The Patterns of Life

LANKATILES
The Fine Art of Living

LANKA TILES PLC

Integrated Annual Report 2019/20

For the online version of this
report see **www.lankatiles.com**

The Patterns of Life

At Lanka Tiles, we believe that life is composed of intricate patterns that add value towards the greater scope of life. That's why we have dedicated ourselves to crafting a range of products and services that reflect the desires of all our stakeholders.

Inspired by the patterns of life, Lanka Tiles has developed a kaleidoscope of diverse products to meet the constantly changing needs of our stakeholders. We are evolving into the future to build an innovative model based on customer-centricity, strategy, skill and vision, with every element working in harmony to craft a future of endless possibilities.

Contents

About **Us**

Since 1984 Lankatiles has been renowned locally as well as globally for the unique designs that amalgamate the best material, technology, creativity, and industrial expertise.

We are a premier provider of floor tiles that are available in a variety of hues, textures and sizes. We believe in quality that goes hand in hand with authenticity and the utilization of right resources for a superior outcome. Our production facilities use green technology to ensure that the beautiful natural environment of Sri Lanka is preserved in the process of catering to one of the largest local and global industries with the finest products.

Environmental Policy of **Lanka Tiles PLC**

We establish, implement and maintain our EMS to minimize the environmental pollution caused during the manufacturing of glazed ceramic and porcelain floor tiles and conserve the use of sustainable resources according to our defined plan, through effective communication, training and ethical governance among all our interested parties. We have provided a framework for setting environmental objectives and review them periodically for achieving continual improvement.

About Our Report

GRI | 102-46, 102-48, 102-49, 102-51, 102-52, 102-53, 102-54

Lanka Tiles has been locally and globally renowned for its unique designs that amalgamate the best material, technology and creativity to establish industrial expertise.

Since our inception in 1984, we have become a premier wall and floor tile provider in Sri Lanka providing the finest products.

Lanka Tiles PLC is pleased to present the Annual Report for the period ending 31st March 2020. This is our 3rd Integrated Annual Report and reflects changes in our capitals, operating environment and business line reviews since our previous report for the financial year ended 31st March 2019.

The Board of directors fully acknowledge the responsibility of the Annual report for the period ended 31st March 2020.

Scope and Boundary

The Report covers the operations of Lanka Tiles PLC (LTPLC) and it's subsidiary companies, Beyond Paradise Collections Limited, LTL Developments (Pvt) Limited and Lanka Tiles Private Limited – India. This report focuses on aspects material and relevant to the Group's operations, strategy and to our stakeholders.

Reporting Enhancements	
• Continued focus on improving the relevance and consciousness of the report • Reducing the page count from 144 to 128	
Reporting Framework	
Regulatory Requirements	**Voluntarily Adopted Frameworks**
• Companies Act No.7 of 2007 • Continued Listing Requirements of the Colombo Stock Exchange • Sri Lanka Accounting & Auditing Standards Act No.15 of 1995 • Sri Lanka Financial Reporting Standards	• Integrated Reporting Framework issued by the International Integrated Reporting Council • Core option of the GRI standards • Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka December 2017 • Communicating Sustainability issued by the Colombo Stock Exchange • Sustainability Standards issued by the Global Reporting Initiative • Sustainability Development Goals

Assurance

Assurance on the financial statements have been provided by Messrs. PricewaterhouseCoopers.

Changes in reporting

There were no re-statements of information and no changes to our reporting period during the year.

For any inquiries, please contact

Mr. Tyrell Roche
General Manager (Finance)

: tyrell@lankatiles.com

: 011 4526700

Who We Are

GRI | 102-1, 102-5

Vision

Our vision is of a future in which Lanka Tiles will have become not only a household name but a global one

Mission

Our mission is to be a company that sets and constantly exceeds the benchmark of the highest quality in producing ceramic products of exceptional beauty and functionality and to cater to every need of our discerning customers both in Sri Lanka and abroad.

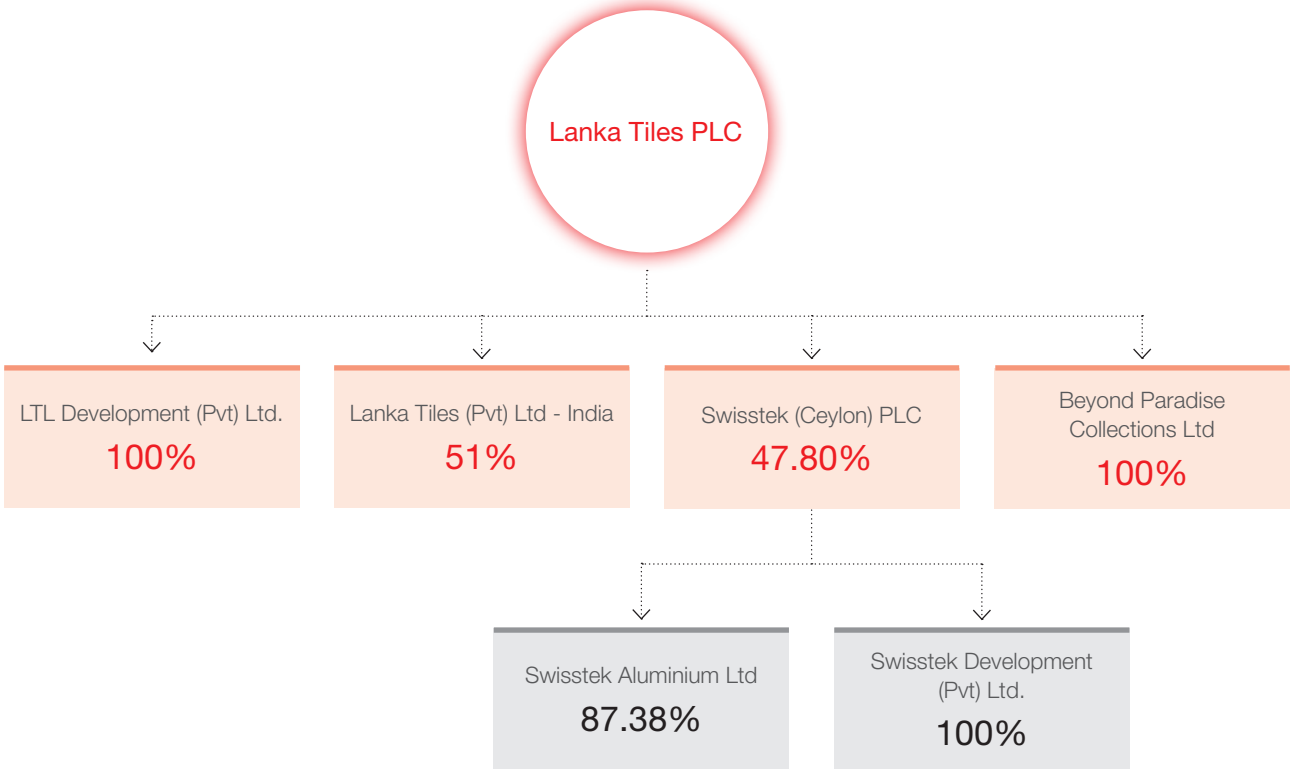
These traits have kept us at the forefront of our chosen spheres, creating peerless career development opportunities within the organization. We believe that improvement is a continuing process. It is the constant endeavour of our employees and the driving force behind our success.

Our Business Resume

Incorporated in 1984 as a private Limited Company, Lanka Tiles PLC became a listed company in 1986. Today, we have a market capitalization of Rs. 2,658 Mn.

The main activity of the company is the manufacture and sale of ceramic and porcelain floor tiles.

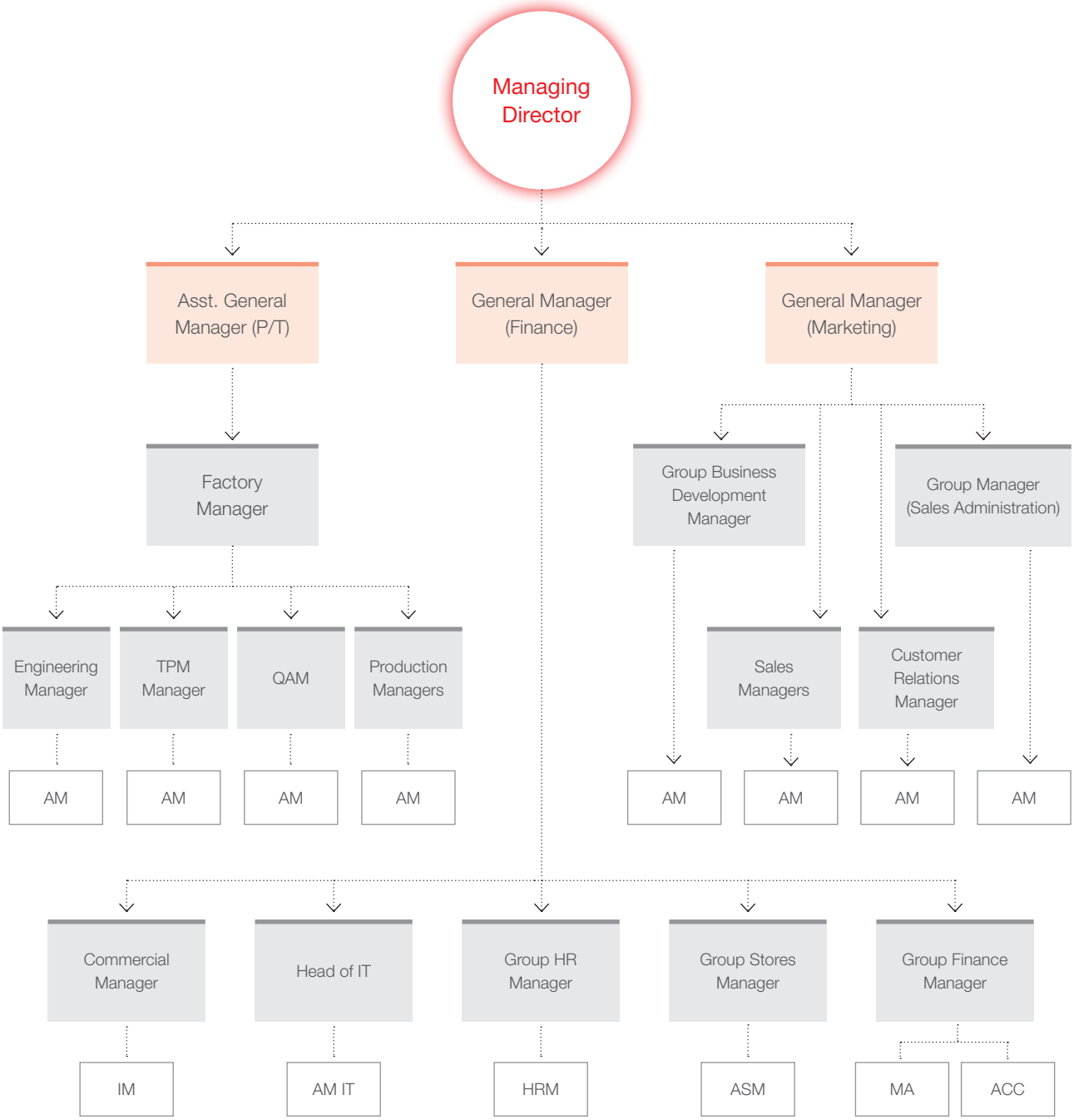
Group Structure & Shareholding



Organisation **Structure**

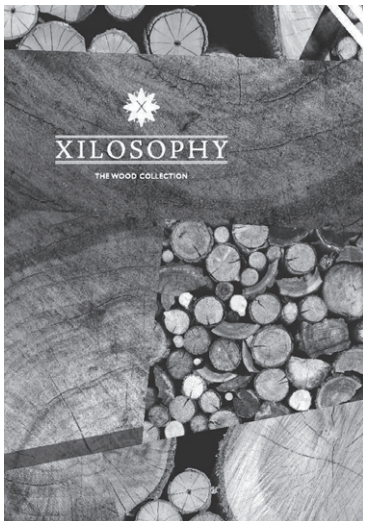
GRI | 102-5, 102-18

The Lanka Tiles organizational structure outlines our workforce— determined to achieve the goals of our organization. We are one unit fortified by the shared efforts and responsibilities of each individual.



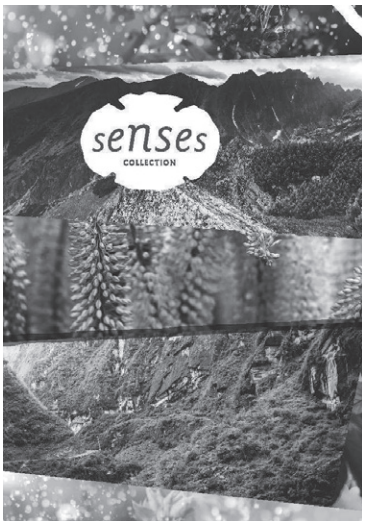
Our Product Portfolio

GRI | 102-2



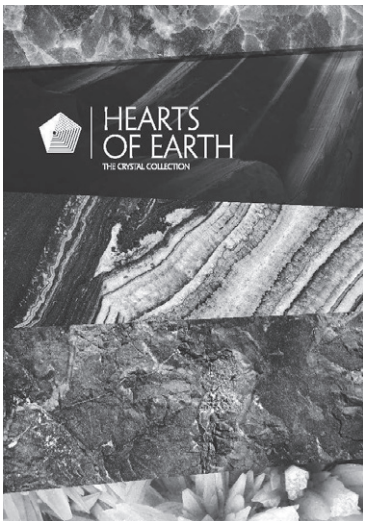
Xilosophy

Elegance / dignity nature / raw substance personality



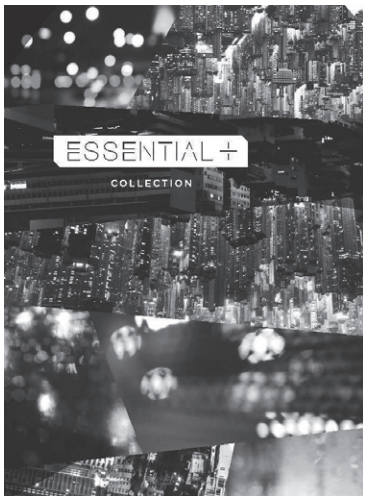
Senses

With an enchanting experience of nature



Hearts of Earth

Enjoying the refined treasures of the earth



Essential

With the plus of being essential

Concrete

With a concrete attitude

COLOMA
Beautiful Life

MAJESTICA

SWISSTEK
FOR THE PERFECT FINISH

Presence Along the **Value Chain**

Sourcing

- 490 Small & medium suppliers
- 60 Large scale suppliers

Production

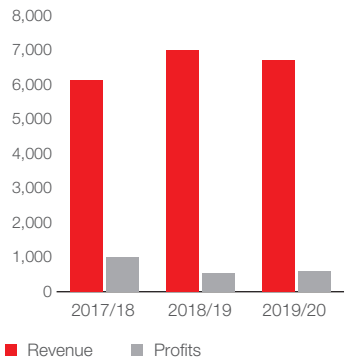
- A world class production facility of 14,500 sq.mt
- Labour force of 749

Distribution

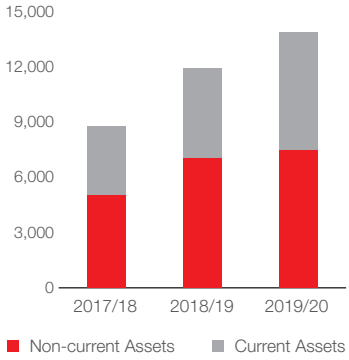
- 2 own showrooms
- 46 Franchises
- 30 Distributors
- 36 Direct Dealers
- 15 Factory Outlets

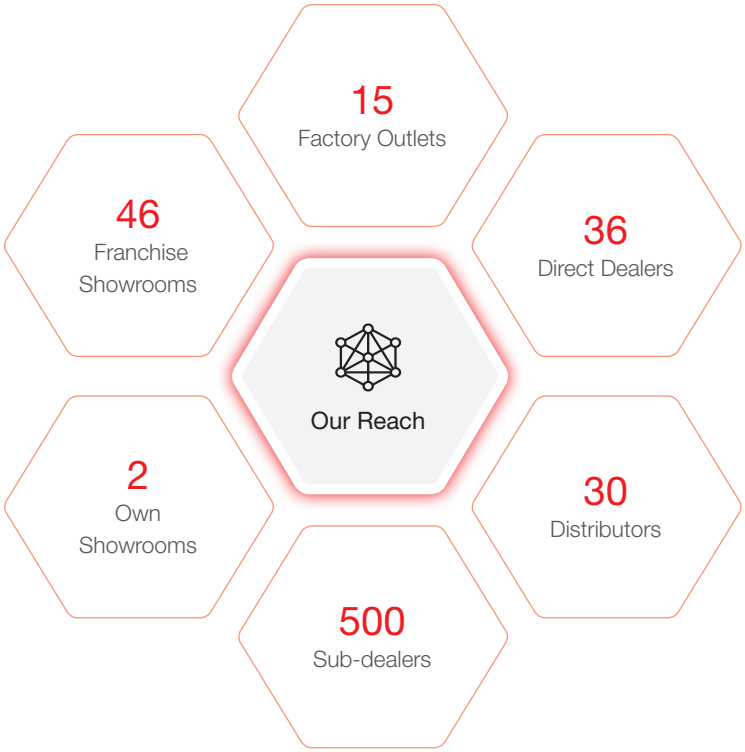
Snapshot of Operations

Revenue & Profit
(Rs. Mn)



Total Assets
(Rs. Mn)





No: of Employees	749
New Recruitments	155
Employee Turnover	15%

Accolades

Our accolades speak volumes about our exceptional operations and achievements that have given your Company an edge over its competitors.

Certificate of Conformity

The Sri Lanka Standards Institution
Certifies that the Environmental Management System of

LANKA TILES PLC
ST. JAMES ESTATE, JALTHARA, RANALA
SRI LANKA

Has been assessed and approved in accordance with
The requirements of ISO 14001: 2015/ SLS ISO 14001: 2015

Certificate No: ESC 00983
This certificate issued on 2018-02-16 is valid up to 2021-02-15
Date of First Certification 2015-02-16

SCOPE OF CERTIFICATION

DESIGN DEVELOPMENT AND MANUFACTURE OF GLAZED CERAMIC FLOOR TILES AND GLAZED PORCELAIN FLOOR TILES

This approval is subject to the continued satisfactory operation of the organization's Environmental Management System.

DIRECTOR GENERAL
SRI LANKA STANDARDS INSTITUTION
No. 17, Victoria Place, Elvitigala Mawatha, Colombo 08, Sri Lanka
www.slsi.lk

ISO 14001

Authorized Schedule

APPLICABLE SITES AND PREMISES

1. LANKA TILES PLC
215, NAWALA ROAD, NARAHENPITA, COLOMBO 05
SRI LANKA

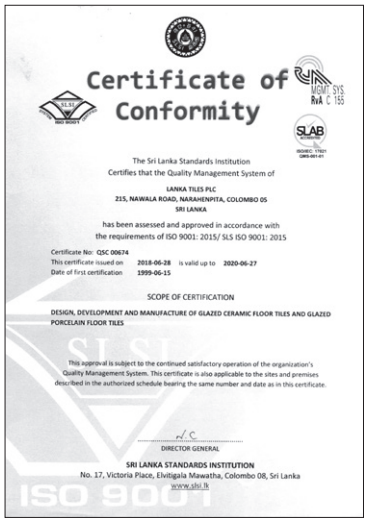
2. LANKA TILES PLC
ST. JAMES ESTATE, JALTARA, RANALA
SRI LANKA

This authorized schedule is meant to be used together with the certificate referred to in the cage below and this schedule alone shall not be considered as a valid certificate.

Certificate No: QSC 00674
Issued on 2018-06-28 Valid up to 2020-06-27
Date of First Certification 1999-06-15

DIRECTOR GENERAL
SRI LANKA STANDARDS INSTITUTION
No. 17, Victoria Place, Elvitigala Mawatha, Colombo 08, Sri Lanka
www.slsi.lk

ISO 9001



Certificate of Conformity

The Sri Lanka Standards Institution
Certifies that the Quality Management System of

LANKA TILES PLC
215, NAWALA ROAD, NARAHENPITA, COLOMBO 05
SRI LANKA

has been assessed and approved in accordance with
the requirements of ISO 9001: 2015/ SLS ISO 9001: 2015

Certificate No: QSC 00674
This certificate issued on 2018-06-28 is valid up to 2020-06-27
Date of first certification 1999-06-15

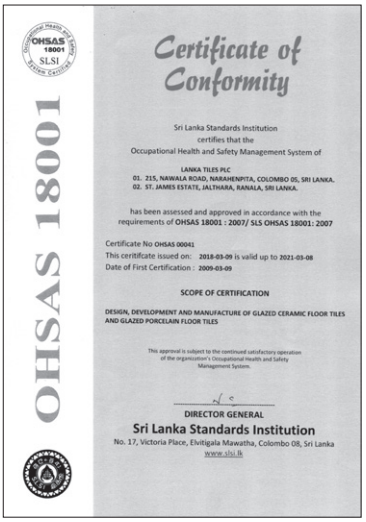
SCOPE OF CERTIFICATION

DESIGN, DEVELOPMENT AND MANUFACTURE OF GLAZED CERAMIC FLOOR TILES AND GLAZED PORCELAIN FLOOR TILES

This approval is subject to the continued satisfactory operation of the organization's Quality Management System. This certificate is also applicable to the sites and premises described in the authorized schedule bearing the same number and date as in this certificate.

DIRECTOR GENERAL
SRI LANKA STANDARDS INSTITUTION
No. 17, Victoria Place, Elvitigala Mawatha, Colombo 08, Sri Lanka
www.slsi.lk

ISO 9001



OHSAS 18001

Certificate of Conformity

Sri Lanka Standards Institution
certifies that the
Occupational Health and Safety Management System of

LANKA TILES PLC
01. 215, NAWALA ROAD, NARAHENPITA, COLOMBO 05, SRI LANKA.
02. ST. JAMES ESTATE, JALTHARA, RANALA, SRI LANKA.

has been assessed and approved in accordance with the requirements of OHSAS 18001 : 2007/ SLS OHSAS 18001: 2007

Certificate No OHSAS 00041
This certificate issued on: 2018-03-09 is valid up to 2021-03-08
Date of First Certification : 2009-03-09

SCOPE OF CERTIFICATION

DESIGN, DEVELOPMENT AND MANUFACTURE OF GLAZED CERAMIC FLOOR TILES AND GLAZED PORCELAIN FLOOR TILES

This approval is subject to the continued satisfactory operation of the organization's Occupational Health and Safety Management System.

DIRECTOR GENERAL
Sri Lanka Standards Institution
No. 17, Victoria Place, Elvitigala Mawatha, Colombo 08, Sri Lanka
www.slsi.lk

Milestone in Certifications

1999-06-15	ISO 9001:1994
2002-06-03	SLS Certification
2003-11-21	ISO 9001:2000
2005-08-25	ISO 14001:2004
2009-03-09	OHSAS 18001:2007
2015-05-01	CE mark
2015-10-15	Green Building Certification

Financial **Highlights**

GRI | 102-7

Financial Performance	Unit	2019/20	2018/19	Change %
Revenue	Rs.'000	6,694,824	7,008,992	-4%
Gross Profits	Rs.'000	2,416,027	2,006,290	20%
Earnings Before Interest and Tax	Rs.'000	1,026,965	751,879	37%
Profit before tax	Rs.'000	775,275	745,606	4%
Profits after tax	Rs.'000	581,945	528,012	10%
Profits attributable to shareholders	Rs.'000	581,787	527,968	10%
Gross profit margin	%	36.1%	28.6%	26%
Net profit margin	%	8.7%	7.5%	16%
Return on assets (ROA)	%	4.5%	5.1%	-12%
Return on equity (ROE)	%	7.7%	7.4%	3%
Interest cover	No of times	3.1	34.1	-91%
Financial Position				
Assets	Rs.'000	13,882,635	11,906,948	17%
Capital expenditure on PPE	Rs.'000	612,631	2,162,415	-72%
Debt	Rs.'000	3,511,213	2,102,058	67%
Other liabilities	Rs.'000	2,492,879	2,507,650	-1%
Shareholders' equity	Rs.'000	7,872,744	7,291,480	8%
Gearing	%	44.6%	28.8%	55%
Net assets per share	Rs/share	148.40	137.44	8%
Current ratio	No of times	1.7	2.1	-19%
Quick assets ratio	No of times	0.3	0.8	-63%
Shareholder information				
No of shares in issue	No	53,050,410	53,050,410	-
Market value per share	Rs/share	50.10	70.00	-28%
Dividend per share	Rs/share	-	3.15	-100%
Earnings per share	Rs/share	10.97	9.95	10%
Market capitalization	Rs. Mn	2,658	3,714	-28%
Dividend payout ratio	%	-	32%	-100%
Other				
Number of employees	No	749	690	9%
Average revenue per employee	Rs.'000	9,148.07	9,518.33	-4%
Average profit per employee	Rs.'000	740.96	1,110.15	-33%
Number of showrooms	No	48	48	0%

Non-financial **Highlights**

		Unit	2019/20	2018/19	Change %
Human Capital	Employees	No.	749	690	9%
	New Recruits	No.	155	170	-9%
	Investment in Training	Rs. Mn	0.5	7.3	-93%
	Training Hours	Hours	2,869	5,809	-51%
	Workplace Injuries	No.	06	20	-70%
	Retention Rate	%	85	92.8	-8%
Manufactured Capital	Property, Plant & Equipment (Other than land)	Rs. Mn	4,799	4,568	5%
	Investments	Rs. Mn	613	2,162	-72%
Social & Relationship capital	Own Showrooms	No.	2	2	-
	Factory Outlets		15	7	114%
	Franchise Showrooms	No.	46	46	-
	Dealers	No.	36	37	-3%
	Distributors	No.	30	28	7%
	Suppliers	No.	550	513	7%
	Payment to Suppliers	Rs. Mn	6,569	5,671	16%
Natural Capital	Electricity	Kwh	18.3	15.6	17%
	LPG	Kg/Mn	8.8	8.6	2%
	Water Usage	Litres '000	27,950	27,181	3%
	Water Recycled	Litres '000	2,200	2,169	1%
	Diesel Litre	Litres	513,671	376,011	37%
	Environmental Standard Certification	No.	2	2	-
Intellectual Capital	No. of new Designs	No.	190	318	-40%
	Investment in R&D	Rs. Mn	17.0	12.3	38%
	Quality Certifications	No	3	3	0%
	Awards Received	No	-	2	100%

Chairman's **Message**

Our effective strategies have determined the introduction of futuristic designs, activation of enhanced manufacturing capabilities and agile responses to market dynamics.

Dear Shareholders,

Lanka Tiles PLC's mandate for the year under review was to consolidate the paradigm change we commenced in the previous year. Despite an extraordinarily challenging business landscape, Lanka Tiles made significant progress to position itself along a new growth trajectory. Its installed capacity makes it the largest tile manufacturer in the country with the capability to do large format tiles with superior finishes. The collections are on par with the latest global trends while retaining our commitment to quality which has made 'LANKATILES' a trusted brand in the country. I am also pleased to note that LANKATILES brand has been valued at Rs.1.1 Bn by Brand Finance Sri Lanka in its 2020 publication making it the country's premier tile brand. It also became the first tile manufacturer in Asia to have its products on Amazon expanding its presence in the discerning US market.

Headwinds

Easter Sunday terror attacks in the domestic market and moderating global growth followed by the COVID-19 pandemic made the year under review one of the most difficult years in recent memory as business closures impacted both production and sales. On a positive note, Sri Lanka was classified as an upper middle income Country by the World Bank in July 2019, 22 years after it was classified as a Low Middle Income Country in 1997. In contrast, the country's GDP per capita declined from US$ 4,079 in 2018 to US$ 3,852 reflecting the decline in purchasing power of consumers which is a key driver. While the construction sector recorded growth of 4%, this was mainly driven by the large-scale projects. Housing approvals declined in 2019 while private sector credit growth for housing moderated during the year reflecting a decline in housing construction activity.

The forecast for 2020 is a contraction in global output by 3% followed by growth of 5.8% in 2021 based on recovery in the second half of 2020. Sri Lanka's GDP growth is forecast to moderate further to 1.5% over 2019 and improve to 4.5% in 2021. Accommodative monetary policies together with measures to curtail imports of non-essential items will be favourable to the local tile manufacturers, supporting economic activity in the domestic market and stabilization of the Sri Lankan rupee.

Transforming

The new model focused on enhanced value creation through smarter and greener production. Despite significant economic headwinds and a marginal decline in top line, Lanka Tiles was able to deliver Operating Profit growth of 37% to Rs.1.0 bn in the financial year under review. This indicates the effectiveness of the paradigm change which encompassed introduction of futuristic designs, activation of enhanced manufacturing capabilities, progress in Total Productive Maintenance (TPM) and agile responses to market dynamics. We have also sharply reduced the tile imports from India as we now have sufficient capacity to meet the local market demands as well as to pursue our aspirations to grow exports. The depth and breadth of the changes delivered is all encompassing and we believe that these changes were undertaken at the right time as we have the pains of transformation behind us to focus energies on ramping up marketing efforts in a very different business landscape in 2020.

Customer Centricity

With the transformation of the manufacturing processes behind us, more resources are being allocated to refine and implement a customer centric strategy. Customers have become more discerning over the past few years, not just in terms of product aesthetics and quality but also in the social and environmental responsibility aspects. Digitisation has added another dimension enhancing our ability to reach customers and engage them before they even step into a showroom. Our current positioning on all these aspects is strong as we invested in ensuring our processes conform to the internationally recognized ISO standards and have been using the Global Reporting Initiative standards for reporting on these key aspects. The launch of the 'LANKATILES' App last year also took us into the digital space engaging a tech savvy clientele with 3D images of their space using our products. We also expanded our customer touchpoints with the addition of new showrooms and franchise showrooms during the year in addition to the Factory Outlets which have been popular.

Despite all this, marketing in the year ahead will be a key priority as we look to gain market share in the domestic market and grow exports significantly. Customer centricity will be key to growth and we will be exploring ways to cater to major trends to drive growth in a recessionary business landscape.

Growing trade tensions between the US and China present an opportunity as mentioned last year and we continue to pursue potential leads. As previously stated, our products are now available on Amazon which is a significant achievement as this was a first for any tile manufacturer in Asia and we expect this business to grow in the coming year.

Performance

Lanka Tiles Group recorded Rs. 582 Mn profit after tax for the year ended 31st March 2020, a significant 10% above the previous year despite losing more than 10 days sales during the financial year from both major risk events. It is important to note that better profitability was driven by production efficiencies which enabled us to deliver higher value to customers through volume growth during the year while improving gross profit margins significantly from 29% to 36%. Operating profit also increased by 37% as operating expenses were maintained in line with the previous year. Finance costs increased from Rs. 22 Mn to Rs. 335 Mn as the expansion and increased inventory levels were funded mainly through borrowings. The Board is closely monitoring progress of exports which will enable us to improve profitability and reduce inventory levels, increasing the efficiency of the cash cycle.

The Balance Sheet remains strong with a gearing ratio of 45% and sufficient capacity to increase borrowings in the future, if deemed necessary.

Outlook

While the outlook is more uncertain than previous years, it grows more positive with each passing week as we cautiously move towards a new norm, recalibrating health and economic risks at personal, corporate and national levels. We recognise the elevated downside risks and are working to deliver a strong performance in the year that has commenced by redoubling our efforts to grow the top line in a recessionary environment. We expect a decline of around 20% on the top line due to the twin health and economic crises and will adopt an agile and flexible strategy to cater to changing market dynamics and consumer mindsets. Restrictions on imports of non-essential goods are favourable to our business as it prevents an influx of cheap imports into the market and this will be a positive factor moving forward, cushioning the downside risks. Lanka Tiles is also venturing into production of mosaic tiles in collaboration with a Chinese company and a North American business partner which will further boost exports and domestic market sales.

Customer-centricity will be key to growth and we will be exploring ways to cater to major trends to drive growth in a recessionary business landscape.

While every aspect of business has been touched by safety measures to prevent the contagion, many aspects are manageable. Stringent safety measures have been implemented to secure the health of employees and third parties on our premises. Our attention will be focused on driving top line growth to ensure the efficient operation of the Group's cash cycle.

Leadership

We welcome to the Board Mr. S. M. Liyanage who is a Non-Executive Director and brings insights on TPM and Lean Six Sigma to the Board. This is an example of how the Board ensures that its composition remains relevant to the operations of the Group, ensuring that it has an appropriate combination of skills and expertise collectively to provide strategic guidance and effective leadership to the Group. The Board continues to review and update its policy framework to ensure it is in line with evolving regulatory requirements and best practice. Globally accepted certifications and voluntarily adopted standards, frameworks and codes affirm our commitment to uphold high standards of governance and performance in social, environmental and governance aspects. Non-financial dashboards have also enhanced objectivity in decision making, further strengthening governance mechanisms. Governance will be key to driving the change that is necessary for growth in a new norm and a robust governance structure and framework will support our evolution as a future fit organisation.

Corporate Responsibility

Lanka Tiles has been at the forefront of ESG reporting for some time and remains committed to transparency in its non-financial performance indicators. A mantra that responsible production and sustainable profit growth are two side of the same coin ensures that our financial goals and sustainability goals are fully aligned. This is indeed a powerful mantra that minimises waste, focuses on efficiencies, ensures health and safety of the people and focuses on delivering sustained value to customers. Our philosophy takes us beyond the requirements of standards to best practice that evolves through listening to stakeholders. High levels of awareness of sustainability has driven innovation and employee satisfaction which have supported our transformation and profitability, proving the truth of our mantra. We remain committed to supporting communities through various

Chairman's Message

Responsible production and sustainable profit growth are two sides of the same coin ensuring that our financial and sustainability goals are fully aligned.

activities and maintain sound relations through respecting their rights and our environmental policies that ensure the preservation of their environment.

Appreciation

I wish to commend Mr. Mahendra Jayasekera for setting us on a promising growth trajectory and his able leadership during this transformational phase. The team at Lanka Tiles has delivered a commendable performance during this difficult year and I thank them for their hard work and commitment. I thank our business partners who have enriched our journey in many ways. The counsel of my fellow Board members has been invaluable and I thank them for their perspectives and insights. I thank our shareholders for their confidence and look to their continued support as we navigate an uncharted course in the year that has commenced.

Dhammika Perera
Chairman

01st July 2020

Managing Director's **Message**

GRI | 102-14

Having invested in enhancing our manufacturing capabilities and streamlining all processes to optimize value creation, we increased focus on understanding customer mindsets to deliver relevant solutions to support their lifestyle aspirations.

The main challenge in 2019/20 was to deliver a holistic business transformation during a period of low economic growth and declining consumer spend. It was a multi-faceted project, addressing the entire value creation process of the Company from sourcing to sales to ensure that we were future fit in every aspect of our business. Despite strong economic headwinds, we have successfully delivered change in many areas of the business including changing of mindsets to approach old problems with fresh perspectives. We have delivered sustainable growth in value delivered to our stakeholders, starting with customers who created more square meters of imaginative spaces to tilers who saved time on projects and providers of financial capital who benefited from improved margins.

LANKATILES was estimated to have a brand value of Rs.1.1 Bn and a brand rating of AA by Brand Finance Sri Lanka. As this was our first year of inclusion in to this prestigious list of the country's top 100 brands, we were pleased to note our rankings ahead of other tile brands and most other building material brands reflecting our unswerving commitment to quality.

We had our misses too, the most significant one being the decrease in exports over the previous year as our key market, Australia, was ravaged for months by bushfires resulting in weak consumer sentiment in the market. We pursued our aspirations to create inroads into the North American market, becoming the first tile manufacturer in Asia to have its tiles listed on Amazon which we hope will drive growth in this market. Exports are an important goal and we will be focusing on delivering export growth in the year that has commenced with an aesthetically appealing, future forward portfolio of large format tiles manufactured in accordance with environmentally and socially responsible standards that can compete effectively in global markets.

Customer Centric Strategy

Having invested in enhancing our manufacturing capabilities and streamlining all processes to optimize value creation, we increased focus on understanding customer mindsets and influences to deliver relevant solutions to support their lifestyle aspirations. The building blocks were already in place for the most part but it was clear that we needed to be more responsive to changing customer dynamics in the domestic market to drive growth in a period of low economic growth and decreasing disposable income.

Our customers have become more discerning and demanding, seeking to express their personal style through aesthetic aspects of their homes. Lanka Tiles has now provided them with world class tiles with the best surfaces at affordable prices in Sri Lanka. We launched 80 new collections during the year to cater to current design trends, ensuring that Sri Lankans had access to the most modern designs, made in Sri Lanka. Our existing collections have been also expanded to include large format tiles that enhance the elegance of their interiors. Consequently, we launched 190 new products into the market this year while also trimming our portfolio by discontinuing older designs to ensure that our portfolio is future forward.

We also looked at how we interact with customers and their expectations. With over 600 customer touchpoints comprising our own showrooms, franchised showrooms, consignment agents, factory outlets and direct and sub dealers, we now have reasonable coverage of the island. Value added features such as in-house designers at our own showrooms, a trained and knowledgeable sales force and displays were all further refined to enhance the customer experience. We also worked with our franchisees to elevate customer experiences in their locations by training their sales personnel, investing in modern displays and ensuring they were supported to be true partners in our growth. We observed opportunities to cater to frugal mindsets with the expansion of our factory outlets as these customers looked for bargains due to affordability constraints and were happy to manage without the value-added services offered by our showrooms and franchise showrooms. The LankaTiles mobile app has been downloaded by 5,000+ customers reflecting their interest in engaging prior to stepping into our customer touchpoints.

Mechanisms for continuous feedback on customer satisfaction continues to indicate high levels of satisfaction with our products and services. These engagements also enabled us to identify the need to introduce a one stop shop concept at our showrooms and our parent company, Lanka Walltiles PLC launched a new range of bathware, sanitaryware and accessories under the brand COLOMA, enhancing our overall customer value proposition.

Managing Director's Message

New Collections 2019/20

Agaria
The elegance of marble at an affordable price for luxurious interiors

Ardesia
Textured surfaces of slate add a touch of urban sophistication

Angalim Wood
Inspired by the Brazilian Angelim tree with colourations and grain of a tropical hardwood

Clouding
Calm sophistication inspired by the effects of clouds

Desert Land
A versatile tile in a warm hue reminiscent of desert sand

Linear
Soft linear strokes and subtle colour variations to add understated texture

Metro
Natural stone colours make this a practical choice for contemporary interiors

Diorite
Inspired by the diorite rock formations

Palledium
Inspired by the wooden statue guarding Troy, these soft wood tines add a touch of elegance

Titanio
Clean style and Anti slip features make this a perfect choice for any space

Venus
Inspired by Venus de Milo, this classic look makes any space elegant

Smart sourcing & Responsible Manufacture

A daily manufacturing capacity of 14,500 sq.mt. with the ability to cater to larger sizes is a game changer for Lanka Tiles. It enabled us to deliver high end finishes at affordable prices due to increased efficiency of our manufacturing processes. The state-of-the-art technology included energy efficient features, water saving features and streamlined workflows that optimized materials usage supporting our responsible manufacturing goals. Higher levels of automation also supported labour productivity and leaner overheads due to time saving features. These were supplemented by initiatives such as Total Productivity Maintenance (TPM) further refining process flows. As a result, we maintained high levels of capacity utilization during the year, reaping the rewards of responsible manufacture.

Contract manufacture in India continued for most of the year with quality checked at factory level by our own employees who were stationed there.

Engaging Influencers

Our customer choices are influenced by architects for new and large projects who make recommendations to the customers on the look and style of finishes. They play a vital role in design trends in the country and are a key link in the country's construction sector value chain. We engage with architects through a strong relationship with the Sri Lanka Institute of Architects nurtured over the year to understand their concerns regarding our products and every effort is made to address them. They are kept informed about our new collections and other developments and our stall at the Architects Exhibition continues to be an award winner.

Tilers are important influencers for renovations and smaller building projects and we engage with them through the Tilers Club operated by us which supports their progress through technical programmes to facilitate skill development, discounts and relevant information about our products and value added services which they can recommend to their customers.

Performance

Revenue declined by 4.5% which was largely due to business closures, lower levels of housing activity and declining income. Despite this, we were able to grow the volumes capturing market share from imported tiles as the market itself did not show signs of growth. This was supported by the initiatives described above such as expansion of our customer touchpoints, introduction of the COLOMA range etc.

Lanka Tiles Group recorded profit growth of 10% to Rs.582 Mn by focusing on efficiencies throughout our value creation processes supported by a customer centric strategy. Higher capacity utilization levels enabled overhead recovery and supported production efficiencies in materials, energy, water and labour. Rationalisation of processes also supported savings in Distribution and Administration costs, supporting improved operating margins.

Net finance costs increased from Rs.14 Mn in 2018/19 to Rs.334 Mn in 2019/20 as we incurred a full year's interest on borrowings used to fund the expansion. The Company was able to absorb the increased finance costs and deliver 22% growth in Profit Before Tax which amounted to Rs. 695 Mn. Profit After Tax for the Company increased by 25% to Rs. 502 Mn as the effective tax rate declined marginally from 30% to 28%. Group profit increased from Rs. 528 Mn to Rs. 582 Mn.

Stability

Group Total assets increased by 17% to Rs.13.8 bn mainly due to increased inventory and as higher levels production combined with business closures and

Operating Context

- Sri Lanka GDP ⇧ 2.3%
- Per Capita Income ⇩ $3,852
- Inflation 2019 ⇔ 4.3%
- Construction Sectors ⇧ 4%
- Private sector credit growth for construction activities ⇧ 5.4%
- Credit granted for personal housing ⇧ 5.4%

inventory throughout an expanded network in readiness for a busy season. PPE of the Group accounts for 43% of Total Assets while Inventories accounted for a further 34% reflecting tangible assets. It is noteworthy that debtor levels have been maintained in line with the previous year despite weakening economic conditions due to stringent credit control. Interest bearing borrowings increased by Rs.1.4 bn during the year to Rs.3.5 bn to fund expansion in inventory levels. Despite this, the gearing ratio is 45%, a comfortable level with allowance for further leverage in case of need. We are also negotiating with our bankers to avail ourselves of the loan moratoria offered to support industries during the COVID-19 pandemic which will further ease cash flow during this difficult period.

Outlook

Forecasts for 2020 are daunting both globally and locally as the world emerges from the great lockdown of our time. However, there could be opportunities for exports as companies in advanced countries look for new sourcing destinations as we are now well positioned to seize potential opportunities. Internationally recognized certifications for socially and environmentally responsible manufacture support our world class products, supporting access to developed markets. We are also pursuing leads in to new markets and will focus on driving export growth in the months ahead.

Internationally recognized certifications for socially and environmentally responsible manufacture support our world class products.

One such opportunity identified is the demand for mosaic tiles in key export markets, particularly in North America. We are collaborating with M/s Foshan Shiwan Yulong Co. Ltd of China for technical expertise and Mr. Benjamin Malloy of USA for marketing to enter this lucrative segment that has gained wide popularity among the design communities worldwide. Addition of this range of tiles is expected to add to the vibrancy of the portfolio for both domestic and export markets. We have now completed the modifications required for manufacturing mosaic tiles investing Rs.200 mn and will commence production in the year that has commenced.

Our domestic market is expected to normalise over the second half of 2020 and expect a renewal of interest although it will take time to gather momentum. Our factory has remained partly operational throughout the lockdown period and we recognize that our challenge will be to convert inventory to cash. We are redoubling our efforts to make this happen with the transformation on manufacturing processes delivered.

Acknowledgements

I thank the Board for their guidance during a challenging year and look to their counsel in navigating the year ahead. I commend the Lanka Tiles Team for their positive mindsets and delivery of a multi-faceted transformation which required the cooperation of everyone and thank them for their efforts. To our business partners, I extend my sincere appreciation of their support in delivering our goals. In conclusion, I thank our shareholders for their confidence and look to their support in the year ahead.

J A P M Jayasekera
Managing Director

01st July 2020

Strategic Report

GRI | 102-47

Value Creation

Value Creation

CAPITAL USED

FINANCIAL CAPITAL
Page 33
Shareholder Funds
Rs. 7,873 Mn
Debt
Rs. 3,511 Mn

MANUFACTURED CAPITAL
Page 35
Manufacturing Facilities
Rs. 1,772 Mn
Equipment
Rs. 3,027 Mn

HUMAN CAPITAL
Page 37
No. of Employees
749

SOCIAL & RELATIONSHIP CAPITAL
Page 40
Customer touch points
629
Suppliers network of
550

NATURAL CAPITAL
Page 42
Land Extent
9,253
Energy Consumption
Rs. 1.39 Bn

INTELLECTUAL CAPITAL
Page 44
Lanka Tiles Brand Value
Rs. 1.1 Bn

CORPORATE GOVERNANCE

Balancing stakeholder

Best practices in manufacturing process and continuous product testing

Delivery through a wide distribution network

Production in our manufacturing facilities

GRI | 204-1

Delivering a wide range of world class tiles is how we create value. Our aim is to be the preferred tile manufacturer to a variety of customers with different tastes. This is done through our value chain and continuous investment in our manufacturing plant. Below value creation Model illustrates how we utilize our capital inputs to an optimum level in order to create value for our stakeholders

expectations through good governance

Interaction with customers to understand market trends

Research and development for innovation

Create a product portfolio to meet customer needs

Sourcing good quality material from reliable suppliers

Risk Management

VALUE CREATED TO STAKEHOLDERS

SHAREHOLDERS

Net Assets per Share
148.40

Earnings per Share
10.97

EMPLOYEES

Salaries and wages paid
Rs. 644 Mn

Training Hours
2,869

Investment in Training
Rs. 0.5 Mn

CUSTOMERS

Tiles manufactured
New designs Introduced
Floor Tiles -
Gloss 26, Matt 70, Polished 88
Carving design 6

SUPPLIERS

Payment to international suppliers
Rs. 2,657 Mn

Payment to local suppliers
Rs. 3,912 Mn

GOVERNMENT

Taxes paid
Rs. 888 Mn

COMMUNITY

Employee opportunities
749

CSR
Rs. 5.19 Mn

IMPACTS

Economy

- Economic Value addition of Rs. 2,960 Mn
- Tax Payments of Rs. 888 Mn
- FOREX income of Rs. 109 Mn

Environment

- Raw material consumption 90,958 MT
- Water 2.2 Mn Litres recycled

Society

- 749 direct employment opportunities
- 5.19 Mn CSR projects

Strategic Report

GRI | 102-6, 201-1, 201-2

Value Added Statement

We have created valuable solutions crafted to support the lifestyles of all our stakeholders.

During the year, total value added by the Group was, Rs. 2,959 Mn, compared to Rs. 2,587 Mn of the previous year

Interest to Lenders

317
(Rs. Mn)

Value to Employees

722
(Rs. Mn)

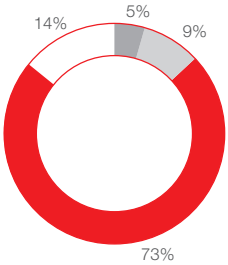
Value Paid to Suppliers

6,569
(Rs. Mn)

Paid to the Government

888
(Rs. Mn)

Economic Value Added



Dividend to shareholders
Value to Employees
Value to Suppliers
Taxes paid

Earnings per share

10.97
(Rs.)

Market capitalization

2,658
(Rs. Mn)

Exports

109
(Rs. Mn)

Imports

2,657
(Rs. Mn)

Our Presence

We have been rapidly expanding our distribution network in order to reach a wider customer base. While we mainly supply to the local market we export 2% of our output to several international destinations.

1. Vancouver
2. Los Angeles
3. Charles' Town
4. Montreal
5. Toronto
6. Rotterdam
7. Felixstowe
8. Gothenburg
9. Male
10. Oman
11. Karachi
12. Bangalore
13. Kathmandu
14. Singapore
15. Fremantle
16. Adelaide
17. Wellington
18. Auckland
19. Sydney
20. Brisbane
21. Kobe

GRI | 102-40, 102-41, 102-42, 102-43, 102-44

Stakeholder Engagement

Tough economic climate adds more importance to managing stakeholder expectations. Effective engagement with them enables us to understand their requirements better and gives us this opportunity to be proactive in addressing their anticipations. We use several mechanisms when communicating with our stakeholders and these channels are reviewed frequently to ensure effectiveness.

Stakeholder	Method of engagement	Concerns	Managing Concerns
Customers	• Face to face interactions at our own showrooms • Customer hotline • Trade Exhibitions • Customer feedback	• Value for money • Product quality • Choice of products • Availability and accessibility	• Quality certifications • Product quality assurance processes • Driving cost efficiencies • Managing price and volume growth • Island-wide presence
Shareholders	• Quarterly Financial Statements • Press Releases • Annual Report • Annual General Meeting • CSE announcements	• Earnings & Dividends • Growth prospects • Environment & Social impact • Governance • Share price and liquidity	• Safeguarding our market position • Improving manufacturing capacity and efficiency • Corporate Governance and Risk management.
Employees	• Direct interaction with Senior Management • Formal performance appraisals, • Regular meetings with unions • Communication of company performance	• Fair remuneration • Employee benefits • Conducive workplace • Training & Development • Job security • Career progression	• Benchmarked remuneration packages in line with the industry. • Open door policy with Senior Management • Fair and transparent performance appraisal system
Suppliers	• Supplier assessment and feedback • Managing relationships • Visits	• Increased business • Transparent procurement processes • Timely payments • Constructive feedback	• Established procurement processes • Quality assurance processes to provide constructive feedback • Ensured timely payments
Distributors	• Dedicated teams to handle distribution networks • Regular assessments on performance and feedback	• Incentives & Rewards • Customer demand • Marketing communications • Logistics • Support for growth	• Advertising and marketing communications to create demand • Product innovation to drive customer demand
Regulators	• Filing returns • Facilitating visits	• Compliance with regulations • Timely filing of returns and payments	• Ongoing processes to ensure regulatory compliance • Engaging with regulators to seek clarification
Community	• Recruit from local communities where skills are available • Entertain grievances from community	• Employment opportunities • Socio economic progress • Environment related issues • Support for community needs	• Recruit from local communities where possible • Provide opportunities for local entrepreneurs where possible • Managing environmental impacts in compliance with CEA requirements

Strategic Report

Strategy

Our strategy is focused on retaining our market leadership while managing all other stakeholder expectations. Resource allocation in an optimum manner is key for strategy implementation and this is monitored through key performance indicators set by us.

Market Leadership

How we address them

- Research & development Expenditures Rs. 17 Mn
- No. of new products launched
- Expansion to our distribution network

KPIs

- Customer satisfaction score 78%

Plans for 2020/21

- Developing innovative products
- Identifying new market segments
- Export expansion
- Widening our distribution network

Operational Excellence

How we address them

- Capacity expansion
- Total Productivity management initiatives
- Cost efficiencies
- Improving employee productivity

KPIs

- Employee retention rate 85%
- Cost savings from TPM Rs. 50 Mn
- Revenue per employee Rs. 8.9 Mn

Plans for 2020/21

- Focus on cost efficiencies
- Managing higher level of salary scale compared to others to retain our skilled employees

Financial Feasibility

How we address them

- Funding capacity expansion
- Managing liquidity
- Managing financial leverage

KPIs

- Gearing 44%
- Inventory turnover 1.1
- Increase in shareholder funds

Plans for 2020/21

- Maintaining funding capacity
- Managing working capital
- Bringing down inventory level

Sustainability

How we address them

- CSR projects
- Conforming to environmental standards
- Waste management

KPIs

- 749 employment opportunities were created
- CSR Rs. 5.19 Mn

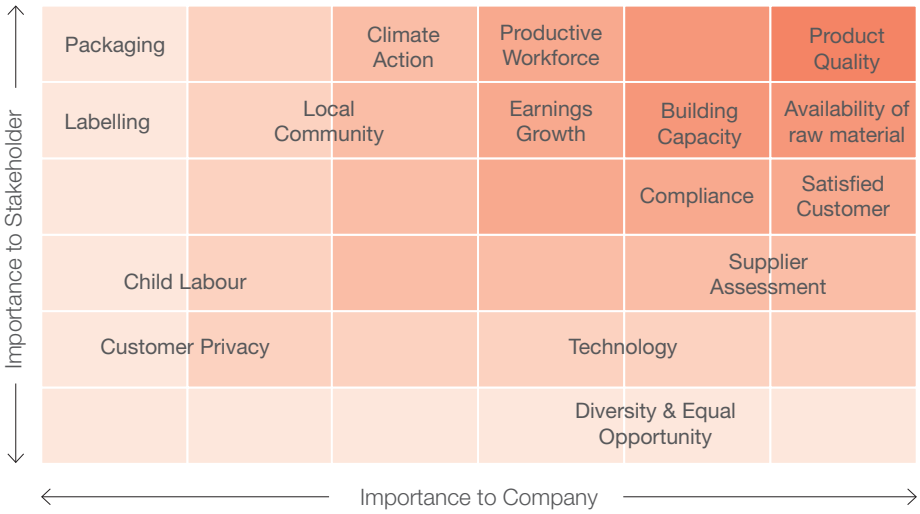
Plans for 2020/21

- Continuing the environmental standards
- Creating more values to our stakeholders

Materiality

Determining Our Material Topics

To identify the drivers of value creation and assess emerging risks and opportunities, we have to identify and address the key concerns of our stakeholders. The following diagram depicts these identified risks evaluated based on their importance to Lanka Tiles and to our stakeholders. These material topics are managed and monitored in an optimum manner to benefit both parties. Relevant action is taken to mitigate risks in a practical and cost-effective manner.



Product Quality
- Supplier Assessment
- Sustainable sourcing

Compliance
- Environmental compliance
- Certifications & standards

Earnings Growth
- Revenue growth
- Liquidity
- Competition & market share
- Process efficiencies

Availability of Raw Material
- Broad supplier base

Productive Workforce
- Training & development
- Health & Safety
- Labour relations
- Employee retention

Building Capacity
- Technology
- Capacity expansion

Satisfied Customer
- Product pricing
- Innovation
- Marketing
- Wide product range
- Communication

Risk Overview

Principal Risks

As a business operation we are susceptible to risks that can cause uncertainty not only to the tile manufacturing industry but to the global and domestic macro economies. Our growth plans are laid out based on our risk appetite.

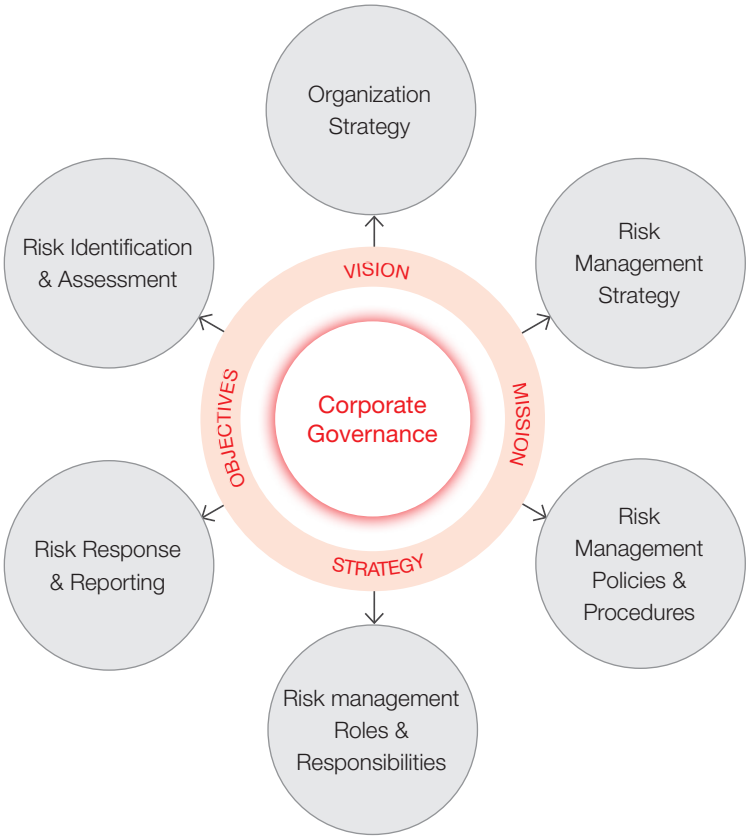
Risk Environment

The year in review was a challenging period both for domestic and global markets. Business activities at the beginning of the financial year was disrupted with Easter Attacks while the year ended with the entire global economy coming to a stand still with the outbreak of COVID-19. With this challenging background, the focus was given to steering through the adversities while managing stakeholder expectation in an optimum manner.

Our Approach

Lanka Tiles adopts an Enterprise Risk Management (ERM) approach, thus giving an integrated approach to the management of the Company's business risk. The objective is to improve performance and decision making through identification, evaluation and management of key risks.

The responsibility of the Risk Management Process lies with the Board of Directors and this is supervised by the Company's Executive Committee and reviewed by the Audit Committee. Lanka Tiles PLC has the following structure to facilitate risk management and risk reporting.



The Lanka Tiles PLC risk management process can be explained by the three lines of defence concept of risk management as given below.

First line	Second line	Third line
Responsibility		
Day to day identification, assessment, managing and reporting of all risk within the span of control, ensuring risk exposures stay within limits, responding appropriately to challenge by the second line of defence, implementing recommendations by third line of defence.	Clear and well communicated risk policies Effective control and monitoring systems Providing assurance that risks are being appropriately managed across the business Providing robust challenge to the first line facilitating actions to respond to levels of risk deemed to be beyond or close to tolerance.	Independent assurance and oversight on the effectiveness of : Systems of governance Risk management Internal control.
Accountability		
Executives and Supervisors	Corporate management team	The Board

Our top risks an action plans to prevent or limit the impact of these risks are discussed below.

Key Risks	Impact	Mitigating/Management Strategies
Economic & Financial Risks		
Economic Growth	• During 2019, economic growth slowed down to 2.3% from previous year's 3.3% • Construction sector growth of 4% • Subdued investor and business confidence • April 2019 terror attacks resulting in a sharp decline in economic growth • Decline in per capita income • COVID-19 pandemic and resultant lockdown measures in March 2020	• Widening product portfolio through new product developments • Increase focus on export markets • Driving productivity through efficiency • Access to expert knowledge through Strategic partnerships • Cost effective and targeted sales and marketing strategies to drive top line growth
Exchange Rate	The rupee appreciated by 0.6% for the calendar year 2019 but depreciated by 3.7% during the financial year to Rs. 185.06. As at end May, the rupee declined further to Rs.186.07. As detailed in Note 4 to the Financial statements on page 89, Lanka Tiles has exposure to the US dollar arising from translation of US dollar denominated loans granted, trade receivables and trade creditors. The Group also has exposure to the Euro from trade creditors.	Ongoing monitoring of exchange rate movements and managing exposure through mitigation strategies.
Interest Rate	Interest rates declined during the year due to policy measures implemented by the Central Bank of Sri Lanka. The impact of interest rate risk is further disclosed in Note 4 to the financial statements on page 89.	The Company and the Group manage their interest rate risk by actively monitoring the yield curve trend and interest rate movement with reference to AWPLR and SLIBOR for the various financial instruments.
Credit Risk	Credit risk arises mainly from trade receivables which accounts to 4% of total assets amounted to Rs. 608 Mn at balance sheet date.	Trade receivables are mainly secured with bank guarantees given by customers in favour of the Company and the Group. Individual credit limits are set based on the amount of the bank guarantee. The utilization of credit limits is regularly monitored.

Risk Overview

Key Risks	Impact	Mitigating/Management Strategies
Liquidity & Funding Risk	The Group's management of the working capital cycle is normally proactively managed efficiently. The closure of businesses for 6 weeks has lengthened its cash flow cycle in line with most businesses. Please refer Note 4 of the to the financial statements on page 89 for further details.	• Sufficient credit lines and cash to meet financial obligations • Comfortable gearing ratio
Fluctuations in commodity prices		
Changes in Design Trends	Interior design trends drive demand necessitating an ever-widening portfolio of sizes, shapes, colours and textures at varying price points coupled with accessories.	Modifying manufacturing facilities to produce larger sizes to cater to current design trends.
Market Reach	Ensuring that customers have the tiles they want at their preferred location is a significant challenge due to the space requirements.	Showrooms being opened and operated as franchise partnerships. Consistent display systems to facilitate review of portfolios. Digital platforms to inspire/design such as the Virtual Design Hub by Rocell and the Lankatiles App driving demand.
Efficiency	Machine breakdown or failures. Down time	Total Productive Maintenance (TPM) to streamline processes. Routine maintenance checks

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 that the reliability of financial statements presented herein has been done in accordance with applicable accounting standards and regulatory requirements and taking 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

Operating Environment

Overall Economy

The domestic economic landscape in 2019 was extremely challenging with major risk events such as Easter attacks in April at the beginning of the year and the COVID-19 pandemic at the close of the year. By March 2020, most countries had implemented containment measures and economic activities declined sharply.

Domestic economic growth in 2019 slowed down to 2.3% from last years' 3.4% with slower growth recorded during the second half of the year. In order to facilitate credit growth, the Central Bank took an accommodative stance, reducing interest rates and imposing caps on lending rates to boost the economic activity. Unpredictable weather resulted in poor performance of the agricultural sector which grew only by 0.9%. The Industry sector performed better than the last year recording a growth of 2.6% compared to last year's 1.3% supported by a turnaround in the construction and mining industry. The impact on the Easter Sunday attacks was evident as the deceleration in tourism activity caused the services sector growth to significantly slow down to 2.3% from previous years' 4.6%.

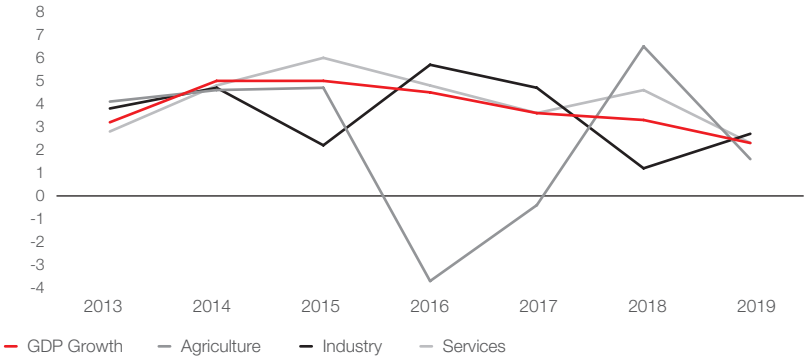
In the External sector, the policies implemented to curtail import expenditure had a positive impact on the trade balance and this was supported by a modest growth in export earnings.

Year-on -year headline inflation (NCPI), mostly remained in low single digit levels, while the year-on-year change in Colombo Consumer Price Index was within the range of 4%-6% in 2019.

The Rupee, which recorded a significant depreciation in 2018, appreciated marginally by 0.6% by the end of 2019, mainly due to the contraction in the trade deficit. However in April 2020 the rupee hit an all time low, depreciating sharply due to the speculative behaviour with the spread of COVID-19.

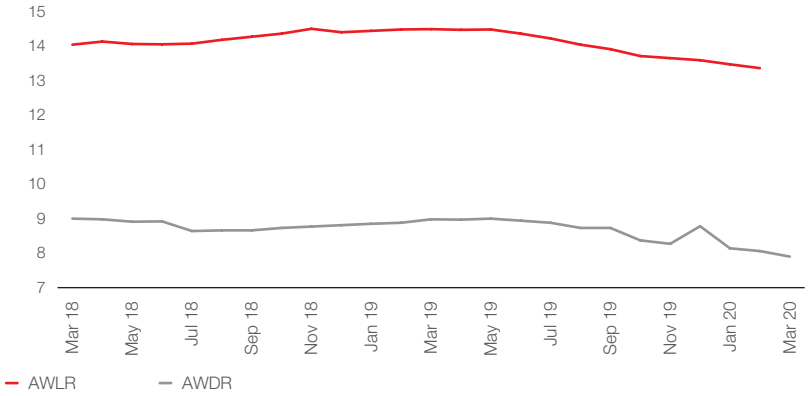
Global economic growth was also hindered by trade wars and geopolitical tension in major economies, and towards the later part of the year from COVID-19 pandemic. World economy grew at 2.9% compared to 3.6% of 2018. As a result of the pandemic, the IMF projects the global economy to contract by 3% in 2020.

GDP Growth - Sri Lanka
(%)



Exchange Rate Movement
(%)

Interest Rate Movement
(%)



Operating Environment

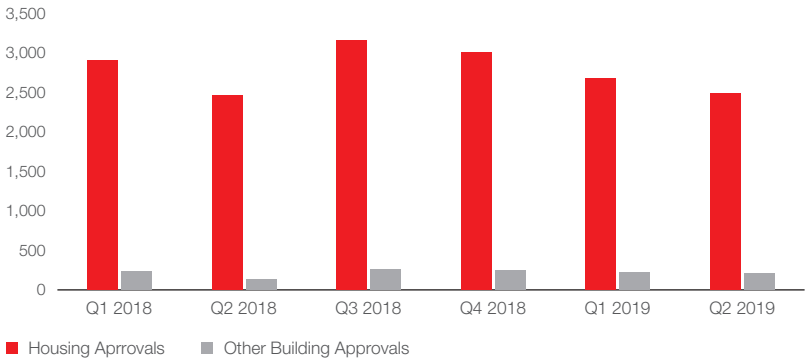
Construction Sector

Construction sector saw a revival during the year, growing by 4% against of 2.8% in 2018. This growth was fuelled by accelerated completion of large-scale projects, ongoing expressways and large-scale condominiums. Meanwhile, credit granted to the private sector by Licensed Commercial Banks (LCBs) for construction activities grew at a slower pace of 5.4% compared to 14.1% last year. Personal housing loans granted by LCBs also grew at 5.4% against a growth if 13.1% in the previous year. This was evident by the decline in housing approvals during the first half of the year. The Government continued to implement projects with the aim of enhancing housing and urban infrastructure which also gave a boost to the construction industry.

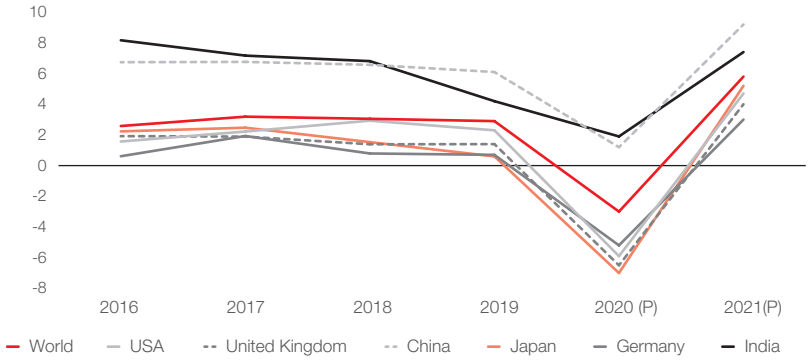
Demand for Local tiles saw a growth of 16% for floor tiles . Local floor tile demand is met with both local production and imports with local production accounting for 60% of the Sri Lankan tile market.

Low priced imported tiles, mainly from India and China continues to pose a threat to the local tile manufacturers. Measures implemented to curtail imports of non-essential goods proved favourable to local tile manufacturers as tile imports were curtailed as well. Moving forward, depreciation of the rupee and the ban on imports of non-essential items will favour the local manufacturers.

Greater Colombo Housing and Other Buliding Approvals
(No.)



GDP Growth - Global and Major Economies
(%)



Outlook

COVID-19 derailed the global economy as containment efforts halted almost all economic activities, making the future very uncertain. IMF predicts the world economy to contract sharply by 3% in 2020, worse than during the financial crisis in 2008/09. Most Central Banks have implemented accommodative monetary stimulus and liquidity facilities to cushion the effects of the outbreak supporting recovery. Thus, as the economic activities normalize, its projected to start recovering by 2021.

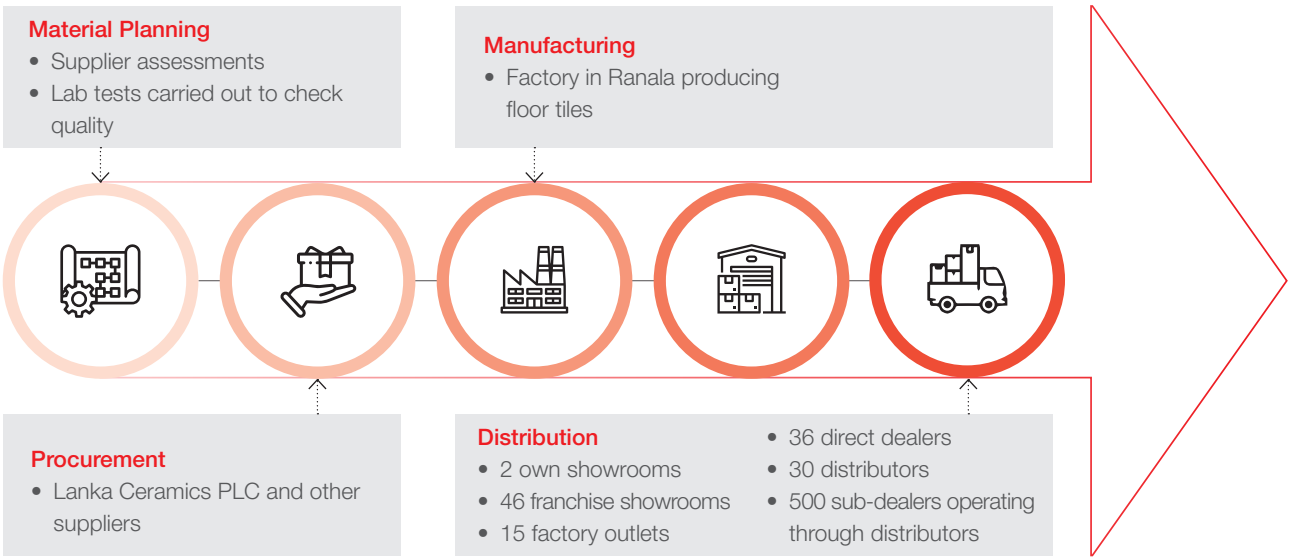
In a local front, the containment measures taken by the Government helped curb the COVID-19 outbreak but have a substantial negative impact on the economy. However, the fiscal, monetary and financial measures taken by the Central bank has provided relief to some extent to businesses and individuals.

Business Line **Review**

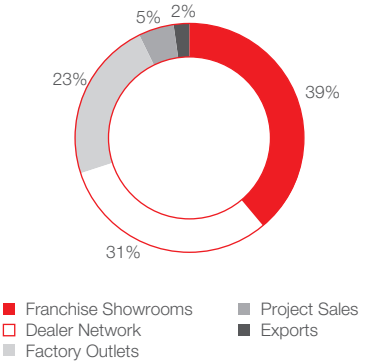
As the largest tile manufacturer in Sri Lanka and the market leader for floor tiles, Lanka Tiles PLC is armed with a product portfolio that is diverse in style, texture, and size. Our product range goes beyond just tiles, offering our customers tile grout and mortar, pebbles and aluminium beading. Our local distribution channel is well spread out throughout the island while our offshore markets include Australia, North America and India.

	2019/20	2018/19	Variance	Strategy during the year
Financial Performance				
Revenue (Rs.'000)	6,694,824	7,008,992	-4%	• Drive top line growth through exports
Operating Income (Rs.'000)	1,026,965	751,879	37%	• Support operating margins through operational efficiencies
Profit after tax (Rs.'000)	581,945	528,012	10%	
Assets (Rs.'000)	13,882,635	11,906,947	17%	• Efficient working capital management
Liabilities (Rs.'000)	6,004,094	4,609,707	30%	• Manage financial risks
Manufacturing Performance				
Production capacity (Sq. mt Mn)	5.2	4.5	16%	• Optimize capacity utilization
Capacity utilization (%)	93	94	-1%	• Support working capital management
CAPEX (Rs. Mn)	612	2,162	-72%	
Employee Performance				
No. of employees (No.)	749	690	9%	• Support employee productivity through employee development and motivation
Productivity (Sq. mt)	6,943	6,521	6%	• Fair remuneration and benefits
				• Employee satisfaction
Relationship Management				
Customer satisfaction	78%	81%	-4%	• Engage key influencers and support their growth
CSR Expenses (Rs. Mn)	05	13	-62%	
Tiler Club membership (No.)	3,885	3,678	6%	• Explore partnerships for export
				• Attract new customers and retain existing ones
				• Support construction industry through specialized project teams
Environmental Performance				
Electricity (Kwh)	18.3	15.6	17%	• Minimize carbon footprint
LPG (Kg/Mn)	8.8	8.6	2%	• Ensure environmental compliance at plant
Water Usage (Litres '000)	27,950	27,181	3%	
Water Recycled (Litres '000)	2,200	2,169	1%	• Supplier environmental assessment
Diesel (Litres)	513,671	376,011	-37%	• Responsible consumption and production
Environmental Standard Certification (No.)	02	02	-	
Waste (Metric Ton)	13,266	12,420	7%	
Certifications & Awards				
New certifications	05	05	-	• Maintaining quality standard comply with CEA requirements

Business Line Review



Contribution to Topline from Different Channels



Performance Review

- Sales at the beginning of the financial year were affected by Easter Sunday Attacks. Demand for tiles remained sluggish despite the turnaround in the construction industry which was mainly driven by large scale projects. As a result, local sales which contributes to 97% of the total revenue contracted marginally by 3%. Poor performance in the construction sector in Australia and the political tension in the USA and China had a negative effect on export sales which came down sharply by 50%. Total sales came down by 4% to reach Rs. 6,695 Mn.

- After a loss in productivity due to a partial shut down to accommodate the expansion program during the previous period, the Ranala factory was running at full capacity during this year. This had a positive impact on the gross profit margin which recovered to reach 36% from previous year's 29%. With the improved GP margin, gross profit increased by 25% to reach 2,416 Mn, despite the drop in sales.

- Overhead costs remain on par with the last year, with administrative cost contracting by 4% . With the improvement in the GP margin, operating profit grew by 37% to reach Rs.1,026 Mn.

- Group's borrowing increased substantially due to funding for the expansion project and holding cost of increasing inventory levels. Consequently, finance cost for the period increased by a multiple of fifteen to reach Rs. 334 Mn. Profit before tax increases by 4% to reach Rs. 775 Mn due to increased GP margin.

- Lanka Tiles Group reported a net profit of Rs. 582 Mn for the year ended 31st March 2020, a increase of 10% compared to the previous financial year.

In 2019, Lanka Tiles completed the factory expansion project at the Ranala factory making us the largest tile producer in the country with a daily production capacity of 14,500 sq.mt. This year, the factory was running at full capacity after being partially shut down during the previous year to accommodate the upgrading. This increased our productivity which was evident in the improved profitability levels. However, demand for tiles did not reach the anticipated levels due to various reasons such as Easter Sunday attack, presidential elections which led to a Government change and sluggish economic activity. As a result, our inventory levels has risen and holding costs of this had an unfavourable impact on our profitability.

With the increased production capacity here in Sri Lanka, our focus has been on utilizing this instead of importing

tiles from India through the outsourcing agreements. As a result, during 2019/20, our imports from India came down to 773 containers as against 1,091 containers imported during 2018/19.

During the year, we unveiled our new collection "Majestica", glazed vitrified tile produced in larger sizes. Marketing campaigns have been launched to promote the new line and other tiles in large format with the aim of educating potential customer about the advantages of the larger sized tiles.

Total Productivity Maintenance (TPM) was introduced as a Group wide initiative during 2017 with the aim of driving productivity through comprehensive ongoing evaluation of existing processes which eliminate wastage, duplications and other redundant steps. With this, we were successful in achieving cost savings of Rs. 50 Mn compared to savings of Rs.64 Mn achieved during 2018/19.

Outlook

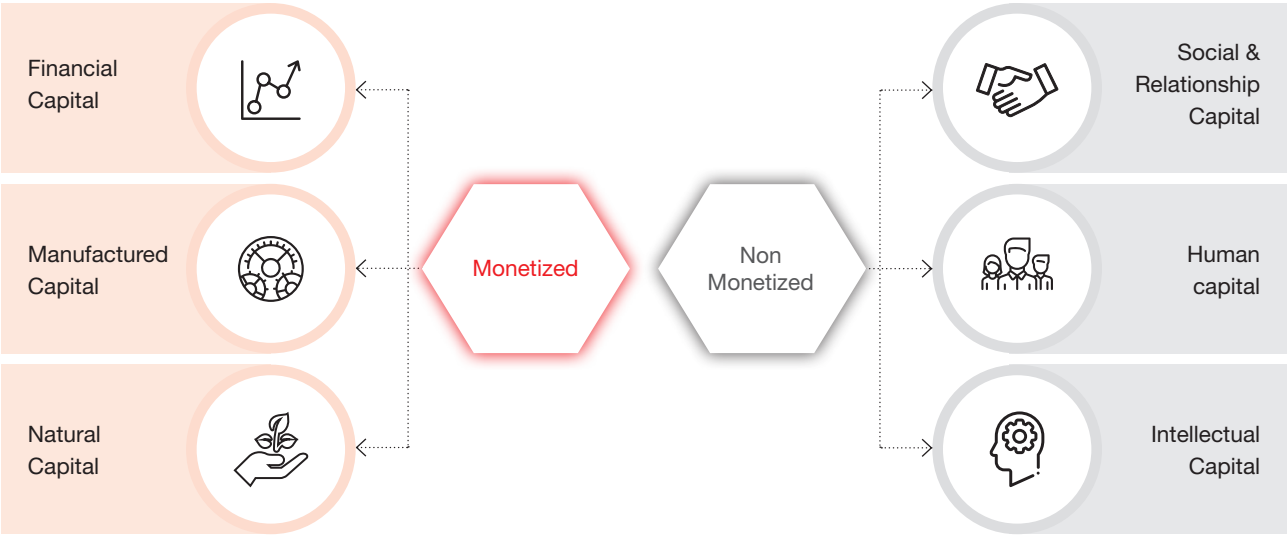
With our parent company Lanka Walltiles PLC venturing in to sanitaryware and bathroom accessories, we now offer our customers the convenience of fulfilling the entire bathroom requirement under one roof. We expect to reap benefit from this group synergy in the coming year.

Our marketing strategy for next year is going to be focused on liquidating the high level of inventory that is currently stored in our warehouses. During 2019/20 our inventory levels rose to unprecedented levels, eroding our profits with the increased cost of holding inventory.

As the Central Bank is taking measures to limit imports to essentials with the aim of easing pressure on the exchange rate, the local tile manufacturers are likely to benefit as tile imports are likely to be curtailed. Demand for locally manufactured tiles is likely to pick up and we are well set to meet this with our expanded capacity.

Despite the dismal outlook on the economic environment due to COVID-19 pandemic, as the market leader in floor tiles, Lanka Tiles will continue to manoeuvre through the tough time making optimum use of our available resources while managing expectations of all our stakeholders in the best possible way. Through TPM, we will maintain our efforts in driving operational efficiency while taking advantage of evolving technology.

Capital Management



Our capitals are the input in our business process. Optimal management of these capitals is key to managing stakeholder expectations. Capitals can be consumed, enhanced, or modified in the process of value creation. Our Capitals Report sets out a brief description of and description of how its utilized within our business journey. We recognize that managing one capital would have an impact on another and strive to manage the inter-dependencies in an optimal manner.

Trade Offs	Capitals Affected
To have an uninterrupted manufacturing process and to be technologically up to date we need to invest in Property Plant & equipment. This also requires our human resources to be up skilled to keep up with the latest technology.	
Driving innovation, which requires investment in R&D is key in new customer acquisitions. Although this has an impact on our cash flow in the short term, it is important for business continuity.	
On going investment in training and development is needed to up skill employees and make them adaptable to the challenging environment.	
Manufacturing process has an impact on the natural environment. We constantly strive to streamline our processes in order to minimize the environmental impact.	

Financial Capital

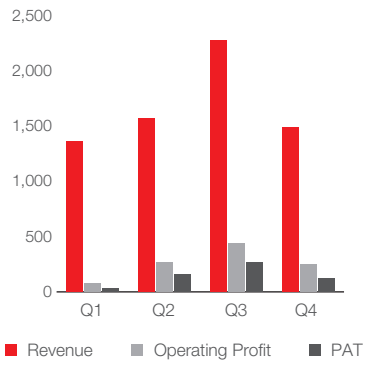
	2019/20	2018/19	Change
Profitability			
Revenue Rs.Mn	6,695	7,009	-4%
Operating Profit	1,026	752	37%
Profit After Tax	582	528	10%
ROE	7.7%	7.4%	-7%
Financial stability			
Current Ratio	1.7	2.1	-19%
Gearing	43.6%	26.8%	55%
Equity Rs.Mn	7,872,744	7,291,480	8%

	2019/20	2018/19	Change
Efficiency			
GP Margin	0.36	0.29	26%
Asset Turnover	0.48	0.59	-24%
Working Capital Turnover	2.52	2.78	-9%
Growth			
Total Assets Rs.Mn	13,883	11,907	17%
CAPEX	613	2,162	-72%
PPE	5,975	5,743	4%

Revenue

Performance during the first quarter was affected by the Easter Sunday attacks which hampered economic activities across all sectors. As a result, revenue for the first three months amounted only to Rs. 1,559 Mn. Sales recovered during the next two quarters with reported revenue of Rs.1,798 Mn and Rs. 2,531 Mn for the second and third quarter respectively. Business activities came to a complete standstill during the last quarter as the country went in to lock down as a preventive measure to fight the COVID-19 pandemic. Amidst all these hardships, the Group reported a revenue of Rs. 6,695 Mn for the year, a negative growth of 4% from the previous year. Export sales which amounts only to 2% of the total sales contracted by 50% as the construction sector in Australia continued to be subdued and demand from US was affected by the political tension.

Quarterly Performance
(Rs. Mn)



Gross Profit

Despite the negative growth in revenue, gross profit for the year increased by 20% to reach Rs. 2,416 Mn as the GP margin rebounded to 36% from previous year's 29%. After a loss in productivity due to the shut down of the smaller kiln to accommodate the expansion project during last year, the Ranala factory was running at full operational capacity during the year, thus the improvement in the GP margin.

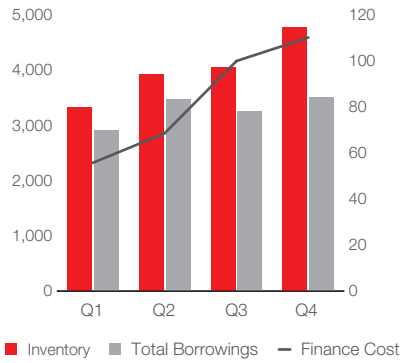
Earnings before Interest and Tax (EBIT)

While the distribution expenses which included costs of opening 01 new factory outlet remained on par with the previous year, administrative cost saw a reduction of 4%. Growth in gross profit combined with reduced overhead costs pushed the EBIT to reach Rs. 1,026 Mn, an impressive growth of 37% compared to the previous year.

Net Finance Expenses

Cost of servicing the debt obtained to fund the factory expansion project and cost of maintaining the growing inventory levels caused the net finance expenses to increase by more than fifteen times compared to the previous financial year. Finance cost for the year amounted to Rs. 334 Mn compared to Rs. 22 Mn last year while finance income amounted to Rs. 273,000.

Movement in Finance Cost & Borrowings
(Rs. Mn) (Rs. Mn)



Profit after Tax

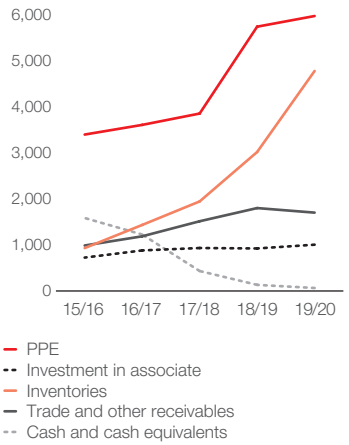
Despite the improved GP margin and curtailed overhead costs, profit after tax for the year increased to Rs. 582 Mn. increased finance costs eroded the improved EBIT while tax charge for the year decrease by 11% on the back of reduced before income tax.

Assets

Total assets grew by 17% to reach Rs. 13,883 Mn, driven by growing inventory levels and marginal increase in property, plant and equipment. Capital expenditure for the year was limited to Rs. 627 compared to Rs. 2,162 of last year which included the cost of factory expansion. As a result of the increased production and subdued performance in sales, inventory levels were seen rising throughout the year. During the financial year, Property Plant and Equipment increased by 4% while inventory moved up by 58%.

Financial Capital

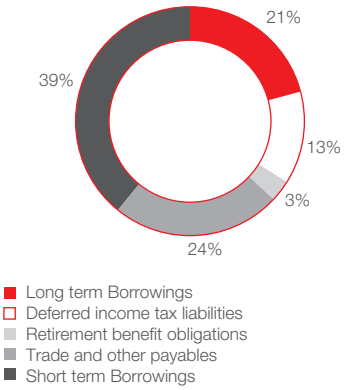
Growth in Total Assets
(Rs. Mn)



Liabilities

Total liabilities increased by 30% to reach 6,004 Mn, led by a over 206% increase in short term borrowing which amounted to Rs. 2,295 Mn. This included an overdraft facility of Rs. 804 Mn and short-term bank borrowings of Rs,1,491 Mn obtained to maintain the growing inventory levels. Increased borrowing caused the Group's debt to equity ratio to move up to 0.45 from last year's 0.29.

Liabilities



Cash Flow and Working Capital Management

Cash and cash equivalents decreased to Rs.77 Mn. Cash out flow from operating activities amounted to Rs. 814 Mn owing to declining cash profits and growing inventory levels. As a result, the current ratio weakened to 1.7 from last year's 2.1. Cash outflow from investing activities amounted to Rs. 624 Mn driven by the capital expenditure incurred during the year. Cash inflow from finance activities amounted to Rs. 958 Mn, driven by the new borrowings undertaken within the year.

Capital Structure

Capital structure of our Group changed during last year as the factory expansion project was funded by debt. During this year, the debt to equity ratio increased further to reach 45% from last years 29% as fresh borrowings were made during the year.

Shareholders' equity increased by 8% during the year to reach Rs.7,873 Mn. This was driven by the increase in retained earnings. The stated capital of the Group remained unchanged during the year.

Manufactured Capital

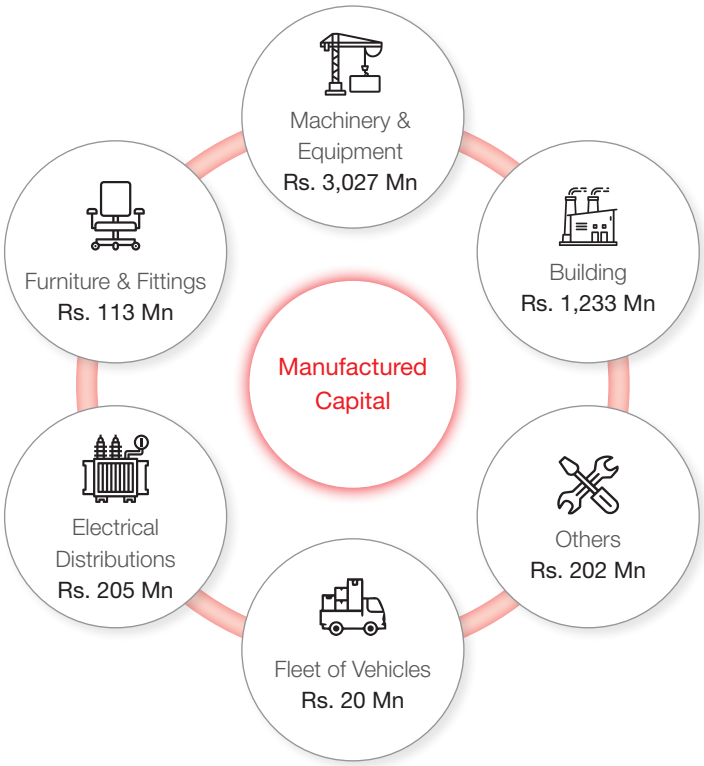
GRI | 203-1

Manufacturing capital is the physical asset base through which value is created to fulfil stakeholder requirements. Efficient and effective use of manufactured capital enables us to be more flexible and responsive towards market and social needs while improving our sustainability.

Our manufactured capital comprised buildings, plant & machinery, motor vehicles, furniture and fittings, tools and equipment.

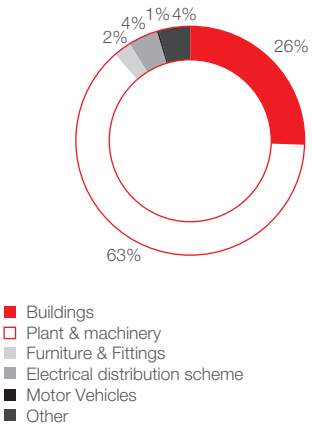
	2019/2020		
	Additions	Depreciation	NBV
Buildings	373.40	31.05	1,232.96
Plant & machinery	249.45	284.75	3,026.58
Furniture & Fittings	64.08	29.78	113.28
Electrical distribution scheme	123.49	20.83	204.59
Motor Vehicles	6.69	0.76	20.33
Other	361.78	11.74	201.58
Total	1,178.89	378.91	4,799.31

Our state of the art manufacturing facility in Ranala is equipped with top of the range machinery from Italy. Continuous investment in upgrading these facilities have enabled capacity enhancements to produce innovative tiles that are on par with the latest trends. Capital expenditure for this year amounted to Rs. 613 Mn. Periodic maintenance and continuous monitoring ensure minimal downtime while making the work environment safer. Our manufacturing plant was running at full capacity up until March 2020 but had to shut down due to COVID-19 lockdown measures.



The biggest tile manufacturing facility in Sri Lanka with a daily capacity of 14,500 sq. mt. equipped with state of the art machinery from Italy.

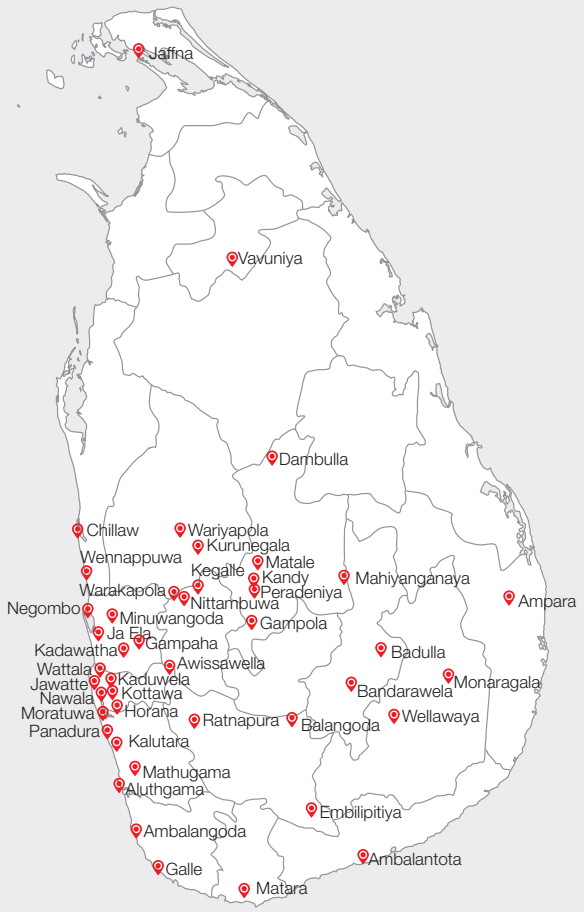
Manufactured Capital



Manufactured Capital

GRI | 102-4

Own Showrooms	
NAWALA	PERCEPTIONS TILE GALLERY
215, Nawala Road, Narahenpita	133, Jawatte Road, Colombo 5
Our Own Factory Outlet	
45/100, Nawala Road, Narahenpita, Colombo 05	
Franchise Showrooms	
No: 409, Galle Rd, Aluthgama.	No: 02, Kandy Rd, Nittambuwa.
No: 10, Main Street, Ambalangoda.	No: 04, Sri Medananda Rd, Panadura. (Facing Galle Rd)
U.K.G Mahagedara,Tissa Rd, Dehigahalanda, Ambalanthota.	No: 255, Udaeriyagama, Peradeniya.
No: 774, Kalmunai Rd, Ampara.	No. 58, Jaffna Rd, Vavuniya
No: 182, Pore, Athurugiriya.	No: 229/A, Kandy Rd, Dummala Deniya, Warakapola.
No: 260, Kiriwandala, Awissawella.	No: 221, Kurunagala Rd, Wariyapola.
No: 315, Passara Rd, Badulla.	No: 3B, Oliyamulla, Negombo Rd, Wattala.
No: 360G,Ratnapura Rd, Balagahamula, Balangoda.	No: 90, Badulla Rode, Welimada.
No: 482, Badulla Rd, Bandarawela.	Weerasekaragama, Wellawaya.
No: 384B, New Kalmunai Rd, Navatkudha, Batticaloa	No: 350/A, Chilaw Rd, Kolinjadija, Wennappuwa.
No: 160, Colombo Rd, Maikkulama, Chilaw.	
Rathnapura Rd, Pallegama, Embilipitiya	
No: 357, Baddegama Rd, Dangedara, Galle.	
No: 23, Queens marys Rd, Gampaha.	
No: 98/A/1/1, Nawalapitiya Rd, Gampola.	
No: 580, Panadura Rd, Galendadugoda, Horana.	
No: 351, Colombo Rd, Weligampitiya, Ja-Ela.	
No: 469, K.K.S Rd, Jaffna.	
No: 572/A, Kandy Rd, Ranmuthugala, Kadawatha.	
No: 160/10/U, Bandarawatta, Biyagama, Kaduwela.	
No: 365, Galle Rd, Kalutara South.	
No: 121, Katugastota Rd, Kandy.	
No: 714, Kandy Rd, Meepitiya, Kegalle.	
No: 104/A/B, Kandy Rd, Dalugama, Kelaniya.	
No: 360A, Highlevel Rd, Kottawa.	
No: 122, Hettipola Rd, Kuliyapitiya.	
No: 250, Negombo Rd, Kurunegala.	
No: 44 1/2, Padiyathalawa Rd, Mahiyanganaya.	
No: 302/6, Kaduwela Rd, Koswatta, Thalangama North.	
No: 575, Trincomalee Street, Matale.	
No: 247, Kotuwegoda, Matara.	
No: 206, Agalawatta Rd, Mathugama.	
No: 88/B, Air Port Rd, Boragodawatta, Minuwangoda.	
No: 132/1, Wellawaya Rd, Monaragala.	
No: 468, Galle Rd, Moratuwa.	
No: 495, Colombo Rd, Negombo.	



Human Capital

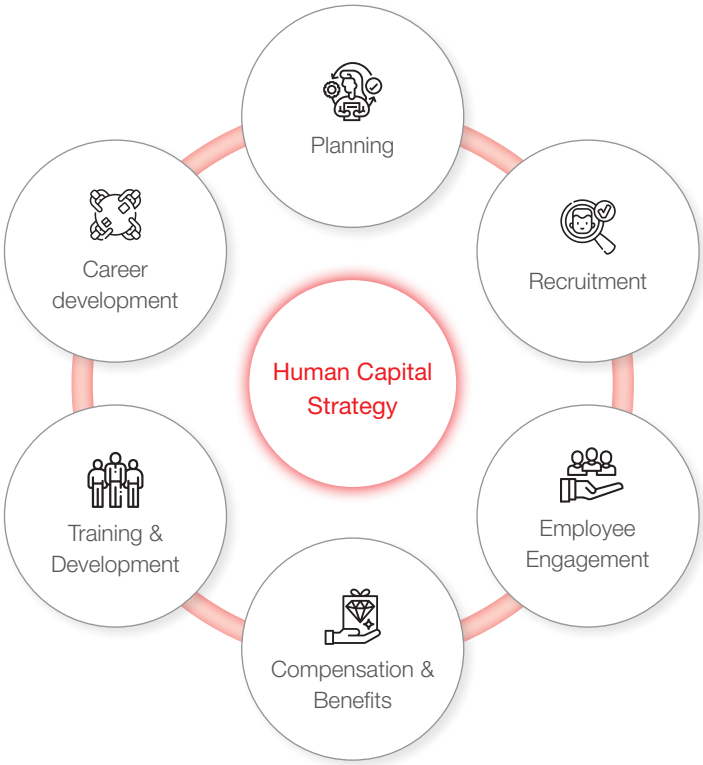
GRI | 102-8

As one of our key strengths, our human capital plays a leading role in the value creation cycle. We take measures to nurture our team by continuously investing in them. Their innovation and productivity is vital in gaining the competitive edge over our competitors.

The Human Resources Department at Lanka Tiles comes under the preview of General Manager-Finance and is responsible for the implementation of HR framework which is in line with our overall business strategy. This Department is also responsible for compliance with regulatory requirements and other policy frameworks.

Our workforce comprises 749 employees under three categories. Our competent manufacturing team is comprised of 426 employees while sales division is strengthened by 42 employees.

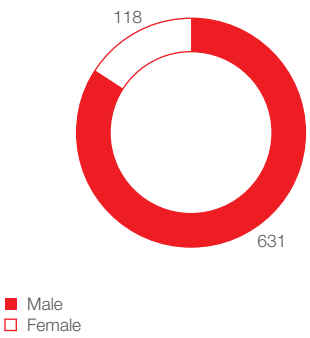
The innovation and productivity of our team are vital in gaining a competitive edge over our competitors and to ensure value-creating strategies.



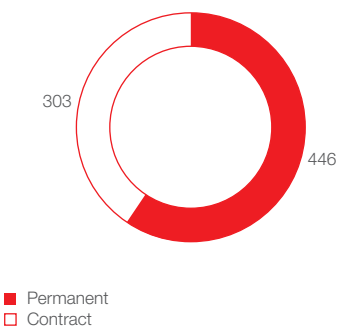
No. of Employees **749**	Revenue per Employee **Rs. 8.94Mn**
Profit per Employee **Rs. 0.7Mn**	Employee Turnover **15%**
Training Hours **2,869**	

Team by Region		
Western province	582	78%
Central province	37	7%
Southern province	52	5%
Other	78	10%
Total	749	

Workforce by Gender



Team by Category



Human Capital

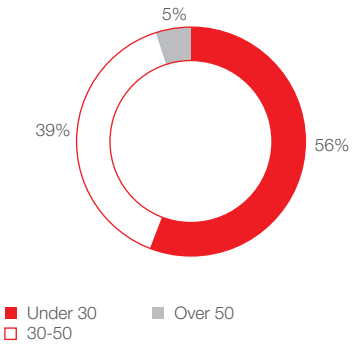
GRI | 202-1, 401-1, 401-2, 401-3, 403-3, 403-4, 404-1, 416-1

Recruitment

Lanka Tiles is an equal opportunity employer and seeks to have a diverse and inclusive workforce. Our selections are based on skill level, attitude and suitability. Further, all recruitments are subjected to Board approval.

During the year, 08 new personnel were recruited to marketing and 147 from other divisions. Given the nature of the work carried out and cultural norms with fewer women enrolling in technical education, our workforce is dominated by males. We take pride in calling Lanka Tiles a "preferred employer" and our employee retention rate of 85% is testimony to this.

New Recruitments by Age Group



Compensation and benefits

We have a remunerations policy in place to make compensation consistent, competitive and fair. These policies are reviewed regularly and revised according to the market conditions. Policy changes are evaluated by the Groups' Remuneration Committee. We comply with all relevant labour regulations and as an equal opportunity employer, a 1:1 ratio of basic salary of men to women is maintained.

Below are the benefits provided:

		2019/20	2018/19
Staff Cost	(Rs. Mn)	644	518
Defined Benefit contribution Schemes	(Rs. Mn)	47	44
Gratuity	(Rs. Mn)	32	28

Our compensation package also includes health insurance, production incentives, parental leave and provisions for financial assistance for educational qualifications.

Health and Safety

Type of Accident		2019/20	2018/19
Minor Accidents	(No.)	20	06
Major Accident	(No.)	-	-
No. of days lost due to accidents	(Days)	07	02

Health and safety take top priority at Lanka Tiles as 57% of employees work in the manufacturing facility. This is addressed in our collective bargaining agreement and reviewed regularly. Employees are provided with the required protective gear and it is compulsory for all employees to wear them. A Safety Committee which is represented by both the management and factory workers meet on a monthly basis to discuss any safety incidents (if occurred) and what improvement to be made.

We practice the Internationally accepted OHSAS 18001 (Occupational Health and Safety Assessment Series) safety standard in all our factory operations.

All our machinery are purchased after careful evaluation, thus ensuring safety. Routine maintenance work is carried out and under TPM, each machine operator is given the responsibility of looking after their equipment.

Training and Development

Business success relies on continuous improvement of our processes and skill levels as we constantly upgrade our product portfolio. Training programs are carried out focusing on up-skilling employees to facilitate this.

A Performance Management system is in place to identify any gaps in skill levels and training needs are identified through this. During the year, we invested Rs. 0.5 Mn in training and development programs. We take measures to develop not only the occupational skills but also to improve the soft skills that help them in their day to day lives.

Type of Accident	2019/20	2018/19
Investment in training (Rs. Mn)	0.5	7.3
Total training Hours	2,869	5,809
Number of employees trained	513	681

GRI | 403-1, 403-2, 404-2, 404-3, 405-1, 407-1

Summary of training and development programs conducted during the year is as follows,

- Programs to develop leadership skills
- 5'S Training
- Awareness programme on healthy life

Career Progression

Existing employees are given priority with fulfilling vacancies as a part of our "develop from within" philosophy. Career progression is supported by succession planning and performance appraisals.

All employees are subjected to annual performance appraisals and promotions are based on these appraisals. We also conduct career guidance and professional development programs to support career progression.

Employee Grievance Mechanisms

A structured resolution process is in place to handle employee grievances. All grievances are handled strictly confidentially, promptly and fairly. We have a grievance committee in place in line with OHSAS 18001 to effectively manage the process.

Freedom of Association

We maintain positive and engaging relationship with trade unions. There were no major trade union actions during the year. 33% of our permanent workforce are unionised.

Employee Engagement

Formal and informal mechanisms are used to engage with employees. Regular staff meeting are conducted to maintain ongoing dialogue with all employees and in addition several social and welfare programs are conducted every year.

- Employee day and family day
- Annual Cricket tournament
- Employee annual excursion

Our senior management team consists of well-experienced individuals— crafting exceptional service through their expertise and skill within a competitive industry.

Senior Management

Mahendra Jayasekera
Managing Director

Nandajith Somaratne
Group General Manager Manufacturing

Shirley Mahendra
General Manager (Marketing)

Tyrell Roche
General Manager (Finance)

Patrick Piyasena
Assistant General Manager (Plant and Technical)

Prabhath Pupulewatta
Factory Manager

Prasad Keerthiratna
Head of IT

Sajeewani Amarasinghe
Group Finance Manager

Anura Ratnayake
Group Business Development Manager

Kaushalya Sudasinghe
Group Manager - Sales Administration

B A M Thilakasiri
Group Stores Manager

Athula Hewapathirana
Group HR Manager

Social and Relationship **Capital**

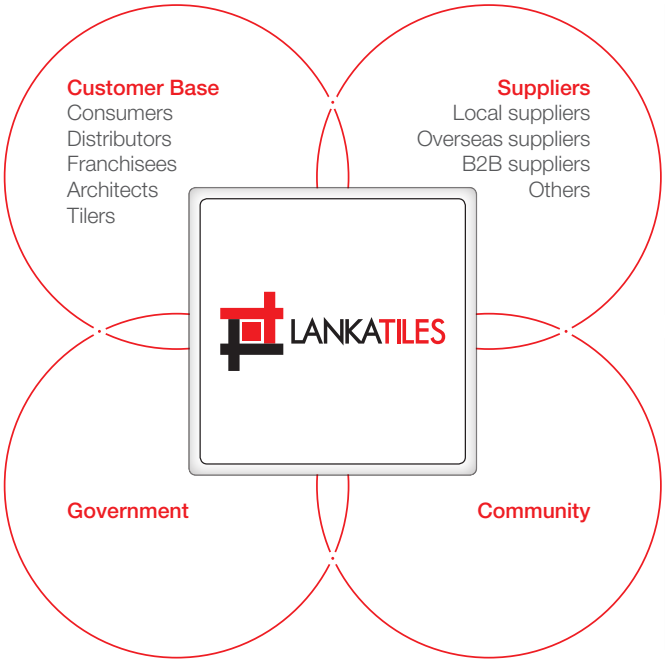
GRI | 102-9, 102-10, 413-1

We rely on our stakeholders for growth and success as they connect every capital. We create tiles that add value to customers' work and home spaces and they create value for us which is then distributed between other stakeholders such as suppliers, employees, financial capital providers, governments, communities and the Group. In this segment, we explore the value delivered to our stakeholders in both monetary and non-monetary forms.

Stakeholders and Value Delivered

Value Delivered
- A product portfolio of 360 designs
- Assistance through the call centre
- Sales commission given to dealers
- Training provided

Value Delivered
- Rs. 888 worth of taxes paid
- Export revenue of Rs. 109 Mn



Value Delivered
- Rs. 3,512 Mn paid to local suppliers
- Rs. 2,657 Mn paid to overseas suppliers

Value Delivered
- Direct and indirect employment opportunities
- Infrastructure development
- CSR spend of Rs. 5.19 Mn

Relationship with our Customers

Communication with our customers is critical for us to understand customer preferences, current market trends and to obtain useful feedback on our existing product range. These insights enable us to be more proactive in our responses and also deliver next level experiences to delight our customers and capture market share. Our customers are represented by diverse segments such as residential and commercial direct users, distributors, franchisees, architects, tilers and export customers thus different forms of communication are used when engaging with them.

2 Own showrooms	**46** franchise showrooms	**15** Factory outlets	**30** distributors
over 500 sub-dealers	Customer Touchpoints		**36** Direct dealers
Call Centre	Tiler Club	LankaTiles App	Trade Exhibitions

Our dealer network comprises consignment distributors. These dealers are provided with incentives such as transport allowances, rent and sales commission. We also conduct training programmes for their staff on a regular basis.

We have an annual event with our franchise operators and encourage regular conversation through the network through structured relationship management. Further, a workshop is conducted every quarter for all sales staff and storekeepers to educate them about the developments in the industry.

LANKATILES App, a comprehensive app available for Android, IOS and Windows systems provides potential customers as well as intermediaries with a look and feel of the designs available. The Visualizer feature of this app allows the customer to apply preferred tile design to a virtual wall/floor, giving them the opportunity to visualize the end result of the tiled space. Further, users also have access to a data base of over 3,500 tilers and contact details of the local distributors.

Engagement with our suppliers

Mutual benefits are key to the sustainability of any relationship. We focus on creating a streamlined approach to engaging with our suppliers, thus enhancing efficiencies for both businesses.

Majority of our raw materials are sourced locally, giving us the opportunities to conduct regular site visits to ensure the quality of the material sourced. All our suppliers are evaluated based on their product quality, conformity to regulatory requirements and social and environmental best practices.

Supplier Value Proposition

Fair Dealing
- Annual registration of all suppliers
- Frequent procurement meetings
- Adherence to contracts
- Transparency
- Site Visits

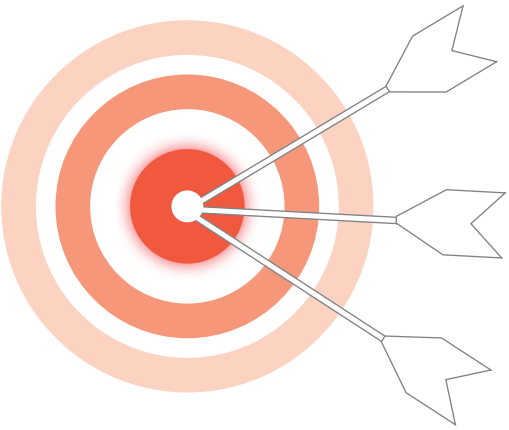
Knowledge Sharing
- Quality inspections
- Continuous feedback
- Ensuring all suppliers confirm to regulatory requirements
- Ensuring that suppliers are certified by the Central Environmental Authority

Value Delivered
- On time payments
- Financial support
- Assistance with technical support
- Providing feedback

Community Engagement

We're dependent on the community we operate in to ensure uninterrupted business operations. We strive to give back to the community by uplifting the quality of life and by developing infrastructure. Over the years, we have conducted many community developments projects to improve healthcare, education, infrastructure and sanitization within the community. This year's initiatives are given below

Meeting Customer Expectations



Superior Product Quality
- Certification to affirm compliance with International best practices
- All products and process are subjected to quality tests
- Continuous monitoring
- State of the art machinery
- Skilled labour

Customer Support
- Call centre to answer customer queries
- Proper follow up on all complaints
- Customer satisfaction surveys
- Use of social media

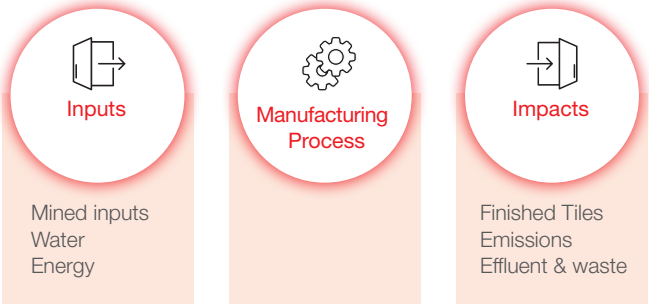
Innovation
- New design introduced within the year
- A product portfolio of a diverse selection
- Rs.17 Mn investment in R&D

Natural Capital

GRI | 301-1, 301-2, 302-1, 302-2, 302-5

We are conscious of the impact our manufacturing process has on the environment and constantly explore ways to minimize the same through responsible consumption and manufacturing including efficient technology. Our commitment to preserve the environment is set out in our environmental policy.

Our manufacturing process is highly dependent on natural resources such as ball clay, feldspar and energy.



- Ensuring suppliers are compliant of environmental regulations
- Recycle and reuse

Raw material and waste management

- Awareness programs for staff
- Monitoring energy consumption

Energy Consumption

- Measuring water consumption.
- Awareness programs

Managing Water Consumption

- Heat recovery
- Minimizing carbon emission
- Testing air quality

Controlling Emissions

Our efforts to preserve the environment

Key Highlights

		2019/20	2018/19
Land extent	(Perches)	9,253	9,253
Raw material consumption	(Metric Ton)	90,958	87,179
Direct energy consumption			
Diesel	(Litres)	513,671	376,011
LP gas	(Kg)	8,776,881	8,602,140
Electricity	(Kwh)	18,379,807	15,675,184
Water Consumption	(Litres '000)	27,950	27,181

Land

Lanka Tiles owns freehold & clay mining land valued Rs.1,175 Mn. These land undergo rehabilitation as extraction leads to diminution of natural resources.

Raw Material Consumed

		2019/20	2018/19
Ball Clay	(Metric Ton)	30,501	26,579
Feldspar	(Metric Ton)	53,538	47,739
Silica sand	(Metric Ton)	6,919	12,861
Raw material	(Metric Ton)	90,958	87,179

The main finite materials used in our manufacturing facility are ball clay and feldspar. We strive to use these by adopting the 3R model of reduce, reuse and recycle. We also take steps to rehabilitated mines after extraction. During the year, we consumed 90,958 MT of raw material of which 6% was reused after recycling.

All our suppliers are assessed for environmental compliance by inspecting the CEA license.

GRI | 302-3, 303-1, 303-2, 303-3, 305-1, 305-2, 305-3, 305-4, 306-1

We use the 3R model of reduce, reuse and recycle. During the year, we consumed 90,958 MT of raw material of which 6% was reused after recycling.

Energy

As a manufacturing organization, efficient consumption of energy is critical not only for sustainability but also for cost management. Following initiatives are carried out to be more energy efficient in our production process.

- Heat recovery - Heat from spray dryer and pre dryer is used in kilns
- Monitoring energy consumption
- Continuous efforts in identifying and implementing energy efficiency processes.

Water

During the year we consumed 27,950,484 Litres of water in our manufacturing process and daily use by employees. 2,200,000 Litres were recycled and reused. We also conduct awareness programs on preserving water for our staff members in our attempt to manage water consumption.

Impacts

Type of Impact	Action Taken	What we have achieved
Dust Emission	To minimize the dust emissions arising from the firing process, we have installed dust collectors at containment points. Collected dust is reused in the production process.	Dust emission of Lanka Tiles is well within the parameters set by the CEA
Sound Pollution	Outsourcing the crushing process to an outside party who complies with the regulations	Reduce the complains from the outsiders
	Purchasing the land surrounding the factory premises in order to minimize disturbance.	Increase the relationship with Our Supplier
Effluents and waste Management	Upgraded treatment plant to comply with regulations set by the Environmental Protection Authority	2.2 Mn Litres of water recycled during the year
	Testing of effluents and waste before releasing to the environment	

Intellectual Capital

GRI | 308-1, 308-2

Intellectual capital is the combined effort of all other capitals that gives us the competitive edge over others and aid us in retaining our market leader position. This includes our brand equity, capabilities of our skilled staff, our tried and tested systems and processes and our research capabilities.

Brand Value

Built based on superior product quality and innovative designs, Lanka Tiles brand has captured both local and international markets. The market leader in floor tiles in Sri Lanka, our tiles are designed by the best architects and has the right combination of functionality and visual appeal. Lanka Tiles brand was valued at Rs. 1.1 Bn.

Research & Development

Research and development is a continuous process that is key to understanding market trends and customer preferences. It also enables us to efficiently manage our resources. We have a dedicated R&D team of 23 employees. During the year, research and development costs of the group amounted to Rs. 17 Mn. A dedicated business development team in place to identify potential areas for product and market development.

Knowledge and Expertise

Our knowledge and expertise is what gives us the competitive advantage in the intense competitive environment we operate in. Industry know-how gathered over the years together with tried and tested recipes we have developed in producing tiles has given us the edge over the others in the industry. Years of experience our employees have gathered by working within the industry adds to our knowledge expertise.

Systems and Processes

Streamlined processes and systems are in place to ensure uninterrupted production and to drive effectiveness and efficiency. These systems include,

- A production quality system in the manufacturing facility where best practices for workflows, health and safety environmental safety are implemented.
- Employee performance management system implemented across the Group.
- Total Productive Maintenance (TPM), a Group wide in-depth and wide-reaching productivity improving initiative. This includes a comprehensive evaluation of existing production flows and procedures and will identify modifications needed to enhance overall productivity. This process also eliminates any repetitive activities, duplications and redundant steps within the system.

Certifications

Certification	Description
SLS ISO 14001:2015	Certificate of the Environmental Management System by the Sri Lanka Standards Institution
SLS ISO 9001:2015	Quality Managements system certification from Sri Lanka Standards Institution
CE Mark Certificate	Certificate for Ceramic Tiles by QSA International , UK
SLS ISO 18001:2007	Occupational Health and Safety Management System certification from SLSI
SLS 1181	Product Certification Mark (SLS Mark)

Directors' Profiles

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, plantations and hydro power generation. He has over thirty years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and un-quoted companies.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort 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 & a Director of Dhammika & Priscilla Perera Foundation.

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 Dil Packaging 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 of the Institute of Chartered Accountants of Sri Lanka.

DR. S SELLIAH
Director

Dr. Selliah holds a 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, Uni Dil 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

He presently serves as Chairman of Lanka Hotels and Residencies Pvt Ltd (Sheraton Colombo), Board Member of Swisstek Ceylon PLC, Regnis Lanka PLC, Singer Industries (Ceylon) PLC, Dipped Products PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic PLC and Horana Plantations PLC, Hayleys PLC.

Previously, he has served as Vice Chairman of National Water Supply and Drainage Board.

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.

Directors' Profiles

MR. J A N R ADHIHETTY

Director

Mr. Amrith Adhihetty has full membership of CPA, Australia and holds a B Com degree from University of Macquarie, Sydney, Australia.

After completing his studies, he had worked as a Financial Analyst at Hitachi Data Systems Australia Pty Ltd prior to returning to Sri Lanka.

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

Presently, he is attached to Delmege Forsyth & Co. Ltd as Head of Group Strategic Business Development & Planning.

MR. G A R D PRASANNA

Alternate Director

Mr. Dimuth Prasanna was appointed as an Alternate Director to the Lanka Tiles Board on 10th October 2014. He is the Chairman of Pan Asia Banking Corporation PLC, Managing Director of Wise Property Solutions Pvt Ltd and also serves as Director on the Boards of Delmege Limited, Grand Mark Pvt Ltd and Royal Ceramic Lanka PLC.

MR. S M LIYANAGE

Director

Mr. Liyanage is a respected professional with over 8 years' experience and a record for exceptional performance. He has demonstrated transformational leadership in business transformation for the companies under the Vallibel One PLC Group.

He has a degree in Bachelor of Science in Industrial Management and Statistics from the Wayamba University of Sri Lanka and Master of Business Administration from University of Kelaniya. He holds a Diploma in Information Technology from University of Colombo.

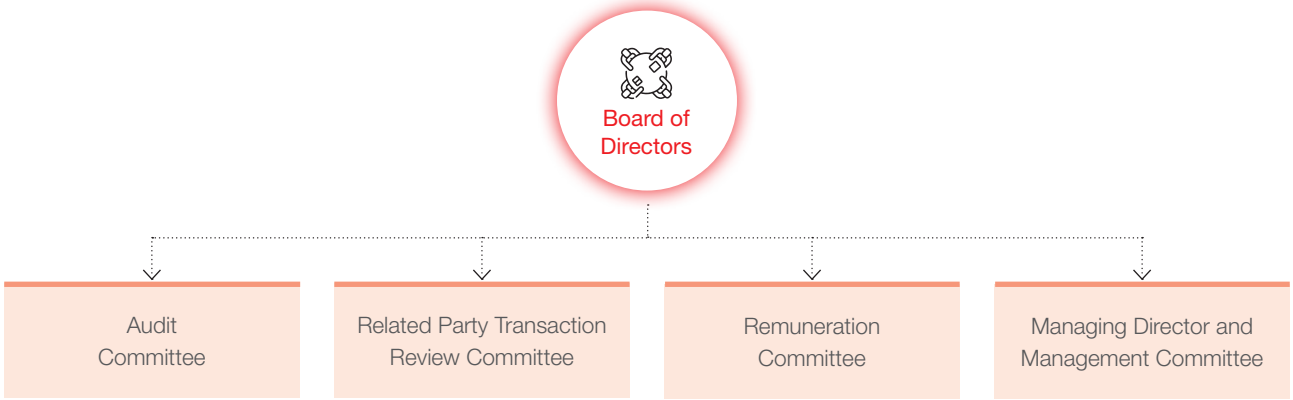
He currently serves as an Group Director- Continuous Improvement and Research at Vallibel One PLC, where he is responsible for business strategic planning, supply chain development, developing new business and coordinating manufacturing excellence projects at the Vallibel Group of Companies.

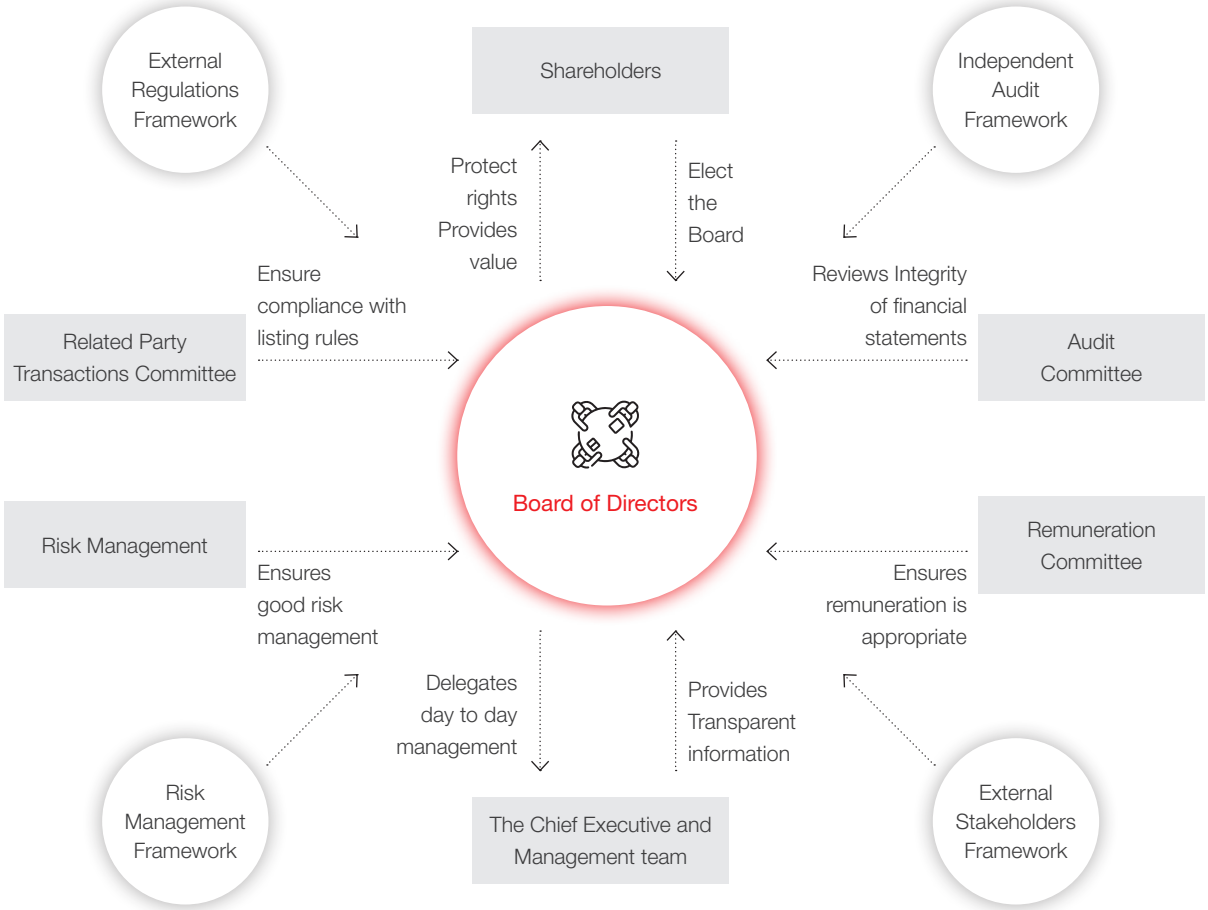
He was certified as a Lean Six Sigma Black Belt and has trained as a Lean Six Sigma Master Black Belt. He was also declared as a certified TPM practitioner and has a publication on the topic of Lean Six Sigma 4.0 at the OELSS conference in Colombo.

Mr. Liyanage is a Member of the Alumina Association of SSMI Asia and Global. He has participated in International Business and Management at MSU, Malaysia.

Corporate Governance

The Board is the ultimate decision making authority and provides guidance and leadership for the day to day management of the operations of the Company. It discharges its responsibilities by implementing a sound corporate governance framework and effective oversight of the affairs of the Company including risk management. Our governance framework goes beyond meeting the minimum regulatory requirements by complying with voluntary codes such as the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.





Corporate Governance

An Effective Board

The Board of Lanka Tiles PLC comprises of 9 members as illustrated. Their profiles are given on pages 45 & 46. The combined experience and knowledge include fields of engineering, banking, law, accountancy and entrepreneurship facilitating relevant perspectives in deliberations of the Board.

As per the Listing Rules of the Colombo Stock Exchange, Non-Executive Directors submit an annual declaration of their independence or non- independence. Our Independent Non-Executive Directors discharge their duties using their professional judgement in an objective manner as they do not participate in day-to-day management nor have any business relationship with the Company.

Dr. S. Selliah, Mr. K. D. G. Gunaratne, Ms. A. M. L. Page and Mr. J. A. R. N. Adihetty qualify against the criteria for independence as per Rule 7.10.4 of the Listing Rules and the Board, based on declarations submitted by the said Directors has determined that they are Independent Directors.

Role of the Chairman and Managing Director

Our Company acknowledges and respects the clear distinction between the roles and responsibilities of the Chairman and the Managing Director. This ensures a balance of power and no one person has unconstrained power in decision making and implementation.

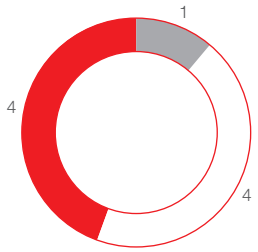
Appointment of Directors

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

Re-election of Directors

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

Board Composition



Executive
Non-Executive Non-Independent
Independent Non-Executive

Board Committees

The Audit Committee and Related Party Transactions Review Committee of listed parent entity, Lanka Walltiles PLC and the Remuneration Committee of Royal Ceramics Lanka PLC functions as the respective Committees of Lanka Tiles PLC in compliance with the listing rules of the Colombo Stock Exchange.

Board Committee & Composition	Mandate	Further information
Audit Committee		
Comprises three Non-Executive Directors (two of who are independent) of Lanka Walltiles PLC the parent Company of Lanka Tiles PLC Mr. J D N Kekulawala (Chairman) Dr. S Selliah Mr. T G Thoradeniya	Monitor and supervise management's financial reporting process in ensuring: 1. The integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards. 2. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements. 3. The External Auditor's independence and performance. 4. Review of the adequacy and effectiveness of the Company's Internal Control and Risk Management systems, over the financial reporting process.	Refer page 65 for Audit Committee Report
Remuneration Committee		
Comprises three Independent Non-Executive Directors of Royal Ceramics Lanka PLC Mr. S H Amarasekera - Chairman Mr. R N Asirwatham Mr. L N De S Wijeyeratne	The Committee focuses on and is responsible for ensuring that the total package is competitive to attract the best talent for the benefit of the Company.	Refer page 64 for Remuneration Committee Report

Board Committee & Composition	Mandate	Further information
Related Party Transaction Review Committee		
Comprises three Non-Executive Directors of Lanka Walltiles PLC two of who are Independent Dr. S Selliah (Chairman) Mr. J D N Kekulawala Mr. T G Thoradeniya	Committee conducts an independent review of all related party transactions to ensure that the Company complies with the rules set out in the Code of Best Practice issued by the SEC	Refer page 63 for Related Party Transaction Review Committee Report

Meeting and Attendance

Meetings for the year ended 31st March 2020 and the attendance at the same are given below.

Name	Attendance			
	Board Meetings	Audit Committee	Related Party Transactions Review Committee	Remuneration Committee
Dhammika Perera	5/11	-	-	-
A M Weerasinghe	11/11	-	-	-
J A P M Jayasekera	11/11	-	-	-
Dr. S Selliah	9/11	4/4	4/4	-
T G Thoradeniya	11/11	3/4	3/4	-
K D D Gunaratne	9/11	-	-	-
A M L Page	9/11	-	-	-
J A N R Adhihetty	10/11	-	-	-
S M Liyanage (Appointed w.e.f 21.02.2020)	1/11	-	-	-
G A R D Prasanna (Alternate Director)	8/11	-	-	-
J D N Kekulawala (Parent Company Board Member)	-	4/4	4/4	-
S H Amarasekera (Director of Royal Ceramics Lanka PLC)	-	-	-	1/1
R N Asirwatham (Director of Royal Ceramics Lanka PLC)	-	-	-	1/1
L N De S Wijeyeratne (Director of Royal Ceramics Lanka PLC)	-	-	-	1/1

Chairman & Managing Director

The roles of Chairman and Managing Director are separated and the Managing Director 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.

Shareholders

At the end of the financial year 2019/20, Lanka Tiles PLC had 2,256 shareholders with our parent Company, Lanka Walltiles PLC holding 68.2%.

We encourage effective communication with our shareholders through multiple avenues. These channels include Annual General Meeting, Annual Report, interim Financial Statements, Press Releases and announcements to the Colombo Stock Exchange. The Board is committed to providing the shareholders with fair disclosure, and gives precedence to integrity, relevance and timeliness of the information communicated.

Compliance

Please refer pages 50 to 56 About this Report for the list of mandatory and voluntary frameworks we comply with.

Corporate Governance

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

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
Directors			
A.1	The Board		
A. 1.1	Board Meetings	Held every month and special meetings held as and when necessary.	☑
A1.2	Role of the Board	Focus is on developing strategies for business development and to provide guidance to the management. Sets the budget for the financial year and review progress at the monthly meetings. Approving of major capital expenditure. Ensure that effective internal control and risk management framework is in place.	☑
A. 1.3	Compliance with laws and access to independent professional advice	The Board seeks independent professional advice when deemed necessary, particularly before making any decisions which could have a significant impact on the Company. Further, the Board is always mindful of the new laws/ regulations which are implemented and ensures compliance with same.	☑
A 1.4	Access to advice from the Company Secretary Indemnifying the Board, Directors and key management personnel	All Directors have access to the advice of the Company Secretary. The services and advice of the Company Secretary M/s. PW Corporate Secretarial (Pvt.) Ltd. is made available to Directors as necessary.	☑
A 1.5	Independent judgment of the Directors	Board comprises mainly of independent professionals who in turn exercise independent judgement in discharging their duties.	☑
A 1.6	Dedicating adequate time and effort	Regular Board meetings and sub-committee meetings are scheduled well in advance and Board papers circulated one week prior to the meetings, giving adequate time to prepare.	☑
A.1.7	Calls for resolutions	Resolutions are passed for all Board approvals and minutes are recorded.	☑
A 1.8	Induction & Training of Directors	At the time a Director is appointed, a letter confirming such appointment together with details on the duties of a Director in terms of the Act and Listing Rules are forwarded to them. All Directors have considerable experience in the industry. Relevant local and foreign training opportunities are made available.	☑
A.2	Segregation of Roles of Chairman & CEO	Please refer Chairman and Managing Director pages 12 to 17.	☑
A.3	Chairman's Role	The Chairman ensures that meetings are conducted in an orderly manner and that each Board Member and Member of staff is given an opportunity to present his views/ concerns on matters.	☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A.4	Financial Acumen	Members of the Board and Management have sufficient financial knowledge and thus are able to provide guidance on financial matters.	☑
A.5	Board Balance		
A.5.1/A5.2/A.5.3 & A.5.5 7.10.1(a) 7.10.2(a) 7.10.2(a)	Presence of Non-Executive Directors Independence of Non-Executive Directors	Please refer an Effective Board in page 48.	☑
A.5.4 7.10.2(b)	Annual Declaration of Independence by the Non-Executive Directors	Annual declarations citing their independence is obtained by the secretary annually.	☑
A.5.6	Alternate Director to a Non-Executive Director	Mr. G A R D Prasanna is appointed as the alternate Director to Mr. Dhammika Perera.	☑
A.5.7/5.8	Senior Independent Director	There is one senior independent director to advice the board in important matter.	☑
A.5.9	Chairman meeting with the Non-Executive Directors	When required the Executive Directors and Members of staff are excused from meetings.	☑
A.5.10	Recording concerns	Concerns of directors are recorded in minutes even in the case of disagreement.	☑
A.6	Supply of Information		
A.6.1	Obligation of the Management to provide appropriate and timely information	Board Papers and Committee papers are provided at least one week before the meeting.	☑
A.6.2	Board papers to be provided 7 days prior to Board Meeting	Board papers are provided one week prior to the Board meeting.	☑
A.7	Appointments to the Board		
A.7.1 / A.7.2	Nomination Committee and the assessment of composition of the Board	All new appointments are informed to the CSE as per existing regulations. Appointments are undertaken by the Board of directors. The board skill and knowledge is assessed by the parent company board annually and informed to the directors.	☑
A.7.3 7.10.3(d)	Disclosure of Appointment of a New Director	Disclosure pertaining to any new appointments are made to the CSE within two market days from the date of such appointment. The disclosure includes a brief profile of the Director and whether the Director is an Independent/Non Executive/Executive Director.	☑
A.8	Re-election		
A.8.1 /A.8.2	Re-election	At each AGM, 1/3rd of the Non-Executive Director presents themselves for re-election. Newly appointed directors are re-elected at the 1st AGM following their appointment.	☑
A.8.3	Resignation	In the event of a resignation, a letter of resignation is provided by the Director. Disclose to CSE.	☑

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
A.9	Appraisal of Board Performance		
A.9.1/A.9.2/ A.9.3/A.9.4	Appraisals of the Board and the sub committees	The Board regularly self-evaluates its performance based on achievement of corporate objectives, implementation of strategy, risk management, internal controls, compliance with laws and stakeholder requirements. In addition, the Remuneration Committee also evaluates the performance of the Board and makes necessary recommendations.	☑
A.10	Disclosure of Information in Respect of Directors		
A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on pages 45 & 46.	☑
A.11	Appraisal of Chief Executive Officer		
A.11.1/A.11.2	Setting of the annual targets and the appraisal of the CEO	Appraisal of the MD is done when considering increments/ bonuses to be paid. Achievement of the budget is a key factor that is considered.	☑
B.1	Remuneration Procedure		
B.1.1	Set up a Remuneration Committee with agreed terms of reference	The Report of the Remuneration Committee on page 64 gives the composition of the Committee and a description of its activities during the year.	☑
B.1.2 7.10.5(a)	Remuneration Committee to consist of Non-Executive Directors only	Consists of three Independent Non-Executive Directors of the parent Company Royal Ceramics Lanka PLC.	☑
B.1.3	List names of Remuneration Committee in Annual Report	Please refer page 64.	☑
B.1.4 7.10.5(b)	Determination of the remuneration of the Non-Executive Directors	Remuneration of the Non-Executive Directors is decided by the Board in consultation with the Chairman.	☑
B.1.5	Consultation with the Chairman and the Managing Director	The Chairman/ MD are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	☑
B.2	The Level & Makeup of Remuneration		
B.2.1/B.2.2/ B.2.3/B.2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Remuneration levels have been designed to attract, retain and motivate Directors and Senior Management Team while remaining within the industry standards and Annual performance approved.	☑
B.2.5	Performance based remuneration	Part of the remuneration package of the Executive Directors are linked to achievement of targets and individual performance.	☑
B.2.6	Executive share options	Company does not have a ESOP	NA
B.2.7	Designing schemes of performance based remuneration	Refer the Report of the Remuneration Committee on page 64.	☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
B.2.8/B.2.9	Early Termination of Directors	There is no compensation for early termination of Non-Executive Directors. Compensation for early termination of Non-Executive Directors is determined based on their employment contracts.	☑
B.3	Disclosure of Remuneration		
B.3.1 7.10.5.(c)	Disclosure of Remuneration	Report of the Remuneration Committee on page 64. Notes 25 and 31(f) in the financial statements on pages 109 and 114.	☑
Relations with Shareholders			
C.1	Constructive use of AGM and Conduct of Meetings		
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting and the Annual Report are circulated to shareholders prior to 15 working days as required by the Articles of Association and the Code.	☑
C.1.2	Separate resolution for substantially separate issues.	Separate resolutions are passed for each matter taken up at the AGM	☑
C.1.3	Accurate recording and counting valid proxy appointments received for general meeting	Valid proxies are listed together with the number of shares held by the shareholder appointing the proxy.	☑
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairman of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.	☑
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	A summary of the procedure on voting is given in the Notice of Meeting.	☑
C.2	Communications with shareholders		
C.2.1 to C.2.7	Communications with Shareholders	The AGM and EGM (if any) are used as the method for communicating with the shareholders. All quarterly and annual financial information and other important matters as required for by the Act and the Listing Rules are shared by way of disclosures through the CSE. The Company Secretaries/Registrars are the main contact people for the shareholders. All major concerns of the shareholders are brought to the notice of the Board at the AGM and at Board/ Subcommittee meetings. All queries of shareholders are answered at the AGM and all shareholders are given the opportunity to express their views/concerns.	☑
C.3	Major & Material Transactions		
C.3.1 & C.3.2	Disclosure of Major 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 page 63.	☑

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D. Accountability & Audit			
D.1.1	Annual Report	Refer Accountability & Audit on pages 61 & 62.	☑
D.1.2	Interim and price sensitive reports to public and regulators	In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the; • Companies Act No. 07 of 2007, • Sri Lanka Accounting Standards and • Listing Rules of the Colombo Stock Exchange. The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.	☑
D.1.3	CEO/CFO Declaration	The Statement of Financial contains a declaration by the Managing Director and the Chief Financial Officer.	☑
D.1.4	Directors' Report declarations	Refer Annual Report of the Board of Directors on page 57.	☑
D.1.5	Statements on responsibilities for preparation of financial statements and internal control	Refer the following: Statement of Board responsibility for preparation of financial statements – page 61. Statement from Auditors' on their reporting responsibilities – page 72. Statement on Internal Control – page 26.	☑
D.1.6	Management discussion & analysis	Refer annual report pages from 27 to 31 which provides a comprehensive management discussion and analysis of the Group's operations.	☑
D.1.7	Serious loss of capital	Shareholders will be informed of a serious loss of capital in the event it happens.	☑
D.1.8	Related Party transactions	Refer the following disclosures on Related Party Transactions: Related Party Transactions Review Committee Report on page 63. Annual Report of the Board of Directors on page 57. Note 31 to the financial statements.	☑
D.2	Risk Management & Internal Control		
D.2.1	Monitor, review and report on financial, operational and compliance risk and internal control systems	The following reports provide details on compliance with these requirements: Risk Report on page 24. Risk & Internal Control on page 24. Directors' Statement on Internal Controls on page 26. Audit Committee Report on page 65.	☑
D.2.2	Confirm assessment of the principal risks of the company		☑
D.2.3	Internal Audit		☑
D.2.4	Require Audit Committee to carry out reviews of & Board responsibility for disclosures		☑
D.2.5	Compliance with Directors' responsibilities as set out by the Code		☑

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
D.3	Audit Committee		
D.3.1 7.10.6 (a)	Establish an Audit Committee comprising wholly of Non-Executive Directors of which at least 2 must be independent	Audit Committee comprises 03 Non-Executive Directors of Lanka Walltiles PLC of whom 02 are independent. Refer Audit Committee on page 65.	☑
D.3.2 7.10.6 (b)	Written Terms of Reference for Audit Committee	The Audit Committee has a written Terms of Reference summarized in the Audit Committee Report on page 65.	☑
D.3.3 7.10.6(c)	Disclosures	The Audit Committee Report with required disclosures are given on page 65.	☑
D.4	Related Party Transactions Review Committee		
D.4.1/D.4.2/ D.4.3 9.3.2	Related Party Transactions Review Committee	Refer Related Party Transactions Review Committee on page 63. Report of the Related Party Transactions Review Committee on page 63.	☑
D.5	Code of Business Conduct & Ethics		
D.5.1	Board declaration for compliance with Code	Refer Code of Ethics on page 56.	☑
D.5.2	Price sensitive information	Material and price sensitive information is promptly disclosed to the CSE by the Company Secretaries.	☑
D.5.3	Monitor Share purchase by Directors/ KMPs	Refer the Related Party Transactions Committee Report on page 63.	☑
D.5.4	Chairman's statement	Refer the Chairman's Message on Corporate Governance on page 56 and The Board of Directors' Statement on Internal Controls on page 26.	☑
D.6	Corporate Governance disclosures	The Corporate Governance Report on pages 47 and 56 together with its Annexes comply with this requirement.	☑
E. Institutional Investors			
E.1.1	Institutional investors	The proxies of the major institutional investors, such as the major shareholder are obtained.	☑
E.2	Evaluation of Governance Disclosures	Information required for evaluation of governance structures is provided in the Annual Report.	☑
F. Other Investors			
F1	Investing and divesting decision	We seek to provide sufficient information to investors through the annual report, quarterly financial statements and announcements to the CSE to assist investors with their investment and divestment decision.	☑
F.2.	Encouraging shareholder participation	Refer Shareholder Relations on page 126. The Company encourages individual shareholders to participate in general meetings and exercise their voting rights.	☑
G. Internet of things and cybersecurity			
G	Internet of things and cybersecurity	The Company has implemented a cybersecurity policy and has robust cybersecurity risk management process and has a designated Chief Information Security Officer in place.	☑

Corporate Governance

Reference to ICASL Code & CSE Listing	Corporate Governance Principle	How we Comply	Compliance Status
H. Environment, Society & Governance			
H	Environment, society and governance	Refer ESG Reporting from page 33 to page 44.	☑
	Principle 3 - Reporting on Labour Practices (Human Capital)	Refer Human Capital Report in page 38.	☑
	Principle 4 - Reporting on Society (Social Impact)	Refer Social capital Report in pages 40 & 41.	☑
	Principle 5 - Reporting on Product Responsibility (Social and Network Capital)	Refer Social and relationship Capital on pages 40 & 41.	☑
	Principle 6 - Reporting on Stakeholder identification, engagement and effective communication (Stakeholder Engagement)	Refer Stakeholder Engagement report page 21.	☑
	Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly (About this Report)	Refer GRI Index in pages 66 and 67.	☑

Statement of Compliance

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

Further, the Board confirms that all statutory payments due to the Government, other regulatory institutions and 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

Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors of Lanka Tiles PLC is pleased to present herewith the Annual Report together with the audited consolidated financial statements of the Company and its subsidiary (collectively referred to as 'the Group') for the year ended 31st March 2020 as set out on page 74 To 117.

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

Formation

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

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

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

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

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

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

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

Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 74 to 117.

Summarised financial results (Group)

Year ended 31st March	2020 Rs.'000	2019 Rs.'000
Revenue	6,694,824	7,008,992
Total comprehensive income for the year	581,304	539,201

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 70.

Accounting Policies

The financial statements of the Company and the Group have been prepared in accordance with the Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Financial Reporting Standards (LKASs) relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC). The significant accounting policies adopted in the preparation of financial statements are given on pages 78 to 117.

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 45 to 46.

Executive Directors

Mr. J A P M Jayaskera - Managing Director

Non - Executive Directors

Mr. Dhammika Perera - Chairman (Alternate Director Mr. G A R D Prasanna)

Mr. A M Weerasinghe - Deputy Chairman

Mr. T G Thoradeniya - Director

Mr. S M Liyanage - Director (Appointed w.e.f. 21/02/2020)

Independent Non - Executive Directors

Dr. S Selliah - Director

Mr. K D G Gunaratne - Director

Ms. A M L Page - Director

Mr. J A N R Adhihetty - Director

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

Annual Report of the Board of Directors on the Affairs of the Company

Mr. S M Liyanage who was appointed to the Board on 21st February 2020, retires under Article 110 of the Articles of Association, and being eligible, has offered himself for re-election as recommended by the Board of Directors.

Directors of the subsidiary Company

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

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

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

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 2020.

The relevant interests of Directors in the shares of the Company as at 31st March 2020 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 31 to the Financial Statements on page 114.

Directors' Interests in Contracts

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

Directors' responsibility for Financial Reporting

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

Independent Auditors

Messrs PricewaterhouseCoopers, 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. 1,912,000 (2019 – Rs.1,779,000/-) is payable by the Company to the Auditors for the year under review comprising Rs. 974,000 (2019 – Rs.886,000/-) as audit fees and Rs. 938,000 (2019 – Rs. 853,000/-) for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 26th June 2020 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Independence of Auditors

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

Stated Capital

The Stated Capital of the Company is Rs.900,967,696/- (2019 - Rs.900,967,696/-)

The number of shares issued by the Company stood at 53,050,410 fully paid ordinary shares as at 31st March 2020 (which was the same as at 31st March 2019).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2020 and 31st March 2019 are as follows.

	Shareholding as at 31/03/2020	Shareholding as at 31/03/2019
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	135,863	35,863
Mr. J A P M Jayasekera	-	-
Dr. S Selliah	-	-
Mr. T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	2,500	2,500
Mr. J A R N Adhihetty	-	-
Mr. S M Liyanage	-	-

Shareholders

There were 2,256 shareholders registered as at 31st March 2020 (1,762 shareholders as at 31st March 2019). The details of distribution are given on page 120 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 120 to 121 under Share Information.

Employment Policy

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

As at 31st March 2020, 749 persons were in employment (690 persons as at 31st March 2019).

Reserves

The reserves of the Company with the movements during the year are given in Statement of Changes in Equity to the Financial Statements on page 76.

Capital Expenditure

The total capital expenditure during the year amounted to Rs. 613 Mn on property, plant and equipment compared to Rs. 2,162 Mn incurred in the previous year. Details of movement in property, plant and equipment and capital work-in-progress are given under Note 05 to the financial statements. Additions of intangible assets of the Company and Group during the year amounted to LKR. 14 Mn , and all other related movements are disclosed in Note 07 to the Financial Statements.

Dividends

There were no dividends declared during the year.

Substantial Shareholdings

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

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2020 are given in Notes 09 and 10 to the Financial Statements on pages 97 to 98.

Public Holding

38.086% (2019 - 28.275%) of the issued shares of the Company are widely held by the public.

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 5,975 Mn (2019 – Rs. 5,743 Mn).

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

Location	No. of Buildings	Lands in extent (Perches)	Valuation (Rs '000) 2020	Valuation/Cost (Rs '000) 2019
Factory at Jaltara, Ranala	41	4,060	1.449,111	1,139,545
Land adjacent to the factory	17	1,902	248,513	212,643
Warehouse at Biyagama	2	336	499,270	471,305
Ball Clay land at Kalutara	-	841	52	52
Nawala Land	1	32	232,218	232,218
Land at Madampe	-	2,082	39,038	39,038
Total	61	9,253	2,468,202	2,094,801

The movement of fixed assets during the year is given in Note 05 to the financial statements.

Annual Report of the Board of Directors on the Affairs of the Company

Donations
The Company made donations amounting to Rs. 1,904,926 (2019 - Rs. 1,722,729) in total, during the year under review.

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 24 to 26.

Statutory Payments
The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant, provided for, except for certain assessments where appeals have been lodged.

Contingent Liabilities
Except as disclosed in Note 32 to the Financial Statements on page 115 there were no material Contingent Liabilities as at the Balance Sheet date.

Events after the Reporting Period
As disclosed in Note 36 to the financial statements there are no material events as at the date of the auditor's report which require adjustment to or disclosure in the financial statements.

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

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

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

Remuneration Committee
Mr. S H Amarasekera - Chairman
Mr R N Asirwatham
Mr. L N De S Wijeyeratne

Related Party Transaction Review Committee
Dr. S Selliah- Chairman
Mr. J D N Kekulawala
Mr. T G Thoradeniya

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2020

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 47 to 56 explains the measures adopted by the Company during the year.

Corporate Social Responsibility
The Company continued its Corporate Social Responsibility Programme.

Environmental Protection
After making adequate enquiries from the Management, the Directors are satisfied that the Company operates in a manner that 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
In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

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

Annual General Meeting
The Notice of the Thirty Sixth (36th) Annual General Meeting appears on page 126.

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

01st July 2020

Statement of Directors' Responsibility

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

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

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

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

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2019/20, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board
LANKA TILES PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

01st July 2020

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

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

The financial statements were audited by M/s. PricewaterhouseCoopers, 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.

B T T Roche
General Manager - Finance

J A P M Jayasekera
Managing Director

01st July 2020

Related Party Transactions Review Committee Report

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

Purpose of the Committee

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

Responsibilities of the Related Party Transactions Review Committee

The following are key responsibilities 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.

Composition of the Committee

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

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 four meetings during the year.

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

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

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

Procedures for Reporting RPT's

The Managing Director (MD) is responsible for reporting to the Committee, for its review and approval 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.

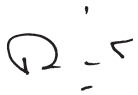
Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2019/20 and has communicated the comments and observation to the Board of Directors. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no one-recurrent related party transactions entered into during the course of the financial year aggregative value of which exceeded the lower of 10% of the equity or 5% of the assets. There were no recurrent related party transactions carried out during the financial year ended 31st March 2020, 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 31 to the Financial Statements, on pages 112 to 114 of this Annual Report.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to Related Party Transactions appears on the report of the Board of Directors on page 57 of this Annual Report.



Dr. S Selliah
Chairman - Related Party Transactions Review Committee

01st July 2020

Remuneration Committee Report

Role of the Remuneration Committee

The Remuneration Committee is a sub - committee of the main Board, to which it is accountable. The Committee evaluates the performance of the Board, the Chief Executive Officer, Key Management Personal 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 independent non-executive Directors of Royal Ceramics Lanka PLC

Mr. S H Amarasekera - Chairman
Mr R N Asirwatham
Mr. L N De S Wijeyeratne

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

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

Meetings

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

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

Functions performed by the Remuneration Committee

a. Evaluating and recommending the remuneration payable to the Board, Managing Director and the Key Management Personal of the Company to the Board to make the final determination. Based on that, the aggregate remuneration paid to Executive and Non Executive Directors for last financial year is given on Page 114 of the Annual Report under key management remuneration.

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

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

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

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

Conclusion

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

S H Amarasekera
Chairman of the Remuneration Committee

01st July 2020

Audit Committee Report

Role of the Audit Committee

The Audit Committee is a Sub Committee of the main 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 of Lanka Walltiles PLC, which is the parent company of Lanka Tiles PLC.

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

Dr. S Selliah
Committee Member - Independent Non-Executive Director

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

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

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

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

Meetings

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

Mr. Kekulawala - 4/4
Dr. Selliah - 4/4
Mr. Thoradeniya - 3/4

Functions performed by the Audit Committee

a. The Committee reviewed the provisional financial statements that were published for financial year 2019/20 and the Annual Report of 2019/20. It reviewed the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards and SLFRS. 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 internal audit reports. The internal audit function is carried out by M/s. BDO Partners. The Internal audits are done on a process based audit framework to improve process performance and control.

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

d. The 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.

g. Performed other activities related to this charter as requested by the Board of Directors.

Oversaw special investigations as needed. Reviewed and assessed the adequacy of the committee charter annually, 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 the responsibilities and functions that are delegated to it by the Board and outlined in the Charter.

J D N Kekulawala
Chairman – Audit Committee

01st July 2020

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Financial Reports

At Lanka Tiles we are exceeding stakeholder expectations to craft a versatile and innovative portfolio of goods.

Independent
Auditor's Report

To the Shareholders of Lanka Tiles PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Lanka Tiles PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at 31 March 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Company:

Key audit matters	How our audit addressed the key audit matters
Existence of finished goods and trading stocks held by consignees (Refer note 13 in the financial statements) Finished goods and trading stock held at the Company's distribution network channel (consignment agents) amounted to LKR 2 billion which represents 61% of total value of finished goods and trading stocks of the Company as at 31 March 2020. The existence of finished goods and trading stocks held at the Company's distribution network channel was considered as a key audit matter due to the significance of the value of finished goods and trading stocks held at consignees since consignees operate distribution centres located in all provinces of Sri Lanka.	Our audit approach mainly included test of details as follows. We selected a sample of consignees from different provinces and attended physical verification of finished goods based on financial significance and risk. For physical verification attended, we performed following procedures at each location: - selected a sample of inventory items and agreed the quantities that we verified to the quantities recorded; - observed management's inventory count procedures to assess compliance with the Group policy; and - made enquiries regarding obsolete inventory items and inspected the condition of items counted. Further, we performed third party confirmation procedures of quantities of finished goods in the custody of all consignees whilst maintaining control over the confirmation process. There were no significant exceptions noted from these procedures that indicated non-existence of finished goods at consignees' locations.

The Group:

Key audit matters	How our audit addressed the key audit matters
Valuation of the investment property (Refer note 8 in the financial statements) The investment property of the Group solely comprised land situated in Divulupitiya area and is valued at LKR 394.8 million as at 31 March 2020. The Group has leased out its land under a cancellable operating lease arrangement to its affiliated company – LWL Development (Private) Limited and the property is classified as investment property and accounted at fair value. The subsidiary engaged an independent valuer to measure the value of its investment property and as per the valuation there was no change in the fair value of the property as at 31 March 2020, compared to last financial year. The valuation of land is an area that involves significant judgments and assumptions over market prices of land adjusting for differences in key attributes such as extent of land, site improvements and access to public roads. Accordingly, we focus on this area, as a key audit matter.	The audit procedures we performed in relation to the fair valuation of investment property included the following; We obtained evidence relating to assess the external valuer's competence, independence from management and objectivity. We also obtained the external valuer's reports and performed the following tests: - verified the completeness and accuracy of the information provided to the external valuer; - evaluated the appropriateness of the methodology used to value the respective property by comparing with the methods used in general industry practices; - assessed the valuer's market prices and related assumptions used in the valuation, by comparing them to price ranges at which adjacent lands were actually transacted taking into account other factors such as extent of land, access to main roads, physical state etc.; and - compared the market prices of lands in the valuation report to publicly available independent property market information for similar lands in the area. Based on work performed by us, we found that the judgements and assumptions used by the independent valuer in determining the value of investment property as at 31 March 2020 to be reasonable.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

Independent Auditor's Report

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 separate/ consolidated financial statements, management is responsible for assessing the Company's/ 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 Company/ Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

PricewaterhouseCoopers.

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number [1581]

COLOMBO
01st July 2020

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T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda ACA

Consolidated Statement of **Financial Position**

	Notes	Group As at 31 March		Company As at 31 March	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	5	5,974,804	5,743,130	5,974,804	5,743,130
Right of use assets	6	106,187	-	106,187	-
Intangible assets	7	12,594	-	12,594	-
Investment properties	8	394,819	394,819	-	-
Investment in subsidiaries	9	-	-	6,242	6,242
Investment in associate	10	1,005,793	923,924	1,005,793	923,924
		7,494,197	7,061,873	7,105,620	6,673,296
Current assets					
Inventories	13	4,780,594	3,019,769	4,780,594	3,019,769
Trade and other receivables	14	1,531,103	1,629,226	1,702,492	1,801,542
Income tax assets		-	51,570	-	51,570
Cash and cash equivalents	15	76,741	144,509	64,953	132,717
		6,388,438	4,845,074	6,548,039	5,005,598
Total assets		13,882,635	11,906,947	13,653,659	11,678,894
EQUITY					
Capital and reserves					
Equity attributable to equity holders of the parent					
Stated capital	20	900,968	900,968	900,968	900,968
Amalgamation reserve		460,151	460,151	460,151	460,151
Revaluation reserve		730,515	730,515	730,515	730,515
Exchange translation reserve		70	226	-	-
Retained earnings		5,781,070	5,199,620	5,606,252	5,025,691
Total equity		7,872,774	7,291,480	7,697,886	7,117,325
Non controlling interest		5,769	5,760	-	-
Total equity		7,878,543	7,297,240	7,697,886	7,117,325
LIABILITIES					
Non-current liabilities					
Lease liabilities	6	54,539	-	54,539	-
Borrowings	17	1,216,342	1,351,169	1,216,342	1,351,169
Deferred income tax liabilities	18	824,689	763,292	776,804	715,407
Retirement benefit obligations	19	181,034	172,514	181,034	172,514
		2,276,604	2,286,975	2,228,719	2,239,090
Current liabilities					
Lease liabilities	6	47,479	-	47,479	-
Trade and other payables	16	1,382,914	1,571,843	1,382,482	1,571,590
Current income tax liabilities		2,224	-	2,222	-
Borrowings	17	2,294,871	750,889	2,294,871	750,889
		3,727,488	2,322,732	3,727,054	2,322,479
Total liabilities		6,004,094	4,609,707	5,955,773	4,561,569
Total equity and liabilities		13,882,635	11,906,947	13,653,659	11,678,894

The notes on pages 78 to 117 form an integral part of these financial statements.
I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

B T T Roche
General Manager (Finance)

01st July 2020

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for and on behalf the Board of Directors.

Dhammika Perera
Chairman

J A P M Jayasekera
Managing Director

01st July 2020

Consolidated Statement of **Comprehensive Income**

	Note	Group Year ended 31 March		Company Year ended 31 March	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Revenue from contract with customers	21	6,694,824	7,008,992	6,694,824	7,008,992
Cost of sales of Goods		(4,278,797)	(5,002,702)	(4,278,797)	(5,002,702)
Gross profit		2,416,027	2,006,290	2,416,027	2,006,290
Distribution costs		(1,024,280)	(1,037,762)	(1,024,280)	(1,037,762)
Net impairment losses financials assets		(4,000)	(4,000)	(4,000)	(4,000)
Administrative expenses		(389,453)	(404,155)	(388,677)	(403,520)
Other income	22	28,908	27,011	27,070	25,328
Other gains / (losses) - net	23	(237)	164,495	(237)	(6,524)
Operating profit	24	1,026,965	751,879	1,025,903	579,812
Finance income		273	7,916	273	7,916
Finance costs		(334,565)	(22,077)	(334,565)	(22,077)
Finance income / (cost) - net	26	(334,292)	(14,161)	(334,292)	(14,161)
Share of net profit of associate accounted for using the equity method	10	82,602	7,888	82,602	7,888
Profit before income tax		775,275	745,606	774,213	573,539
Income tax expense	27	(193,330)	(217,594)	(193,316)	(169,925)
Profit for the year		581,945	528,012	580,897	403,614
Other comprehensive income :					
Items that will not be reclassified to profit or loss					
Remeasurements of retirement benefit obligations - gratuity	19	551	7,746	551	7,746
Deferred tax component - remeasurement of retirement benefit obligations - gratuity	18	(154)	(2,169)	(154)	(2,169)
Items that may be subsequently reclassified to profit or loss					
Exchange gain / (loss) arising on translation of foreign operations		(305)	701	-	-
Share of other comprehensive income of associate investment accounted for using the equity method	8	(733)	4,911	(733)	4,911
Total other comprehensive income for the year, net of tax		(641)	11,189	(336)	10,488
Total comprehensive income for the year		581,304	539,201	580,561	414,102
Profit attributable to :					
Equity holders of the parent		581,787	527,968	580,897	403,614
Non controlling interest		158	44	-	-
Profit for the year		581,945	528,012	580,897	403,614
Total comprehensive income attributable to :					
Equity holders of the parent		581,296	538,814	580,561	414,102
Non controlling interest		8	387	-	-
Total comprehensive income for the year		581,304	539,201	580,561	414,102
Basic earnings per share (Rs)	28	10.97	9.95	10.95	7.61

The notes on pages 78 to 117 form an integral part of these financial statements.

Statement of
Changes in Equity

a) Group	Attributable to equity holders of the Parent						
	Stated capital Rs. '000	Retained earnings Rs. '000	Revaluation reserve Rs. '000	Amalgamation reserve* Rs. '000	Exchange translation reserve Rs. '000	Non controlling interest Rs. '000	Total Rs. '000
Balance as at 1 April 2018	900,968	4,828,272	730,515	460,151	(132)	5,373	6,925,147
Profit for the year	-	527,968	-	-	-	44	528,012
Other comprehensive income for the year	-	10,488	-	-	358	343	11,189
Total comprehensive income for the year	-	538,456	-	-	358	387	539,201
Dividends for year 2018/2019 (Final)	-	(167,109)	-	-	-	-	(167,109)
Balance as at 31 March 2019	900,968	5,199,620	730,515	460,151	226	5,760	7,297,240
Balance as at 1 April 2019	900,968	5,199,620	730,515	460,151	226	5,760	7,297,240
Profit for the year	-	581,787	-	-	-	158	581,945
Other comprehensive income for the year	-	(337)	-	-	(156)	(149)	(641)
Total comprehensive income for the year	-	581,450	-	-	(156)	9	581,304
Balance as at 31 March 2020	900,968	5,781,070	730,515	460,151	70	5,769	7,878,543

b) Company	Attributable to equity holders of the Company				
	Stated capital Rs. '000	Retained earnings Rs. '000	Revaluation reserve Rs. '000	Amalgamation reserve* Rs. '000	Total Rs. '000
Balance as at 1 April 2018	900,968	4,778,698	730,515	460,151	6,870,332
Profit for the year	-	403,614	-	-	403,614
Other comprehensive income for the year	-	10,488	-	-	10,488
Total comprehensive income for the year	-	414,102	-	-	414,102
Dividends for year 2018/2019 (Final)	-	(167,109)	-	-	(167,109)
Balance as at 31 March 2019	900,968	5,025,691	730,515	460,151	7,117,325
Balance as at 1 April 2019	900,968	5,025,692	730,515	460,151	7,117,325
Profit for the year	-	580,897	-	-	580,897
Other comprehensive income for the year	-	(336)	-	-	(336)
Total comprehensive income for the year	-	5,606,253	-	-	580,561
Balance as at 31 March 2020	900,968	5,606,253	730,515	460,151	7,697,886

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

The notes on pages 78 to 117 form an integral part of these financial statements.

Consolidated Statement of **Cash Flows**

	Note	Group Year ended 31 March		Company Year ended 31 March	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash flows from operating activities					
Cash generated from operations	30	(440,503)	155,141	(440,818)	155,080
Interest paid		(316,693)	(22,077)	(316,693)	(22,077)
Interest received		273	7,916	273	7,916
Gratuity paid	19	(22,888)	(13,773)	(22,888)	(13,773)
Tax paid		(34,369)	(189,220)	(34,355)	(189,227)
Net cash generated from operating activities		(814,180)	(62,013)	(814,481)	(62,081)
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(259,166)	(1,690,119)	(259,166)	(1,690,119)
Proceeds from sale of property, plant and equipment		1,805	785	1,805	785
Expenditure incurred on capital work in progress	5	(353,465)	(472,296)	(353,465)	(472,296)
Purchase of Intangible Assets'	7	(13,673)	-	(13,673)	-
Repayments by (loans to) related companies		-	21,797	-	21,797
Net cash used in investing activities		(624,499)	(2,139,833)	(624,499)	(2,139,833)
Cash flows from financing activities					
Repayment of lease liability		(30,438)	-	(30,438)	-
Lease advance paid		(7,500)	-	(7,500)	-
Proceeds from borrowings		1,723,686	2,458,909	1,723,686	2,458,909
Repayments of borrowings		(727,622)	(853,457)	(727,622)	(853,457)
Net cash used in financing activities		958,126	1,605,452	958,126	1,605,452
Net (decrease) / increase in cash and cash equivalents		(480,553)	(596,394)	(480,854)	(596,462)
Movement in cash and cash equivalents					
Cash and cash equivalents at beginning of year		(245,874)	349,819	(257,666)	338,796
Net (decrease) / increase in cash and cash equivalents		(480,553)	(596,394)	(480,854)	(596,462)
Net foreign exchange difference arising on translation of foreign operations		(305)	701	-	-
Cash and cash equivalents at end of year	15	(726,732)	(245,874)	(738,520)	(257,666)

The notes on pages 78 to 117 form an integral part of these financial statements.

Notes to the **Financial Statements**

1 General information

General

Lanka Tiles PLC ("the Company") is a public 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.

Beyond Paradise Collection (Private) Limited, a wholly owned subsidiary of the Company is a limited liability company domiciled in Sri Lanka and incorporated on 12 May 2011 under the Companies Act No. 07 of 2007. The registered office of the Company is located at No. 215, Nawala Road, Narahenpita, Colombo 05.

Lanka Tiles Private Limited, 51% owned subsidiary of the Company is a limited liability company domiciled in India and incorporated on 2 May 2017 under the Companies Act, 2013 (18 of 2013) of India. The registered office of the Company is located at No.196 A1, Anekal Taluk, Bommasandra Industrial Area, Attibele, Bengaluru, India.

LTL Development (Private) Limited, a wholly owned subsidiary of the Company is a limited liability company domiciled in Sri Lanka and incorporated on 18 February 2018 under the Companies Act No. 07 of 2017. The registered office of the Company is located at No. 215, Nawala Road, Narahenpita, Colombo 05.

Principal activities and nature of operations

Lanka Tiles PLC manufactures and sells glazed ceramic and porcelain floor tiles through a network of dealers and distributors. The Company has its manufacturing plant located at St James Estate, Jaltara, Ranala.

Beyond Paradise Collection (Private) Limited is the property holding and developing company.

Lankatiles Private Limited manufactures and sells the glazed ceramic and porcelain floor tiles.

LTL Development (Private) Limited is the property holding and developing company.

Parent company and ultimate parent company

The Company's immediate parent entity is Lanka Walltiles PLC. The Company's ultimate parent undertaking and controlling party at the financial reporting date was Vallibel One PLC, which is incorporated and domiciled in Sri Lanka.

Date of authorization for issue

The financial statements were authorized for issue in accordance with a resolution of the board of directors on 01st July 2020.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below: These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and financial assets and liabilities which are measured at fair value through profit or loss.

The financial statements of the Company and the Group are prepared in accordance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Accounting Standards (LKASs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC).

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's financial statements are disclosed in Note 3.

2.2 Changes in accounting policies and disclosures

(a) New accounting standards, amendments and interpretations adopted during the financial year.

(i) "SLFRS 16, 'Leases' SLFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

The standard is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if SLFRS 15, 'Revenue from Contracts with Customers', is also applied

(ii) IFRIC 23, 'Uncertainty over Income Tax Treatments'

This IFRIC clarifies how the recognition and measurement requirements of LKAS 12 'Income Taxes', are applied where there is uncertainty over income tax treatments.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

(iii) Amendments to SLFRS 9, 'Financial Instruments', enable entities to measure certain pre-payable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through comprehensive income.

To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

(iv) Amendments to LKAS 28, 'Investments in Associates and Joint Ventures', clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under SLFRS 9, 'Financial Instruments', before applying the loss allocation and impairment requirements in LKAS 28, 'Investments in Associates and Joint Ventures'.

(v) The amendments to LKAS 19, 'Employee Benefits' clarifies the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling
- separately recognise any changes in the asset ceiling through other comprehensive income.

(vi) Annual improvements to following SLFRSs;

- SLFRS 3, 'Business Combinations'
- SLFRS 11, 'Joint Arrangements',
- LKAS 12, 'Disclosure of Interests in Other Entities'
- LKAS 23, 'Borrowing Costs',

(b) New accounting standards, amendments and interpretations issued but not yet adopted.

The following standards and interpretations had been issued but not mandatory for annual reporting periods ending 31 March 2019.

Definition of Material – Amendments to LKAS 1 and LKAS 8

The amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in LKAS 1 about immaterial information.

In particular, the amendments clarify:

(a) that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

(b) the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need

Amendments to SLFRS 3, 'Business Combination', revised the definition of a business. The amendment to the standard is effective for accounting periods beginning on or after 1 January 2020.

Amendments to SLFRS 10, 'Consolidated financial statements', and LKAS 28, 'Investments in associates and joint ventures', clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. The effective date of this amendment is yet to be announced.

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions. The revised Conceptual Framework is effective for accounting periods beginning on or after 1 January 2020.

The adoption of amendments to published standards are not expected to have a material impact to the financial statements of the Company and the Group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company and the Group in the current or future reporting periods and on foreseeable future transactions.

This amendment is effective for the annual periods beginning on or after 1 April 2020.

2.3 Comparative information

Previous period figures and notes have been changed and reclassified wherever necessary to conform to the current year's presentation.

2.4 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combination by the group. Inter-company transactions,balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the groups holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in note 2.16

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Lanka Tiles PLC.

When the group ceases to consolidate or equity account for an investment because of a loss of control,joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained,only a proportionate share of the amounts previously only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Sri Lanka Rupees' (LKR), which is the Company's and the Group's functional and presentation currency since the entities use LKR in majority of their transactions and reflect the economic substance of the underlying events and circumstances relevant to the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss on a net basis within 'Finance income or cost'

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified at fair value through other comprehensive income are recognised in other comprehensive income.

2.6 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.7 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

2.8 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Cost of the trading stock is determined using the first-in, first-out (FIFO) method. Cost of the finished goods and work in progress is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

2.9 Financial assets

2.9.1 Classification

The Company and the Group classify its financial assets in the following measurement categories.

- those to be measured at amortised cost
- those to be measured at fair value through other comprehensive income (OCI) or through profit or loss

The classification depends on the Company's and the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in comprehensive income or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company and the Group have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company and the Group reclassify debt investments when and only when its business model for managing those assets changes.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Company and the Group commit to purchase or sell the asset.

At initial recognition, the Company and the Group measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in comprehensive income.

2.9.3 Subsequent measurement

(i) Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset

There are three measurement categories into which debt instruments are classified:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is

included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other income/ (losses) together with foreign exchange gains and losses.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to comprehensive income and recognised in other income/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in comprehensive income and presented net within other gains/(losses) in the period in which it arises.

(ii) Equity instruments

The Company and the Group subsequently measure all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in comprehensive income as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.9.4 Impairment

From 01st April 2018 The Company and Group assesses on a forward looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company and the Group apply the simplified approach permitted by SLFRS 9, 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

2.9.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company and the Group have transferred substantially all risks and rewards of ownership

2.9.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty

2.9.7 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company and the Group designate certain derivatives as either:

(i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),

(ii) Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or

(iii) Hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the Company and the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company and the Group documents its risk management objective and strategy for undertaking its hedge transactions.

2.10 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

In the Consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.11 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

"Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired Borrowings are classified as current liabilities unless the Company and the Group have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.14 Property, plant and equipment

Property, plant and equipment other than land and buildings is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Land and buildings are shown at fair value based on a valuation performed by an external independent professional valuer. Where an item of property, plant and equipment is revalued, the entire class of such asset is revalued. Revaluations are made with sufficient regularity (every three or five years) to ensure that their carrying value do not differ materially from their fair value at the reporting date.

Increases in the carrying amount arising on revaluation of land and building is credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows;

Land is not depreciated except for lands used for extracting mineral resources. Depreciation on other assets is calculated using the straight line method to allocate costs to their residual values over the estimated useful lives, as follows:

Roadway	50 years
Buildings	50 years
Plant and machinery	12- 20 years
Furniture, fittings and office equipment	5 years
Mobile equipment	3 years
Tools and implements	2 years
Electricity distribution and water supply schemes	10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains / (losses) net' in the statement of comprehensive income.

2.15 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. Land held under operating leases is classified and accounted for by the Group and Company as investment property when the definition of investment property would otherwise be met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and (where applicable) borrowing costs.

After initial recognition, investment property is accounted for under the fair value model. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and Company the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment.

2.16 Impairment of non financial assets (Excluding Goodwill)

Non financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.17 Provisions

Provisions are recognised when the Company and the Group have a present legal or constructive obligation as a result of past events, when it is more probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for asset retirement obligations are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as finance cost.

2.18 Employee benefits

(a) Defined benefit plans - gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation. The defined benefit plan comprises the gratuity provided under the Act No 12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the

projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield rate of the long term government bonds that have terms to maturity approximating to the terms of the related defined benefit obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and included in employee benefit expense in the comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise and will not be reclassified to the profit or loss. They are included in retained earnings in the statement of changes in equity and in the financial statement.

Past service costs are recognised immediately in the comprehensive income

The assumptions based on which the results of the actuarial valuation was determined, are included in note 19 to the financial statements.

(b) Defined contribution plans
For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company and the Group contributes 12% and 3% respectively, of the employees' basic or consolidated wage or salary. The Company and the Group have no further payment obligations once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

(c) Short term employee benefits
Wages, salaries, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company and the Group.

2.19 Stated capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.20 Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Revenue recognition
Revenue from contracts with customers
Goods and services deliverable under contracts with customers are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified."The Group manufactures and sells glazed ceramic and porcelain floor tiles through network of dealers and distributors. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers.

The Company and the Group determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Company and the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis. Where the Group does not sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price, the Group maximises the use of external input; observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach. Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable. The revenue is recognised as follows:

(a) Sale of goods

The Group manufactures and sells glazed ceramic and porcelain floor tiles through a network of dealers and distributors. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Revenue from the sales is revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan granted or a receivable is impaired,the Company and the Group reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate. Interest income on bank balances and bank deposits are recognised on accrual basis.

(c) Dividend income

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

(d) Rental income

Rental income is recognised on an accrual basis.

2.22 Leases

The Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in note 2.22 and the impact of the change in note 6.

Until 31 March 2019 leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (note 6). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases . Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.23 Segment reporting

The Company and the Group do not identify any segments for reporting purposes.

2.24 Intangible assets

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use it
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Softaware are amortised over five years.

Notes to the Financial Statements

3 Critical accounting estimates and judgments

3.1 Critical accounting estimates and assumptions

The Company and the Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Defined benefit plans - gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate, future salary increases etc. Any changes in these assumptions will impact the carrying amount of defined benefit plan.

(b) Estimated useful lives of PPE

Management reviews annually the useful lives and carrying values of assets. This require estimates and judgment.

The useful lives of the assets are estimated by the Company and the Group as detailed in Note 2.14.

(c) Impairment of non financial assets

The Company and the Group annually test the indicators to ascertain whether non-current assets (including tangibles) have suffered any impairment. These calculations require the use of estimates.

(d) Fair value of land and building

Fair value is estimated by using valuation techniques, with changes in fair value reflected the statement of comprehensive income. Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques.

(e) Fair value of investment property

Fair value is estimated by using valuation techniques, with changes in fair value reflected the statement of comprehensive income. Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques.

3.2 Critical judgments in applying the Company's accounting policies

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

(a) Taxation

(i) Income Taxes

Judgement is involved in determining the company's and the Group's provision for income taxes. There are certain transactions and computations for which the income taxes. There are certain transactions and computations for which course of business. The Company and the Group recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters results in a difference in the amounts initially recognised, such differences will impact the income tax and low deferred income tax provisions in the period which such determination is made.

(ii) Deferred tax asset

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred income tax asset has been recognised.

(b) Impairment of trade receivables

The Company and the Group review all receivables at the date of statement of financial position to assess whether an allowance should be recorded in the statement of comprehensive income. Management uses judgment in estimating such amounts in the light of the duration of outstanding and any other factors management are aware of that indicates uncertainty in recovery.

(c) Fair value of investment property

Fair value is estimated by using valuation techniques, with changes in fair value reflected the statement of comprehensive income. Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques.

4 Financial Risk Management

The Company's and the Group's 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 Company's and the Group's overall financial risk management programme focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Company and the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Company's and the Group's 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 consists of:

(i) Foreign exchange risk – risk that the value of recognised assets and liabilities, future commercial transactions will fluctuate due to changes in foreign exchange rates.

(ii) Fair value interest rate risk – risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

(iv) Price risk – risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instrument traded in the market.

Credit risk – risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss (refer note 12).

Liquidity risk (Funding risk) – risk that an entity will encounter difficulty in raising funds to meet commitments associated with operational and financial obligations.

Foreign exchange risk

The Company and 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 when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

As at end of the reporting period, if the functional currency (LKR) had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs. 2,815,530 (2019: Rs. 7,539,218) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated loans granted, trade receivables and trade creditors.

As at end of the reporting period, if the functional currency (LKR) had weakened/strengthened by 5% against the EURO with all other variables held constant, post-tax profit for the year would have been Rs. 16,605,350 (2019: Rs. 2,976,306) lower/higher, mainly as a result of foreign exchange gains/losses on translation of EURO-denominated trade creditors.

Cash flow and fair value interest rate risk

The Company's and the Group's interest rate risk arise from long-term borrowings issued at variable rates. The Company and the Group manage their interest rate risk by actively monitoring the yield curve trend and interest rate movement with reference to AWPLR and LIBOR for the various financial instruments.

The Company's and the Group's borrowings comprise borrowings from financial institutions. The Company's and the Group's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Company and the Group target floating borrowings based on assessment of its existing exposure and desirable interest rate profile. The Company and the Group analyse their interest rate exposure on a dynamic basis.

At 31 March 2020, if interest rates on Sri Lankan rupee-denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, pre-tax profit for the year would have been Rs. 17,556,065 (2019 - Rs. 10,510,290) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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 and the Group. Individual credit limits are set based on the amount of the bank guarantee. The utilisation of credit limits is regularly monitored.

The Company and the Group place their cash and cash equivalents with a number of creditworthy financial institutions. The Company's and 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 Company and the Group is approximately their carrying amounts as at balance sheet date, except for trade receivables which are secured by bank guarantees.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations. In the management of liquidity risk, the Company and the Group monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Company's and the Group's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Company and the Group aim at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available. The Company and the Group use both short term bank facilities (overdrafts) together with cash in hands and in banks in managing the liquidity position.

The table below analyses the Company's and the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Company At 31 March 2020	Less than 3 months	Between 3 months and 1 year	Between year1 and year 2	Between year 2 and year 5	Over 5 years
Borrowings	2,107,371	187,500	250,000	966,342	-
Trade and other payables	1,382,482	-	-	-	-
At 31 March 2019					
Borrowings	646,723	104,166	250,000	1,101,169	-
Trade and other payables	1,571,590	-	-	-	-

Capital management risk

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

The Company and the Group manage their capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company and 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 Company and the Group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratio as at 31 March is as follows:	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Borrowings (net of cash)	3,434,472	1,957,549	3,446,260	1,969,341
Total equity	7,878,543	7,297,240	7,697,886	7,117,325
Total capital	11,313,015	9,254,789	11,144,146	9,086,666
Gearing ratio	44%	27%	45%	28%

5 Property, plant and equipment

(a) Group	Freehold and clay mining land Rs. '000	Freehold building Rs. '000	Plant & machinery Rs. '000	Furniture, fittings and electrical appliances Rs. '000	Tools & implements Rs. '000	Water supply scheme Rs. '000	Electrical distribution scheme Rs. '000	Motor vehicles Rs. '000	Roadway Rs. '000	Capital work in progress (CWIP) Rs. '000	Total Rs. '000
Year ended 31 March 2018											
Cost / valuation	1,174,704	912,701	2,934,335	272,172	12,412	29,959	231,564	90,384	24,114	347,517	6,029,862
Accumulated depreciation	-	-	(1,675,825)	(212,110)	(10,726)	(22,797)	(173,819)	(74,190)	(4,819)	-	(2,174,286)
Net book value	1,174,704	912,701	1,258,510	60,062	1,686	7,162	57,745	16,194	19,295	347,517	3,855,576
Year ended 31 March 2019											
Balance as at 1 April 2018	1,174,704	912,701	1,258,510	60,062	1,686	7,162	57,745	16,194	19,294	347,517	3,855,576
Additions	792	-	1,592,696	37,312	3,508	2,715	39,232	13,864	-	472,296	2,162,415
Additions transferred from CWIP	-	7,140	403,744	8,275	-	806	18,711	-	12,387	(451,063)	-
Depreciation charge for the year	-	(28,800)	(184,439)	(26,385)	(1,552)	(1,943)	(13,758)	(10,120)	(555)	-	(267,552)
Disposals	-	(536)	(18,009)	(471)	-	-	-	(89)	-	-	(19,105)
Depreciation on disposals	-	102	11,221	384	-	-	-	89	-	-	11,796
Net book value	1,175,496	890,607	3,063,723	79,177	3,642	8,740	101,930	19,938	31,127	368,750	5,743,130
Year ended 31 March 2019											
Cost / valuation	1,175,496	919,305	4,912,766	317,288	15,920	33,480	289,507	104,159	36,501	368,750	8,173,172
Accumulated depreciation	-	(28,698)	(1,849,043)	(238,111)	(12,278)	(24,740)	(187,577)	(84,221)	(5,374)	-	(2,430,042)
Net book value	1,175,496	890,607	3,063,723	79,177	3,642	8,740	101,930	19,938	31,127	368,750	5,743,130
Year ended 31 March 2020											
Balance as at 1 April 2019	1,175,496	890,607	3,063,723	79,177	3,642	8,740	101,930	19,938	31,127	368,750	5,743,130
Additions	-	-	186,606	58,358	2,253	2,552	2,712	6,685	-	353,465	612,631
Additions transferred from CWIP	-	373,401	62,841	5,724	-	-	120,779	-	3,514	(566,259)	-
Depreciation charge for the year	-	(31,050)	(284,746)	(29,777)	(3,101)	(2,347)	(20,833)	(6,296)	(762)	-	(378,912)
Disposals	-	-	(6,533)	(537)	-	-	-	(349)	-	-	(7,419)
Depreciation on disposals	-	-	4,690	336	-	-	-	348	-	-	5,374
Net book value	1,175,496	1,232,958	3,026,581	113,281	2,794	8,945	204,588	20,326	33,879	155,957	5,974,804
Year ended 31 March 2020											
Cost / valuation	1,175,496	1,292,706	5,155,680	380,833	18,173	36,032	412,998	110,495	40,015	155,957	8,778,384
Accumulated depreciation	-	(59,748)	(2,129,099)	(267,552)	(15,379)	(27,087)	(208,410)	(90,169)	(6,136)	-	(2,803,580)
Net book value	1,175,496	1,232,958	3,026,581	113,281	2,794	8,945	204,588	20,326	33,879	155,957	5,974,804

5 Property, plant and equipment (Contd)

(b) Company	Freehold and clay mining land Rs. '000	Freehold building Rs. '000	Plant & machinery Rs. '000	Furniture, fittings and electrical appliances Rs. '000	Tools & implements Rs. '000	Water supply scheme Rs. '000	Electrical distribution scheme Rs. '000	Motor vehicles Rs. '000	Roadway Rs. '000	Capital work in progress (CWIP) Rs. '000	Total Rs. '000
Year ended 31 March 2018											
Cost / valuation	1,174,704	912,701	2,934,335	272,172	12,412	29,959	231,564	90,384	24,114	347,517	6,029,862
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Additions transferred from CWIP	-	7,140	403,744	8,275	-	806	18,711	-	12,387	(451,063)	-
Depreciation charge for the year	-	(28,800)	(184,439)	(26,385)	(1,552)	(1,943)	(13,758)	(10,120)	(555)	-	(267,552)
Disposals	-	(536)	(18,009)	(471)	-	-	-	(89)	-	-	(19,105)
Depreciation on disposals	-	102	11,221	384	-	-	-	89	-	-	11,796
Net book value	1,175,496	890,607	3,063,723	79,177	3,642	8,740	101,930	19,938	31,127	368,750	5,743,130
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Accumulated depreciation	-	(28,698)	(1,849,043)	(238,111)	(12,278)	(24,740)	(187,577)	(84,221)	(5,374)	-	(2,430,042)
Net book value	1,175,496	890,607	3,063,723	79,177	3,642	8,740	101,930	19,938	31,127	368,750	5,743,130
Year ended 31 March 2020											
Balance as at 1 April 2019	1,175,496	890,607	3,063,723	79,177	3,642	8,740	101,930	19,938	31,127	368,750	5,743,130
Additions	-	-	186,606	58,358	2,253	2,552	2,712	6,685	-	353,465	612,631
Additions transferred from CWIP	-	373,401	62,841	5,724	-	-	120,779	-	3,514	(566,259)	-
Depreciation charge for the year	-	(31,050)	(284,746)	(29,777)	(3,101)	(2,347)	(20,833)	(6,296)	(762)	-	(378,912)
Disposals	-	-	(6,533)	(537)	-	-	-	(349)	-	-	(7,419)
Depreciation on disposals	-	-	4,690	336	-	-	-	348	-	-	5,374
Net book value	1,175,496	1,232,958	3,026,581	113,281	2,794	8,945	204,588	20,326	33,879	155,957	5,974,804
Year ended 31 March 2020											
Cost / valuation	1,175,496	1,292,706	5,155,680	380,833	18,173	36,032	412,998	110,495	40,015	155,957	8,778,384
Accumulated depreciation	-	(59,748)	(2,129,099)	(267,552)	(15,379)	(27,087)	(208,410)	(90,169)	(6,136)	-	(2,803,580)
Net book value	1,175,496	1,232,958	3,026,581	113,281	2,794	8,945	204,588	20,326	33,879	155,957	5,974,804

5 Property, plant and equipment

(a) Property, plant and equipment of the Group / Company include fully depreciated assets in use at 31 March 2020, the cost of which amounted to the Group / Company Rs. 1,127,554,103. - (2019- Rs. 816,336,747).

(b) The bank borrowings are secured on freehold land, freehold building and plant and machinery. The values of assets secured is given in Note 17 to the financial statements.

(c) Valuation of the Company's land was performed by the independent valuer Mr. R. J. Samarakone on 31 March 2020. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in revaluation reserve in shareholders equity. Different levels of fair valuation methods have been defined as follows:

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

The fair values of land and buildings have been derived by level 2 valuation method using the sales comparison approach. Sales prices of comparable properties in close proximity were adjusted for differences in key attributes such as property size, site improvements and access to public roads. The most significant input into this valuation approach was market price per perch of land and square feet of buildings.

The land and buildings were stated at the historical cost basis, the amounts would be as follows:

	Cost Rs. '000	Accumulated depreciation Rs. '000	Carrying value Rs. '000
Land	1,175,496	-	1,175,496
Buildings	1,292,706	(59,748)	1,232,958
	2,468,202	(59,748)	2,408,454

6 Leases

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	Group		Company	
	31st March 2020 Rs. '000	31st March 2019* Rs. '000	31st March 2020 Rs. '000	31st March 2019* Rs. '000
Land & Building	106,187	-	106,187	-
	106,187	-	106,187	-
Lease liabilities				
Current	54,539	-	54,539	-
Non-current	47,479	-	47,479	-
	102,018	-	102,018	-

* In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'Operating leases' under LKAS 17 Leases.

As at 01st April 2019, there were no short-term leases and leases of low value assets.

6 Leases (Contd)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Depreciation charge of right-of-use assets - Land	26,519	-	26,519	-
	26,519	-	26,519	-
Interest expense (included in finance cost)	7,250	-	7,250	-
	7,250	-	7,250	-
The total cash outflow for lease	37,938	-	37,938	-

(iii) The Group/Company's leasing activities and how these are accounted for

The group/Company leases lands & building. Rental contracts are typically made for fixed periods of 2 to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Until the 2018/19 financial year, the group had only leases classified as operating lease. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group/Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group/Company under residual value guarantees
- the exercise price of a purchase option if the Group/Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group/Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group/Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The group/Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise with any lease asset which value is less than USD 5,000.

(iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group/Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group / Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the group/Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

Notes to the Financial Statements

7 Intangible Assets

	Group / Company	
	Software Rs. '000	Total Rs. '000
Year ended 31 March 2020		
Opening net book amount	-	-
Additions	13,673	13,673
Amortisation charge	(1,079)	(1,079)
Closing net book amount	12,594	12,594
As at 31 March 2020		
Cost	13,673	13,673
Accumulated amortisation	(1,079)	(1,079)
Net book amount	12,594	12,594

8 Investment Property

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Opening balance	394,819	223,800	-	-
Transfer from property plant and equipment	-	-	-	-
Disposal	-	-	-	-
Net gain / (loss) from fair value adjustments	-	171,019	-	-
Closing balance	394,819	394,819	-	-

The group has leased out its land under cancellable operating lease arrangements to its affiliated company - LWL Development (Private) Limited. This property has been classified as investment property in accordance with LKAS 40 Investment Property ("LKAS 40"). The Group has initially accounted for the investment property at cost, and subsequently accounted for it under the fair value model.

Amounts recognised in profit or loss in relation to investment properties

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Rental income	1,200	1,200	-	-
	1,200	1,200	-	-

Details of the valuation of the investment property (freehold land) carried out by the independent valuer Mr. R. J. Samarakone are as follows:

Total extent of land	48 acre - 3 rood - 17.9 perches
Total valuation for land	394,819,000
Location	Agalagedara Village, Divulapitiya, Gampaha
Date of valuation	31 March 2020

Details of entities in which the Company had control as at 31 March 2020 are set out below.

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

The fair values of Investment Property have been derived by level 2 valuation method using the sales comparison approach. Sales prices of comparable properties in close proximity were adjusted for differences in key attributes such as property size, site improvements and access to public roads. The most significant input into this valuation approach was market price per perch of land.

9 Investment in subsidiaries

Details of entities in which the Company had control as at 31 March 2020 are set out below,

Name of the subsidiary	Number of shares	% Holding	2020 Rs.	2019 Rs.
Beyond Paradise Collection (Private) Limited (a)	1	100	10	10
Lankatiles Private Limited (b)	255,000	51	6,241,727	6,241,727
LTL Development (Private) Limited (c')	1	100	10	10

(a) The Company invested in one share of Beyond Paradise Collection (Private) Limited amounting to Rs.10/-. The principal business of the subsidiary is holding and developing the property of the Company.

(b) The Company invested in two hundred fifty five thousand shares of Lankatiles Private Limited amounting to Rs.24.47/- (IND Rs. 10/-). The principal business of the subsidiary is distribution of Tiles in India.

(c) The Company invested in one share of LTL Development (Private) Limited amounting to Rs.10/-. The principal business of the subsidiary is holding and developing the property of the Company.

Notes to the Financial Statements

10 Investment in associate

	Number of shares	Group 2020 Rs. '000	Group 2019 Rs. '000	Company 2020 Rs. '000	Company 2019 Rs. '000
Opening net book amount		923,924	933,633	923,924	933,633
Share of results of associate for the year		81,869	12,798	81,869	12,798
Dividend received		-	(22,507)	-	(22,507)
At the end of year	13,085,180	1,005,793	923,924	1,005,793	923,924

(a) The Company holds 47.8% (2019 - 47.8%) ownership interest in Swisstek (Ceylon) PLC. The principal activities of Swisstek (Ceylon) PLC are manufacturing and selling of Tile Grout and Tile Mortar. Its subsidiary Swisstek Aluminium Limited manufacture and sells aluminium extrusions.

(b) The market value of quoted associate investment as at date of consolidated balance sheet is Rs. 353,299,866/- (2019 - Rs. 455,364,264)

(c) The Company's share of the results of the associate and its summarised financial information are as follows:

Summarised Statement of Financial Position As at 31 March	2020 Rs. '000	2019 Rs. '000
Current Assets		
Cash and Cash equivalents	155,342	130,085
Other current assets	3,108,831	3,557,013
Total current assets	3,264,173	3,687,098
Non current assets	2,852,202	2,825,803
Current liabilities	3,026,850	3,450,685
Non current liabilities	822,128	960,904
Net Assets	2,267,397	2,101,312

Summarised Statement of Comprehensive Income Year ended 31 March	2020 Rs. '000	2019 Rs. '000
Revenue	4,634,962	4,294,028
Gross profit	973,616	821,942
Profit for the year		
Profit attributable to owners of the Company for the year	172,807	16,501
Other comprehensive income attributable to owners of the Company	(1,533)	10,274
% interest held	47.8	47.8
Share of profit	82,602	7,888
Share of other comprehensive income	(733)	4,911

11 Financial instruments by category

Assets as per the Consolidated Statement of Financial Position 31 March 2020	Amortized Cost Group Rs. '000	Amortized Cost Company Rs. '000
Trade and other receivables (excluding pre-payments) (Note 14)	1,145,993	1,317,382
Cash and cash equivalents (Note 15)	76,741	64,953
Total	1,222,734	1,382,335

Liabilities as per the Consolidated Statement of Financial Position 31 March 2020	Other financial liabilities Group Rs. '000	 Company Rs. '000
Borrowings (excluding finance lease liabilities) (Note 17)	3,511,213	3,511,213
Trade and other payables excluding statutory liabilities (Note 16)	1,380,853	1,380,421
Total	4,892,066	4,891,634

Assets as per the Consolidated Statement of Financial Position 31 March 2019	Amortized Cost Group Rs. '000	 Company Rs. '000
Trade and other receivables (excluding pre-payments) (Note 14)	1,398,558	1,570,874
Cash and cash equivalents (Note 15)	144,509	132,717
Total	1,543,067	1,703,591

Liabilities as per the Consolidated Statement of Financial Position 31 March 2019	Other financial liabilities Group Rs. '000	 Company Rs. '000
Borrowings (excluding finance lease liabilities) (Note 17)	2,102,058	2,102,058
Trade and other payables excluding statutory liabilities (Note 16)	1,568,607	1,568,354
Total	3,670,665	3,670,412

12 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to extent of collaterals provided by counter parties:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Trade receivables				
Counterparties without external credit ratings				
Group 1	173,446	204,330	173,446	204,330
Group 2	18,285	48,666	18,285	48,666
Group 3	33,448	198,199	33,448	198,199
Total unimpaired trade receivables	225,179	451,195	225,179	451,195

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash at bank and short-term bank deposits				
AA +	5,451	1,812	5,451	1,812
AA	13,241	80,816	13,241	80,816
A	-	517	-	517
AA -	36,781	21,220	24,993	9,428
BB+	-	320	-	320
Counterparties without external credit rating	9,749	38,322	9,749	38,322
Total	65,222	143,007	53,434	131,215

Group 1 - Customers whose due amounts are secured with bank guarantees.
Group 2 - Customers whose due amounts are secured with documentary credits.
Group 3 - Customers whose due amounts are not secured with any collaterals.

Notes to the Financial Statements

13 Inventories

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Raw materials	1,353,801	988,884	1,353,801	988,884
Work in progress	47,956	50,572	47,956	50,572
Finished goods	2,772,175	1,315,892	2,772,175	1,315,892
Trading stock	566,770	711,912	566,770	711,912
Less: Provision for slow moving inventories	(97,772)	(83,306)	(97,772)	(83,306)
	4,642,930	2,983,954	4,642,930	2,983,954
Goods in transit	137,664	35,815	137,664	35,815
	4,780,594	3,019,769	4,780,594	3,019,769

The cost of inventories recognised as an expense and included in cost of goods sold amounted to Rs. 4,278,797,073 (2019 - Rs. 5,002,701,663).

14 Trade and other receivables

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Trade receivables	607,655	709,955	607,655	709,955
Less: Provision for impairments	(15,308)	(11,308)	(15,308)	(11,308)
	592,347	698,647	592,347	698,647
Receivables from parent company [Note 31 (i)]	191,145	307,758	191,145	307,758
Receivables from related companies [Note 31 (i)]	336,296	309,884	507,746	482,239
Prepayments and deposits	385,110	230,668	385,110	230,668
Other receivables	26,205	82,269	26,144	82,230
	1,531,103	1,629,226	1,702,492	1,801,542

The Directors consider the carrying amount of the trade and other receivables equals its fair value.

(a) Trade receivables by credit quality are as follows:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Neither past due nor impaired	225,179	451,195	225,179	451,195
Past due but not impaired	370,496	247,452	370,496	247,452
Impaired	11,980	11,308	11,980	11,308
	607,655	709,955	607,655	709,955

(b) The aging of trade receivables that are past due but not impaired are as follows:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Amount overdue:				
1 month to 3 months	264,722	117,291	264,722	117,291
3 months to 1 year	95,124	120,801	95,124	120,801
More than 1 year	10,650	9,360	10,650	9,360
	370,496	247,452	370,496	247,452

Rs. 370,496,000 (2019- Rs. 247,452,000) of debtors which are past due but not impaired are secured with bank guarantees, hence no impairment considered necessary.

(c) Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
At 1 April	11,308	7,308	11,308	7,308
Provision for impairment	4,000	4,000	4,000	4,000
At 31 March	15,308	11,308	15,308	11,308

(d) The carrying amounts of trade and other receivables are denominated in following currencies [in thousands]

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
United States dollars	14,560	17,726	14,560	17,726
Australian dollars	13,178	30,940	13,178	30,940
Sri Lankan rupees	1,503,365	1,580,560	1,674,754	1,752,876
	1,531,103	1,629,226	1,702,492	1,801,542

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above, except for trade receivables which are secured by bank guarantees and documentary credits.

(e) The effective interest rates of non current receivables are based on market interest rates.

(f) Impairment of financial assets

The group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory;
- debt investments carried at amortised cost; and
- debt investments carried at FVOCI

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Notes to the Financial Statements

14 Trade and other receivables (Contd.)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the days past due. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 March 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

31 March 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.18%	0.22%	1.78%	13.23%	2.52%
Gross carrying amount – trade receivables	253,298,039	211,608,051	39,327,963	103,420,949	607,655,002
Loss allowance	458,650	471,321	700,492	13,677,787	15,308,250

The closing loss allowances for trade receivables and contract assets as at 31 March 2020 reconcile to the opening loss allowances as follows:

Trade Receivables	Total
Balance as at 01st April 2019	11,308,250
Increase in loss allowance recognised in profit or loss during the year	4,000,000
At 31 March 2020	15,308,250

15 Cash and cash equivalents

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash at bank and cash in hand	65,539	133,138	64,785	132,549
Short term deposits	11,202	11,371	168	168
Cash and cash equivalents (excluding bank overdraft)	76,741	144,509	64,953	132,717

For the purpose of the cash flow statement, the year end cash and cash equivalents comprise the following:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash and cash equivalents	76,741	144,509	64,953	132,717
Bank overdrafts (Note 17)	(803,473)	(390,383)	(803,473)	(390,383)
Total cash and cash equivalents	(726,732)	(245,874)	(738,520)	(257,666)

The cash and cash equivalents are denominated in following currencies;

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Sri Lankan rupees	50,643	94,201	50,643	94,201
Indian rupees	11,788	11,792	-	-
United States dollars	5,271	192	5,271	192
Australian dollars	8,760	38,195	8,760	38,195
Euro	279	129	279	129
	76,741	144,509	64,953	132,717

16 Trade and other payables

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Trade payables	807,402	881,185	807,402	881,185
Amount due to related parties [Note 31(i)]	213,485	210,006	213,428	209,950
Accrued expenses	202,622	201,972	202,548	201,972
Other payables	159,405	278,680	159,104	278,483
	1,382,914	1,571,843	1,382,482	1,571,590

Other payables of the Company mainly include VAT payable amounting to Rs. 2,060,571/- (2019 - Rs. 3,235,838/-)

The carrying amounts of trade and other payable are denominated in following currencies;

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Sri Lankan rupees	974,386	848,979	973,954	848,726
United States dollars	76,369	460,319	76,369	460,319
Euro	332,159	262,545	332,159	262,545
	1,382,914	1,571,843	1,382,482	1,571,590

17 Borrowings

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Bank borrowings	1,491,398	360,506	1,491,398	360,506
Bank overdrafts (Note 15)	803,473	390,383	803,473	390,383
	2,294,871	750,889	2,294,871	750,889
Non-current				
Bank borrowings	1,216,342	1,351,169	1,216,342	1,351,169
Total borrowings	3,511,213	2,102,058	3,511,213	2,102,058

Notes to the Financial Statements

17 Borrowings (Contd)

(a) Bank overdrafts are secured primarily on inventories.

(b) The security offered and the interest rate applicable to each bank borrowings are set out below:

Loan		Security offered	Interest rate per annum (%)
DFCC	LKR 1500 Mn	A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1500 Mn	4 WEEK AWPLR + 0.75%

(c) Weighted average effective interest rates:

	Group		Company	
	2020	2019	2020	2019
Bank overdrafts	11.33%	12.73%	11.33%	12.73%
Bank borrowings	11.70%	12.98%	11.70%	12.98%

(d) Maturity of non - current bank borrowings is as follows;

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Between one and two years	250,000	250,000	250,000	250,000
Between two and five years	966,342	1,101,169	966,342	1,101,169
	1,216,342	1,351,169	1,216,342	1,351,169

(e) The carrying amounts of the Company's and the Group's borrowing are denominated in following currencies;

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Sri Lankan rupees	3,511,213	2,102,058	3,511,213	2,102,058
United States dollars	-	-	-	-
	3,511,213	2,102,058	3,511,213	2,102,058

(f) The exposure of the Company's and the Group's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period varies between 1 month to 3 months period.

18 Deferred tax liabilities

(a) Deferred income taxes are calculated on all temporary differences under the liability method.

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
At beginning of year	763,292	634,246	715,407	634,246
Income statement charge (Note 27)	61,243	126,877	61,243	78,992
Deferred tax release on the components of other comprehensive income	154	2,169	154	2,169
At end of year	824,689	763,292	776,804	715,407

(b) The analysis of the deferred tax assets and liabilities is as follows:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Deferred tax assets	(82,505)	(72,750)	(82,505)	(72,750)
Deferred tax liabilities	907,194	836,042	859,309	788,157
Deferred tax liabilities (net)	824,689	763,292	776,804	715,407

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Group			
	Lease Liability Rs. '000	Revaluation reserve Rs. '000	Accelerated tax depreciation Rs. '000	Total Rs. '000
Deferred tax liabilities				
At 1 April 2018	-	191,634	512,127	703,761
Charged to income statement	-	47,885	84,396	132,281
At 31 March 2019	-	239,519	596,523	836,042
Charged to income statement	1,167	-	69,985	71,152
At 31 March 2020	1,167	239,519	666,508	907,194

	Group			
	Retirement benefit obligations Rs. '000	Impairment Provision Rs. '000	Inventory Provision Rs. '000	Total Rs. '000
Deferred tax assets				
At 1 April 2018	(46,584)	-	(22,931)	(69,515)
Charged / (credited) to income statement	(3,889)	(1,120)	(395)	(5,404)
Charged / (credited) to other comprehensive income	2,169	-	-	2,169
At 31 March 2019	(48,304)	(1,120)	(23,326)	(72,750)
Credited to income statement	(2,694)	(3,166)	(4,049)	(9,909)
Charged / (credited) to other comprehensive income	154	-	-	154
At 31 March 2020	(50,844)	(4,286)	(27,375)	(82,505)

Deffered Tax has been computed using the liability method providing for temporary difference between the written down value of assets and liabilities for the financial reporting purpose and the amount used for taxation purpose at the effective tax rate of 28% (2019- 28%)

Notes to the Financial Statements

18 Deferred tax liabilities (Contd)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Company			
	Lease Liability Rs. '000	Revaluation reserve Rs. '000	Accelerated tax depreciation Rs. '000	Total Rs. '000
Deferred tax liabilities				
At 1 April 2018	-	191,634	512,127	703,761
Charged to income statement	-	-	84,396	84,396
At 31 March 2019	-	191,634	596,523	788,157
Charged to income statement	1,167	-	69,985	71,152
At 31 March 2020	1,167	191,634	666,508	859,309

	Company			
	Retirement benefit obligations Rs. '000	Impairment Provision Rs. '000	Inventory Provision Rs. '000	Total Rs. '000
Deferred tax assets				
At 1 April 2018	(46,584)	-	(22,931)	(69,515)
Charged / (credited) to income statement	(3,889)	(1,120)	(395)	(5,404)
Charged / (credited) to other comprehensive income	2,169	-	-	2,169
At 31 March 2019	(48,304)	(1,120)	(23,326)	(72,750)
Credited to income statement	(2,694)	(3,166)	(4,049)	(9,909)
Charged / (credited) to other comprehensive income	154	-	-	154
At 31 March 2020	(50,844)	(4,286)	(27,375)	(82,505)

19 Employment benefit obligations - gratuity

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance sheet obligations for:				
Defined benefits - gratuity	181,034	172,514	181,034	172,514
Income statement charge included in operating profit for:				
Defined benefits - gratuity	31,959	27,663	31,959	27,663
Remeasurements for:				
Defined benefits - gratuity	(551)	(7,746)	(551)	(7,746)

The movement in the defined benefit obligations is as follows

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
At 1 April	172,514	166,370	172,514	166,370
Current service cost	12,862	11,026	12,862	11,026
Interest expense	19,097	16,637	19,097	16,637
Benefits paid	(22,888)	(13,773)	(22,888)	(13,773)
Remeasurements:				
Losses from change in financial assumptions	7,079	(8,142)	7,079	(8,142)
(Gains) from change in demographic assumptions	123	(1,484)	123	(1,484)
Experience losses	(7,753)	1,880	(7,753)	1,880
At 31 March	181,034	172,514	181,034	172,514

The amount recognised in the income statement are as follows:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Current service cost	12,862	11,026	12,862	11,026
Interest cost	19,097	16,637	19,097	16,637
Total, included in staff costs (Note 25)	31,959	27,663	31,959	27,663

The obligation is not externally funded.

The gratuity liability of the Company / the Group is based on the actuarial valuation carried out by the independent actuary Messrs Actuarial and Management Consultants (Private) Limited, as at 31 March 2020. The principal actuarial valuation assumptions used were as follows:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Discount rate	10.00%	11.00%	10.00%	11.00%
Future salary increase rate				
- Executive staff	12.50%	12.50%	12.50%	12.50%
- Others	10.00%	10.00%	10.00%	10.00%

In additions to above, demographic assumptions such as mortality and withdrawal disability were considered for the actuarial valuation. A 1967/70 mortality table issued by the Institute of Actuaries, London was taken as the base for the valuation.

The weighted average duration of the defined benefit obligations is 4.90 years.

Expected maturity analysis of undiscounted defined benefits - gratuity;

	Less than a year Rs. '000	Between 1-2 years Rs. '000	Between 3- 5 years Rs. '000	Between 6- 10 years Rs. '000	Over year 10 Rs. '000	Total Rs. '000
Defined benefits - gratuity;	33,204	65,950	26,748	31,687	23,445	181,034
As at 31 March 2020	33,204	65,950	26,748	31,687	23,445	181,034

Notes to the Financial Statements

19 Employment benefit obligations - gratuity (Contd)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is :

Discount Rate as at 31 March 2020	10.00%
One percentage point increase in discount rate	173,282
One percentage point decrease in discount rate	189,650

Salary escalation rate as at 31 March 2020	12.50%
One percentage point increase in salary escalation rate	189,991
One percentage point decrease in salary escalation rate	172,827

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined retirement benefit obligations to significant actuarial assumptions, the same method (present value of the defined retirement benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised within the Statement of Financial Position.

20 Stated capital

	Group		Company	
	Number of shares	Stated capital Rs. '000	Number of shares	Stated capital Rs. '000
At 31 March 2019	53,050,410	900,968	53,050,410	900,968
At 31 March 2020	53,050,410	900,968	53,050,410	900,968

All issued shares are fully paid.

21 Revenue from contract with customers

The Company's and the Group's revenue are primarily derived from ;

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
(i) Revenue from local sales	6,586,202	6,790,844	6,586,202	6,790,844
(ii) Revenue from export sales	108,622	218,148	108,622	218,148
Revenue from external Customers	6,694,824	7,008,992	6,694,824	7,008,992
Timing of revenue recognition at a point in time	6,694,824	7,008,992	6,694,824	7,008,992

22 Other income

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Sundry income	28,908	27,011	27,070	25,328
	28,908	27,011	27,070	25,328

Sundry income mainly include the rental income of Rs. 13,599,902 (2019 - Rs. 12,876,432).

23 Other gains / (losses) - net

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Profit / (loss) on disposal of property, plant and equipment	(237)	(6,524)	(237)	(6,524)
Fair value adjustment to investment property	-	171,019	-	-
	(237)	164,495	(237)	(6,524)

24 Expenses by nature

The following items have been charged / (credited) in arriving at operating profit:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Directors' emoluments				
- As Directors' fees	14,520	12,338	14,520	12,338
- For managerial services	33,522	34,485	33,522	34,485
Auditors' remuneration				
- Audit	1,195	1,086	974	886
- Non-Audit services	356	324	356	324
- Reimbursable expenses	626	569	582	529
Depreciation on property, plant and equipment (Note 5)	378,912	267,552	378,912	267,552
Amortisation of intangible assets	1,079	-	1,079	-
Changes in inventories of finished goods, trading items and work in progress	322,892	800,190	322,892	800,190
Raw materials and consumables used	3,191,332	3,148,471	3,191,332	3,148,471
Technical fee	101,453	90,017	101,453	90,017
Advertising expenses	63,656	31,691	63,656	31,691
Promotional expenses and sales commission	491,220	484,771	491,220	484,771
Repair and maintenance expenditure	263,764	254,701	263,764	254,701
(Reversal) / provision for slow moving inventories	14,467	1,410	14,467	1,410
Depreciation charge of right of use assets	26,519	-	26,519	-
Staff costs (Note 25)	722,964	589,689	722,964	589,689
Other expenses	68,053	731,325	67,542	730,930
Total cost of sales, distribution costs and administrative expenses	5,696,530	6,448,619	5,695,754	6,447,984

25 Staff costs

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Wages, salaries and bonus	644,420	518,410	644,420	518,410
Defined contribution plans	46,585	43,616	46,585	43,616
Defined benefit plan - gratuity (Note 19)	31,959	27,663	31,959	27,663
	722,964	589,689	722,964	589,689
Average no of persons employed as at 31 March - full time	749	690	749	690

Notes to the Financial Statements

26 Net finance income / (cost)

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Interest income	273	4,879	273	4,879
Interest Income from Related Companies	-	3,037	-	3,037
Finance income	273	7,916	273	7,916
Interest expenses	(316,693)	(40,740)	(316,693)	(40,740)
Interest expense on lease liability	(7,250)	-	(7,250)	-
Net foreign exchange losses on transactions / translations	(10,622)	18,663	(10,622)	18,663
Finance costs	(334,565)	(22,077)	(334,565)	(22,077)
Net finance income / (cost)	(334,292)	(14,161)	(334,292)	(14,161)

27 Income tax

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
(a) Current tax :				
- Current tax on profit for the year	132,087	90,717	132,073	90,933
Total current tax	132,087	90,717	132,073	90,933
(b) Deferred tax (Note 18)				
- Increase in of temporary differences	61,243	126,877	61,243	78,992
Total income tax expense	193,330	217,594	193,316	169,925

The tax on the Company's and the Group's profit before tax differ from the theoretical amount that would arise using the statutory tax rate applicable to profits of the Company and the Group as follows :

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Profit before tax	775,275	745,606	774,213	573,539
Tax calculated at average rate 28% (2019 : 28%)	217,077	208,770	216,780	160,591
Tax on share of results of associate	(23,129)	(2,209)	(23,129)	(2,209)
Income not subject to tax	(194,131)	(309,695)	(193,848)	(309,401)
Expenses not deductible for tax purposes	189,958	316,831	189,958	316,831
Under/(over) provision in respect of previous year	3,555	3,897	3,555	4,113
	193,330	217,594	193,316	169,925

The weighted average applicable tax rate was 28% (2019 : 28%).

28 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the year.

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Profit attributable to equity holders	581,787	527,968	580,897	403,614
Weighted average number of ordinary shares (thousands)	53,050	53,050	53,050	53,050
Basic earnings per share (Rs.)	10.97	9.95	10.95	7.61

29 Dividends

A Final dividend of Rs. 3.15/- per share for the year ended 31 March 2019 was paid on 12th April 2019.

30 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Profit before tax	775,275	745,606	774,213	573,539
Adjustments for:				
Depreciation (Note 5)	378,912	267,552	378,912	267,552
Amortisation of Intangible Assets (Note 7)	1,079	-	1,079	-
Depreciation on lease (Note 6)	26,519	-	26,519	-
Provision for retirement benefit obligations (Note 19)	31,959	27,663	31,959	27,663
Net fair value gain recognised in profit or loss (Note 23)	-	(171,019)	-	-
Losses / (gains) on disposal of assets (Note 23)	237	6,524	237	6,524
Interest expenses (Note 26)	316,693	22,077	316,693	22,077
Interest expense on lease liability	7,250	-	7,250	-
Interest income (Note 26)	(273)	(7,916)	(273)	(7,916)
Unrealised (profits) / losses on inventory purchased from associate	3,421	6,154	3,421	6,154
Profit share of results of associate	(82,602)	(7,888)	(82,602)	(7,888)
Provision for slow moving inventories (Note 13)	14,467	1,411	14,467	1,411
Changes in working capital				
- (Increase) /Decrease in inventories	(1,778,713)	(1,081,608)	(1,778,713)	(1,081,608)
- Decrease / (increase) in trade and other receivables	51,978	(275,957)	52,906	(274,938)
- Increase / (decrease) in trade and other payables	(186,705)	622,542	(186,886)	622,510
Cash generated from operations	(440,503)	155,141	(440,818)	155,080

Notes to the Financial Statements

31 Related Party Transactions

The Company is controlled by Lanka Walltiles PLC which owns 68.22% (2019 - 68.22%) of the Company's issued share capital. The remaining 31.78% of the shares are widely held. The ultimate parent of the Company is Vallible One PLC.

The related parties with whom Lanka Tiles PLC carried out transactions in the ordinary course of business are set out below:

(a) Sale of goods to:	Relationship		Group		Company	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Lanka Walltiles PLC	Parent	Raw materials	16,517	9,804	16,517	9,804
Royal Bathware Limited	Affiliate	Raw materials	375	-	375	-
		Spares	4	-	4	-
Royal Ceramics Lanka PLC	Affiliate	Raw materials	6,590	2,789	6,590	2,789
		Spares	2,067	820	2,067	820
		Packing	11	24	11	24
			25,564	13,437	25,564	13,437

(b) Purchase of goods /services	Relationship		Group		Company	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Swisstek (Ceylon) PLC	Associate	Trading items	380,317	340,363	380,317	340,363
		Sales commission	57,619	54,565	57,619	54,565
		Reimbursement of operational expense	7,014	4,775	7,014	4,775
Swisstek Aluminium Limited	Affiliate	Trading items	65,121	38,665	65,121	38,665
Lanka Ceramic PLC	Affiliate	Raw materials	132,875	125,992	132,875	125,992
Lanka Walltiles PLC	Parent	Raw materials	2,349	1,527	2,349	1,527
		Consumables	2,252	5,085	2,252	5,085
		Services	844	1,331	844	1,331
Royal Ceramics Lanka PLC	Affiliate	Raw materials	777	11	777	11
		Spares	114	329	114	329
		Consumables	3,093	-	3,093	-
Uni-Dil Packaging Limited	Affiliate	Raw materials	115,144	89,756	115,144	89,756
Hayleys Travels & Tours (Private) limited	Affiliate	Services	2,502	10,126	2,502	10,126
Hayleys Agriculture Holding Limited	Affiliate	Services	-	544	-	544
Hayleys Electronic Lighting (Private) Limited	Affiliate	Services	-	27	-	27
Hayleys Industrial Solutions (Private) Limited	Affiliate	Services	20	24,247	20	24,247
Delmage Freight Services (Private) Limited	Affiliate	Services	4,663	8,585	4,663	8,585
			774,704	705,928	774,704	705,928

(c) Receipt of funds from:	Relationship		Group		Company	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Lanka Walltiles PLC	Parent	Expenses Reimbursement Settlement	101,363	80,343	101,363	80,343
		Raw Material Sale Settlement	2,458	6,165	2,458	6,165
Swisstek (Ceylon) PLC	Associate	Interest received	-	1,904	-	1,904
		Loan settlement	-	21,798	-	21,798
			103,821	110,210	103,821	110,210

(d) Transfer of funds to:	Relationship		Group		Company	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Lanka Walltiles PLC	Parent	Expenses Reimbursement Settlement	114,064	133,206	114,064	133,206
		Services-Settlement	844	1,331	844	1,331
		Raw Material Sale Settlement	2,569	6,350	2,569	6,350
Swisstek (Ceylon) PLC	Associate		404,561	277,437	404,561	277,437
LWL Development (Private) Limited	Affiliate		26,000	49,015	26,000	49,015
			548,038	467,339	548,038	467,339

(e) Expenses incurred and transferred to/(from)	Relationship	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Lanka Walltiles PLC					
- Administration expenses		25,946	40,177	25,946	40,177
- Distribution expenses	Parent	121,152	93,536	121,152	93,536
Swisstek (Ceylon) PLC					
- Administration expenses	Affiliate	6,312	3,315	6,312	3,315
- Distribution expenses		-	-	-	-
Swisstek Aluminium Limited					
- Administration expenses	Affiliate	4,293	1,849	4,293	1,849
Royal Ceramics Lanka PLC					
- Technical fees	Affiliate	10,162	9,002	10,162	9,002
Vallible One PLC					
- Technical fees	Ultimate Parent	91,454	81,015	91,454	81,015
Beyond Paradise Collection Limited					
- Administration expenses	Subsidiary	-	-	211	205
LTL Development (Private) Limited					
- Administration expenses	Subsidiary	-	-	2	2
LWL Development (Private) Limited					
- Administration expenses	Affiliate	1,291	1,326	1,291	1,326
		260,610	230,220	260,823	230,427

Notes to the Financial Statements

31 Related Party Transactions (Contd)

(f) Key management compensation

Key management personnel include members of the Board of Directors and Senior management of Lanka Tiles PLC.

	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Salaries and short-term employee benefits	48,042	46,823	48,042	46,823
Salaries and long-term employee benefits	25,280	24,557	25,280	24,557
	73,322	71,380	73,322	71,380

The Directors have disclosed the nature of their interests in contracts at meetings of Directors.

(g) Rental expense

The Company has paid a rental of Rs. 8,800,000 (2019 - Rs. 8,800,000) to Swisstek (Ceylon) PLC for the use of warehouse space at Balummahara during the financial year ended and Rs. 14,808,000 (2019 - Rs. 14,808,000) to Lanka Walltiles PLC for the use of office space at Nawala, during the financial year ended 31 March 2020.

(h) Rental Income

The Company has received a rental income of Rs.13,599,902 (2019 - Rs.12,876,432) from Lanka Walltiles PLC for Biyagama warehouse during the financial year ended 31 March 2020.

The Group has received a rental income of Rs1,200,000 (2019 - Rs.1,200,000) from LWL Development (Private) Limited for Divulapitiya land during the financial year ended 31 March 2020.

(i) Outstanding balances arising from sale/purchase of goods/services

Related Companies	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Receivables from related parties:				
Lanka Walltiles PLC	191,145	307,758	191,145	307,758
Swisstek Aluminium Limited	-	881	-	881
Royal Ceramics Lanka PLC	-	1,578	-	1,578
Royal Bathware Limited	380	-	380	-
Beyond Paradise Collection (Private) Limited	-	-	175,484	175,273
LWL Development (Private) Limited	335,916	307,425	331,716	304,425
LTL Development (Private) Limited	-	-	166	82
	527,441	617,642	698,891	789,997
Payables to related parties:				
Lanka Ceramic PLC	16,668	18,708	16,668	18,708
Royal Ceramics Lanka PLC	41	5,499	41	5,499
Swisstek (Ceylon) PLC	136,439	136,784	136,439	136,784
Uni-Dil Packaging Limited	17,834	10,715	17,834	10,715
Swisstek Aluminium Limited	19,000	28,207	19,000	28,207
Vallibel One PLC	23,446	10,037	23,446	10,037
LWL Development (Private) Limited	57	56	-	-
	213,485	210,006	213,428	209,950

Terms and Conditions with related parties

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

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

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

32 Contingencies and commitments

Contingent Liabilities

There were no material contingent liabilities outstanding at the end of the reporting period.

Operating lease commitments

From 1 April 2019, the Company has recognized right-of-use assets for these leases, see note 06 for further information.

The Company had the following commitments in the ordinary course of business as at 31 March 2019:

Operating lease rental payables:

	2019
Within one year	23,688,000
Within 1 to 5 years	23,688,000
After 5 years	-
	47,376,000

Capital commitments

There were no capital commitments outstanding at the end of the reporting period.

33 Restatement and reclassifications of comparatives

The presentation and classification of figures of previous year have been amended, where relevant, to be comparable with those for the current year.

34 Changes in accounting policies

This note explains the impact of the adoption of SLFRS 16 Leases on the group's financial statements.

Impact on the financial statements

As indicated in note 06 above, the group has adopted SLFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018/19 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 06.

On adoption of SLFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 12%.

(i) Practical expedients applied

In applying SLFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019

34 Changes in accounting policies (Contd)

- accounting for operating leases with a remaining lease term of less than 12 months as short-term leases - there were no short term contracts as at 1 April 2019
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a lease.]

(ii) Measurement of lease liabilities	2019 Rs. '000
Operating lease commitments disclosed as at 31 March 2019 (Note 32)	47,376
Discounted using the lessee's incremental borrowing rate of at the date of initial application	5,442
Lease liability recognised as at 1 April 2019	41,934
Of which are:	
Current lease liabilities	19,717
Non-current lease liabilities	22,217

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

(iv) Adjustments recognised in the balance sheet on 1 April 2019

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- right-of-use assets – increase by Rs. 41,934,446
- prepayments – was decrease by Rs. Nil
- lease liabilities – increase by Rs. 41,934,446

The net impact on retained earnings on 1 April 2019 was an decrease of Rs. 0/-.

(v) Lessor accounting

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of SLFRS 16.

35 Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID -19 on the Group Companies and the appropriateness of the use of the going concern basis.

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

COVID-19 pandemic has resulted in a substantive shift in management's focus towards ensuring the continued safety of people, connectivity of customers, compliance with guidelines issued by various government authorities and continuity of critical business operations.

The outbreak and the associated developments impacted the business on multiple fronts including distribution and working capital management. The continued lockdown and credit extensions provided to keep customers connected, significantly impacted cash collections.

The current unprecedented situation is yet evolving and the future impact will heavily depend on the duration of current restrictive environment and time taken for economic activity to rebound to pre COVID-19 levels. The overall impact on consumer spending and the recovery of the country's enterprises will also be key determinants of future impact on our business. Based on present trends, we expect an adverse impact on Group revenue, impairment of trade receivables and health and safety related expenses. The Group has resorted to aggressive cost rescaling and rationalisation initiatives both in operating and capital expenditure to soften the impact on the business.

Accordingly, the Group does not consider it practical to provide a quantitative estimate of the potential impact in the current context.

36 Events after the reporting period

No circumstances have arisen since the balance sheet date which require adjustments to, or disclosure in the financial statements.

Five Year Summary Statement of **Comprehensive Income**

GROUP

Year ended 31st March	2016 Rs '000	2017 Rs '000	2018 Rs '000	2019 Rs '000	2020 Rs '000
Revenue	5,541,368	5,176,372	6,126,307	7,008,992	6,694,824
Operating profit	1,396,581	1,300,253	1,098,833	751,879	1,026,965
Net finance income/(costs)	45,610	118,971	88,576	(14,161)	(334,292)
Share of results of associate-Net of Tax	139,411	185,284	165,383	7,888	82,602
Profit before income tax	1,581,602	1,604,508	1,352,792	745,606	775,275
Income tax expense	(399,448)	(359,170)	(348,795)	(217,594)	(193,330)
Profit for the year	1,182,154	1,245,338	1,003,997	528,012	581,945
Profit attributable to the equity holders of the Company	1,178,741	1,245,338	1,004,494	527,968	581,787
Dividends	(371,353)	(397,878)	(530,504)	(167,109)	-
Retained profit for the year	807,388	847,460	473,990	360,859	581,787
Earnings per share - basic (Rs)	22.28	23.47	18.93	9.95	10.97

COMPANY

Year ended 31st March	2016 Rs '000	2017 Rs '000	2018 Rs '000	2019 Rs '000	2020 Rs '000
Revenue	5,541,368	5,176,372	6,126,307	7,008,992	6,694,824
Operating profit	1,396,581	1,247,570	1,098,784	579,812	1,025,903
Ne finance income/(costs)	45,610	118,971	88,576	(14,161)	(334,292)
Share of results of associate-Net of Tax	139,411	185,284	165,383	7,888	82,602
Profit before income tax	1,581,602	1,551,825	1,352,743	573,539	774,213
Income tax expense	(399,448)	(359,002)	(348,721)	(169,925)	(193,316)
Profit for the year	1,182,154	1,192,823	1,004,022	403,614	580,897
Profit attributable to the equity holders of the Company	1,182,154	1,192,823	1,004,022	403,614	580,897
Dividends	(371,353)	(397,878)	(530,504)	(167,109)	-
Retained profit for the year	810,801	794,945	473,518	236,506	580,897
Earnings per share - basic (Rs)	22.28	22.48	18.93	7.61	10.95

Five Year Summary Statement of **Financial Position**

As at 31st March	2016 Rs '000	2017 Rs '000	2018 Rs '000	2019 Rs '000	2020 Rs '000
ASSETS					
Non-current assets					
Property, plant and equipment	3,398,848	3,608,790	3,855,576	5,743,130	5,974,804
Right of use assets	-	-	-	-	106,187
Intangible Assets	-	-	-	-	12,594
Investment in subsidiary	-	-	6,242	6,242	6,242
Investments in associates	725,543	881,052	933,633	923,924	1,005,793
Loan given to related companies	49,050	20,422	10,898	-	-
	4,173,441	4,510,264	4,806,349	6,673,296	7,105,620
Current assets					
Inventories	932,256	1,434,412	1,945,726	3,019,769	4,780,594
Trade and other receivables	987,986	1,187,787	1,514,996	1,801,542	1,702,492
Income tax assets	-	-	-	51,570	-
Cash and cash equivalents	1,586,065	1,227,119	433,975	132,717	64,953
	3,506,307	3,849,318	3,894,697	5,005,598	6,548,039
Total assets	7,679,748	8,359,582	8,701,046	11,678,894	13,653,659
EQUITY					
Capital and reserves					
Stated capital	900,968	900,968	900,968	900,968	900,968
Retained earnings	3,584,487	4,394,551	4,778,698	5,025,691	5,606,252
Revaluation reserve	838,856	838,856	730,515	730,515	730,515
Amalgamation reserve	460,151	460,151	460,151	460,151	460,151
	5,784,462	6,594,526	6,870,332	7,117,325	7,697,886
LIABILITIES					
Non-current liabilities					
Lease Liabilities	-	-	-	-	54,539
Borrowings	260,824	56,224	7,374	1,351,169	1,216,342
Deferred income tax liabilities	453,542	443,787	634,246	715,407	776,804
Defined benefit obligations	129,073	124,394	166,370	172,514	181,034
	843,439	624,405	807,990	2,239,090	2,228,719
Current liabilities					
Lease Liabilities	-	-	-	-	47,479
Trade and other payables	580,766	583,540	781,972	1,571,590	1,382,482
Current income tax liabilities	276,660	68,558	46,724	-	2,222
Borrowings	194,421	488,553	194,028	750,889	2,294,871
	1,051,847	1,140,651	1,022,724	2,322,479	3,727,054
Total liabilities	1,895,286	1,765,056	1,830,714	4,561,569	5,955,773
Total equity and liabilities	7,679,748	8,359,582	8,701,046	11,678,894	13,653,659

Shareholder Information

Year ended 31st March		2016	2017	2018	2019	2020
Authorised share capital	(Rs.Mn)	500.0	500.0	500.0	500.0	500.0
Stated capital	(Rs.Mn)	900.0	900.0	900.0	900.0	900.0
Shares in issue (as at end of year)	(Mn)	53.5	53.5	53.5	53.5	53.5
Shareholders						
- Institutions	(Number)	144	143	140	137	172
- Individuals	(Number)	1,619	1,644	1,595	1,625	2,084
Total		1,763	1,787	1,735	1,762	2,256
Shares held by						
- Institutions	(%)	91.49	92.13	93.15	93.26	90.10
- Individuals	(%)	8.51	7.87	6.86	6.74	9.89
Total		100.0	100.0	100.0	100.0	100.0
Transactions	(Number)	1,605	978	610	611	5,026
Shares traded	(Rs. Mn)	224.00	1,173.00	115.00	28.73	897.49
Dividends	(%)	31.4	33.4	53	41.4	-
Dividends per share	(Rs.)	7.00	7.50	10.00	3.15	-
Market price per share						
- Highest during the year	(Rs.)	128.00	123.90	121.40	106.50	93.90
- Lowest during the year	(Rs.)	97.00	95.00	99.50	63.00	50.00
- As at end of the year	(Rs.)	100.60	102.00	99.70	70.00	50.10
Market Capitalization (as at end of year)	(Rs.Mn)	5,336.83	5,411.10	5,289.09	3,713.50	2,657.81
Earnings per share	(Rs.)	22.28	22.48	18.93	7.61	10.95
Price/Earnings ratio	(Times)	4.51	4.54	5.27	9.20	4.58
Net assets per share	(Rs.)	109.04	124.31	129.51	134.16	145.11

DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2020

Size of shareholdings Number			Shareholders Number	Shares Number	Holdings %
1	-	1,000	1,639	345,249	0.65
1,001	-	10,000	494	1,730,565	3.26
10,001	-	100,000	104	2,712,796	5.11
100,001	-	1,000,000	14	3,333,539	6.28
Over	-	1,000,000	5	44,928,261	84.70
			2,256	53,050,410	100.00

CATEGORIES OF SHAREHOLDERS

	No of Holders	No of Shares	%
Local Individuals	2,033	4,583,079	8.64
Local Institutions	163	47,675,179	89.87
Foreign Individuals	51	668,072	1.26
Foreign Institutions	9	124,080	0.23
	2,256	53,050,410	100.00

The float adjusted market capitalization as at 31st March 2020 is Rs. 746,482,485.00

The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said Option.

20 Major Shareholders

	Name	31-03-2020		31-03-2019	
		No of Shares	(%)	No of Shares	(%)
1	Lanka Walltiles PLC	36,189,195	68.217	36,189,195	68.217
2	Employees Provident Fund	4,968,313	9.365	4,968,313	9.365
3	Royal Ceramics Lanka PLC	1,388,481	2.617	1,388,481	2.617
4	Sri Lanka Insurance Corporation Ltd-Life Fund	1,359,572	2.563	-	-
5	Bank Of Ceylon No.01 Account	1,022,700	1.928	973,200	1.834
6	Mr. K R Kamon	537,628	1.013	537,628	1.013
7	Mr. A A Page	433,939	0.818	433,939	0.818
8	Deutsche Bank AG-National Equity Fund	417,707	0.787	-	-
9	Softlogic Life Insurance PLC-A/C No. 05 (Non-Participating Fund)	400,000	0.754	-	-
10	Commercial Bank Of Ceylon PLC/Metrocorp (Pvt) Ltd	238,894	0.450	-	-
11	J.B. Cocoshell (Pvt) Ltd	234,394	0.442	-	-
12	Sampath Bank PLC/ Dr.T.Senthilverl	150,600	0.284	90,600	0.171
13	Deutsche Bank AG-Namal Growth Fund	150,000	0.283	-	-
14	Mr S.Vasudevan	146,425	0.276	-	-
15	Mr A.M.Weerasinghe	135,863	0.256	35,863	0.068
16	Aruna Enterprises (Pvt) Limited	128,500	0.242	128,500	0.242
17	Mr S.M.Fernando	126,446	0.238	126,446	0.238
18	Mr M.M.Udeshi & Mrs A.A.Merchant	125,000	0.236	125,000	0.236
19	Dr A.C.Visvalingam & Mrs Y.I.Visvalingam	108,143	0.204	108,143	0.204
20	Pinnacle Trust (Pvt) Limited	92,038	0.173	92,038	0.173
	Sub Total	48,353,838	91.147	45,197,346	85.197
	Others 2,236 Shareholders	4,696,572	8.853	7,853,064	14.803
	Grand Total	53,050,410	100.00	53,050,410	100.00

DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2020

Name of Director	No of Shares	(%)
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	135,863	0.256
Mr. J A P M Jayasekara	-	-
Dr. S Selliah	-	-
Mr T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	2,500	0.005
Mr R D P Godawatta Arachchige (Alternative Director to Mr. Dhammika Perera)	-	-
Mr J A N R Adhihetty	-	-
Mr S M Liyanage (appointed w. e. f. 21st February 2020)	-	-

The fractional shares of 582 arising from the capitalization of revenue reserves issue were issued jointly in the names of Mr. J A P M Jayasekara and Mr. A A Page

SHARE PRICE FOR THE YEAR

Market price per share	
Highest during the year	Rs. 93.90 (24-07-2019)
Lowest during the year	Rs. 50.00 (20-03-2020)
As at end of the year	Rs. 50.10
Number of Transactions during the year	5,026
Number of Shares traded during the year	11,800,833
Value of shares traded during the year (Rs.)	897,492,940.90

PUBLIC HOLDING

The Percentage of shares held by the Public	28.086%
No of shareholders representing the above percentage	2,250

Statement of **Value Added**

For the year ended 31st March	2016		2017		2018		2019		2020	
	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%	Rs'000	%
Sales	6,123,730		5,805,556		6,126,307		7,008,992		6,694,824	
Other income	37,328		26,154		19,447		25,328		27,070	
Less:										
Cost of materials & services bought in	(3,179,762)		(2,899,677)		(3,096,393)		(4,447,365)		(3,761,960)	
Value added	2,981,296		2,932,033		3,049,361		2,586,955		2,959,934	
Distribution of Value Added										
Employees as remuneration & welfare	597,336	20.04	571,757	19.50	630,588	20.68	588,870	22.76	719,188	24.30
Government as taxes	1,096,099	36.77	1,140,843	38.91	1,320,290	43.30	1,214,934	46.96	985,604	33.30
Lenders of capital as interest	26,518	0.89	30,789	1.05	23,492	0.77	40,740	1.57	316,693	10.70
Shareholders as dividends	371,353	12.46	397,878	13.57	530,504	17.40	167,109	6.46	-	-
Retained in the business as										
- Depreciation/deferred tax	218,600	7.33	181,106	6.18	236,352	7.75	346,685	13.40	440,154	14.87
- Profits	671,390	22.52	609,660	20.79	308,135	10.10	228,617	8.84	498,295	16.83
Total	2,981,296	100.0	2,932,033	100.0	3,049,361	100.0	2,586,955	100.0	2,959,934	100

Notes

Notes

Corporate Information

NAME OF THE COMPANY
Lanka Tiles PLC

LEGAL FORM
Public Limited Liability Company listed on the Colombo Stock Exchange. (Incorporated as a Private Limited Liability Company on 30th March 1984 under the Companies Act No. 17 of 1982 and converted to a Public Limited Liability Company on 07th August 1984.) The Company was re-registered under the New Companies Act No. 07 of 2007 on 19th March 2008. (Registration No. PQ 129)

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 J A N R Adhihetty
Mr. G A R D Prasanna
(Alternate Director to Mr. Dhammika Perera)
Mr. S M Liyanage

SECRETARIES
P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road
Colombo 08
Telephone : + 94 -11 - 4640360-3
Facsimile : + 94 -11 - 4740588
E-mail : pwcs@pwcs.lk

REGISTERED OFFICE
215, Nawala Road, Narahenpita, Colombo 05
Telephone : + 94 -11 - 2808050 / 2808001-3
Facsimile : + 94 -11 - 2806232
E-mail : info@lankatiles.com
Website : www.lankatiles.com

FACTORY
St. James Estate, Jaltara, Ranala
Telephone : + 94 - 11 - 2141055, 2141057, 2141819
Facsimile : + 94 - 11 - 2141045
E-mail : factory@lankatiles.com

BANKERS
Commercial Bank of Ceylon PLC
DFCC Bank
Bank of Ceylon
Hongkong & Shanghai Banking Corp. Limited
Hatton National Bank PLC
Sampath Bank PLC
Seylan Bank PLC

AUDITORS
PricewaterhouseCoopers
Chartered Accountants
100, Braybrooke Place, Colombo 2.
Telephone : + 94 - 11 - 4719838
Facsimile : + 94 - 11 - 2303197

Notice of **Meeting**

NOTICE IS HEREBY GIVEN that the Thirty Sixth (36th) Annual General Meeting of Lanka Tiles PLC will be held by way of electronic means on the 30th day of July 2020 at 10.15 a.m. centred at the Board Room of Royal Ceramics Lanka PLC, No. 20, R A de Mel Mawatha, Colombo 03:

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 2020 and the Report of the Auditors thereon.

2. To re-elect Mr. A M Weerasinghe, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company

3. To re-elect Dr. S Selliah, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.

4. To elect Mr. S M Liyanage who retires in terms of the Articles of Associations, as a Director of the Company.

5. To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.

6. To authorize the Directors to determine Donations for the ensuing year.

By Order of the Board
LANKA TILES PLC

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
01st July 2020

Notes:

1. A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
2. A proxy need not be a shareholder of the Company
3. Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
4. For more information on how to participate by virtual means in the above virtual meeting, please refer Guidelines and Registration Process enclosed herewith.

Form of **Proxy**

*I/We……of……... being a *Shareholder /

Shareholders of Lanka Tiles 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. John Amrith Nishan Ratnatunga Adhihetty	of Colombo or failing him*
Mr. Sameera Madushanka Liyanage	of Colombo or failing him*

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th July 2020 at 10.15 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.

		FOR	AGAINST
1)	To re-elect Mr. A M Weerasinghe, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	☐	☐
2)	To re-elect Dr. S Selliah, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	☐	☐
3)	To elect Mr. S M Liyanage, who retires in terms of Article 110 of the Articles of Association, as a Director of the Company.	☐	☐
4)	To re-appoint M/s PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.	☐	☐
5)	To authorize the Directors to determine donations for the ensuing year	☐	☐

Signed this…… day of …… Two Thousand and Twenty

……
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. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to tile.pwcs@gmail.com 48 hours before the time fixed for the meeting.

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