888	17	39,762	18,821	111
Emissions	Mt	13,688	8,566	60	3,588	3,580	-
Effluents discharges	M_3	112,352	102,045	10	36,464	30,918	18

chairman's REVIEW

Dhammika Perera
Chairman

"The Group delivered total asset growth of 21% to Rs. 31 Bn as we pursued our charted course amidst uncertainty in both global and local markets. We are now geared for growth and look increasingly to export markets to deliver the same."

Dear Shareholders,

Lanka Walltiles is transforming in to an agile, future fit Group that is disrupting its own business model to maintain its market leadership position in the short, medium and long term in its core business. Tiles marketed under the brand name LANKATILES have been synonymous with high quality products in the country and we continue to invest in upgrading our manufacturing facilities and processes to uphold the trust that we have built over the years with our customers. Given the volatile operating environment in the country which witnessed an influx of cheap imports and a contraction in the construction sector, it was clearly time to review our business model and evaluate our supply chains, tackling hard truths.

DRIVING CHANGE

Our review pointed to three areas for urgent attention. Our portfolio needed an upgrade to align with the latest design trends including trends for larger sizes and we also needed a range that could compete with lower priced imports. Secondly, we needed to introduce sanitaryware in to our showrooms to enhance customer convenience and inspire beautiful settings for our tiles. We also had to drive growth by inspiring customers with our designs and developing export markets to drive growth to optimise our production capacity. As the Group derives the majority of its earnings from the Tiles segment, addressing these areas was a priority for the Board and resources and performance measures were aligned to drive progress on the same.

Engaging Through Technology

As Sri Lanka's internet subscriber base grew, we looked to engage an increasingly tech savvy clientele through innovative and empowering solutions which they could use from the comfort of their home. The Launch of the LANKATILES app allows customers to generate 3D images of their interiors using our products which greatly increases their chance of buying the same.

7.2Mn

Sri Lankan Internet Subscribers

21%

Total Asset Growth

The Group reached a total asset base of Rs. 31 Bn during the year under review.

Rs.3/-

Dividends per Share

Your Board recommended and paid a dividend Rs. 163.8 Mn as the final dividend for the financial year.

While understanding that this transformation is likely to take more than the space of one financial year to accomplish, we are excited about the progress made to date as outlined by the Managing Director. Our supply chains have become more complex but also more robust as we widened our sourcing capabilities. LANKATILES is now the single largest brand in India as a tile manufacturer, reflecting the rapid growth in our contract manufacture operations in India. We have also strengthened our domestic distribution chains and continued to engage with key influencers such as architects and tilers to ensure that we maintain visibility of our domestic franchise. Our product portfolio was rationalised and new designs and sizes were added in line with current trends. We are now focused on unlocking value by developing export markets while maintaining our leadership in the domestic market to drive volume and earnings growth.

INSPIRING CUSTOMERS

We are conscious of the need to inspire a diverse clientele through our designs, addressing their concerns proactively. Accordingly, we have looked beyond the design and quality of our product to engage and inspire customers. The introduction of the sanitaryware line and widening our portfolio have been key moves. Our franchise showroom staff have been trained extensively in assisting our customers to find the right tile that matches their requirements, increasing the chances of the customer finding the right tile.

As Sri Lanka's internet subscribers grew to 7.2 Mn in 2018, we looked to engage an increasingly tech savvy clientele through innovative and empowering solutions which they could use from the comfort of their home using technology. The launch of the LANKATILES app available on Android, iOS and Windows platforms saw the operationalising of that initiative. The app allows customers to generate 3D images of their interiors using our products which greatly increases their chance of buying the same.

A FOCUS ON EXPORTS

The contraction in the construction sector coinciding with the capacity increase in tile manufacture within the Group made

A Year of Transformation

During the year, we continued to invest in upgrading our manufacturing facilities and processes to uphold the trust that we have built over the years with our customers. We are now focused on unlocking value by developing export markets while maintaining our leadership in the domestic market to drive volume and earnings growth.

ACTIVITIES

- Widening our sourcing capabilities
- Strengthening our domestic distribution chain
- Engaging with key influencers
- Expanding our portfolio

chairman's review

7.2%

Top Line Growth

Our top line growth was driven mainly through volume growth resulting in lower margins.

2.78Bn

Investment

To ensure the Group's manufacturing facilities are geared to cater to the latest design trends.

exports a key business imperative to drive growth. As our exports accounted for around 16% of revenue, it was necessary to look beyond established markets and develop new markets. The US China trade tensions may point to potential opportunities and we have observed renewed interest from these markets. Australia, which was an established market, suffered a decline in the construction sector activity, dampening demand from this market. The Board continues to drive the export agenda as a top priority for the next year as well.

PERFORMANCE

The Lanka Walltiles Group recorded Rs. 780.1 Mn as profit after tax for the year ended 31st March 2019 which is a decline of 52% from the previous year's profit after tax of Rs.1,611 Mn due to weak demand and a decrease in productivity, due to launch of new sizes and necessary trial runs in addition to the shutting down of the old kiln for the installation of a new kiln. Top line growth of 7.2% was driven mainly through volume growth resulting in lower margins due to factors discussed above. Finance costs increased by 77% as expansion was funded through borrowing with interest increasing to Rs. 848 Mn.

Encouragingly, the Group delivered total asset growth of 21% to Rs. 31 Bn as we pursued our charted course amidst uncertainty in both global and local markets. We are now geared for growth and look increasingly to export markets to deliver the same. Swisstek Aluminium gained entry in to the quality conscious European markets by leveraging the country's GSP+ status to gain competitive advantage in pricing. Packaging recorded positive growth as it focused on customer acquisition and offering customised packaging solutions. Policy uncertainty and declining tea and rubber prices hampered the Plantations sector.

In view of the performance, your Board recommended and paid dividend of Rs. 3.00 per share amounting to Rs. 163.8 Mn as the final dividend for the financial year ending 31st March 2019.

OUTLOOK

Your Group invested Rs. 2.78 Bn in ensuring that its manufacturing facilities are geared to cater to the latest design trends, pursuing our goal to be future fit. A large portion of this investment was in LANKATILES which now has a state of the art plant with the capability to manufacture larger sizes required in line with global design trends. Additionally, our contract manufacture capabilities and sourcing of sanitary ware has expanded our business.

OPPORTUNITIES & CHALLENGES

Global growth is forecast to moderate in 2019 while local economic growth is also expected to be stymied by political and policy uncertainty combined with rising interest rates. While this presents several challenges for the year that has commenced, there are potential opportunities for the country as well which must be seized, and tangible action taken to secure them. We also need to seek opportunities in previously overlooked areas both locally and globally. Tensions between US and China present

"Your Group invested Rs. 2.78 Bn in ensuring that its manufacturing facilities are geared to cater to the latest design trends, pursuing our goal to be future fit."

opportunities for wooing customers to consider Sri Lanka as an alternative sourcing destination. The depreciating rupee also makes our products more competitive in export markets, particularly in the Euro Area as we enjoy GSP+ concessions. The country's reputation for social and environmental compliance frameworks also provide a significant competitive advantage. It is also necessary to monitor the developments in the country's bilateral trade agreements identify potential pathways for export growth opportunities.

Relationships built over 40 years will be of immense importance as we move forward. Our franchise dealer network have been loyal partners and we will need to ensure that we support our mutual growth in what looks to be a difficult year.

APPRECIATION

I commend the leadership given to the Lanka Walltiles Group by Mr. Mahendra Jayasekera who has realigned the Group for a new era of growth. I thank our teams for their hard work and support which is set out in the report. I thank our franchise network partners who inspire our customers every day. I also wish to thank our business partners who assist us in numerous ways to deliver our products in a timely manner. I am deeply appreciative of the counsel of my fellow Board members who discharge their duties with care and diligence. Finally, I wish to thank our shareholders for their support extended and look to the same as we embark on our transformational journey.

Dhammika Perera
Chairman

06th June 2019

managing director's MESSAGE

GRI 102-14

J. A. P. M. Jayasekera
Managing Director

> The Lanka Walltiles Group has challenged itself to disrupt our business model to drive meaningful change that will take us in to a new era of growth.

The Lanka Walltiles Group has challenged itself to disrupt our business model to drive meaningful change that will take us into a new era of growth. Consistent investments in capex within the Group coupled with market leadership within the tiles sector points to growth beyond our shores. The other game-changing move was expansion of our supply chains to support customer needs which included contract manufacture in India and the sourcing of a range of high quality sanitaryware from China. Consequently, we've had a full year of change internally and externally to drive a paradigm shift which has invigorated our teams as we look forward to delivering on the goals we have set ourselves in the year that has commenced.

CUSTOMER CENTRICITY

Customer-centricity is a sine qua non to compete effectively in the market, particularly during a time of moderating economic growth and low levels of activity in our sector. Therefore, this was the starting point of our transformation, engaging with customers and influencers to determine customer requirements. We commenced more regular in-house customer surveys to identify pressure points, looking beyond satisfaction rates to identify potential areas for improvement. We also invested resources in training our franchise network employees to understand the customer requirement and deliver solutions in line with their needs. This programme also provided valuable insights into issues faced by customers as the franchise partners and their employees were the first to hear about customer concerns. Design influencers were also ready to express their views which were taken on board to supplement customer feedback. The emerging picture led to a number of changes to our business model, changing the way we had done business over the years.

The changes we made to respond to customer feedback was rapid and multi-dimensional. Rapid expansion of our contract manufacture locations in India from one at the beginning of the year to 13 by its end to meet affordability criteria was one key example to seize the potential for cost arbitrage between the two manufacturing locations. The next frontier was aligning our portfolio to current design trends and this required significant capital investments, particularly at Lanka Tiles PLC which needed even larger sizes to compete effectively in both local and export markets. Design expertise is key to competing effectively and we introduced over 400 new products to our portfolio to align ourselves with the latest design trends which necessitated investments in enhancing our capabilities to produce new larger sizes. We also rationalised our product portfolio, discontinuing old lines to create a wider portfolio with thematic collections catering to diverse palettes.

TRANSFORMING

We invested Rs. 2.2 Bn in capital expenditure at Lanka Tiles PLC and a further Rs. 0.2 Bn at Lanka Walltiles PLC to upgrade our facilities to cater to new

4,102
Per Capita Income $

2.9%
Inflation (YOY Head line Inflation based on the NCPI)

2.1%
Construction Sectors

14.1%
Private Sector Credit Growth for Construction Activities

design trends while also driving production efficiencies. This necessitated considerable disruption to production lines as we had to shut down operations for installations which was a cumbersome process. Subsequently, we also had to do a number for trial runs for new tiles which was a costly in terms of idle time, materials and effort. We also introduced Total Product Maintenance (TPM) in our factories last year to increase productivity and reduce costs although the disruptions masked the progress as fixed overhead absorption was relatively low due to lower activity. However, we believe that most of these frustrations are now behind us and that we have a working model with which we can move forward, fine-tuning it along the way.

We also sought to engage customers using mobile technology platforms inspired by the gamification of business and high mobile and internet penetration rates in the country. The interest shown by customers and reviews of the app are encouraging, filling a lacuna in the market for inspiring interior design and empowering customers. It is also connected to our showrooms and tiler's club members for the convenience of customers who can let their fingers do the walking.

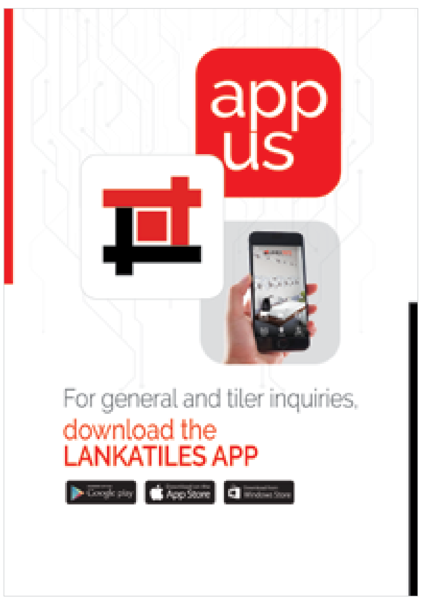
PERFORMANCE

Lanka Walltiles Group recorded revenue growth of 7% to Rs.19.6 Bn demonstrating resilience of the Tiles sector as the construction sector contracted by 2.1%. Intensifying competition and weak demand stemming from reduced disposable incomes had a significant impact on our operations during the financial year ended 31st March 2019. Additionally, increasing imports from low cost producers entering the market exerted pressure on margins as we opted to drive volume growth to retain market share, facilitating recovery of high levels of fixed overheads. The Packing Materials sector also supported revenue growth through aggressive client acquisition. The Aluminium and Plantations sectors recorded decreases in the top line reflecting overcapacity, contraction of the construction sector and declining tea and rubber prices.

managing director's message

13.1%
Credit Granted for Personal Housing

68%
AWPLR - BP



Gross Margins came under pressure due to increasing raw material prices, inflation, devaluation of the rupee, high energy costs and labour costs which posed challenges particularly for the Tiles sector which accounts for 56% of Group Revenue and 69% for Group assets. It is noteworthy that depreciation for the Tiles sector increased by 14% to Rs. 464 Mn reflecting the capital expenditure in the previous year which became eligible for depreciation in the reporting year. Packing Materials was the only sector which improved margins even marginally as Aluminium and Plantations sectors saw significant declines in margins due to falling prices.

The Tiles sector turned in a profit of Rs. 897 Mn for the year supported by Packing Materials sector which contributed Rs. 20 Mn with a marginal contribution from Plantations of Rs. 8 Mn. Losses from the Aluminium sector which faced even more intense competition due to capacity expansion by all players proved to be a drag on the profitability of the Group as it incurred a loss of Rs.125 Mn decreasing Group Profit After Tax to Rs. 780 Mn.

Total assets increased by 21% to Rs. 31.1 Bn due to investments in capital expenditure of Rs. 2.8 Bn and increased inventory and receivables reflecting the gearing for growth

"The customer centricity of our business model will provide further insights enabling us to align our strategy even more closely to ever changing customer preferences."

Factory investment in Meepe - New Digital Printing Machine

by the Tiles sector which was the major contributor to Total Asset growth.

OUTLOOK

Forecasts for 2019 reflect a moderating growth trend as demand weakens due to political instability, trade tensions and increasing vulnerabilities of some economies and these reasons remain valid for global and local economic growth. As in the popular 1980's song, when the going gets tough, the tough get going. We have already commenced disruption of our own business model and we will continue to do so, seeking opportunities that were overlooked before or new ones that emerge as a result of the shift to bilateral trade and opportunities arising from the disequilibrium stemming from US China trade tensions. The customer centricity of our business model will also provide further insights enabling us to align our strategy even more closely to ever changing customer preferences.

The Lanka Walltiles Group is well positioned for growth both in the domestic market and export markets as a plethora of certifications of international repute affirm. Access to Italian expertise in the tile industry has also proved a significant advantage to align with the latest design trends and technologies. This is supported by sound social, environment and governance practices reinforced throughout the group through data collection and monitoring as reflected in this Integrated Annual Report. We are aware that it is a journey, not a destination and are committed to take the steps to get us on the optimal path to drive sustainable growth for the Group. Our aim is simply to explore new horizons to deliver results beyond expectations.

ACKNOWLEDGEMENTS

I thank the Board for charting our course and providing the necessary guidance through the year. I take this opportunity to thank the CEOs of the subsidiaries who have provided the leadership to our teams. I thank all the employees of the Lanka Walltiles Group for inspiring customers and growing our business. Our business partners have shared our growth journey and I extend my sincere appreciation of their contribution while looking to their support in the future to realise mutual goals. I thank our shareholders for the support and confidence extended and look forward to delivering another profitable year.

J. A. P. M. Jayasekera
Managing Director

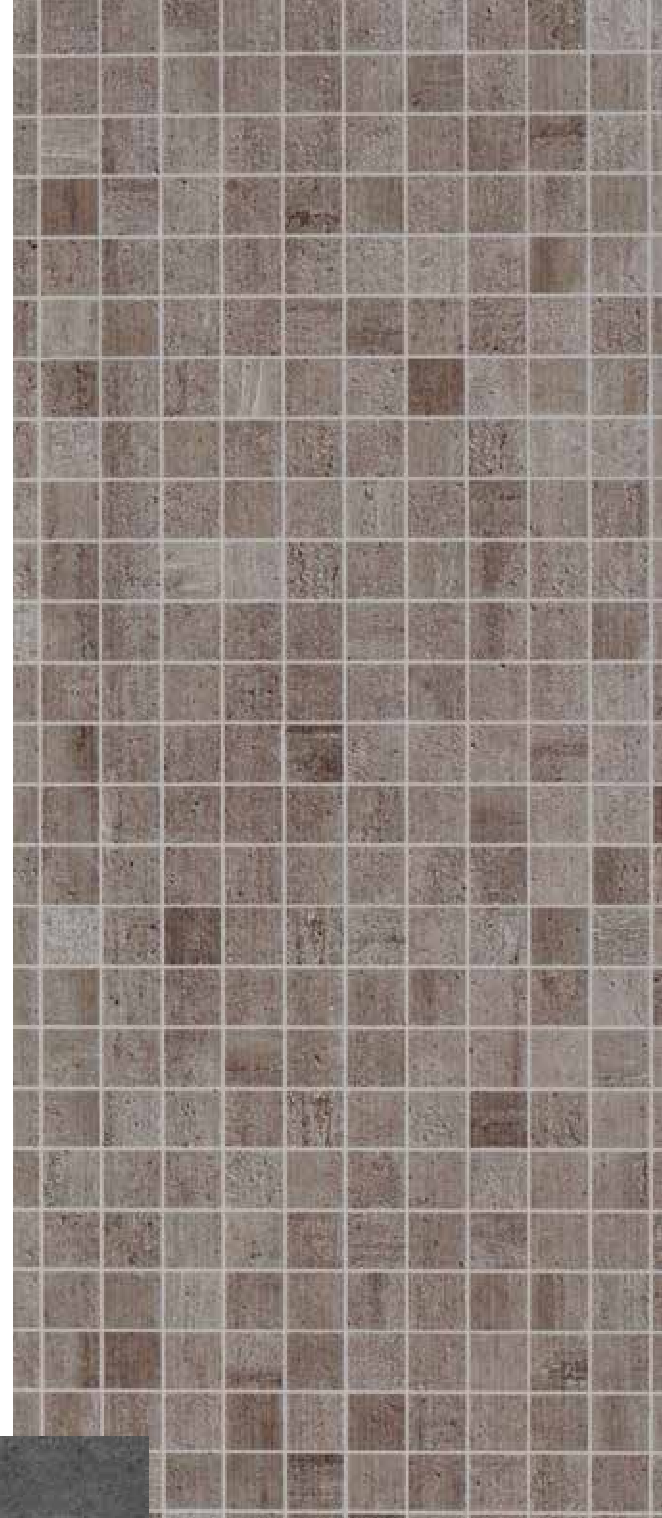
06th June 2019

DESIGNING A FUTURE OF CHANGE

Business Review

We are exploring new avenues for growth, as we expand our operations and venture forth into a future of unparalleled value creation.






focus on STRATEGY

Resources Used

Financial Capital
(Page 51)

Social and Relationship Capital
(Page 57)

Manufactured Capital
(Page 61)

Human Capital
(Page 64)

Natural Capital
(Page 72)

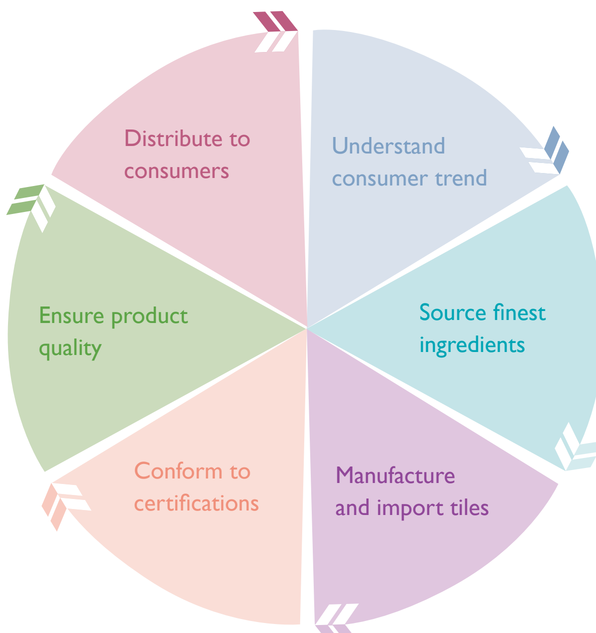
Intellectual Capital
(Page 77)

OUR VISION

To be a leading producer of wall and floor coverings and related products for local and international markets.

Create Demand

- Franchise showrooms
- Reach global customers through exports
- LANKATILES The Fine Art of Living
- Partnering with 37 dealers and 3,678 tilers
- Branding and Innovations



Managing our strategic Investments in plantations, packaging and Aluminium

Corporate Governance

Risk Management

Value Delivered

ROE of 4%
DPS of Rs. 3.00

Salaries of Rs. 458 Mn - for Company
2,575 Training Hours

Capital Expenditure of Rs. 202 Mn for Company

Sold 2.1 Mn Sq. Mt of Tiles.
Paid Rs. 3,802 Mn to Suppliers.
Tax Paid to Government Rs. 300 Mn

Export Sales Contribution 16% from the Total Revenue

All Products Conformed to Certifications and Standards

Responding to our stakeholders

"To succeed and reach our aspirations, we need to partner with several diverse stakeholders. We nurture long term relationships with our stakeholders by understanding and fulfilling their priorities."

Stakeholder	Topics and Concerns Raised	Our Responses	How We Engage
Manpower A team of 11 employees. Designers	• Attractive remuneration. • Talent and skill development. • Opportunities for career progression. • Health and safety of work environment.	• Continuous engagement • Evaluated compensation packages with industry trends. • Training programmes. • Provided necessary protective gear and ensured all machinery and equipment are safe for usage.	• Meetings • Performance appraisals. • Training workshops • Notice boards • Labour forums • Welfare events
Buyers Shoppers who visit our showrooms.	• Product quality. • Reliable services • Accessibility choices. • Innovative designs • Competitive pricing.	• Launch new product design. • Invest on research and development. • Comply with certifications. • Import low priced tiles. • Widen presence by opening 4 franchise showrooms. • Measure customer satisfaction.	• Retail outlets. • Dedicated hotlines. • Monthly customer surveys. • Introducing SMILEYs at showrooms to obtain customer feedback instantly. • Customer satisfaction index.
Our business partners including Tilers, franchisees, brokers and Fabricators.	• Avenues to increase income such as commissions. • Opportunities to learn and develop skills. • Development of retail infrastructure.	• Provide Trade commissions. • Training programmes for Tilers and franchisors. • Improve collaboration by forming clubs such as Tilers clubs. • Frequent engagement. • Set up an index for distributors.	• Training programmes. • Visits to franchise showrooms. • Customer hotlines
Suppliers A range of local, overseas and in-house suppliers.	• Fair pricing • Ensure high quality of raw materials. • Foster long term relationships.	• Negotiate pricing revisions. • Manage credit periods. • Develop supplier skills by conducting workshops. • On site visits of ball clay sites to ensure environmental compliance.	• Visit supplier sites • Meetings • Industry forums

focus on strategy

Key Stakeholders	Topics and Concerns Raised	Our Responses	How We Engage
Communities	• Harmonious relationships. • Environmental grievances. • Support in developing communities.	• Provide indirect employment opportunities. • Manage environmental concerns effectively.	• CSR • Hotlines to address community complaints. • Participation in social events.
Providers of Capital Equity Investors	• Revenue growth • Profitability • Cash management • Returns • Leverage	• Drive revenue growth by adopting a sound strategy. • Stringent cost management • Managing leverage. • Maintain adequate cash flows.	• Annual general meetings and extra ordinary general meetings. • Financial reports. • Circulars • Press releases • Dividend announcements and payments.
Debt Investors	• Repayment capacity	• Meet payment obligations.	• Payment of debt obligations. • Contracts
Regulatory Authorities and Industry Associations	• Renewal of licenses. • Ethical business operations. • Compliance to regulations.	• Ensure compliance to regulations and industry best practices. • Propose industry recommendations.	• Monthly reporting framework. • Regular monitoring and audits. • Industry forums.

DETERMINING MATERIAL ISSUES

We identify and prioritise our material issues by assessing relative importance to stakeholders and company performance. The prioritised factors are the highlighted areas in our materiality map as shown below. These are the focus areas of the Board of directors and the basis of our reporting throughout the year.

Significant to company

Significant impact	High Impact	Critical
Low impact	Significant impact	High impact
Not material	Low impact	Significant impact

Significant to company

Topics	Material Concerns		
	Critical	High Impact	Significant Impact
Economic	1. Market presence 2. Customer satisfaction 3. Product pricing 4. Market share 5. Innovation 6. Product quality 7. Supply chain	1. Product availability. 2. Process efficiencies.	1. Capacity expansion 2. Indirect economic impact.
Environmental	1. Compliance 2. Materials 3. Energy 4. Carbon emissions 5. Effluents and waste	1. Supplier environmental assessments 2. Water	
Employee	1. Employment 2. Health and safety	1. Training and development. 2. Productivity	1. Employee relations 2. Attrition
Social	1. Customer Health and safety 2. Indirect employment.	1. Marketing communication. 2. Marketing and labelling.	1. Community relationships.

How we align our material topics and related policies with global sustainability goals (SDGs).

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Environmental Commitments
Environmental Policy

10 REDUCED INEQUALITIES
8 DECENT WORK AND ECONOMIC GROWTH

Employee Matters
Employment Policy Health and Safety Policy Grievance Policy

1 NO POVERTY
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES

Social Matters
64 CSR Activities
1,000+ Indirect Employees

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Economic
Customer Satisfaction 81%
Market Share 30% in Walltiles

focus on strategy

STRATEGY

Our Strategy in 2018/19	Accelerate Volume Growth	Improve Efficiency	Develop Manufacturing Capacity	Increase Shareholder Returns
Initiatives	Expand offshore	Implement Total productive maintenance (TPM) program to drive process efficiencies.	Invest	Manage leverage
	Energize domestic retail operations by introducing new products and importing low priced tiles.	Develop competencies and increase productivity.	Facilitate imports by setting up production bases in competitive regional markets such as China. .	Sustain profitability
	Innovate new designs and styles	Increase sourcing of raw materials from our group companies.	Upgrade production lines to manufacture new product ranges.	Manage strategic investments.
	Maintain product quality.	Deliver our environmental commitments.		Optimize use of cash and liquid assets.
Indicators to measure performance	Customer satisfaction at touch points Number of Clicks in showrooms increased gradually Expand export market to 9 countries Group turnover 7%	19% of ball clay sourced from internal suppliers. Cost savings of Rs. 148 Mn in Tile Sector Group training and development Rs. 14.7 Mn.	Increased production capacity for Tile accessaries 8% for Aluminium Production 17% Group imported grew by 231 Capital expenditure of Rs. 2,956 Mn.	Group gearing was 61% Group EPS Rs. 11.3 Shareholder fund increased by 7% Interest income Rs. 6 Mn

Outcomes	• Revenue increased by 7%	• Group net profit ratio was 41% compared to 91% last year.	• PPE growth of 18%. • Total assets of Rs. 31,056 Mn of which PPE accounts for 54%.	• Shareholder returns • ROE - 5% • Dividend per share of Rs. 3.
Opportunities	• Trade wars between US and leading tile exporters such as china opens export opportunities to domestic manufacturers.	• Local availability of high-quality clay.	• Ample opportunities to expand capacity in regional markets such as India and China.	
Challenges	• Subdued economic growth. • Competition • Changing consumer styles and designs.	• Increasing energy costs. • Currency depreciation. • Change in corporate taxes on export revenue to 28% from 14% last year.	• Redesigning of product lines led to production losses.	• Increasing cost of borrowing as market interest rates increased. • Obsolete inventory.

Our medium- term plans to drive growth while operating sustainably

- Create demand to drive revenue growth
- Cost management
- Optimise capacity
- Optimise use of funds.
- Maintain our environmental commitments

Enablers

7%	18%	9	7%
Shareholder Fund Increased	**PPE Growth**	**Current Export Destination**	**Group Revenue Increased**

risks and OPPORTUNITIES

GRI 102-18

> **"Risks are identified by operational managers who involve in the day to day operations of the business. These risks are escalated to the escalated to the Corporate management team"**

Risk management plays a crucial role in managing unavoidable risks that affect our performance and achievement of strategic objectives.

GOVERNANCE

We adopt the three lines of defence model as depicted below. The Board of directors hold the apex responsibility of risk management.

Risks are identified by operational managers who involve in the day to day operations of the business. These risks are escalated to the escalated to the Corporate management team; the CEO and the group executive committee. Identified risks are prioritised based on likelihood and impact. Suitable mitigative actions are developed to minimize our exposure to principal risk categories.

Risk appetites and internal controls are communicated to all employees across the organization.

Formulate risk policies and approve mitigative actions.	**Third Line** Independent assurance and oversight of risk management function.	Apex governance body 1. Board of Directors. 2. Audit Committee
Ensure risk policies and internal controls are well communicated and implemented.	**Second Line** Risk monitoring	Corporate Management Team 1. CEO 2. Group Executive Committee
Self risk assessments and ensure risk exposures are within predefined limits by implementing internal controls.	**First Line** Risk assessments and implementation of internal controls.	Supervisors Executives

Declining Demand	Fluctuating Market Prices	Changing Government Policies	Product Quality
Climate Action	Environmental Concerns	Stakeholder Relationships	Fluctuations in Exchange Rates and Interest Rates
Operational Risks	Cyber Attacks	Capital Risks	Business Ethics

Principal Risks Indicators	Potential Impact	Key Mitigation
DECLINING DEMAND • Subdued economic growth. • Lower external demand as global growth weakened. • Changing consumer preferences. • Declining construction of commercial and residential properties.	• Sales volumes • Slow moving inventories • Revenue growth	• Provisions for slow moving inventories. The provision policy is reviewed by external auditors. • Innovate new product designs • Invest Rs. 29 Mn on research and development.
FLUCTUATING MARKET PRICES • Prices for agricultural products such as tea and rubber are determined by the market forces of supply and demand.	• Revenue growth. • Gross profit margins.	• Developed value added products for niche markets. • Crop diversification. • Expanded presence in export markets.
CHANGING GOVERNMENT POLICIES. • Corporate taxes of export-oriented companies was increased to 28% from 14% last year.	• Lower profitability as group taxes increased	• Maintained close relations with the government and industry associations. • Assist in formulating industry best practices, laws and regulations.
PRODUCT QUALITY	• Brand reputation • Revenue growth • Market share • Product returns • Customer satisfaction	• Conformed to certifications • Stringent product testing at own laboratories.

risks and opportunities

<table>
<tr><th>Principal Risks Indicators</th><th>Potential Impact</th><th>Key Mitigation</th></tr>
<tr><td>ENVIRONMENTAL CONCERNS
• Air pollution
• Waste disposal
• e-Compliance</td><td>• Brand image
• Community relationships.
• Fines and penalties
• License approvals.</td><td>• An environmental policy is in place
• Ensure stringent compliance to environmental regulations.
• Assess clay suppliers to ensure mines are adequately backfilled.
• Implement measures to reduce energy consumption.
• Ensure safe disposal of waste.</td></tr>
<tr><td>CLIMATE ACTION
• Droughts and severe weather conditions
• Diseases and forest fires</td><td>• Crop cultivation</td><td>• Diversify crop cultivation to 03 regions
• Revenue diversification.</td></tr>
<tr><td>STAKEHOLDER RELATIONSHIPS
• Suppliers
• Distributors
• Customers such as Tilers, Fabricators, Tea brokers.</td><td>Any unfavourable impacts on our stakeholder relationships could affect our supply chain, market presence and overall profitability.</td><td>• Continuous engagement
• Diverse supply chain
• Provide opportunities to develop skills through training programs for Tilers.
• Increase collaboration by forming clubs with market influencers such as Tilers.</td></tr>
<tr><td>FINANCIAL RISKS
• Changes in interest rates
• Exchange rate movements
• Liquidity risks
• Credit risks</td><td>We performed a sensitivity analysis to evaluate the potential impact on profitability.<table><tr><th>5% change in market variable</th><th>Impact on profit before tax (Rs 000)</th></tr><tr><td>Exchange rate gains/ losses on translation</td><td>36,699</td></tr><tr><td>Market interest rates</td><td>8,581</td></tr></table></td><td>• Trade receivables were maintained within credit limits and secured by Bank guarantees.
• Exports under DA terms are insured.
• Flexible funding arrangements by maintaining a mix of both committed and uncommitted credit lines.
• Maintain a mix of both fixed rate and floating rate debt.
• Reporting and monitoring the debt maturity profile.</td></tr>
<tr><td>CAPITAL RISKS
• Gearing ratio was 61% compared to 38% last year.</td><td>• Profitability
• Returns to equity investors</td><td>• Maintain a strong credit rating</td></tr>
<tr><td>OPERATIONAL RISKS
• Machine downtime
• Health and safety related incidents</td><td>• Capacity utilization
• Employee productivity
• Profitability</td><td>• Annual plant upgrades
• Five -year strategic plan to increase capacity.
• Health and safety policies
• Provision of adequate protective gear
• Insurance schemes cover 100% of permanent workforce.
• All plant and machinery are purchased from reliable suppliers. These are also periodically tested to ensure safety for use.</td></tr>
</table>

Principal Risks Indicators	Potential Impact	Key Mitigation
CYBER ATTACKS		• Appointed a Chief information security officer (CISO). • Cybersecurity risk and management policy • Implemented a Disaster recovery plan. • Independent review of cybersecurity risk is done by third parties.
BUSINESS ETHICS • Risk of management fraud, employee fraud and other illegal acts. • Donations • Corruption and bribery	• Business reputation • Profitability. • Stakeholder relationships	• Monthly internal audit of business transactions. • Quarterly audit meetings and monthly Board meetings with supervisors to review the financial status of company. • Integrity of financial statements evaluated by external auditors. • A related party transactions review committee to independently review related party transactions. • Policies such as related party transaction polices.

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 its probability of impact to 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 the reliability of financial statements presented herein has been done in according with applicable accounting standards and regulatory requirements and training in to account all risk factors.

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

Dhammika Perera
Chairman

J. A. P. M. Jayasekera
Managing Director

06th June 2019

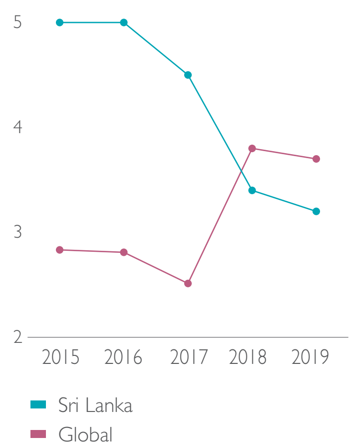
OPERATING environment

GRI 203-02

> **“The construction sector was severely impacted by low business confidence and changing taxes for condominium sales.”**

The changes in the external environment affect demand, costs and value creation of our organization. During 2018, Global growth weakened to 3.6% in 2018 compared to 4% in 2017. Instabilities increased with US/China trade tensions, tighter credit policies in China, introduction of new fuel emission standards in Germany and tight financial market conditions. In addition, natural disasters in Japan further impacted economic activities. This led to lower consumer and business confidence. External demand and investment activity softened especially in emerging Asia. Challenges in the global environment affected the external trade performance of domestic markets. Export growth softened to 5.9% compared to 9.3% last year despite free trade agreements to promote exports. Trade deficits widened. In addition, intensifying political turmoil and uncertain government policies further impended growth. Economic growth weakened to 3.2% compared to 3.4% last year. The construction sector was severely impacted by low business confidence and changing taxes for condominium sales. Growth in the industrial sector decelerated to 0.9% compared to 4.1% last year, having a large impact on overall economic performance. This also offset the favourable results from a recovering Agricultural sector.

Economic Performance (%)

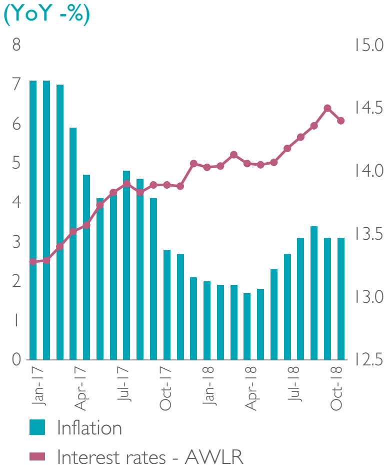


Our Exposure	Sector Growth
Agriculture 10% of revenue	4.8% compared to (0.4%) last year.
Industries 90% of revenue	0.9% compared to 4.1% last year.
Services	4.7% compared to 3.6% last year.

4.8%

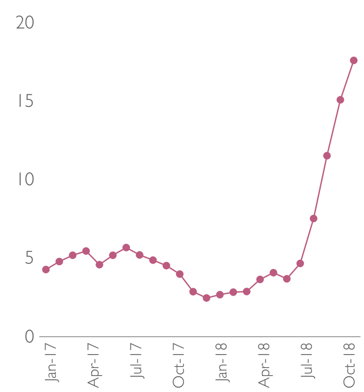
Growth in Agriculture Sector

Interest Rates - AWLR/Inflation (YoY -%)



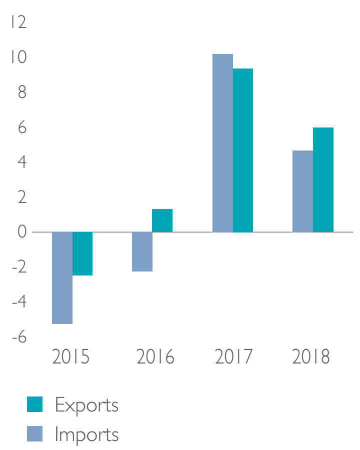
In 2018 a low inflation environment was supported by subdued credit growth and recovery of food prices

Currency Depreciation Against USD (YoY - %)

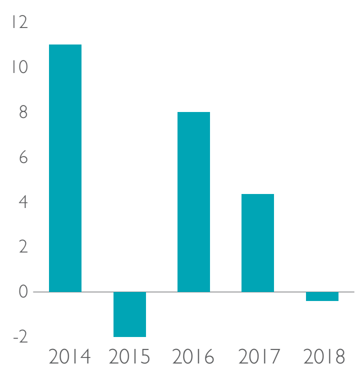


The depreciation of the rupee sharpened towards the end of the year as political turmoil escalated.

External Performance (%)



Growth in Construction Sector (%)



TILES AND ACCESSORIES

Domestic Demand

Tile demand moderated in 2018 as construction activities decreased during the year. Higher market interest rates, low business confidence and increasing VAT on condominium sales affected construction of both residential and commercial buildings.

Housing approvals declined by (11%) in 2018 compared with 10% last year.

Supply

Tile supply was 29.6 Mn sqm in 2018 compared to 30.9 Mn sqm last year. Low cost importers continued to form a significant share of the tile supply. This was mainly due to a higher demand for competitively priced tiles in local markets. Domestic producers were finding it difficult to compete with low -cost importers, as local manufacturing costs are higher than regional counterparts. This was further exacerbated with the sharp currency depreciation and rising energy costs in 2018.

Key Market Trends in 2018

Changing consumer preferences:
Changing lifestyles and increasing urbanization lead to changes in consumer preferences. This is an ongoing challenge for retailers. As a tile retailer, we evaluate and understand the busing penchants of our consumers to develop relevant product portfolio. Demand in 2018 was driven by:

1. Larger size tiles with contemporary designs.
2. Interior designers preferred larger multi -purpose porcelain tiles to be used simultaneously in walls and floors.
3. Competitive pricing: Demand for low priced tiles increased in local markets.

Evolving Retail Infrastructure

Digitalization has touched the spheres of every industry and even more so in the retail industry. During the year, we introduced the Tilers App to enhance the digital experience to our consumers.

Drive Exports

- Reach new markets such as Oman.
- Increase exports to prime markets such as US.
- Comply with international standards to win global clients.

Meet Consumer Preferences

- Import larger sized tiles and low-priced tiles from China and India.
- Innovate new designs and styles for niche customers.
- Revamp product portfolio.

Expand Presence

- New showrooms
- Expand dealer bases

New Technology

- Launch the LANKATILLES app

What We Did

operating environment

PLANTATION SECTOR

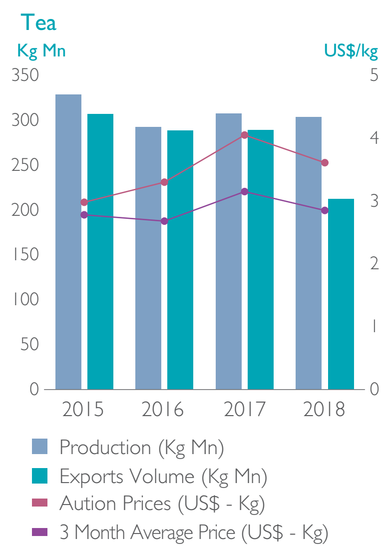
Performance of the Agri sector recovered from two preceding years of adverse weather conditions. The sector recorded an average growth of 4.8% in 2018 recovering from an (0.4%) loss last year. However, Tea and Rubber production dropped marginally in 2018 as crop yields in certain areas were affected by rainy weather conditions during the 1st half of the year. Production of tea declined by (1.27%) to 303 Mn kg. Rubber production declined by (0.6%) to 82.6 Mn kg.

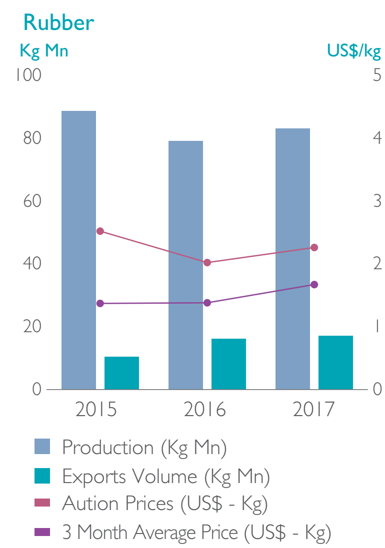
Demand for Ceylon tea in export markets was affected by US trade sanctions on Iran and banning of Glyphosate. During the year, tea exports declined by (26%) in volume and (6%) in USD value. As the MENA region consisting of Iraq, Turkey, Russia and Iran, accounted for 54% of Ceylon tea exports, the US trade sanctions on Iran had a severe impact on demand. In addition, exports to Japan was affected by the ban of Glyphosate. The use of alternative weedicides such as MCPA resulted in a higher residue level in tea. This affected exports to Japan as shipments had to tested for chemical residue.

In line with global trends, Colombo tea auction prices declined by (11%) reversing strong growth of last year. The year started on a positive outlook with tea prices in Jan 2018 reaching USD 4.16/ kg, a 5.3% growth to last year. However subdued external demand affected tea prices. Although increasing oil prices and weakening rupee showed some positivism to drive Ceylon tea prices in 2018, the impact was insignificant as currencies of other importing regions also depreciated against the USD.

"Performance of the Agri sector recovered from two preceding years of adverse weather conditions. The sector recorded an average growth of 4.8% in 2018 recovering from an (0.4%) loss last year."

Global Rubber prices, rubber TSR20, declined by (17%) in 2018. This was due to increasing rubber inventories in China as demand subdued with US trade sanctions and import duties on Chinese tires.





Industry Performance

Outlook

Tea production is expected to improve in 2019 driven by the Government plans to lift the Glyphosate ban and implement a liberalized fertilizer policy. However, the industry continues to face the challenges of ageing tea bushes and low productivity levels.

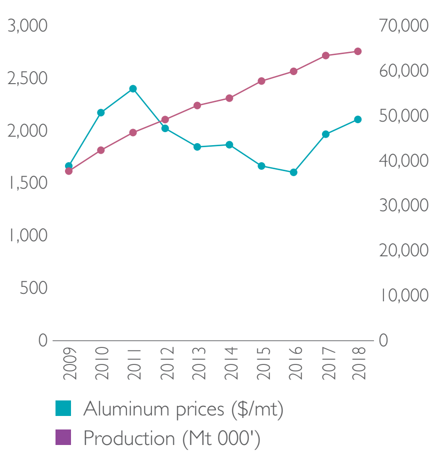
(Source: Fourth Quarter 2018 report of Sri Lanka Tea Board)

ALUMINIUM

Global Aluminium Industry

Global Aluminium prices declined by 8% in 2018 after reaching five- year highs last year. The slowdown was attributable to declining production and US trade sanctions on China. Aluminium production slowed by 16% to 53.5 Mn MT in 2018. This was the slowest growth rate in 7 years. China continued to dominate the global Aluminium industry as the single largest producer and consumer. Hence, US trade sanctions on China had a severe impact on the global Aluminium prices. This affected local extrusion producers as Aluminium is imported.

Aluminum



Demand

Factors affecting demand

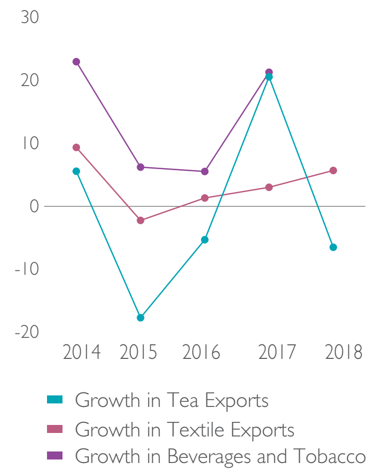
Aluminium extrusion capacity increased to 3,800 MT in 2018 as several domestic producers invested on capacity expansion. However, demand subdued to 1,800 MT compared to last year as weakening construction activity resulted in lower demand for building materials. This led to an overcapacity in the domestic extrusion industry. In addition, competition continued to be intense as property developers were able to import Aluminium profiles free of import duties. This further affected growth of domestic producers.

PACKAGING

Demand for corrugated packaging declined during the year. This was primarily due to declining external demand for key export categories such as tea and rubber. The USD value of tea and rubber exports declined by (6.5%) and (16.7%). This affected demand for corrugated packaging which is widely used to package export products in the FMCG and textile industries.

The local packing industry was also impacted by fluctuating paper prices and a depreciating rupee.

Factors Impacting Demand (%)



BUSINESS line reviews

Tiles and Associated Products

Contribution to group

56%	897Mn	21Bn	8.5Bn	17%	32%
Revenue	Profit After Tax	Assets	Liabilities	Workforce	Energy Consumption

Our brand, Lanka Tiles, holds a 20% market share in the domestic tile market being recognized as the oldest and most popular household brand. Since 1977, we extended our presence beyond shores to 09 countries including US, Australia, Singapore, India and Canada. We nurture our competitive edge by designing a comprehensive product range in par with the needs, tastes and styles of our consumers. Over the years, we successfully widened our presence in the value chain to drive customer satisfaction, product quality and operating efficiencies. Today, we have the capacity to source clay from our own mining lands, manufacture at 02 facilities and distribute through a fully -fledged network. We also have the capacity to import tiles from our 13 manufacturing facilities in low cost regions such as India and China.

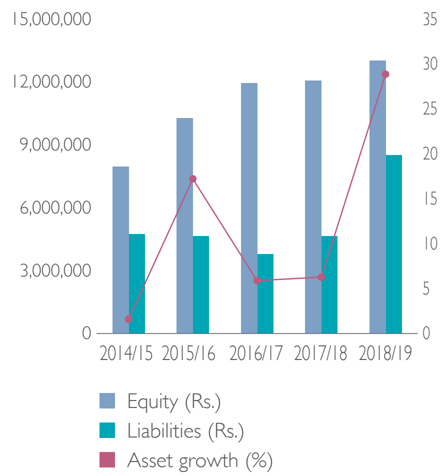
PERFORMANCE

Rs. 000	2017/18	2018/19	Growth (%)
Revenue	9,904,783	**10,944,908**	11
Gross profit	3,750,137	**3,230,517**	(14)
GP margins (%)	38	**30**	(22)
Operating profits	1,871,596	**1,536,933**	(18)
Profit after tax	1,271,709	**896,551**	(30)
Assets	16,708,830	**21,530,340**	29
Liabilities	4,669,828	**8,508,032**	82
ROCE (%)	16	**12**	(24)
ROE (%)	10	**7**	(35)

Revenue grew at a slower pace of 10.5% in 2018 compared to 12.0% last year as demand softened in local and export markets. Subdued economic growth, declining construction of buildings and changing consumer preferences affected tile demand. In local markets, consumers preferred larger sizes and competitively priced tiles. This was favourable to low cost importers. As a countermeasure, we strategically expanded our overseas manufacturing capacity to 13 factories to import low priced tiles. Imports increased by 140% to 1,583,418 sqm. In addition, we launched a new product line, Bath ware. Products were imported from our sourcing agents in China. With the addition of bath ware accessories, our franchise showrooms became a 'one -stop' shop for our consumers by offering a comprehensive range of products. This sustained the impact of low tile demand in local markets, and our local tile revenue increased by 14.5% to Rs. 10,679 Mn in 2019.

Export revenue decreased by 15.2% to Rs. 726 Mn. In the export markets, changing consumer trends and low construction activity, especially in our key export markets, such as Australia impacted revenue growth. During the year, we revamped our product portfolios to suite the latest trends. The new product range was crucial to maintain our market share

Asset Growth and Funding



in export markets. We also complied with international standards such as American National standard to win new clients in export markets. By the end of the year, we were able to get new orders from our prime export markets, such as US, Australia and Canada.

Despite revenue growth, profits after tax declined by 30% to Rs. 896.5 Mn. This was primarily due to rising energy costs and sharp rupee depreciation. Although costs escalated, we were determined to not pass the increase to our consumers as competition from low -cost importers was intense. This led to a decline in GP margins to 30% from 37.9% last year. However, gross profits decreased by 13.9% to Rs 3,230.5 Mn supported by the revenue growth. As a countermeasure, we focused on cost management through several initiatives such as increasing our mining capacity and implementing TPM to drive efficiencies in our value chain. Despite cost savings of Rs. 149 Mn, operating profits declined by 17.9% to Rs. 1,536.9

business line reviews

Customer oriented new design range

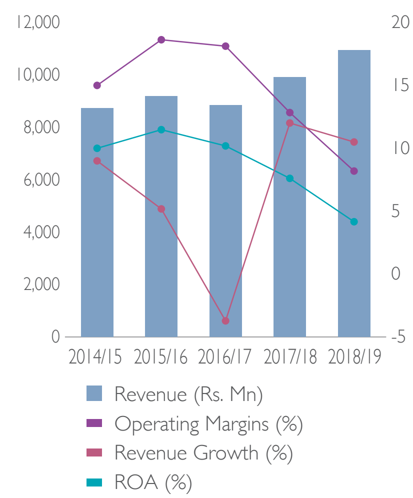
Mn. With increased borrowings, finance costs increased by 54% to Rs 260.5 Mn. This further impacted profitability and returns. Return on equity declined to 34.5% compared to 11% last year.

Our asset base increased by 29% to Rs. 21,530 Mn driven by capital expenditure and Rs. 2,588.2 Mn. Impairments of debtors and inventories increased by 132.6% to Rs. 17.3 Mn as Rs. 1,816.2 Mn. Liabilities increased by 22.9% to Rs. 8,507 Mn in 2018/19. New borrowings of Rs. 4,567.9 Mn were used to fund capacity expansions and WIC requirements.

OUTLOOK

Our outlook for 2019 is optimistic, driven by volume growth in both local and export markets. This will be driven by our new product range, broad retail presence and capacity to import low priced tiles and Bathware. In export markets, sales volumes will be driven by our revamped product portfolio and extended reach. By end 2018, we engaged with new clients from key export markets such as US, Canada which has yielded positive results supporting our order pipeline. We plan to extend our reach to new export markets in 2019. In addition, we will continue to focus on tight cost management, as our gross margins are continuously pressurized with rising costs. Initiatives to improve process efficiencies and employee productivity will continue to provide cost savings. This will progressively improve our gross margins.

Performance



Risks	Opportunities
• Subdued construction activity • Declining economic growth • Changing consumer preferences • Currency depreciation • Rising energy costs such as LPG	• Trade wars between US and China, the largest importer of tiles to US. • Large scale government real estate projects such as Western Megapolis.

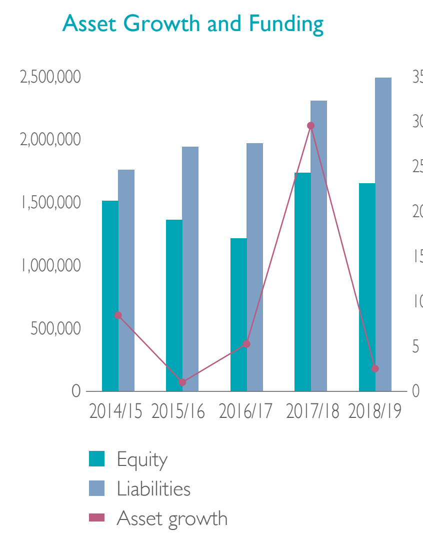
Plantations

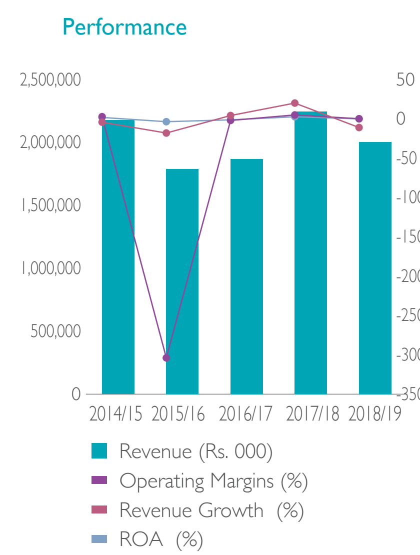
Contribution to group

10%	7.7Mn	4.1Bn	2.5Bn	72%	42%
Revenue	Profit After Tax	Assets	Liabilities	Workforce	Energy Consumption

business line reviews

Shear Plucking at Tea Estate-Horana Plantation PLC





Horana Plantations PLC is a premier plantations company and a leading producer incorporated in 1992 following the privatization of plantation companies. We source the finest teas and rubber from our internationally certified estates located in the Western and Central provinces of the country. Our heritage comprises of 16 prime estates with a total acreage of 7,534 hectares. Of the cultivated area, 29% is dedicated to tea, 31% to rubber and the remaining for timber and other agricultural produce.

PERFORMANCE

Revenue declined by 10.81% to Rs. 2,005.2 Mn as both tea and rubber prices resided during the year. Colombo tea auction prices declined by (11%) in 2018 compared to 22% growth last year. Rubber prices declined by 19% to 249.06 per Kg (Net Sales Average). As low rubber prices has been a continuous challenge over the last five years, we focused on diversifying to other non -traditional crops such as oil palms, timber, coconut, etc. During the year, revenue from non- traditional crops increased by 86% to Rs. 45 Mn.

Profits after tax declined by 93.4% to Rs. 7.7 Mn mainly due to the continuous increase in production costs combined with declining revenue. During the year, wages decreased by 18.1% as new wage agreements were signed. In addition, low employee productivity continued to be a challenge. The Government initiative to remove attendance incentives in the plantation sector further discouraged productivity. However, we took several steps to enhance productivity by implementing performance management systems to track field output levels, hosting best plucker competitions and conducting specialized training programs. A revenue share model was also implemented in certain factories. Employee productivity was 606.9 kg/ employee compared to 590.6 last year. In addition, we improved process efficiencies by digitizing the weighing process through electronic weighing machines. Higher finance costs and administration expenses further impacted profitability and returns. Sector ROE declined to 93.1% compared to 9.1% last year.

OUTLOOK

Our strategy for 2019 is to drive volume growth through our initiatives to:

1. Increase revenue diversification by cultivating non- traditional crops such as coconut, fruits and cinnamon.
2. Innovate a value- added product range to niche customers with high quality.
3. Enter new export markets by focusing on direct bulk exports of tea and rubber.

We will also continue our focus on cost management and enhancing employee productivity to expand our GP margins despite varying tea and rubber prices.

Risks	Opportunities
• Fluctuating tea and rubber prices • Declining economic growth • Weather / climate change • Low productivity in tea estates • Increase in wages	• Trade wars between US and China. • Possibilities of lifting the ban of glyphosate

PERFORMANCE

Rs. 000	2017/18	2018/19	Growth (%)
Revenue	2,248,357	2,005,255	(11)
Gross profit	280,514	165,106	(41)
GP margins (%)	12	8	(34)
Operating profits	230,106	140,915	(39)
Profit after tax	116,321	7,670	(93)
Assets	4,043,225	4,145,463	03
Liabilities	2,308,928	2,491,171	08
ROCE (%)	13	9	(36)
ROE (%)	8	1	(93)

business line reviews

Aluminium

Contribution to group

16%	-124Mn	4.4Bn	3.2Bn	6%	14%
Revenue	Loss After Tax	Assets	Liabilities	Workforce	Energy Consumption

Ranked as the second largest market player, Swisstek Aluminium holds a 28% market share in the Aluminium extrusion industry. We reach our consumers through a diverse retail network that covers 310 regions through franchise, dealers, distributor and market influencers such as fabricators and tilers. This drives our competitive edge. In line with market trends, our product portfolio has evolved from being solely focused on traditional Aluminium profiles to a diverse range of products including fabricated products, ladders and other furniture accessories. In 2018, we received the QUALICOAT Certification after a rigorous testing process for our powder coated products. We are the first and only company in Sri Lanka to get this certification.

PERFORMANCE

Revenue declined by 6.2% to Rs. 3,133.6 Mn due to persistently low demand for traditional Aluminium profiles in domestic markets. However, we focused on diversifying our business by including new product lines such as fabrications, venturing to export markets and increasing market presence. This helped sustain the impact of low demand.

During the year, our exports increased by 100% to Rs. 10.7 Mn. Exports to UK increased as we benefitted from tax concessions such as GSP Plus. Non-traditional products provided a revenue stream of Rs. 17 Mn. New product ranges such as pre-finished doors and multi-purpose ladders were a successful venture due to the ongoing shortage of skilled fabricators in the industry. We further expanded our product portfolio by introducing multi-purpose ladders and furniture accessories in 2018/19. In addition, we expanded our distribution network and leveraged on our relationships with tiler networks to reach a larger market audience.

Despite revenue growth, escalating Aluminium prices and currency depreciation impacted profitability. Gross profit margins declined by 43.9% to 17.0%. In addition, finance costs increased by 186.9% as borrowings increased in 2018/19. Profits after tax declined by 149.1% to Rs. -124.8 Mn. ROE declined to 153.7% in 2018/19 from 19.1% last year.

PERFORMANCE

Rs.000	2017/18	2018/19	Growth (%)
Revenue	3,340,583	3,133,622	(6)
Gross profit	1,013,412	533,355	(47)
GP margins (%)	30	17	(44)
Operating profits	455,807	155,327	(66)
Profit after tax	254,208	(124,807)	(1.49)
Assets	3,928,890	4,424,811	13
Liabilities	2,600,456	3,209,960	23
ROCE (%)	34	13	(63)
ROE (%)	19	(10)	(154)

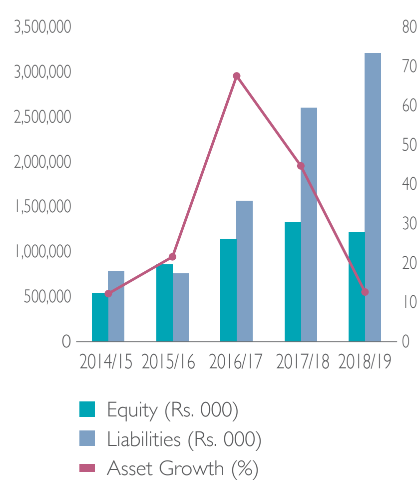
Outlook

We plan to drive volume growth through a diverse product range and broad market presence. We are well-positioned to meet the demand as our capacity expansion programs are completed. Warehouse capacity was increased by 50%.

We will continue to focus on revenue diversification, reaching new export markets such as Australia and Singapore and a widening our retail presence. The continued shortage of skilled fabricators extends our opportunities to grow in our newly launched fabrication business.

Risks	Opportunities
• Fluctuating Aluminium prices • Declining economic growth • Competition • Currency depreciation	• Robust demand in export markets • GSP+ concessions in exports to Europe • Large scale Government housing development and real estate projects. • Shortage of skilled fabricators in the industry.

Asset Growth and Funding



business line reviews

Packaging

Contribution to group

18%	19.9Mn	3.0 Bn	1.7 Bn	5%	12%
Revenue	Profit After Tax	Assets	Liabilities	Workforce	Energy Consumption

Uni Dil Packaging is one of the leading corrugated carton manufacturers in Sri Lanka. We manufacture a full range of environmentally friendly paper sacks and cartons to be used across various industries to package food, vegetables, livestock, materials and other products. High product quality is important to ensure that the goods of our consumers are protected till it reaches their customers. Our in- house laboratory testing facilities and compliance to ISO standards ensure our products are maintained at high quality.

PERFORMANCE

Revenue improved by 25.7% to Rs. 3,543.4 Mn. We drove strong revenue growth by customizing products to our customers and innovating new product designs for an extended array of industries. Several new customers were acquired during the year despite sluggish demand in the market.

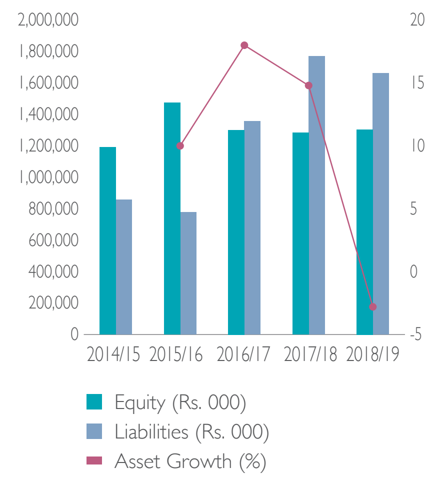
The Gross profit margin was 11% compared to 10% last year. Prices of paper have a profound impact on margins. During the year, paper prices increased by 50% during the first three quarters of the year and subsequently declined in the last quarter. These fluctuations, besides the currency depreciation, led to increase in the cost base. Operating profits increased by 63.6% to Rs. 201.2 Mn. We implemented several cost management initiatives to improve efficiencies, reduce wastage, and enhance productivity. However, profits after tax increased by 21.1% to Rs. 19.9 Mn. ROE increased by 19%.

Assets decreased by 2.8% to Rs. 2,966.6 Mn and liabilities 1,662.6 Mn. Capital expenditure amounted to Rs. 180 Mn.

OUTLOOK

Our priorities in 2019 are to accelerate volume growth by manufacturing customized products and diversifying our customer base by reaching new industries and markets. As paper prices continue to be volatile, we will focus on tightening cost management. This will support an improvement in margins and profitability.

Asset Growth and Funding

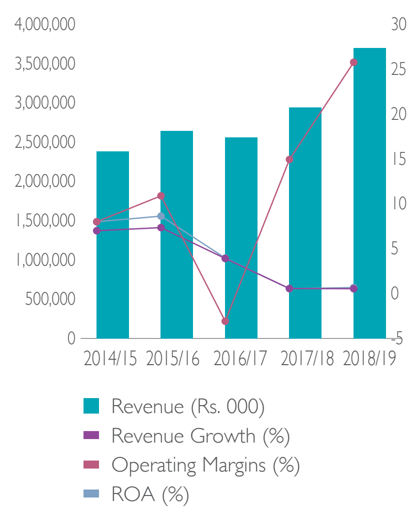


PERFORMANCE

Rs. 000	2017/18	2018/19	Growth %
Revenue	2,819,523	**3,543,376**	26
Gross profit	273,427	**374,035**	37
GP margins (%)	10	**11**	9
Operating profits	122,958	**201,178**	64
Profit after tax	16,438	**19,902**	21
Assets	3,052,661	**2,966,559**	(3)
Liabilities	1,770,286	**1,662,631**	(6)
ROCE (%)	10	**15**	61
ROE (%)	1	**2**	19

Risks	Opportunities
• Fluctuating paper prices • Declining economic growth • Competition • Currency depreciation	• Signing of free trade agreements to improve the export sector. • Increasing online sales.

Performance



SKILLFULLY CHARTING A FUTURE OF GROWTH

Capital Reports

Using the experience and knowledge collected over the years, we are charting new courses and exploring a future of change.




the capitals REPORT

GRI 102-11

> "The effective management of our capitals is essential to generating long-term value across our diverse stakeholder categories, and drives the Group's future growth and expansion."

CAPITALS USED DURING THE YEAR 2018/19

Financial Capital
Our pool of funds provided by equity and debt investors.

Group revenue increased by 7% to Rs. 19,627 Mn. The packaging and tile grout sectors of the group reported strong revenue growth of 26% and 60% in 2018/19.

Social and Relationship Capital
Our principal relationships

We continued to engage with our customers and partners by engaging with them regularly, and contributing towards their upliftment, welfare, and satisfaction.

Human Capital
Our competencies

During the year, we recruited 1,573 personnel to our team. In the Tiles and accessories sector, our focus in 2018 was to increase the young talent within our cadre.

Manufactured Capital
Our assets

During the year, we invested Rs. 1.8 Bn in upgrading our tile facilities to produce a new floor and wall tile product portfolio for our consumers.

Intellectual Capital
Our competitive edge

We have a dedicated research and development team in 4 sectors. During the year, research and development costs of the group amounted to Rs. 29 Mn.

Natural Capital
Reused of non-renewable materials

We recycled and reused 99% of aluminium billets used in the production process. We also researched new forms of raw materials with a lower environmental impact.

8%
Tile Manufacturing Capacity Increased

7%
Group Revenue Increased

Rs. 206
Net Asset per Share

93%
Investment in Capital Expenditure -Tile and Associated Product

2,955 Mn
Group Investment in Capital Expenditure

7%
Investment in Capital Expenditure - Other Products

financial capital

Our financial capital refers to the pool of resources provided by our shareholders, creditors, and debt investors. We optimise our financial resources through a prudent and coherent strategy to ensure the long -term sustainability of the group.

Rs. 2,034 Mn
Group Operating Profit

7%
Shareholder Equity Increased

54%
Property, Plant and Equipment (PPE)

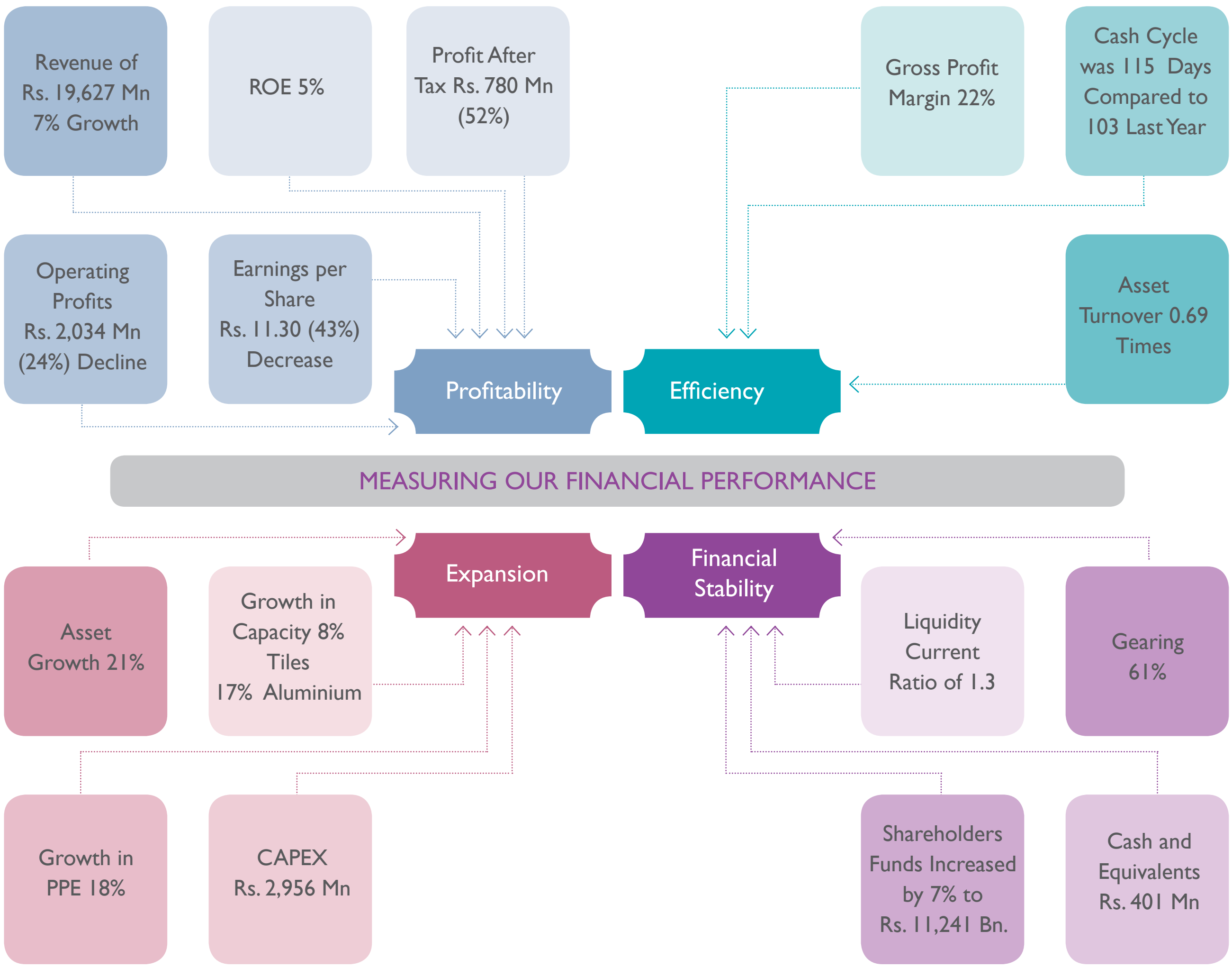
The core asset category of the group accounted for 54% of group assets

21%
Growth in Asset Base

Assets increased by 21% to Rs. 31,193 Mn driven by investments, increasing inventory and revaluation of land and investment properties and PPE.

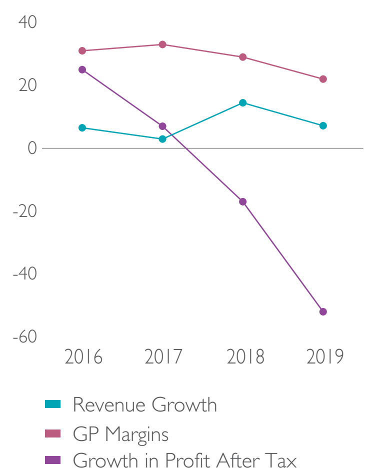
financial capital

The financial capital refers to the pool of resources provided by our shareholders, creditors, and debt investors. We optimise our financial resources through a prudent and coherent strategy to ensure the long-term sustainability of the group.



"Lanka Tiles accounted for 36% of group revenue. Revenue from Lanka tiles increased by 14% in 2018/19 to Rs. 7,008 Mn."

KPI (%)



FINANCIAL PERFORMANCE OF 2018/19

Highlights

Rs. Mn	2017/18	2018/19
Revenue	18,313	19,627
Gross profit	5,317	4,303
Operating profit	2,680	2,034
Net finance income/ (costs)	(369)	(841)
Profit before tax	2,311	1,192
Profit after tax	1,611	780

REVENUE

Group revenue increased by 7% to Rs. 19,627 Mn. However, revenue growth slowed during the year as several macro variables affected tile demand. These include changing consumer preferences, slow paced economic growth and a suffering construction industry due to changing government policies and low investor sentiments. The slowdown in the tile and accessories segment had a profound impact on the group as it contributed to more than half of the Group revenue. Other business sectors of the group such as Plantations and Aluminium, also reported a slowdown in revenue growth due to low tea and rubber prices and weak demand. However, the packaging and tile grout business sectors of the group reported strong revenue growth of 26% and 60% in 2018/19.

Performance of our key subsidiaries

- Lanka Tiles accounted for 36% of group revenue. Revenue from Lanka Tiles increased by 14% in 2018/19 to Rs. 7,008 Mn.
- Revenue from Lanka Wall tiles (company) declined by (3%) to Rs. 3,220 Mn as changing consumer preferences had a severe impact on demand. We revamped our wall tile product portfolio during the year to cater latest trends and styles.
- Sales of Tile accessories and grouts through Swisstek (Ceylon) PLC increased by 60% during the year to Rs. 1,175 Mn.
- Strong revenue growth of 26% from Uni Dil was primarily driven by initiatives to expand the clientele through customized product offerings.
- Revenue from Swisstek Aluminium declined by (6.2%) to Rs.. 3,133 Mn.
- Revenue from Horana Plantations declined by (10.8%) to Rs. 2,005 Mn.

Financial Capital - Key Indicators

	2017/18	2018/19
Revenue growth (%)	14.46	7.17
GP margins (%)	29	22
Growth in profit after tax (%)	(17)	(52)

financial capital

Performance by company

Tiles and associate sector

- Lanka Walltiles PLC
- Lanka Tiles PLC
- Swisstek (Ceylon) PLC
- Beyond Paradise Collection Ltd.
- LWL Development (Pvt) Ltd.

Aluminium products

- Swisstek Aluminium Limited

Packing materials

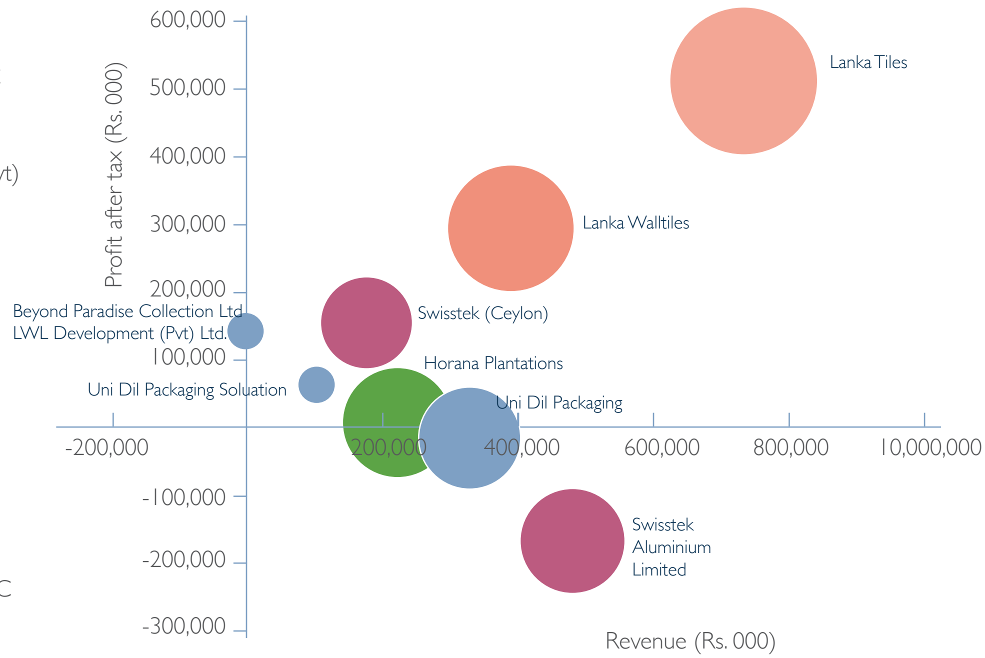
- Uni Dil Packaging Solution (Pvt) Ltd.
- Uni Dil Packing Ltd.

Plantations

- Horana Plantations PLC

Measuring the Size and Scale of Our Subsidiaries

(Assets denoted by size of bubble)



COST OF SALES

Group cost of sales increased by 19% to Rs. 15,324 Mn due to increasing raw material costs such as Aluminium and paper, exchange rate depreciation and rising energy and fuel costs. As several key materials including finished tiles products are imported, the depreciation of the LKR by 13% had a profound impact on our total cost base during the financial year. We adopted several cost management initiatives such as TPM to enhance process efficiencies and minimize wastage. Training and development initiatives focused on improving employee productivity. Cost savings of the group amounted to Rs. 149 Mn compared to Rs. 241 Mn last year.

GROSS PROFITS

Despite revenue growth, gross profit declined by (24%) to Rs. 4,303 Mn, affected by the increase in the cost base. GP margins narrowed to 21.9% compared to 29% last year as a highly competitive and challenging operating environment made it infeasible to pass on the cost increases to consumers. Gross margins declined across all business sectors except the packaging sector, in which gross margins marginally improved to 10% in 2018/19 (9% last year).

OPERATING EXPENSES

Group net operating expenses increased by 16% to Rs. 3,497 Mn as both administration and distribution costs increased during the year. Depreciation and amortization increased by 15% to Rs. 813 Mn.

EARNINGS BEFORE INTEREST AND TAX

Operating profits of the group amounted to Rs. 2,034 Mn, (24%) decline to last year. The slowdown in operating profitability is attributable to increasing cost of production and other operating costs.

BORROWINGS AND FINANCE COSTS

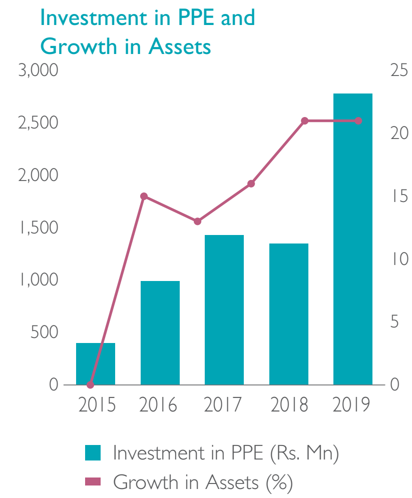
Finance costs significantly increased by 77% to Rs. 847 Mn in 2018/19 as the Group borrowings increased. The new borrowings of Rs. 10,841 Mn was used to fund capital expenditure and debt obligations that fell due during the year.

TAXES

Group taxes declined by (41%) during the year. However, the effective tax rate increased to 35% compared to 30% last year. This was primarily due to the change in income tax rate applicable on export income to 28% from 12% last year.

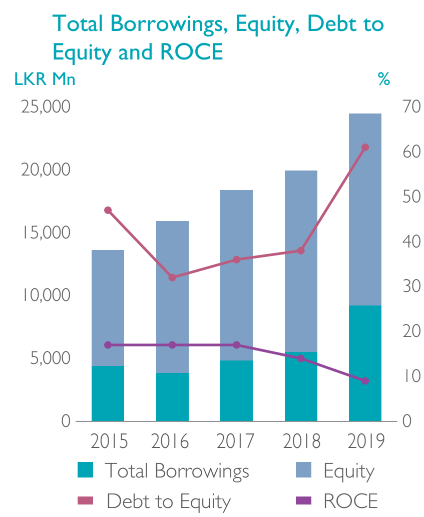
PROFITABILITY

Profit after tax declined by (52%) to Rs. 780 Mn compared to Rs. 1,611 Mn last year. The group profitability weakened as a result of a higher cost base and increase finance costs and taxes. Although revenue growth increased the Group income in 2018/19, the higher cost base had a profound impact on overall profitability of the group. Earnings per share declined to Rs. 11.24 per share compared to Rs. 19.91 per share last year.



Highlights

Rs. Mn	2017/18	2018/19
Assets	25,722	31,193
PPE	14,316	16,823
Cash	661	401
Equity	14,414	15,185
Liabilities	11,308	15,871



ASSETS

Assets increased by 21% to Rs. 31,193 Mn driven by investments, increasing inventory and revaluation of land and investment properties. Property, Plant and Equipment (PPE), the core asset category of the Group accounted for 54% of Group assets and increased by 18% in 2018/19. Investment properties increased to Rs. 816 Mn with a fair value gain of Rs. 355 Mn being recognized during the year.

Current assets of the group amounted to Rs. 12,778 Mn, 24% increase to last year. Inventories accounted for 65% of current assets and increased by 36% during the year. The increase was mainly due to the increasing stock of finished goods. Allowances for slow moving inventory amounted to Rs. 121 Mn, 1.43% of gross inventory. Trade receivables increased by 12% to Rs. 3,122 Mn. Allowances for doubtful debts was maintained at 1.5% of gross trade receivables.

CAPITAL EXPENDITURE

During the year, we invested Rs. 2,955 Mn, 85.9% increase to last year on property, plant and equipment. The Tiles and associated items sector accounted for 93% of group CAPEX. Investments was mainly incurred on revamping the wall tile product portfolio and redesigning the production lines. In addition, we also increased our tile manufacturing capacity by 8% to 7.2 Mn sqm.

financial capital

CA Sri Lanka Gold Award - 2018

CASH FLOW AND WORKING CAPITAL MANAGEMENT

Cash and cash equivalents declined by (39%) to Rs. 401 Mn. Cash outflows from operating activities amounted to Rs. (927) Mn. Declining cash profits and higher inventories and trade receivables affected the operating cash flows of the group. As a result, the current ratio of the group decreased to 1.34 from 1.56 last year. Cash outflows from investing activities amounted to Rs. (2,941) Mn driven by the capital expenditure of the group. Cash flows from financing activities amounted to Rs. 2,815 Mn as new borrowings of Rs. 10,841 Mn were used during the financial year.

CAPITAL STRUCTURE

Our capital structure changed during the year as the capital expenditure was mainly funded through new borrowings. The gearing ratio was 61% in 2018/19 compared to 38% last year.

Shareholder equity increased by 7% to Rs. 11,242 Mn during the year. This was driven by the increase in retained earnings and revaluation reserves of the Group. The stated capital of the Group remained in line with last year.

Return to Shareholders

	2017/18	2018/19	% Change
ROE (%)	11	5	(34)
Net Assets per Share (Rs.)	192.6	205.9	6.9
Earnings per share (Rs.)	19.91	11.3	(43.2)
Market Price per share (Rs.)	98.4	60.0	(39.0)
Market capitalization (Rs. Mn)	5.373	3.276	(39.0)
Dividend per share (Rs.)	9.5	3.0	(68.4)

Debt to Equity

	2017/18	2018/19
Total borrowings (Rs. Mn)	5,515,740	9,214,647
Equity (Rs. Mn)	14,414,749	15,185,107
Debt to Equity (%)	38	61
ROCE (%)	14	9
Asset growth (%)	15.85	20.73
PPE (%)	10.22	17.51
Borrowings (%)	14.17	67.06

20,000+
Over 20,000 Beneficiaries
From CSR Activities

55%
Group Contribution for Growth
Donation and CSR

24.8 Mn
Group Total
Supply payments

68%
Contribution from Tile and Accessaries Sector

27.8 Mn
Group Contribution for CSR Activities

32%
Contribution from other Sectors

social & relationship capital

The strength of our relationships define our success - and the Lanka Walltiles Group ensures we invest in cultivating our social and relationship capital through a continuous assessment of needs, while engaging with our customers, suppliers and the surrounding community.

29%
Group Supplier Base Increase

1,000+
Provide over 1,000 indirect employment opportunities

81%
Customer Satisfaction

55%
Investment in CSR Activities

social & relationship capital

"Our performance is anchored on long standing relationships with our customers, suppliers and communities. We effectively manage and develop our relationships by adopting a structured and clearly defined relationship management process."

OUR SOCIAL AND RELATIONSHIP CAPITAL BASE

Our Customers

	18/19	17/18
Distributors	51	47
Dealers	263	190
Franchisors	58	51
Tilers	3,678	3,371
Fabricators	690	400

Our Suppliers

	18/19	17/18
SME suppliers	1,367	903
Large scale suppliers	252	226
Subcontractors	92	74
Other	953	859
Total	2,664	2,062

Our Communities

We strive to develop long-standing relationships with our communities by actively contributing to their upliftments.

Our Activities to Enhance Relationships

Our Customers

- Deliver quality products
- Widen product accessibility choices.
- Innovate new products and designs.
- Connect Tilers from various regions by forming a Tilers club.
- Develop intermediators through training programmes.
- Modernize retail infrastructure by introducing apps.

Our Suppliers

- Fair pricing
- Nurture trust and transparency.
- Timely payments
- Ensure environmental compliance of suppliers

Our Communities

- Provide indirect employment opportunities.
- CSR programs
- Housing development projects

1 NO POVERTY | 3 GOOD HEALTH AND WELL-BEING | 6 CLEAN WATER AND SANITATION

81%
Customer Satisfaction - Tile Sector

2,664
Number of Group Suppliers

64
Group CSR Programmes

GRI 416-01 416-02 417-01 417-02 417-03 102-12

For Our Customers in 2018/19

Revamp product portfolio
- Developed 200 products designs.
- Added 92 new products to portfolio
- Imported 16 type of low price tiles range.

Expand market presence
- Opened 4 franchise showrooms
- Added 16 new dealers and distributors.
- Connected 3,678 tile masons to our Tiler's club.

Develop market intermediaries
- Trained 300 franchisors and tilers.
- Distributed Rs. 23 Mn as awards for Tiler's club members.

Product quality
- Complied with accreditations.
- Lower level incidents of non-compliance to product labelling and marketing communication.

Health and safety
- Complied with Health and Safety Standard

723Mn

Revenue from Product Developments - Company

For Our Suppliers in 2018/19

- Sustainable sourcing
- Visited supplier clay mines to ensure mines are backfilled.
- Prices were negotiated to ensure our suppliers are provided a competitive price.
- Ensured timely payments to suppliers.
- Quality of raw materials were tested.
- Proportion of spending on local suppliers was Rs. 10,803 Mn. for Group and Rs. 2,642 Mn for Company.

24.7Bn

Payments to Group Suppliers

For Our Communities in 2018/19

- Provided over 1,000 indirect employment opportunities.
- Complied with environment standards.
- Started Mother and Children friendly plantation program. This is certified by a globally recognised initiative: 'Save the Children'.
- Spent Rs. 15 Mn for the development of Pre-schools.
- Built 158 houses in estates by collaborating with Plantation Housing Development trust.
- The clean water and sanitation project benefitted 10 households.

20,000+

Over 20,000+ Beneficiaries

social & relationship capital

GRI 102-12

KEY INDICATOR-SOCIAL & RELATIONSHIP CAPITAL

Description	Unit	2018/19	2017/18	Variance (%)
Customer Satisfaction (Tile Sector)	%	81	71	14
Number of Suppliers	No	2,664	2,062	29
Payments to suppliers	Rs. Mn	24,784	11,769	111
Payment for Foreign suppliers	Rs. Mn	13,981	4,224	231
CSR	Rs. Mn	27.83	17.94	55
No of beneficiaries of CSR	No	Over 20,000	Over 20,000	

Pre school project

Tile donation

> "Spent Rs. 15 Mn for the development of 149 Pre-schools."

1,861 Mn Sqm
Warehouse Capacity in Tiles Accessaries

70%
Warehouse Capacity in Packaging

61%
Warehouse Capacity in Aluminium

60,000 MT
Warehouse Capacity in Aluminium Product

4,000 MT
Warehouse Capacity in Packaging Product

95%
Investment in Tiles and Accessories Sector

2,243 Mn
Investment in Plant and Machinery

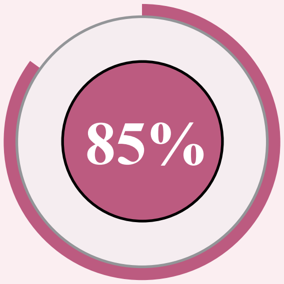
5%
Investment in Other Sectors

manufactured capital

Our manufactured capital consists of our property, plant and equipment, which are essential to the Group's activities. We continued to invest in upgrading and expanding our resources to deliver products that are on par with the latest trends and customer needs.

4,000 MT
Production Capacity - Packaging

8,400 MT
Production Capacity - Aluminium



Production Capacity - Tile Sector

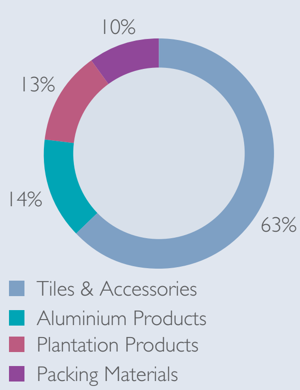
7 Mn Sqm
Production Capacity in Tile Sector

manufactured capital

GRI 203-01

We maintain a fully fledged manufacturing and retail infrastructure by using best in class machinery and technology. Our investments have enabled us to add value to our customers by improving our capacity to produce high quality and innovative products on par with latest consumer trends and needs. During the year, we invested Rs. 1.8 Bn in upgrading our tile facilities to produce a new floor and wall tile product portfolio for our consumers. In addition, we continued with our commitment to periodically upgrade our facilities. This minimises risks such as machine downtime while creating a safe work environment for our employees. During the year, our facilities operated at full capacity throughout the year with the exception of few facilities which were temporarily shut- down during upgrades or expansions.

Capex by Sector (%)



Trade-offs

The increase in manufactured capital reduces our stock of financial capital. However, these investments would energize our business and improve our financial capital in the medium term.

		2017/18	2018/19
KEY INPUTS			
Net Book Value			
• Buildings	Rs. Mn	3,030	3,219
• Plant & Machinery	Rs. Mn	3,620	5,383
• Transport and communication equipment	Rs. Mn	157	155
• Other	Rs. Mn	826	936
Investments during the year			
• Buildings	Rs. Mn	87	270
• Plant & Machinery	Rs. Mn	606	2,243
• Transport and communication equipment	Rs. Mn	46	33
• Other	Rs. Mn	354	206
Capacity			
• Tiles and accessories	Sqm	6,739,000	7,292,000
• Aluminium extrusions	MT	7,200	8,400
• Packaging	MT	34,080	34,080
OUTCOMES			
Production			
• Tiles and accessories	Sqm	6,409,000	6,216,000
• Aluminium profiles	MT	4,798	5,099
• Corrugated packaging materials	MT	22,136	23,809
• Agricultural produce processed - tea	MT	2,649	2,726
rubber	MT	791	775
Capacity utilization at facilities			
• Tile	%	95	85
• Aluminium	%	67	61
• Packaging	%	65	70
Depreciation			
• Tiles and accessories	Rs. Mn	407	501
• Aluminium	Rs. Mn	62	62
• Packaging	Rs. Mn	82	82
• Plantations	Rs. Mn	158	168
Total	Rs. Mn	709	813

Our Manufacturing Capacity

Floor tiles
- Facility located in Ranala.
- Capacity of 4.7 Mn Sqm.
- Products include Glazed, Vitrified & Ceramic floor tiles.

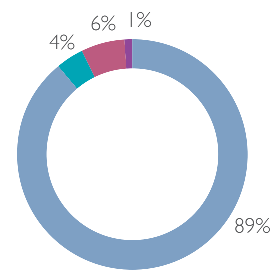
During the year:
- Invested Rs. 1996 Mn in new machinery
- Capacity utilization of 82%

Swisstek Aluminium
- Facility located in Dompe.
- Capacity of 8,400 MT
- Produce Aluminium profiles.

During the year:
- Invested Rs. 107 Mn in new machinery
- Capacity utilization of 62%

Our Assets Base

Assets by Sector (%)



Our Manufacturing Capacity

Wall tiles
- Facility located in Meepe
- Capacity of 2.6 Mn Sqm.
- Manufacture varied colours, textures and styles of wall tiles

During the year:
- Invested Rs. 107 Mn in new machinery
- Capacity utilization of 87%
- Re-engineered production lines to manufacture a new product range.

Uni Dil Packaging - Group
- Facility located in Dekatana.
- Capacity of 34,080 MT
- Produce corrugated cartons and paper sacks.

During the year:
- Invested Rs. 3.2 Mn in new machinery
- Capacity utilization of 68% - Uni Dil Packaging
- Capacity utilization of 86% - Uni Dil Packaging Solutions

Our Capital Expenditure

62%

Capacity Utilization- Aluminium Products

70%

Capacity Utilization- Packaging Products

Warehouse Capacity	2019
Tiles & associated items-(Sqm)	1,861,284
Aluminium Products-(MT)	60,000
Packing materials-(MT)	4,000

1,375
Employees
Tile and Accociated Sector

5,769
Employees
Plantation Sector

408
Employees
Packaging Sector

448
Employees
Aluminium Sector

1,573
New Recruits
50% in the age group of 18 to 30 years

1,418
Attrition
30% in the age group of 18 to 30 years

57%
Male

8,001
Number of Employees - Group

43%
Female

human capital

We continue to nurture and grow our human capital, empowering them to create value through a culture of innovation and productivity - ensuring excellence in executing our strategies while delivering results across the Group.

16.73 Mn
Investment in Employee Training

14,685 Hrs
Total Training Hours

84%
Group Employee Retention Ratio

2,875 Mn
Total Remuniration - Group

GRI 102-08

"During the year, we successfully retained 84.3% of our workforce despite low attrition rates in certain business sectors such as plantations."

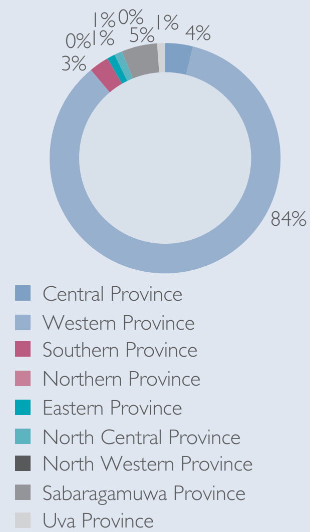
We nurture a robust and evolving team to meet the diverse needs of our organization. Our employees create value through innovation and productivity which is vital in the execution of our strategy. During the year, we successfully retained 84.3% of our workforce despite low attrition rates in certain business sectors such as Plantations. This was driven by our strong commitment to deliver our employee value propositions including a conducive and ethical work environment with attractive compensation packages and opportunities to learn and grow.

During the year, our workforce included 1,418 personnel under three employment contracts namely permanent, fixed term and casual. The permanent cadre accounted for 92% of our workforce. A significant part of our cadre was of the male gender. This was due to the nature of our manufacturing activities.

By geography	Group		Company	
	Employee	%	Employee	%
Central province	4163	52%	19	3%
Western province	3614	45%	422	76%
Southern province	50	1%	16	3%
Northern province	6	0%	0	0%
Eastern province	26	0%	8	1%
North Central province	32	0%	8	1%
North Western province	13	0%	2	0%
Sabaragamuwa province	75	1%	64	12%
Uva province	22	0%	13	2%
Total	8001	100%	552	100%

Tile & Accessories Sector

Employees by Region (%)



human capital

GRI 401-01

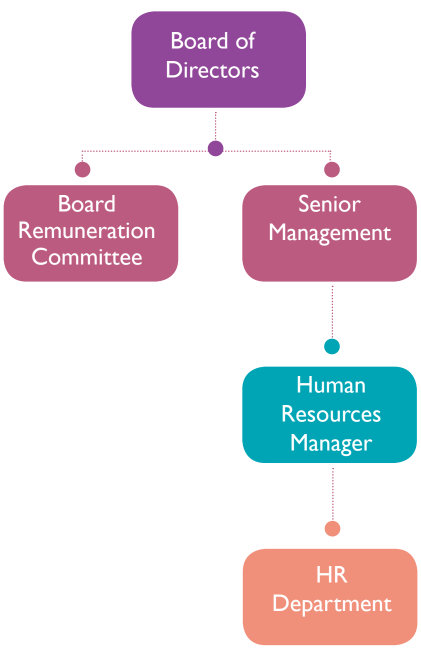
GOVERNANCE AND POLICIES

Our strong governance ensures a conducive work environment for our employees while balancing their interests with interests of other stakeholders. A comprehensive policy framework covers the material employee concerns including health and safety, equal opportunity and grievance handling. These policies are reviewed and updated every year. In addition, the Code of Ethics communicates the rights and obligations of employees.

The Human Resource Manager (HRM) evaluates the effectiveness of the role of HR. Meetings are held every month. The main role of the HR department include:

1. Managerial role
2. Functional role
3. Advisory role

MOVEMENTS IN OUR TEAM



National HR conference - 2018 (IPM)

As an equal opportunity employer, we ensure that our recruitment decisions are free from any form of discrimination or bias. We selected candidates based on skills and attitudes that best suited the vacant job roles. Our relationships with universities and technical institutions such as NAITA, provided us access to the country's talent pools.

During the year, we recruited 1,573 personnel to our team primarily in the Tiles and accessories, Plantations business sectors. Given the nature of our work, much of the workforce is dominated by the male gender. In the Tiles and accessories sector, our focus in 2018 was to increase the young talent within our cadre. We recruited 292 personnel in the age group of 18-30 years categories. This increased the overall proportion of employees within the age category of 18-30.

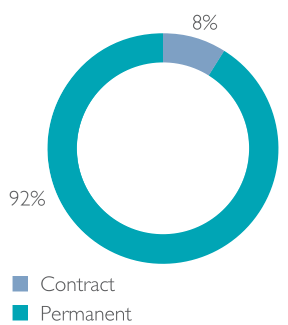
The Plantation sector was affected with a high turnover rate of 17%. This is an industry challenge, as several estate workers migrated to city areas that offered alternative job opportunities. To address this concern, Horana Plantations improved employee welfare facilities and recognized employee performance through annual awards, best plucker competitions, etc. Attrition in other business sectors was maintained at a fair level of which the Tiles and accessories sector had a good retention rate of 92%.

GRI 405-02

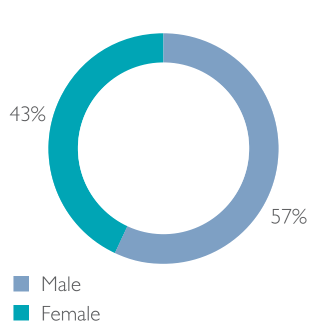
Employee by Sector	2016/17	2017/18	2018/19
Tiles and Accessories	1242	1257	1376
Plantation	6420	5825	5769
Aluminium	280	388	448
Packaging	353	376	408
Total	8295	7846	8001

Group Remuneration	2016/17	2017/18	2018/19
Remuneration per employee (Rs)	313,739	387,180	359,302
Revenue per employee (Rs)	1,928,891	2,334,087	2,453,088

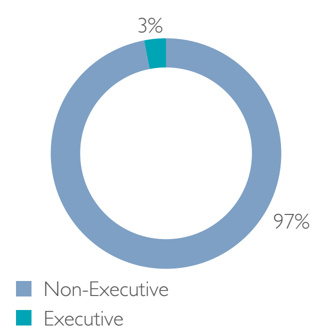
Employee by Type (%)



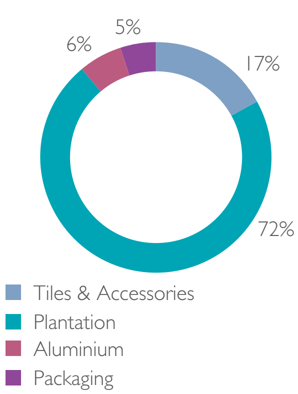
Employee by Gender (%)



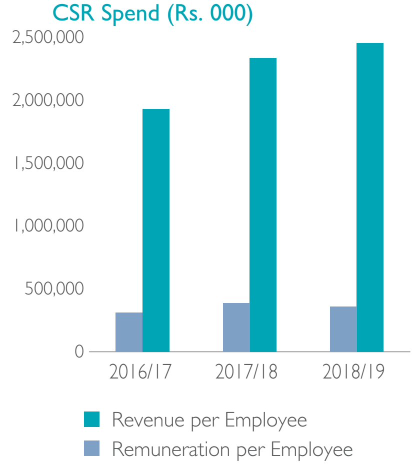
Employee by Grade (%)



Employee by Sector (%)



Number of Benefeciaries and CSR Spend (Rs. 000)



human capital

GRI 201-03 401-02

EMPLOYEE COMPENSATION

During the year, staff cost amounted to Rs. 2,497 Mn compared to Rs. 2,664 Mn last year. The decrease was due to the level of operations during the year. In addition, wage negotiations and new wage agreements in the Plantation sector further increased the employee related costs of the group.

As an equal opportunity employer, we maintained a ratio of basic salary of women to men at 1:1. The group complied with all relevant national labour regulations and did not face any penalties or fines for late compliance.

Below is a list of employee benefits provided to our cadre:

In addition, the following benefits were offered to employees in certain business sectors.

	2017/18	2018/19
Staff Cost (Rs. 000)	2,664,405	**2,497,026**
Defined contribution schemes such as EPF and ETF (Rs. 000)	237,674	**251,464**
Defined benefit plans Gratuity (Rs. 000)	135,.738	**126,289**

Plantation

- Subsidised meals
- Housing facilities to 90% of cadre
- Improving livelihoods and sanitation facilities of employees and their families.
- Financial support for the higher education of employees' children
- Loan facilities to estate workers by collaborating with the Estate worker housing co-operatives.

Tiles and Accessories Sector

- Financial assistance for higher education.
- Launch of sleeping bags to create a relaxed work environment.
- Foreign tours
- Staff outings
- Staff discounts
- Medical Insurance

Aluminium

- Financial assistance for higher education.
- Staff outings
- Staff discounts
- Medical Insurance
- Foreign Tours

Packaging

- Free transport
- Free uniforms and PPEs
- Free medical insurance scheme
- Low-Interest loan facility

GRI 403-02 403-04 404-01 102-41

FREEDOM OF ASSOCIATION

We maintained harmonious relationships with our trade unions. There were no trade union actions during the year of Lanka Walltiles permanent workforce, 77% was unionized and 23% was non-unionised.

HEALTH AND SAFETY

Our group wide compliance policy and the 'zero accident policy' of the Lanka Wall tiles show our commitment to maintaining a high level of health and safety standards. These policies describe the safety protocols implemented at production facilities. In addition, we comply with internationally recognized safety standards such as OHSAS 18001. A safety committee is in operation to ensure occupational health and safety.

NURTURING A SAFETY CULTURE

As 80% of our employees work in factories, a healthy and safe work environment is paramount in our business. Health and safety topics are covered under collective bargaining agreements. Employees are provided with adequate protective gear such as goggles, helmets, gloves and industrial standard boots. It is compulsory that employees wear the protective gear. We perform regular awareness sessions and display signages and other safety information in several areas of the factories to remind employees of our safety standards and protocols. Employees are provided regular training on the use of safety equipment in cases of fire or disaster situations.

ENSURING SAFETY OF MACHINERY

We purchase all machinery and equipment after a careful evaluation of the supplier profiles. These are thoroughly tested prior to implementation at factories. Routine maintenance checks are performed to assess the safety of machinery and equipment.

	Tiles & Accessories	Plantations	Packaging	Aluminium	Total
Injuries	46	Nil	33	19	98
Injury rate	3.34	Nil	8.09	4.24	4.39
Fatalities	6	Nil	2	7	15
Lost Days	11	Nil	210	85	306

TRAINING AND DEVELOPMENT

As a consumer-centric organization, our product portfolios are constantly revamped through new designs, textures, and product types. During the year, we revamped our product portfolio primarily in the wall tile category. This also entailed a corresponding change in processors, skills and employee attitudes. Factories were temporarily shut-down to re-engineer production lines and training programs focused on up-skilling and changing employee attitudes to facilitate the transformation.

Promoting employees safety

human capital

GRI 404-01

Sector-wise Training Hours	No. Hours	Average Training Hours per Employee
Tiles Sector	8,512	6.19
Plantation Sector	1,075	0.18
Aluminium Sector	1,253	2.80
Packaging Sector	3,845	9.42
Total	14,685	1.84

We invested Rs. 16.73 Mn on training and development. We also provided employees the opportunity to work on expert overseas manufacturing facilities in India. In addition, we recruited a chief technical officer from India to share technical know-how and develop specialist skills of employees at our floor tile facilities.

CAREER PROGRESSION

In line with our 'develop from within' philosophy, we supported the progression of employees through succession plans and appraisals.

Performance reviews were conducted every year and covered 100% of the workforce at Lanka Walltiles. Appraisals of employees under collective bargaining agreements were conducted as per the terms of the agreement.

EMPLOYEE GRIEVANCE MECHANISMS

The grievance policy describes the mechanisms to report and manage grievances promptly and fairly. All grievances are considered strictly confidential and addressed through a structured resolution process within a week to a month. An employee grievance committee was established in line with the best practices of OHSAS 18001 to effectively manage grievances. We successfully managed employee concerns and there were no significant grievances reported during the year.

Fire drill

Conduting training session

EMPLOYEE ENGAGEMENT

We maintain continuous engagement with employees through both formal and informal mechanisms. Regular staff and team meetings were held to maintain continuous dialogue with employees. In addition, numerous social and welfare events were held throughout the year.

Medical centre at Meepe factory

Conduting training session

53%
Water Discharge by Effluent Treatment
Tile Accessaries Sector

33%
Water Discharge by Effluent Treatment
Plantation Sector

69%
Water Discharge by Effluent Treatment
Packaging Sector

75%
Non Renewable Material Usage

179,441 MT
Material Usage Group

25%
Renewable Material Usage

natural capital

We are mindful of our impact on the environment, committed to using renewable materials and innovative technologies to pursue effective waste and emission management across our sectors, while working towards the conservation of our natural resources.

1,303 MT
Recycle of Renewable Material - Aluminium

15,434 MT
Recycle of Renewable Material - Packing

14%
Water Recycled and Reused

5,394 MT
Recycle and Reuse of non Renewable Materials

Maintaining of a sound Natural Capital Management strategy to ensure Long-term Sustainable Value Creation to the Group

GRI 303-01 303-02 303-03

GRI 301-02 302-01 303-1 303-02

"We are conscious of the environmental impacts of our manufacturing activities. Our environmental commitments are described through an environmental policy in 04 business sectors."

We are conscious of the environmental impacts of our manufacturing activities. Our environmental commitments are described through an environmental policy in 04 business sectors. We seek to constantly explore opportunities in minimizing our environmental impact by using renewable materials, innovative technologies and effectively manage waste and carbon emissions.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
15 LIFE ON LAND

Raw material and Waste Management

- Recycle and reuse materials.
- Visit supplier mines to ensure environmental compliance

7 AFFORDABLE AND CLEAN ENERGY

Energy Consumption

- Monitor energy intensity.
- Energy consumption was increased Electricity by 6% and LPG by 8% compared to last year

13 CLIMATE ACTION

Minimizing Emissions

- Managing air and sound pollution.
- Minimizing Carbon emissions.
- Testing air quality.

6 CLEAN WATER AND SANITATION

Manage Water Consumption

- Measure water consumption.
- Increasing employee awareness on using water sparingly.

Key Highlights	2017/18	2018/19
Total extent of Land	212A	213A
Total Raw Material Consumption (Kg)	168,230	179,441
Recycled and reused of non renewable material	1,739	5,394
Direct energy consumption (LPG)	13,814	14,863
Water withdrawal (M3)	204,888	238,832
Water withdrawal (M3/ Rs. million revenue)	11.2	12.2

Our Environmental Policy

- Comply with all legislation, standards and codes of practice which are relevant to our business activities.
- Committed to improve our environment by preventing pollution and conserving natural resources.
- Implement a framework to set and review environmental objectives periodically.
- Communicate the environmental management process to all relevant persons.

Our environmental policy is displayed on our company website to be viewed by our stakeholders.

natural capital

GRI 301-01 303-01 303-02

LAND

We own freehold and leasehold land of 213 acres for commercial, development and Agricultural purposes. The land bank was valued at Rs. 4,781 Mn in 2018/19 and account for 15% of our asset portfolio. Mining of clay results in a depletion of natural resources and quarries need rehabilitation after extraction. We ensure that all our suppliers are backfilled in compliance to the environmental laws.

BEARER BIOLOGICAL ASSETS

During the year, we owned Rs. 586 Mn worth biological assets and Rs. 2,207 Mn Bearer Biological Assets through Horana Plantations PLC. This includes 10 estates 7,534 hectares are cultivated with Tea, Rubber and other crops such as Palm oil, Coconuts, Vegetables, etc.

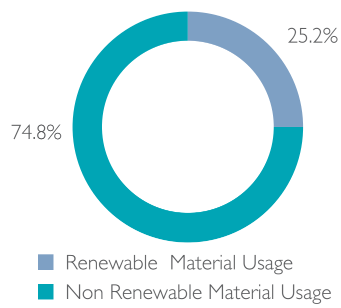
RAW MATERIALS

The main non -renewable materials used in our facilities include Clay, Silica sand Grey Aluminium billets. These mined inputs are essential to drive a sustainable business model. We focus on using our materials effectively by adopting the 3R model of reduce, re-use and recycle. We also ensure clay mines are rehabilitated after extraction.

During the year, we consumed 179,441 MT of raw material of which 12% was recycled and reused in tile manufacturing. . We also consumed 5,999 MT of Aluminium billets of which 99% was recycled and reused in the production process. In addition, we continuously research on new forms and types of raw materials that have a lower environmental impact.

Forestry Block at Fairlawn Estate-Horana Plantation PLC

Group Renewable & Non Renewable Material Usage (%)



Our main initiatives include:

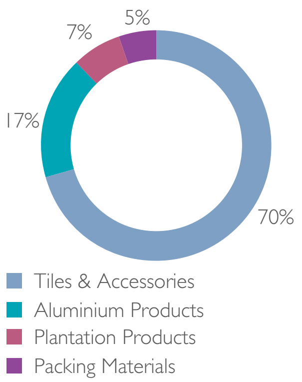
- Improving material efficiency:
  - Investment in state-of-the-art plants
  - Sourcing of premium quality raw materials
- Minimizing waste
  - Establishment of a Waste Management Department to monitor and minimize waste
- Sourcing of raw materials from suppliers certified for their environmental and social management practices.

Material Usage-MT

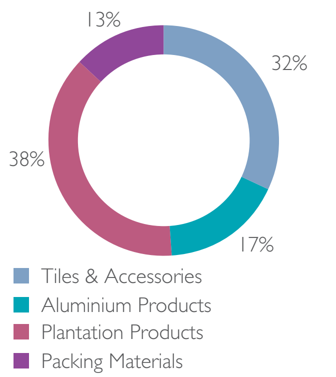
	2017/18	2018/19	% Change
Renewable Material Usage	41,267	45,195	(10)
Non Renewable Material Usage	126,963	134,246	(6)
Total Material Usage-MT	168,230	179,441	(7)

GRI 302-02 302-03 302-04 303-01 303-02 306-01 306-02

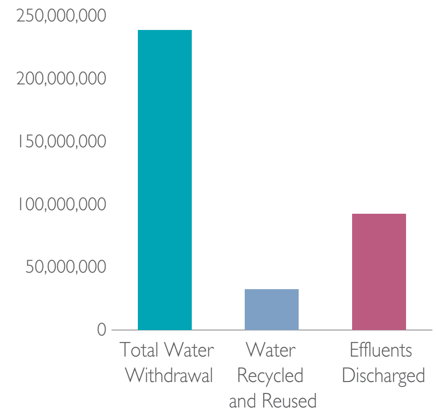
Electricity Usage by Sector (%)



Water Withdrawal by Sector (%)



Water Withdrawal ,Discharge, Recycle and Reused (Ltr.)



Energy Consumption

	2017/18	2018/19	% Change
Diesel (Liters)	787,259	597,072	24
Electricity-(kwh)	35,842,370	37,983,438	(6)
LPG-(Kg)	13,814,480	14,862,538	(8)
Furnace oil-(Liters)	263,829	306,054	(16)
Biofuel-(kwh)	9,665,509	12,051,935	(25)
Other-(Kg)	939,304	878,083	7

- Use of non-toxic materials in the manufacturing process. We do not use any hazardous chemicals such as Lead, Antimony and Arsenic.

ENERGY

Being a manufacturing organization, energy efficiency is a priority. We constantly explore means of reducing our energy consumption as part of our sustainability commitments and cost management initiatives.

Our main initiatives to improve energy efficiency include:

- Monitor energy consumption every month
- Ongoing energy efficiency improvement project was used to identify and implement energy saving processors.
- Initiatives to reduce electricity consumption in office premises and showrooms such as using energy saving bulbs.

WATER

During the year we consumed 238.832 M3 of water for production and the daily use by employees. In which 14% of water was recycled and used in various activities such as production and cleaning. We also encourage our employees to use water sparingly. Signages are placed near cafeterias and rest rooms to remind employees.

EFFLUENTS AND WASTE

The main forms of waste from our manufacturing process include paper waste, Aluminium billet scraps and solid waste. In line with our environmental policy, we have implemented measures to ensure all waste are disposed safely and responsibly.

Our main initiatives include:

- All manufacturing waste of the company are tested and treated prior to disposal. There are no hazardous waste from the manufacturing process.

natural capital

GRI 307-01

- All other wastes such as plastic, polythene, paper, metal scraps,etc are collected and segregated in a particular area within the factory premises. These are then sold to third parties.
- Waste water is treated through an effluent treatment process that complies with the parameters of the environmental protection license issued by the Environmental protection Authority of Sri Lanka. Lanka Wall tiles does not discharge any waste water into water bodies or biodiversity rich habitats.

EMISSIONS

The quality of air and level of noise within factory doors and outdoors impact our environment. We focus on reducing our carbon footprint and containing air and noise pollution. The main forms of emissions in tile manufacturing include Greenhouse Gas (GHG) emissions, tile dust and other types of air emissions.

Our main initiatives include:

- Minimizing emissions:
- Using cleaner production methods and machinery with eco-friendly features
- Ensure Kiln chimneys are at a height that allows for the evaporation of any released vapours without harming the environment.
- Programmes to improve fuel efficiency in manufacturing.
- Installed dust collectors to minimize dust emissions. The dust collected was reused in the production process.
- Improved internal control systems to measure and manage sound pollution. The crushing process continued to be outsourced to a third party located within the factory radius. In addition, certain production areas were sound proofed due to high level of sound in production processors.

GREENSL R Green Labelling system for products
ISO 14001 certification
National environmental – Act section 23 A,B,C,D,E & 32
National environmental – Act section 23 P,Q,R & 32
National environmental – Act section 23 J,K and 32
Compliance to factory ordinance
Trade license

Environmental Grievance

Environmental grievances of communities can be reported through company hotlines.

- Testing air quality and monitoring emissions
- Ensured factory emissions are below the permissible levels set by the CEA.
- Monitor air emissions to ensure Sulphur dioxides and nitrogen dioxides are maintained below regulatory level.
- The air quality around the Meepe factory was well within the regulatory permissible level of 100 Micrograms.
- All vapours and air emissions are non-toxic and regularly monitored to measure any changes in the level of toxicity.
- Dust emissions of the company are well below the maximum permissible levels of the CEA.

Compliance

We complied with all relevant environmental regulations during the year under review. We did not face any penalties and fines for non-compliance. During the year, the company invested Rs. 0.45 Mn in complying with environmental standards.
Environmental grievance

Environmental grievances of communities can be reported through company hotlines.

20%
Market Share
Floor Tile

30%
Market Share
Wall Tile

28%
Market Share
Aluminium

86%
Tiles and Accessories Sector (R&D)

29.3 Mn
Research and Development - Group

14%
Other Sectors (R&D)

intellectual capital

Amid a challenging landscape, our intellectual capital sets us apart from our competition, and consists of our unique capabilities, knowledge, processes and brand equity. We continue to pursue innovation and process improvements to drive performance.

LANKATILES The Fine Art of Living

COLOMA A BEAUTIFUL LIFE

SWISSTEK

SWISSTEK ALUMINIUM FOR THE PERFECT FINISH

15%
Group Investment Increase - Research and Development

4 Premier Brands Under Two Sectors

Our brand equity is valued at Rs 25 Mn. This includes our wide market presence in both local and export markets, strong customer relationships and loyalty.

intellectual capital

INTELLECTUAL CAPITAL

In a highly competitive landscape, intellectual capital drives the differentiation to maintain our competitive edge. Our intellectual capital includes brand equity, innovative capabilities of our employees and our recipes and manufacturing practices that ensure product quality. It also includes our initiatives to leverage on group linkages that drive efficiencies in the value chain.

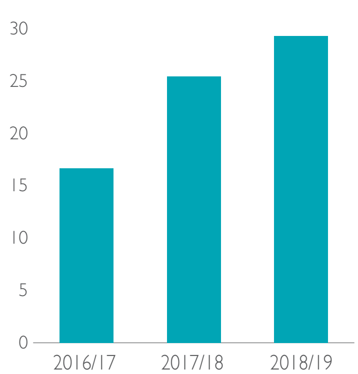
BRAND EQUITY

Our brand equity is valued at Rs. 25 Mn. This includes our wide market presence in both local and export markets, strong customer relationships and loyalty. Our products across the two diverse sectors are renowned for high quality and recognized as a trusted brand. In the Aluminium sector, we were the first company in Sri Lanka to obtain the QUALICOAT certificate for our powder coated products.

INNOVATIVE CAPABILITIES

We have a dedicated research and development team in 4 sectors. During the year, research and development costs of the group amounted to Rs. 29 Mn.

Research and Development (Rs. Mn)



Our initiatives in 2018/19 include:

- Launched a new wall tile product range with new designs and styles.
- Value added products for niche customers in the Agricultural industry
- Entered the Aluminium fabrication business by launching new products such as pre-finished doors.

SOUND MANAGEMENT SYSTEMS

We maintain sound management systems which support a continuous improvement in effectiveness and efficiency in our business process. Our main management systems include:

- Specialized production quality management systems are implemented in Tile facilities. These systems are built on best practices in work flows, health and safety, environmental safety and business management, on par with national and international quality systems.
- Employee performance management systems are used in 04 business sectors.
- Total productive maintenance systems implemented in facilities to drive process efficiencies and cost savings.

RECIPES AND MANUFACTURING KNOW-HOW

- Developed over 40 years of rich experience in the tile sector. Recipes are developed by coordinating with expert.

ACCREDITATIONS

- Obtained the Qualicoat certification in 2018.
- A globally accepted certification in the Tile industry.
- Company complying and retaining to quality certifications.

Our Certification	Description
Lanka Walltiles PLC	
ISO 9001 : 2015	The Quality Management System is designed to help organizations ensure that they meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements related to a product or service.
ISO 14001 : 2015	ISO 14000, the Environmental Management System exists to help organizations to minimize how their operations negatively affect the environment; comply with applicable laws, regulations, and other environmentally oriented requirements; and continually improve in the above.
CE Mark	CE marking (i.e. European Conformity) is a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area.
Green Label	A green label is a symbol that shows a product is less damaging to the environment or to the people making it more safer and environmentally friendlier than other similar products.
Lanka Tiles PLC	
ISO 9001 : 1999	The Quality Management System is designed to help organizations ensure that they meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements related to a product or service.
ISO 14001 : 2015	ISO 14000, the Environmental Management System exists to help organizations to minimize how their operations negatively affect the environment; comply with applicable laws, regulations, and other environmentally oriented requirements; and continually improve in the above.
OHSAS 18001 : 2009	Occupational health and safety
Green Label:	A green label is a symbol that shows a product is less damaging to the environment or to the people making it more safer and environmentally friendlier than other similar products.
Horana Plantations PLC	
ISO 9001:2008 /QMS Certification	Neuchatel & Frocester estates.
ISO 22000:2005/ HACCP Certification	the minimum permitted levels of agro-chemicals, heavy metals and micro biological content.
Forest Stewardship Council (FSC	Certifies that the rubber plantations is consistent with parameters of environmentally sound management.
Ethical Tea Partnership (ETP)	The impacts of climate change, safe usage of agrochemicals and initiatives on water management.
Rainforest Alliance Certification	Promotes efficient agriculture, biodiversity conservation and sustainable community development.
Swisstek Aluminium	
Qualicoat certification	The Specifications for a Quality Label for Liquid and Powder Organic Coatings on Aluminium for Architectural Applications.
Uni Dil Packaging (Pvt) Ltd.	
HACCP	Refer above description
ISO 22000	
ISO 9001:2008	
ISO 14001:2004	

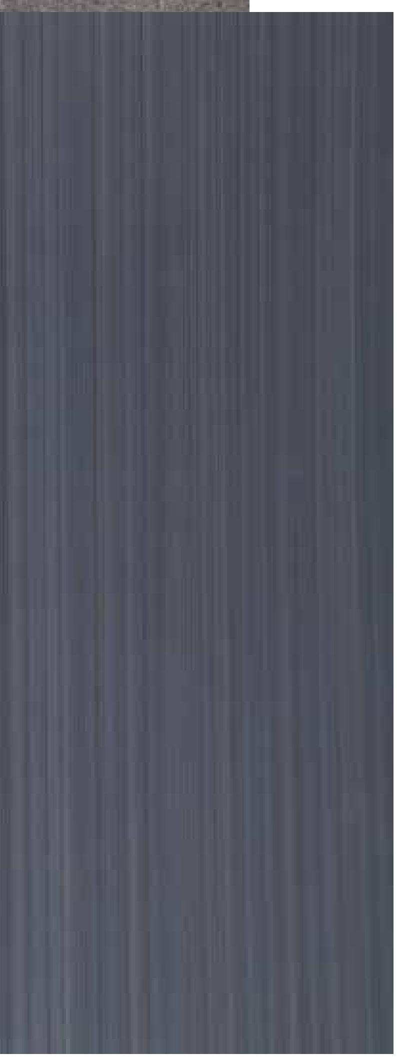
GROUP LINKAGES

- We are a group of companies with interests in both related and non-related industries. Our group linkages are leveraged to benefit from synergies and drive value chain efficiencies. For example, we sourced 19% of our inhouse clay requirements from our Group/Company, Lanka Ceramics PLC. We also used our wide retail network in the Tile industry to promote products in other business sectors. New Aluminium products were marketed to Tile masons using the Tiler's clubs.

DESIGNING A FUTURE OF CHANGE

Stewardship

We are exploring new avenues for growth, as we expand our operations and venture forth into a future of unparalleled value creation.



corporate GOVERNANCE

The Board of Directors hold the apex responsibility to lead the activities of the Group in a transparent and ethical manner. The Board formulates the strategy, ensures effective risk management and implement a sound governance framework to maintain high standards of transparency and integrity. The governance framework carefully balances the interests of multiple stakeholders while driving sustainable value creation to shareholders.

The Board adopts both regulatory and voluntary codes of best practices in corporate governance. This includes the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka in conjunction with the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

The Corporate governance framework of the Group comprises of:

Frameworks and Policies

- External regulators framework.
- Independent Audit Framework
- Risk Management Framework.

Board Sub Committees

- There are four Board Sub Committess.

BOARD COMPOSITION

Executive Directors

Non-Executive Directors

Independent Non-Executive Directors

THE BOARD COMPOSITION

The Board of directors consists of nine Directors of which one is Executive Director and Eight are non- executive directors. The Board is well-balanced with an optimum mix of qualifications, industry knowledge and business experience.

Director	Status
Dhammika Perera	Non- Executive
A. M. Weerasinghe	Non- Executive
J. A. P. M. Jayasekera	Executive
Dr. S. Selliah	Non- Executive- independent
T. G. Thoradeniya	Non- Executive
R. N. Somaratne	Non- Executive
K. D. G. Gunaratne	Non- Executive- independent
A. M. L. Page	Non- Executive- independent
J. D. N. Kekulawala	Non- Executive- independent

Dr. S. Selliah, Mr. K. D. G. Gunaratne and Ms. A. M. L. Page are Directors of Lanka Tiles PLC. However, they are considered independent directors as:

1. They are not involved actively in the management of Lanka Walltiles.
2. They do not hold a significant percentage of share on Lanka Tiles.

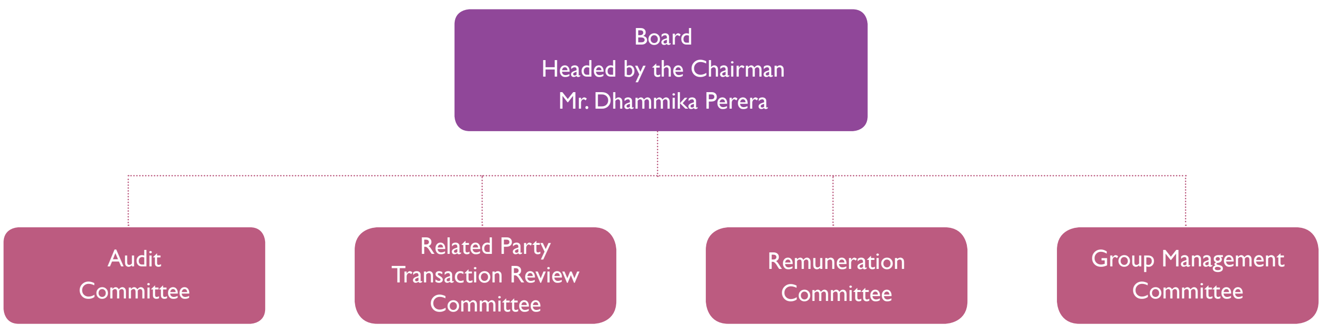
As such the three directors were considered independent in compliance to criteria set out in the Listing Rules of the Colombo Stock Exchange.

CHAIRMAN & MANAGING DIRECTOR

The roles of Chairman and Managing Director are separated, and the Managing Directors is appointed by the Board. He is responsible for implementing strategic plans of the Group and driving performance within a defined framework and is a member of the Board. The Board receives quarterly statements from the Managing Directors confirming compliance with regulatory requirements.

BOARD COMMITTEES

The Board has delegated the responsibilities for the management of the corporate governance affairs of the group to four sub-committees.



Board Committee & Composition	Role	Further information
Audit Committee		
Comprises 03 Non-Executive Directors of whom one is a Chartered Accountant. Dr. S. Selliah Mr. J. D. N. Kekulawala Mr. T. G. Thoradeniya	1. Reviews the integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards. 2. Ensure compliance to legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements. 3. Assess the External Auditor's independence and performance. 4. Review adequacy and effectiveness of risk management.	Refer page 97 for Audit Committee Report
Remuneration Committee		
Comprises 03 Non-Executive Directors Mr. A. M. Weerasinghe Mr. K. D. G. Gunaratne Dr. S. Selliah	The Committee assists the Board in determining an attractive remuneration package for the benefit of the company.	Refer page 96 for Remuneration Committee Report.

corporate governance

Board Committee & Composition	Role	Further information
Related Party Transaction Review Committee		
Comprises of three Non-Executive Directors Dr. S. Selliah Mr. J. D. N. Kekulawala Mr. T. G. Thoradeniya	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.	Refer page 99 for Related Party Transactions Review Committee Report.
Group Management Committee		
Comprises of the Managing Director and Senior Management team	Delegates day to day activities to managerial employees. Provides transparent information to support decision making of the Board. Implements a sound risk management framework.	The Annual reports provides a concise and balanced review of the performance for the year.

MEETINGS AND ATTENDANCE

Name	Attendance			
	Board Meetings	Audit Committee	Related Party Transactions Review Committee	Remuneration Committee
Dhammika Perera *(Chairman)*	5/11			
A. M. Weerasinghe *(Deputy Chairman)*	11/11			1/1
J. A. P. M. Jayasekera *(Managing Director)*	11/11			
Dr. S. Selliah *(Director)*	11/11	5/5	5/5	1/1
T. G. Thoradeniya *(Director)*	10/11	3/5	3/5	
K. D. G. Gunaratne *(Director)*	10/11			1/1
A. M. L. Page *(Director)*	7/11			
R. N. Somaratne *(Director)*	10/11			
J. D. N. Kekulawala *(Director)*	11/11	5/5	5/5	

COMPLIANCE TO CORPORATE GOVERNANCE RULES OF CSE

Corporate Governance Principle	CSE Rule Reference	Compliance Status	Description
Non-Executive Directors	7.10.1	✓	Lanka Walltiles has eight Non-Executive Directors out of nine Directors.
Independent Directors	7.10.2 (a)	✓	The company has four Independent Directors out of nine which is above the minimum requirement.
	7.10.2 (b)	✓	The Boards determines the independence of each individual Directors on annual basis.
Disclosures relating to Directors	7.10.3	✓	Refer Director's Profiles in page 90.
Remuneration Committee	7.10.5 (a)	✓	The Group remuneration committee comprises of three Non-Executive Directors
	7.10.5 (b)	✓	The committee met once a year and report is published on page 96.
	7.10.5 (c)	✓	The remuneration paid to all Directors is given on page 177.
Audit Committee	7.10.6 (a)	✓	The Audit committee consists of three Non-Executive Directors, two of whom are independent.
	7.10.6 (b)	✓	Refer Report of the Audit Committee
	7.10.6 (c)	✓	Refer Report of the Audit Committee
Related Party Transactions Review Committee	9.2.2	✓	The committee consists of three Non-Executive Directors two of whom are independent.
	9.3.2	✓	Refer Report of the Related Party Transactions Review Committee in page 99.

corporate governance

COMPLIANCE TO THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA IN 2017

Guidelines	Status of compliance	
The Board		A.1
Frequency of Board Meetings	• Meetings of the Board were held every month. • The Board sub committees had four meetings. • The attendance of Board meetings is described in the table above.	
Role and responsibility of the Board	The main roles of the Board were: • 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.	
Compliance with applicable law	The Board ensured the Group is compliant with all applicable, rules, laws and regulations.	
Company Secretary	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.	
Other • Independent judgement • Dedication of adequate time and effort • Training of Directors.	The Board of Directors are committed in providing independent judgment in the decision-making process. The Directors attended all Board meetings in person and allocate adequate time and effort in managing the affairs of the group. All Directors have a considerable experience in the Ceramic industry for over ten years. The Directors also participated in training programs both locally and overseas during the financial year to further upskill their knowledge and competencies.	
Chairman and CEO		
Division of responsibilities between the Chairman and CEO	• The Chairman holds the responsibility of overseeing the activities the Board. • The executive responsibility of overseeing the business of the company is held by the Managing Director. There is a clear distinction of responsibilities within the Board.	A.2
Prepare good corporate governance and facilitate effective discharge of Board functions	During the year, the Chairman conducted eleven Board meetings to maintain close contact with the Directors. In addition, informal meetings were with Non-Executive Directors whenever necessary.	A.3

Guidelines	Status of compliance	
Financial Acumen		
Availability of sufficient financial acumen and knowledge.	The Managing Director is a Chartered Accountant and possess the necessary financial knowledge and expertise to assist the Board in managing the financial matters of the company.	A.4
Board balance		A.5
The Board should have an adequate number of Directors with a balance of executive and non-executive Directors of sufficient caliber along with independent Directors.	The Board comprises of nine directors whom one is Executive and eight Non-Executive Directors .	
Supply of information		
Relevant information and agenda to be circulated in a timely manner to the Board.	The Board papers are circulated a week prior to Board meetings to provide an adequate briefing on relevant information.	A.6
Changes to the Board		
Procedure for appointing the Board of Directors.	• All new appointments are informed to the CSE as per existing regulations. • Appointments are undertaken by the Board of Directors.	A.7
Re-election	As per the Articles of Association one third of the Directors are required to retire from the office and apply for re-election every year by shareholders.	A.8
Information disclosure to shareholders	All Directors have declared their details on pages 90 to 93 as Director profiles.	A.10
Appraisal of the Board		
Boards should periodically appraise their own performance in order to ensure that responsibilities are discharged in a satisfactory manner	• The Board evaluates performance by: 1. Assessing the achievement of corporate goals. 2. Evaluating the effectiveness of strategy. 3. Adherence to laws and regulations. 4. Managing stakeholder requirements.	A.9
The Board is required to assess the performance of the CEO annually.	The CEO is reviewed annually by the Board based on the strategic targets set for the year.	A.11
Directors remuneration		
Formal and transparent procedure for developing policies on remuneration.	The remuneration committee assists the Board of Directors in matters concerning the remuneration of Directors and employees of the organization.	B.1
Levels of remuneration	The remuneration levels are aligned to industry standards and comply with statutory labour laws and regulations. We offer an attractive remuneration to motivate and retain Directors, Senior Management and the employees of the Group.	B.2

corporate governance

Guidelines	Status of compliance	
Disclosure of Remuneration	The remuneration report can be found in page 96 of the report which explains the adherence to the remuneration policy of the group. The aggregate remuneration paid to Executive and Non-Executive Directors are disclosed on Page 30.2.	B.3
Relations with stakeholders		
Constructive use of the Annual General Meeting and conduct of General Meetings	The board encourages the active participation of the shareholders at the Annual General Meeting (AGM).	C.1
Communication with shareholders	The Company Secretary is considered the official contact person for shareholders. However, other processors are also in place to contact the company.	C.2
Major and Material Transactions	There were no transactions during the period under review which are considered as material/ Major as per the companies Act. The report of the Related Party Transactions Review Committee is on the pages 99 to 100.	C.3
Accountability and Audit		
Financial and Business Reporting	The annual reports present a balanced and concise overview of the activities of the Group. It also includes the financial accounts, management reviews and Director reports.	D.1
Risk Management and Internal Control	A sound risk management framework is adopted by the group consisting of policies, internal controls and periodic monitoring. These are described in the risk management section of the report.	D.2
Audit Committee	The activities of the Audit Committee are described on pages 97 to 98	D.3
Related Party Transactions Review Committee	Related Party Transactions Review Committee report on Pages 99 to 100. In addition, the details of related party transactions are described in line with LKAS 24.	D.4
Code of Business Conduct and Ethics	The Board of Directors have adopted the The Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission	D.5
Corporate Governance Disclosures	Adheres to established principles and practices of good Corporate Governance. These are described in the Corporate Governance report on page 82.	D.6
Shareholders – Institutional Investors		
Shareholder Voting	All institutional shareholders are encouraged to participate at shareholder meetings and their views are communicated to all concerned.	E.1
Evaluation of Governance Disclosures	The Annual Report describes the corporate governance process.	E.2
Investing / Divesting Decision	The Annual report provides all information to support informed decision making. The Annual and Quarterly reports are published on the Colombo Stock Exchange website.	F.1
Shareholder participation in meetings	All shareholders are encouraged to participate at the Annual General Meeting / Extraordinary General Meeting and cast their votes. AGMs are noticed in advance as per the Companies Act.	F.2

Guidelines	Status of compliance	
Internet of Things and Cybersecurity		
The Board should have a process to manage the cyber risks and how the IT devices within and outside the group connect to the organization network.	• Designated Chief Information Security Officer (CISO) to manage the IT operations of the group. • Cybersecurity risks are managed through a cyber security policy and a robust cyber security risk management process. Further details are described in the risk management report.	G.1
Environmental and Social Factors Governance Reporting (ESG)		
The Board is responsible on providing an adequate disclosure of the ESG performance of the group to stakeholders	The Annual Reports provides a holistic review of performance. The performance of the various capitals used by the group are described in separate sections of the report.	H.1
ESG governance	Refer page 72 of the report.	H.1

STATEMENT OF COMPLIANCE

The company is fully compliant with the requirements of the Code of Best Practices on corporate governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka in 2017 and the Corporate Governance Rules of the Colombo Stock Exchange (CSE). Further, the Board confirms that all statutory payments due to the Government, other regulatory institutions and to employees, have been made on time.

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

Dhammika Perera
Chairman

J. A. P. M. Jayasekera
Managing Director

06th June 2019

board of DIRECTORS

Mr. Dhammika Perera - Chairman

Mr. A. M. Weerasinghe - Deputy Chairman

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

Dr. S. Selliah - Director

Mr. T. G. Thoradeniya - Director

Mr. K. D. G. Gunaratne - Director


Ms. A. M. L. Page - Director


Mr. R. N. Somaratne - Director


Mr. J. D. Nihal Kekulawala - Director

board of directors

MR. DHAMMIKA PERERA
Chairman

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including manufacturing, banking & finance, leisure, aluminium extrusion, packaging, plantations, lifestyle, consumer and hydro power generation. He has over thirty years of experience in building formidable business through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortres Resorts PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Uni Dil Packaging Ltd, Delmege Ltd, and LB Microfinance Myanmar Company Ltd. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC & Dipped Products PLC.

MR. A. M. WEERASINGHE
Deputy Chairman

Founder of Royal Ceramics Lanka PLC in 1990. A Gem Merchant by profession. Mr. Weerasinghe has been in the business field for more than 35 years involved in Real Estate, Construction, Transportation & Hospital Industry and a Landed Proprietor. In addition to the above, he is also the Chairman of Lanka Ceramic PLC., Singhe Hospitals PLC., and Weerasinghe Property Development (Pvt) Ltd.

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, Lanka Ceramic PLC and Swisstek Aluminium Limited. He is also a Director of HNB Assurance PLC, Uni DilPackaging Limited and Uni Dil Packaging Solutions Limited.

Mr. Jayasekera holds a BSc Special (Hons) degree in Business Administration from the University of Sri Jayawardenapura and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

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 varied fields.

Currently he is the Deputy Chairman of Asiri Hospitals Holdings PLC and the Deputy Chairman of Asiri Surgical Hospital PLC. He is a Director of HNB Assurance PLC, Lanka Tiles PLC, Softlogic Holdings PLC , ODEL PLC, Lanka Walltiles PLC, ACL Cables PLC, Lanka Ceramic PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Pvt Ltd. He is also the Deputy Chairman of Central Hospital (Pvt) Ltd.

Dr. Selliah is also the Chairman of JAT Holdings Pvt Ltd, Cleanco Lanka (Pvt) Ltd, Greensands (Pvt) Ltd and Vydexa (Lanka) Power Corporation (Pvt) Ltd.

He also serves on the following board sub committees of some of the companies listed above as a member or Chairman: Human Resource and Remuneration committee, Related party Transaction committee, Audit committee, Investment committee and Strategic Planning committee

MR. T. G. THORADENIYA
Director

Mr. Tharana Thoradeniya has over two decades of senior management experience in multi-industry scenarios. He sits on the Boards of several public quoted and privately held companies in Sri Lanka, including Pan Asia Banking Corporation PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, Hayleys Fibre PLC, Delmege Ltd, Unidil Packaging Ltd, Vallibel Plantation Management Ltd, Dipped Products (Thailand) Ltd., and several others. He is a Group Director of Royal Ceramics Lanka PLC and CEO/Director of Rocell Bathware Ltd. Mr. Tharana has been credited as a proven business innovator across industries.

A marketer by profession, Tharana 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 Province Council during the period 1989 to 2009. He currently holds the position of Chairman Lanka Hotels & Residences (Pvt) Ltd and Urban Investments & Development Company (Pvt) Ltd. He also serves as a Director of Lanka Tiles PLC, Lanka Walltiles 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 been employed at several institutions in Sri Lanka and overseas.

MR. R. N. SOMARATNE
Director

Mr. R Nandajith Somarathe currently serves as a Director of Hayleys Fabrics PLC and Royal Porcelain (Pvt) Ltd, which is a fully owned subsidiaries of Royal Ceramics Lanka PLC. He is currently working in the capacity of General Manager (Manufacturing) for the Royal Ceramics Group, which includes Lanka Walltiles PLC and Lanka Tiles PLC.

He served at in Ansell Lanka (Pvt) Ltd and in the Central Engineering Consultancy Bureau (CECB) before joining Royal Ceramics Lanka PLC in 1993. Mr. Nandajith Somaratne counts more than 25 years' experience in the Ceramic Industry and the Manufacturing field. He holds an MBA from the University of Colombo, Post Graduate Diploma in Industrial Engineering from NIBM and a B.Sc. degree in Physical Science from the University of Peradeniya.

Mr. Somaratne has undergone several corporate leadership training programmes including a Corporate Leadership Management Programme conducted by HIDA, Japan.

MR. J. D. NIHAL KEKULAWALA
Director

Mr. Kekulawala had held senior positions in the Hatton National Bank including Chief Financial Officer, Senior Deputy General Manager Strategy & 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.

Mr. Nihal Kekulawala is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Institute of Chartered Accountants in Sri Lanka and a Fellow of the Chartered Institute of Bankers in England. He holds a MBA from the University of Manchester.

corporate MANAGEMENT

Mr. Mahendra Jayasekera
Managing Director

Mr. Nandajith Somaratne
Director/ Group General Manager Manufacturing

Mr. Shirley Mahendra
General Manager (Marketing)

Mr. Tyrell Roche
General Manager (Finance)

Mr. Nihal Kumarasinghe
Assistant General Manager (Technical)

Mr. Upul Weerasinghe
Group Engineering Manager

Mr. Prasad Keerthiratna
Head of IT

Mr. Mahesh Mendis
Factory Manager

Ms. Sajeewani Amarasinghe
Group Finance Manager

Mr. Anura Ratnayake
Group Business Development Manager

Ms. Kaushalya Sudasinghe
Group Manager - Sales Administration

Mr. B. A. M. Thilakasiri
Group Stores Manager

remuneration
COMMITTEE REPORT

ROLE OF THE REMUNERATION COMMITTEE

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

COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises of the following three Directors.

Mr. A. M. Weerasinghe
Chairman of the Remuneration Committee
Non - Executive

Mr. K. D. G. Gunaratne
Committee Member
Independent Non - Executive

Dr. S. Selliah
Committee Member
Independent Non - Executive

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 where all members participated.

FUNCTIONS PERFORMED BY THE REMUNERATION COMMITTEE

a. Evaluating and recommending the remuneration payable to the Board, Managing Director and the Key Management Personnel of the Company, to the Board to make the final determination. Based on that, the aggregate remuneration paid to Executive and Non Executive Directors for the last financial year is given on page 177 of the Annual Report under key management remuneration.

b. Ensuring that the Board complies with the Companies Act in relation to Directors remunerations, especially the requirements of section 216.
It also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.

c. Constructing a specific remuneration policy and remuneration framework that enables the Company to attract and retain a high quality and representative staff in its operations and do this inter alia with reference to appropriate market rates where these are relevant, and benchmarking specific categories where required.

d. Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.

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

CONCLUSION

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

A. M. Weerasinghe
Chairman of the Remuneration Committee

06th June 2019

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 05 times during the year. The attendance of the members at the meeting is as follows.

Mr. J. D. N. Kekulawala - 5/5

Dr. S. Selliah - 5/5

Mr. T. G. Thoradeniya - 3/5

FUNCTIONS PERFORMED BY THE AUDIT COMMITTEE

a. The Committee reviewed the provisional financial statements that were published for financial year 2018/19 and the Annual Report of 2018/19. 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 monthly internal audit reports. The internal audit function is carried out by M/s. KPMG. 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 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.

e. 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.

f. 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.

audit committee report

g. Performed other activities relate 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, requesting Board approval for proposed changes, and ensured appropriate disclosure as may be required by law or regulation.

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

06th June 2019

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 Royal Ceramics Lanka 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;

a) Ensure that the Company complies with the rules set out in the Listing Rules
b) Subject to the exceptions given in the Listing Rules, review, in advance all proposed related party transactions
c) Perform other activities related to the Charter as requested by the Board
d) Have meetings every fiscal quarter and report to the Board on the Committee's activities
e) 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.
f) 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.

PURPOSE OF THE COMMITTEE

The purpose of the Related Party Transaction Review Committee (RPTRC) of Lanka Walltiles PLC (LWPLC) is to conduct an independent review and oversight of all related party transactions of LWPLC and to ensure that the Company complies with the rules set out in the Code of Best Practice issued by the Securities and Exchange Commission of Sri Lanka. 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.

COMPOSITION OF THE COMMITTEE

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

1. Dr. S. Selliah – Chairman
2. Mr. J. D. N. Kekulawala
3. 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 five meetings during the year the attendance of the members at the meeting is as follows.

1.	Dr. S. Selliah - *Chairman*	5/5
2.	Mr. J. D. N. Kekulawala	5/5
3.	Mr. T. G. Thoradeniya	3/5

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

related party transactions review committee report

RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

a) Ensure that the Company complies with the rules set out in the Code

b) Subject to the exceptions given under Rule 27 of the Code, review in advance, all proposed related party transactions

c) Perform other activities related to the Charter as requested by the Board

d) Have meetings every fiscal quarter and report to the Board on the Committee's activities

e) 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.

f) 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.

PROCEDURES FOR REPORTING RPTS

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.

The Committee has approved the Related Party Transactions Declaration Form required to be filled by the Directors and key management personnel of the Company. The Company uses this form to capture the related party transactions at the end of every quarter.

REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2018/19. 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 2019, 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 172 to 177 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 99 to 100 of this Annual Report.

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

06th June 2019

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 2019.

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 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.

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 113.

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 110 to 112.

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 pages 118 to 132 Figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

Summarised Financial Results

Year ended 31st March	2019 Rs. '000	2018 Rs. '000
Revenue	19,627,160	18,313,245
Profit for the year	780,070	1,611,164

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 wall tiles for export and for sale in the local market.

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

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 90 to 93.

Executive Director

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

Non - Executive Directors

Mr. Dhammika Perera
Chairman

Mr. A. M. Weerasinghe
Deputy Chairman

Mr. T. G. Thoradeniya
Mr. M. W. R. N. Somaratne

Independent Non - Executive Directors

Dr. S. Selliah
Mr. K. D. G. Gunaratne
Ms. A. M. L. Page
Mr. J. D. N. Kekulawala

Ms. A. M. L. Page and Mr. J. D. N. Kekulawala retires by rotation at the conclusion of the Annual General Meeting in terms of Articles 103 and 104 of the Articles of Association and being eligible are recommended by the Directors for re-election.

annual report of the board of directors on the affairs of the company

Directors of subsidiary Companies are given below.

Lanka Tiles PLC
Mr. Dhammika Perera
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. G. A. R. D. Prasanna *(Alternative Director)*
Mr. J. A. R. N. Adhihetty

Swisstek (Ceylon) PLC

Mr. S. H. Amarasekera
Mr. A. M. Weerasinghe
Mr. J. A. P. M. Jayasekara
Dr. S. Selliah
Mr. A. S. Mahendra
Mr. J. K. A. Srinatha
Mr. C. U. Weerawardena
Mr. K. D. G. Gunarathne

Vallibel Plantation Management Limited
Mr. A. M. Pandithage
Mr. R. Rajadurai
Mr. N. T. Boghalande
Mr. T G. Thoradeniya
Mr. J. M. Kariapperuma

Horana Plantationa PLC
Mr. A. M. Pandithage
Mr. Dhammika Perera
Mr. L. J. A. Fernando
Mr. K. D. H. Perera
Mr. W. G. R. Rajadurai
Mr. J. M. Kariapperuma
Mr. S. C. Ganegoda
Mr. K. D. G. Gunaratne
Dr. N. T. Bogahalande *(Alternative Director to Mr. K. D. H. Perera)*
Mr. A. N. Wicramasinghe
Mr. S. S. Sirisena

Uni Dil Packaging Limited
Mr. Dhammika Perera
Mr. T. G. Thoradeniya
Mr. D. B. Gamalath
Mr. J. M. Kariapperuma
Mr. J. A. P. M. Jayasekara
Mr. S. Rajapakshe
Mr. M. R. Zaheed
Mr. H. Somashantha
Dr. N. T. Bogahalande
Mr. C. U. Weerawardena

Uni Dil Packaging Solutions (Private) Limited
Mr. K. D. H. Perera
Mr. D. B. Gamalath
Mr. J. A. P. M. Jayasekara
Mr. S. Rajapakshe
Mr. M. R. Zaheed

Beyond Paradise Collection Ltd
Mr. M. H. Jamaldeen
Mr. K. D. H. Perera
Mr. J. A. P. M. Jayasekara

Lankatiles Private Limited
Mr. A. M. Weerasinghe
Mr. J. A. P. M. Jayasekara
Mr. Fatheraj Singhvi
Mr. Praveen Kumar Singhvi

LTL Development (Pvt) Ltd
Mr. K. D. A. Perera
Mr. J. A. P. M. Jayasekara

Swisstek Development (Pvt) Ltd
Mr. K. D. H. Perera
Mr. J. A. P. M. Jayasekara

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. Jayasekara
Mr. A. M. Weerasinghe
Mr. A. S. Mahendra
Mr. B. T. T. Roche
Dr. S. Selliah
Mr. T. G. Thoradeniya
Mr. C. U. Weerawardena

Interests Register

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

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

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2019.

The relevant interests of Directors in the shares of the Company as at 31st March 2019 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 30.2 to the Financial Statements on page 177.

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 30.2 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 with the following director related entities 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. 1.66 Mn is payable by the Company to the Auditors for the year under review comprising Rs.. 1.2 Mn as audit fees and Rs. 0.3 Mn for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 23rd May 2019 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.

Stated Capital

The Stated Capital of the Company is Rs.787,765,736/-.

The number of shares issued by the Company stood at 54,600,000 fully paid ordinary shares as at 31st March 2019 (which was the same as at 31st March 2018).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2019 and 31st March 2018 are as follows.

	Shareholding as at 31/03/2019	Shareholding as at 31/03/2018
Mr. Dhammika Perera		
Mr. A. M. Weerasinghe	6,610	6,610
Mr. J. A. P. M. Jayasekera	199	199
Dr. S. Selliah	-	-
Mr. T. G. Thoradeniya	-	-
Mr. K. D. G. Gunaratne	-	-
Ms. A. M. L. Page	-	-
Mr. M. W. R. N. Somaratne	11,000	11,000
Mr. J. D. N. Kekulawala	-	-

SHAREHOLDERS

There were 11,004 shareholders registered as at 31st March 2019 (11,016 shareholders as at 31st March 2018). The details of distribution are given on page 195 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 194 to 196 under Share Information.

EMPLOYMENT POLICY

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

As at 31st March 2019 552 persons were in employment (509 persons as at 31st March 2018).

Reserves

The reserves of the Company with the movements during the year are given in Note 13 to the Financial Statements on page 152.

annual report of the board of directors on the affairs of the company

Land Holdings

The book value of Land Holding as at the balance sheet date amounted to Rs. 4,781,361.

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

Location	No of Building	Land in Extent			Valuation
		A	R	P	Rs 000
Head Office	1	1.00	1.00	2.10	1,414,700
Meepe Factory	29	23.00	1.00	24.16	1,123,200
Total	30	24.00	2.00	26.26	2,537,900

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

Dividends

An interim dividend of Rs.. 3/- per share for the year ended 31st March 2019 was paid on 12th April 2019.

Substantial Shareholdings

The Company is controlled by Royal Ceramics Lanka PLC which holds 54.55% (2018 – 52.05%) 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 2019 are given in Note 5 to the Financial Statements on pages 147 to 148.

Donations

The Company made donations amounting to Rs. 885,185/- in total, during the year under review. (2018 - Rs. 588, 895/-).

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 30 to 33.

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 tax assessments where appeals have been lodged.

Contingent Liabilities

Except as disclosed in Note in to the Financial Statements on pages 177 to 178 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 178 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. A. M. Weerasinghe - *Chairman*
Mr. K. D. G. Gunaratne
Dr. S. Selliah

Related Party Transaction Review Committee

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

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 82 to 89 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 57 to 60 of this Report.

Environmental Protection

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

Going Concern

The financial statements are prepared on going concern principles. After making adequate enquires from the management, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

Annual General Meeting

The Notice of the Forty Second (42nd) Annual General Meeting appears on page 198.

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

Dhammika Perera
Chairman

J. A. P. M. Jayasekera
Managing Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

06th June 2019
Colombo

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 statues 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 recognized 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

B. T. T. Roche
General Manager (Finance)

06th June 2019

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 2018/2019, 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

PW Corporate Secretarial (Pvt) Ltd
Secretaries

06th June 2019

CRAFTING A STORY OF SUCCESS

Financial Statements

We are continuing our quest to generate value across the board, creating a positive impact for the many stakeholders we serve.




INDEPENDENT AUDITOR'S REPORT

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LANKA WALLTILES PLC

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 2019, and the statement of comprehensive income, statement of changes in equity and cash flows statement 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 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Land and Buildings As at 31 March 2019, Land and Buildings carried at fair value, classified as Property, Plant & Equipment and Investment Property amounted to Rs. 7,637 Mn and Rs. 817 Mn respectively and represents 27% of the total assets of the Group. The fair value of such properties was determined by external valuers engaged by the Group. The valuation of land and buildings was significant to our audit due to the use of significant estimates such as per perch price and value per square foot.	Our audit procedures focused on the valuations performed by the external valuers, engaged by the Group, and included the following: • We assessed the competency, capability and objectivity of the external valuers engaged by the Group; • We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the fair value; • We Involved our internal specialised resources to assist us in assessing the reasonableness of the valuation techniques, per perch price and value per square foot; and • We also assessed the adequacy of the disclosures made in Notes 2.2.2 (c), 2.3.7, 2.3.9, 3.1 and 3.8 to the financial statements relating to the valuation technique and estimates used by the external valuers.

Key Audit Matter	How our audit addressed the key audit matter
Impairment of Inventories As at 31 March 2019, the carrying amount of inventories amounted to Rs. 8.32 Bn net of the provision for obsolete and slow-moving inventories of Rs. 122 Mn as disclosed in Note 8 to the financial statements. These inventories include finished goods of Rs. 3.7 Bn and general stocks of Rs. 1.8 Bn relating to the tile and applied products. The inventories relating to the tile and applied products represents 60% of total inventory value of the Group as at 31 March 2019. The provision for obsolete and slow-moving inventories relating to the tile and applied products is recognised based on the best estimates available to management on the recoverability. As management uses historical information as the basis to determine the recoverability, actual future losses could vary from the provision made. The significance of the balance coupled with the management's judgement and estimation of the recoverability, the provision for obsolete and slow- moving inventories has been considered a key audit matter.	Our procedures included, the following: • We assessed the reasonableness of the allowance policy based on historical usage of general stocks and historical sales of finished goods; • We checked the relevant information to assess the reasonableness of the valuation and net realizable value of the related inventories on a sample basis; • We reviewed the component auditors' working papers relating to the audit procedures performed to assess the adequacy of the provision for obsolete and slow-moving inventories and test the key controls on a sample basis over inventory valuation at lower of cost and net realizable value; and • In addition, assessed the adequacy of the Group's disclosures Note 2.2.2 (b), Note 2.3.5 and Note 8.

Other information included in the Group's 2019 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.

INDEPENDENT AUDITOR'S REPORT

Building a better working world

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

06th June 2019
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	3.1	**16,822,752**	14,316,493	**4,536,281**	4,114,548
Consumable biological assets	3.1	**585,920**	536,575	**-**	-
Investment Properties	3.8	**816,805**	459,407	**-**	-
Intangible assets - goodwill	4	**24,519**	24,519	**-**	-
Investments in subsidiaries	5	**-**	-	**1,276,096**	1,276,096
Investments in associates		**-**	-	**-**	-
Long term receivables	6	**27,285**	27,285	**-**	-
Deferred tax asset	7	**847**	14,686	**-**	-
		18,278,128	15,378,965	**5,812,377**	5,390,644
Current assets					
Inventories	8	**8,316,920**	6,113,247	**2,224,608**	1,606,272
Trade and other receivables	9	**3,837,082**	3,450,285	**814,889**	725,049
Contract Assets	20.3	**58,269**	-	**-**	-
Amounts due from related parties	10	**37,016**	55,427	**72,756**	34,628
Income tax receivable		**123,962**	60,851	**-**	-
Short term investments	11	**3,499**	3,239	**3,499**	3,239
Cash and cash equivalents	28	**401,580**	660,879	**33,240**	61,004
		12,778,328	10,343,928	**3,148,992**	2,430,192
Total assets		**31,056,456**	25,722,893	**8,961,369**	7,820,836
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	12	**787,765**	787,765	**787,765**	787,765
Reserves	13	**2,850,974**	2,566,671	**1,812,082**	1,531,815
Retained earnings		**7,602,815**	7,162,378	**2,739,853**	2,661,459
Shareholders' funds		**11,241,554**	10,516,814	**5,339,700**	4,981,039
Non controlling interest		**3,943,553**	3,897,935	**-**	-
Total equity		**15,185,107**	14,414,749	**5,339,700**	4,981,039
Non-current liabilities					
Interest bearing liabilities	14	**2,950,245**	1,712,118	**119,134**	165,180
Deferred tax liabilities	15	**2,341,613**	2,032,023	**989,442**	887,282
Retirement benefit liability	16	**882,161**	778,830	**118,746**	108,706
Deferred income & Capital grants	17	**125,726**	136,532	**-**	-
		6,299,745	4,659,503	**1,227,322**	1,161,168
Current liabilities					
Trade and other payables	18	**3,117,585**	2,714,644	**666,730**	479,476
Contract liability	20.4	**79,177**	-	**-**	-
Income tax liabilities		**9,827**	81,847	**8,402**	23,834
Amounts due to related parties	19	**100,613**	48,528	**191,377**	167,860
Current portion of interest bearing liabilities	14	**6,264,402**	3,803,622	**1,527,838**	1,007,459
		9,571,604	6,648,641	**2,394,347**	1,678,629
Total equity and liabilities		**31,056,456**	25,722,893	**8,961,369**	7,820,836

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

B T T Roche
General Manager (Finance)

The Board of Directors is responsible for the preparation & presentation of these financial statements.

Signed for and on behalf of the Board,

J A P M Jayasekera
Managing Director

Dhammika Perera
Chairman

The accounting policies and notes on pages 118 to 186 form an integral part of the financial statements.

06th June 2019
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March	Note	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Revenue from contracts with customers / Revenue	20	19,627,160	18,313,245	3,220,934	3,316,247
Cost of Sales		(15,324,146)	(12,995,860)	(2,291,881)	(2,106,806)
Gross Profit		4,303,014	5,317,385	929,053	1,209,441
Other Income	21	258,587	189,020	214,793	424,965
Change in fair value of investment property	3.8	355,631	-	-	-
Distribution Costs		(1,803,218)	(1,798,905)	(483,030)	(445,167)
Administrative Expenses		(1,079,661)	(1,027,033)	(206,133)	(208,646)
Finance Cost	22	(847,593)	(480,146)	(166,487)	(113,185)
Finance Income	23	6,012	110,617	-	-
Profit Before Tax	24	1,192,772	2,310,938	288,196	867,409
Income Tax Expense	25	(412,702)	(699,774)	(56,915)	(176,368)
Profit for the Year		780,070	1,611,164	231,281	691,041
Other Comprehensive Income					
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of Land and Building	3	401,564	918,904	389,260	779,322
Acturial Gain/ (Loss) on Retirement Benefit Liability	16	(73,123)	(90,788)	1,886	(18,795)
Foreign currency translation differences of foreign operations		701	(259)	-	-
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Deferred tax on components of other comprehensive income	25	(103,080)	(861,977)	(109,521)	(479,255)
Total Comprehensive Income for the Year		1,006,132	1,577,044	512,906	972,313
Profit attributable to:					
Equity holders of the parent		617,157	1,086,902	231,281	691,041
Non controlling interest		162,913	524,262	-	-
Profit for the year		780,070	1,611,164	231,281	691,041
Total comprehensive income attributable to :					
Equity holders of the parent		870,668	1,191,690	512,906	972,313
Non controlling interest		135,464	385,355	-	-
Total Comprehensive Income for the Year		1,006,132	1,577,044	512,906	972,313
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	26	11.30	19.91	4.24	12.66

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March	Stated capital Rs.'000	Revaluation reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000	Non controlling interest Rs.'000	Total Rs.'000
GROUP						
Balance as at 1st April 2017	787,765	2,409,494	6,597,189	9,794,448	3,764,563	13,559,011
Profit for the Year	-	-	1,086,902	1,086,902	524,262	1,611,164
Other Comprehensive Income	-	157,177	(52,390)	104,787	(138,907)	(34,120)
Total Comprehensive Income	-	157,177	1,034,512	1,191,690	385,355	1,577,044
Write back of unclaimed dividends	-	-	7,852	7,852	-	7,852
Dividends						
1st Interim 2017/18 (Rs. 4.00 per share)	-	-	(218,400)	(218,400)	-	(218,400)
2nd Interim 2017/18 (Rs. 5.50 per share)	-	-	(300,300)	(300,300)	-	(300,300)
	-	-	(518,700)	(518,700)	-	(518,700)
Dividends to non controlling interest	-	-	41,525	41,525	(257,980)	(216,455)
Proceeds on issue of shares to minority shareholders	-	-	-	-	5,997	5,997
Balance as at 1st April 2018	787,765	2,566,671	7,162,378	10,516,814	3,897,935	14,414,749
Profit for the Year	-	-	617,157	617,157	162,913	780,070
Other Comprehensive Income	-	284,303	(30,792)	253,511	(27,449)	226,062
Total Comprehensive Income	-	284,303	586,365	870,668	135,464	1,006,132
Write back of unclaimed dividends	-	-	9,555	9,555	-	9,555
Dividends						
1st Interim 2018/19 (Rs. 3.00 per share)	-	-	(163,800)	(163,800)	-	(163,800)
	-	-	(163,800)	(163,800)	-	(163,800)
Dividends to non controlling interest	-	-	8,317	8,317	(89,846)	(81,529)
Proceeds on issue of shares to minority shareholders	-	-	-	-	-	-
Balance as at 31 March 2019	787,765	2,850,974	7,602,815	11,241554	3,943,553	15,185,107

The accounting policies and notes on pages 118 to 186 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March	Stated capital Rs.'000	Revaluation reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
COMPANY				
Balance as at 31 March 2017	787,765	1,237,011	2,494,799	4,519,575
Profit for the Year	-	-	691,041	691,041
Other Comprehensive Income	-	294,804	(13,532)	281,272
Total Comprehensive Income	-	294,804	677,508	972,313
Write back of unclaimed dividends	-	-	7,852	7,852
Dividends				
1st Interim 2017/18 (Rs. 4.00 per share)	-	-	(218,400)	(218,400)
2nd Interim 2017/18 (Rs. 5.50 per share)	-	-	(300,300)	(300,300)
	-	-	(518,700)	(518,700)
Balance as at 31 March 2018	787,765	1,531,815	2,661,459	4,981,039
Profit for the Year	-	-	231,281	231,281
Other Comprehensive Income	-	280,267	1,358	281,625
Total Comprehensive Income	-	280,267	232,639	512,906
Write back of unclaimed dividends	-	-	9,555	9,555
Dividends				
1st Interim 2018/19 (Rs. 3.00 per share)	-	-	(163,800)	(163,800)
	-	-	(163,800)	(163,800)
Balance as at 31 March 2019	787,765	1,812,082	2,739,853	5,339,700

The accounting policies and notes on pages 118 to 186 form an integral part of the financial statements.

CASH FLOW STATEMENT

As at 31st March	Note	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax		**1,192,772**	2,310,938	**288,196**	867,409
Adjustments for					
Depreciation & amortisation	24	**813,877**	709,855	**166,491**	154,612
Income from investments	21	**-**	-	**(105,589)**	(336,229)
Profit/ (loss) on sale of property, plant & equipment	21	**320**	(3,645)	**708**	(3,572)
Interest income	23	**(6,012)**	(110,617)	**-**	-
Finance costs	22	**847,593**	480,146	**166,487**	113,185
Provision for retirement benefit obligations	16	**126,451**	133,361	**19,267**	17,219
Capital expenditure written off		**12,683**	-	**-**	-
Allowance/ (reversal) for obsolete and slow moving inventories		**3,223**	(13,584)	**800**	1,189
Allowance for impairment of trade receivable		**7,539**	5,494	**20**	1,364
Deferred income / capital grants amortisation	17	**(13,179)**	(6,274)	**-**	-
Changing in Fair Value of Biological Assets		**(40,916)**	(44,995)	**-**	-
Fair value in investment property	3.8	**(355,631)**	-	**-**	-
Foreign exchange (gain)/ loss		**20,880**	17,283	**(617)**	82
Operating profit/(loss) before working capital changes		**2,609,600**	3,477,961	**535,763**	815,259
Working capital adjustments					
(Increase)/ decrease in inventories		**(2,206,896)**	(1,779,629)	**(619,135)**	(271,881)
(Increase)/ decrease in trade and other receivables		**(452,605)**	(570,206)	**(89,859)**	(227,080)
(Increase) /decrease in due from related parties		**18,411**	(46,698)	**(38,128)**	(16,889)
Increase/ (decrease) in due to related parties		**52,085**	31,483	**23,517**	81,153
Increase /(decrease) in trade and other payables		**318,923**	922,317	**23,454**	65,159
Increase/ (decrease) in investments		**(260)**	57	**(260)**	57
Cash generated from operations		**339,258**	2,035,285	**(164,650)**	445,779
Interest received	23	**6,012**	110,617	**-**	-
Finance costs paid	22	**(847,593)**	(480,146)	**(166,487)**	(113,185)
Retirement benefit plan costs paid	15	**(96,856)**	(98,629)	**(7,341)**	(3,131)
Income tax paid		**(327,476)**	(698,351)	**(79,711)**	(184,151)
Net cash flows from/(used in) operating activities		**(926,655)**	868,776	**(418,189)**	145,311
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant & equipment	3k	**(2,785,590)**	(1,348,032)	**(201,802)**	(167,299)
Acquisition of plantation assets	3k	**(170,057)**	(241,550)	**-**	-
Proceeds from sale of property, plant & equipment		**13,875**	7,300	**2,131**	4,782
Income from investments		**-**	-	**105,589**	336,229
Loans granted to related company		**-**	-	**-**	-
Net cash flows from/(used in) investing activities		**(2,941,772)**	(1,582,282)	**(94,082)**	173,712
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Interest bearing loans & borrowings obtained		**10,841,005**	6,219,152	**1,402,581**	500,000
Repayment of interest bearing borrowings		**(7,931,210)**	(5,314,993)	**(1,068,611)**	(262,626)
Repayment of finance lease		**(25,253)**	(21,569)	**-**	-
Dividends paid - on Ordinary Shares	27	**-**	(518,700)	**-**	(518,700)
Dividend paid to non controlling interest		**(81,529)**	(216,455)	**-**	-
Proceeds on issue of shares to minority shareholders		**-**	5,997	**-**	-
Dividend write back		**9,555**	7,852	**9,555**	7,852
Capital grants received	17	**2,374**	4,617	**-**	-
Net cash flows from/(used in) financing activities		**2,814,942**	165,901	**343,524**	(273,474)
Net increase/(decrease) in cash and cash equivalents		**(1,053,474)**	(547,606)	**(168,747)**	45,549
Foreign exchange difference arising on translation of foreign operation		**701**	-	**-**	-
Cash and cash equivalents at the beginning of the year	28	**(303,251)**	244,354	**(285,867)**	(331,416)
Cash and cash equivalents at the end of the year	28	**(1,356,035)**	(303,251)	**(454,614)**	(285,867)

The accounting policies and notes on pages 118 to 186 form an integral part of the financial statements.

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 5.2 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.

1.4 Date of authorization for issue

The Financial Statement of Lanka Walltiles PLC and its Subsidiaries for year ended 31 March 2019 was authorized for issue in accordance with a resolution of the Board of Directors.

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

When preparing financial statements, management has made assessments of the ability of the constituents of the Group to continue as going concern, taking into account all available information about the future, including intentions of curtailment of business, as decided by Board.

2.1.4 Changes in Accounting Policies

New and amended standards and interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2018, except for the adoption of new standards effective as of 1 April 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, SLFRS 15 Revenue from Contracts with Customers, the nature and effect of these changes are disclosed below.

a) SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 April 2018. The cumulative effect of initially applying SLFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under LKAS 18 and related Interpretations. The impact on the amount of revenue to be recognized on adoption of SLFRS 15 using the modified retrospective method is disclosed below. The adoption of SLFRS 15 did not have a significant impact other than disclosed below.

Statement of Financial Position - Group

As at 31 December 2018	Amount prepared under		
	SLFRS 15	Previous LKAS	Increase/ (Decrease)
	Rs.'000'	Rs.'000'	Rs.'000'
Inventories-Work in progress	8,316,920	8,358,541	(41,621)
Other Financial Asset-Current)			
Retention receivable	-	16,648	(16,648)
Contract Assets	58,269	-	58,269
Trade and other payables	3,117,585	3,196,762	(79,177)
Contract Liabilities	79,177	-	79,177

The advances received from customers for supply of timber and installation of timber flooring, for which the revenue is recognized overtime has been reclassified to identify the contract liabilities attached to the contracts with customers to provide better presentation..The contract assets primarily relate to the Group'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.

Refer Note 2.3.13 for the accounting policy on revenue.

Presentation and disclosure requirements

As required for the financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 20 for the disclosure on disaggregated revenue.

SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied SLFRS 9 retrospectively, with an initial application date of 1 April 2018. The Group has not restated the comparative information, which continues to be reported under LKAS 39. The adoption of SLFRS 9 did not have a significant impact on its statements of financial position and equity as at 1 April 2018 due to the adoption of SLFRS 9. However, the classification and measurement of financial assets have been impacted as follows.

(i) **Classification and measurement**

SLFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

LKAS 39 measurement categories of financial assets at fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and loans and receivables have been replaced by:

- Financial assets at fair value through profit or loss (FVPL)
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Debt instruments at fair value through other comprehensive income (FVOCI),with gains or losses recycled to profit or loss on derecognition
- Debt instruments at amortised cost

In line with the characteristics of the Group's financial instruments, the Group neither revoked nor made any new designations on the financial assets at the date of initial application. SLFRS 9 has not resulted in changes in the carrying amount of the Group's financial instruments due to changes in measurement categories

All financial assets previously held at fair value continue to be measured at fair value and those that were classified under LKAS 39 as loans and receivables continue to be measured at amortised cost. These were classified as finacial assets fair value through profit and loss and debt instruments at amortised cost, respectively.

The accounting for financial liabilities remains largely the same as it was under LKAS 39.

(b) **Impairment**

The adoption of SLFRS 9 has fundamentally changed accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking

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expected credit loss (ECL) approach. SLFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss. Given the limited exposure of the Group to credit risk, this change has not had a material impact on its debt securities.

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The impairment requirements of SLFRS 9 did not have a significant impact on the Group.

(c) Impact of adoption of SLFRS 9

The following table shows the original measurement categories in accordance with LKAS 39 and the new measurement categories under SLFRS 9 for the Company's financial instruments and financial liabilities as at 1 April 2018.

Financial Assets	LKAS 39 Measurement Category	SLFRS 9 Measurement Category
Company/Group		
Trade and Other Receivables	Loans and Receivables	Amortised Cost
Amount due from Related Parties	Loans and Receivables	Amortised Cost
Long Term Receivables	Loans and Receivables	Amortised Cost
Short Term Investments	Loans and Receivables	Amortised Cost
Cash and Cash Equivalents	Loans and Receivables	Amortised Cost

Financial Liabilities	LKAS 39 Measure-ment Category	SLFRS 9 Measurement Category
Company/Group		
Trade and Other Payables	Other financial liabilities	Amortised Cost
Amounts due to Related Par-ties	Other financial liabilities	Amortised Cost
Interest Bearing Liabilities	Other financial liabilities	Amortised Cost

There were no changes of the carrying amounts of financial assets and financial liabilities under LKAS 39 to the carrying amounts under SLFRS 9 on transition to SLFRS on 1 April 2018.

2.1.4 Comparative information

Previous year's figures and phrases are same as of the last year as explained in the note 2.1.3.

2.1.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Companies in the Group, the Group holdings in its subsidiary are given in Note 5.2 to the financial statements.

2.1.6 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 recognised 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 recognised 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 recognised 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) Taxation

The Group is subject to income taxes and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of preparation of these financial statements. The Group recognized assets and liabilities for current and deferred based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

b) 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 8).

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

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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 3.4 and 3.8 to the financial statements.

d) Impairment of debtors

Before 1 April 2018

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. (Refer note 9).

After 1April 2018

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are 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 9.2)

e) Deferred tax assets

Deferred tax assets are recognised 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 recognised, 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) (i).

2.3 Summary of Significant Accounting Policies

2.3.1 Foreign currency translation

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

2.3.2 Fair Value Measurement

Fair value related disclosures for assets measured at fair value or financial instruments that are not measured at fair value, for which fair values are disclosed, are summarized in the Note 3.1(l) and 13.6 to the financial statements.

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

2.3.3 Taxation

Current taxes

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

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

Deferred taxation

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

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

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

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

Deferred income tax relating to items recognised directly in equity statement is 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.

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.

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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 and work-in-progress

Manufacturing goods

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

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 2.4.3

2.3.6 Financial Instruments

Financial Assets

Initial Recognition and Measurement

Policy applicable before 1st April 2018

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables and loans and other receivables.

Policy applicable after 1st April 2018

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

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

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

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

Subsequent Measurement

Policy applicable before 1st April 2018

The subsequent measurement of financial assets depends on their classification as follows:

a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

Policy applicable after 1st April 2018
From 1 April 2018, the Group classifies all of these financial assets in the measurement category of financial assets at amortised cost.

b) *Financial assets at amortised cost*
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

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

Policy applicable before 1st April 2018
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised; the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Policy applicable after 1st April 2018
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those

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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 recognises 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 LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

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

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

Subsequent Measurement

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

a) Loans and Borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs those are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

The accounting for financial liabilities under SLFRS 9 remains largely the same as it was under LKAS 39.

Derecognition

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

2.3.7 Property, plant and equipment

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Depreciation is calculated on a straight line basis over the useful life of the assets.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in-progress and is stated at cost. On completion, the related assets are transferred to property, plant and equipment. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Free hold land and building is subsequently measured at fair value.

Valuations are performed every 3-5 years (or frequently enough) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

2.3.8 Leases

2.3.8.1 Finance leases

Assets obtained under finance lease, which effectively transfer to the Group substantially the entire risks and benefits incidental to ownership of the leased assets, are treated as if they have been purchased outright and are capitalized at their cash price. Assets acquired by way of a finance lease are measured at an amount equal to the lower of the present value of the minimum lease payments and fair value of the leased property.

Assets held under finance lease are amortized shorter of the lease period or the useful lives of equivalent owned assets, unless ownership is not transferred at the end of the lease period.

The principal/capital element payable to the lessor is shown as liability/obligation. The lease rentals are treated as consisting of capital and interest elements. The capital element in the rental is applied to reduce the outstanding obligation and interest element is charged against profit, in proportion to the reducing capital outstanding.

The cost of improvements on leased property is capitalised, disclosed as improvements to leasehold property and depreciated over the unexpired period of the lease, or the estimated useful lives of the improvements, whichever is shorter.

2.3.8.2 Operating leases

Group as a Lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases.

Rentals paid under operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Group as a lessor

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

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

2.3.10 Provisions

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

2.3.11 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 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.

NOTES TO THE FINANCIAL STATEMENTS

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2019.

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 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

Policy applicable before 1st April 2018
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and that the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria have been used for the purpose of recognition of revenue.

Sale of goods
Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer with the Group retaining neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Policy applicable after 1st April 2018
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 no 20 Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group/ Company is the principal in its revenue arrangements, as it typically controls the goods before transferring them to the customer.

a) *Sale of goods - tiles and associated items, sanitaryware, packing material, aluminium products*
Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods which include one performance obligation. Control transition point to 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*
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 are 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 the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods.

c) *Sale of timber with installation services*
The supply of timber is recognised at the point of delivery the goods to the customer and the revenue for installation services is recognised over installation period for the transactions that consumes a significant time period for installation. The revenue is recognised 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 recognised 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 recognised as revenue when the Company performs under the contract.

Other Sources of Revenue

Following accounting policies in the context of below income sources have consistently applied in all the periods.

Interest

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

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

Dividends

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

Rental income

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

Other income

Other income is recognised on an accrual basis.

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

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

2.3.14 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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

- Lease hold right to Bare Land and leased assets of JEDB/SLSPC, which have been revalued as more fully described in Note 3.1.(d) and (e)..

- 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 recognises 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 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.

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 capitalised 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 capitalised 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 capitalised 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 labor 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 fulfil 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 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.

2.4.4 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

NOTES TO THE FINANCIAL STATEMENTS

(PUC) method as recommended by LKAS 19 "Retirement Benefit Costs". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Meserss. Acturial Management Consultants (Private) Limited as at 31.03.2019.

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.

2.4.5 Deferred Income

a) Grants and Subsidies

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.

2.4.6 Revenue Recognition

Policy applicable prior to 1 April 2018

Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The fair value gain arising on the valuation of harvested crops has been separately disclosed as part of the revenue.

Policy applicable after 1 April 2018

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

2.5 Effect of Sri Lanka Accounting Standards Issued But Not Yet Effective:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

SLFRS 16 - Leases

SLFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Pending the comprehensive study, possible impact/effects that would result in initial application of SLFRS 16 is not yet estimable.

3. PROPERTY, PLANT & EQUIPMENT

3.1 GROUP

	Balance as at 01.04.2018 Rs.'000	Revaluations Rs.'000	Additions Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2019 Rs.'000
a) Gross Carrying Amounts					
At Cost					
Buildings	358,095	-	5,006	-	**363,101**
Plant and Machinery	7,446,336	-	2,242,755	(65,725)	**9,623,366**
Water Supply, Electricity Distribution Scheme	421,519	-	75,056	-	**496,575**
Tools, Implements, Furniture & Fittings and Electrical Appliances	688,410	-	92,517	(6,346)	**774,581**
Transport & Communication Equipment	515,979	-	32,788	24,988	**573,754**
	9,430,337	-	2,448,123	(47,083)	**11,831,379**

	Balance as at 01.04.2018 Rs.'000	Revaluations Rs.'000	Additions Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2019 Rs.'000
At Valuation					
Freehold Land	4,353,348	389,260	38,753	-	**4,781,361**
Buildings	2,910,917	12,304	264,886	(39,241)	**3,148,867**
	7,264,265	401,564	303,639	(39,241)	**7,930,227**
Assets on Finance Lease					
Leasehold Land	14,600	-	-	-	**14,600**
Plant and Machinery	18,221	-	-	-	**18,221**
Transport & Communication Equipment	52,061	-	-	(36,787)	**15,274**
	84,882	-	-	(36,787)	**48,095**

In the Course of Construction	Balance as at 01.04.2018 Rs.'000	Revaluations Rs.'000	Additions Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2019 Rs.'000
Capital Work In Progress - Building & Others	511,884	-	665,657	(627,749)	**549,793**
	511,884	-	665,657	(627,749)	**549,793**
Total	17,291,370	401,564	3,417,419	(750,860)	**20,359,494**

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

b) Depreciation

	Balance as at 01.04.2018 Rs.'000	Revaluations Rs.'000	Additions Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.03.2019 Rs.'000
At Cost					
Buildings	212,589	-	79,653	(38,807)	**253,435**
Plant and Machinery	3,826,125	-	466,235	(52,211)	**4,240,149**
Water Supply, Electricity Distribution Scheme	287,864	-	24,183	-	**312,048**
Tools, Implements, Furniture & Fittings and Electrical Appliances	527,779	-	66,247	(6,250)	**587,776**
Transport & Communication Equipment	358,510	-	35,057	25,140	**418,707**
Total	5,212,868	-	671,375	(72,128)	**5,812,115**
At Valuation					
Buildings	25,924	-	14,096	-	**40,020**
	25,924	-	14,096	-	**40,020**
Assets on Finance Lease					
Leasehold Land	2,432	-	487	-	**2,919**
Plant and Machinery	13,137	-	1,987	-	**15,124**
Transport & Communication Equipment	48,929	-	2,665	(36,787)	**14,807**
	64,498	-	5,139	(36,787)	**32,850**
Total	5,303,290	-	690,609	(108,915)	**5,884,984**

c) Net book value of assets

	31.03.2019 Rs.'000	31.03.2018 Rs.'000
At Valuation		
Freehold Land	4,781,361	**4,353,348**
Buildings	3,108,847	**2,884,993**
At Cost		
Buildings	109,666	**145,506**
Plant and Machinery	5,383,218	**3,620,211**
Water Supply, Electricity Distribution Scheme	184,528	**133,654**
Tools, Implements, Furniture & Fittings and Electrical Appliances	186,806	**160,631**
Transport & Communication Equipment	155,047	**157,469**
	13,909,472	**11,455,811**
Assets on Finance Leases		
Leasehold Land	11,681	**12,168**
Plant and Machinery	3,097	**5,084**
Transport & Communication Equipment	467	**3,132**
	13,924,717	**11,476,197**
Capital Work in Progress	549,793	**511,885**
Net Value [3.1(i)]	14,474,510	**11,988,082**

(d) **Leasehold right to bare land of JEDB/SLSPC estates**

	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Capitalised value		
As at 22.06.1992	**204,931**	204,931
Amortisation		
At the beginning of the year	**99,680**	95,812
Charge for the year	**3,867**	3,866
At the end of the year	**103,547**	99,678
Carrying Amount		
At the end of the year	**101,385**	105,253

The leasehold rights to the bare land on all estates (except for Dumbara Estate which is under an operating lease) have been taken into the books of Horana Plantations PLC.(HPPLC), as at 22nd June 1992, immediately after formation of HPPLC, in terms of the opinion obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose lands have been revalued at Rs.204.931 Mn. being the value established for these lands by Valuation Specialist, D.R.Wickremasinghe just prior to the formation of HPPLC.

(e) **Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land)**

	Immature Plantations Rs.'000	Mature Plantations Rs.'000	Permenant Land Development Cost Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Capitalised Value							
As at 22.06.1992	145,993	68,817	4,014	47,173	6,818	**272,815**	272,815
Transfers to mature	-	-	-	-	-	**-**	-
At the beginning	(145,993)	145,993	-	-	-	**-**	-
At the end	-	214,810	4,014	47,173	6,818	**272,815**	272,815
Amortisation							
At the beginning	-	168,285	3,433	47,173	6,818	**225,709**	217,994
During the period	-	7,160	19	-	-	**7,179**	7,715
At the end	-	175,446	3,451	47,173	6,818	**232,887**	225,710
Written Down Value							
As at 31.03.19	-	39,364	563	-	-	**39,926**	-
As at 31.03.18	-	46,524	582	-	-	**-**	47,105

In terms of the opinion obtained from the UITF all immovable estate Property, Plant and Equipment under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose all estate immovables have been revalued at their book values as they appear in the books of the lessor(JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of the company.

Investments in Bearer Biological assets which were immature, at the time of handing over to the Company by way of estate lease, are shown under Bearer Biological assets - immature (Revalue as at 22.06.1992). Further investments in such a bearer biological assets (Immature to bring them to maturity are shown under " Note 3.1 (f) Bearer Biological assets (Immature Plantation). When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 3.1 (f) - Bearer Biological assets Immature plantations) to Note 3.1 (f) - Bearer Biological assets Mature Plantations) shown under Note 3.1(f) and corresponding move from bearer biological assets (Immature) to bearer biological assets (Mature) will be made in the above category, namely cost incurred before take over.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

(f) Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversification	Total 31.03.2019	Total 31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Immature Plantations						
Cost or Valuation:						
Opening Balance	98,636	250,726	64,864	84,659	**498,887**	637,164
Additions	24,765	47,171	27,179	56,669	**155,784**	229,065
Transfers from Mature	(1,825)	(87,987)	(277)	(32,151)	**(122,239)**	(367,341)
Transferred to Income Statement	-	(11,526)	-	(1,075)	**(12,601)**	-
At the end of the year	121,577	198,384	91,766	108,102	**519,830**	498,887
Mature Plantations						
Cost or Valuation :						
Opening Balance	792,323	1,338,046	103,880	45,681	**2,279,930**	1,912,588
Transfers from Immature	1,825	87,987	277	32,151	**122,239**	367,341
Transferred to Income Statement	(196)	-	-	(230)	**(426)**	-
At the end of the year	793,952	1,426,033	104,157	77,602	**2,401,742**	2,279,929
Accumulated Amortization						
At the beginning of the year -Restated	182,830	404,992	4,031	10,910	**602,763**	507,795
Charge for the year	28,185	76,678	5,254	2,106	**112,225**	94,969
Transferred to Income Statement	(114)	-	-	(230)	**(344)**	-
At the end of the year	210,901	481,670	9,285	12,786	**714,643**	602,764
Written Down Value	583,050	944,361	94,873	64,815	**1,687,099**	1,677,165
Total Bearer Biological Assets	704,627	1,142,746	186,639	172,917	**2,206,929**	2,176,052

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) and 3.1. (e). 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.

(g) Consumable Biological Assets

	31.03.2019	31.03.2018
	Rs.'000	Rs.'000
Immature Plantations		
Cost :		
At the beginning of the year -Resated	**51,824**	39,339
Additions	**14,273**	12,485
Transfers to Mature Plantations	**(29,886)**	-
At the end of the year	**36,211**	51,824
Mature Plantations		
Cost :		
At the beginning of the year	**484,752**	451,197
Decrease due to Havest	**(45,593)**	(5,230)
Increase due to new plantations	**29,886**	-
Change in Fair Value less costs to sell	**80,663**	38,785
At the end of the year	**549,709**	484,752
Total Bearer Biological Assets	**585,920**	536,575

(h) 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 2019 comprised approximately 319.02 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs. 36.211 Mn as at 31st March 2019. 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 Valuers Mr.A.A.M.Fathihu-proprietor of FM Valuers for 2018/19 using Discounted Cash Flow (DFC) 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 14% - 16%.

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 Variation 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.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

		-5%		5%
Managed Timber	2019	Rs. 534.50 Mn	Rs. 549.71 Mn	Rs. 569.93 Mn

Sensitivity Variation 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 discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

		-1%		1%
Managed Timber	2019	Rs. 568.37 Mn	Rs. 549.71 Mn	Rs. 532.82 Mn

(i) Capitalisation of borrowing cost

Borrowing costs amounting to Rs.58.723 Million (Rs.76.731 Million in 2017/18) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 13.59% (13.01% in 2017/18).

(j) Net book value of assets

	2019 Rs.'000	2018 Rs.'000
Property, plant and equipment [1.1 (c)]	**14,474,512**	11,988,082
Leasehold right to bare land of JEDB/SLSPC Estates [1.1 (d)]	**101,385**	105,253
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) [1.1 (e)]	**39,926**	47,105
Bearer Biological Assets [1.1 (f)]	**2,206,929**	2,176,052
Total	**16,822,752**	14,316,493

(k) Fixed assets include fully depreciated assets, the cost of which at the reporting date amounted to Rs. 2,188.28 Mn (2018- Rs. 1,462.8 Mn)

(l) During the financial year, the Group acquired property, plant & equipment to the aggregate value of Rs. 3,417.42 Mn (2018- Rs. 1600.30 Mn). Cash payments amounting to Rs. 2,955.65 Mn (2018 - Rs. 1,589.60 Mn) were made during the year for purchase of property, plant and equipment.

(m) The following properties are revalued and recorded under freehold land and buildings. Fair Value meassurement 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 dieived from prises) (Level -2)

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

	Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Fair Value measurement (Level 3) Rs.000's
1	Lanka Tiles PLC	Land at Ranala	36A-03R-07.35P	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 40,000/-to Rs. 175,000/- per perch	558,989
		Land at Ranala	36A-03R-07.35P	Mr. Ranjan J Samarakone	31 March 2016	Market based evidence	Rs. 40,000/-to Rs. 175,000/- per perch	557,357
		Land at Biyagama	02A-00R-15.93P	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 950,000 per perch	319,134
		Land at Biyagama	02A-00R-15.93P	Mr. Ranjan J Samarakone	31 March 2016	Market based evidence	Rs. 850,000 per perch	285,541
		Marawila silica land	13A-0R-02P	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 18,752.52 per perch	39,038
		Marawila silica land	13A-0R-02P	Mr. Ranjan J Samarakone	31 March 2016	Market based evidence	Rs. 17187.50 per perch	35,780
		Ball Clay land at Kaluthara	5A-01R-0.83P	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 62.50 per perch	52
		Ball Clay land at Kaluthara	5A-01R-0.83P	Mr. Ranjan J Samarakone	31 March 2016	Market based evidence	Rs. 62.50 per perch	52
2	Uni Dil Packing Ltd.	Land at Narampola road, Moragala, Deketana	A9-R0-P17.8	Mr. D.G.Newton	31 March 2018	Market based evidence	Rs.70,000/- per perch	102,046
		Land at Narampola road, Moragala, Deketana	A9-R0-P17.8	Mr. D.G.Newton	31 March 2016	Market based evidence	Rs.70,000/- per perch	102,046
		Building and land improvement at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton	31 March 2018	Depreciated Replacement cost	Rs.650/- to Rs. 2,000/- per sq.ft	179,254
		Building and land improvement at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton	31 March 2016	Depreciated Replacement cost	Rs.650/- to Rs. 2,000/- per sq.ft	179,250
3	Uni Dil Packaging Solutions Ltd	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton	31 March 2018	Market based evidence	Rs. 60,000/- per perch	26,100
		Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton	31 March 2016	Market based evidence	Rs. 60,000/- per perch	26,100
		Building at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton	31 March 2018	Depreciated Replacement cost	Rs.1,750/- to Rs. 2,500/- per sq.ft	46,400
		Building at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton	31 March 2016	Depreciated Replacement cost	Rs.1,750/- to Rs. 2,500/- per sq.ft	46,400

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3. PROPERTY, PLANT & EQUIPMENT CONTD.

	Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	FairValue measurement (Level 3) Rs.000's
4	Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda-Land	980 Perches	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 646,429/- per perch	633,500
		Factory Complex, Belummahara, Imbulgoda-Land	980 Perches	Mr. K.T. D.Tissera	31 March 2016	Market based evidence	Rs. 612,245/- per perch	600,000
		No:334/5, Colombo Road, Belummahara, Imbulgoda-Land	20 Perches	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 567,500/- per perch	11,350
		No:334/5, Colombo Road, Belummahara, Imbulgoda-Land	20 Perches	Mr. K.T. D.Tissera	31 March 2016	Market based evidence	Rs. 335,000/- per perch	6,700
		Factory Complex, Belummahara, Imbulgoda-Building	54,647 sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Contractor's method	Rs. 3,750/- per sqft	112,500
		Factory Complex, Belummahara, Imbulgoda-Building	54,647 sq.ft	Mr. K.T. D.Tissera	31 March 2016	Depreciated Replacement cost	Rs. 2,500/- per sqft	75,000
		No:334/5, Colombo Road, Belummahara, Imbulgoda-Building	1,384 sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Depreciated Replacement cost	Rs. 361/- per sqft	500
		No:334/5, Colombo Road, Belummahara, Imbulgoda-Building	1,384 sq.ft	Mr. K.T. D.Tissera	31 March 2016	Contractor's method	Rs. 217/- per sqft	300
		Factory Complex, Belummahara, Imbulgoda-Tile Stores	24,444 sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Investment Method	Rs. 15/- to 40/- per sqft	63,351
		Factory Complex, Belummahara, Imbulgoda-Tile Stores	24,444 sq.ft	Mr. K.T. D.Tissera	31 March 2016	Investment Method	Rs. 15/- to 40/- per sqft	63,351
		Factory Complex, Belummahara, Imbulgoda-Sales center	4890 sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Investment Method	Rs. 15/- to 40/- per sqft	27,261
		Factory Complex, Belummahara, Imbulgoda-Sales center	4890 sq.ft	Mr. K.T. D.Tissera	31 March 2016	Investment Method	Rs. 15/- to 40/- per sqft	21,122
		Factory Complex, Belummahara, Imbulgoda-Open Shed	1600 sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Investment Method	Rs. 15/- to 40/- per sqft	2,676

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	FairValue measurement (Level 3) Rs.000's
	Factory Complex, Belummahara, Imbulgoda-Open Shed	1600 sq.ft	Mr. K.T. D.Tissera	31 March 2016	Investment Method	Rs. 15/- to 40/- per sqft	2,073
	Factory Complex, Belummahara, Imbulgoda-Warehouse	5,000 sq.ft	Mr.K.T.D.Tissera	31 March 2018	Investment Method	Rs. 15/- to 40/- per sqft	22,300
	Factory Complex, Belummahara, Imbulgoda-Warehouse	5,000 sq.ft	Mr.K.T.D.Tissera	31 March 2016	Investment Method	Rs. 15/- to 40/- per sqft	17,278
5 Swisstek Aluminum Ltd.	Land at Pahala Dompe, Dompe Lot 01	R02-P17.7	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 17,567,247 per arce	10,727
	Dompe Lot 02	A9-R1-P15.9	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 18,834,861 per arce	176,000
	Land at Pahala Dompe,	A08-R02-P20	Mr. T. J. Tissera	31 March 2016	Market based evidence	Rs. 150,000 per perch	180,000
	Dompe Lot 03	A0-R2-P5.2	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 7,511,737 per arce	4,000
	Building at Pahala Dompe, Dompe	142,242 Sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Contractors Method	Rs. 40,000/-to Rs. 175,000/- per perch	464,533
	Building at Pahala Dompe, Dompe	142,242 Sq.ft	Mr. T. J. Tissera	31 March 2016	Contractors Method	Rs. 40,000/-to Rs. 175,000/- per perch	229,627

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

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

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

	2019 Years	2018 Years
Non plantation assets		
Buildings on free hold land and roadway	40	25,40 & 50
Plant and machinery	5-20	5-20
Water supply and electricity distribution scheme	-	5-25
Tools, implements and furniture and fittings	5-10	5-10
Transport and communication equipment	4 to 8	4 to 12
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 1/3	33 1/3
Mature plantations (Rubber)	20	20
Mature plantations (Coconut)	50	50
Mature plantations (Cinnamon)	25	15
Mature plantations (Coffee and pepper)	4	4
Mature plantations (Pineapple)	3	3
Mature plantations (Oil palm)	20	20
Mature plantations (Custard Apple)	30	-
Permanent Land Development Cost	40	40

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

	Group				Company			
	Cost 2019 Rs. 000'	Accumilated Depreciation 2019 Rs. 000'	Net Carrying Amount 2019 Rs. 000'	Net Carrying Amount 2018 Rs. 000'	Cost 2019 Rs. 000'	Accumilated Depreciation 2019 Rs. 000'	Net Carrying Amount 2019 Rs. 000's	Net Carrying Amount 2018 Rs. 000'
Freehold Land	2,015,752	-	2,015,752	1,795,028	418,926	-	418,926	418,926
Building	3,060,694	(411,153)	2,649,540	1,570,425	645,999	(193,390)	452,609	406,072
	5,076,445	(411,153)	4,665,292	3,365,453	1,064,925	(193,390)	871,535	824,998

3.3 Property, Plant & Equipment

COMPANY Gross Carrying Amounts	Balance as at 01.04.2018 Rs.'000	Addition Rs.'000	Revaluations Rs.'000	Disposals/ Transfers/ Write-off Rs.'000	Balance as at 31.03.2019 Rs.'000
At Cost					
Plant and Machinery	2,001,566	107,428	-	(36,201)	**2,072,793**
Water Supply, Electricity Distribution Scheme	138,094	11,893	-	-	**149,987**
Tools, Implements, Furniture & Fittings and Electrical Appliances	162,585	20,842	-	(4,733)	**178,694**
Transport & Communication Equipment	160,224	3,278	-	(2,561)	**160,941**
	2,462,469	143,441	-	(43,494)	**2,562,415**

At Valuation	Balance as at 01.04.2018 Rs.'000	Addition Rs.'000	Revaluations Rs.'000	Disposals/ Transfers/ Write-off Rs.'000	Balance as at 31.03.2019 Rs.'000
Freehold Land	2,148,640	-	389,260	-	**2,537,900**
Buildings	811,945	49,774	-	-	**861,719**
	2,960,584	49,774	389,260	-	**3,399,619**
Assets on Finance Lease					
Leasehold Land	14,600	-	-	-	**14,600**
	14,600	-	-	-	**14,600**

In the Course of Construction	Balance as at 01.04.2018 Rs.'000	Addition Rs.'000	Revaluations Rs.'000	Disposals/ Transfers/ Write-off Rs.'000	Balance as at 31.03.2019 Rs.'000
Capital Work In Progress Plant & Machinery and Building	20,891	59,673	-	(51,084)	**29,480**
	20,891	59,673	-	(51,084)	**29,480**
Total	5,458,545	252,888	389,260	(94,578)	**6,006,114**

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

Depreciation	Balance as at 01.04.2018 Rs.'000	Addition Rs.'000	Revaluations Rs.'000	Disposals/ Transfers/ Write-off Rs.'000	Balance as at 31.03.2019 Rs.'000
At Cost					
Buildings	-	19,284	-	-	**19,284**
Plant and Machinery	1,027,895	114,794	-	(33,522)	**1,109,166**
Water Supply, Electricity Distribution Scheme	88,170	6,146	-	-	**94,316**
Tools, Implements, Furniture & Fittings and Electrical Appliances	128,756	17,374	-	(4,724)	**141,406**
Transport & Communication Equipment	96,745	8,407	-	(2,409)	**102,743**
Total	1,341,566	166,005	-	(40,656)	**1,466,915**
Assets on Finance Lease					
Leasehold Land	2,432	487	-	-	**2,919**
	2,432	487	-	-	**2,919**
Total	1,343,998	166,491	-	(40,656)	**1,469,834**

Net Book Value of Assets

	2019 Years Rs.'000	2018 Years Rs.'000
At Valuation		
Freehold Land	**2,537,900**	2,148,640
Buildings	**842,437**	811,945
At Cost		
Plant and Machinery	**963,626**	973,670
Water Supply, Electricity Distribution Scheme	**55,671**	49,925
Tools, Implements, Furniture & Fittings and Electrical Appliances	**37,288**	33,829
Transport & Communication Equipment	**58,198**	63,479
	4,495,119	4,081,488
Assets on Finance Leases		
Leasehold Land	**11,681**	12,168
	4,506,800	4,093,656
Capital Work in Progress	**29,480**	20,891
Total	**4,536,281**	4,114,548

3.4 Assets At Valuation

3.4.1 The fair value of freehold lands and buildings were determined by means of a revaluation during the financial year 2018/19 in reference to market based evidence and the details of the valuations are indicated below,

Location	Extent	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	Mr. Ranjan J Samarakone	31 March 2019	Market based evidence	Rs. 7,000,000/- per perch	1,414,700
		Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 6,000,000/- per perch	1,212,600
	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	Mr. Ranjan J Samarakone	31 March 2019	Market based evidence	Rs. 300,000/- per perch	1,123,200
	A23-R1-P24.16	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 250,000/- per perch	936,040
	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

3.5 Assets on Finance Lease

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.

3.6 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 193.2 Mn (2017/2018 - Rs.157.36 Mn). Cash payments amounting to Rs. 201.8 Mn (2017/2018- Rs. 167.30 Mn) were made during the year for purchase of Property, Plant and Equipment.

3.7 Fixed assets include fully depreciated assets the cost of which at the reporting date amounted to Rs. 800.16 Mn (2017/2018 - Rs. 274.27 Mn).

3.8 Investment property

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Opening balance	**459,407**	-	**-**	-
Addition	**1,767**	-	**-**	-
Transfer from property plant and equipment	**-**	459,407	**-**	-
Net fair value gain recognised in profit or loss	**355,631**	-	**-**	-
Closing balance	**816,805**	459,407	**-**	-

The properties of Beyond Paradise Collection Limited (Rs. 223.8 Mn) and LWL Development (Private) Limited (Rs. 235.6 Mn) has been reclassified as investment property in accordance with LKAS 40 Investment Property ("LKAS 40") due to change of use of the assets in 2018.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

3.8.1 The following Investment properties are revalued during the financial year 2018/19

Company	Location	Extent	Valuation Date	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, Gampha	48A-03R-17.9P	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	Waradala Village, Divulapitiya, Gampha	4A-01R-15.9P	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 5,000,000/- per Acre	21,746
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-45 P	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 200,000/- per Perch	9,000
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-6.90 P	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 50,000/- per Perch	345
	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2018	Mr. Ranjan J Samarakone	Market based evidence	Rs. 4,500,000/- per Acre	219,875
	Waradala Village, Divulapitiya, Gampha	4A-01R-15.9P	31 March 2018	Mr. Ranjan J Samarakone	Market based evidence	Rs. 2,500,000/- per Acre	11,000
Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per Acre	390,895
	House	981.sq.ft	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 4,000/- per sq.ft	3,924
	Agalagedara Village, Divulapitiya, Gampha	48A-03R-17.9P	31 March 2018	Mr. Ranjan J Samarakone	Market based evidence	Rs. 4,500,000/- per Acre	219,876
	House	981.sq.ft	31 March 2018	Mr. Ranjan J Samarakone	Market based evidence	Rs. 4,000/- per sq.ft	3,924

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

Puchase of land at Divulapitiya under LWL Development (Pvt) Ltd.

Company	Location	Extent	Purchase Date	Value Rs.'000
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampha	00A-00R-45 P	28 March 2018	4,732
	Agalagedara Village, Divulapitiya, Gampha	00A-00R-6.90 P	04 March 2019	1,767

4 GOODWILL

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized 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.

	2019 Rs.'000	2018 Rs.'000
At the end of the year	**24,519**	24,519

5 INVESTMENTS IN SUBSIDIARIES

	Company	Number of Shares		Holding		Cost	Market Value/ Directors' Valuation*	Cost	Market Value/ Directors' Valuation*
		2019	2018	2019	2018	2019	2019	2018	2018
		'000	'000	%	%	Rs.'000	Rs.'000	Rs.'000	Rs.'000
5.1	**Subsidiary**								
a)	**Quoted**								
	Lanka Tiles PLC	**36,189**	36,189	**68.22**	68.22	**935,958**	**2,533,244**	935,958	3,608,063
	Swisstek (Ceylon) PLC	**3,141**	3,141	**11.48**	11.48	**41,247**	**109,316**	41,247	186,276
	Total Quoted Investment in Subsidiary					**977,205**	**2,642,559**	977,205	3,794,339
b)	**Non-quoted**								
	VPML Plantation Management (Pvt) Ltd	**10,336**	10,336	**100.00**	100.00	**298,891**	**298,891**	298,891	298,891
	LWL Development (Pvt) Ltd	**0.001**	0.001	**100.00**	100.00	**0.001**	**-**	0.001	-
	Total Non-quoted Investments in Subsidiaries					**298,891**	**298,891**	298,891	298,891
	Carrying Value of Investments in Subsidiaries					**1,276,096**		1,276,096	
	Total Net Carrying Value of Investments in Subsidiaries					**1,276,096**		1,276,096	

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

NOTES TO THE FINANCIAL STATEMENTS

5.2 Details of those companies in which Lanka Walltiles PLC, held a controlling interest, as at 31 March 2019 directly or indirectly (Group) are set out below:

Name of Company	Percentage of share holding in subsidiaries				Principal activities of the company	Auditors
	Group		Company			
	2019	2018	2019	2018		
1) Lanka Tiles PLC	**68.22**	68.22	**68.22**	68.22	Manufacture of Ceramic & Porcelain floor tiles	M/s. PricewaterhouseCoopers
2) Vallibel Plantation Management Ltd	**100.00**	100.00	**100.00**	100.00	Providing management services to plantation industry	M/s. KPMG
3) Horana Plantations PLC	**51.00**	51.00	**-**	-	Agricultural production	M/s. KPMG
4) Fairlawn Power (Pvt) Ltd	**27.54**	27.54	**-**	-	Mini hydro power project	M/s. KPMG
5) Uni-Dil Packaging Ltd	**100.00**	100.00	**-**	-	Manufacture and sale of cartons for packing	M/s. KPMG
6) Uni-Dil Packaging Solutions Ltd	**100.00**	100.00	**-**	-	Manufacture and sale of paper sacks for packing	M/s. KPMG
7) Swisstek (Ceylon) PLC	**59.28**	59.28	**11.48**	11.48	Manufacture and sale of tile grout and tile mortar.	M/s. KPMG
8) Swisstek Aluminium Ltd	**51.81**	51.81	**-**	-	Manufacture and sale of aluminium extrusions	M/s. PricewaterhouseCoopers
9) LWL Development (Private) Limited	**100.00**	100.00	**100.00**	100.00	Property Holding Company	M/s. PricewaterhouseCoopers
10) Beyond Paradise Collection Limited	**68.22**	68.22	**-**	-	Property Holding Company	M/s. PricewaterhouseCoopers
11) Lankatiles (Pvt) Ltd(Foreign Subsidiary)	**34.79**	34.79	**-**	-	Distribution of Tiles in India	M/s. K S Muralidhar
12) LTL Development (Pvt) Limited	**68.22**	68.22	**-**	-	Property Holding Company	M/s. PricewaterhouseCoopers
13) Swisstek Development (Pvt) Limited	**51.81**	51.81	**-**	-	Property Holding Company	M/s. KPMG

5.3 The financial statements of Fairlawn Power (Pvt) Ltd has not been consolidated as at the reporting date, since the company is still in the pre operational stage and no real value to share holders of the Horana Plantations PLC, under section 153 (6)a of the companies act No. 07 of 2007. Further Horana Plantations PLC has fully provided for this investment. The shares of Fairlawn Power (Pvt) Ltd were alloted on 29th July 1997.

6 LONG TERM RECEIVABLES

	GROUP	
	2019	2018
	Rs.'000	Rs.'000
Advance company tax receivable	**27,285**	27,285
Total	**27,285**	27,285

7 DEFERRED TAX ASSET

	GROUP	
	2019	2018
	Rs.'000	Rs.'000
Deferred tax assets at the beginning of the year	**14,685**	12,175
Reclasification to liability	**-**	(354)
Deferred tax (charge) / reversal (Note 25.2)	**(13,842)**	4,006
Deferred tax release on components of other comprehensive income (Note 25.2)	**3**	(1,143)
Deferred tax assets at the end of the year	**847**	14,686

7.1 Statement of Financial Position

	GROUP	
	2019	2018
	Rs.'000	Rs.'000
Deferred Tax Liability		
Capital Allowances	(24,312)	(27,261)
Revaluation Surplus	(1,218)	(1,218)
Deferred Tax Assets		
Retirement Benefit Liability	864	720
Carried Forward Tax Losses	23,753	42,445
Provision for Obsolete and Slow Moving, Consumables and Spares	1,760	-
	847	14,686

7.2 Deferred Tax has been computed using the liability method providing for temporary differences between the written down value of assets and liabilities for the financial reporting purpose and the amount used for taxation purpose at the efective tax rate of 28% (2018 - 28%).

8 INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw materials	2,682,275	2,479,816	180,014	165,673
Work in progress	296,735	204,312	40,469	43,274
Finished goods	4,566,192	2,767,052	1,645,999	1,097,954
Goods in transit	107,172	133,100	908	908
Consumables and spares	508,418	418,449	389,143	329,588
Harvested crops	272,712	223,516	-	-
Non-harvested produce on bearer biological assets	5,845	6,210	-	-
Allowances for obsolete and slow moving spares	(122,430)	(119,207)	(31,925)	(31,125)
Total	8,316,920	6,113,247	2,224,608	1,606,272

9 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade debtors - related parties (9.1)	26,272	2,362	939	1,060
- Other	3,085,481	2,814,281	513,018	592,122
	3,111,753	2,816,643	513,957	593,182
Less: Allowances for doubtful debts	(47,134)	(39,596)	(4,770)	(4,750)
	3,064,619	2,777,048	509,187	588,432
Advance and prepayments	502,424	308,102	150,324	94,624
Other debtors	232,078	326,279	41,159	34,007
Loans to company officers	37,962	38,855	8,630	7,985
Dividend Receivables	-	-	105,589	-
Total	3,837,082	3,450,285	814,889	725,049

NOTES TO THE FINANCIAL STATEMENTS

9 TRADE AND OTHER RECEIVABLES CONTD.

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Allowances for doubtful debts				
Opening Balance as at 1 Aprl	**39,596**	34,102	**4,750**	3,386
Provided during the year	**15,841**	12,256	**1,454**	1,435
Utilised/reversals during the year	**(8,302)**	(6,762)	**(1,435)**	(71)
Closing blance as at 31 March	**47,134**	39,596	**4,770**	4,750

9.1 Trade debtors - related parties

Company	Relationship	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Lanka Ceramic PLC	Affiliated Company	**1,154**	-	**-**	-
Royal Ceramics Lanka PLC	Parent Company	**21,555**	1,022	**-**	-
Royal Pocelain (Pvt) Ltd	Affiliated Company	**1,578**	855	**-**	-
Swisteck Ceylon PLC	Subsidiary Company	**-**	-	**572**	572
Uni Dil Packaging (Pvt) Limited	Subsidiary Company	**-**	-	**3**	3
MN Properties (Pvt) Ltd	Affiliated Company	**364**	485	**364**	485
Hayleys Agriculture Holdings Limited	Affiliated Company	**130**	-	**-**	-
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	**558**	-	**-**	-
Kelani Valley Plantations PLC	Affiliated Company	**883**	-	**-**	-
Talawakelle Tea Estates PLC	Affiliated Company	**50**	-	**-**	-
		26,272	2,362	**939**	1,061

9.2 As at 31 March, the age analysis of trade receivables are as follows:

Company	Neither past due nor impaired Rs.'000	Past due but not impaired < 3 Months Rs.'000	Past due but not impaired 3- 12 Months Rs.'000	> 1 Year Rs.'000	Impaired Rs.'000	Total Rs.'000
2019	380,124	57,853	56,640	14,570	4,770	513,957
2018	495,153	61,158	28,378	3,743	4,750	593,182

Group	Neither past due nor impaired Rs.'000	Past due but not impaired < 3 Months Rs.'000	Past due but not impaired 3- 12 Months Rs.'000	> 1 Year Rs.'000	Impaired Rs.'000	Total Rs.'000
2019	2,102,041	606,277	321,253	35,048	47,134	3,111,753
2018	1,251,315	1,265,526	164,973	95,236	39,596	2,816,643

10 AMOUNTS DUE FROM RELATED PARTIES

		Group		Company	
		2019	2018	2019	2018
Company	Relationship	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Swisstek Aluminium Ltd	Subsidiary company	**-**	-	**54,522**	16,796
Royal Ceramics Lanka PLC	Affiliated Company	**1,562**	20,949	**-**	-
Royal Porcelain (Pvt) Ltd	Affiliated Company	**14,299**	15,191	**2,338**	2,005
Royal Bathware Limited	Affiliated Company	**5,632**	15,522	**72**	4
LWL Development (Pvt) Ltd	Subsidiary company	**-**	-	**15,824**	15,824
Royal Ceramics PLC	Parent Company	**6,424**	-	**-**	-
Delmage Forsyth & Co., Ltd.	Affiliated Company	**8,938**	3,765	**-**	-
Nilano Garments (Pvt) Ltd	Affiliated Company	**162**	-	**-**	-
Total		**37,016**	55,427	**72,756**	34,628

11 SHORT TERM INVESTMENTS

	Group		Company	
	2019	2018	2019	2018
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deposit of Tsunami donations	**3,499**	3,239	**3,499**	3,239
	3,499	3,239	**3,499**	3,239

12 STATED CAPITAL

12.1 Issued & fully paid

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	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	
	2019	2018	2019	2018
	'000	'000	'000	'000
Balance at the beginning of the year	**54,600**	54,600	**54,600**	54,600
Balance at the end of the year	**54,600**	54,600	**54,600**	54,600

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 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Revaluation reserve (13.1)	**2,850,974**	2,566,671	**1,812,083**	1,531,816
Total	**2,850,974**	2,566,671	**1,812,083**	1,531,816

13.1 Revaluation reserve

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
On: Property Plant & Equipment				
As at 01 April	**2,566,671**	2,409,494	**1,531,816**	1,237,011
Revaluation of freehold land and building net of deffered tax	**284,303**	157,177	**280,267**	294,805
As at 31 March	**2,850,974**	2,566,671	**1,812,083**	1,531,816

The above revaluation surplus consists of net surplus resulting from the revaluation of freehold land described in Note 3.1 (i)

14 INTEREST BEARING LIABILITIES

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Non Current				
Long term loans (14.1)	**2,865,112**	1,629,350	**119,134**	165,180
Finance leases (14.2)	**85,133**	82,767	**-**	-
Total	**2,950,245**	1,712,118	**119,134**	165,180
Current				
Long term loans (14.1)	**789,705**	664,695	**141,880**	160,585
Finance leases (14.2)	**8,306**	10,698	**-**	-
Short term loans	**3,708,776**	2,164,099	**898,104**	500,000
Bank overdrafts (28)	**1,757,615**	964,130	**487,854**	346,874
Total	**6,264,402**	3,803,622	**1,527,838**	1,007,459
Total	**9,214,647**	5,515,740	**1,646,972**	1,172,639

14.1 Long term loans

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
At the beginning	**2,294,045**	2,415,820	**325,766**	588,309
Loans obtained	**2,021,995**	671,499	**100,000**	-
Exchange gain/(loss)	**25,063**	6,751	**617**	82
Repayments	**(686,287)**	(800,024)	**(165,369)**	(262,626)
At the end	**3,654,817**	2,294,046	**261,014**	325,766
Amount payable within 12 months	**789,705**	664,695	**141,880**	160,585
Amount payable after 12 months	**2,865,112**	1,629,350	**119,134**	165,180
Total	**3,654,817**	2,294,046	**261,014**	325,765

14.2 Finance leases

	GROUP	
	2019	2018
	Rs.'000	Rs.'000
JEDB/SLSPC estates (14.3)	141,227	146,053
Other finance lease creditors	6,973	4,155
Gross liability	148,200	150,208
Finance charges allocated to future period	(54,761)	(56,744)
Net liability	93,439	93,465
Amount payable within one year	8,306	10,698
Amount payable after one year	85,133	82,767
Total	93,439	93,465
JEDB/SLSPC estates (14.3)		
At the beginning	146,053	146,384
New leases obtained	15,968	14,361
Repayments	(20,794)	(14,692)
At the end	141,227	146,053
Other finance lease creditors		
At the beginning	4,155	11,032
New leases obtained	7,276	-
Repayments	(4,459)	(6,877)
At the end	6,973	4,155

14.3 The lease rentals have been amended with effect from 22 June 1996 to an amount substantially higher than the previous nominal lease rental of Rs. 500/- per estate per annum.The basic rental payable under the revised basis is Rs. 5.228 Mn per annum.This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator in the form of contingent rent.

This lease agreement was further amended on 10 June 2005, freezing the annual lease rental at Rs. 7.472 Mn for a period of six years commencing from 22 June 2002. Hence, the GDP Deflator adjustment will be frozen at Rs. 2.244 Mn per annum until 21 June 2008. Accordingly, the Financial Statements have been adjusted, in order to reflect the future net liability in the following manner:-

14.4 Future liability on the revised annual lease payment of Rs. 7.472 Million continued until 21st June 2008, and thereafter from 22nd June 2008, annual lease payment remained at Rs. 5.228 Million, until 21st June 2045.The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs. 88.066 Million.

14.5 The net present value as at date is represented by :-

	2019
	Rs. Mn
Gross Liability	141.23
Less : Interest in Suspense	(53.16)
Net Present Value	88.07

14.6 The contingent rental charged during the current year to Statement of Profit or Loss amounted to Rs. 15.968 Million and the gross liability to make contingent rentals for the remaining 26 years of lease term at the current rate would be estimated to Rs. 415.168 Million as at 31st March 2019.

NOTES TO THE FINANCIAL STATEMENTS

14 INTEREST BEARING LIABILITIES CONTD.

14.7 Details of long term loans of the Group

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 3/31/19 Rs.'000	Balance as at 3/31/18 Rs.'000
Lanka Walltiles PLC						
Hatton National Bank PLC	60 monthly installments	(USD 1,800,000)	LIBOR+3.75%	Secondary mortgage bond for USD 1.8 million over the project assets comprising land, building and machinery at Meepe.	-	33,073
Commercial Bank of Ceylon PLC	60 monthly installments	584,000	AWPLR+0.5%	Tripartite agreement for Rs. 392.8 Mn between Bank,Lanka Walltiles PLC & the custodian (Pan Asia Bank) over 7,210,000 Shares of Lanka Tiles PLC.	165,180	282,060
	60 installments	80,000	AWPLR+0.75%	Primary Mortgage bond for Rs. 80 Mn over the ceramic printer	-	10,632
DFCC Bank PLC	60 monthly installments	200,000	AWDR+1%	Corporate Grantee from Lanka Tiles PLC.	95,833	-
Company Total - Lanka Walltiles PLC					**261,013**	325,765
Lanka Tiles PLC						
DFCC Bank PLC	84 monthly installments	165,000	AWPLR+0.5%	A primary mortgage over land, building and plant and machinery of Lanka Tiles PLC at Ranala	5,893	29,464
	54 monthly installments	80,000	AWPLR+0.5%		1,481	19,259
	72 monthly installments (After 12 month Grace period)	1,500,000	AWPLR+0.75%	'A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1500 Mn	1,455,336	-
Company Total - Lanka Tiles PLC					**1,462,710**	56,224
Uni-Dil Packaging Limited						
HSBC	US$ 20,281 monthly installments	USD 310,000	LIBOR+3.8%	Mortgage bond for USD 310,000 over Moveable machinery	-	20,140
					-	USD 127.88
SCB	US $ 114,079 Quartely installments	USD 310,000	LIBOR+3.8%	Primary concurrent Mortgage bond for LKR 170 Mn over Property	180,793	233,561.81
					USD 1026.71	USD 1483.03
Company Total - Uni-Dil Packaging Limited					**180,793**	253,701

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 3/31/19 Rs '000	Balance as at 3/31/18 Rs '000
Horana Plantations PLC						
Hatton National Bank PLC	72 monthly installments	150,000	AWPLR+1.0%	Primary mortgage for 550 million	**47,100**	70,200
		200,000	AWPLR+1.0%	over the leasehold rights of Frocester Estate	**83,450**	116,750
		200,000	AWPLR+0.75%	Primary mortgage for 400 million	**105,650**	138,950
		250,000	AWPLR+3.00%	over the leasehold rights of Bambrakelly Estate	**250,000**	250,000
		200,000	AWPLR+1.75%		**200,000**	-
Hatton National Bank PLC	60 monthly installments	100,000	AWPLR+0.75%	Primary mortgage over leasehold rights of Alton, Bambarakelly,Eildon Hall and Gouravilla	**44,425**	59,980
Hatton National Bank PLC	60 monthly installments	130,114	AWPLR+1.5%	Primary mortgage over leasehold rights of Bambarakelly Estate	**43,570**	69,396
Sri Lanka Tea Board	36 monthly installments,After a 24 months grace period.	33,000	AWPLR+1.0%	No security has been offered	**14,667**	25,667
Industry Distress Financing Facility	36 monthly installments	46,935	5.00%	No security has been offered	**17,764**	33,332
Commercial Bank of Ceylon PLC	48 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.	**100,000**	100,000
Company Total -	**Horana Plantations PLC**				**906,625**	864,275
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.	**111,000**	-
Bank of Ceylon	54 monthly installments	170,000	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	**118,990**	152,990
Commercial Bank of Ceylon PLC	60 monthly installments	35,000	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	**31,500**	35,000
Company Total -	**Swisstek (Ceylon) PLC**				**261,490**	187,990

NOTES TO THE FINANCIAL STATEMENTS

14 INTEREST BEARING LIABILITIES CONTD.

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 3/31/19 Rs '000	Balance as at 3/31/18 Rs '000
Swisstek Aluminium Limited						
DFCC Bank PLC	78 monthly installments	290,000	AWPR+0.75%	Mortgage over land, building, plant & machinery	-	26,026
	60 monthly installments	50,000	AWPR+0.75%		-	3,285
	60 monthly installments	10,000	AWPR+0.75%		**1,502**	3,504
	60 monthly installments	500,000	AWPR+1.4%		**441,667**	351,309
	60 monthly installments	193,032	AWPR+1.5%	Movable Machinery	**113,807**	156,838
Hatton National Bank PLC	48 monthly installments	80,000	AWPR+1.5%	Simple Receipt	**25,220**	45,140
Company Total -	Swisstek Aluminium Limited				**582,195**	586,102
Vallibel Plantation Management Limited						
Commercial Bank of Ceylon PLC	60 monthly installments	144,790	AWPR+1%	12,750,000 shares of Horana Plantation PLC	-	19,990
Company Total -	Vallibel Plantation Management Limited				-	19,990

14.8 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..

	Carrying Amount		Fair value	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group				
Financial Assets				
Trade and Other Receivables	**3,102,580**	2,815,904	**3,102,580**	2,815,904
Contract Assets	**58,269**	-	**58,269**	-
Total	**3,160,849**	2,815,904	**3,160,849**	2,815,904
Financial Liabilities				
Trade and Other Payables	**2,330,275**	1,888,849	**2,330,275**	1,888,849
Contract Liability	**79,177**	-	**79,177**	-
Loans and Borrowings- Current	**6,264,402**	3,803,622	**6,264,402**	3,803,622
Loans and Borrowings- Non Current	**2,950,245**	1,712,118	**2,950,245**	1,712,118
Total	**11,624,099**	7,404,589	**11,624,099**	7,404,589
Company				
Financial Assets				
Trade and Other Receivables	**623,406**	596,418	**623,406**	596,418
Total	**623,406**	596,418	**623,406**	596,418
Financial Liabilities				
Trade and Other Payables	**534,879**	331,006	**493,390**	331,006
Loans and Borrowings- Current	**1,527,838**	1,007,459	**1,527,838**	1,007,459
Loans and Borrowings- Non Current	**119,133**	165,180	**119,133**	165,180
Total	**2,181,850**	1,503,645	**2,140,361**	1,503,645

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

Assets for which Fair Value Approximates Carrying Value

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

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

Fixed Rate Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS

15 DEFERRED TAX LIABILITIES

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	**2,032,021**	1,042,938	**887,282**	367,374
Reclasification from deferred tax assets	**(17,095)**	2,510	**-**	-
Income/ (expense) arising during the year (Note 25.2)	**223,605**	124,598	**(7,361)**	40,653
Deferred tax release on components of other comprehensive income (Note 25.2)	**103,080**	861,977	**109,521**	479,255
At the end	**2,341,613**	2,032,023	**989,442**	887,282

15.1 Statement of Financial Position

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred Tax Liability				
Capital Allowances	**1,825,728**	1,814,034	**440,889**	444,681
Revaluation surplus	**1,088,292**	700,281	**592,076**	483,084
Deferred Tax Assets				
Retirement Benefit Liability	**(178,545)**	(160,965)	**(33,249)**	(30,438)
Carried Forward Tax Losses	**(354,040)**	(286,942)	**-**	-
Provision for Obsolete and Slow Moving, Consumables and Spares	**(34,251)**	(33,055)	**(8,939)**	(8,715)
Allowances for Doubtful Debts	**(5,571)**	(1,330)	**(1,335)**	(1,330)
	2,341,613	2,032,023	**989,442**	887,282

16 RETIREMENT BENEFIT LIABILITY

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the Beginning of the Year	**810,691**	685,174	**108,706**	75,825
Current service cost	**48,398**	55,163	**10,871**	8,120
Net interest on the net defined benefit liability (asset)	**78,053**	78,199	**8,396**	9,099
	126,450	133,362	**19,267**	17,219
Net Acturial Gain / loss for the year	**73,123**	90,788	**(1,886)**	18,795
Payments made during the Year	**(96,856)**	(98,629)	**(7,341)**	(3,131)
	(23,733)	(7,841)	**(9,227)**	15,663
Payable for retaired employees included under current liabilities	**(31,248)**	(31,864)	**-**	-
At the End of the Year	**882,161**	778,830	**118,746**	108,706

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, Horana Plantation PLC ,Swisteck Ceylon PLC, Swisteck Alluminium Limited, Uni Dil Packaging (Pvt) Ltd and Uni Dil packaging Solutions (Pvt) Ltd is as follows;

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Discount Rate as at 31 March				
Effect on DBO due to decrease in the discount rate by 1%	**61,780**	58,194	**7,571**	7,559
Effect on DBO due to increase in the discount rate by 1%	**(52,330)**	(53,401)	**(6,783)**	(6,732)
Salary Escalation Rate as at 31 March				
Effect on DBO due to decrease in the salary escalation rate by 1%	**(37,607)**	(42,020)	**(6,820)**	(6,692)
Effect on DBO due to increase in the salary escalation rate by 1%	**42,824**	43,437	**7,470**	7,367

Lanka Walltiles PLC - Company

Distribution of Present value of define benefit obligation

	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
As at 31 March 2019					
Defined Benefit Obligation	15,177	24,805	26,267	52,497	118,746

Group

Distribution of Present value of define benefit obligation

	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
As at 31 March 2019					
Defined Benefit Obligation	131,337	148,196	202,928	399,702	882,161

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2019 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

		2019	2018
Discount rate (per annum)		**11.00%**	10.00%
Salary scale (per annum)	- Executives	**12.50%**	12.50%
	- Non Executives	**10.00%**	10.00%
Retirement Age		55 Years	55 Years
Staff Turnover ratio		7% up to 49 years, thereafter 0%	7% up to 49 years, thereafter 0%
Executive and staff			

Age	20	25	30	35	**40**	45 - 50
Turnover	10%	10%	10%	5%	**3%**	1%

NOTES TO THE FINANCIAL STATEMENTS

16 RETIREMENT BENEFIT LIABILITY CONTD.

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 2019.

Principal Actuarial Assumptions are as follows

			2019	2018
Discount rate			**11.00%**	10.00%
Future salary increases	-	Executives	**12.50%**	12.50%
	-	Non Executives	**10.00%**	10.00%

In addition to above, demographic assumptions such as mortality, withdrawal disability and retirement age were considered for the acturial valuation.

Horana Plantations PLC

An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2019 by Actuarial and Management Consultants (Pvt) Ltd.

The valuation method used by the aqctuary to value the benefit is the "projected Unit Credit Method".

Principal Actuarial Assumptions are as follows

	2019	2018
Rate of interest	**11.00% per annum**	11.00% per annum
Rate of salary increase		
Workers	**15.00% for every two years beyond**	15.00% for every two years beyond
Staff	**12.50% for first three years & 2.00% per annum beyond**	12.50% for first three years & 2.00% per annum beyond
Head Office Staff	**10.00% per annum beyond**	10.00% per annum beyond
Retirement age		
Workers	**60 years**	60 years
Staff	**60 years**	60 years
Head Office Staff	**55 years**	55 years
Daily wage rate		
Tea	**Rs. 700**	Rs. 500
Rubber	**Rs. 700**	Rs. 500

The company will continue as a going concern

Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Uni Dil Packaging Ltd and Uni Dil Paper Sacks (Pvt) Ltd of the defined benefit plan gratuity as at 31 March 2019.

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

	2019	2018
Principal Actuarial Assumptions are as follows		
Discount rate p.a	**11.00%**	11.00%
Rate of salary increase	**10.00%**	11.00%
Staff turnover factor	**21.00%**	9.00%
Retirement age (Years)	**55**	55

The Company will continue as a going concern.

Swisstek (Ceylon) PLC

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2019.

	2019	2018
Principal Actuarial Assumptions are as follows		
Discount rate p.a	**11.00%**	10.00%
Rate of salary increase	**12.00%**	12.50%

Swisstek Aluminium Limited

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2019.

	2019	2018
Principal Actuarial Assumptions are as follows		
Discount rate p.a	**11.00%**	10.00%
Rate of salary increase	**10.00%**	10.00%
Retirement age (Years)	**55**	55

17 CAPITAL GRANTS

	Group	
	2019	2018
	Rs.'000	Rs.'000
Capital grants (17.1)	**125,726**	136,532
Total	**125,726**	136,532

NOTES TO THE FINANCIAL STATEMENTS

17 CAPITAL GRANTS CONTD.

17.1 Capital grants

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received Rs.'000	Balance at the beginning Rs.'000	Received during the period Rs.'000	Amortised during the period Rs.'000	Balance at the end Rs.'000
Sri Lanka Tea Board	Tea factory modernizatiion	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	701	370	55	(53)	372
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	4,866	-	-	4,866
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	17,701	-	(1,128)	16,573
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	28,736	-	(1,600)	27,137
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	288	-	(17)	271
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	14,616	-	(717)	13,899
	Ergonomic equipment	Rate of depreciation applicable to equipment (12.5% p.a.)	5,854	-	-	-	-
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	3,465	-	(165)	3,300
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	7,652	-	(361)	7,290
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	58,598	2,319	(9,088)	51,829
	Rubber factory development	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	675	110	-	(51)	60
Export Agriculture Department (EAD)	Cinnamon replanting subsidy	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	76	131	-	-	132
Total			172,712	136,532	2,374	(13,179)	125,726

18 TRADE AND OTHER PAYABLES

	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Trade creditors - other	**1,933,675**	1,620,433	**190,378**	85,293
- related parties [18.1]	**86,394**	82,304	**141,246**	91,466
	2,020,069	1,702,738	**331,624**	176,759
Sundry creditors including accrued expenses	**787,310**	825,795	**131,851**	148,470
Provision for terminal benefits (current) [16]	**31,248**	31,864	**-**	-
Donations in respect of Tsunami fund	**3,499**	3,239	**3,499**	3,239
Unclaimed dividends	**275,459**	151,008	**199,755**	151,008
Total	**3,117,585**	2,714,644	**666,730**	479,476

18.1 Trade creditors - related parties

Company	Relationship	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Lanka Ceramic PLC	Affiliated Company	**18,708**	17,059	**-**	-
Royal Ceramics Lanka PLC	Parent Company	**5,499**	5,150	**-**	-
Hayleys Agriculture Holding	Affiliated Company	**6,387**	2,024	**-**	-
Hayleys Agro Fertilizer	Affiliated Company	**944**	42,204	**-**	-
Hayleys Business Solutions International (Pvt) Ltd	Affiliated Company	**30**	-	**-**	-
Hayleys Agro Products	Affiliated Company	**-**	24	**-**	-
Hayleys PLC	Affiliated Company	**20,284**	2,575	**-**	-
Hayleys Aventura (Pvt) Ltd	Affiliated Company	**-**	53	**-**	-
Ravi Industries Ltd	Affiliated Company	**-**	840	**-**	-
Diesel & Motor Engineering PLC	Affiliated Company	**-**	478	**-**	-
Singer Sri Lanka PLC	Affiliated Company	**57**	381	**-**	-
Kelani Valley Plantations PLC	Affiliated Company	**1,448**	-	**-**	-
Talawakelle Tea Estates PLC	Affiliated Company	**364**	-	**-**	-
Puritas (Pvt) Ltd	Affiliated Company	**19**	-	**-**	-
Logiwiz Limited	Affiliated Company	**2**	-	**-**	-
NYK Line Lanka (Pvt) Ltd	Affiliated Company	**746**	-	**-**	-
Delmage Forsyth & Co., Ltd.	Affiliated Company	**27**	-	**-**	-
Lanka Tiles PLC	Subsidiary Company	**-**	-	**135,598**	89,011
Unidil Packaging Ltd	Subsidiary Company	**-**	-	**5,648**	2,455
Valibel One PLC	Ultimate Parent Company	**31,878**	11,516	**-**	-
		86,394	82,304	**141,246**	91,466

NOTES TO THE FINANCIAL STATEMENTS

19 AMOUNTS DUE TO RELATED PARTIES

		Group		Company	
		2019	2018	2019	2018
Company	Relationship	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lanka Tiles PLC	Subsidiary Company	-	-	157,431	145,624
Swisstek Ceylon PLC	Subsidiary Company	-	-	3,684	4,990
Royal Ceramics Lanka PLC	Parent Company	65,816	39,956	18,802	6,850
Lanka Ceramic PLC	Subsidiary Company	8,719	8,572	8,719	8,572
Vallibel One PLC	Ultimate Parent Company	24,742	-	2,741	1,824
Delmage Forsyth & Co. Ltd.	Affiliated Company	1,336	-	-	-
		100,613	48,528	191,377	167,860

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

	Group		Company	
Year ended 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Types of goods or service				
Sale of Tiles & Associated Items	10,944,908	9,904,783	3,220,934	3,316,247
Sale of Plantation Produce	2,005,255	2,248,357	-	-
Sale of Packing Material	3,543,376	2,819,523	-	-
Sale of Aluminum Products	3,133,622	3,340,583	-	-
Total revenue from contract with customers	19,627,160	18,313,245	3,220,934	3,316,247
Geographical markets				
Local	18,901,130	17,457,388	2,713,051	2,725,681
Foreign - Export	726,031	855,857	507,883	590,566
Total revenue from contract with customers	19,627,160	18,313,245	3,220,934	3,316,247
Timing of revenue recognition				
Goods transferred at a point in time	19,627,160	18,313,245	3,220,934	3,316,247
Total revenue from contract with customers	19,627,160	18,313,245	3,220,934	3,316,247

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

20.2 Contract balances

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade receivables (Note 09)	3,837,082	3,450,285	814,889	725,049
Contract assets (Note 20.3)	58,269	-	-	-
Contract liability (Note 20.4)	79,177	-	-	-

20.3 Contract Asstes

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1st April				
During the year recognized	58,269	-	-	-
As at 31st March	58,269	-	-	-

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.

20.4 Contract Liability

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1st April				
During the year recognized	79,177	-	-	-
As at 31st March	79,177	-	-	-

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 recognized overtime. This will be recognized as revenue when the company issues an invoice to the customer, which is expected to occur over the next year.

NOTES TO THE FINANCIAL STATEMENTS

21 OTHER INCOME

		Group		Company	
		2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Income from investments in related Parties	- Dividend	-	-	105,589	336,229
Rental income	- Related parties	-	-	24,994	25,590
Technical Fee Income	- Related parties	-	-	49,621	42,297
Amortisation of capital and revenue grants		13,179	6,274	-	-
Sales commission	- Related parties	7,258	7,233	-	-
Disposal Gain/(Loss) on Property, Plant and Equipment		(320)	3,645	(708)	3,572
Change in fair value of consumable biological assets		86,509	44,995	-	-
Sundry income		123,236	114,301	6,572	4,706
Exchange gain		28,725	12,572	28,725	12,572
		258,587	189,020	214,793	424,965

22 FINANCE COST

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest expense on overdrafts	140,945	98,894	46,844	36,427
Interest expense on bank loans	710,770	426,055	119,642	76,758
Finance charges on lease liabilities	15,972	14,361	-	-
Exchange loss	38,629	367	-	-
Less : Capitalisation of borrowing costs on immature plantations	(58,723)	(59,531)	-	-
	847,593	480,146	166,487	113,185

23 FINANCE INCOME

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income	6,012	110,617	-	-
	6,012	110,617	-	-

24 PROFIT BEFORE TAX

Is stated after Charging /(Crediting)

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Included in cost of sales				
Depreciation	**719,299**	657,288	**152,794**	139,005
Defined benefit plan costs - gratuity	**94,521**	98,743	**11,744**	6,750
Defined contribution plan costs - EPF & ETF	**206,375**	198,530	**25,835**	23,452
Other staff cost	**2,082,568**	2,228,340	**317,271**	296,005
Operating lease rentals	**-**	372	**-**	-
Inventory written off and allowances	**800**	(26,972)	**800**	1,189
Included in administration expenses				
Depreciation	**51,768**	37,900	**9,430**	11,717
Defined benefit plan costs - gratuity	**27,662**	32,395	**7,523**	10,469
Defined contribution plan costs - EPF & ETF	**29,563**	26,724	**4,482**	4,162
Other staff cost	**255,426**	268,484	**37,103**	34,656
Audit Fee	**7,307**	4,791	**1,664**	1,191
Technical Fee	**243,588**	253,821	**28,609**	30,958
Included in distribution cost				
Depreciation	**42,809**	14,668	**4,267**	3,890
Defined benefit plan costs - gratuity	**4,106**	4,600	**-**	-
Defined contribution plan costs - EPF & ETF	**15,526**	12,420	**5,718**	4,200
Other staff cost	**159,032**	167,577	**55,523**	48,815
Allowance for doubtful Debts	**7,089**	12,696	**20**	1,364

25 INCOME TAX EXPENSES

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

	Group		Company	
Year ended 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Current income tax				
Current income tax charge (Note 25.2)	**155,227**	524,587	**64,275**	137,361
Under/(over) provision of current taxes in respect of prior years	**3,194**	3,076	**-**	(1,646)
Economic Service Charge (non-claimable)	**11,430**	-	**-**	-
Tax effect on Inter company Dividends	**19,246**	47,512	**-**	-
	189,097	575,175	**64,275**	135,715
(b) Deferred income tax				
Deferred taxation charge/(reversal) (Note 25.2)	**223,605**	124,598	**(7,361)**	40,653
Income tax expense reported in the Income statement	**412,702**	699,774	**56,915**	176,368
(c) Deferred tax expense reported in the OCI (Note 25.2)	**103,080**	861,977	**109,521**	479,255
	515,782	1,561,751	**166,436**	655,623

NOTES TO THE FINANCIAL STATEMENTS

25 INCOME TAX EXPENSES CONTD.

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

Year ended 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Accounting profit before income tax	**1,192,772**	2,310,938	**288,196**	867,409
Income considered as separate source of income	**12,632**	112,123	**-**	-
Loss attributable to the manufacturer	**-**	43,665	**-**	-
Income exempt from tax	**(133,579)**	-	**(105,589)**	(336,229)
Non deductible expenses	**932,356**	991,684	**205,897**	189,112
Deductible expenses	**(1,588,756)**	(1,357,643)	**(158,949)**	(182,872)
Total Statutory Income	**415,425**	2,100,766	**229,555**	537,420
Tax losses utilised	**(196,625)**	(108,128)	**-**	-
Qualifying Payment Relief	**-**	(91,488)	**-**	-
Exempt profit	**-**	(5,138)	**-**	-
Net Taxable profit/loss	**218,800**	1,896,012	**229,555**	537,420
Taxable Profit	**554,382**	1,896,012	**229,555**	537,420
Taxable Loss	**(335,582)**	-	**-**	-
Net Taxable profit/loss	**218,800**	1,896,012	**229,555**	537,420
Current income tax expense				
Taxation -12%	**-**	16,272	**-**	9,838
Taxation -14%	**-**	1,432	**-**	-
Taxation -20%	**-**	25,568	**-**	-
Taxation -28%	**155,227**	481,316	**64,275**	127,523
	155,227	524,587	**64,275**	137,361
Deferred income tax reported in income statement				
Capital Allowances	**288,214**	147,425	**(3,792)**	48,152
Retirement Benefit Liability	**9,832**	(17,251)	**(3,339)**	(5,918)
Carried Forward Tax Losses	**(67,099)**	(9,902)	**-**	-
Provision for Obsolete and Slow Moving, Consumables and Spares	**(5,720)**	4,744	**(224)**	(1,112)
Allowances for Doubtful Debts	**(1,621)**	(417)	**(5)**	(470)
Deferred taxation charge/(reversal)	**223,605**	124,598	**(7,361)**	40,653
Deferred income tax reported in other comprehensive income				
Revaluation Surplus	**111,455**	881,685	**108,993**	484,517
Retirement Benefit Liability	**(8,375)**	(19,707)	**528**	(5,262)
	103,080	861,977	**109,521**	479,255
Effective Income Tax Rate	**34.60%**	30.28%	**19.75%**	20.33%

25.3 Notes on income tax of Group companies

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

The statutory tax rate of above companies are as follows;

	2019	2018
Local sales and other profits	**28%**	28%
Qualified export profit	**28%**	12%
Specified profits	**20/14%**	20/14%

Swisstek Aluminum Ltd

Income tax exemption given for the Swisstek Aluminium Ltd has been ended by 01st Sptember 2016 and company liable to pay tax at a rate of 20% on trade profit and 28% on other income.

Horana Plantations PLC

In terms of Section 16 of the Inland Revenue Amendment Act No.10 of 2006,and subsequent amendments thereto, "Profits from any Agricultural Undertaking" is liable for income tax at 10%, commencing from 01 April 2011. Manufacturing profit and other income are liable for income tax at 28%.

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	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amounts used as the numerator:				
Profit attributable to equity holders for basic earnings per share	**617,157**	1,086,902	**231,281**	691,041

	Group		Company	
	2019	2018	2019	2018
	'000	'000	'000	'000
Number of ordinary shares used as the denominator:				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	**54,600**	54,600	**54,600**	54,600

27 DIVIDENDS PAID

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Declared and paid during the year				
Equity dividends on ordinary shares :				
First Interim 2017/18 (Rs. 4.00 per share)	**-**	218,400	**-**	218,400
Second Interim 2017/18 (Rs. 5.50 per share)	**-**	300,300	**-**	300,300
First Interim 2018/19 (Rs. 3.00 per share)	**163,800**	-	**163,800**	-
	163,800	518,700	**163,800**	518,700
Dividend Payout Ratio(%)	**21%**	32%	**71%**	75%

NOTES TO THE FINANCIAL STATEMENTS

28. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Favourable cash & cash equivalents balance				
Cash & bank balances	**401,580**	660,879	**33,240**	61,004
	401,580	660,879	**33,240**	61,004
Unfavourable cash & cash equivalent balances				
Bank overdrafts (14)	**(1,757,615)**	(964,130)	**(487,854)**	(346,874)
Total cash and cash equivalents for the purpose of cash flow statement	**(1,356,035)**	(303,251)	**(454,614)**	(285,867)

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 (Pvt) Ltd

Import Loan 1 (Hatton National Bank PLC)	Immovable Property	110,000,000
	Stock & Debtors	145,000,000
Import Loan 2 (Standard Chartered Bank)	Stock & Debtors	40,000,000
	Immovable Property	70,000,000
Import Loan 3 (DFCC Bank)	Stock & Book Debtors	150,000,000

Uni Dil Packaging Solutions Ltd

Import Loans are secured by Primary on mortgage bond over land and building for Rs. 30 million at Naranpola, Dekatana for the banking facilities of Hatton National Bank PLC and registered primary floating mortgage bond over stock and book debts for Rs. 60 million for the banking facilities of Hong kong & Shanghai Banking corporation.

Horana Plantations PLC

The following securities were offered for bank overdraft facilities.

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs.'000
Seylan Bank PLC	Mortgage over leasehold rights of Mahanilu Estate and including buildings, fixed and floating assets.	13.75% p.a.	100,000
Commercial Bank of Ceylon PLC	"Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	13.01% p.a. (AWPLR+0.5%)	200,000
Hatton National Bank PLC	Mortgage over leasehold rights of Eildon Hall Estate, including buildings , fixed and floating assets.	13.26% p.a (AWPLR+0.75%)	100,000
			400,000

Lanka Walltiles PLC

Hatton National Bank 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.

Swisstek Aluminum Limited

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs.'000
Hatton National Bank (Import Loan)	Trading Stock and Trade Debtors	AWPLR (11.79%)	300,000
DFCC Bank(Term loan)	Primary mortgage over plant and machninary	AWPLR (11.79%)	200,000
DFCC Bank(Import loan and Bank Overdarfts	Secondary mortgage over stock and book debtors	AWPLR (11.79%)	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 Company, Royal Ceramic Lanka PLC		Transactions with Subsidiaries and Affiliate Companies	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 April	(6,850)	(11,704)	(216,789)	(147,766)
Sale of Tiles	5,766	14,491	29	608
Purchase of raw materials	-	-	(26,269)	(23,998)
Purchase of other items	(5,724)	(19,325)	(66,840)	(61,182)
Sale of raw materials	27	-	6,915	6,007
Dividend received	-	-	-	205,948
Settlements/(Recoveries) by the Company	(2,207)	35,994	246,406	(66,831)
Rent received	-	-	7,901	13,046
Expenses apportioned	(4,765)	2,313	128,766	97,718
Advances received/(paid)	-	-	-	(56,856)
Commission on sales	(1,759)	(4,421)	(14,861)	(14,098)
Expenses incurred and transferred	-	-	(118,602)	(127,410)
Credit card proceeds collected from subsidiary	-	-	(135,598)	(79,472)
Sale of other items	-	-	(78,637)	92
Technical Fees	(3,290)	(24,197)	27,454	37,405
Balance as at 31 March	(18,802)	(6,850)	(240,126)	(216,789)
Included Under				
Trade and other receivable	-	-	939	1,060
Trade and other payable	-	-	(141,246)	(91,466)
Amount due from related parties	-	-	72,756	34,628
Amount due to related parties	(18,802)	(6,850)	(172,575)	(161,011)
Balance as at 31 March	(18,802)	(6,850)	(240,126)	(216,789)

The above subsidiaries and affiliates include following companies;

Company

- Lanka Tiles PLC
- Unidil Packaging (Pvt) Ltd
- Unidil Packaging Solutions Ltd.
- Vallibel Plantation Management (Pvt) Ltd
- Horana Plantations PLC
- Swisstek Aluminum Limited
- Swisstek (Ceylon) PLC
- Royal Porcelain (Private) Limited
- Royal Bathware Limited
- LWL Development (Private) Limited
- Beyond Paradise Collection Limited
- Lankatiles (Pvt) Ltd
- LTL Development (Pvt) Limited
- Swisstek Development (Pvt) Limited

Terms and conditions with related parties

The 'Sales to' and 'Purchases from' related parties are made on commercial terms agreed with respective parties.

Outstanding balances as at the year end are unsecured,interest free and settlement occur in cash.

Technical fees paid to Royal Ceramic Lanka PLC and Vallibel One PLC are for services rendered in providing technical advises to improve manufacturing process of Lanka Walltile PLC, Lanka Tiles PLC and Swisstek Aluminum Limited.

NOTES TO THE FINANCIAL STATEMENTS

30 RELATED PARTY DISCLOSURES CONTD.

30.2 Group - Related Party Transactions

30.2.1 Lanka Tile PLC

Name of the company	Relationship	Nature of the transaction	2019 Rs. '000	2018 Rs. '000
(a) Sale of goods /services to				
Royal Porcelain (Pvt) Ltd	Affiliated Company	Raw materials	11	3,972
		Spares	329	213
		Consumables	-	199
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	105	948
		Spares	785	29
		Consumables	24	-
MN Properties (Pvt) Ltd	Affiliated Company	Services	-	180
(b) Purchase of goods/Services from:				
Lanka Ceramic PLC	Affiliated Company	Raw materials	125,992	123,960
Swisstek Aluminum Ltd	Affiliated Company	Trading Items	38,665	-
Swisteck (Ceylon)PLC	Affiliated Company	Trading Items	340,363	252,868
		Sales Commission	54,565	45,693
Uni-Dil Packing (Pvt) Ltd	Affiliated Company	Packing Material	89,756	70,099
Royal Porcelain (Pvt) Ltd	Affiliated Company	Raw materials	11	6,222
		Spares	329	101
		Consumables	-	553
Royal Ceramics Lanka PLC	Affiliated Company	Spares	141	141
		Technical fees	9,002	73,445
Vallibel One PLC	Ultimate Parent	Technical fees	81,015	36,328
MN Properties (Pvt) Ltd	Affiliated Company	Sale of Goods	-	180
Delmage Freight Services (Pvt) Ltd	Affiliated Company	Services	8,585	1,433
Heyleys Travels & Tours (Private) limited	Affiliated Company	Services	10,126	10,274
Heyleys Agriculture Holding Limited	Affiliated Company	Services	544	206
Heyleys Electronic Lighting (Private) Limited	Affiliated Company	Services	27	258
Heyleys Industrial Solutions (Private) Limited	Affiliated Company	Services	24,247	9,506

30.2.2 Swisstek (Ceylon) PLC

Name of the company	Relationship	Nature of the transaction	2019 Rs. '000	2018 Rs. '000
(a) Sale of goods /services to				
Lanka Tiles PLC	Affiliated Company	Finished goods	351,184	273,592
		Warehouse rental income	9,945	7,831
		Sales Commission	54,565	45,694
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	73,381	30,714
		Sales Commission	2,143	1,125
		Warehouse rental income	5,133	4,473
M N Propertise (Pvt) Ltd	Common Director	Finished goods	-	2,902
(b) Purchase of goods/Services from:				
Royal Porcelain (Pvt) Ltd	Affiliated Company	Sales Commission	5,467	6,845
Rocell Bathware Ltd.	Affiliated Company	Sales Commission	816	481
Uni-Dil Packing Ltd	Affiliated Company	Purchase of corrugated boxes	4,460	3,918
Lanka Ceramic PLC	Affiliated Company	Purchase of Goods	-	1,344
Swisstek Aluminum Ltd	Subsidiary Company	Purchase of Goods	15,514	-

30.2.3 Swisstek Aluminum Ltd

Name of the company	Relationship	Nature of the transaction	2019 Rs. '000	2018 Rs. '000
(a) Sale of goods /services to				
Lanka Tiles PLC	Affiliated Company	Finished goods	46,560	-
Swisteck (Ceylon) PLC	Parent Company	Finished goods	17,844	-
(b) Purchase of goods/Services from:				
Royal Ceramics Lanka PLC	Affiliated Company	Purchase of goods	-	169
		Technical fees	-	17,642
Horana Plantation PLC	Affiliated Company	Purchase of goods	-	150
Lanka Tiles PLC	Affiliated Company	Purchase of goods	228	-
		Technical fees	49,817	42,061

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	2019 Rs. '000	2018 Rs. '000
(a) Sale of goods /services to				
Horana Plantations PLC	Affiliated Company	Finished goods	156	121
Lanka Tiles PLC	Affiliated Company	Finished goods	-	12
Uni-Dil Packing Solution Limited	Subsidiary Company	Finished goods	(7,466)	7,311
Royal Porcelain (Pvt) Ltd	Affiliated Company	Finished goods	(94)	2,699
Royal Bathware LTD	Affiliated Company	Finished goods	1	271
Swisteck (Ceylon)PLC	Affiliated Company	Finished goods	4,460	4,516
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	42	324
(b) Purchase of goods/Services from:				
Horana Plantations PLC	Affiliated Company	Finished goods	185	454
Royal Ceramics Lanka PLC	Affiliated Company	Purchase of goods	-	232
		Technical fees	-	9,735
Vallibel One PLC	Ultimate Parent	Technical fees	20,004	9,344

30.2.5 Uni Dil Packaging Solutions Ltd

Name of the company	Relationship	Nature of the transaction	2019 Rs. '000	2018 Rs. '000
(a) Sale of goods to				
Royal Porcelain (Pvt) Ltd	Affiliated Company	Finished goods	116,872	95,940
Royal Bathware LTD	Affiliated Company	Finished goods	33,159	37,189
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	76,459	57,587
Lanka Tiles PLC	Affiliated Company	Finished goods	90,088	70,055
Horana Plantation PLC	Affiliated Company	Finished goods	9,280	9,867
(b)Purchase of goods/services from/Expenses Reimbursement				
Uni Dil Packaging Ltd	Parent Company	Purchase of goods	7,466	(7,311)

30.2.6 Horana Plantations PLC

Name of the company	Relationship	Nature of the transaction	2019 Rs. '000	2018 Rs. '000
(a) Sale of goods /services to				
Uni Dil Packaging Pvt Ltd	Affiliated Company	Sale of tea	450	450
Lanka Ceramic PLC	Affiliated Company	Sale of tea	75	70
Swisstek Aluminum Ltd	Affiliated Company	Sale of tea	-	105
Royal Ceramics Lanka PLC	Affiliated Company	Sale of tea		20
Delmage Forsyth & Co.Ltd	Affiliated Company	Sale of tea	67,139	44,839

Name of the company	Relationship	Nature of the transaction	2019 Rs. '000	2018 Rs. '000
(b)Purchase of goods/services from/Expenses Reimbursement				
Uni Dil Packaging Pvt Ltd	Affiliated Company	Purchase of goods	**1,763**	(39)
Uni Dil Packaging Solutions Ltd	Affiliated Company	Purchase of goods	**15,338**	8,412
Royal Bathware LTD	Affiliated Company	Purchase of goods	**-**	65
Royal Ceramics Lanka PLC	Affiliated Company	Purchase of tiles	**126**	-
Hayleys PLC	Affiliated Company	Management Fee	**16,336**	-
		Office Rent & related servises	**4,641**	3,472
Hayleys Agriculture Holdings Ltd	Affiliated Company	Chemicals	**5,432**	7,041
Hayleys Agro Fertililizer (Pvt) Ltd	Affiliated Company	Fertilizer	**69,867**	89,059

30.2 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	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Short Term Employment Benefits	**115,243**	98,453	**27,923**	27,969
Post Employment Benefits	**37,780**	25,644	**13,223**	5,383
	153,023	124,097	**41,146**	33,352

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital commitments

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

Lease commitments

a). Lanka Tiles PLC is committed to pay Rs. 375,000/- & Rs. 2,300,471/- respectively as rent per month for the use of buildings situated in Rajagiriya and Nawala.

b). Horana Plantation PLC has commitments under operating lease rentals on Dumbara Estate as given below;

1 - 10 years (per annum)	Rs. 0.552 million
11 - 20 years (per annum)	Rs. 0.698 million
21 - 30 years (per annum)	Rs. 0.838 million
Finance lease rentals payable to the Secretary to the Treasury ;	
22.06.2019 to 21.06.2045 (per annum)	Rs. 5.228 million

c). Swisstek Alluminium Limited has a commitment on letter of credits amounting to Rs.1,939 million as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31. COMMITMENTS AND CONTINGENCIES CONTD.

31.2 Contingencies

a) Horana Palntaion PLC

Several other cases and disputes are pending against the company in Labour Tribunal and Courts. All these cases are being vigorously contested / prosecuted and our lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

Capital Grant received from the Ceylon Electricity Board (CEB) for Stand by Power Generators is subject to a condition of minimum usage of CEB Power as against the Generator Power. A liability will arise only if the above condition is not fulfilled.

b) Lanka Walltiles PLC

As at the reporting date, the Lanka Walltiles PLC has received assessments issued by the Department of Inland revenue inrespect of Income tax, Value added tax and economic service charge totaling Rs. 46,988,405/- for the year of assessment 2008/09, 2009/10. The Company has appealed against the assessments in the appeal hearing branch.

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

There have been no material events occuring after the reporting date that require adjustments to or disclosure in the Financial Statements.

33 SEGMENTAL INFORMATION

	2019						2018					
	Tiles & associated items Rs.'000	Alluminium Products Rs.'000	Plantation products Rs.'000	Packing materials Rs.'000	Inter Segment Elimination Rs.'000	Total Rs.'000	Tiles & associated items Rs.'000	Alluminium Products Rs.'000	Plantation products Rs.'000	Packing materials Rs.'000	Inter Segment Elimination Rs.'000	Total Rs.'000
Sales to External Customers	10,944,908	3,133,622	2,005,255	3,543,376	-	19,627,160	9,904,783	3,340,583	2,248,357	2,819,523	-	18,313,245
Inter Segment Sales	-	-	-	157,853	(157,853)	-	-	-	105	123,229	(123,334)	-
Total Revenue	10,944,908	3,133,622	2,005,255	3,701,229	(157,853)	19,627,160	9,904,783	3,340,583	2,248,462	2,942,752	(123,334)	18,313,245
Gross Profit	3,230,517	533,355	165,106	374,035	-	4,303,014	3,750,137	1,013,412	280,514	273,427	(105)	5,317,386
Other Income	453,159	8,395	112,032	93,976	(53,344)	614,218	57,003	5,569	76,673	92,915	(43,142)	189,020
Distribution Costs	(1,487,356)	(198,261)	-	(121,323)	3,722	(1,803,218)	(1,294,075)	(398,456)	-	(106,993)	619	(1,798,905)
Administrative Expenses	(659,387)	(188,162)	(136,222)	(145,511)	49,621	(1,079,661)	(641,470)	(164,718)	(127,081)	(136,392)	42,627	(1,027,033)
Finance Cost	(260,493)	(334,630)	(130,699)	(126,635)	4,865	(847,593)	(168,732)	(116,621)	(91,607)	(108,050)	4,865	(480,146)
Finance Income	10,877	-	-	-	(4,865)	6,012	115,482	-	-	-	(4,865)	110,617
Profit Before Tax	1,287,316	(179,303)	10,216	74,543	(0)	1,192,772	1,818,345	339,186	138,499	14,908	-	2,310,938
Income Tax Expense	(390,766)	54,496	(2,546)	(54,640)	(19,246)	(412,702)	(546,637)	(84,978)	(22,178)	1,531	(47,512)	(699,774)
Net Profit for the year	896,551	(124,807)	7,670	19,902	(19,246)	780,070	1,271,709	254,208	116,321	16,438	(47,512)	1,611,165
Segment Assets	21,530,340	4,424,811	4,145,463	2,966,559	(2,010,715)	31,056,458	16,708,830	3,928,890	4,043,226	3,052,661	(2,010,715)	25,722,893
Segment Liabilities	8,507,843	3,209,960	2,491,171	1,662,631	(442)	15,871,162	4,669,828	2,600,456	2,308,928	1,770,286	(8,474)	11,308,141
Other Segment Information												
Total cost incurred during the period to												
depreciation and amortisation	464,274	99,463	168,690	81,449	-	813,877	407,875	62,468	157,666	81,847	-	709,855
Property, plant & equipment	2,588,280	175,487	10,080	11,743	-	2,785,590	1,172,655	119,481	15,556	40,340	-	1,348,032
Biological assets	-	-	170,057	-	-	170,057	-	-	241,550		-	241,550
trade debtors and inventory impairement	11,774	-	-	(1,012)	-	10,762	(10,842)	-	-	2,751	-	(8,090)
provision for retirement benefit	48,308	4,349	62,829	10,965	-	126,451	44,524	4,000	74,718	10,119	-	133,361
Reconciliation of net profit for the year												
Segment net profit for the year						799,316						1,658,676
Dividend tax on Inter segment dividend						(19,246)						(47,512)
Group net profit for the year						780,070						1,611,165
Reconciliation of assets												
Segment Assets						33,067,173						27,733,609
Inter- segment balance eliminations						(442)						(8,474)
Investment in subsidiary elimination						(2,010,273)						(2,002,241)
						31,056,458						25,722,893
Reconciliation of liabilities												
Segment Liabilities						15,871,605						11,316,615
Inter- segment balance eliminations						(442)						(8,474)
						15,871,162						11,308,141

NOTES TO THE FINANCIAL STATEMENTS

34. 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	2019 %	2018 %
Lanka Tiles PLC	Sri Lanka	**31.78**	31.78
Horana Plantation PLC	Sri Lanka	**49.00**	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) Ltd	India	**65.21**	65.21

Accumilated Balances of the Material Non - Controlling Interest

Name	2019 Rs. '000	2018 Rs. '000
Accumilated Balances of Material Non - Controlling Interest		
Lanka Tiles PLC	**2,027,754**	1,951,376
Horana Plantation PLC	**661,703**	696,190
Swisstek (Ceylon) PLC	**577,195**	537,471
Swisstek Aluminium Limited	**615,834**	691,786
Beyond Paradise Collection Limited	**55,386**	15,946
Lankatiles (Pvt) Ltd	**5,682**	5,166
	3,943,553	3,897,935

Name	2019 Rs. '000	2018 Rs. '000
Profit allocated to Material Non - Controlling Interest		
Lanka Tiles PLC	**127,718**	266,957
Horana Plantation PLC	**2,353**	41,328
Swisstek (Ceylon) PLC	**70,072**	60,020
Swisstek Aluminium Limited	**(76,728)**	156,279
Beyond Paradise Collection Limited	**39,440**	340
Lankatiles (Pvt) Ltd	**58**	(662)
	162,914	524,262

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for year ended 31 March 2019

	Lanka Tiles PLC Rs. 000's	Horana Plantation PLC Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Pvt) Ltd Rs. 000's
Revenue	7,008,992	2,020,360	1,175,154	3,133,622	-	-
Cost of sales	(4,996,548)	(1,855,253)	(886,135)	(2,600,267)	-	-
Distribution costs	(1,041,762)	-	(67,312)	(198,261)	-	-
Administrative expenses	(403,519)	(134,684)	(43,541)	(188,162)	(230)	(401)
Finance costs	(22,076)	(129,622)	(68,970)	(334,630)	-	-
Profit before tax	594,314	7,348	189,680	(179,303)	-	-
Income tax	(169,925)	(2,546)	(64,357)	54,496	-	-
Profit for the year	424,389	4,802	125,323	(124,807)	124,103	90
Total comprehensive income	429,966	(70,382)	125,790	(113,583)	124,103	791
Attributable to non-controlling interests	127,718	2,353	70,072	(76,728)	39,440	58
Dividends paid to non-controlling interests	53,112	-	30,609	-	-	-

Summarised statement of profit or loss for year ended 31 March 2018:

	Lanka Tiles PLC Rs. 000's	Horana Plantation PLC Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Pvt) Ltd Rs. 000's
Revenue	6,126,307	2,248,462	736,784	3,340,583	-	-
Cost of sales	(3,745,803)	(1,982,948)	(561,592)	(2,327,171)	-	-
Distribution costs	(895,347)	-	(48,194)	(398,456)	-	-
Administrative expenses	(404,447)	(125,264)	(39,607)	(164,718)	(56)	(1,234)
Finance costs	(21,768)	(86,914)	(33,779)	(116,621)	-	-
Profit before tax	1,232,587	104,674	184,138	339,186	-	-
Income tax	(348,721)	(20,329)	(21,740)	(84,978)	-	-
Profit for the year	883,866	84,345	162,398	254,208	1,070	(1,015)
Total comprehensive income	755,105	49,147	17,587	254,852	1,070	(1,274)
Attributable to non-controlling interests	266,957	41,328	60,020	156,279	340	(662)
Dividends paid to non-controlling interests	168,610	-	53,565	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

34. MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

Summarised statement of financial position as at 31 March 2019:

	Lanka Tiles PLC Rs. 000's	Horana Plantation PLC Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Pvt) Ltd Rs. 000's
Current Assets	5,013,131	444,371	754,997	2,945,293	3,000	78
Non- Current Assets	5,995,438	3,351,757	1,539,101	1,479,518	394,819	-
Current Liabilities	2,322,479	956,105	728,165	2,735,081	175,659	-
Non- Current Liabilities	2,239,088	1,502,099	486,027	474,879	47,885	-
Total equity	6,447,002	1,337,916	1,079,905	1,214,853	174,275	78
Attributable to:						
Equity holders of parent	4,398,144	682,337	476,130	468,008	118,890	27
Non-controlling interest	2,048,857	655,579	603,775	746,845	55,385	51

Summarised statement of financial position as at 31 March 2018:

	Lanka Tiles PLC Rs. 000's	Horana Plantation PLC Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Pvt) Ltd Rs. 000's
Current Assets	3,906,972	381,700	310,280	2,533,654	1,800	78
Non- Current Assets	4,107,887	3,312,306	1,391,178	1,395,237	223,800	-
Current Liabilities	1,022,724	786,721	327,700	2,044,755	175,428	-
Non- Current Liabilities	807,990	1,486,488	365,084	555,701	-	-
Total equity	6,184,144	1,420,798	1,008,672	1,328,435	50,172	78
Attributable to:						
Equity holders of parent	4,218,823	724,607	444,723	511,764	34,227	27
Non-controlling interest	1,965,321	696,191	563,949	816,671	15,945	51

Summarised cash flow information for year ending 31 March 2019:

	Lanka Tiles PLC Rs. 000's	Horana Plantation PLC Rs. 000's	Swisstek (Ceylon) PLC Rs. 000's	Swisstek Aluminium Limited Rs. 000's	Beyond Paradise Collection Limited Rs. 000's	Lankatiles (Pvt) Ltd Rs. 000's
Operating	889,116	323,862	292,847	223,339	970	82
Investing	(2,139,832)	(173,276)	(178,168)	(171,389)	-	-
Financing	1,605,452	66,961	267,934	719,366	-	-
Net increase / (decrease) in cash and cash equivalents	(596,463)	(91,927)	58,594	(307,397)	(0)	67

Summarised cash flow information for year ending 31 March 2018:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Operating	417,142	247,252	41,325	101,538	-	(957)
Investing	(336,408)	(252,141)	(162,918)	(489,727)	-	-
Financing	(591,920)	(1,588)	88,350	368,192	-	12,239
Net increase / (decrease) in cash and cash equivalents	(511,186)	(6,477)	(33,243)	(19,997)	-	11,282

35. FINANCIAL RISK MANAGEMENT

The Group activities are exposed to variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the company financial risk management policies. The board of directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks.

Market risk

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

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

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

Foreign currency/ exchange risk

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

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

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

Foreign currency sensitivity	Change in profit before tax	Group	Company
	Rs. '000	Rs. '000	Rs. '000
2019	5.0%	36,699	823
2018	5.0%	67,499	5,467

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL RISK MANAGEMENT CONTD.

Cash flow and fair value interest rate risk

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

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

Interest Rate	Change in profit before tax Rs. '000	Group Rs. '000	Company Rs. '000
2019	0.05	8,581	1,566
2018	0.05	7,567	1,629

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 utilisation 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 9.2 for ageing analysis of trade receivables)

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

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

Group

At 31 March 2019	Less than 3 months Rs.'000	Between 3 months and 1 year Rs.'000	Between year 1 and 2 year Rs.'000	Between year 2 and year 5 Rs. '000	Over 5 years Rs.'000
Bank Borrowings	5,199,927	1,292,443	924,561	2,826,458	117,393
Trade and other payables	3,117,585	Nil	Nil	Nil	Nil

At 31 March 2018	Less than 3 months Rs.'000	Between 3 months and 1 year Rs.'000	Between year 1 and 2 year Rs.'000	Between year 2 and year 5 Rs. '000	Over 5 years Rs.'000
Bank Borrowings	3,405,488	561,337	533,292	840,272	175,342
Trade and other payables	2,714,644	Nil	Nil	Nil	Nil

Company

At 31 March 2019	Less than 3 months Rs.'000	Between 3 months and 1 year Rs.'000	Between year 1 and 2 year Rs.'000	Between year 2 and year 5 Rs. '000	Over 5 years Rs.'000
Bank Borrowings	1,451,139	116,569	84,979	60,458	Nil
Trade and other payables	479,476	Nil	Nil	Nil	Nil

At 31 March 2018	Less than 3 months Rs.'000	Between 3 months and 1 year Rs.'000	Between year 1 and 2 year Rs.'000	Between year 2 and year 5 Rs. '000	Over 5 years Rs.'000
Bank Borrowings	894,316	113,143	116,880	48,300	Nil
Trade and other payables	479,476	Nil	Nil	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT CONTD.

Capital management risk

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. 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:

Key management personnel compensation	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Borrowings	**9,214,647**	5,515,740	**1,646,972**	1,172,639
Total equity	**15,185,296**	14,414,750	**5,339,701**	4,981,039
Gearing ratio ; Debt to Equity	**61%**	38%	**31%**	24%

Supplementary Information

Ours is a spirit of dedication and innovation, committed to better ourselves year on year to deliver consistent, reliable results across the board.

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FIVE YEAR SUMMARY - STATEMENT OF PROFIT OR LOSS

	Group				
	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000
Continuing Operations					
Revenue	**19,627,160**	18,313,245	16,000,150	15,545,188	14,596,214
Cost of Sales	**(15,324,146)**	(12,995,860)	(10,783,477)	(10,763,886)	(10,855,981)
Gross Profit	**4,303,014**	5,317,385	5,216,673	4,781,301	3,740,233
Other Income	**258,587**	189,020	135,843	175,479	189,012
Change in fair value of investment property	**355,631**	-	-	-	-
Distribution Costs	**(1,803,218)**	(1,798,905)	(1,466,625)	(1,272,084)	(987,637)
Administrative Expenses	**(1,079,661)**	(1,027,033)	(1,007,570)	(998,379)	(822,113)
Finance Cost	**(847,593)**	(480,146)	(408,928)	(255,710)	(327,204)
Finance Income	**6,012**	110,617	142,549	62,458	5,913
Profit / (Loss) Before Tax from Continuing Operations	**1,192,772**	2,310,938	2,611,942	2,493,065	1,798,203
Income Tax (Expense)/Reversal	**(412,702)**	(699,774)	(664,591)	(680,373)	(347,607)
Profit / (Loss)for the Year from Continuing Operations	**780,070**	1,611,164	1,947,351	1,812,692	1,450,596
Profit for the Year	**780,070**	1,611,164	1,947,351	1,812,692	1,450,596
Profit attributable to:					
Equity holders of the parent	**617,157**	1,086,902	1,387,503	1,334,339	1,043,793
Non controlling interest	**162,913**	524,262	559,849	478,354	406,803
Profit for the year	**780,070**	1,611,164	1,947,351	1,812,692	1,450,596
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	**11.30**	19.91	25.41	24.44	19.12

	Company				
	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000
Continuing Operations					
Revenue	**3,220,934**	3,316,247	3,345,337	3,209,561	3,078,121
Cost of Sales	**(2,291,881)**	(2,106,806)	(2,013,573)	(2,053,751)	(2,142,319)
Gross Profit	**929,053**	1,209,441	1,331,764	1,155,809	935,802
Other Income	**214,793**	424,965	309,426	283,146	277,718
Distribution Costs	**(483,030)**	(445,167)	(381,220)	(324,033)	(292,894)
Administrative Expenses	**(206,133)**	(208,646)	(210,028)	(201,519)	(201,007)
Finance Cost	**(166,487)**	(113,185)	(105,269)	(112,023)	(165,140)
Profit / (Loss) Before Tax from Continuing Operations	**288,196**	867,409	944,673	801,380	554,479
Income Tax (Expense)/Reversal	**(56,915)**	(176,368)	(171,908)	(158,002)	(37,426)
Profit / (Loss)for the Year from Continuing Operations	**231,281**	691,041	772,765	643,378	517,052
Profit / (Loss) After Tax for the Year from Discontinued Operations		-	-	-	-
Profit for the Year	**231,281**	691,041	772,765	643,378	517,052
Profit attributable to:					
Equity holders of the parent	**231,281**	972,313	786,036	643,378	517,052
Non controlling interest	**-**	-	-	-	-
Profit for the year	**231,281**	972,313	786,036	643,378	517,052
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	**4.24**	12.66	14.15	11.78	9.47

FIVE YEAR SUMMARY - STATEMENT OF FINANCIAL POSITION

	Group				
	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000
Non-current assets					
Property, plant and equipment	**16,822,752**	14,316,493	12,988,436	11,943,053	10,061,471
Consumable bilogical assets	**585,920**	536,575	490,535	453,884	-
Investment Property	**816,805**	459,407	-	-	-
Intangible assets - goodwill	**24,519**	24,519	24,519	24,519	24,519
Long term receivables	**27,285**	27,285	27,285	27,285	27,285
Deferred tax asset	**847**	14,686	12,176	12,527	52,183
	18,278,128	15,378,965	13,542,950	12,461,269	10,165,458
Current assets					
Inventories	**8,316,920**	6,113,247	4,313,824	3,139,621	3,473,262
Trade and other receivables	**3,837,082**	3,450,285	2,885,572	2,198,681	2,327,095
Contract assets	**58,269**	-	-	-	-
Amounts due from related parties	**37,016**	55,427	8,729	4,784	1,263
Income tax receivable	**123,962**	60,851	24,674	-	34,092
Short term investment	**3,499**	3,239	3,296	3,078	2,964
Cash & cash equivalents	**401,580**	660,879	1,423,632	1,784,641	977,467
	12,778,328	10,343,928	8,659,727	7,130,805	6,816,143
Total assets	**31,056,456**	25,722,893	22,202,677	19,592,074	16,981,601
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	**787,765**	787,765	787,765	787,765	787,765
Reserves	**2,850,974**	2,566,671	2,409,494	2,306,645	1,004,516
Retained earnings	**7,602,815**	7,162,378	6,597,189	5,590,940	4,705,033
Shareholders' funds	**11,241,554**	10,516,814	9,794,448	8,685,350	6,497,305
Non controlling interest	**3,943,553**	3,897,935	3,764,563	3,360,147	2,750,143
Total equity	**15,185,107**	14,414,749	13,559,011	12,045,497	9,,247,448
Non-current liabilities					
Interest bearing liabilities	**2,950,245**	1,712,118	1,773,267	1,725,466	1,742,100
Deferred tax liabilities	**2,341,613**	2,032,023	1,042,939	980,802	702,135
Retirement benefit liability	**882,161**	778,830	656,086	699,951	691,213
Deferred income & Capital grants	**125,726**	136,532	138,189	134,301	121,613
	6,299,745	4,659,503	3,610,480	3,540,520	3,257,061
Current liabilities					
Trade and other payables	**3,117,585**	2,714,644	1,789,552	1,524,474	1,649,064
Contract liability	**79,177**	-	-	-	-
Income tax liabilities	**9,827**	81,847	168,839	339,336	165,450
Amounts due to related parties	**100,613**	48,528	17,045	22,723	28,782
Current portion of interest bearing liabilities	**6,264,402**	3,803,622	3,057,748	2,119,524	2,633,796
	9,571,604	6,648,641	5,033,184	4,006,057	4,477,092
Total equity and liabilities	**31,056,456**	25,722,893	22,202,677	19,592,074	16,981,601

	Company				
	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000
Non-current assets					
Property, plant and equipment	**4,536,281**	4,114,548	3,323,749	3,321,976	2,233,154
Investments in subsidiaries	**1,276,096**	1,276,096	1,276,097	1,276,097	1,276,096
	5,812,377	5,390,644	4,599,845	4,598,073	3,509,250
Current assets					
Inventories	**2,224,608**	1,606,272	1,335,580	1,196,576	1,349,134
Trade and other receivables	**814,889**	725,049	499,333	517,726	681,483
Amounts due from related parties	**72,756**	34,628	17,739	15,374	272
Income tax receivable	**-**	-	-	-	34,092
Short term investment	**3,499**	3,239	3,296	3,078	2,964
Cash & cash equivalents	**33,240**	61,004	43,372	41,223	34,805
	3,148,992	2,430,192	1,899,320	1,773,977	2,102,750
Total assets	**8,961,369**	7,820,836	6,499,165	6,372,050	5,612,000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	**787,765**	787,765	787,765	787,765	787,765
Reserves	**1,812,082**	1,531,815	1,237,011	1,237,011	296,294
Retained earnings	**2,739,853**	2,661,459	2,494,799	2,118,262	1,886,370
Shareholders' funds	**5,339,700**	4,981,039	4,519,575	4,143,038	2,970,429
Total equity	**5,339,700**	4,981,039	4,519,575	4,143,038	2,970,429
Non-current liabilities					
Interest bearing liabilities	**119,134**	165,180	324,981	584,245	358,697
Deferred tax liabilities	**989,442**	887,282	367,375	338,863	167,892
Retirement benefit liability	**118,746**	108,706	75,825	82,569	67,027
	1,227,322	1,161,168	768,181	1,005,676	593,616
Current liabilities					
Trade and other payables	**666,730**	479,476	414,318	373,246	360,937
Income tax liabilities	**8,402**	23,834	72,265	39,476	-
Amounts due to related parties	**191,377**	167,860	86,707	93,856	138,180
Current portion of interest bearing liabilities	**1,527,838**	1,007,459	638,118	716,759	1,548,839
	2,394,347	1,678,629	1,211,412	1,223,337	2,047,956
Total equity and liabilities	**8,961,369**	7,820,836	6,499,165	6,372,050	5,612,000

MAJOR SHAREHOLDERS

20 MAJOR SHAREHOLDERS OF THE COMPANY

	NAME	No. of Shares 31/03/2019	%	No. of Shares 31/03/2018	%
1	ROYAL CERAMICS LANKA PLC	29,784,218	54.55	28,418,758	52.05
2	MR.A.A. PAGE	5,159,756	9.45	5,159,756	9.45
3	CT HOLDINGS PLC	1,499,628	2.75	1,499,628	2.75
4	ARUNODHAYA INVESTMENTS (PVT) LTD	1,262,669	2.31	1,262,669	2.31
5	ARUNODHAYA (PVT) LTD	1,262,669	2.31	1,262,669	2.31
6	ARUNODHAYA INDUSTRIES (PVT) LTD	1,262,669	2.31	1,262,669	2.31
7	MR. D. F. G. DALPETHADO & MRS. H.F. A. K. D. FONSEKA	1,011,778	1.85	1,002,316	1.84
8	SRI LANKA INSURANCE CORPORATION LTD - LIFE FUND	807,600	1.48	807,600	1.48
9	MRS. A SELLIAH	746,779	1.37	746,779	1.37
10	SEYLAN BANK PLC/W.D.N.H.PERERA	743,797	1.36	449,000	0.82
11	MRS. A KAILASAPILLAI	697,334	1.28	697,334	1.28
12	ANDYSEL (PVT) LTD	420,000	0.77	420,000	0.77
13	AKBAR BROTHERS (PVT) LTD A/C NO 1	419,798	0.77	166,073	0.30
14	FIRST CAPITAL LIMITED	398,816	0.73	398,816	0.73
15	MR.A H UDESHI	379,594	0.70	379,594	0.70
16	MR.K.ARAVINTHAN	336,000	0.62	336,000	0.62
17	MELLON BANK N.A. - COMMONWEALTH OF MASSACHUSETTS	285,175	0.52	337,315	0.62
18	BANK OF CEYLON A/C CEYBANK CENTURY GROWTH FUND	236,421	0.43	236,421	0.43
19	MR. P K C P SAMARASINGHE	217,537	0.40	220,034	0.40
20	AMES TILE & STONE LTD	177,450	0.33	177,450	0.33
	SUB TOTAL	47,109,688	86.28	45,240,881	82.86
	OTHER SHAREHOLDERS	7,490,312	13.72	9,359,119	17.14
	GRAND TOTAL	54,600,000	100.00	54,600,000	100.00

DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2019

Size of Shareholdings Number	No of holders	No of Shares	Holdings %
1 - 1,000	10,251	2,158,986	3.95
1,001 - 10,000	613	1,750,590	3.21
10,001 - 100,000	115	3,031,220	5.55
100,001 - 1,000,000	18	6,415,817	11.75
Over 1,000,000	7	41,243,387	75.54
	11,004	54,600,000	100.00

CATEGORIES OF SHAREHOLDERS

	No of holders	No of Shares	Holdings %
Local Individuals	10,655	14,011,448	25.66
Local Institutions	253	39,950,472	73.17
Foreign Individuals	90	105,938	0.19
Foreign Institutions	6	532,142	0.97
	11,004	54,600,000	100.00

MAJOR SHAREHOLDERS

DIRECTORS' AND CEO'S SHARHOLDING AS AT 31ST MARCH 2019

Name of Director	No. of shares	%
Mr. Dhammika Perera	-	-
Mr. A.M. Weerasinghe	6610	0.012
Mr. J.A.P.M. Jayasekera	199	0.000
Dr. S Selliah	-	-
Mr. T. G. Thoradeniya	-	-
Mr. K.D. G. Gunarathne	-	-
Ms A.M.L. Page	-	-
MR. M W R N Somaratne	11,000	0.020
Mr. J.D.N. Kekulawala	-	-

- The fractional shares of 35 and 7 arising from the capitalization of revenue reserves issue were issued jointly in the names of Mr. A A Page and Mr. L De Chikera
- The fractional shares of 489 arising from the consolidation and Sub-Division/ capitalization of revenue reserves issue 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	
Highest during the year - 03.05.2018	Rs. 100
Lowest during the year - 27.03.2019	Rs. 55
As at end of the year	Rs. 60
Number of Transactions during the year	2,111
Number of Shares traded during the year	2,527,347
Value of shares traded during the year	Rs. 250,436,705

PUBLIC HOLDING

Public Holding	
The percentage of shares held by the public	26.85%
No of shareholders representing the above percentage	10,989
The float adjusted market capitalization as at 31st March 2019	Rs. 879,737,580

The Float adjusted market capitalization of the company falls under Option 5 of the Rule 7.13.1(a) of the Listing Rules of the Colombo StockExchange and the company has complied with the minimum public holding requirement applicable under the said Option.

STATEMENT OF VALUE ADDED

GRI 201-01

	2019 Rs.'000	%	2018 Rs.'000	%	2017 Rs.'000	%	2016 Rs.'000	%	2015 Rs.'000	%
Group										
Turnover	**19627160**		18,313,245		16,000,150		15,545,188		14,596,214	
Other income	**620,230**		299,637		278,392		237,937		194,925	
Cost of material and services purchased	**(14,409,902)**		(12,438,227)		(10,303,206)		(10322806)		(10,000,114)	
Value Added	**5,837,488**		6,174,655		5,975,336		5,460,319		4,791,025	
To employees as remuneration	**2,874,779**	**49.2**	3,037,814	49.2	2,747,892	46.0	2,611,915	47.8	2,489,768	52
To providers of funds as interest	**847,593**	**14.5**	486,146	7.9	408,146	6.8	255,710	4.7	327,204	6.8
To state as taxes	**412,702**	**7.1**	699,774	11.3	664,591	11.1	680,373	12.5	347,607	7.3
To shareholders as dividends	**163800**	**2.8**	518,700	8.4	409500	6.9	409,500	7.5	354,900	7.4
Depreciation	**813,876**	**13.9**	709,855	11.5	636,109	10.6	616,904	11.3	585,227	12.2
Reserves	**724,739**	**12.4**	722,366	11.7	1,109,098	18.6	885,917	16.2	686,319	14.3
Total	**5,837,488**	**100.0**	6,174,655	100.0	5,975,336	100.0	5,460,319	100.0	4,791,025	100.0

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Second (42nd) Annual General Meeting of Lanka Walltiles PLC will be held at the Winchester Hall, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01 on the 05th day of July 2019 at 11.40 a.m. 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 2019 and the Report of the Auditors thereon.

2. To re-elect Ms. A M L Page, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.

3. To re-elect Mr. J D N Kekulawala, 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-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.

5. 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
06th June 2019

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. A Form of Proxy is enclosed for this purpose.

2) A Form of Proxy is enclosed in this Report.

3) The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 215, Nawala Road, Narahenpita, Colombo 05, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting.

FORM OF PROXY

*I/We ....of

....being

a *Shareholder /Shareholders of Lanka Walltiles PLC, do hereby appoint .... of

....or failing him/her

Mr. Dhammika Perera	of Colombo or failing him*
Mr. Amarakone Mudiyanselage 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

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 05th July 2019 at 11.40 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To re-elect Ms. A M L Page, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.		
2) To re-elect Mr. J D N Kekulawala, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company		
3) To re-appoint M/s Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.		
4) To authorize the Directors to determine donations for the ensuing year		

Signed this............... day of ....Two Thousand and Nineteen.

....

Signature

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

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. This Form of Proxy must be deposited at No. 215, Nawala Road, Narahenpita, Colombo 5 not less than forty eight (48) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.
4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, No.3/17, Kynsey Road, Colombo 8) for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.

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. Dhammika Perera *(Chairman)*
Mr. A M Weerasinghe *(Deputy 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

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. 10, 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
HSBC Bank
People's Bank
DFCC Bank PLC
Sampath Bank PLC

AUDITORS
Ernst & Young
Chartered Accountants
201, De Saram Place
Colombo 10

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LANKA WALLTILES PLC