

EX- PAND- ING HORI- ZONS



Lanka Walltiles PLC
Integrated Annual Report 2019/20



EXPANDING HORIZONS

At Lanka Walltiles, we continue to look beyond the horizon, shaping our future and that of our stakeholders through innovative solutions, designed and crafted in line with the latest trends to suit our customers' every need.

Today, we are looking into a future of growth, exploring endless possibilities, and constantly expanding our horizons to identify and develop new business opportunities that will deliver increasing stakeholder value over time.

We are driven by our proactive strategies, our forward-thinking vision and the bold attitude that powers our constant quest for new avenues of value creation. This report is proof to the people, products and processes that have enabled us to evolve, and expand our capacity for value creation now and into the future.



Scan to view this Integrated Annual Report online at <http://www.lankatiles.com>



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Our Vision and Mission

GRI 102-16

VISION

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

MISSION

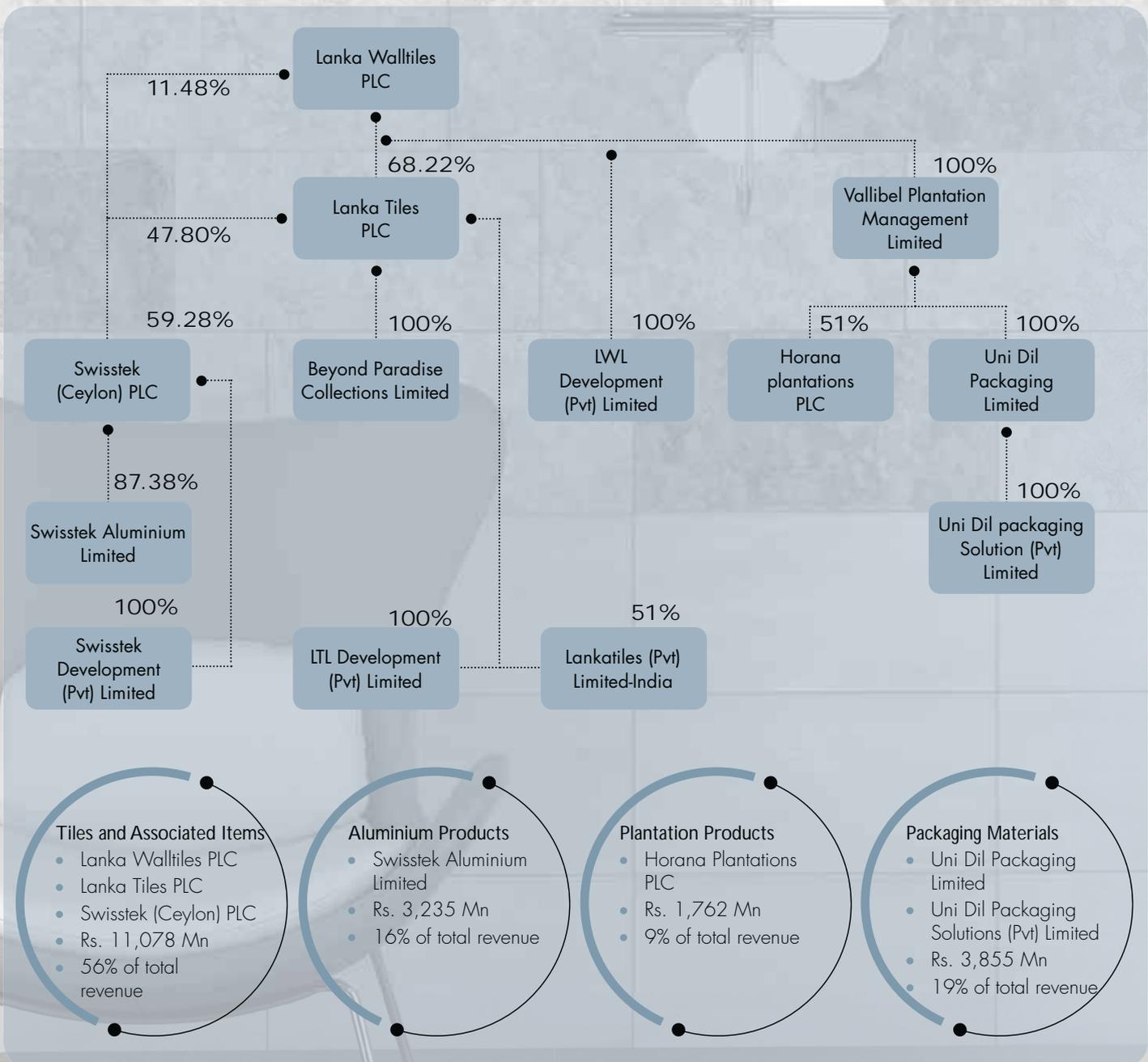
The production and marketing of exceptional quality products at optimum affordability.

VALUES

1. **Quality:** Every tile is manufactured to the highest quality standards and we can proudly claim that our products are second to none.
2. **Style:** Our portfolio features a wide range of tiles in a variety of colours, textures and sizes including special trim and decorated tiles.
3. **Elegance:** Classic style, innovative designs and simple elegance make all our products distinctive in local and international markets.
4. **Value:** Our stakeholders are diverse and demanding. Over the years we have delivered unmatched value to all of them.

About us

Established in 1977, Lanka Walltiles PLC is the market leader in Sri Lanka for manufacturing superior quality wall tiles for the local and export markets. Our overall consistency in policies, continuous research and development and investments in superior production facilities have established a reputation of our products being second to none. With one state of the Art manufacturing facilities in Sri Lanka with a capacity of 2.4Mn sq.mt per year and Subcontract manufacturing facilities in India and China. Our commitment to sustainability is also shown by our certifications of GREENSL certified and conform to ISO 13006.



Tiles and Associated Items

- Lanka Walltiles PLC
- Lanka Tiles PLC
- Swisstek (Ceylon) PLC
- Rs. 11,078 Mn
- 56% of total revenue

Aluminium Products

- Swisstek Aluminium Limited
- Rs. 3,235 Mn
- 16% of total revenue

Plantation Products

- Horana Plantations PLC
- Rs. 1,762 Mn
- 9% of total revenue

Packaging Materials

- Uni Dil Packaging Limited
- Uni Dil Packaging Solutions (Pvt) Limited
- Rs. 3,855 Mn
- 19% of total revenue

About us

GRI 102-2

OUR PRODUCTS

CONCRETE	XILOSOPHY	HEARTS OF EARTH	SENSES	ESSENTIAL +
				
				
Powerful, urban hues that represent the modern industrial charm	Get back to nature with the mesmerizing shades of the forests	Awe inspiring geological formations inspire elegant spaces	Spontaneous and colourful wonders of nature for enchanting interiors	Simple, colourful and minimal spaces for your idiosyncratic haven

OUR PREMIER BRANDS

TILES & ACCESSORIES	ALUMINIUM AND ALUMINIUM PRODUCTS	PACKAGING	GROUT AND MORTAR	SANITARYWARE
				

KEY NUMBERS

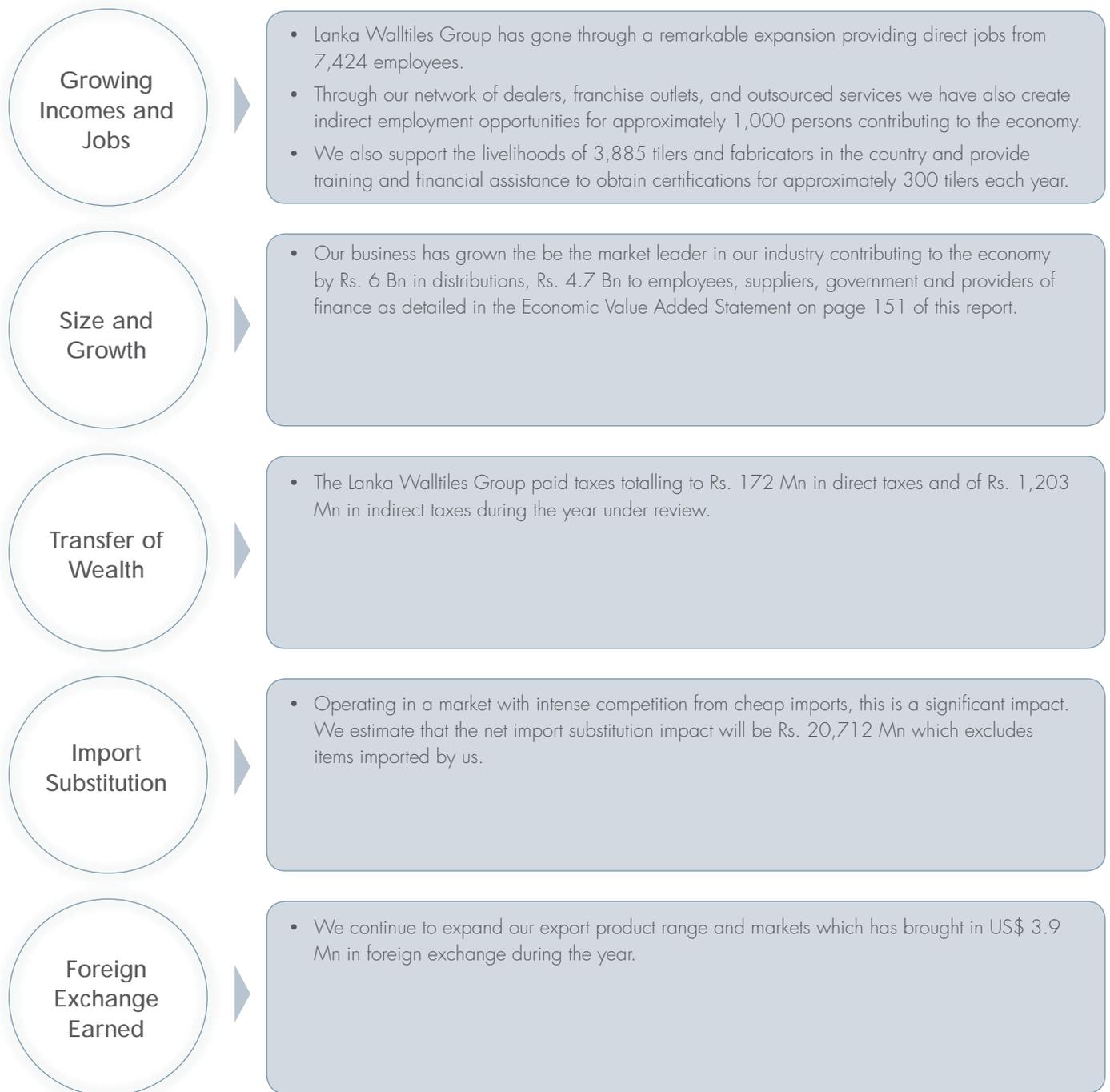
7,424	33,423	16,884	1,223	3,054
(Direct Employees)	Total Assets (Rs. Mn)	PPE (Rs. Mn)	Capital Expenditure (Rs. Mn)	Suppliers

ACCREDITATIONS

Quality Management System 	Environment Management System 	European Conformity 	Green Labelled Product 
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OUR ECONOMIC IMPACT

Our economic impact is multifaceted as given below.



Performance Highlights

Financial Highlights



Financial Performance	Unit	Group			Company		
		2020	2019	Variance %	2020	2019	Variance %
Revenue	Rs.000	19,929,709	19,627,160	2	3,493,619	3,220,934	8
Gross Profits	Rs.000	4,784,930	4,303,014	11	956,605	929,053	3
Earnings Before Interest and Tax (EBIT)	Rs.000	1,975,057	2,040,365	-3	279,201	454,683	-39
Profit before tax	Rs.000	803,676	1,192,772	-33	59,124	288,196	-79
Profits after tax	Rs.000	414,649	780,070	-47	38,026	231,281	-84
Profits attributable to shareholders	Rs.000	405,115	617,157	-34	38,026	231,281	-84
Gross profit margin	%	24	22	10	27	29	-5
Net profit margin	%	2	4	-48	1	7	-85
Return on assets (ROA)	%	1	3	-51	0	3	-84
Return on equity (ROE)	%	3	5	-48	1	4	-84
Interest cover	No of times	1.75	2.41	-27	1.27	2.73	-54

Financial Position	Unit	Group			Company		
		2020	2019	Variance %	2020	2019	Variance %
Total assets	Rs.000	33,422,877	31,056,456	8	9,410,828	8,961,369	5
Capital expenditure	Rs.000	1,222,880	2,955,647	-59	184,394	201,802	-9
Interest bearing liabilities	Rs.000	11,408,192	9,214,647	-24	2,287,347	1,646,972	39
Other liabilities	Rs.000	6,457,033	6,656,704	3	1,752,935	1,974,696	-11
Shareholders' equity	Rs.000	11,621,070	11,241,553	3	5,370,546	5,339,701	1
Gearing: Debt/Equity	%	73	61	21	42.59	31	38
Net assets per share	Rs/share	212.84	205.89	3	98.36	97.80	1
Current ratio	No of times	1.3	1.3	-5	1.2	1.3	-5
Quick assets ratio	No of times	0.4	0.5	-18	0.3	0.4	-28

Shareholder Information	Unit	Group			Company		
		2020	2019	Variance %	2020	2019	Variance %
No of shares in issue	No	54,600,000	54,600,000	-	54,600,000	54,600,000	0
Market value per share	Rs/share	47	60	-22	47	60	-22
Dividend per share	Rs/share	-	3	-100	-	3	-100
Earnings per share	Rs/share	7.4	11.3	-34	0.7	4.2	-84
Market capitalization	Rs.000	2,566,200	3,276,000	-22	2,566,200	3,276,000	-22
Dividend payout ratio	%	-	21	-100	-	71	-100

GROUP REVENUE (Rs. Mn)	+2%	Liabilities (Rs. Mn)	+13%	Profit (Rs. Mn)	-47%
2019/20	19,930	2019/20	17,865	2019/20	415
2018/19	19,627	2018/19	15,871	2018/19	780

Equity (Rs. Mn)	+2%	Assets (Rs. Mn)	+8%	Employees (Rs. Mn)	-7%
2019/20	15,558	2019/20	33,423	2019/20	7,424
2018/19	15,185	2018/19	31,056	2018/19	8,001

Non-Financial Highlights

Human Capital	Unit	Group			Company		
		2020	2019	Variance %	2020	2019	Variance %
Number of employees	No	7,424	8,001	-7	521	552	-6
Female participation	No	3,293	3,465	-5	60	77	-22
New recruits	No	1,405	1,573	-11	122	100	22
Investment in employee learning	Rs.000	2,820	15,718	-82	400	650	-38
Average training hours	Hours	9,421	14,685	-36	3,890	2,576	51
Minor injury rate	Rate per 100 Workers	2	1	-100	5	1	-400



Manufactured and Intellectual Capital	Unit	Group			Company		
		2020	2019	Variance %	2020	2019	Variance %
Value of PPE	Rs.000	16,884,149	16,822,752	0.36	4,524,000	4,536,281	0
Capital expenditure	Rs.000	1,222,880	2,955,647	-59	184,394	201,802	-9
Depreciation and amortization	Rs.000	960,034	813,877	-18	182,010	166,491	-9
New product designs	No	369	611	-40	165	292	-43
Investment in R&D	Rs.000	23,662	29,301	-19	4,180	12,983	-68



Social and Relationship Capital	Unit	Group			Company		
		2020	2019	Variance %	2020	2019	Variance %
Dealers	No	297	263	13	34	37	-8
Distributors	No	55	51	8	30	28	7
Member in Tilers clubs	No	3,885	3,678	6	3,885	3,678	6
Franchises	No	67	58	16	46	46	0
Number of suppliers	No	3,054	2,664	15	399	298	34
SME suppliers	No	1,730	1,367	27	303	234	29
Proportion of spending on local suppliers	Rs.000	9,365,471	10,802,605	-13	1,982,454	2,436,604	-19
Payments to suppliers	Rs.000	16,590,083	24,783,796	-33	3,202,322	3,602,435	-11
CSR	Rs.000	6,023	27,826	-78	684	5,043	-86
No of beneficiaries of CSR	Approx.	12,543	20,000	-37	3,575	8,800	-59



Natural Capital	Unit	Group			Company		
		2020	2019	Variance %	2020	2019	Variance %
Raw materials consumed	MT	208,271	174,078	-20	37,748	32,628	-16
Aluminium Billets	MT	3,636	5,367	32	-	-	-
Energy consumption	Litres	1,393,444	2,383,173	42	133,767	158,655	16
LPG	Kg	15,001,372	14,862,538	-1	5,495,872	5,576,788	1
Electricity	Units	38,929,381	37,677,422	-3	10,177,109	10,021,545	-2
Water withdrawn	M3	239,585	238,832	-0.3	42,509	39,762	-7
Effluents discharges	M3	144,169	112,352	-28	34,321	36,464	-6



About the report

GRI 102-1,102-45,102-46,102-49,
102-50,102-51,102-52,102-53,102-54

Lanka Walltiles PLC reports on an Integrated Annual Report for the 3rd consecutive year. We strive to provide our stakeholders a concise yet insightful report in accordance with regulatory requirements and internationally accepted reporting frameworks. The Board of Directors acknowledge responsibility for the report and seek to provide a comprehensive performance review covering financial, social and environmental performance. In addition, we seek to give our readers an insight to how we create and deliver value through a coherent strategy while carefully balancing the interests of our stakeholders.

SCOPE AND BOUNDARY

The report covers the operations of Lanka Walltiles PLC and its subsidiaries for the period ended 31st March 2020. We adopt an annual reporting cycle and the most recent report was for the period 1 April 2018 to 31st March 2019. The content of our report was determined by performing materiality assessments as discussed in page 20 and includes both financial and non-financial information. There were no restatements of information nor changes to reporting during the year.

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

Regulatory Requirements	Voluntary Frameworks
<ul style="list-style-type: none"> Companies Act No.7 of 2007 Continued Listing Requirements of the Colombo Stock Exchange Sri Lanka Accounting & Auditing Standards Act No.15 of 2015 	<ul style="list-style-type: none"> Integrated Reporting Framework issued by the International Integrated Reporting Council. Core option of the GRI standards. The Code of Best Practice on Corporate Governance for public listed companies, jointly issued by The Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and The Colombo Stock Exchange.
<ul style="list-style-type: none"> Sri Lanka Financial Reporting Standards 	

Improvements to our report during the year

- Enhanced the strategic focus of the report by linking Strategy with KPIs.
- Provide a balanced review by discussing our inclusive value creation in key areas of the report such as sector reviews.
- Enhanced the conciseness and connectivity of the report by defining our reporting content through materiality assessments. The page count reduced to 173 pages in comparison to the previous year.

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

For inquiries about this report, please contact

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WE ARE LOOKING BEYOND THE HORIZON, SHAPING THE FUTURE THROUGH INNOVATION

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Chairman's Message



Our portfolio is the cornerstone of our strategy, as it supports our entry in to new, lucrative markets which typically are looking for high quality products with aesthetic appeal.

Dear Shareholders,

Having spent the last two years in transformational initiatives, this financial year was one of integrating and consolidating changes to reap the rewards. Despite a challenging operating landscape, I am pleased to report that we have delivered results in three key areas, updating the portfolio to cater to current design trends, introducing a range of quality sanitaryware and driving growth. Undoubtedly, there is more that needs to be done but change has been in the right direction, carefully balancing the long-term vision with short term exigencies. Clear strategic wins during the year include the setting up of our own distribution centre in Dallas to service the North American market and the inclusion of our tiles on Amazon which marks a significant milestone in the annals of the Group. With this move, we became the first tile manufacturer in Asia to be listed on this global e-commerce platform.

FUTURE FIT

Lanka Walltiles and Lanka Tiles launched over 27 new collections of tiles during the year with all collections including large format tiles and special accessories for elegant finishes. Italian designers have worked with our teams to produce these collections which are modern and cater to a range of looks and concepts. These collections are the cornerstone of

our strategy as they support our entry in to new, lucrative markets which are typically looking for high quality products with aesthetic appeal as the first criteria. A step into a showroom will affirm that our products are truly world class and meet these criteria. From there, we need to prove our manufacturing capabilities which are socially and environmentally responsible. These are already in place with our commitment to ESG reporting and international certifications of our manufacturing processes. While we have made some headway in exports, this will be a key area of focus in the year that has commenced. We will continue to invest in exploring export markets with this future fit portfolio

RISING PRESSURES

The signs of weakening economic growth were becoming more obvious by the beginning of the financial year under review, signalling economic headwinds that we were gearing up to meet. Two black swans in one financial year made this tough landscape even tougher. The first black swan, the Easter Sunday terror attacks in April 2019 resulted in business closures across the country and weaker economic growth for the country as the Tourism sector resulting in the country's growth rate declining to 2.3% in 2019. Rising trade tensions between US and China contributed to declining global trade but provided some opportunities

for export growth as key importers in the US looked to diversify their sourcing destinations. Local tile manufacturers also benefited from the restrictions over import of non-essential items in the domestic market which included tiles as it stopped the influx of cheap imports into the country. However, the period of low economic growth also gave rise to lower disposable incomes, moderating housing approvals and housing credit leading to more frugal mindsets of customers and lower activity levels, increasing pressure on top line growth. Presidential elections and growing balance of payment concerns would normally have been cause for comment as well as they did have some impacts stemming from policy changes.

However, these impacts paled in comparison to that of the second black swan, COVID-19 as we closed the financial year under lockdown with all customer touchpoints closed. While the financial statements reflect a mere 10 days of lockdown, the financial year that has commenced starts with more than a month of lost economic activity and its impacts on the local and global economy will unfold over the second half of 2020. Significant downside risks remain to forecasts of 1.5% GDP growth for the country and negative 5.8% for the world for 2020 as governments across the world respond to converging economic and social pressures with the spectre of a second wave of the pandemic in the shadows.

All our businesses remained operational during the lockdown although sales for the Tiles and Aluminium sectors were at a standstill with customers staying indoors. Packaging and Plantations sector sales continued throughout the lockdown as tea auctions went online and Packaging continued to serve customers who manufactured essential goods throughout this period.

A PORTFOLIO VIEW

The Group's investment portfolio is skewed towards the Tile sector which represents an overwhelming majority of its assets, liabilities, and earnings. It reflects our expertise and leadership in this sector with two household names, Lanka Walltiles and Lanka Tiles as the key players. Our investments in the Aluminium sector complements the Tiles sector but skews the portfolio further to the fortunes of the construction sector. Overcapacity in the Aluminium industry in the country resulted in high levels of price competition which is being addressed through downstream capability enhancements with ETEM, a global leader in the field. This will broaden our portfolio empowering design innovation in the housing and construction industry.

Diversification comes from the investments in the Plantations and Packaging sectors which account for the balance 15% of the portfolio. Climate change had an adverse impact on the plantations sector which weighed on the performance of the Group in the reporting year, highlighting the need for environmental consciousness and the need to pursue further diversification opportunities in the Plantations sector which is heavily weighted to tea.

PERFORMANCE

Lanka Walltiles Group recorded Rs. 415 Mn as profit after tax for the year ended 31st March 2020 despite strong economic headwinds reflecting a decline of 48% over the previous year. The Tile and Packaging sectors delivered profits after tax of Rs. 710 Mn and Rs.283 Mn respectively, cushioning losses of the Plantations sector of Rs.535 Mn as well as the loss of Rs. 40 Mn from the Aluminium sector. The Group balance sheet remains strong with a comfortable gearing of 42% and Total Assets of Rs.33 Bn. As we commence a year of unprecedented uncertainties, we are preserving cash

flow and deem it prudent to refrain from declaring dividends during this year, despite the profits made.

INCREASING EARNING CAPACITY

During the year Lanka Walltiles invested 184 Mn in projects that will enhance the earning capacity of the Company. A significant portion was spent on modification of the Mosaic production line to boost export sales, catering to the demand for mosaic tiles together with the US and Chinese collaborators who provided technical expertise and access to markets. Additionally, a plant in the Meepe factory modified for manufacturing floor tiles, building flexibility within the Group to cater to demand which is expected to boost topline and margin growth. We also purchased 228 perches of land adjoining the factory to cater to future expansion requirements of the company.

Group entities invested a further Rs.1,067 Mn supporting earnings growth. Uni Dil packaging increased printing capacity by 15% by adding a Jumbo Printer machine. They also invested in increasing stitching and bundling capacities by 55% with the addition of two semi automatic machines. Lanka Tiles invested Rs.200 Mn in modifying its plant to produce mosaic tiles for the US market and also completed the new plant which enhanced the capability to manufacture large format tiles and polished tiles, many of which are featured in the new collections launched during the year.

OUTLOOK

The outlook for 2020 is picking up as economic activity has picked up and is moving towards normalization. Factories are operational and operating within some constraints which have an inevitable impact on productivity and costs related to safety measures. The Boards priorities will be to ensure that inventories are converted to cash in an efficient manner

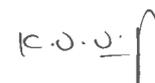
while exploring new export markets and growing existing ones. While appreciating that there are significant downside risks, our long-term goals remain unchanged, to provide customers with design solutions for imaginative spaces. The foundation for progress is solid as we have put in place world class designs and manufacturing processes. We will look to seize opportunities afforded by changing sourcing patterns and cater to changing demands dynamics through agile strategy.

APPRECIATION

I thank the teams at the Lanka Walltiles Group for their untiring efforts in a difficult year and I count on their support to get through another. I commend the leadership of the CEOs of the Group for their able leadership of the respective business verticals. I am deeply appreciative of the contribution of my fellow Board members whose perspective have been insightful.

Our franchise dealers have shared our journey and our relationships have strengthened over this time. We are extremely proud that some of our relationships exceed 40 years, reflecting the trust and loyalty built up over time. We count on their commitment to drive our growth in the years ahead as well.

I wish to thank our business partners who have supported the smooth operation of our business in diverse ways and thank them for their role in our success. Finally, I thank our shareholders for their confidence and look to their continued support.



Dhammika Perera
Chairman

01st July 2020

Managing Director's Message

GRI 102-14



We have undertaken the challenge to take customer centricity to the next level within the Lanka Walltiles Group. Years of customer insights matched with our data provided objective information which was a great starting point for our deliberations.

Increased energy levels from a successful transformation last year proved to be our greatest asset as we stepped into a year of unprecedented challenges. The changes in mindsets and fresh perspectives challenged the status quo, driving continuous improvement in every aspect of our business. We were able to consolidate and further refine processes to deliver our goals of responsible consumption and manufacture, while increasing attention on delivering top line growth. The brand 'LANKATILES' was valued at Rs. 1.1 bn by Brand Finance Sri Lanka in its 2020 publication ahead of its competitors. As this was the first year in which Lanka Tiles brand was included in this prestigious publication, we are extremely pleased with the outcome.

HOLISTIC SOLUTIONS FOR CUSTOMERS

We undertook the challenge to take customer centricity to the next level within the Lanka Walltiles Group. Years of customer insights matched with our data provided objective information which was a great starting point for our deliberations. Our customers were more demanding and discerning, aspiring to modern affluent lifestyles while seeking to express their personalities through imaginative and creative spaces. They were knowledgeable about design trends and tech savvy, with many seeking to engage and be informed prior to stepping in to our showroom while there were others who preferred the look, feel and touch with highly supportive salespeople to assist them in their choices. There was some dissatisfaction that we did not have a holistic solution at our showrooms. We also observed a growing number of customers focused on bargains and willing to compromise on value added features to secure a lower price to match their

budgets. Customers in overseas markets were even more into e-commerce and comfortable to order online. And we set out to cater to all of them as the building blocks were in place and we needed to fill in the gaps.

The launch of 'COLOMA', a contemporary range of elegant sanitaryware, was a high point in our financial year as it addressed a customer pain point and presented us an opportunity to enhance our offering to the customer. We believe that this will be a game changer for the Group as it enables the customer to get the complete look from one place. The collection launched in January 2020 gained the attention of architects and leading players in the construction industry who have expressed significant interest. It upholds our promise of quality and elegance at affordable price points for design savvy customers. The range includes a technologically advanced features, taking Sri Lankan homes to a new level of hygiene and convenience.

Lanka Walltiles launched 17 new collections with 70 different tiles while Lanka Tiles launched 10 new collections with 82 different tiles during the year, catering to a wide range of customer tastes and enabling them to express their personal style in their homes. It underscores the importance of creating spaces that set the right mood, ambience and functionality in homes, offices, and other spaces. Moods, emotions, harmony, and productivity are evoked by well designed spaces and our new collection caters to a range of settings that will also be elegant and stylish.

Exports were a key area of focus and we managed to increase exports by 24% for Lanka Walltiles despite weakening global trade as we were able to make inroads into the North American market. We have

set up a distribution centre in Dallas and our distributor manages the operations in this key market. This enabled 'LANKATILES' to become the first Asian tile manufacturer to have their tiles sold on Amazon and we will be working to leverage further opportunities in e-commerce with our business partner. Weaker demand in Australia had an adverse impact on tile exports which decreased during the year. We will continue to pursue new markets for exports as many advanced markets look for alternative sourcing destinations as US relations with China remain stressed.

Our customer touchpoints were increased with the addition of (new 2 – total 46) franchise showrooms and 7 factory outlets during the year, enhancing accessibility to our products. We also enhanced the customer experience at our own showrooms and the franchise showrooms with smart layouts that enable ease of access to our collections and the variants within collections. Our own showrooms have designers who are happy to assist customers to visualize their spaces with customized designs in addition to knowledgeable sales staff who are ready to assist the customers. Our franchise showroom staff are also trained by our team to ensure they are knowledgeable about the products to support positive customer experiences. The number of factory outlets increased by 7 (total 15) during the year as declining disposable income attracted customers to bargains and a no-frills offering in order to stretch constrained resources.

We also continued our work with the Tiler Club to facilitate upgrading of skills through training programmes and introducing a range of equipment to facilitate high quality finishes.

WORLD CLASS MANUFACTURING

The Lanka Walltiles Group is in step with the latest technology having invested Rs. 3.3 bn over the past 3 years, upgrading our capabilities to cater to the latest design trends in the world. Our designs have been produced by both Italian designers and Sri Lankan designers ensuring that we have a wide range that caters to both export and domestic markets. The deployment of state-of-the-art technology also ensures that our manufacturing processes are more environmentally conscious with optimal consumption of materials, energy and water and minimized emissions, effluents, and waste. Initiatives such as Total Product Maintenance (TPM) enabled further improvements in workflows, supporting margins and efficiencies. Benchmarking of our production processes, environment management systems and safety practices with the globally accepted ISO standards also affirms that our manufacturing processes are socially and environmentally responsible. Importantly, we have maintained these accreditations, often exceeding benchmarks as we maintain a continuous improvement cycle. All these factors combine to facilitate access to export markets and ensure that our Sri Lankan customers have access to high quality tiles, manufactured according to the highest standards.

CHALLENGES & OPPORTUNITIES

The financial year under review was marked by two black swans that resulted in business closures and a sharp decline in economic activity. We commenced the year with the Easter Sunday terror attacks in 2019 and closed the year under lockdown due to the COVID-19 pandemic. Disposable income declined accordingly resulting in a moderation of housing activity. World trade also declined during the year due to US China

trade tensions which provided some opportunities to make inroads into the North American market. Additionally, in the domestic market we benefited from restrictions on imports of non-essential items as this curtailed the proliferation of cheap imports into the market.

PERFORMANCE

Lanka Walltiles PLC, the Company delivered top line growth of 8.5% in a difficult market to record turnover of Rs.3.49 Bn supported by volume growth, new collections and increased accessibility and appeal of showrooms. Gross profit increased by 3% reflecting pressure on margins in an intensely competitive market with declining purchasing power. Distribution costs increased during the year reflecting the increased investments in expanding market reach in the domestic and export markets. Administrative costs declined due to efforts to trim costs. Profitability of the previous year included dividends from Lanka Tiles PLC and Swisstek (Ceylon) PLC of Rs. 105 Mn. If profit before tax is adjusted for these items, Lanka Walltiles profit of Rs.38 Mn reflects an decrease of 70%.

The Lanka Walltiles Group delivered Profit after tax of Rs. 415 Mn in a year marked by significant challenges for the Group. Revenues remained flat despite business closures, stabilized by stable revenues from the tile and Aluminium sectors and increased revenue from the Packaging sector which cushioned declining revenues from Plantations. Group Gross Profit improved by 11% to Rs. 4.8 Bn supported by advanced technology and focus on manufacturing excellence in Tiles, Packaging and Aluminium sectors which cushioned the sharp decline in gross margins of the Plantation sector stemming from lower tea prices and adverse weather impacts.

Managing Director's Message

Group operating profit declined by 3% to Rs. 1.97 Bn, weighed down by the Plantations sector despite the significantly improved performance of other sectors. However, if the fair value change in investment property is excluded from the previous year, Group operating profit reflects an increase of 17%, reflecting the focus on productivity across the Group. Finance costs increased from Rs. 848 Mn to Rs. 1,171 Mn largely due to a sharp increase in the Tiles sector as we recorded a full year's interest costs on borrowings for expansion. Consequently, profit before taxation declined by 33% to Rs. 804 Mn. The Tiles sector recorded PBT of Rs. 1,003 Mn while the Packaging sector contributed a further Rs. 307 Mn. Unfortunately, these resilient performances were offset by losses in the Plantation and Aluminium sectors which amounted to Rs. 452 Mn and Rs. 53 Mn, respectively. Profit after tax followed a similar pattern with the Tiles and Packaging sectors recording Rs. 710 Mn and Rs. 283 Mn respectively while Plantations and Aluminium sectors recorded losses of Rs. 535 Mn and Rs. 40 Mn, respectively. Accordingly, Group Profit After Tax amounted to Rs. 415 Mn reflecting both the resilience and pitfalls that result from diversity.

FINANCIAL STABILITY

The Group financial position remains strong with Net Assets of Rs. 15.6 Bn and a gearing ratio of 73%. The Group's portfolio is tilted to the Tile sector which accounts for 73% of Total Assets and 59% of Total Liabilities. Plantations and Aluminium sectors account for around 12% of Group Assets and 16% of Group Liabilities while the Packaging sector accounts for the balance. Asset growth was mainly driven by increased inventories which accounted for 31% of Total Assets

while manufactured capital accounted for 51% of the same. Debtor levels were maintained through stringent credit control processes despite expansion of customer touchpoints and amounted to 12% of Total Assets. A strong and healthy balance sheet provides a solid foundation for our future aspirations and provides room for further leverage in case of need given the strong economic headwinds post COVID-19 and significant downside risks.

PLANNING AHEAD

As we emerge from the lockdown and look to restore normalcy or reset the world to a new norm, a reality check is necessary to temper expectations. Business closures have cost us at least 6 weeks of sales and disposable incomes have declined due to job losses, job cuts, dampening demand in the domestic market. Export growth needs to be pursued as the window of opportunity remains open to capture new markets looking to diversify their sourcing destinations to reduce dependency on China. We have remained operational during the lockdown and production has continued, supporting our export aspirations with competitively priced world class products. Converting inventory to cash will be a key priority and as the transformations related to manufacture have been put in place, senior leadership attention will be focused on the top line. The distribution centre in Dallas and access to new markets will be key to driving the top line. The investment in modifying the plant to produce mosaic tiles with collaboration from M/s. Foshan Shiwan Yulong Ceramic Co. Ltd. of China, and Mr. Benjamin Malloy of US is expected to bear fruit in 2020/21 as we commence competing in a new segment of tiles that is growing. It is necessary to take a long-term view at this time and ensure that we

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% ↑



We have remained operational during the lockdown and production has continued, supporting our export aspirations with competitively priced world class products.

position ourselves for a sustainable future, recognizing our social and environmental responsibilities. Strong governance will be key to navigating the rapids ahead as we strive to recalibrate economic and health risks to manageable levels.

The Plantations sector has also remained operational and there has been a gradual increase in tea prices and it is hoped that the positive turn in weather continues for a while. 'SWISSPARKETT', which is part of the tile sector has secured its largest contract and the largest contract in Sri Lanka for timber supplying and installation of floors and we expect this to generate revenue in the year that has commenced. We have also tied up with 'ETEM', one of the largest providers of Aluminium systems, in the world to market their high-quality proprietary systems for high end projects. Plans are in place to develop the downstream capability within the company to compete effectively in a market that has become intensely competitive due to overcapacity in the market. Packaging will continue to focus on improving their margins with differentiated products for their clients although normalizing of demand factors will be key to growth.

APPRECIATIONS

I extend my sincere appreciation to the Board for their visionary guidance and support in a challenging year. I also commend the team efforts and adaptive abilities of the employees of the entire Group who have worked to deliver the results set out in this report. Our business partners have supported our journey in many ways, and I thank them for their contributions. In closing, I wish to thank our shareholders whose confidence in the Group inspires us to reach higher.

J. A. P. M. Jayasekera
Managing Director

01st July 2020

Board of Directors

MR. DHAMMIKA PERERA Chairman

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

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

DR. S SELIAH
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 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

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

Board of Directors

MS. A M L PAGE Director

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

Ms. Page has been employed at several institutions in Sri Lanka and overseas.

MR. R. N. SOMARATNE Director

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

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

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

MR. J. D. NIHAL KEKULAWALA Director

Mr. Kekulawala had held senior positions in the Hatton National Bank including Chief Financial Officer, Senior Deputy General Manager Strategy & Compliance. He worked as the lead consultant responsible for commencing commercial banking operations in the Solomon Islands and also functioned as the inaugural CEO of the bank.

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

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 Wwayamba 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 Management

Mr. Mahendra Jayasekera
Managing Director

Mr. Nandajith Somaratne
Director/ Group General Manager Manufacturing

Mr. Shirley Mahendra
General Manager (Marketing)

Mr. Tyrell Roche
General Manager (Finance)

Mr. Nihal Kumarasinghe
Assistant General Manager (Technical)

Mr. Prasad Keerthiratna
Head of IT

Mr. Mahesh Mendis
Factory Manager

Ms. Sajeewani Amarasinghe
Group Finance Manager

Mr. Anura Ratnayake
Group Business Development Manager

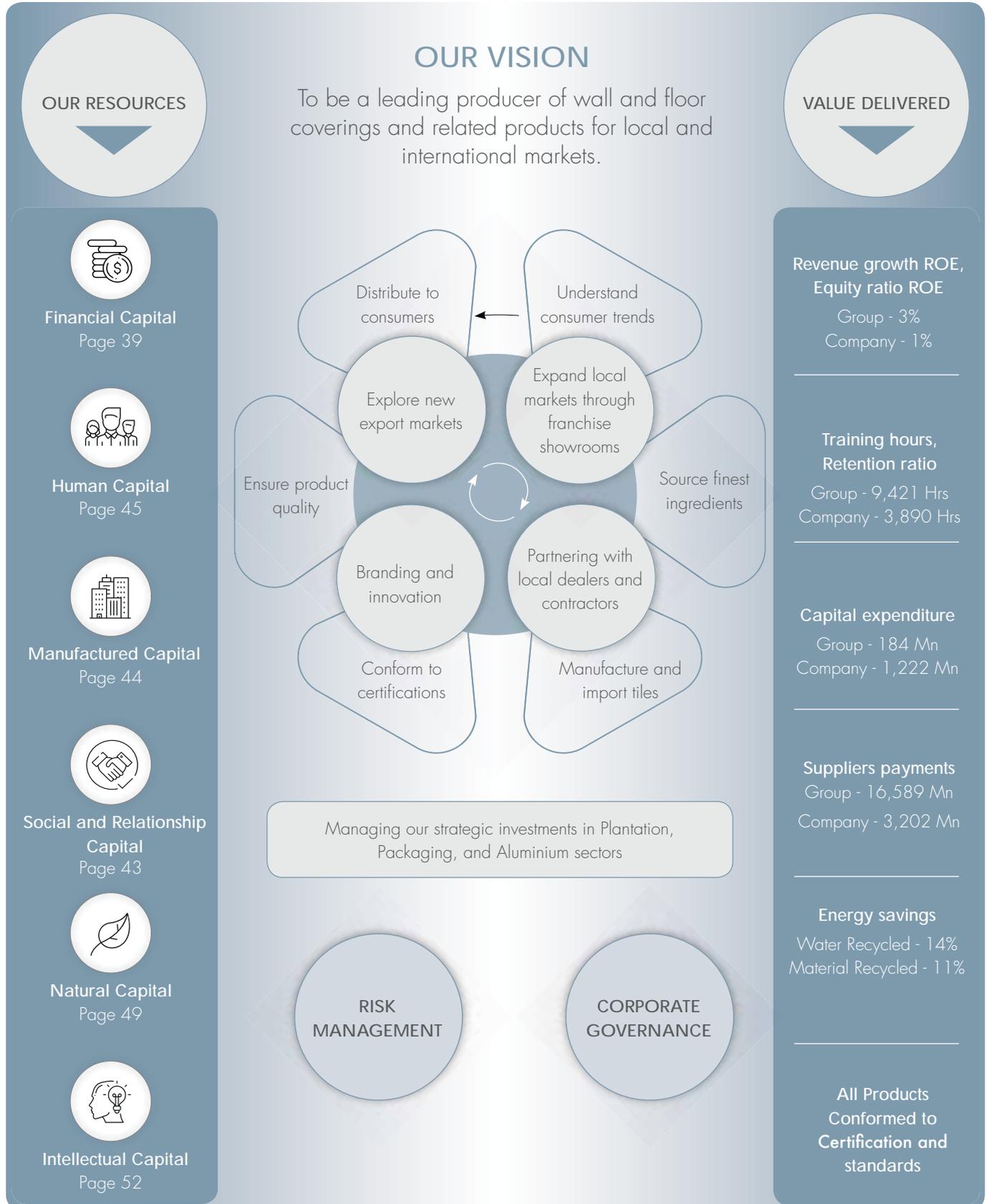
Ms. Kaushalya Sudasinghe
Group Manager - Sales Administration

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

Mr. Athula Hewapathirana
Group HR Manager

Focus on Strategy

CREATING VALUE FOR STAKEHOLDERS



Focus on Strategy

GRI ➔ 102-40,102-42,102-43

RESPONDING TO OUR STAKEHOLDERS

Our business relies around many stakeholders and we are conscious of their contribution towards the success of our business. We believe in the benefits of long term relationships have make it our prime policy to nurture our relationships.

STAKEHOLDER	MATTERS IDENTIFIED	OUR RESPONSES	METHODS
Manpower a team of skilled employees. Architects Designers	<ul style="list-style-type: none"> Competitive remuneration. Talent and skills development. Career progression. Health and safety 	<ul style="list-style-type: none"> Continuous engagement Evaluated compensation packages with industry trends. Training programmes. Certifications and follow of all safety guidelines 	<ul style="list-style-type: none"> Meetings Performance appraisals. Training workshops Notice Boards Labour forums Welfare events
Buyers Customers at showrooms. Online customers	<ul style="list-style-type: none"> Product quality. Reliable services Accessibility choices. Innovative designs Competitive pricing. 	<ul style="list-style-type: none"> New product development. Continues research and development. Certifications. Product options and availability Measure customer satisfaction. 	<ul style="list-style-type: none"> Retail outlets. Dedicated hotlines. Monthly customer surveys. Introducing SMILEYs at showrooms for customer feedback. Customer satisfaction index. Reputed online platforms
Our business partners including Tilers, franchisees, brokers and Fabricators	<ul style="list-style-type: none"> Increasing earning capacities Skills development Development of retail infrastructure. 	<ul style="list-style-type: none"> Provide Trade commissions. Training programs for Tilers and franchisors. Improve collaboration by forming clubs such as Tilers clubs. Frequent engagement. Set up an index for distributors. 	<ul style="list-style-type: none"> Training programmes. Visits to franchise showrooms. Customer hotlines Rent payment for franchise showrooms Trained staff at franchise showrooms
A range of local, overseas and in-house suppliers.	<ul style="list-style-type: none"> Fair pricing Ensure high quality of raw materials. Foster long term relationships. 	<ul style="list-style-type: none"> Negotiate pricing revisions. Credit periods. Supplier skills development On-site visits of ball clay sites to ensure environmental compliance. 	<ul style="list-style-type: none"> Visit supplier sites Meetings Industry forums Constant training programmes.
Communities	<ul style="list-style-type: none"> Harmonious relationships. Environmental grievances. Support in developing communities. 	<ul style="list-style-type: none"> Provide indirect employment opportunities. Manage environmental concerns effectively. (pg 69) 	<ul style="list-style-type: none"> CSR Hollines to address community complaints. Participation in social events.

STAKEHOLDER	MATTERS IDENTIFIED	OUR RESPONSES	METHODS
Providers of capital Equity investors	<ul style="list-style-type: none"> • Revenue growth • Profitability • Cash management • Returns • Leverage 	<ul style="list-style-type: none"> • Drive revenue growth by adopting a sound strategy. • Stringent cost management • Managing leverage. • Maintain adequate cash flows. 	<ul style="list-style-type: none"> • Annual general meetings and extra ordinary general meetings. • Financial reports. • Circulars • Press releases • Dividend announcements and payments.
Debt Investors	<ul style="list-style-type: none"> • Repayment capacity 	<ul style="list-style-type: none"> • Meet payment obligations. 	<ul style="list-style-type: none"> • Payment of debt obligations. • Contracts
Regulatory authorities and industry associations.	<ul style="list-style-type: none"> • Renewal of licenses. • Ethical business operations. • Compliance to regulations. 	<ul style="list-style-type: none"> • Ensure compliance to regulations and industry best practices. • Propose industry recommendations. 	<ul style="list-style-type: none"> • Monthly reporting framework. • Regular monitoring and audits. • Industry forums.

Focus on Strategy

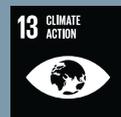
DETERMINING MATERIAL ISSUES

Our management processes stipulate continuous assessment of our material risks in relation to stakeholders and performances of the Company and Group. The highlighted areas in the following materiality map are the focus areas of the Board of Directors and is used as a basis of our reporting throughout the year.

Significance to Company and Group	Significant	High Important	Critical
	Low Impact	Significant	High Important
	Not Material	Low Impact	Significant
Significant to Stakeholder			

Topics	Critical	High	Significant
Economic 	<ul style="list-style-type: none"> Response to global pandemic Market presence Customer satisfaction Product pricing Market share Innovation Product quality Supply chain 	<ul style="list-style-type: none"> Product availability. Process efficiencies. 	<ul style="list-style-type: none"> Capacity expansion Indirect economic impact.
Environmental 	<ul style="list-style-type: none"> Compliance Materials Energy Carbon emissions Effluents and waste 	<ul style="list-style-type: none"> Supplier environmental assessments Water 	
Employee 	<ul style="list-style-type: none"> Employment Health and safety 	<ul style="list-style-type: none"> Training and development. Productivity 	<ul style="list-style-type: none"> Employee relations Attrition
Social 	<ul style="list-style-type: none"> Customer Health and safety Indirect employment. 	<ul style="list-style-type: none"> Marketing communication Marketing and labelling. 	<ul style="list-style-type: none"> Community relationships.

HOW WE ALIGN OUR MATERIAL TOPICS AND RELATED POLICIES WITH GLOBAL SUSTAINABILITY GOALS (SDGS).



Environmental commitments

Environmental policy

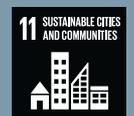


Employee matters

Employment policy

Health and safety policy

Grievance policy



Social matters

20 CSR Activities - Company

1000+ Indirect Employees



Economic

Customer satisfaction 78%
Market share 30% in wall tiles

STRATEGY

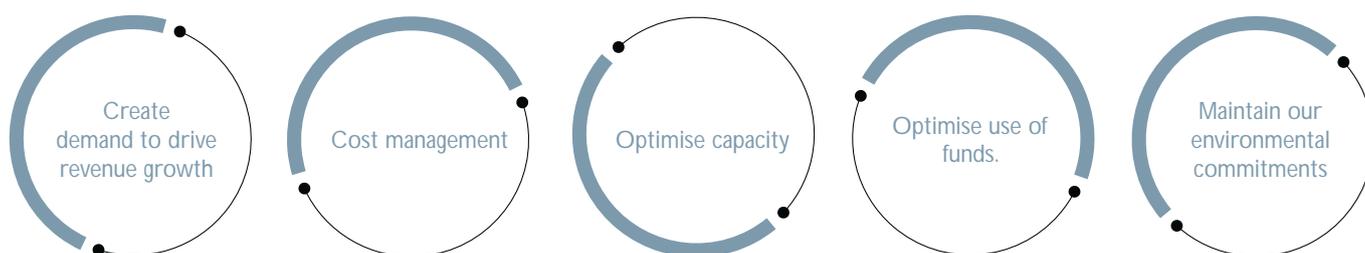
The Group was significantly impacted by the after math of the Easter Bombing in April 2019. However, our strategy remained unchanged for the financial year under review which is diagrammed below. The Global Pandemic which came about at the end of the 4th quarter of the financial year would impact the Group more significantly in the following financial year and our strategies will re-assessed going forward.

Our Strategy in 2019/20	Accelerate Volume Growth	Improve Efficiency	Develop Manufacturing Capacity	Increase Shareholder Returns
Initiatives	Expand offshore	Implement Total productive maintenance (TPM) program to drive process efficiencies.	Invest	Manage leverage
	Energize domestic retail operations by introducing new products and importing low priced tiles.	Develop competencies and increase productivity.	Facilitate imports by setting up production bases in competitive regional markets such as China.	Sustain profitability
	Innovate new designs and styles	Increase sourcing Packing material from our group companies.	Upgrade production lines to manufacture new product ranges.	Manage strategic investments.
	Maintain product quality.	Deliver our environmental commitments.		Optimize use of cash and liquid assets.
Indicators to measure performance	Customer satisfaction at touchpoints increased gradually.	Rs. 186 Mn Packing material sourced from internal suppliers.	Increased Tile production by 4%	Gearing was 73% (Debt to Equity)
	Expand Export Market 8	Cost savings of 6%	Imported Value Rs. 6 Mn	EPS 7.42
	Group Turnover growth 2%	Training and development Rs. 2.8 Mn.	Capital expenditure of Rs. 1.2 Mn.	Share holder Fund increased 3%
		Energy savings 162,795 kwh		Interest income Rs. 1.9 Mn

Focus on Strategy

Our Strategy in 2019/20	Accelerate Volume Growth	Improve Efficiency	Develop Manufacturing Capacity	Increase Shareholder Returns
Outcomes	<ul style="list-style-type: none"> Local sales Revenue increased by 1.5% Export Revenue increased by 1.9% 	<ul style="list-style-type: none"> Net profit 2% compared to 4% in 2019 	<ul style="list-style-type: none"> Assets growth of 7.6%. Total assets of Rs. 33.42 Mn of which PPE accounts for 51%. 	<ul style="list-style-type: none"> Shareholder returns ROE - 3% ROA - 1%
Opportunities	<ul style="list-style-type: none"> Trade wars between US and leading tile exporters such as China opens export opportunities to domestic manufacturers 	<ul style="list-style-type: none"> Availability of high-quality clay locally. 	<ul style="list-style-type: none"> Ample opportunities to expand capacity in regional markets such as India and China. 	<ul style="list-style-type: none"> Market leaders in the industry for more than 40 years
Challenges	<ul style="list-style-type: none"> Subdued economic growth. Competition Changing consumer styles and designs. 	<ul style="list-style-type: none"> Increasing energy costs. Currency depreciation. Increased inflation 	<ul style="list-style-type: none"> Redesigning of product lines led to production losses. 	<ul style="list-style-type: none"> Increasing cost of borrowing. Obsolete inventory. Increase in bad debts

Our medium-term plans to drive growth while operating sustainably



Enablers



Risks and Opportunities

GRI 102-18

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

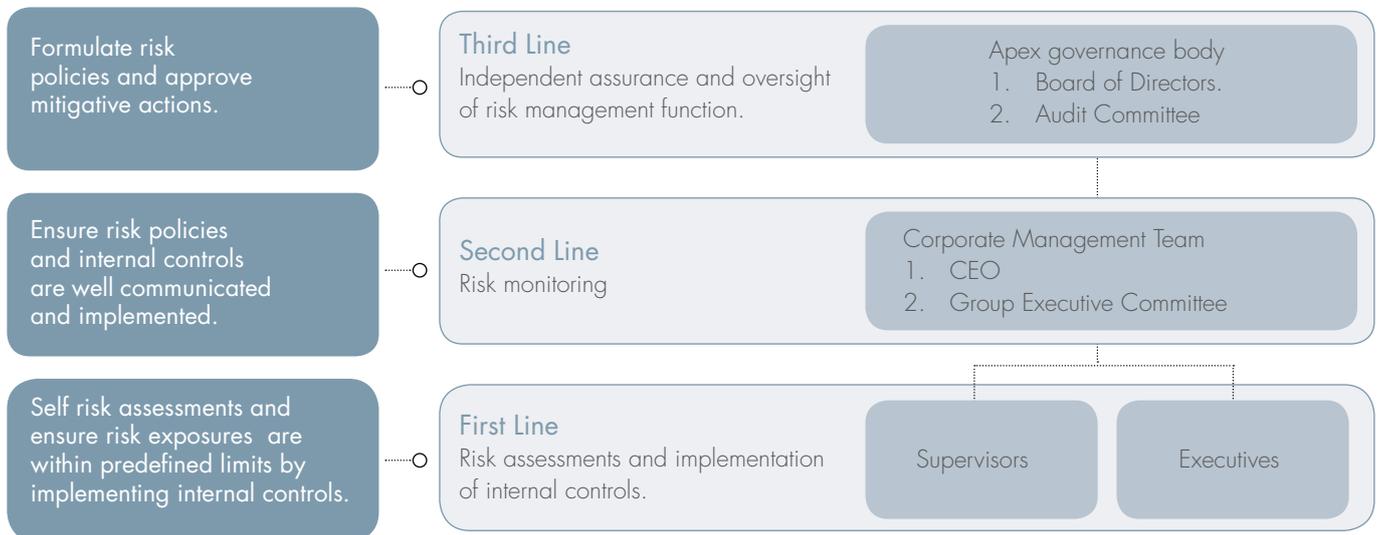
GOVERNANCE

We continue to adopt the three lines of defence model and risk policies, risk appetites and internal controls are communicated to all employees across the organization

- Risks are identified by operational managers who involve in the day to day operations of the business.
- These risks are escalated to the escalated to the Corporate management team; the CEO and the group executive committee. Identified risks are prioritized based

on likelihood and impact. Suitable mitigation actions are developed to minimize our exposure to principal risk categories.

- These are approved by the Board at meetings where the Board of Directors take on the ultimate responsibility of risk management.



KEY DEVELOPMENTS DURING THE YEAR

- Easter bombing aftermath
- COVID -19 Global Pandemic



Risks and Opportunities

Principal risk indicators	Potential impact	Key mitigation
Declining demand <ul style="list-style-type: none"> • Subdued economic growth. • Weak global growth resulting in a lower external demand. • Changing consumer preferences. • Declining construction of commercial and residential properties. 	<ul style="list-style-type: none"> • Sales volumes • Slow moving inventories • Revenue growth • Increase in bad debts 	<ul style="list-style-type: none"> • Provisions for slow moving inventories. • Provision for doubtful debts. • The provision policy is reviewed by external auditors. • Innovate new product designs • Invest Rs. 23.6 Mn on research and development.
Fluctuating market prices <ul style="list-style-type: none"> • Prices for agricultural products such as tea and rubber are determined by the market forces of supply and demand. 	<ul style="list-style-type: none"> • Revenue growth. • Gross profit margins. 	<ul style="list-style-type: none"> • Developed value added products for niche markets. • Crop diversification. • Expanded presence in export markets.
Changing government policies. <ul style="list-style-type: none"> • Further increases in Minimum wage of the plantation employees 	<ul style="list-style-type: none"> • Impact on Gross Profit margins 	<ul style="list-style-type: none"> • Maintained close relations with the government and industry associations. • Assist in formulating industry best practices, laws and regulations.
Product quality	<ul style="list-style-type: none"> • Brand reputation • Revenue growth • Market share • Product returns • Customer satisfaction 	<ul style="list-style-type: none"> • Conformed to certifications • Stringent product testing at own laboratories. • Continuous investments in research and development
Environmental concerns <ul style="list-style-type: none"> • Air pollution • Waste disposal • Compliance 	<ul style="list-style-type: none"> • Brand image • Community relationships. • Fines and penalties • License approvals. 	<ul style="list-style-type: none"> • An environmental policy is in place • Ensure stringent compliance to environmental regulations. • Assess clay suppliers to ensure mines are adequately backfilled. • Implement measures to reduce energy consumption. • Ensure safe disposal of waste.
Climate action <ul style="list-style-type: none"> • Droughts and severe weather conditions • Diseases and forest fires 	<ul style="list-style-type: none"> • Crop cultivation 	<ul style="list-style-type: none"> • Diversify crop cultivation to 03 regions • Revenue diversification.
Stakeholder relationships <ul style="list-style-type: none"> • Suppliers • Distributors • Customers such as Tiler, Fabricators, Tea brokers. 	<ul style="list-style-type: none"> • Any unfavourable impact on our stakeholder relationships could affect our supply chain, market presence and overall profitability. 	<ul style="list-style-type: none"> • Continuous engagement • Diverse supply chain • Provide opportunities to develop skills through training programs for Tilers. • Increase collaboration by forming clubs with market influencers such as Tilers.

Principal risk indicators	Potential impact	Key mitigation						
Financial risks <ul style="list-style-type: none"> • Changes in interest rates • Exchange rate movements • Liquidity risks • Credit risks 	<ul style="list-style-type: none"> • We performed a sensitivity analysis to evaluate the potential impact on profitability. <table border="1"> <thead> <tr> <th>5% change in market variable</th> <th>Impact on profit before tax (Rs 000)</th> </tr> </thead> <tbody> <tr> <td>Exchange rate impact on translation</td> <td>37,897</td> </tr> <tr> <td>Market interest rate</td> <td>57,041</td> </tr> </tbody> </table>	5% change in market variable	Impact on profit before tax (Rs 000)	Exchange rate impact on translation	37,897	Market interest rate	57,041	<ul style="list-style-type: none"> • Trade receivables were maintained within credit limits and secured by Bank guarantees. • Exports under DA terms are insured. • Flexible funding arrangements by maintaining a mix of both committed and uncommitted credit lines. • Maintain a mix of both fixed rate and floating rate debt. • Reporting and monitoring the debt maturity profile.
5% change in market variable	Impact on profit before tax (Rs 000)							
Exchange rate impact on translation	37,897							
Market interest rate	57,041							
Capital risks <ul style="list-style-type: none"> • Gearing ratio was 73% compared to 61% last year. 	<ul style="list-style-type: none"> • Profitability • Returns to equity investors 	<ul style="list-style-type: none"> • Maintain a strong credit profile • Focus on managing cash 						
Operational risks <ul style="list-style-type: none"> • Machine downtime • Health and safety related incidents 	<ul style="list-style-type: none"> • Capacity utilization • Employee productivity • Profitability 	<ul style="list-style-type: none"> • Annual plant upgrades • Five-year strategic plan to increase capacity. • Health and safety policies • Provision of adequate protective gear • Insurance schemes cover 100% of Permanent Employees. • All plant and machinery are purchased from reliable suppliers. These are also periodically tested to ensure safety for use. 						
Cyber attack		<ul style="list-style-type: none"> • Appointed a Chief information security officer (CISO). • Cybersecurity risk and management policy • Implemented a Disaster recovery plan. • Independent review of cybersecurity risk is done by third parties. 						
Business ethics <ul style="list-style-type: none"> • Risk of management fraud, employee fraud and other illegal acts. • Donations • Corruption and bribery 	<ul style="list-style-type: none"> • Business reputation • Profitability. • Stakeholder relationships 	<ul style="list-style-type: none"> • Monthly internal audit of business transactions. • Quarterly audit meetings and monthly Board meetings with supervisors to review the financial status of company. • Integrity of financial statements evaluated by external auditors. • A related party transactions review committee to independently review related party transactions. • Policies such as related party transaction polices. 						

Operating Environment

GRI 203-2



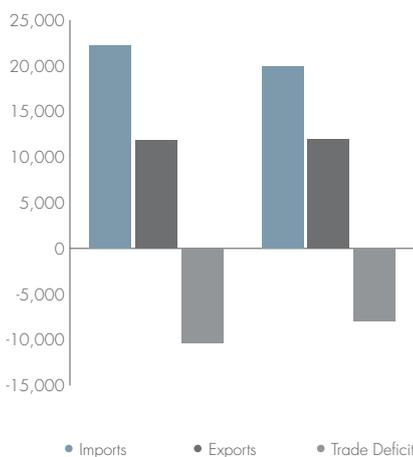
Lanka Walltiles PLC operations are impacted by both the domestic and global economic environment as their products are sold and raw materials are purchased in both these markets.

SRI LANKAN ECONOMY

Sri Lankan economic growth plunged in 2019 by 30% compared to 2018, GDP recording at 2.3% compared to previous years' 3.3%. Per capita income reduced to US\$3,852 and un-employment rate increased to 4.8% compared to 4.4% in 2018.

The slow-down in growth has been mainly attributed to the aftermath effects of the Easter terrorist attacks in April 2019.

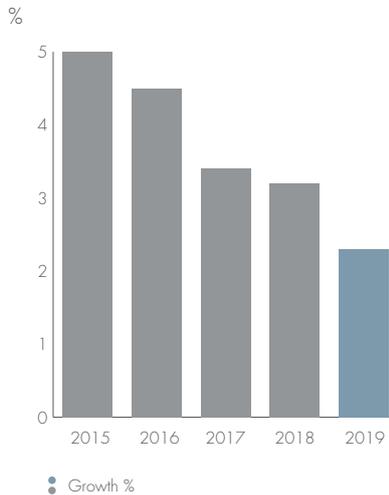
External trade us\$mn



Source : Central Bank Annual Report 2019

Even though a setback in the tourism industry, the external sector remained resilient contributing towards the contraction of trade deficit compared to previous year, with lower import expenditure and increased earnings from exports.

GDP Growth



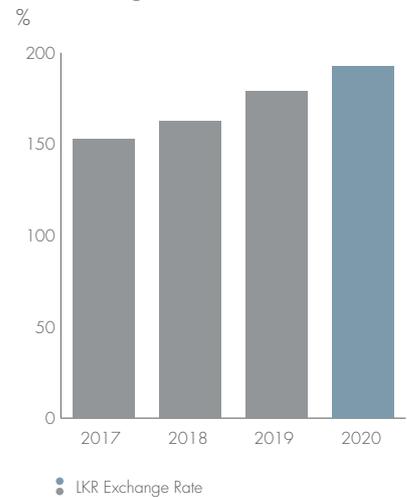
Source : Central Bank Annual Report 2019

However the financial year ending with the rising of the COVID-19 global pandemic has compelled drastic changes to the predictions going forward.

Exchange Rates

The rupee continued to depreciate in 2019 averaging at Rs. 178.98 compared to Rs. 162.54 in 2018 due to a slowdown in capital markets. COVID-19 pandemic has furthered the acceleration of the rate of depreciation peaked at Rs. 192.57 in April 2020.

LKR Exchange Rate

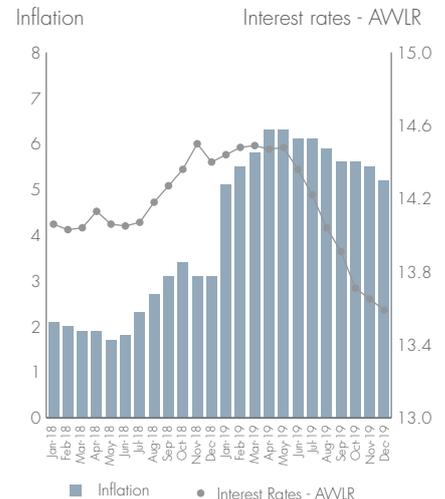


Source : Central Bank Annual Report 2019

Inflation and Interest Rates

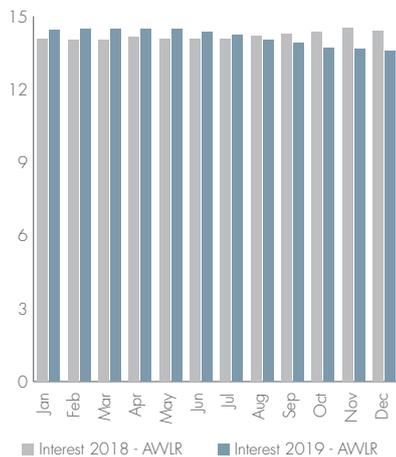
Government intervention have brought down the interest rates ending at 9.74% in 2019 compared to 12.09% in 2018. However the inflation ended at 5.7% compared to 3.1% the highest in the last 24 months.

Interest and Inflation fluctuation



Source : Central Bank Monthly Indicators | Consumer Price Inflation

Interest 2019 compared to 2018

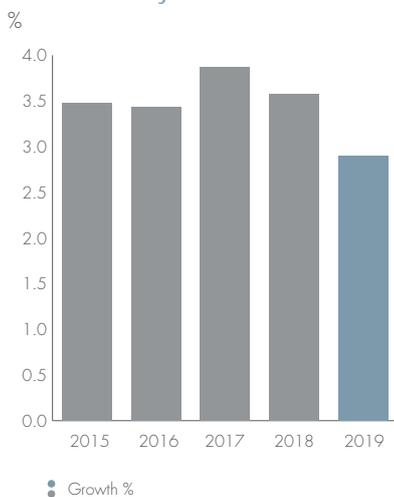


Source : Central Bank Monthly Economic Indicators

GLOBAL ECONOMY

Global economy activity remains weak with a decline in growth from 3.6% in 2018 to 2.9% in 2019. Increase in trade and geographical tensions in the key emerging market economies and impacts of severe weather conditions such as the hurricanes in the Caribbean, bushfires in Australia, floods in Eastern Africa and drought in Southern Africa has been the main causes of the weakened growth.

Global Economy



Source : International Monetary Funds:Real GDP Growth

GROUP EXPOSURE BY SECTOR

Principal risks indicators	Our Exposure as a % of Revenue	Sector Growth 2019 As per CBSL report – Monthly Economic Indicators Mar 2020	Sector Growth 2018 As per CBSL report – Monthly Economic Indicators Mar 2020
Agriculture Sector	9%	0.6%	6.5%
Industries	91%	2.7%	1.2%
Services	-	2.3%	4.6%

TILES AND ACCESSORIES

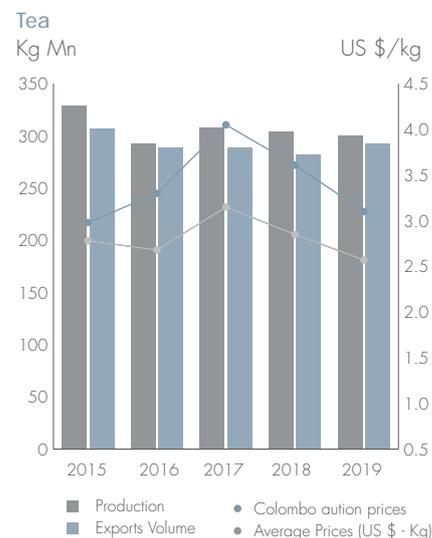
With the slowdown in economy the construction industry also weakened resulting in a decline in the Tile demand compared to previous year. The depreciation in the rupee and the relaxed monetary stances such as reduction in market interest rates and VAT rates have assisted in slowing down of the weakening economy.

Tile supply in 2020 was 27.1 Mn sq.mt compared to 29.6 Mn sq.mt in 2019 and 30.9 Mn sq.mt in 2018. Higher demand for competitively priced tiles in local markets resulted in low cost importers continuing to form a significant share of the tile supply. Cost of production in local tiles continued to rise with the increase of energy costs.

Refer page 21 for the groups marketing strategies under the current market conditions.

PLANTATION SECTOR

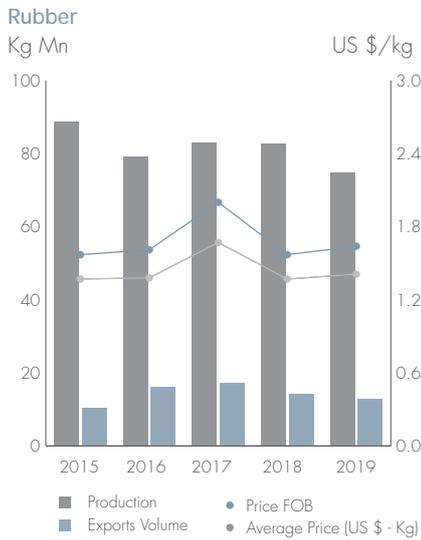
The sectoral sector contributions remained similar to previous year with the Agriculture sector recording a flat growth of 0.6%. Sri Lanka's Tea production for the year 2019 recorded at 300.13 MKgs a marginal decline by 1.25% compared to previous year. Sri Lanka's production as a percentage share of world production declined to 5.2 % however exports has increased by 3.64% compared to 2018.



Source : Central Bank Monthly Economic Indicators | Tea Export Association In Sri Lanka

The total National Average of Tea price for the year 2019 was USD 3.05 per kilo compared to USD 3.58 in 2018 a 14.8% decline. However, with the depreciation in dollar overall revenue generated from tea exports recorded its highest ever in rupee terms at Rs.240.63Bn

Operating Environment

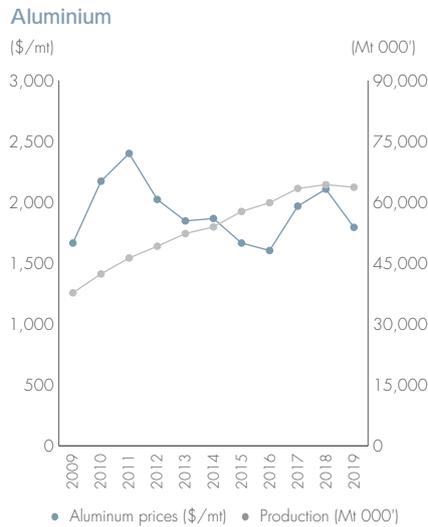


Source : Central Bank Monthly Economic Indicators / World Bank Pink Sheet

Global Rubber Price increased by 4.46% in 2019 due to Thailand, Indonesia and Malaysia announced that they will implement "rubber export restrictions which may promote natural rubber imports.

ALUMINIUM

Global Aluminium production declined recording at 63,697MT in 2019 compared to 64,336MT in 2018. The price of global aluminium also declined by 14.9% ending at an average of USD 1,749/MT in 2019. The declining mainly attributed to the slowdown in demand due to decline in global growth mainly in China and resulting excess production. China continued to dominate the global Aluminium industry as the single largest producer and consumer. Hence, US trade sanctions on China had a severe impact on the global Aluminium prices.



Source : Index Mundi:Aluminium Monthly Price

LOCAL DEMAND

Aluminium extrusion capacity decreased by 13% to 10,528 MT in 2019 compared to 12,114 MT in 2018 due to slowdown in economic growth and the resulting decline in the construction industry. Excess production and over capacities increased in the domestic extrusion industry and at the same time an increase in imports of substitutes at cheaper prices created intense competitions in the market.

Factors impacting demand



Source : Central Bank Annual Report 2019

PACKAGING

Demand for corrugated and paper sacks increased by 10% in 2019 compared to 2018. FMCG has been the main contributor for the captured growth, whilst tea and apparel have recorded a marginal year on year growth.

The paper market crisis which was prevailing during 2018 was steadied towards the beginning of 2019 financial year and as a result paper prices were trending lower throughout the year. However, weakening of Rupee has diluted the benefit of declined paper price.

OUTLOOK

The recent COVID-19 pandemic outbreak has dampened the outlook that was previously expected to progressively recover. The virus outbreak being a global pandemic is expected to impact Growth negatively as it has almost brought export earnings, private consumption and investments to a standstill leading to a situation of job insecurity and loss of individual income.

According to the World Economic Outlook (WEO) of the IMF, Global growth which was previously predicted to stabilize in 2020 to 3.3% has now been re-projected to contract sharply by -3% and recover by 2021 with a growth of 5.8%. The revised projections are on the assumption that the pandemic will be overcome by the second half of the year 2020 and to date the predicted outlook looks gray.

Sri Lanka's budget deficits and debt levels could further negatively impact market sentiments and lead to the depreciation of currency. The government of Sri Lanka has taken several measures to stabilize the

impact. However, the foreseeable future of the Group in terms of their strategies will need to be shortened and it will need to be continuously re-assessed to adopt to the market fluctuations and uncertainties.

GROUP EXPOSURE BY SECTOR

Overview of the World Economic Outlook Projections	2019 - Actual	2020 - Predicted	2021 - Predicted
World Output	2.9%	-3.0%	5.8%
Advanced Economies	1.7%	-6.1%	4.5%
Emerging Markets & Developing Economies	3.7%	-1.0%	6.6%
World Trade Volumes	0.9%	-11.0%	8.4%

(Source: IMF WEO April 6, 2020)

Sri Lanka's budget deficits and debt levels could further negatively impact market sentiments and lead to the depreciation of currency. The government of Sri Lanka has taken several measures to stabilize the impact. However, the foreseeable future of the Group in terms of their strategies will need to be shortened and it will need to be continuously re-assessed to adopt to the market fluctuations and uncertainties.

Business line reviews

TILES AND ASSOCIATED PRODUCTS



BRANDS

Lanka Tiles
Coloma
Swisstek



DOMESTIC MARKET SHARE

Wall Tile 30%
Floor Tile 20%



INTERNATIONAL MARKETS

USA, Australia,
Singapore, India,
Canada



% OF REVENUE OF THE GROUP

56%



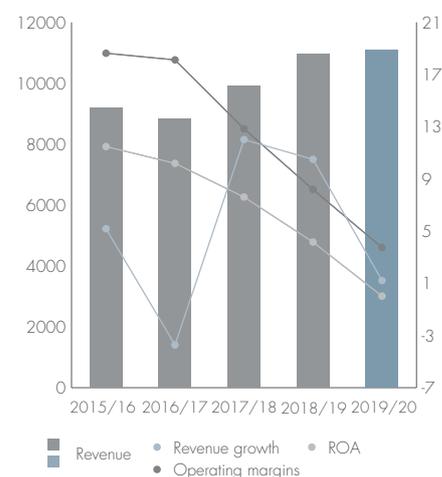
CERTIFICATIONS

ISO 9001
ISO 14001
Green Label

Rs.	2019/20	2018/19	Growth	Contribution to Group
Revenue	11,078	10,945	1%	56%
Gross profit	3,774	3,231	17%	79%
GP margins	34%	30%	14%	79%
Operating profits	1,627	1,537	6%	82%
Profit after tax	710	897	-21%	171%
Assets	24,342	21,530	13%	67%
Liabilities	10,577	8,508	24%	59%

Total Assets of the sector increased by 13% to Rs. 24.3 Bn driven by capital expenditure and 920 Mn. Impairments of debtors and inventories increased by 16% to Rs. 23 Mn. Liabilities increased by 24% to Rs. 10.6 Bn during the year and new borrowings of Rs. 4.8 bn.

Performance



Revenue of Tile and Associated products increased marginally by 1.2% during the year compared to 2019. The dampened economic growth due to the aftermath of the Ester Sunday terrorist attacks and the resulting decline of the construction industry saw a reduction in demand in the local tile industry in the first two quarters of the financial. However, the Groups' strategy for one-stop bathware solution has worked positively even during the dampened economic growth. Recently introduced bath-ware and accessories lines namely Coloma Bathware range and its franchise sales outlets performed favourably, contributing to gross profit.

Export revenue further contributed to the Groups revenue growth, increasing sales by 2% compared to 15% drop in 2019 as a result of the Group penetrating into new global markets, introducing value added product range and evolving into online international sales through world renowned

online sales platforms such as Amazon. The Group increased its gross profit margins to 34% in 2020 compared to 30% in 2019 even with the increase of energy costs with the reduction of wastage and by introducing trim tile products and recycling of scrap materials. Groups' focus on higher margin products further contributed towards the gross profit.

Operating profit of the cluster increased compared to previous recording at Rs 1,627 Mn (2019: Rs. 1,537 Mn). Stringent management of variable costs and cost savings due to the government policy change in Nation Building Tax have contributed to the saving in bottom line even with the subdued growth of revenue and significant increase in inflation. However, the increased finance costs by 140% compared to previous year has diminished the bottom line of the sector.

PLANTATIONS



BRANDS

Horana Plantations PLC
Tea 80%
Rubber 15%
Timber &
Other 5%



DOMESTIC MARKET SHARE

16 estates - 7,534
Hectares



INTERNATIONAL MARKETS

Indirect
Export
Market



% OF REVENUE OF THE GROUP

9



CERTIFICATIONS

HACCP
Rain Forest Alliance

Rs.Mn.	2019/20	2018/19	Growth	Contribution to Group
Revenue	1,762	2,005	-12%	9%
Gross profit	(218)	165	-232%	-5%
GP margins	-12%	8%	-250%	-5%
Operating profits	(306)	141	-317%	-15%
Profit after tax	(535)	8	-7078%	-129%
Assets	4,071	4,145	-2%	12%
Liabilities	2,925	2,491	17%	16%

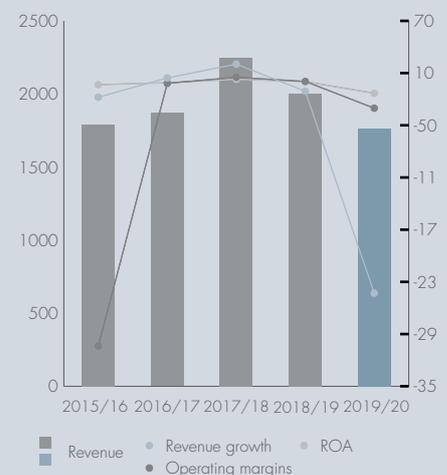
The Plantation sector witnessed a roller coaster year with a fluctuation of monthly revenue growth. At year-end total Revenue declined by 13% ending at Rs. 1,762 Mn in comparison to 2019. Average Tea prices declined by 13% in 2020 compared to 2019 and Rubber prices increased by 11% in 2020 compared to 2019. Demand for Tea and Rubber declined by 0.3% and 35% respectively compared to 2019. The global pandemic further diminished the growth rate with the curtailing of exports.

Revenue from other diversified products such as oil palms, timber, coconut, etc. also declined by 25% compared to previous year mainly due to the restrictions enforced by the government for palm oil production.

Gross Profit of the sector saw a negative contribution during the year due to significant increases in costs in the Tea plantations mainly due to the increase in minimum wage in the Tea sector.

The sector recorded a loss after taxation for the year of Rs. 535 Mn, impacted by the escalation of cost of production as described above, increase in operating expenses by 26% impacted by increase in inflation and finance expenses by another 12%.

Performance



Business line reviews

ALUMINIUM



BRANDS

Swisstek Aluminium



DOMESTIC
MARKET SHARE

30%



INTERNATIONAL
MARKETS

UK



% OF REVENUE OF
THE GROUP

16%



CERTIFICATIONS

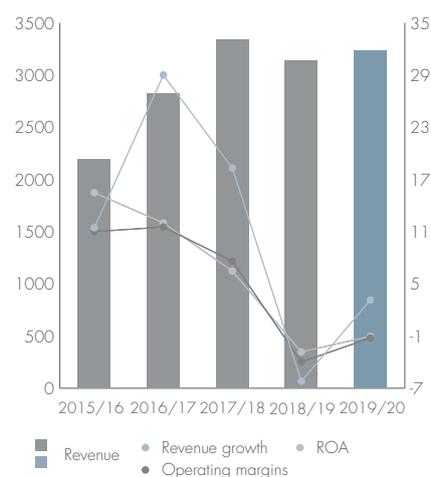
QUALICOAT
Certification

Rs.Mn.	2019/20	2018/19	Growth	Contribution to Group
Revenue	3,235	3,134	3%	16%
Gross profit	577	533	8%	12%
GP margins	18%	17%	5%	12%
Operating profits	255	155	64%	13%
Profit after tax	(40)	(125)	68%	-10%
Assets	3,884	4,425	-12%	12%
Liabilities	2,710	3,210	-16%	15%

Revenue of the Aluminium sector increased by 3% to Rs. 3,235 Mn a turnaround in revenue growth compared to previous year. The sector consistently maintaining its reputation for its superior quality and services was awarded the contract for the high-end construction project the Water Front project by Cinnamon Life that contributed towards revenue growth. The sectors focus on diversifying the business by including new product lines such as fabrications and finished products such as multi-purpose ladders, furniture and accessories have also contributed to the growth in revenue and profits margins.

The assets of the sector reduced mainly due to the increase in provision for doubtful debts and liabilities reduced by 15% compared to previous year mainly due to repayment of short-term and long term borrowings.

Performance



PACKAGING



BRANDS

UNI-DIL Packaging



DOMESTIC MARKET SHARE

17%



INTERNATIONAL MARKETS

Indirect Export Market



% OF REVENUE OF THE GROUP

19%



CERTIFICATIONS

HACCP
ISO 22000
ISO 14001

Rs.Mn.	2019/20	2018/19	Growth	Contribution to Group
Revenue	3,855	3,543	9%	19%
Gross profit	652	374	74%	14%
GP margins	16%	10%	60%	14%
Operating profits	397	201	97%	20%
Profit after tax	283	20	1322%	68%
Assets	3,137	2,967	6%	9%
Liabilities	1,647	1,663	-1%	9%

Revenue continued to grow in 2020 by 9% (2019: 27%) to Rs. 3.9 Bn and gross profit by 74% compared to previous year mainly due to the increase in market share compared to previous year. The cost management initiatives implemented in 2019 to improve efficiencies, reduce wastage, and enhance productivity has brought in positive results increasing operating profits by 97% and reducing liabilities by 1%.

GROUP OUTLOOK

The overall outlook of the Group is presently gloomy due to the on-going global pandemic, COVID-19. Even though Sri Lanka appears to be less impacted when comparing the number of infections, the outlook of the economy is daunting which will have a substantial impact on the Group. The spread of the virus in the Global markets being more significant will also have a bearing on the Group.

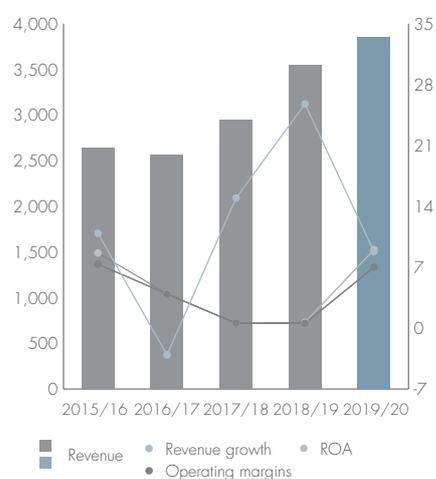
As a result, the borrowings for capital expenditure during the past couple of years will not give a return that was previously predicted and would continue to burden the bottom line and cash liquidity of the Group.

The focus on online sales platforms as a strategic move even before the Global Pandemic has worked more positively than previously anticipated to drive revenue, specifically in the Tile Sector. Subsequent to year end the world prices of the Tea saw its highest ever due to demand and supply disparities which is an encouraging outlook for the sector.

Further, the Group has taken following measures to mitigate the risks;

- Manage cash flows by deferring and restructuring debt repayments and deferring payments to business partners.
- Curtailing expenses and cutting down all non-priority expenses.
- Continuously reviewing operations to find ways to reduce financial and operational risks.
- Implementing health and safety measures for all stakeholders

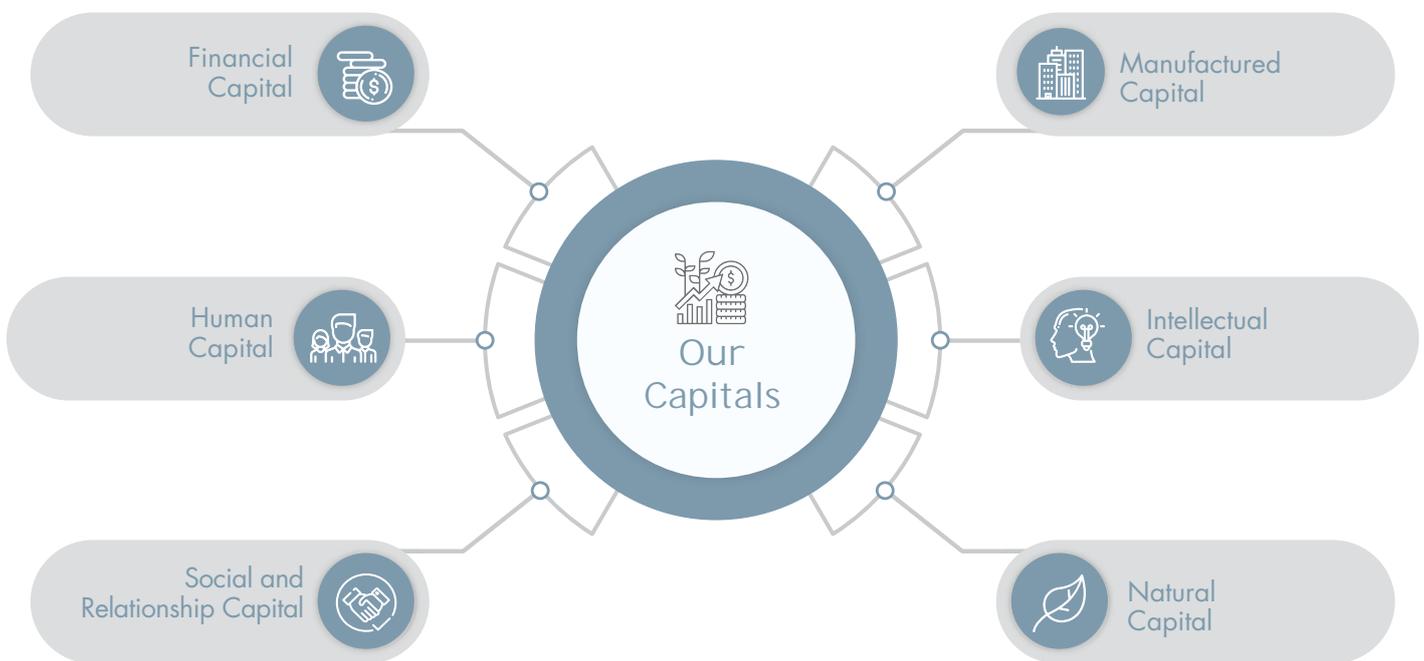
Performance



The Capitals Report



The Group evaluates its performance by the value it has created through the following Capitals, each of which are elaborated below.



Page **39**
Financial Capital



Page **45**
Human Capital



Page **43**
Social and Relationship Capital



Page **44**
Manufactured Capital



Page **52**
Intellectual Capital



Page **49**
Natural Capital



Financial Capital

Despite strong economic headwinds and weaker consumer disposable income, Lanka Walltiles Group has delivered a profit of Rs. 415 Mn as we implemented a customer-centric strategy to deliver growth and earnings.



EARNINGS

	Revenue (Rs. Mn)		EBITDA (Rs. Mn)		PAT (Rs. Mn)
2019/20	19,930	2019/20	2,935	2019/20	415
2018/19	19,626	2018/19	2,854	2018/19	780
2017/18	18,313	2017/18	3,501	2017/18	1,611
2016/17	16,000	2016/17	3,657	2016/17	1,947
2015/16	15,545	2015/16	3,366	2015/16	1,813



GROWTH

	PPE (Rs. Mn)		Total Assets (Rs. Mn)		Net Assets (Rs. Mn)
2019/20	16,884	2019/20	33,423	2019/20	15,558
2018/19	16,823	2018/19	31,056	2018/19	15,185
2017/18	14,316	2017/18	25,723	2017/18	14,415
2016/17	12,988	2016/17	22,203	2016/17	13,559
2015/16	11,943	2015/16	19,592	2015/16	12,045



STABILITY

73

Group
Debt: Equity Ratio

43

Company
Debt: Equity Ratio

Performance of the Tile and Aluminium sectors of the Group are aligned to the construction sector activity and household incomes which have been at a relatively low ebb this year. We are pursuing export expansion and value addition, expanding our horizons to deliver growth. Packing Materials sector has a broader exposure to active sectors of the economy and is expected to perform in line with economic activity. The Plantations sector performance is expected to pick up as they recover from the drought of 2019.

The Capitals Report

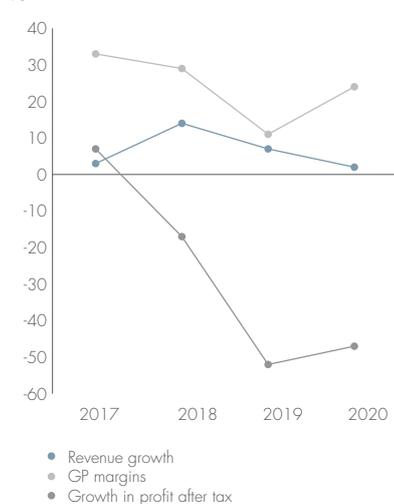


The sectors' strategies of diversification of product portfolios and introduction of finished product lines have contributed to the growth of the Gross Profit Margins.

HIGHLIGHTS – INCOME STATEMENT

Rs. Mn	2020	2019
Revenue	19,930	19,627
Gross profit	4,785	4,303
Operating profit	1,973	2,034
Net finance costs	-1,170	-841
Profit before tax	804	1,192
Profit after tax	415	780
EPS (Rs.)	7.42	11.3

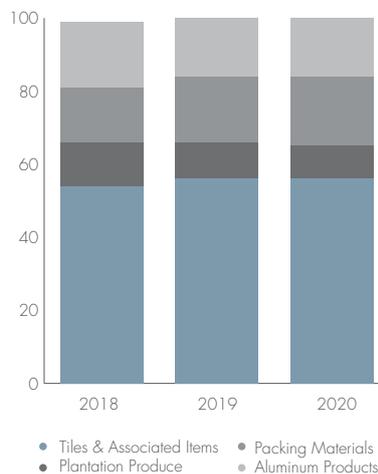
KPI



REVENUE

Consolidated revenue of the Group increased marginally by 2% (2019: 7%) compared to previous year. The slowdown in revenue is largely attributed to the effects of the Easter Sunday terrorist attacks in April 2019 which resulted in a decrease in economic growth rate and per capita income.

Revenue Contribution by Sector



The Tile sector accounts for 56% of consolidated revenues in line with last year and remained relatively flat, increasing by just 1% over 2018/19. Sub-sector, Lanka Walltiles recorded an increase of 8% revenue growth driven by the expansion of their product portfolio and increased exports. The successful introduction of affordable bathroom-ware and accessories line to the local business enabled us to offer a complete one-stop shop experience for customers and supported top line growth. Exports also increased due to growth in the US as a key customer listed our products on Amazon. This cushioned 5% decline in Lanka Tiles top line stemming from increased price competition resulting in a more modest overall growth rate for the tiles sector.

Plantation sector contributing 9% to the Group revenue saw a decline in revenue by 12% compared to previous year mainly due to the decline in market prices in the exports. The Aluminium sector contributing 16% to the Group revenue recorded the growth in revenue by 3% mainly due to contracting with high-end construction projects such as the Water Front project by Cinnamon Life. The sectors diversifying its product lines, fabrication and finished products such as multi-purpose ladders, furniture and accessories have also contributed to the growth in revenue.

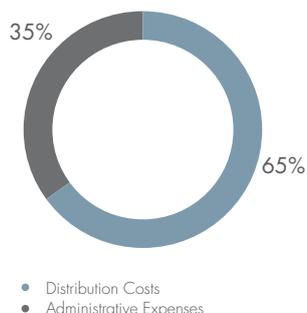
Also refer page 34 to 37 Business review for further analysis of revenue of each sector.

Cost of Sales and Gross Profits

	Gross Profit Margin %	
	2020	2019
Tiles	34	30
Plantations	-12	8
Aluminium	18	17
Packaging	16	10

The Gross Profit Margin of the Group increased from 22% to 24% during the year contributing Rs.4,785 Mn to the Group. The direct cost was heavily impacted by the rise in energy costs and depreciation of exchange rates resulting in an increase in cost of sales in the tile sector and plantation sector. However, the sectors' strategies of diversification of product portfolios and introduction of finished product lines have contributed to the growth of the Gross Profit Margins. Gross Profit Margin of the plantation sector saw a negative growth due to the decline in commodity prices and increase in cost of production. The excessive rain brought with it additional costs such as requirement of more fertilizer and costs for soil erosion restoration. The wage increments to Rs.700 per day and Rs.50 price supplement in 2019 further impacted the gross profit margin of the plantation sector.

Operating Expenses



Operating expenses of the Group recorded at Rs.2,972 Mn a increase of 3% (2019: 2%) compared to previous year. With lower revenue growth, stringent cost controls, mainly in administrative costs, a saving of approximately Rs.24Mn.

EARNINGS BEFORE INTEREST AND TAX

Increase in revenue by 2%, an increase gross profit margin by 11% and a increase net operating expenses by 28% compared to previous year has resulted in an decrease in Operating profits of the group amounting to Rs.1,973 Mn, a 3% decrease compared to 2019.

BORROWINGS AND FINANCE COSTS

With the slow-down in economy and resulting sluggish growth in revenue the Groups Borrowings and Finance costs continue to be high, an increase during the year by 38% to Rs. 1,171 Mn (2019: 77% to Rs. 847 Mn.). New borrowings of Rs. 12,828 Mn. (2019: Rs. 10,841Mn) was used to fund capital expenditure and debt obligations that fell due during the year.

TAXES

Group Taxes declined by 6% during the year. However, the effective tax rate increased to 45% compared to 35% of previous year. This was primarily due to

the reduction in tax allowance on capital expenditure reducing

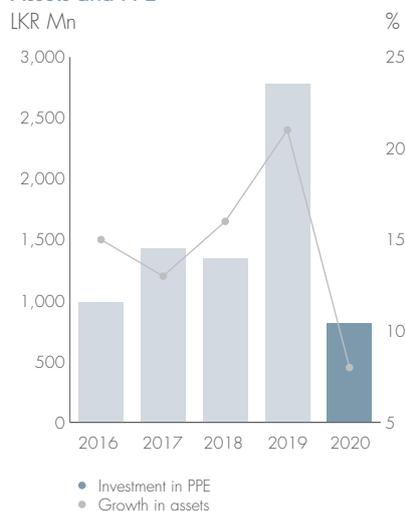
PROFITABILITY

The earnings before interest and tax an decrease of 3% compared to previous year even after a financial year heavily impacted by the slow- down in economy and increase in inflation and depreciation of currency is commendable. However, net profit after tax declined by 47% (2019: 52%) to Rs. 415 Mn (2019: Rs. 780 Mn) mainly due to increased finance costs and taxes. Consequently, earnings per share declined to Rs. 7.4 per share compared to Rs. 11.3 per share in 2019.

Highlights – Balance Sheet

Rs. Mn - as at 31st March	2020	2019
Assets	33,423	31,056
PPE	16,884	16,823
Inventories	10,226	8,316
Cash and cash equivalent	413	402
Equity	15,558	15,185
Liabilities	17,865	15,871
Debt Equity	73%	61%
Current Ratio (Times)	1.26	1.34
Quick Ratio (Times)	0.38	0.47
NBV per share	0.61	0.57

Assets and PPE



ASSETS

Group Assets increased by 8% to 33Bn compared to 2019 due to increased inventory amounting to Rs.10.2Bn. The increase stems from the closure of local sales showrooms due to the lockdown and exports sales being curtailed towards the end of the financial year, both caused by the global pandemic. The Group was compelled to increase the provision for doubtful debts by 50% compared to previous year.

LIABILITIES

Liabilities of the Group increased by 13% to Rs.17,865 Mn compared to previous year. The increase of Rs.1,991 Mn from previous year is mainly due to the increase in short-term (ST) interest bearing borrowings owing to the closure of sales outlets during the month of March 2020 due to the lock-down and having to keep the factory running as it was not sustainable to close down production. These impacts compelled management to delay repayment of borrowings to manage its cash flows.

LIQUIDITY RATIO

Groups liquidity position narrowed with current ratio and quick asset ratio declining to 1.26 and 0.38 respectively. Even though the current ratio is still above 1, the increase in borrowings during the year by 18% compared to previous year has brought about a decline in current ratio compared to previous year. The significant increases in inventory levels, by 23% compared to previous year and short-term borrowings by 38% compared to previous year have affected the decline in quick asset ratio. Management is closely monitoring the Groups position to ensure a healthy cash flow is maintained under unpredictable circumstances.

The Capitals Report

CAPITAL EXPENDITURE

During the year, the Group invested Rs. 1,218 Mn (2019: Rs. 2,942 Mn) on property, plant and equipment of which Rs.498 Mn of investments were on plant and machinery of the Lanka Tiles and Alumex. Lanka Tile invested Rs. 126 Mn on a heat recovery system to recycle waste water and generate energy for the kilns. The Group also invested Rs.128 Mn on Water Supply and Electricity Distribution schemes 624 Mn.

CASH FLOW AND WORKING CAPITAL MANAGEMENT

Cash and cash equivalents of the Group at financial year end declined to a negative of Rs.2,395 Mn due to an increase in short-term borrowings by Rs. 1,050 Mn from previous year. Although there was a negative contribution from cash outflows from operating activities of Rs. 624 Mn during the year, this was an improvement

by 33% when compared to previous year. The increases in inventories, mainly in the tile sector and borrowing cost have continued to impact the negative cash outflows in operating activities. During the year the Group Invested Rs. 1,068 Mn primarily in property plant and equipment which is elaborated under capital expenditure. Cash flows from Financing Activities amounted to Rs. 12,826 Mn in new borrowings and Rs. 11,945 Mn in repayments of borrowings.

CAPITAL STRUCTURE

Our capital structure changed during the year as the working capital and expenditure continue to be mainly funded through new borrowings. The gearing ratio increased to 73% compared to 63% in previous year as the borrowings increase.

Return to Shareholders

Indicators	2020	2019	% change
ROE	3	5	-48%
Net Assets per Share	213	206	3%
Earnings per share	7.42	11.3	-34%
Market Price per share	47	60	-22%
Market capitalization I (Rs. Mn)	2,566	3,276	-22%
Dividend per share	-	3	-100%

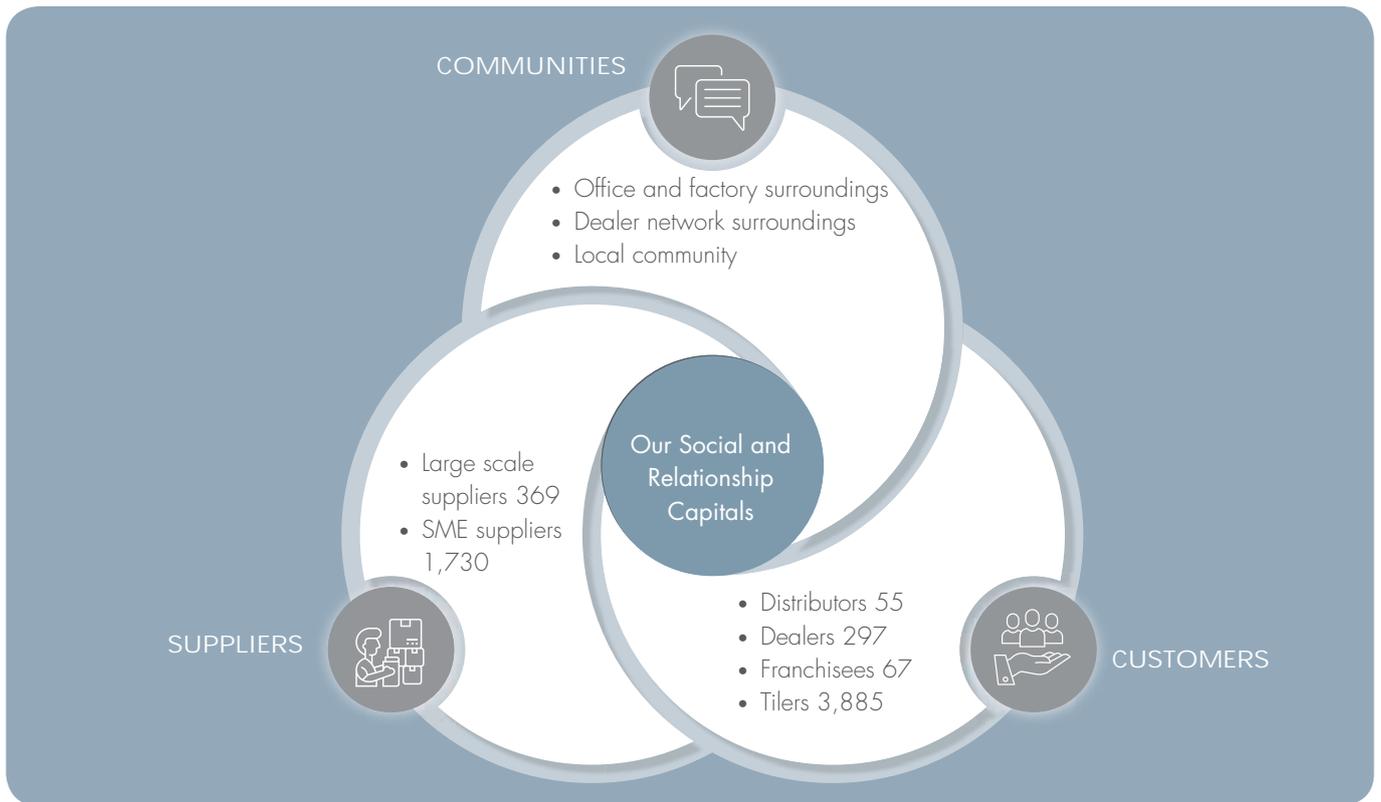
Shareholder equity increased by 3% to Rs. 11,621 Mn during the year. This was driven by the increase in retained earnings and revaluation reserves of the Group. The stated capital of the group remained in line with last year.

GRI 102-12,204-1,102-9,102-10,413-1,
416-1,416-2,417-1,417-2,417-3,308-1



Social & Relationship Capital

We continue to nurture our long-standing relationships with our customers, suppliers and communities in keeping with our philosophy and in a structured and clearly defined relationship management process.



Building relationships with our Customers Consistent product quality

- Enhanced product choices
- New products introduced during the year - 369
- Expansions during the year – franchise outlets 14
 - Forming customer communities such as Tile Club
 - Providing infrastructure facilities to dealers such as rent free retail outlets, trained staff and credit periods.
 - Continuous training and development on the job as well as off site.
- Providing retail flexibility such as online purchase options.

Taking care of our Suppliers

- Fair pricing of products purchased.
- Supplier monitoring, training and developing for product quality and safety measures
- Routine visits to supplier clay mines to ensure mines are backfilled and proper labour laws such as child labour is adhered to.
- Paying supplier dues on a timely basis.

Nurturing our Communities

- Providing direct and indirect employment opportunities.
- Increase in number of dealers 34
- Number of new recruitments 1,405
- CSR projects.
- Environment conscious operations.
- Mother and Children friendly plantation program certified by a globally recognised initiative; ' Save the Children '.

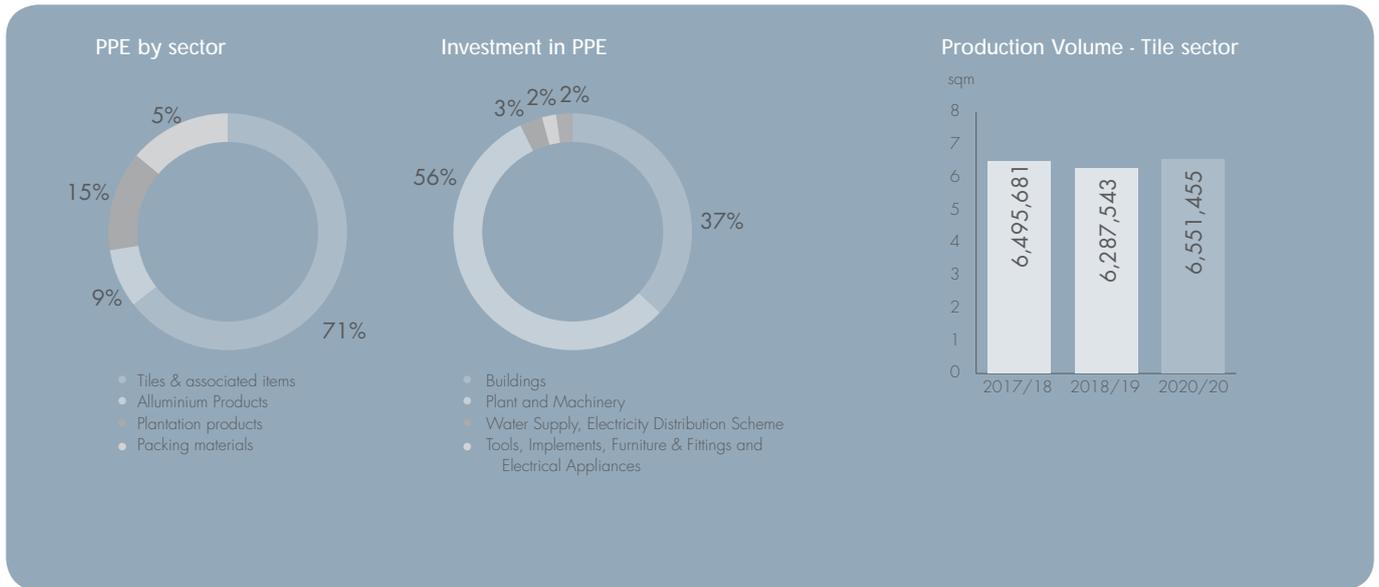
The Capitals Report

GRI 203-1



Manufactured Capital

Our Manufactured Capital includes state of the art manufacturing facilities and modern retail infrastructure covering local and international markets. During the last five years we have invested Rs. 539 Mn in upgrading our facilities to produce a new wall tile product portfolio for our consumers.

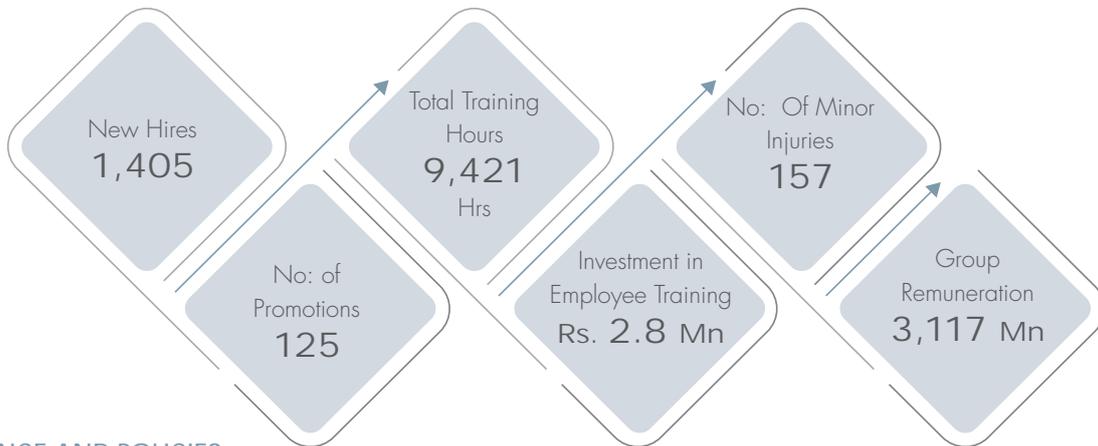
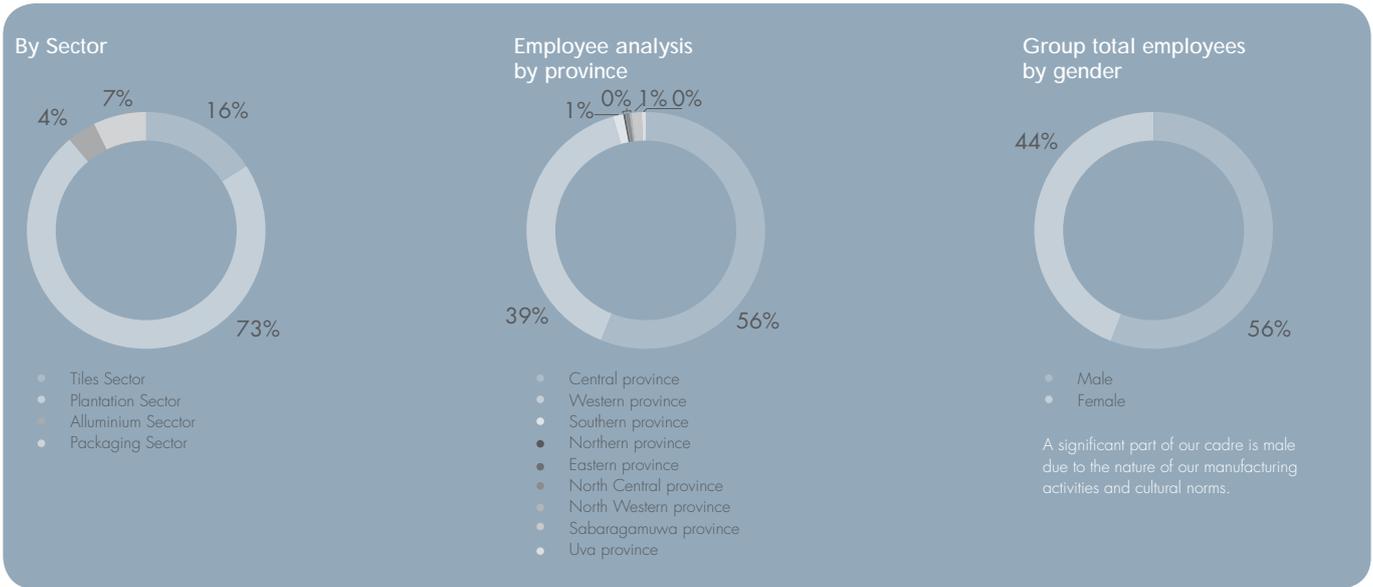


Tiles	Aluminium	Plantations	Packaging
<p>Wall tiles</p> <ul style="list-style-type: none"> Facility located in Meepe Capacity of 2.4 Mn sq.mt. Manufacture varied colours, textures and styles of wall tiles 	<ul style="list-style-type: none"> State of the art aluminium extrusion facility located in Dompe 	<ul style="list-style-type: none"> 9 Tea Factories 4 Rubber Factories 	<ul style="list-style-type: none"> Manufacturing facility using state-of-the-art Japanese machinery is located in Dekatana Capacity of 38,400 MT Produce corrugated cartons and paper sacks
<p>Floor tiles</p> <ul style="list-style-type: none"> Facility located in Ranala. Capacity of 4.8 Mn sq.mt. Products include Glazed, Vitrified & Ceramic floor tiles 	<ul style="list-style-type: none"> Capacity of 8,400 MT Produce Aluminium profiles. 		
<p>Production Capacity Utilisation</p> <p>Wall - 86%</p> <p>Floor - 93%</p>	<p>Production Capacity Utilisation</p> <p>46%</p>	<p>Tea Production Capacity Utilisation</p> <p>2,442,000Kg</p>	<p>Production Capacity Utilisation</p> <p>80%</p>
<p>Warehouse capacity</p> <p>1,861,284 sq.mt</p>	<p>Warehouse capacity</p> <p>35,000SQFT</p>	<p>Rubber Production Capacity Utilisation</p> <p>594,000Kg</p>	<p>Warehouse capacity</p> <p>4,000MT</p>



Human Capital

We strongly believe in nurturing our team in both mental well-being and in enhancing their capabilities to create value, innovation and increase productivity. The Group has 7,424 employs working, a pictorial profile of our team is given below.



GOVERNANCE AND POLICIES

As a responsible employer we strive to ensure strong governance for a conducive working environment for our employees. Our policies are procedures ensure the following aspects are covered.



The Capitals Report

GRI 401-1,401-3,405-2,102-8



REPORTING STRUCTURE

The guidelines are monitored and reported to the following structure. Monthly meetings with the Board of Directors include a report from the Human Resource Department where matters arising are discussed.

EQUAL OPPORTUNITY AND HUMAN RIGHTS

As an equal opportunity employer, we maintained a ratio of basic salary of women to men at 1:1. Our employee relationships are maintained through the guidance of the set Code of Conduct guidelines. We strongly believe in work balance which is instilled in all our policies and procedures. Our policies prohibit employment of anyone under 18 years of age and also precludes use of compulsory or forced labour. All employment undertaken by Group falls within the nationally established institutional and legal frameworks, and all statutorily required payments towards provident funds are made on behalf of staff. We strictly adhere to all labour laws of Sri Lanka including the Shop and Office Employees' Act, Factories Ordinance and Gratuity Act and confirm that there are no penalties for non-compliance of the said laws.

Employee Analysis

Employee by Sector	2020	2019	2018	2017
Tiles and Accessories	1205	1376	1257	1242
Plantation	5399	5769	5825	6420
Aluminium	282	448	388	280
Packaging	538	408	376	353
Total	7424	8001	7846	8295

Employee Turnover and recruitments

	Under 30 years	30-50 years	Over 50 years	Male	Female
Employee Turnover	376	363	918	901	756
New Recruitments	616	663	126	798	607

REMUNERATIONS AND BENEFITS

The Group remuneration and benefits for the year 2020 amounted to Rs. 3,117 Mn compared to Rs. 2,875 Mn in 2019. In addition, wage negotiations and new wage agreements in the plantation sector further increased the employee related costs of the group.

Employee remuneration and benefits for 2020

	2020	2019	2018
Staff cost (Rs. 000)	2,667,349	2,497,026	2,664,405
Define contribution schemes such as EPF and ETF (Rs. 000)	279,831	251,464	237,674
Defined benefit plans Gratuity (Rs. 000)	169,765	126,289	135,738

The following benefits were offered to employees in certain business sectors.

Plantation

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

Tiles and Accessories sector

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

Aluminium

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

Packaging

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

TRAINING AND DEVELOPMENT

During the year the Group has invested Rs. 2.8 Mn on employee training and developments which covered training programmes on spiritual management, through various counselling programmes, music therapy and other mind, body and soul management programmes.

Average training hours per employee	2020
Senior Management and above	86
Executive Staff	921
Non Executive Staff	7927
Other	487

By Gender	2020
Male	8355
Female	1066

The Capitals Report

GRI 403-1, 403-2, 403-4, 404-3, 102-41, 102-8

CAREER PROGRESSION

Performance reviews were conducted annually based on set KPI's on performance and attendance. Appraisals of employees under collective bargaining agreements were conducted as per the terms of the agreement.

Group Remuneration	2020	2019	2018
Remuneration per employee (Rs.)	419,847	359,302	387,180
Revenue per employee (Rs.)	2,684,497	2,453,088	2,334,087

HEALTH AND SAFETY

Health and Safety of our workforce and our working environment is of utmost importance to us and stringent policies and procedures are in place and implementation is continuously monitored. In addition, we comply with internationally recognized safety standards such as OHSAS 18001 at our Lanka Walltiles factories and showrooms. A safety committee is in operation to monitor occupational health and safety.



For our employees working at our factories, Health and safety topics are covered under collective bargaining agreements. Employees are provided with adequate protective gear such as goggles, helmets, gloves and industrial standard boots and it is compulsory that employees wear the protective gear. We perform regular awareness sessions and display signs and other safety information throughout the factory premises to remind employees of our safety standards and protocols. Employees are provided regular training on the use of safety equipment in cases of fire or disaster situations and safety manual are freely available to employees.

SAFETY MEASURES ADOPTED IN MACHINERY

Machinery is only purchased from credible suppliers and after a extensive evaluation process and the machinery purchased are meticulously tested prior to and after implementation at factories. Routine maintenance checks are performed to assess the safety of machinery and equipment.

During the year under review there have not been any major accidents due to negligence.

RETENTION

During the year, 1,405 personnel were employed and 125 personnel were promoted within the Group of Companies. With the current financial year forecast to be a slow growth one, managements' main focus was to train and develop the existing cadre. The Groups' overall employee retention rate is commendable at 78% consistent from previous year. Plantation sector, however continued its trend of high employee turnover of 22%. The sector continued to focus on improving employee welfare facilities and employee productivity by recognizing employee performance through annual awards, best plucker competitions, etc. During the year the award for the best plucker included a return airline ticket and accommodation to India.

EMPLOYEE GRIEVANCE MECHANISMS

The Group has a grievance policy in line with best practices of OHSAS 18001 and all grievances are considered strictly confidential and addressed through a structured resolution process. There were no significant grievances reported during the year.

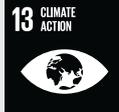
EMPLOYEE ENGAGEMENT

We have an open door policy and have maintained continuous engagement with employees through both formal and informal mechanisms through regular staff and team meetings and social and welfare events were held throughout the year.



Natural Capital

We are conscious that our Group plays a significant role in society and our environment well-being and we are committed to ensuring that we fulfil our role. We constantly explore opportunities in minimizing our environmental impact by using renewable materials, innovative technologies and effectively manage waste and carbon emissions.

  <p>Raw material and waste management</p> <ul style="list-style-type: none"> Recycle and reuse materials. Visit supplier mines to ensure environmental compliance 	 <p>Energy consumption</p> <ul style="list-style-type: none"> Monitor energy intensity. Energy consumption was increased (electricity) by 1% and (LPG) by 1% compared to last year 	 <p>Minimizing emissions</p> <ul style="list-style-type: none"> Managing air and sound pollution. Minimizing Carbon emissions. Testing air quality. 	 <p>Manage water consumption</p> <ul style="list-style-type: none"> Measure water consumption. Increasing employee awareness on using water sparingly
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LAND

Natural Capital	2020	2019
Total extent of Land	214A	213A

We own freehold and leasehold land of 214 acres for commercial, Mining and Agricultural purposes. We are mindful that mining of clay results in a depletion of natural resources and quarries need rehabilitation and accordingly we ensure that all our mines are backfilled in compliance to the environmental laws. We also work only with suppliers who comply with the requirements for backfilling of mined lands.

BEARER BIOLOGICAL ASSETS

Horana plantations PLC has a net book value of Rs. 2,208 Mn in Bearer Biological Assets and we are conscious in ensuring that the estates are managed giving due consideration to the environment.

RAW MATERIALS

The main materials used in our facilities include clay, silica sand and aluminium billets. We focus on using our materials effectively by adopting the 3R model of reduce, re-use and recycle and give particular attention to the clay mines and the rehabilitated after extraction.

Material Usage-MT

Natural Capital	2020	2019
Renewable Material Usage	52,613	45,195
Non Renewable Material Usage	159,294	134,246
Total Material Usage	211,907	179,441

During the year, we consumed 211,907 MT of raw materials of which 11% was recycled and reused in tile manufacturing.

We also consumed 3,636 MT of Aluminium billets of which 100% was recycled and reused in the production process.

Other initiatives

- Improving material efficiency:
- Investment in state of the art plant and machinery
- Sourcing of premium quality raw materials
- Minimizing waste by establishment of a Waste Management Department to monitor and minimize waste
- Sourcing of raw materials from suppliers certified for their environmental and social management practices.
- Use of non-toxic materials in the manufacturing process. We do not use any hazardous chemicals such as Lead, Antimony and Arsenic.

The Capitals Report

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

We constantly explore means of reducing our energy consumption as part of our sustainability commitments and cost management initiatives.

Our main initiatives to improve energy efficiency include monitor energy consumption monthly and energy efficiency improvement project to identify and implement energy saving processors. During the year, we saved 162,795 Kwh of energy and initiatives to reduce electricity consumption in office premises and showrooms such as using energy saving bulbs.

ENERGY CONSUMPTION

Energy Consumption	2020	2019	2018	Variance
Diesel(Litres)	972,467	597,072	787,259	63%
Electricity(unit)	38,397,304	37,983,438	35,842,370	1%
LPG(Kg)	15,001,372	14,862,538	13,814,480	1%
Furnace oil(Litres)	329,044	306,054	263,829	8%
Biofuel-(kwh)	10,233,189	12,051,935	9,665,509	-15%
Other(Kg)	624,010	878,083	939,304	-29%

WATER

Natural Capital	2020	2019
Water withdrawal (M3)	239,585	238,832
Water withdrawal (M3/ Rs.mn revenue)	12.07	12.2
Effluent discharge (M3)	144,169	112,352

During the year we consumed 239,586 M3 of water for Production and the daily use by employees. In which 14% of water was recycled and used in various activities such as production and cleaning. Sign are placed near cafeterias and restrooms to remind employees to encourage our team to use water economically.

EFFLUENTS AND WASTE

We do not produce any hazardous waste from the manufacturing process. The main forms of waste from our manufacturing process include paper waste, aluminium billet scraps and solid waste and our environmental policies implements steps to ensure safely and responsible disposal of such waste. We ensure that:

- All our manufacturing waste are tested and treated prior to disposal.
- All other wastes such as plastic, polythene, paper, metal scraps etc. are collected and segregated and sold to third parties.
- Waste water is treated through an effluent treatment process that complies with the parameters of the environmental protection license issued by the Environmental Protection Authority of Sri Lanka.
- We ensure not to discharge any waste water into water bodies or biodiversity rich habitats.

EMISSIONS

Our Emissions include the fumes and noise emitted to the environment through our manufacturing process. We focus on reducing our carbon footprint and containing air and noise pollution. The main forms of emissions in tile manufacturing include Greenhouse gas (GHG) emissions, tile dust and other types of air emissions.

OUR MAIN INITIATIVES INCLUDE:

Minimizing emissions:

- Using cleaner production methods and machinery with eco-friendly features
- Ensure Kiln chimneys are at a height that allows for the evaporation of any released vapours without harming the environment.
- Programs to improve fuel efficiency in manufacturing.
- Installed dust collectors to minimize dust emissions. The dust collected was reused in the production process.
- Improved internal control systems to measure and manage sound pollution. The crushing process continued to be outsourced to a third party located within the factory radius. In addition, certain production areas were sound proofed due to high level of sound in production processors. We also purchased land P. 228 surrounding our factories.

Testing air quality and monitoring emissions

- Ensured factory emissions are below the permissible levels set by the CEA.
- Monitor air emissions for ensure Sulphur dioxides and nitrogen dioxides are maintained below regulatory level.

GRI 307-1

- The air quality around the Meepe factory was well within the regulatory permissible level of 100 Micrograms.
- All vapours and air emissions are non-toxic and regularly monitored to measure any changes in the level of toxicity.
- Dust emissions of the company are well below the maximum permissible levels of the CEA.

COMPLIANCE

We are compliant with all relevant environmental regulations during the year under review. The Group has invested to ensure that the following standards are stringently followed wherever applicable:

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

Environmental grievance

Environmental grievances of communities can be reported through company hotlines. During the year, there were no significant grievances reported

The Capitals Report



Intellectual Capital

Our intellectual capital includes brand equity, innovative capabilities of our employees, our recipes and manufacturing practices that ensure product quality. It also includes our initiatives to leverage on group linkages that drive efficiencies in the value chain.

BRAND EQUITY

Our products across the diverse sectors are renowned for its superior quality and is recognized as a trusted brand by our wide market presence in both local and export markets, strong customer relationships and loyalty.

In the Aluminium sector, we were the first company in Sri Lanka to obtain the QUALICOAT certificate for our powder coated products.

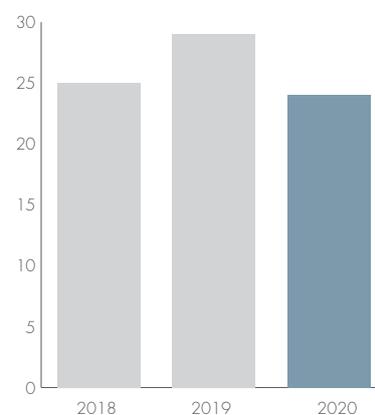


INNOVATIVE CAPABILITIES

We continue to invest in research and development and following are some of our initiatives in the past years.

- Design and develop new wall tile product range with new designs and styles.
- Value-added products for niche customers in the agricultural industry
- Entered the Aluminium fabrication business by launching a wider product range to enter into the premium quality markets.

Research and development (Rs mn)



RECIPES AND MANUFACTURING KNOW-HOW

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

ACCREDITATIONS

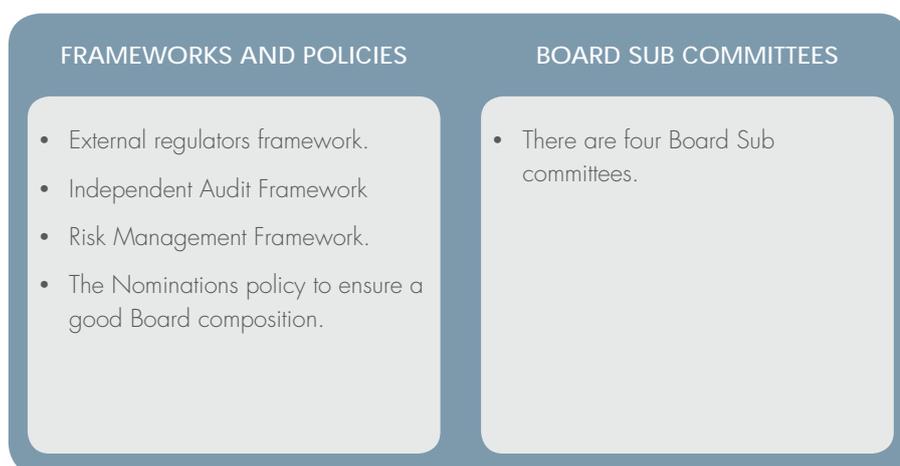
Our Certification	Description
Lanka Walltiles PLC	
ISO 9001 : 2015	The Quality Management System is designed to help organizations ensure that they meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements related to a product or service
ISO 14001 : 2015	ISO 14000, the Environmental Management System exists to help organizations to minimize how their operations negatively affect the environment; comply with applicable laws, regulations, and other environmentally oriented requirements; and continually improve in the above.
CE Mark	CE marking (i.e. European Conformity) is a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area.
Green Label	A green label is a symbol that shows a product is less damaging to the environment or to the people making it more safer and environmentally friendlier than other similar products.

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

Corporate Governance

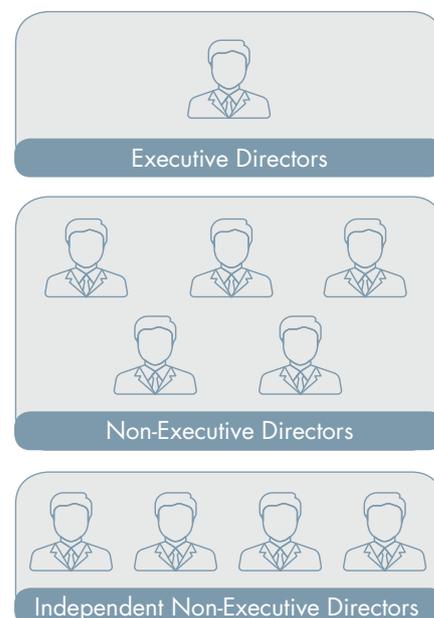
Strong business ethics, sound policies and procedures, effective and efficient monitoring systems are considered as key ingredients of our Group Corporate Governance System and the Board of Directors holds ultimate responsibility to formulate the corporate strategy. The governance framework is built to ensure fair balances of the interests of multiple stakeholders while driving sustainable value creation to shareholders. The Board adopts both regulatory and voluntary codes of best practices in corporate governance. This includes the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka in conjunction with the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

The Corporate governance framework of the Group comprises of:



THE BOARD COMPOSITION

The Board of Directors consists of 01 executive director and 09 non-executive directors a well-balanced team with an optimum mix of qualifications, industry knowledge and business experience. As at March 31st 2020 the Board of Directors were as follows:



Director	Status
Dharmika Perera	Non - Executive
A M Weerasinghe	Non - Executive
J A P M Jayasekera	Executive
Dr. S.Selliah	Non - Executive - independent
T G Thoradeniya	Non - Executive
R N Somaratne	Non - Executive
K D G Gunaratne	Non - Executive - independent
A M L Page	Non - Executive - independent
J D N Kekulawala	Non - Executive - independent
S M Liyanage	Non - Executive (Appointed w.e.f. 21.02.2020)

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

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

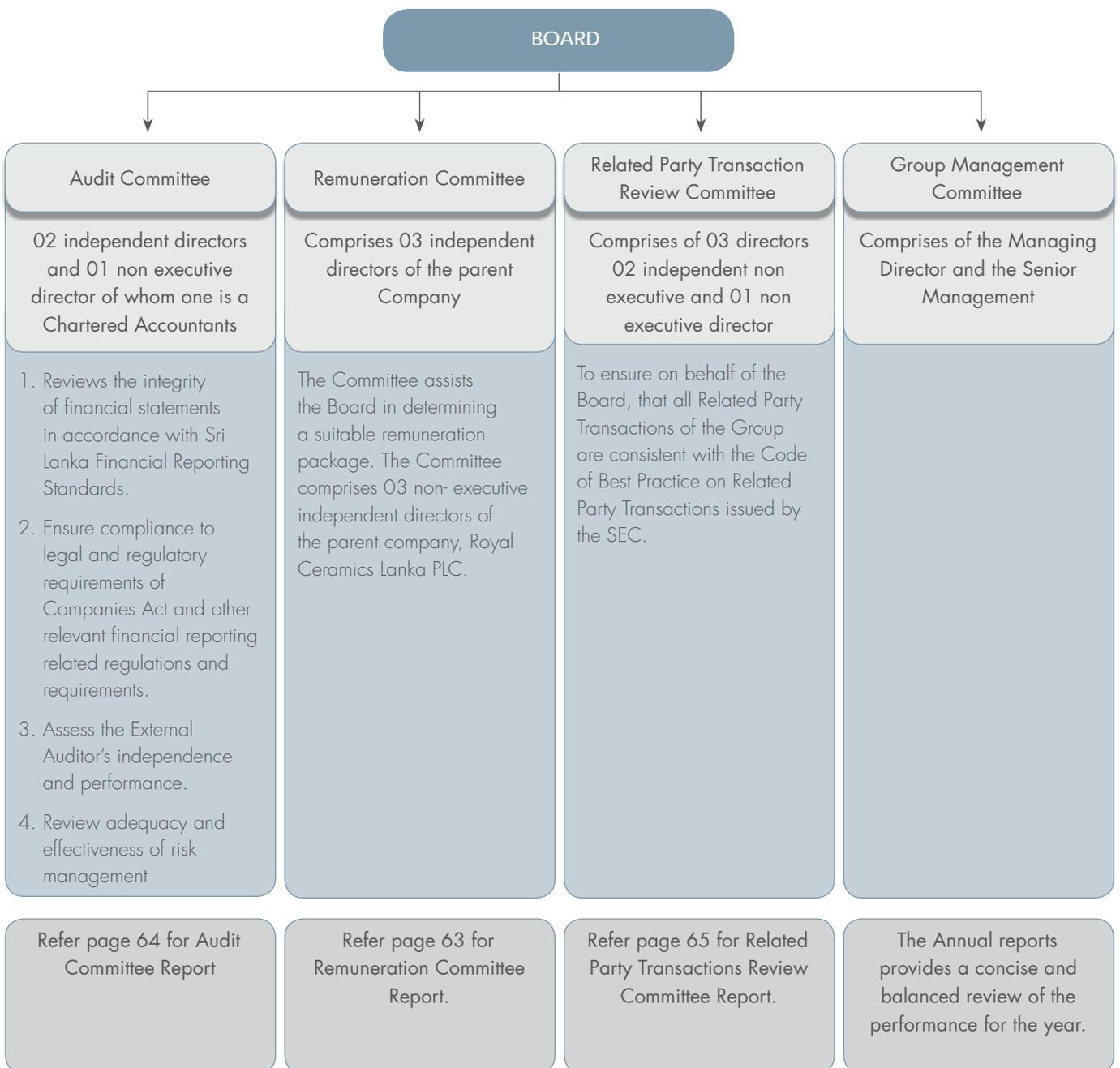
Accordingly, the Directors were considered independent in compliance to criteria set out in the Listing Rules of the Colombo Stock Exchange.

CHAIRMAN & MANAGING DIRECTOR

The Chairman is a non-executive and the role is segregated from the Managing Director’s role. The Managing Director is appointed by the Board and 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 Director confirming compliance with regulatory requirements.

BOARD COMMITTEES

Four main sub-committees appointed by the Board take on the responsibilities for management of affairs of the Group. These committees are as follows:



Corporate Governance

MEETINGS AND ATTENDANCE

Name	Attendance		
	Board Meetings	Audit Committee	Related Party Transactions Review Committee
Dhammika Perera (Chairman)	5/12		
A M Weerasinghe (Deputy Chairman)	12/12		
J A P M Jayasekera (Managing Director)	12/12		
Dr. S Selliah (Managing Director)	10/12	4/4	4/4
T G Thoradeniya (Director)	12/12	3/4	3/4
K D G Gunaratne (Director)	9/12		
A M L Page (Director)	10/12		
R N Somaratne (Director)	12/12		
J D N Kekulawala (Director)	12/12	4/4	4/4
S M Liyanage (Director) (Appointed w.e.f. 21.02.2020)	1/12		

COMPLIANCE TO CORPORATE GOVERNANCE RULES OF CSE

Corporate Governance Principal	CSE Rule Reference	Compliance Status	Description
Non- Executive Directors	7.10.1	✓	Lanka Walltiles has nine non-executive directors out of ten directors.
Independent Directors	7.10.2 (a)	✓	The Company has four independent directors out of ten which is above the minimum requirement.
	7.10.2 (b)	✓	The Boards determines the independence of each individual Directors on an Annual basis.
Disclosures relating to Directors	7.10.3	✓	Refer Director's Profiles in page 16
Remuneration Committee	7.10.5 (a)	✓	The Group remuneration committee comprises of three independent non-executive directors of Royal Ceramics Lanka PLC.
	7.10.5 (b)	✓	The committee met once for the year and report is published on page 63.
	7.10.5 (c)	✓	The remuneration paid to all directors is given on page 149.
Audit Committee	7.10.6 (a)	✓	The Audit committee consists of three non-executive directors, two of whom are independent.
	7.10.6 (b)	✓	Refer Report of the Audit Committee
	7.10.6 (c)	✓	
Related Party Transactions Review Committee	9.2.2	✓	The committee consists of three non-executive directors two of whom are independent.
	9.3.2	✓	Refer Report of the Related Party Transactions Review Committee in page 65.

Guidelines	Status of Compliance	
The Board		
Frequency of Board Meetings	<ul style="list-style-type: none"> Meetings of the Board was held every month. The Board sub committees had 04 meetings. The attendance of Board meetings is described in the table above. 	A.1
Role and responsibility of the Board	<p>The main roles of the Board were:</p> <ul style="list-style-type: none"> Formulate and implement an effective strategy. Risk management Ensure compliance to all relevant laws and regulations. Maintain an effective governance framework consisting of policies and internal controls. Appoint and re-elect the members of the Board. Every member of the Board, except the Managing Director is re-elected at regular intervals at least once in three years. 	
Compliance with applicable law	The Board ensured the Group is compliant with all applicable, rules, laws and regulations.	
Company Secretary	The services and advice of the Company Secretary M/s. P W Corporate Secretarial (Pvt.) Ltd. is available at any given time to the Board. The Secretary also informs the Board of any new laws and regulations that will need to be adhered with.	
Other	<ul style="list-style-type: none"> The Board of Directors are committed in providing independent judgment in the decision-making process. The Directors attended all Board meetings in person and allocate adequate time and effort in managing the affairs of the group. All Directors have a considerable experience in the Ceramic industry. The directors also participated in training programs both locally and overseas during the financial year to further upskill their knowledge and competencies. 	
Chairman and CEO		
Division of responsibilities between the Chairman and CEO	<ul style="list-style-type: none"> The Chairman holds the responsibility of overseeing the activities of the Board. The executive responsibility of overseeing the business of the company is held by the Managing Director. There is a clear distinction of responsibilities within the Board. 	A.2
Prepare good corporate governance and facilitate effective discharge of Board functions	During the year, the Chairman conducted 12 Board meetings to maintain close contact with the directors. In addition, informal meetings were with non-executive directors were held whenever necessary.	A.3

Corporate Governance

Guidelines	Status of Compliance	
Financial Acumen		
Availability of sufficient financial acumen and knowledge.	The Managing Director is a Fellow Chartered Accountant and possess the necessary financial knowledge and expertise to assist the Board in managing the financial matters of the company.	A.4
Board Balance		
The Board should have an adequate number of Directors with a balance of executive and non executive Directors of sufficient calibre along with independent Directors.	The Board comprises of ten executive and non- executives Directors.	A.5
Supply of information		
Relevant information and agenda to be circulated in a timely manner to the Board.	The Board papers are circulated a week prior to Board meetings to provide an adequate briefing on relevant information.	A.6
Changes to the Board		
Procedure for appointing the Board of directors.	<ul style="list-style-type: none"> All new appointments are informed to the CSE as per existing regulations. Appointments are undertaken by the Board of Directors. 	A.7
Re-election	As per the Articles of Association one third of the Directors are required to retire from office and apply for re-election every year by shareholders.	A.8
Information disclosure to shareholders	All Directors have declared their details on pages 16 to 19 as Director profiles.	A.10
Appraisal of the Board		
Boards should periodically appraise their own performance in order to ensure that responsibilities are discharged in a satisfactory manner	The Board evaluates performance by: <ul style="list-style-type: none"> Assessing the achievement of corporate goals. Evaluating the effectiveness of strategy. Adherence to laws and regulations. Managing stakeholder requirements. 	A.9
The Board is required to assess the performance of the CEO annually.	The CEO is reviewed annually by the Board based on the strategic targets set for the year.	A.11
Directors Remuneration		
Formal and transparent procedure for developing policies on remuneration.	The remuneration committee assists the Board of Directors in matters concerning the remuneration of Directors and employees of the organization.	B.1
Levels of remuneration	The remuneration levels are aligned to industry standards and comply with statutory labour laws and regulations. We offer an attractive remuneration to motivate and retain Directors, senior management and the employees of the Group.	B.2
Disclosure of Remuneration	The remuneration report can be found in page 63 of the report which explains the adherence to the remuneration policy of the group. The aggregate remuneration paid to Executive and Non executive Directors are disclosed on Page 149.	B.3

Guidelines	Status of Compliance	
Relations with stakeholders		
Constructive use of the Annual General Meeting and conduct of General Meetings	The board encourages the active participation of the shareholders at the Annual General Meeting (AGM).	C.1
Communication with shareholders	The Company Secretary is considered the official contact person for shareholders. However, other processors are also in place to contact the company.	C.2
Major and Material Transactions	There were no transactions during the period under review which are considered as material/ Major as per the companies Act. The report of the Related Party Transactions Review Committee is on the pages 65 to 66.	C.3
Accountability and Audit		
Financial and Business Reporting	The annual reports present a balanced and concise overview of the activities of the Group. It also includes the financial accounts, management reviews and Director reports.	D.1
Risk Management and Internal Control	A sound risk management framework is adopted by the group consisting of policies, internal controls and periodic monitoring. These are described in the risk management section of the report.	D.2
Audit Committee	The activities of the Audit committee are described in page 64	D.3
Related Party Transactions Review Committee	Related Party Transactions Review Committee report on Pages 65 to 66. In addition, the details of related party transactions are described in line with IAS 24.	D.4
Code of Business Conduct and Ethics	The Board of directors have adopted the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission	D.5
Corporate Governance Disclosures	Adheres to established principles and practices of good Corporate Governance. These are described in the Corporate governance report in page 54.	D.6
Shareholders – Institutional Investors		
Shareholder Voting	All institutional shareholders are encouraged to participate at shareholder meetings and their views are communicated to all concerned.	E.1
Evaluation of Governance Disclosures	The Annual report describes the corporate governance process.	E.2
Investing / Divesting Decision	The Annual report provides all information to support informed decision making. The Annual and quarterly reports are published in the Colombo Stock Exchange website.	F.1
Shareholder participation in meetings	All shareholders are encouraged to participate at the Annual General Meeting / Extraordinary General Meeting and cast their votes. AGMs are noticed in advance as per Companies Act.	F.2

Corporate Governance

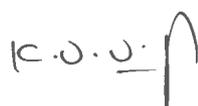
Guidelines	Status of Compliance	
Internet of Things and Cybersecurity		
The Board should have a process to manage the cyber risks and how the IT devices within and outside the group connect to the organization network.	<ul style="list-style-type: none"> Designated Chief Information Security Officer (CISO) to manage the IT operations of the group. Cyber security risks are managed through a cyber security policy and a robust cyber security risk management process. <p>Further details are described in the risk management report.</p>	G.1
ESG reporting		
The Board is responsible on providing an adequate disclosure of the ESG performance of the group to stakeholders	The Annual Reports provides a holistic review of performance. The performance of the various capitals used by the group are described in separate sections of the report.	H.1
ESG governance	Refer page 49 of the report.	H.1

STATEMENT OF COMPLIANCE

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

Therefore, the Board concludes and declares that the Company is fully compliant to with the Corporate Governance Codes of Institute of

Chartered Accountants of Sri Lanka, Securities and Exchange Commission and Corporate Governance Rules of Colombo Stock Exchange has in place a robust Corporate Governance Framework to govern the business.



Dhammika Perera
Chairman



J A P M Jayasekera
Managing Director

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Remuneration Committee Report

ROLE OF THE REMUNERATION COMMITTEE

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

COMPOSITION OF THE REMUNERATION COMMITTEE

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

Mr. S H Amarasekera - Chairman

Mr R N Asirwatham

Mr. L N De S Wijeyeratne

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

The above Committee members possess vast experience in the fields of Business Management, Human Resources Management, Labour Relations and Labour Law. Hence, the Committee has

adequate expertise in remuneration policy and business management to deliberate and propose necessary changes and improvements to meet the roles and responsibility of the Committee.

MEETINGS

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

Mr. S H Amarasekera -1/1

Mr R N Asirwatham -1/1

Mr. L N De S Wijeyeratne -1/1

FUNCTIONS PERFORMED BY THE REMUNERATION COMMITTEE

- a. Evaluating and recommending the remuneration payable to the Board, Managing Director and the Key Management Personnel of the Company, to the Board to make the final determination. Based on that, the aggregate remuneration paid to Executive and Non Executive Directors for the last financial year is given on page 149 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.



Mr. S H Amarasekera
Chairman

Remuneration Committee
1st July 2020

Audit Committee Report

ROLE OF THE AUDIT COMMITTEE

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

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprised of the following three Directors.

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

Dr. S. Selliah
Committee Member Independent
Non - Executive

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

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

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

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

MEETINGS

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

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

FUNCTIONS PERFORMED BY THE AUDIT COMMITTEE

- a. The Committee reviewed the provisional financial statements that were published for financial year 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. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- b. The Committee reviewed the monthly internal audit reports. The internal audit function is carried out by 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 relate to this charter as requested by the Board of Directors.

Oversaw special investigations as needed. Reviewed and assessed the adequacy of the Committee charter annually, requesting Board approval for proposed changes, and ensured appropriate disclosure as may be required by law or regulation.

CONCLUSION

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



J. D. N. Kekulawala
Chairman - Audit Committee

1st 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 Walltiles PLC and to ensure that the Company complies with the rules set out in the Listing Rules. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the related party transaction Policy which contains the company's Policy governing the review, approval and oversight of related party transactions.

RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

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

1. Dr. S. Selliah – Chairman
2. Mr. J. D. N. Kekulawala
3. Mr. T. G. Thoradeniya

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

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

MEETINGS

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

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

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

PROCEDURES FOR REPORTING RPTS

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

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

REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2019/20. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no one-recurrent related party transactions entered into during the course of the financial year with an aggregate value which exceeded the lower of 10% of the equity or 5% of the assets. There were no recurrent related party transactions carried out during the financial year ended 31st March 2020, the aggregate value of which exceeded 10% of the revenue.

Related party Transactions Review Committee Report

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year, are given in Note 30 to the Financial Statements, on pages 144 to 149 of this Annual Report.

DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to Related Party Transactions appears on the report of the Board of Directors on pages 67 to 71 of this Annual Report.



Dr. S. Selliah

Chairman - Related Party Transactions
Review Committee

1st July 2020

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

The Directors of Lanka Walltiles PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2020.

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

GENERAL

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

PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

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

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

Financial Statements`

The Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on page 79.

Summarised Financial Results

	2020	2019
	Rs.'000	Rs.'000
Revenue	19,929,709	19,627,160
Profit for the year	414,649	780,070

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 76 to 78.

Accounting Policies

The financial statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the policies adopted thereof are given on page 83 to 98. Figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 16 to 19.

Executive Directors

Mr. J A P M Jayaskera
Managing Director

Non - Executive Directors

Mr. Dhammika Perera
Chairman

Mr. A M Weerasinghe
Deputy Chairman

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

Mr. S M Liyanage
Appointed w.e.f. 21.02.2020

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

Independent Non - Executive Directors

Dr. S Selliah

Mr. K D G Gunaratne

Ms. A M L Page

Mr. J D N Kekulawala

Mr. M W R N Somaratne and Mr. Dhammika Perera retire by rotation in terms of Articles 103 and 104 of the Articles of Association and being eligible is recommended by the Directors for re-election.

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 subsidiary Companies are given below.

Lanka Tiles PLC

Mr. Dhammika Perera

Mr. A.M Weerasinghe

Mr. J A P M Jayasekera

Dr. S. Selliah

Mr. T.G Thoradeniya

Mr. K.D.G Gunaratne

Ms. A M L Page

Mr. G A R D Prasanna (Alternative Director)

Mr. J A R N Adhihetty

Mr. S M Liyanage

Swisstek (Ceylon) PLC

Mr. S H Amarasekera

Mr. A.M Weerasinghe

Mr. J A P M Jayasekera

Dr. S. Selliah

Mr. J K A Sirinatha

Mr. A S Mahendra

Mr. K D G Gunaratne

Mr. C U Weerawardena

Vallibel Plantation Management Limited

Mr. A M Pandithage

Mr. R Rajadurai

Mr. T G Thoradeniya

Mr. J M Kariapperuma

Horana Plantation PLC

Mr. A M Pandithage

Mr. Dhammika Perera

Mr. W G R Rajadurai

Mr. J A Rodrigo

Mr. S C Ganegoda

Mr. K.D.G Gunaratne

Mr. A N Wickremasinghe

Mr. S S Sirisena

Mr. Lalit de S Wijeyeratne

Mr. S M Liyanage

Uni Dil Packaging Limited

Mr. Dhammika Perera

Mr. D B Gamalath

Mr. J A P M Jayasekera

Mr. T G Thoradeniya

Mr. J M Kariapperuma

Mr. S Rajapakshe

Mr. H Somashantha

Dr. N T Bogahalanda

Mr. C U Weerawardena

Mr. S M Liyanage

Uni Dil Packaging Solutions (Private) Limited

Mr. K D H Perera

Mr. D B Gamalath

Mr. J A P M Jayasekera

Mr. S Rajapakshe

Mr. C U Weerawardena

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 Jayasekera

Swisstek Development (Pvt) Ltd

Mr. K D H Perera

Mr. J A P M Jayasekera

LWL Development (Pvt) Ltd

Mr. K. D. A. Perera

Mr. J. A. P. M. Jayasekera

Swisstek Aluminium Ltd.

Mr. S. H. Amarasekera

Mr. J. A. P. M. Jayasekera

Mr. A. M. Weerasinghe

Mr. A. S. Mahendra

Mr. B. T. T. Roche

Dr. S. Selliah

Mr. T. G. Thoradeniya

Mr. C. U. Weerawardena

Interests Register

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

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

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 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 30.2 to the Financial Statements on page 149.

Directors' Interests in Contracts

The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 30.2 to the Financial Statements, the Company did not carry out any transaction with any of the Directors.

The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the following director related entities. as given in note no 30

Auditors

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

A total amount of Rs. 1.58 Mn is payable by the Company to the Auditors for the year under review comprising Rs. 1.32 Mn as audit fees and Rs. 0.26 Mn 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 Ernst & Young, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

Stated Capital

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

The number of shares issued by the Company stood at 54,600,000 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	6,610	6,610
Mr. J A P M Jayasekera	199	199
Dr. S Selliah	-	-
Mr. T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	-	-
Mr. M W R N Somaratne	11,000	11,000
Mr. J D N Kekulawala	-	-
Mr. S M Liyanage	-	-

SHAREHOLDERS

There were 11,330 shareholders registered as at 31st March 2020 (11,004 shareholders as at 31st March 2019). The details of distribution are given on page 165 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 164 to 166 under Share Information.

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

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 - 521 persons were in employment (552 persons as at 31st March 2019).

Reserves

The reserves of the Company with the movements during the year are given in Note 13 to the Financial Statements on page 121.

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 4,524,000.

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

Location	No of Building 31/03/2020	Land in Extent			Valuation Rs.000
		A	R	P	
Head Office	1	1	1	2	1,414,700
Meepe Factory	29	23	1	24	1,123,200
Meepe New Land	-	1	1	28	29,900
Total	30	25	3	54	2,567,800

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

Substantial Shareholdings

The Company is controlled by Royal Ceramics Lanka PLC which holds 54.55% (2019 - 54.55%) of the issued share capital of the Company.

The ultimate parent Company is Vallibel One PLC.

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2020 are given in Notes 5 to the Financial Statements on pages 116 to 117.

Donations

The Company made donations amounting to Rs. 1,007,232 in total, during the year under review. (2019 Rs.885,185/-).

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 27.

Statutory Payments

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

Contingent Liabilities

Except as disclosed in Note to the Financial Statements on page 150, there were no material Contingent Liabilities as at the Balance Sheet date.

Events occurring after the Balance Sheet date

Except for the matters disclosed in Note 32 to the Financial Statements on page 150 there are no material events as at the date of the Auditor's report which require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

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

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

Audit Committee

Mr. J D N Kekulawala - Chairman

Dr. S Selliah

Mr. T G Thoradeniya

Remuneration Committee

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

Related Party 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 54 to 60 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on page 43 of this Report.

Environmental Protection

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

Going Concern

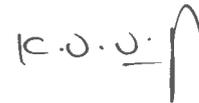
In determining the basis of preparing the financial statements for the year ended 31st March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

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

Annual General Meeting

The Notice of the Forty Third (43rd) Annual General Meeting appears on page 168.

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

1st July 2020
Colombo

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

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

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

Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies

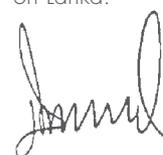
and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The financial statements were audited by M/s. Ernst & Young, Chartered Accountants, the independent auditors. The independency of the external auditor has been assessed by the audit committee and the Board and have been determined as independent.

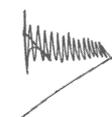
The Audit Committee of your Company meets periodically with the internal auditors and the external auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the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

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

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



J. A. P. M. Jayasekera
Managing Director



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

1st July 2020

Statement of Directors Responsibilities

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

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

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

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets

of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 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 WALLTILES PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

1st July 2020

WE ARE INVESTED
IN LEVERAGING THE
QUALITY OF OUR
PRODUCTS THROUGH
EFFICIENCY AND
INNOVATION.

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INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
201 De Saram Place
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eysl@lk.ey.com
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TO THE SHAREHOLDERS OF LANKA WALLTILES PLC

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Lanka Walltiles PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial

performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most

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

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

Key Audit Matter	How our audit addressed the key audit matter
<p>Measurement of carrying value of land and buildings</p> <p>Included within Property, Plant and Equipment and Investment Property are land and buildings carried at fair value. As of reporting date, such land and buildings within Property, Plant and Equipment and Investment Property amounted to Rs. 8,270 Mn & Rs. 816.8 Mn respectively. The fair values of land and buildings were determined mainly using independent external valuers engaged by the Group.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> • we evaluated the competence, capability and objectivity of the external valuers engaged by the Group; • we read the external valuers reports and understood the key estimates made and the approach taken by the valuers in determining the valuation of land and buildings;

Key Audit Matter	How our audit addressed the key audit matter
<p>The valuation of land and buildings was considered a key audit matter due to the use of significant judgments and estimates which included the assessment of the impact of the COVID 19 outbreak on such valuations as disclosed in notes 3.1 and 3.8 in the financial statements.</p>	<ul style="list-style-type: none"> • we engaged our internal specialized resources to assist us in assessing appropriateness of the valuation techniques used and the reasonableness of the significant judgements and assumptions such as per perch price and value per square foot used by the valuers; and • we have also assessed the adequacy of the disclosures made in notes 3.1 and 3.8 in the financial statements.

Other information included in the Group's 2020 Annual Report

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design

INDEPENDENT AUDITOR'S REPORT



and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

1st July 2020
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajjewanani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	3.1	16,884,149	16,822,752	4,524,000	4,536,281
Consumable biological assets	3.1	632,177	585,920	-	-
Investment properties	3.8	816,805	816,805	-	-
Intangible assets	4	37,113	24,519	-	-
Investments in subsidiaries	5	-	-	1,276,096	1,276,096
Long term receivables	6	27,285	27,285	-	-
Right of use assets	3.9	389,880	-	57,885	-
Deferred tax asset	7	-	847	-	-
		18,787,409	18,278,128	5,857,981	5,812,377
Current assets					
Inventories	8	10,226,419	8,316,920	2,762,580	2,224,608
Trade and other receivables	9	3,875,187	3,837,082	673,756	814,889
Contract Assets	18.3	38,079	58,269	-	-
Amounts due from related parties	10	48,450	37,016	64,981	72,756
Income tax receivable		30,336	123,962	-	-
Short term investments	11	3,754	3,499	3,754	3,499
Cash and cash equivalents	28	413,243	401,580	47,776	33,240
		14,635,468	12,778,328	3,552,847	3,148,992
Total assets		33,422,877	31,056,456	9,410,828	8,961,369
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	12	787,765	787,765	787,765	787,765
Reserves	13	2,850,974	2,850,974	1,812,082	1,812,082
Retained earnings		7,982,331	7,602,815	2,770,701	2,739,853
Shareholders' funds		11,621,070	11,241,554	5,370,548	5,339,700
Non controlling interest		3,936,582	3,943,553	-	-
Total equity		15,557,652	15,185,107	5,370,548	5,339,700
Non-current liabilities					
Interest bearing liabilities	14	2,765,040	2,950,245	72,735	119,134
Deferred tax liabilities	15	2,421,476	2,341,613	967,884	989,442
Retirement benefit liability	16	975,933	882,161	142,902	118,746
Deferred income & capital grants	17	122,832	125,726	-	-
		6,285,281	6,299,745	1,183,521	1,227,322
Current liabilities					
Trade and other payables	18	2,785,122	3,117,585	483,266	666,730
Contract liability	18.3	14,843	79,177	-	-
Income tax liabilities		45,924	9,827	12,839	8,402
Amounts due to related parties	19	90,903	100,613	146,043	191,377
Current portion of interest bearing liabilities	14	8,643,152	6,264,402	2,214,611	1,527,838
		11,579,944	9,571,604	2,856,759	2,394,347
Total equity and liabilities		33,422,877	31,056,456	9,410,828	8,961,369

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



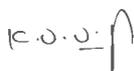
B T T Roche
General Manager (Finance)

The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board,



J A P M Jayasekera
Managing Director



Dhammika Perera
Chairman

The accounting policies and notes on pages 83 to 158 form an integral part of the financial statements.

1st July 2020
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March	Note	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Revenue from contracts with customers	20	19,929,709	19,627,160	3,493,619	3,220,934
Cost of Sales		(15,144,779)	(15,324,146)	(2,537,014)	(2,291,881)
Gross Profit		4,784,930	4,303,014	956,605	929,053
Other Income	21	165,489	258,587	36,823	214,793
Change in fair value of investment property	3.8	-	355,631	-	-
Distribution Costs		(1,921,242)	(1,803,218)	(528,567)	(483,030)
Administrative Expenses		(1,055,957)	(1,079,661)	(185,660)	(206,133)
Finance Cost	22	(1,171,381)	(847,593)	(220,077)	(166,487)
Finance Income	23	1,837	6,012	-	-
Profit Before Tax	24	803,676	1,192,772	59,124	288,196
Income Tax Expense	25	(389,027)	(412,702)	(21,099)	(56,915)
Profit for the Year		414,649	780,070	38,026	231,281
Other Comprehensive Income					
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax):					
Revaluation of Land and Building	3	-	401,564	-	389,260
Actuarial Gain/ (Loss) on Retirement Benefit Liability	16	(35,285)	(73,123)	(9,970)	1,886
Deferred tax on components of other comprehensive income	25	6,801	(103,080)	2,792	(109,521)
"Net Other Comprehensive Income/(loss) that will not be reclassified to profit or loss in subsequent periods "		(28,484)	225,361	(7,178)	281,625
Net Other Comprehensive Income may be reclassified to profit or loss in subsequent periods (net of tax):					
Foreign currency translation differences of foreign operations		(305)	701	-	-
Net Other Comprehensive Income/(Loss) that may be reclassified to profit or loss in subsequent periods		(305)	701	-	-
Other Comprehensive Income/(loss) for the Year, net of tax		(28,789)	226,062	(7,178)	281,625
Total Comprehensive Income for the Year, net of tax		385,860	1,006,132	30,848	512,906
Profit attributable to :					
Equity holders of the parent		405,115	617,157	38,026	231,281
Non controlling interest		9,534	162,913	-	-
Profit for the year		414,649	780,070	38,026	231,281
Total comprehensive income attributable to :					
Equity holders of the parent		386,307	870,668	30,848	512,906
Non controlling interest		(447)	135,464	-	-
Total Comprehensive Income for the Year		385,860	1,006,132	30,848	512,906
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	26	7.42	11.30	0.70	4.24

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March	Stated capital	Revaluation reserve	Retained earnings	Total	Non controlling interest	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
GROUP						
Balance as at 1st April 2018	787,765	2,566,671	7,162,378	10,516,814	3,897,935	14,414,749
Profit for the Year	-	-	617,157	617,157	162,913	780,070
Other Comprehensive Income	-	284,303	(30,792)	253,511	(27,449)	226,062
Total Comprehensive Income	-	284,303	586,365	870,668	135,464	1,006,132
Write back of unclaimed dividends	-	-	9,555	9,555	-	9,555
Dividends						-
1st Interim 2018/19 (Rs. 3.00 per share)	-	-	(163,800)	(163,800)	-	(163,800)
Dividends to non controlling interest			8,317	8,317	(89,846)	(81,529)
Balance as at 1st April 2019	787,765	2,850,974	7,602,815	11,241,554	3,943,553	15,185,107
Adjustments on initial application of SLFRS - 16			(6,791)	(6,791)	(6,524)	(13,315)
Profit for the Year	-	-	405,115	405,115	9,534	414,649
Other Comprehensive Income	-	-	(18,808)	(18,808)	(9,981)	(28,789)
Total Comprehensive Income	-	-	386,307	386,307	(447)	385,860
Balance as at 31 March 2020	787,765	2,850,974	7,982,331	11,621,070	3,936,582	15,557,652
For the Year ended 31 March						
			Stated capital	Revaluation reserve	Retained earnings	Total
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
COMPANY						
Balance as at 1st April 2018			787,765	1,531,815	2,661,459	4,981,039
Profit for the Year			-	-	231,281	231,281
Other Comprehensive Income			-	280,267	1,358	281,625
Total Comprehensive Income			-	280,267	232,639	512,906
Write back of unclaimed dividends			-	-	9,555	9,555
Dividends						
1st Interim 2018/19 (Rs. 3.00 per share)			-	-	(163,800)	(163,800)
Balance as at 1st April 2019			787,765	1,812,082	2,739,853	5,339,700
Profit for the Year			-	-	38,026	38,026
Other Comprehensive Income			-	-	(7,178)	(7,178)
Total Comprehensive Income			-	-	30,848	30,848
Balance as at 31 March 2020			787,765	1,812,082	2,770,701	5,370,548

The accounting policies and notes on pages 83 to 158 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

As at 31st March	Note	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		803,677	1,192,772	59,124	288,196
Depreciation & amortisation	24	960,034	813,877	182,010	166,491
Amortisation of right of use Lease Assets	3.9	66,251	-	19,967	-
Income from investments		-	-	-	(105,589)
Profit/ (loss) on sale of property, plant & equipment	21	197	320	51	708
Interest income	23	(1,837)	(6,012)	-	-
Finance costs	22	1,171,381	847,593	220,077	166,487
Provision for retirement benefit obligations	16	167,210	126,451	23,113	19,267
Capital expenditure written off		14,877	12,683	-	-
Allowance/ (reversal) for obsolete and slow moving inventories	8	27,723	3,223	-	800
Allowance for impairment of trade receivable	9	23,581	7,539	1,300	20
Deferred income / capital grants amortisation	17	(6,800)	(13,179)	-	-
Changing in fair value of biological assets		(39,824)	(40,916)	-	-
Fair value in investment property	3.8	-	(355,631)	-	-
Foreign exchange (gain)/ loss		(3,766)	20,880	-	(617)
Inventory written off		8,831	14,565	3,459	14,864
Operating profit/(loss) before working capital changes		3,191,535	2,624,165	509,101	550,627
Working capital adjustments:					
(Increase)/ decrease in inventories		(1,946,054)	(2,221,459)	(541,432)	(634,002)
(Increase)/ decrease in trade and other receivables		(41,495)	(452,605)	139,833	(89,859)
(Increase) /decrease in due from related parties		(11,434)	18,411	7,775	(38,128)
Increase/ (decrease) in due to related parties		(9,710)	52,085	(45,334)	23,517
Increase / (decrease) in trade and other payables		(423,119)	318,923	(183,466)	23,454
Increase/ (decrease) in investments		(254)	(260)	(254)	(260)
Cash generated from/(used in) operations		759,469	339,258	(113,777)	(164,651)
Interest received		1,837	6,012	-	-
Finance costs paid		(1,131,143)	(847,593)	(220,077)	(166,487)
Retirement benefit plan costs paid	16	(111,839)	(96,856)	(8,926)	(7,341)
Income tax paid		(171,791)	(327,476)	(35,426)	(79,711)
Net cash flows from/(used in) operating activities		(653,467)	(926,655)	(378,206)	(418,190)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant & equipment	3	(1,054,219)	(2,785,590)	(184,394)	(201,802)
Acquisition of Intangible Assets		(13,673)	-	-	-
Acquisition of plantation assets	3	(154,988)	(170,057)	-	-
Proceeds from sale of property, plant & equipment		4,914	13,875	2,932	2,131
Income from investments		-	-	-	105,589
Net cash flows from/(used in) investing activities		(1,217,966)	(2,941,772)	(181,462)	(94,082)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES					
Interest bearing loans & borrowings obtained		12,825,892	10,841,005	2,449,348	1,402,581
Repayment of interest bearing borrowings		(11,944,667)	(7,931,210)	(2,186,449)	(1,068,611)
Repayment of Lease liability		(52,323)	(25,253)	(17,915)	-
Dividend paid to non controlling interest		-	(81,529)	-	-
Dividend write back		-	9,555	-	9,555
Capital grants received	17	3,904	2,374	-	-
Net cash flows from/(used in) financing activities		832,806	2,814,942	244,984	343,525
Net increase/(decrease) in cash and cash equivalents		(1,038,626)	(1,053,485)	(314,683)	(168,747)
Foreign exchange difference arising on translation of foreign operation		(305)	701	-	-
Cash and cash equivalents at the beginning of the year	28	(1,356,035)	(303,251)	(454,614)	(285,867)
Cash and cash equivalents at the end of the year	28	(2,394,967)	(1,356,035)	(769,298)	(454,614)

The accounting policies and notes on pages 83 to 158 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

<p>1. CORPORATE INFORMATION</p> <p>1.1 General</p> <p>Lanka Walltiles PLC ("Company") is a limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and the principal place of business of the Company is located at No. 215, Nawala Road, Narahenpita, Colombo 05.</p> <p>1.2 Principal activities and nature of operations</p> <p>During the year, the principal activities of the Company were the manufacture and sale of ceramic walltiles for export and local markets and holding investments.</p> <p>The principal activities of the other Companies of the Group are disclosed in Note 5.2 to the Financial Statements.</p> <p>1.3 Parent enterprise and ultimate parent enterprise</p> <p>The Company's parent entity is Royal Ceramics Lanka PLC. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Vallibel One PLC, which is incorporated in Sri Lanka.</p> <p>The Group's ultimate controlling party is Mr. K.D.D. Perera.</p> <p>1.4 Date of authorization for issue</p> <p>The Financial Statement of Lanka Walltiles PLC and its Subsidiaries for year ended 31 March 2020 was authorized for issue in accordance with a resolution of the Board of Directors on.</p>	<p>2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</p> <p>2.1 Basis of Preparation</p> <p>The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.</p> <p>2.1.1 Basis of measurement</p> <p>The financial statements of the Company and the Group have been prepared on a historical cost basis, other than for following assets measured at fair value;</p> <ol style="list-style-type: none"> 1. Property, Plant and Equipment – Land and Buildings 2. Biological assets (fair value less cost to sell) 3. Investment properties <p>The financial statements are presented in Sri Lankan Rupees (Rs), except when otherwise indicated.</p> <p>2.1.2 Statement of Compliance</p> <p>The financial statements of the Company and consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards ("SLFRS") as issued by Institute of Chartered Accountants of Sri Lanka.</p> <p>The preparation and presentation of these financial statements is in compliance with the requirements of the Companies Act No.07 of 2007.</p> <p>2.1.3 Going concern</p> <p>When preparing financial statements, management has made assessments of the ability of the constituents of the Group to continue as going concern, taking into</p>	<p>account all available information about the future, including intentions of curtailment of business, as decided by Board.</p> <p>The Board is confident that the Group has the resources and capability to withstand the negative effects and uncertainties created by the Covid-19 Pandemic. The Group Management is closely monitoring and taking the necessary steps to manage and minimize the potential downside risks to the operation due to the COVID – 19 pandemic.</p> <p>2.1.4 Changes in Accounting Policies</p> <p>New and amended standards and interpretations</p> <p>The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2019, except for the adoption of new standards effective as of 1 April 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.</p> <p>The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.</p> <p>Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.</p>
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NOTES TO THE FINANCIAL STATEMENTS

a) SLFRS 16 Leases

Definition of a Lease

Previously, the Group determined, at contract inception, whether an arrangement is or contains a lease under LKAS/IFRIC. Under SLFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of lease as explained in Note 3.9.

On transition, the Group elected to apply SLFRS 16, only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17/SLFRS 16 was applied only to contracts entered in to or charged on or after 1 April 2019.

The Group applies SLFRS 16 using the modified retrospective approach and thereby the comparative figures were not restated and continue to be reported under LKAS 17.

As a Lessor

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

As a Lessee

As a lessee, the Group previously classified lease as operating, or finance leases based on its assessment of whether the lease transferred significant all of the risks and rewards incidental to the Group. Under SLFRS 16, the Group recognises right of use assets and lease liabilities for most leases except for short term leases and leases of low-value assets to which the Group applied recognition exemptions under SLFRS 16.

Lease classified as operating leases under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rate as at 1 April 2019. Right of use assets are measured at an amount equal to the lease liability, adjusting by the amount of any pre-paid or accrued lease payments.

In addition, the Group applied following practical expedients permitted by SLFRS 16, to leases previously classified as operating leases under LKAS 17.

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs, from the measurement of the right-of-use asset, for leases previously accounted for an operating leases at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under LKAS 17). The requirements of IFRS 16 were applied to these leases from 1 April 2019.

The effect of adoption SLFRS 16 as at 1 April 2019 presented in the note 3.9 to the financial statements. Refer Note 3.9 for the accounting policy on leases.

b) IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"

The Interpretation clarifies how to apply the recognition and measurement requirement in LKAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax assets or liability, applying the requirement in LKAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interruption.

IFRIC 23 does not apply to taxes or levies outside the scope of LKAS 12 and does not specifically include requirement relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits
- and tax rates (The most likely amount – the single most likely amount in a range of possible outcomes or the expected value – the sum of the probability-weighted amounts in a range of possible outcomes)
- How an entity considers changes in facts and circumstances

The interpretation is effective for annual reporting period beginning on or after 1 April 2019.

The Interpretation did not have an impact on Financial Statements of the Group that would require separate disclosure in the Financial Statements.

2.1.4 Comparative information

Previous year's figures and phrases are same as of the last year.

2.1.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

1. The contractual arrangement with the other vote holders of the investee

2. Rights arising from other contractual arrangements
3. The Group's voting rights and potential voting rights

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

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

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

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

investment retained is recognised at fair value.

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

2.1.6 Goodwill

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For

NOTES TO THE FINANCIAL STATEMENTS

the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

2.2.1 Judgements

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

a) Taxation

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

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

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

2.2.2 Estimates and Assumptions

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

a) Defined benefit plans

The cost of defined benefit plan-gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Retirement benefit liability of the Group is disclosed in Note 16 for the assumptions used and the sensitivity thereon.

b) Provision for Slow moving inventories

A provision for slow moving inventories is recognized based on the best estimates available to management on their future usability/sale. As management uses historical information as the basis to determine the future usability and recoverability, actual future losses on inventories could vary from the provision made in these financial statements (Note 8).

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

The Group measures freehold land and buildings as well as Land classified as Investment properties at fair value with changes in fair value being recognized in

other comprehensive income and statement of profit and loss respectively. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Fair value related disclosures for assets measured at fair value are summarized in the Note 3.4 and 3.8 to the financial statements.

d) Impairment of debtors

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not

be representative of customer's actual default in the future. (Note 9.2)

e) Deferred tax assets

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

f) Impairment of Non Financial Assets

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

g) Fair Valuation of Biological Assets

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

h) Leases - Estimating the incremental borrowing

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.3 Summary of Significant Accounting Policies

2.3.1 Foreign currency translation

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

dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.2 Fair Value Measurement

Fair value related disclosures for assets measured at fair value or financial instruments that are not measured at fair value, for which fair values are disclosed, are summarized in the Note 3.1(m) and 3.4 to the financial statements.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

The management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.3 Taxation

Current taxes

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

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

Deferred taxation

Deferred income tax is provided, using the liability method, on temporary differences at the

reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

Sales tax

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

2.3.4 Borrowing costs

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

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

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

Borrowing cost incurred in respect of specific loans that are utilised for the field development activities have

been capitalised as part of the cost of relevant immature plantation. The capitalisation will cease when crops are ready for commercial harvest.

2.3.5 Inventories

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

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

Manufacturing goods

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

Work-in-Progress

At actual cost

Trading goods

At purchase cost on first in first out basis

Consumable and spares

At actual cost on weighted average basis

Raw materials

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

Goods in transit

At actual cost

Harvest Crops – Refer note 2.4.3

2.3.6 Financial Instruments

Financial Assets

Initial Recognition and Measurement

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

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

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

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

Subsequent Measurement

The Group classifies all of these financial assets in the measurement

category of financial assets at amortised cost.

a) Financial assets at amortised cost

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

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

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

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

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full.

NOTES TO THE FINANCIAL STATEMENTS

Impairment of Financial Assets

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

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

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

Financial Liabilities

Initial Recognition and Measurement

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

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

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

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

Subsequent Measurement

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

a) Loans and Borrowings

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

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

is included in finance costs in the statement of comprehensive income.

Derecognition

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

2.3.7 Property, plant and equipment

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

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

Depreciation is calculated on a straight line basis over the useful life of the assets. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in-progress and is stated at cost.

On completion, the related assets are transferred to property, plant and equipment. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

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

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

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

2.3.8 Leases

Policy applicable before 1st April 2019

a) Finance Leases

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

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

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

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

b) Operating Leases

c) Group as the Lessee

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

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

d) Group as the Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is classified as operating leases. Initial

direct costs incurred in negotiating and arranging an operating lease added to the carrying amount of the leased asset and recognised over the lease term on the same basis rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable After 1st April 2019

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

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Group has right to obtain substantially all of the economic benefits of asset throughout the period of use; and
- The Group has right to direct the use of the asset. The Group has this right when it has decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
- The Group has right to operate the asset; or

NOTES TO THE FINANCIAL STATEMENTS

- The Group designated the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or charged, on after 1 April 2019.

a) Group as the Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The

right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.3.12 Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change

in the assessment of an option to purchase the underlying asset.

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

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

The accounting policies applicable to the Group as a lessor in the comparative period were not different from SLFRS 16.

2.3.9 Investment properties

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

Initial measurement

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

Subsequent measurement

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

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

2.3.10 Provisions

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

to any provision is presented in the statement of total comprehensive income net of any reimbursement.

2.3.11 Retirement benefit obligations

(a) Defined Benefit Plan – Gratuity

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

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

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2020.

Funding Arrangements

The Gratuity liability is not externally funded.

(b) Defined Contribution Plans- Employees' Provident Fund and Employees' Trust Fund

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

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

2.3.12 Impairment of non-financial assets

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

2.3.13 Revenue recognition

Revenue from contracts with customers

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

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with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group/Company is the principal in its revenue arrangements, as it typically controls the goods before transferring them to the customer.

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

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

b) Sale of timber with installation services

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

(i) Significant financing component

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

(ii) Contract assets

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

(iii) Trade receivables

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

(iv) Contract liabilities

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

as revenue when the Company performs under the contract.

Other Sources of Revenue

(a) Interest

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

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

(b) Dividends

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

(c) Rental income

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

(d) Other income

Other income is recognised on an accrual basis.

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

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

2.3.14 Segmental Reporting

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

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

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

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

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

The Group comprises the following main business segments:

Tiles and associated items

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

Biological Assets

Cultivation, processing and sale of tea and rubber

Aluminum products

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

Packing materials

The manufacture and distribution of packing materials

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

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

2.4.1 Basis of Preparation

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

- Lease hold right to Bare Land and leased assets of JEDB/SLSPC, which have been revalued as more fully described in Note 3.1.(d) and (e)..
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 - Agriculture.
- Liability for Retirement Benefit Obligation is recognized as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19: Employee benefits)

- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41: Agriculture.

2.4.2 Property, Plant and Equipment

a) Permanent Land Development Cost

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

b) Biological Assets

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

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

Recognition and Measurement

The entity recognises the Biological assets when, and only when, the

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

The expenditure incurred on bearer biological asset fields, which are bearing during the year, has been transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of reporting date.

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

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

Bearer Biological Assets

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus

attributable overheads, including interest attributable to long term loans used for financing immature plantations.

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

Infilling cost on Bearer Biological Assets

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

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

Growing crop nurseries

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

Consumer Biological Assets

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

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

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

Borrowing Cost

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

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

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

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

Produce on Bearer Biological Asset

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

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

2.4.3 Inventories

a) Agricultural produce harvested from Biological Assets

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

b) Agricultural produce after further processing

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

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

Input Material

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

Spare and Consumables

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

Produced Stocks

Valued at cost or NRV.

2.4.4 Retirement Benefit Obligation

a) Defined Benefit Plan

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

Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Project Unit Credit (PUC) method as recommended by LKAS 19 "Retirement Benefit Costs". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messers. Actuarial Management Consultants (Private) Limited as at 31.03.2020.

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

The liability is not externally funded.

b) Defined Contribution Plans - Provident Funds and Trust Fund

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

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

2.4.5 Deferred Income

a) Grants and Subsidies

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

NOTES TO THE FINANCIAL STATEMENTS

Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment is more fully mentioned in Note 17 to the Financial Statements.

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

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

2.4.6 Revenue Recognition

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

2.5 Cash and Cash Equivalents

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

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

2.6 Standards Issued but not Effective as at 31 March 2020

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

Amendments to LKAS 1 and LKAS 8: Definition of Material

Amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting policies, Changes in accounting Estimates and Errors are made to align the definition of "material" across the standard and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are

capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to references to the conceptual framework in SLFRS standards

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application is permitted

3. PROPERTY, PLANT & EQUIPMENT

3.1 GROUP

	Balance as at 01.04.2019	Additions	Disposals/ Transfers	Balance as at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

a) Gross Carrying Amounts

At Cost				
	Balance as at 01.04.2019	Additions	Disposals/ Transfers	Balance as at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Buildings	363,101	403	-	363,505
Plant and Machinery	9,623,366	491,726	(4,265)	10,110,827
Water Supply, Electricity Distribution Scheme	496,575	128,398	-	624,974
Tools, Implements, Furniture & Fittings and Electrical Appliances	774,581	124,818	(4,364)	895,035
Transport & Communication Equipment	573,754	40,109	(5,070)	608,793
Total	11,831,377	785,454	(13,699)	12,603,134

	Balance as at 01.04.2019	Additions	Disposals/ Transfers	Balance as at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

At Valuation

Freehold Land	4,781,361	29,904	-	4,811,265
Buildings	3,148,867	407,322	(43,135)	3,513,053
Total	7,930,227	437,226	(43,135)	8,324,318

Assets on Finance Lease

Leasehold Land	14,600	-	(14,600)	-
Plant and Machinery	18,221	-	(18,221)	-
Transport & Communication Equipment	15,274	-	(15,274)	-
Total	48,095	-	(48,095)	-

	Balance as at 01.04.2019	Additions	Disposals/ Transfers	Balance as at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
In the Course of Construction				
Capital Work In Progress - Buildings & Others	549,793	457,309	(631,385)	375,717
Total	20,359,493	1,679,989	(736,313)	21,303,169

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

b) Depreciation

	Balance as at 01.04.2019	Additions	Disposals/ Transfers	Balance as at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At Cost				
Buildings	253,435	81,675	(15,368)	319,742
Plant and Machinery	4,240,149	583,470	628	4,824,247
Water Supply, Electricity Distribution Scheme	312,048	32,459	-	344,507
Tools, Implements, Furniture & Fittings and Electrical Appliances	587,776	76,098	(17,287)	646,587
Transport & Communication Equipment	418,707	34,605	(14,330)	438,982
Total	5,812,115	808,307	(46,357)	6,574,065
At Valuation				
Buildings	40,020	13,876	-	53,896
	40,020	13,876	-	53,896
Assets on Finance Lease				
Leasehold Land	2,919	-	(2,919)	-
Plant and Machinery	15,125	-	(15,125)	-
Transport & Communication Equipment	14,807	-	(14,807)	-
	32,851	-	(32,851)	-
Total	5,884,985	822,183	(79,207)	6,627,961

c) Net book value of assets

	31.03.2020	31.03.2019
	Rs.'000	Rs.'000
At Valuation		
Freehold Land	4,811,265	4,781,361
Buildings	3,459,157	3,108,847
At Cost		
Buildings	43,763	109,666
Plant and Machinery	5,286,581	5,383,218
Water Supply, Electricity Distribution Scheme	280,467	184,528
Tools, Implements, Furniture & Fittings and Electrical Appliances	248,448	186,806
Transport & Communication Equipment	169,811	155,047
	14,299,491	13,909,473
Assets on Finance Leases		
Leasehold Land	-	11,681
Plant and Machinery	-	3,096
Transport & Communication Equipment	-	467
	14,299,491	13,924,717
Capital Work in Progress	375,717	549,793
Net Book Value	14,675,208	14,474,510

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

	31.03.2020	31.03.2019
	Rs.'000	Rs.'000
Capitalised value		
Transferred under note 3.9 - Right of use assets	204,931	204,931
Adjusted balance as at 1st April 2020	(204,931)	-
	-	204,931
Amortisation		
At the beginning of the year	103,547	99,680
Transferred under note 3.9 - Right of use assets	(103,547)	-
Adjusted balance as at 1st April 2020	-	99,680
Charge for the year	-	3,867
At the end of the year	-	103,547
Carrying Amount		
At the end of the year	-	101,385

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

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

	Bearer Biological Assets (Mature)	Permanent Land Development Costs	Buildings	Plant & Machinery	31.03.2020	31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Capitalised Value						
As at 22.06.1992	214,810	4,014	47,173	6,818		
Transferred under note 3.9 - Right of use assets	(214,810)	(4,014)	(47,173)	(6,818)	(272,815)	-
At the end	-	-	-	-	-	272,815
Amortisation						
At the beginning	175,446	3,451	47,173	6,818	232,889	225,709
Transferred under note 3.9 - Right of use assets	(175,446)	(3,451)	(47,173)	(6,818)	(232,889)	7,179
At the end	-	-	-	-	-	232,887
Written Down Value						
As at 31.03.20	-	-	-	-	-	-
As at 31.03.19	39,364	563	-	-	-	39,927

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

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

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

(f) Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversification	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	31.03.2020	31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Immature Plantations						
Cost or Valuation :						
Opening Balance	121,576	198,386	91,766	108,100	519,828	498,885
Additions	23,653	36,610	44,963	39,949	145,175	155,784
Transfers from Mature	(48,019)	(42,875)	(12,381)	(24,849)	(128,124)	(122,240)
Transfers (from)/to	-	-	(871)	871	-	-
Write off during the year	-	(11,558)	(1,187)	(1,078)	(13,823)	(12,601)
At the end of the year	97,210	180,563	122,290	122,993	523,056	519,828
Mature Plantations						
Cost or Valuation :						
Opening Balance	793,951	1,426,033	104,156	77,603	2,401,741	2,279,929
Transfers from Immature	48,019	42,875	12,381	24,849	128,124	122,240
Transferred to Statement of Profit or Loss	-	(6,437)	-	-	(6,437)	-
Write off during the year	(73)	-	-	(6,829)	(6,902)	(426)
At the end of the year	841,897	1,462,470	116,537	95,622	2,516,527	2,401,743
Amortisation :						
At the beginning of the year	210,901	481,670	9,284	12,786	714,641	602,762
Charge for the year	28,866	79,645	5,208	14,784	128,503	112,223
Transferred to Statement of Profit or Loss	-	(6,313)	-	-	(6,313)	-
Write off during the year	(67)	-	-	(6,122)	(6,189)	(344)
At the end of the year	239,700	555,002	14,491	21,448	830,642	714,641
Carrying Amount	602,197	907,468	102,046	74,174	1,685,884	1,687,102
Total Bearer Biological Assets	699,406	1,088,032	224,335	197,167	2,208,941	2,206,930

These are investments in immature/mature plantations since the formation of HPPLC. The assets (including plantations) taken over by way of estate leases are set out in Note 3.1. (d), 3.1. (e). and 3.9 Further investments in the immature plantations taken over by way of these lease are also shown in the above. When such plantations become mature, the additional investments since take over to bring them to maturity have been (or will be) moved from immature to mature under this category as and when field become mature.

(g) Consumable Biological Assets

	31.03.2020	31.03.2019
	Rs.'000	Rs.'000
Immature Plantations		
Cost :		
At the beginning of the year	36,211	51,824
Additions	9,814	14,273
Transfers to Mature Plantations	(1,734)	(29,886)
Transferred to Statement of Profit or Loss	(19)	-
At the end of the year	44,272	36,211
Mature Plantations		
Cost :		
At the beginning of the year	549,707	484,752
Decrease due to Harvest	(16,869)	(45,593)
Increase due to new plantations	1,734	29,886
Change in Fair Value less costs to sell	53,331	80,663
At the end of the year	587,904	549,709
Total Bearer Biological Assets	632,177	585,920

(h) Basis of Valuation

Under IKAS 41 the company has valued its managed plantations at fair value less cost to sell. Managed timber plantations as at 31st March 2020 comprised approximately 304.52 hectares.

Managed trees which are less than three years old are considered to be immature consumable biological assets, amounting Rs.44.273 Mn as at 31st March 2020. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuers Mr.A.A.M.Fathihu-proprietor of FM Valuers for 2019/20 using Discounted Cash Flow (DFC) method. In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation are;

The prices adopted are net of expenditure

Discounted rates used by the Valuer are within the range of 14%-16%.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Regulatory and Environmental Risks

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

Supply and Demand Risks

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

Climate and Other Risks

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

Sensitivity Analysis

Sensitivity Variation on Sales Price

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

		-5%		5%
Managed Timber	2020	Rs. 580.54 Mn	Rs. 587.90 Mn	Rs. 595.26 Mn

Sensitivity Variation on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of the Biological assets.

		-1%		1%
Managed Timber	2020	Rs. 606.95 Mn	Rs. 587.90 Mn	Rs. 570.85 Mn

(i) Capitalisation of borrowing cost

Borrowing costs amounting to Rs.59.732 Mn (Rs.58.723 Mn in 2018/19) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 12.75% (13.59% in 2018/19).

(j) Net book value of assets

	2020	2019
	Rs.'000	Rs.'000
Property, plant and equipment [3.1 (c)]	14,675,208	14,474,510
Leasehold right to bare land of JEDB/SLSPC Estates [3.1 (d)]	-	101,385
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land) [3.1 (e)]	-	39,927
Bearer Biological Assets [3.1 (f)]	2,208,941	2,206,930
Total	16,884,150	16,822,752

- (k) Fixed assets include fully depreciated assets, the cost of which at the reporting date amounted to Rs. 2,620.01 Mn (2019- Rs. 2,188.28 Mn)
- (l) During the financial year, the Group acquired property, plant & equipment to the aggregate value of Rs. 1,222.68 Mn (2019- Rs. 2,751.76 Mn). Cash payments amounting to Rs. 1,222.68 Mn (2019 - Rs. 2,751.76 Mn) were made during the year for purchase of property, plant and equipment.
- (m) "The following properties are revalued and recorded under freehold land and buildings. Fair Value measurement disclosure for revalued land based on un-observable inputs are as follows,
- (A) Quoted Price (unadjusted) in active markets for identical assets or liabilities (Level -1).
- (B) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices) (Level -2)
- (C) Input for the assets or liability that are not based on observable market data (that is, unobservable inputs) (Level -3).

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Fair Value measurement (Level 3) Rs.000's
Lanka Tiles PLC	Land at Ranala	36A-03R-07.35P	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 40,000/-to Rs. 175,000/- per perch	558,989
	Land at Biyagama	02A-00R-15.93P	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 950,000 per perch	319,134
	Marawila silica land	13A-OR-02P	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 18,752.52 per perch	39,038
	Ball Clay land at Kaluthara	5A-01R-0.83P	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 62.50 per perch	52
Uni Dil Packing Ltd.	Land at Narampola road, Moragala, Deketana	A9-R0-P17.8	Mr. D.G.Newton	31 March 2016	Market based evidence	Rs.70,000/- per perch	102,046
	Building and land improvement at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton	31 March 2016	Depreciated Replacement cost	Rs.650/- to Rs. 2,000/- per sq.ft	179,254
Uni Dil Packaging Solutions Ltd	Land at Narampola road, Moragala, Deketana	A2-R2-P35	Mr. D.G.Newton	31 March 2016	Market based evidence	Rs. 60,000/- per perch	26,100
	Building at Narampola road, Moragala, Deketana	25,551 sq.ft	Mr. D.G.Newton	31 March 2016	Depreciated Replacement cost	Rs. 1,750/- to Rs. 2,500/- per sq.ft	46,400
Swisstek (Ceylon) PLC	Factory Complex, Belummahara, Imbulgoda-Land	980 Perches	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 646,429/- per perch	633,500
	No:334/5, Colombo Road, Belummahara, Imbulgoda-Land	20 Perches	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 567,500/- per perch	11,350
	Factory Complex, Belummahara, Imbulgoda-Building	54,647 sq.ft	Mr. Ranjan J Samarakone	31 March 2018	contractor's method	Rs. 3,750/- per sq.ft	112,500
	No:334/5, Colombo Road, Belummahara, Imbulgoda-Building	1,384 sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Depreciated Replacement cost	Rs. 361/- per sq.ft	500

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

Company	Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input : price per perch/ acre/range	Fair Value measurement (Level 3) Rs.000's
	Factory Complex, Belummahara, Imbulgoda-Tile Stores	24,444 sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Investment Method	Rs. 15/- to 40/- per sq.ft	63,351
	Factory Complex, Belummahara, Imbulgoda-Sales center	4890 sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Investment Method	Rs. 15/- to 40/- per sq.ft	27,261
	Factory Complex, Belummahara, Imbulgoda-Open Shed	1600 sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Investment Method	Rs. 15/- to 40/- per sq.ft	2,676
	Factory Complex, Belummahara, Imbulgoda-Warehouse	5,000 sq.ft	Mr.K.T.D.Tissera	31 March 2018	Investment Method	Rs. 15/- to 40/- per sq.ft	22,300
Swisstek Aluminum Ltd.	Land at Pahala Dompe, Dompe Lot 01	R02-P17.7	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 17,567,247 per acre	10,727
	Dompe Lot 02	A9-R1-P15.9	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 18,834,861 per acre	176,000
	Dompe Lot 03	A0-R2-P5.2	Mr. Ranjan J Samarakone	31 March 2018	Market based evidence	Rs. 7,511,737 per acre	4,000
	Building at Pahala Dompe, Dompe	142,242 Sq.ft	Mr. Ranjan J Samarakone	31 March 2018	Contractors Method	Rs. 40,000/- to Rs. 175,000/- per perch	464,533

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was performed using external independent professional valuers. Based on such assessment no significant change to the revalued carrying amount as at 31 March 2020.

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

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

	2020	2019
	Years	Years
Non plantation assets		
Buildings	25-50	25-50
Plant and machinery	08-20	08-20
Permanent Land Development Cost	40	40
Tools, implements and furniture and fittings	2-10	2-10
Motor Vehicles	2-5	2-5
Computer Hardware & Software	3-8	3-8
Right of Use Asset	1-8	-
Plantation assets		
The leasehold rights to JEDB/ SLSPC are amortised in equal		
Amounts over the following years		
Bare land	53	53
Mature plantations	30	30
Permanent land development costs	30	40
Buildings	25	25
Plant and machinery	15	15
Mature Plantation(re-planting and new planting)		
Mature plantations (Tea)	33 1/3	33 1/3
Mature plantations (Rubber)	20	20
Mature plantations (Coconut)	50	50
Mature plantations (Cinnamon)	15	25
Mature plantations (Coffee and pepper)	4	4
Mature plantations (Pineapple)	3	3
Mature plantations (Oil palm)	20	20
Mature plantations (Custard Apple)	30	30

No depreciation is provided for immature plantations.

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

Pending finalization	Group				Company			
	Cost	Accumulated Depreciation	Net Carrying Amount	Net Carrying Amount	Cost	Accumulated Depreciation	Net Carrying Amount	Net Carrying Amount
	2020	2020	2020	2019	2020	2020	2020	2019
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000's	Rs. 000'	Rs. 000'
Freehold Land	2,045,656	-	2,045,656	2,015,752	448,831	-	448,831	418,926
Building	3,490,653	(542,803)	2,947,850	2,649,540	645,999	(213,929)	432,070	452,609
Total	5,536,309	(542,803)	4,993,505	4,665,292	901,440	20,539	880,901	871,535

	Balance as at 01.04.2019	Addition	Disposals/ Transfers/ Write-off	Balance as at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation				
At Cost				
Buildings	19,284	20,584	-	39,868
Plant and Machinery	1,109,166	129,989	(4,991)	1,234,165
Water Supply, Electricity Distribution Scheme	94,316	6,490	-	100,805
Tools, Implements, Furniture & Fittings and Electrical Appliances	141,406	17,336	(506)	158,236
Transport & Communication Equipment	102,743	7,612	(3,000)	107,355
Total	1,466,915	182,010	(8,497)	1,640,429
Assets on Finance Lease				
Leasehold Land	2,919	-	(2,919)	-
	2,919	-	(2,919)	-
Total	1,469,834	182,010	(11,415)	1,640,429

3.4 Net Book Value of Assets

	2020 Years Rs.'000	2019 Years Rs.'000
At Valuation		
Freehold Land	2,567,804	2,537,900
Buildings	821,852	842,437
At Cost		
Plant and Machinery	920,721	963,626
Water Supply, Electricity Distribution Scheme	49,181	55,671
Tools, Implements, Furniture & Fittings and Electrical Appliances	51,686	37,288
Transport & Communication Equipment	65,186	58,198
	4,476,430	4,495,120
Assets on Finance Leases		
Leasehold Land	-	11,681
	4,476,430	4,506,801
Capital Work in Progress	47,570	29,480
Total	4,524,000	4,536,281

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT & EQUIPMENT CONTD.

3.4 Assets At Valuation

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

Location	Extent	Valuer	Valuation Date	Valuation Details	Significant unobservable input: price per perch/ acre/range	Significant unobservable inputs (Level 3) Rs.000's
No. 215, Nawala Road, Narahenpita, Colombo 05	A1-R1-P2.1	Mr. Ranjan J Samarakone	31 March 2019	Market based evidence	Rs. 7,000,000/- per perch	1,414,700
	35,990 Square feet building	Mr. Ranjan J Samarakone	31 March 2018	Contractor's basis method valuation	Rs. 1,000/- to Rs. 3,500/- per square feet	85,281
Plan No 2205 Situated at Mawathgama and Galagedara Village	A23-R1-P24.16	Mr. Ranjan J Samarakone	31 March 2019	Market based evidence	Rs. 300,000/- per perch	1,123,200
	279,361 Square Feet building	Mr. Ranjan J Samarakone	31 March 2018	Contractor's basis method valuation	Rs. 2,000/- to Rs. 4,000/- per square feet	726,664

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was performed using external independent professional valuers. Based on such assessment no significant change to the revalued carrying amount as at 31 March 2020.

The Company purchased the following lands during the year.

Location	Extent	Value Rs.'000'
"Koswatte Kele" - Mawathagam Village - Meepe	P.217	27,400
"Koswatte Kele" - Mawathagam Village - Meepe	P.11	2,500

3.5 Right of use Assets

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

3.6 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 184.4 Mn (2018/19 - Rs.201.8 Mn). Cash payments amounting to Rs.184.4 Mn (2018/19- Rs. 201.8 Mn) were made during the year for purchase of Property, Plant and Equipment.

3.7 Fixed assets include fully depreciated assets. The cost of which at the reporting date amounted to Rs. 841.90 Mn (2018/2019 - Rs.800.16 Mn).

3.8 Investment property

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Opening balance	816,805	459,407	-	-
Addition	-	1,767	-	-
Net fair value gain recognised in profit or loss	-	355,631	-	-
Closing balance	816,805	816,805	-	-

3.8.1 The fair value of freehold lands and buildings were determined by means of an independent revaluation carried out by Independent Chartered valuation surveyors during the financial year 2019/20 in reference to market based evidence and the details of the valuations are indicated below;

Company	Location	Extent	Valuation Date	Valuer	Valuation Details	Significant unobservable input : price per perch/ acre/ range	Significant unobservable inputs (Level 3) Rs.000's	
LWL Development Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per Acre	390,895	
	Waradala Village, Divulapitiya, Gampaha	4A-01R-15.9P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs.5,000,000/- per Acre	21,746	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45 P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs.200,000/- per Perch	9,000	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90 P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs.50,000/- per Perch	345	
	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per Acre	390,895	
	Waradala Village, Divulapitiya, Gampaha	4A-01R-15.9P	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs.5,000,000/- per Acre	21,746	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-45 P	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs.200,000/- per Perch	9,000	
	Agalagedara Village, Divulapitiya, Gampaha	00A-00R-6.90 P	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs.50,000/- per Perch	345	
	Beyond Paradise Collection Limited	Agalagedara Village, Divulapitiya, Gampaha	48A-03R-17.9P	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per Acre	390,895
		House	981 .sq.ft	31 March 2020	Mr. Ranjan J Samarakone	Market based evidence	Rs.4,000/- per sq.ft	3,924
Agalagedara Village, Divulapitiya, Gampaha		48A-03R-17.9P	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs. 8,000,000/- per Acre	390,895	
House		981 .sq.ft	31 March 2019	Mr. Ranjan J Samarakone	Market based evidence	Rs.4,000/- per sq.ft	3,924	

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was obtained by the same independent professional valuer who determined no significant change to the revalued carrying amount provided as at 31 March 2020.

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

NOTES TO THE FINANCIAL STATEMENTS

3.9 RIGHT OF USE ASSETS

The effect of adoption SLFRS 16 as at 1 April 2019 (increase/ (decrease)) is as follows:

	Company Rs.'000	Group Rs.'000
Assets		
Right of use asset	46,384	280,389
Property, Plant and Equipment	(11,681)	(159,071)
Prepayments	-	(7,500)
Total Assets	34,702	113,818
Liabilities		
Interest Bearing Loans and borrowings	34,702	113,818
Total Liabilities	34,702	113,818

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

	Company Rs.'000	Group Rs.'000
Operating lease commitments as at 31 March 2019	45,828	328,908
Incremental borrowing rate as at 1 April 2019	12%	12% -14.4%
Discounted operating lease commitments at 1 April 2019	41,332	298,074
Less:		
Commitments related to short-term leases	6,630	30,429
Add:		
Commitments related to leases previously classified as finance leases	-	7,272
Lease Liabilities as at 1 April 2019	34,702	274,917

Right of Use Assets/ Lease Liabilities- Company

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

	Land Rs. 000	Building Rs. 000	Total Rs. 000
Right of Use Asset			
As at 1 April 2019*	11,681	34,702	46,384
Additions	-	31,469	31,469
Less: Amortization Expense	(487)	(19,480)	(19,967)
As at 31 March 2020	11,195	46,691	57,885
Lease Liability			
As at 1 April 2019*	-	34,702	34,702
Additions	-	31,469	31,469
Interest Expense	-	4,520	4,520
Less: Payments	-	(22,434)	(22,434)
As at 31 March 2020	-	48,257	48,257

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

Right of Use Assets/ Lease Liabilities- Group

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

	Land	Building	Land -Plantation	Equipment	Motor Vehicles and Accessories	Immovable Estate Assets	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
			(Note 3.10)			(Note 3.10)	
Right of Use Asset							
As at 1 April 2019*	17,597	115,402	101,385	5,612	467	39,926	280,389
Remeasurement of leasehold right on initial application of SLFRS 16	-	-	61,001	-	-	-	61,001
Additions	-	114,740	-	-	-	-	114,740
Less: Amortization Expense	(1,275)	(50,032)	(6,125)	(1,052)	(467)	(7,299)	(66,250)
As at 31 March 2020	16,322	180,110	156,261	4,560	-	32,627	389,880
Lease Liability							
As at 1 April 2019*	5,916	107,902	88,066	5,372	-	-	207,256
Remeasurement of leasehold right on initial application of SLFRS 16	-	-	67,661	-	-	-	67,661
Adjusted balance as at 1st April 2019	5,916	107,902	155,727	5,372	-	-	274,917
Interim remeasurement of right-of-use asset as at 1st July 2019	-	-	6,659	-	-	-	6,659
Additions	-	114,740	-	-	-	-	114,740
Interest Expense	682	15,256	21,331	681	-	-	37,950
Less: Payments	(1,200)	(59,846)	(27,406)	(1,819)	-	-	(90,271)
As at 31 March 2020	5,398	178,052	156,312	4,234	-	-	343,996

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

The following are the amounts recognised in profit or loss - 2019/20

	Company Rs.'000	Group Rs.'000
Amortization expense of right-of-use assets	19,967	66,250
Interest expense on lease liabilities	4,520	37,950
Expense relating to short-term leases (included in cost of sales)	6,630	30,429
Total amount recognised in profit or loss	31,117	134,629
	Company Rs.'000	Group Rs.'000
Payable as follows :		
Payable within One Year	23,438	75,888
Payable after One Year :-		
Payable within One to Five Years	24,819	102,873
Payable after Five Years	-	165,235
Lease Liabilities as at 31st March 2020	48,257	343,996

NOTES TO THE FINANCIAL STATEMENTS

3.10 Right of use - Land

(a) Leasehold Rights to Bare Land of JEDB/SLSPC Estates and Dumbara land

As at 22.06.1992	204,931
Amortization	
Balance as at 1st April 2018	99,680
Charge for the year	3,866
Balance as at 31st March 2019	103,546
Carrying Amount as at 31st March 2019	101,385
Net book value carried forward as at 1st April 2019	101,385
Remeasurement of leasehold right on initial application of SLFRS 16	54,342
Adjusted Net book value as at 1st April 2019	155,727
Remeasurement of leasehold right as at 1st July 2019	6,659
	162,386
Amortization	
Charge for the year	6,125
Amortisation as at 31st March 2020	6,125
Carrying Amount as at 31st March 2020	156,261

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

	Bearer Biological Assets (Mature)	Permanent Land Development Costs	Buildings	Plant & Machinery	Total as at 31.03.2020	Total as at 31.03.2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Capitalised Value :						
As at 22.06.1992	214,810	4,014	47,173	6,818	272,815	272,815
Transfers to Mature :						
At the end of the year	214,810	4,014	47,173	6,818	272,815	272,815
Amortisation :						
Opening Balance	175,446	3,451	47,173	6,818	232,889	225,709
Charge for the year	7,165	134	-	-	7,299	7,180
At the end of the year	182,611	3,585	47,173	6,818	240,188	232,889
Carrying Amount :						
As at 31.03.2020	32,199	429	-	-	32,627	-
As at 31.03.2019	39,364	562	-	-	-	39,926
Total Carrying Value as at 31 March 2020						
leasehold Rights to Bare Land of JEDB/SLSPC Estates and Dumbara land						156,261
Immovable JEDB/SLSPC estate assets on finance leases (other than right to bare land)						32,627
Total						188,889

4 GOODWILL

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

	2020	2019
	Rs.'000	Rs.'000
Balance at the beginning of the year	24,519	24,519
Balance at the end of the year	24,519	24,519

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

Gross margins

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

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

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

Growth Rate

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

In determining the recoverable value of each cash generating unit, the group has taken into account possible impacts on cash flows due to the COVID-19 pandemic.

4.2 Intangible Assets

Year ended 31 March 2020	2020	2019
	Rs.'000	Rs.'000
Balance as at 1 April	-	-
Additions	13,673	-
Amortisation charge	(1,079)	-
Balance as at 31 March	12,594	-

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENTS IN SUBSIDIARIES

Company	Number of Shares		Holding		Cost	Market Value/ Directors' Valuation*	Cost	Market Value/ Directors' Valuation*
	2020	2019	2020	2019	2020	2020	2019	2019
	'000	'000	%	%	Rs.'000	Rs.'000	Rs.'000	Rs.'000
5.1 Subsidiary								
a) Quoted								
Lanka Tiles PLC	36,189	36,189	68.22	68.22	935,958	1,813,069	935,958	2,533,244
Swisstek (Ceylon) PLC	3,141	3,141	11.48	11.48	41,247	84,814	41,247	109,316
Total Quoted Investment in Subsidiary					977,205	1,897,883	977,205	2,642,559
b) Non-quoted								
VPML Plantation Management (Pvt) Ltd	10,336	10,336	100.00	100.00	298,891	298,891	298,891	298,891
LWL Development (Pvt) Ltd	0.001	0.001	100.00	-	0.001	-	0.001	-
Total Non-quoted Investments in Subsidiaries					298,891	298,891	298,891	298,891
Carrying Value of Investments in Subsidiaries					1,276,096		1,276,096	
Total Net Carrying Value of Investments in Subsidiaries					1,276,096		1,276,096	

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

5.2 Details of those companies in which Lanka Walltiles PLC, held a controlling interest, as at 31 March 2020 directly or indirectly (Group) are set out below:

Name of Company	Percentage of share holding in subsidiaries				Principal activities of the company	Auditors
	Group		Company			
	2020	2019	2020	2019		
1) Lanka Tiles PLC	68.22	68.22	68.22	68.22	Manufacture of Ceramic & Porcelain floor tiles	M/s. PricewaterhouseCoopers
2) Vallibel Plantation Management Ltd	100.00	100.00	100.00	100.00	Providing management services to plantation industry	M/s. KPMG
3) Horana Plantations PLC	51.00	51.00	-	-	Agricultural production	M/s. KPMG
4) Fairlawn Power (Pvt) Ltd	27.54	27.54	-	-	Mini hydro power project	M/s. KPMG
5) Uni-Dil Packaging Ltd	100.00	100.00	-	-	Manufacture and sale of cartons for packing	M/s. KPMG
6) Uni-Dil Packaging Solutions Ltd	100.00	100.00	-	-	Manufacture and sale of paper sacks for packing	M/s. KPMG
7) Swisstek (Ceylon) PLC	59.28	59.28	11.48	11.48	Manufacture and sale of tile grout and tile mortar	M/s. KPMG
8) Swisstek Aluminium Ltd	51.81	51.81	-	-	Manufacture and sale of aluminium extrusions	M/s. PricewaterhouseCoopers
9) LWL Development (Private) Limited	100.00	100.00	100.00	100.00	Property Holding Company	M/s. PricewaterhouseCoopers
10) Beyond Paradise Collection Limited	68.22	68.22	-	-	Property Holding Company	M/s. PricewaterhouseCoopers
11) Lankatiles (Pvt) Ltd (Foreign Subsidiary)	34.79	34.79	-	-	Distribution of Tiles in India	M/s. K S Muralidhar
12) LTL Development (Pvt) Limited	68.22	68.22	-	-	Property Holding Company	M/s. PricewaterhouseCoopers
13) Swisstek Development (Pvt) Limited	51.81	51.81	-	-	Property Holding Company	M/s. KPMG

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

NOTES TO THE FINANCIAL STATEMENTS

6 LONG TERM RECEIVABLES

	GROUP	
	2020	2019
	Rs.'000	Rs.'000
Advance company tax receivable	27,285	27,285
Total	27,285	27,285

7 DEFERRED TAX ASSET

	GROUP	
	2020	2019
	Rs.'000	Rs.'000
Deferred tax assets at the beginning of the year	847	14,685
Reclassification to liability	(847)	-
Deferred tax (charge) / reversal	-	(13,842)
Deferred tax release on components of other comprehensive income	-	3
Deferred tax assets at the end of the year	-	847

7.1 Statement of Financial Position

	GROUP	
	2020	2019
	Rs.'000	Rs.'000
Deferred Tax Liability		
Capital Allowances	-	(24,312)
Revaluation Surplus	-	(1,218)
Deferred Tax Assets		
Retirement Benefit Liability	-	864
Carried Forward Tax Losses	-	23,753
Provision for Obsolete and Slow Moving, Consumables and Spares	-	1,760
	-	847

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

8 INVENTORIES

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Raw materials	2,772,694	2,682,275	223,646	180,014
Work in progress	314,782	296,735	41,850	40,469
Finished goods	6,194,473	4,566,192	2,093,956	1,645,999
Goods in transit	360,221	107,172	908	908
Consumables and spares	577,558	508,418	434,145	389,143
Harvested crops	153,484	272,712	-	-
Non-harvested produce on bearer biological assets	3,361	5,845	-	-
Allowances for obsolete and slow moving spares	(150,154)	(122,430)	(31,925)	(31,925)
Total	10,226,419	8,316,920	2,762,580	2,224,608
Writ-off during the year	8,831	14,565	3,459	14,864

These inventories include finished goods of Rs. 5.5 Bn (2019 - Rs. 3.7 Bn) and general stocks representing raw materials, consumables and spares of Rs. 2.2 Bn (2019 - Rs. 1.7 Bn) relating to the Tiles & associated items segment.

9 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Trade debtors - related parties (9.1)	29,484	26,272	2,384	939
- Other	2,857,531	3,085,481	492,317	513,018
	2,887,015	3,111,753	494,701	513,957
Less: Allowances for doubtful debts	(70,715)	(47,134)	(6,070)	(4,770)
	2,816,300	3,064,619	488,631	509,187
Advance and prepayments	746,068	502,424	112,981	150,324
Other debtors	274,308	232,078	62,136	41,159
Loans to company officers	38,511	37,962	10,008	8,630
Dividend Receivables	-	-	-	105,589
Total	3,875,187	3,837,082	673,756	814,889

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Allowances for doubtful debts				
Opening Balance as at 1 April	47,134	39,596	4,770	4,750
Provided during the year	23,581	15,841	1,300	1,454
Utilised/reversed during the year	-	(8,302)	-	(1,435)
Closing balance as at 31 March	70,715	47,134	6,070	4,770

NOTES TO THE FINANCIAL STATEMENTS

9.1 Trade debtors - related parties

Company	Relationship	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Lanka Ceramic PLC	Affiliated Company	4	1,154	-	-
Royal Ceramics Lanka PLC	Parent Company	22,798	21,555	1,504	-
Royal Porcelain (Pvt) Ltd	Affiliated Company	-	1,578	-	-
Rocell Bathware Ltd	Affiliated Company	380	-	-	-
Singer Sri Lanka PLC	Affiliated Company	152	-	-	-
The Kingsbury PLC	Affiliated Company	40	-	-	-
Swisstek Aluminium Ltd	Subsidiary Company	-	-	142	-
Swisstek Ceylon PLC	Subsidiary Company	-	-	572	572
Uni Dil Packaging (Pvt) Limited	Subsidiary Company	-	-	3	3
MN Properties (Pvt) Ltd	Affiliated Company	162	364	162	364
Delmege Forsyth & Co. Ltd	Affiliated Company	3,933	-	-	-
Hayleys Agriculture Holdings Limited	Affiliated Company	391	130	-	-
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	76	558	-	-
Kelani Valley Plantations PLC	Affiliated Company	1,500	883	-	-
Talawakelle Tea Estates PLC	Affiliated Company	49	50	-	-
Total		29,484	26,272	2,384	939

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

Company	Neither past due nor impaired Rs.'000	Past due but not impaired			Impaired Rs.'000	Total Rs.'000
		< 3 Months Rs.'000	3- 12 Months Rs.'000	> 1 Year Rs.'000		
2020	264,175	101,680	100,759	24,491	3,596	494,701
2019	380,124	57,853	56,640	14,570	4,770	513,957

Group	Neither past due nor impaired Rs.'000	Past due but not impaired			Impaired Rs.'000	Total Rs.'000
		< 3 Months Rs.'000	3- 12 Months Rs.'000	> 1 Year Rs.'000		
2020	1,339,255	1,021,578	425,979	87,316	31,471	2,887,015
2019	2,102,041	606,277	321,253	35,048	47,134	3,111,753

10 AMOUNTS DUE FROM RELATED PARTIES

Company	Relationship	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Lanka Ceramic PLC	Affiliated Company	834	-	-	-
Swisstek Aluminium Ltd	Subsidiary company	-	-	47,682	54,522
Royal Porcelain (Pvt) Ltd	Affiliated Company	-	14,299	-	2,338
Rocell Bathware Limited	Affiliated Company	5,299	5,632	1,475	72
LWL Development (Pvt) Ltd	Subsidiary company	-	-	15,824	15,824
Royal Ceramics Lanka PLC	Parent Company	42,155	7,986	-	-
Delmege Forsyth & Co., Ltd.	Affiliated Company	-	8,938	-	-
Nilano Garments (Pvt) Ltd	Affiliated Company	162	162	-	-
Total		48,450	37,016	64,981	72,756

11 SHORT TERM INVESTMENTS

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Deposit of Tsunami donations	3,754	3,499	3,754	3,499
Total	3,754	3,499	3,754	3,499

12 STATED CAPITAL

12.1 Issued & fully paid

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Balance at the beginning of the year	787,765	787,765	787,765	787,765
Balance at the end of the year	787,765	787,765	787,765	787,765

12.2 Issued & fully paid

	Group		Company	
	2020 '000	2019 '000	2020 '000	2019 '000
Balance at the beginning of the year	54,600	54,600	54,600	54,600
Balance at the end of the year	54,600	54,600	54,600	54,600

12.3 The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

13 RESERVES

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Revaluation reserve (13.1)	2,850,974	2,850,974	1,812,082	1,812,082
Total	2,850,974	2,850,974	1,812,082	1,812,082

13.1 Revaluation reserve

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
On: Property Plant & Equipment				
As at 01 April	2,850,974	2,566,671	1,812,082	1,531,815
Revaluation of freehold land and building net of deferred tax	-	284,303	-	280,267
As at 31 March	2,850,974	2,850,974	1,812,082	1,812,082

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

NOTES TO THE FINANCIAL STATEMENTS

14 INTEREST BEARING LIABILITIES

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Non Current				
Long term loans (14.1)	2,496,932	2,865,112	47,917	119,134
Lease Liability-Plantation(14.2)	155,616	80,899	-	-
Lease Liability-Other (Note-3.9)	112,492	4,234	24,819	-
Total	2,765,040	2,950,245	72,735	119,134
Current				
Long term loans (14.1)	932,098	789,705	83,040	141,880
Lease Liability-Plantation(14.2)	696	7,167	-	-
Lease Liability-Other (Note-3.9)	75,192	1,138	23,438	-
Short term loans	4,826,956	3,708,776	1,291,060	898,104
Bank overdrafts (28)	2,808,210	1,757,615	817,074	487,854
Total	8,643,152	6,264,402	2,214,611	1,527,838
Total	11,408,192	9,214,647	2,287,347	1,646,972

14.1 Long term loans

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning	3,654,817	2,294,045	261,014	325,766
Loans obtained	468,963	2,021,995	-	100,000
Exchange gain/(loss)	11,168	25,063	-	617
Repayments	(705,918)	(686,287)	(130,057)	(165,369)
At the end	3,429,030	3,654,817	130,957	261,014
Amount payable within 12 months	932,098	789,705	83,040	141,880
Amount payable after 12 months	2,496,932	2,865,112	47,917	119,134
Total	3,429,030	3,654,817	130,957	261,014
Short term loans				
At the beginning	3,708,776	2,159,752	898,104	500,000
Loans obtained	12,356,929	8,819,010	2,449,348	1,302,581
Repayments	(11,238,749)	(7,269,986)	(2,056,392)	(904,477)
At the end	4,826,956	3,708,775	1,291,060	898,104

14.2 Lease Liabilities to JEDB/SLSPC Estates and Dumbara Land

	2020			2019		
	Gross Liability Rs.'000	Future Finance Cost Rs.'000	Net Liability Rs.'000	Gross Liability Rs.'000	Future Finance Cost Rs.'000	Net Liability Rs.'000
Movement :						
As at 1st April	141,227	(53,161)	88,066	146,053	(56,592)	89,461
Initial remeasurement of lease liability as at 1st April 2019	418,539	(350,877)	67,661	-	-	-
Adjusted balance as at 1st April 2019	559,765	(404,038)	155,727	146,053	(56,592)	89,461
Interim remeasurement of right-of-use asset as at 1st July 2019	23,697	(17,037)	6,659			
	583,462	(421,075)	162,387	146,053	(56,592)	89,461
GDP Deflator Due	-	-	-	15,968	-	15,968
Repayments during the year	(27,406)	-	(27,406)	(20,794)	-	(20,794)
Interest Expense for the year	-	21,331	21,331	-	3,431	3,431
As at 31st March	556,056	(399,744)	156,312	141,227	(53,161)	88,066
Payable as follows :						
Payable within One Year						
Overdue	-	-	-	5,299	-	5,299
Payable by due dates	22,107	(21,411)	696	5,228	(3,360)	1,868
	22,107	(21,411)	696	10,527	(3,360)	7,167
Payable after One Year :-						
Payable within Two to Five Years	88,965	(84,585)	4,380	20,912	(12,658)	8,254
Payable after Five Years	444,984	(293,748)	151,236	109,788	(37,143)	72,645
	533,949	(378,333)	155,616	130,700	(49,801)	80,899
Total Payable	556,056	(399,744)	156,312	141,227	(53,161)	88,066

- 14.3 On transition to SLFRS 16, the Company recognized an additional Rs. 67.661 Mn of lease liabilities as at 1st April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1st April 2019 was 14.44%.

The rental payable under the JEDB/SLSPC lease is Rs. 5.526 Mn per annum until 21st July 2045 and this amount to be inflated annually by Gross Domestic Production (GDP) Deflator. The future liability will be remeasured annually based on the inflated annual lease rental.

The expected rental payable under the Dumbara lease is Rs. 134,125/- per annum from 2022 onwards with an increment of 5% in every five years.

NOTES TO THE FINANCIAL STATEMENTS

14.7 Details of long term loans of the Group

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 3/31/20 Rs. '000	Balance as at 3/31/19 Rs. '000
Lanka Walltiles PLC						
Commercial Bank of Ceylon PLC	60 monthly instalments	584,000	AWPLR+0.5%	Tripartite agreement for Rs.392.8 Mn between Bank,Lanka Walltiles PLC & the custodian (Pan Asia Bank) over 7,210,000 Shares of Lanka Tiles PLC.	58,040	165,180
DFCC Bank PLC	48 monthly instalments	100,000	AWDR+1%	Corporate Guarantee from Lanka Tiles PLC.	72,917	95,833
Company Total - Lanka Walltiles PLC					130,957	261,013
Lanka Tiles PLC						
DFCC Bank PLC	84 monthly instalments	165,000	AWPLR+0.5%	A primary mortgage over land, building and plant and machinery of Lanka Tiles PLC at Ranala	-	5,893
	54 monthly instalments	80,000	AWPLR+0.5%	Lanka Tiles PLC at Ranala	-	1,481
	72 monthly instalments (12 month Grace period)		AWPLR+0.75%	A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1500 Mn	1,466,342	1,455,336
Company Total - Lanka Tiles PLC					1,466,342	1,462,710
Uni-Dil Packaging Limited						
SCB	US \$ 114,079 Quarterly instalments	USD 310,000	LIBOR+3.8%	Primary concurrent Mortgage bond for LKR 170 Mn over Property	146,306	180,793
					USD 770.39	USD 1026.71
Company Total - Uni-Dil Packaging Limited					146,306	180,793

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 3/31/20 Rs. '000	Balance as at 3/31/19 Rs. '000
Horana Plantations PLC						
Hatton National Bank PLC	72 monthly instalments	150,000	AWPLR + 1.00%	Primary mortgage for 550 Mn over the leasehold rights of Frocester Estate Primary mortgage for 400 Mn over the leasehold rights of Bambrakelly Estate	21,900	47,100
		200,000	AWPLR + 1.00%		50,150	83,450
		200,000	AWPLR + 0.75%		73,280	105,650
		250,000	AWPLR + 2.50%		192,800	250,000
		200,000	AWPLR + 1.75%		200,000	200,000
Hatton National Bank PLC	60 monthly instalments	100,000	AWPLR+0.75%	Primary mortgage over leasehold rights of Alton, Bambrakelly, Eildon Hall and Gouravilla	28,240	44,425
Hatton National Bank PLC	60 monthly instalments	130,114	AWPLR+1.5%	Primary mortgage over leasehold rights of Bambrakelly Estate	17,352	43,570
Sri Lanka Tea Board	36 monthly instalments, After a 24 months grace period.	33,000	AWPLR+1.0%	No security has been offered	4,583	14,667
Industry Distress Financing Facility	36 monthly instalments	46,935	5.00%	No security has been offered	2,796	17,764
Commercial Bank of Ceylon PLC	48 monthly instalments, After a 24 months grace period.	100,000	AWPLR + 2.00%	Primary Floating Mortgage for Rs. 120.00 Mn, over the leasehold rights land and buildings of Stockholm Estate.	90,270	100,000
Sampath Bank PLC	72 monthly instalments, After a 24 months grace period.	100,000	AWPLR + 1.80%	Primary Mortgage for Rs. 200 Mn, over the leasehold rights land and buildings of Gouravilla Estate.	200,000	-
Hatton National Bank PLC	60 monthly instalments	150,000	AWPLR + 1.25%	Primary mortgage over leasehold rights of Alton, Bambrakelly, Eildon Hall and Gouravilla	150,000	-
Company Total - Horana Plantations PLC					1,031,371	906,625

NOTES TO THE FINANCIAL STATEMENTS

Financial Institution	Repayment terms	Principal Rs'000	Interest rate per annum	Security	Balance as at 3/31/20 Rs. '000	Balance as at 3/31/19 Rs. '000
Swisstek (Ceylon) PLC						
DFCC Bank PLC	60 monthly instalments	110,000	AWPLR+1.25%	Mortgage over Land, Building, Plant & Machinery , Stocks and Book debts owned by Swisstek Aluminium Ltd.	102,736	111,000
Bank of Ceylon	54 monthly instalments	170,000	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	124,990	118,990
Commercial Bank	60 monthly instalments	35,000	AWPLR+1.5%	Mortgage over immovable property at Balummahara, Imbulgoda	24,470	31,500
Company Total - Swisstek (Ceylon) PLC					252,196	261,480
Swisstek Aluminium Limited						
DFCC Bank PLC	60 monthly instalments	10,000	AWPR+0.75%	Mortgage over land, building, plant & machinery	-	1,502
	60 monthly instalments	50,000	AWPR+1.4%		333,333	441,667
	60 monthly instalments	193,032	AWPR+1.5%	Movable Machinery	63,226	113,807
Hatton National Bank PLC	48 monthly instalments	80,000	AWPR+1.5%	Simple Receipt	5,300	25,220
Company Total - Swisstek Aluminium Limited					401,859	582,195

14.8 Fair Value of Financial Assets and Liabilities not Carried at Fair Value

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

	Carrying Amount		Fair value	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Financial Assets				
Trade and Other Receivables	3,129,118	3,334,658	3,129,118	3,334,658
Contract Assets	38,079	58,269	38,079	58,269
Amounts due from related parties	48,450	37,016	48,450	37,016
Short term investments	3,754	3,499	3,754	3,499
Cash and cash equivalents	413,243	401,580	413,243	401,580
Total	3,632,644	3,835,023	3,632,644	3,835,023

Financial Liabilities				
Trade and Other Payables	1,686,536	2,330,275	1,686,536	2,330,275
Contract Liability	14,843	79,177	14,843	79,177
Loans and Borrowings- Current	8,643,152	6,264,402	8,643,152	6,264,402
Loans and Borrowings- Non Current	2,765,040	2,950,245	2,765,040	2,950,245
Total	13,109,571	11,624,099	13,109,571	11,624,099

	Carrying Amount		Fair value	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Financial Assets				
Trade and Other Receivables	498,639	623,406	498,639	623,406
Amounts due from related parties	64,981	72,756	64,981	72,756
Short term investments	3,754	3,499	3,754	3,499
Cash and cash equivalents	47,776	33,240	47,776	33,240
Total	615,150	732,901	615,150	732,901

Financial Liabilities				
Trade and Other Payables	344,743	534,879	344,743	534,879
Loans and Borrowings- Current	2,214,611	1,527,838	2,214,611	1,527,838
Loans and Borrowings- Non Current	72,735	119,133	72,735	119,133
Total	2,632,089	2,181,850	2,632,089	2,181,850

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

Assets for which Fair Value Approximates Carrying Value

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

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

Fixed Rate Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS

15 DEFERRED TAX LIABILITIES

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	2,341,613	2,032,023	989,442	887,282
Reclassification from deferred tax assets	(847)	(17,095)	-	-
Income/ (expense) arising during the year (Note 25.2)	87,512	223,605	(18,766)	(7,361)
Deferred tax release on components of other comprehensive income (Note 25.2)	(6,801)	103,080	(2,792)	109,521
At the end	2,421,476	2,341,613	967,884	989,442

15.1 Statement of Financial Position

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Deferred Tax Liability				
Capital Allowances	1,930,058	1,825,728	426,459	440,889
Revaluation surplus	1,089,510	1,088,292	592,076	592,076
Lease Liability	1,167	-	-	-
Deferred Tax Assets				
Retirement Benefit Liability	(199,543)	(178,545)	(40,013)	(33,249)
Carried Forward Tax Losses	(346,635)	(354,040)	-	-
Provision for Obsolete and Slow Moving, Consumables and Spares	(38,879)	(34,251)	(8,939)	(8,939)
Allowances for Doubtful Debts	(14,202)	(5,571)	(1,699)	(1,335)
Total	2,421,476	2,341,613	967,884	989,442

16 RETIREMENT BENEFIT LIABILITY

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
At the Beginning of the Year	913,408	810,691	118,746	108,706
Current service cost	73,811	48,398	13,062	10,871
Net interest on the net defined benefit liability (asset)	93,398	78,053	10,050	8,396
	167,210	126,450	23,113	19,267
Net Actuarial Gain / loss for the year	35,285	73,123	9,970	(1,886)
Payments made during the Year	(111,839)	(96,856)	(8,926)	(7,341)
	(76,555)	(23,733)	1,044	(9,227)
Payable for retired employees included under current liabilities	(28,130)	(31,248)	-	-
At the End of the Year	975,933	882,161	142,902	118,746

Lanka Walltiles PLC - Company

In order to illustrate the significance of the salary escalation rates and discount rates assumed in this valuation a sensitivity analysis for all employees in Lanka Walltiles PLC is as follows;

	2020	2019
	Rs. 000's	Rs. 000's
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	9,563	7,571
Effect on DBO due to increase in the discount rate by 1%	(8,540)	(6,783)
Salary Escalation Rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(9,049)	(6,820)
Effect on DBO due to increase in the salary escalation rate by 1%	9,965	7,470

Lanka Walltiles PLC - Group

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

	2020	2019
	Rs. 000's	Rs. 000's
Discount Rate as at 31 March		
Effect on DBO due to decrease in the discount rate by 1%	72,161	61,780
Effect on DBO due to increase in the discount rate by 1%	(63,258)	(52,330)
Salary Escalation Rate as at 31 March		
Effect on DBO due to decrease in the salary escalation rate by 1%	(47,087)	(37,607)
Effect on DBO due to increase in the salary escalation rate by 1%	50,997	42,824

Lanka Walltiles PLC - Company

Distribution of Present value of define benefit obligation

	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
As at 31 March 2020					
Defined benefit obligation	12,246	31,195	30,263	69,198	142,902

Group

Distribution of Present value of define benefit obligation

	Less than a year	Between 1-2 years	Between 2- 5 years	Over year 5	Total
As at 31 March 2020					
Defined benefit obligation	137,463	147,382	207,928	483,163	975,933

NOTES TO THE FINANCIAL STATEMENTS

16 RETIREMENT BENEFIT LIABILITY CONTD.

Lanka Walltiles PLC

The defined benefit liability as of 31 March 2020 was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd. qualified actuary.

The principal assumptions underlying the valuation are as follows;

	2020	2019
Discount rate (per annum)	10.00%	11.00%
Salary scale (per annum)		
- Executives	12.50%	12.50%
- Non Executives	10.00%	10.00%
Retirement Age	55 Years	55 Years
Staff Turnover ratio	7% up to 49 years, thereafter 0%	7% up to 49 years, thereafter 0%
Weighted Average duration of defined benefit obligation (Years)	6.89	6.64

Lanka Tiles PLC

The defined benefit liability of Lanka Tiles PLC was actuarially valued by Messrs. Actuarial and Management Consultants (Pvt) Ltd qualified actuary on 31 March 2020.

Principal Actuarial Assumptions are as follows

	2020	2019
Discount rate	10.00%	11.00%
Future salary increases		
- Executives	12.50%	12.50%
- Non Executives	10.00%	10.00%
	55 Years	55 Years
In addition to above, demographic assumptions such as mortality, withdrawal disability and retirement age were considered for the actuarial valuation.		
Weighted Average duration of defined benefit obligation (Years)	4.90	5.13

Horana Plantations PLC

An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2020 by Mr. M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

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

Principal Actuarial Assumptions are as follows

	2020	2019
Rate of interest	10%	11%
Rate of salary increase		
Workers	15.00% for every two years beyond	15.00% for every two years beyond
Staff	12.50% for first three years & 2.00% per annum beyond	12.50% for first three years & 2.00% per annum beyond
Head Office Staff	10.00% per annum beyond	10.00% per annum beyond
Retirement age		
Workers	60 years	60 years
Staff	60 years	60 years
Head Office Staff	55 years	55 years
Daily wage rate		
Tea	Rs. 700	Rs. 700
Rubber	Rs. 700	Rs. 700
Weighted Average duration of defined benefit obligation (Years)		
Staff	8.56	6.91
Workers	8.97	8.53

The company will continue as a going concern

Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries carried out an actuarial valuation for Uni Dil Packaging Ltd and Uni Dil Packaging Solution Ltd of the defined benefit plan gratuity as at 31 March 2020.

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

		2020	2019
Discount rate p.a			
Rate of salary increase		10.00%	11.00%
Staff turnover factor		10.00%	10.00%
Retirement age (Years)		9.00%	21.00%
The Company will continue as a going concern.		55	55
Weighted Average duration of defined benefit obligation (Years)	Uni Dil Packaging Ltd	5.69	3.5
Weighted Average duration of defined benefit obligation (Years)	Uni Dil Packaging Solution Ltd	7.19	4.27

NOTES TO THE FINANCIAL STATEMENTS

16 RETIREMENT BENEFIT LIABILITY CONTD.

Swisstek (Ceylon) PLC

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2020.

	2020	2019
Principal Actuarial Assumptions are as follows		
Discount rate p.a	10.00%	11.00%
Rate of salary increase	11.00%	12.00%
Retirement age (Years)	55	55
Weighted Average duration of defined benefit obligation (Years)	7.55	6.23

Swisstek Aluminium Limited

Gratuity liability based on the actuarial valuation carried out by Messrs Actuarial and Management (Pvt) Ltd on 31 March 2020.

	2020	2019
Principal Actuarial Assumptions are as follows		
Discount rate p.a	11.00%	11.00%
Rate of salary increase	10.00%	10.00%
Retirement age (Years)	55	55
Weighted Average duration of defined benefit obligation (Years)	5.78	5.70

17 CAPITAL GRANTS

	Group	
	2020	2019
	Rs.'000	Rs.'000
Capital grants (17.1)	122,832	125,726
Total	122,832	125,726

17.1 Capital grants

Capital grants received on plantations

Granted by	Purpose of the grant	Basis of amortisation	Amount received	Balance at the beginning	Received during the period	Amortised during the period	Balance at the end
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lanka Tea Board	Tea factory modernization	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	701	372	-	(57)	315
	Tea replanting subsidy	Will be amortised at rate applicable to Tea mature plantations, after become mature (3.00%)	2,105	4,866	900	-	5,766
Plantation development project / Asian Development Bank	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	31,588	16,573	-	(1,128)	15,444
Plantation human development trust	Improvement of workers living environment	Rate of depreciation applicable to buildings and furniture & fittings (2.5% & 10% p.a.)	45,143	27,137	-	(1,600)	25,537
Estate infrastructure development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	489	271	-	(17)	253
Plantation development project	Improvement of workers living environment	Rate of depreciation applicable to buildings (2.5% p.a.)	20,051	13,899	-	(717)	13,183
	Ergonomic equipment	Rate of depreciation applicable to equipment (12.5% p.a.)	5,854	-	-	-	-
	Internal road development and boundary posts	Rate of depreciation applicable to permanent land development cost (2.5% p.a.)	4,622	3,300	-	(165)	3,136
	Minor factory development	Rate of depreciation applicable to buildings (2.5% p.a.)	10,099	7,290	-	(361)	6,929
Rubber Development Department	Rubber replanting subsidy	Rate applicable to rubber mature plantations (5% p.a.)	51,311	51,829	3,004	(2,704)	52,129
	Rubber factory development	Rate of depreciation applicable to plant & machinery (7.5% p.a.)	675	60	-	(51)	11
Export Agriculture Department (EAD)	Cinnamon replanting subsidy	Will be amortised at rate applicable to Cinnamon Mature Plantations, after become mature (6.67% p.a.)	76	131	-	-	132
Total			172,712	125,726	3,904	(6,800)	122,832

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Trade creditors - other	1,516,306	1,933,675	220,728	190,378
- related parties [18.1]	99,342	86,394	81,257	141,246
	1,615,648	2,020,069	301,985	331,624
Sundry creditors including accrued expenses	1,098,586	787,310	138,523	131,851
Provision for terminal benefits (current) [16.0]	28,130	31,248	-	-
Donations in respect of Tsunami fund	3,754	3,499	3,754	3,499
Unclaimed dividends	39,004	275,459	39,004	199,755
Total	2,785,122	3,117,585	483,266	666,730

18.1 Trade creditors - related parties

Company	Relationship	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Lanka Ceramic PLC	Affiliated Company	25,991	18,708	9,323	-
Royal Ceramics Lanka PLC	Parent Company	41	5,499	-	-
Hayleys Agriculture Holding	Affiliated Company	472	6,387	-	-
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	2,519	944	-	-
Hayleys Business Solutions International (Pvt) Ltd	Affiliated Company	-	30	-	-
Hayleys PLC	Affiliated Company	19,493	20,284	-	-
The Kingsbury PLC	Affiliated Company	16	-	-	-
Diesel & Motor Engineering PLC	Affiliated Company	27	-	-	-
Singer Sri Lanka PLC	Affiliated Company	-	57	-	-
Kelani Valley Plantations PLC	Affiliated Company	652	1,448	-	-
Talawakelle Tea Estates PLC	Affiliated Company	-	364	-	-
Puritas (Pvt) Ltd	Affiliated Company	19	19	-	-
Logiwiz Limited	Affiliated Company	-	2	-	-
NYK Line Lanka (Pvt) Ltd	Affiliated Company	-	746	-	-
Delmege Forsyth & Co., Ltd.	Affiliated Company	-	27	-	-
Lanka Tiles PLC	Subsidiary Company	-	-	67,420	135,598
Unidil Packaging Ltd	Subsidiary Company	-	-	-	5,648
Unidil Packaging Solution Ltd	Subsidiary Company	-	-	4,513	-
Vallibel One PLC	Ultimate Parent Company	50,112	31,878	-	-
Total		99,342	86,394	81,257	141,246

18.3 Contract Assets

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
As at 1st April	58,269	-	-	-
During the year recognized	(20,190)	58,269	-	-
As at 31st March	38,079	58,269	-	-

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

18.4 Contract Liabilities

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
As at 1st April	79,177	-	-	-
During the year recognized	(64,334)	79,177	-	-
As at 31st March	14,843	79,177	-	-

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

19 AMOUNTS DUE TO RELATED PARTIES

Company	Relationship	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Lanka Tiles PLC	Subsidiary Company	-	-	122,832	157,431
Swisstek Ceylon PLC	Subsidiary Company	-	-	4,305	3,684
Royal Ceramics Lanka PLC	Parent Company	56,153	65,816	9,139	18,802
Lanka Ceramic PLC	Affiliated Company	3,213	8,719	3,213	8,719
Vallibel One PLC	Ultimate Parent Company	29,437	24,742	6,555	2,741
Delmege Forsyth & Co. Ltd.	Affiliated Company	2,100	1,336	-	-
Total		90,903	100,613	146,043	191,377

NOTES TO THE FINANCIAL STATEMENTS

20 REVENUE

20.1 Disaggregated revenue information

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

Revenue from Contracts with Customers

Year ended 31st March	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Types of goods or service				
Sale of Tiles & Associated Items	11,077,654	10,944,908	3,493,619	3,220,934
Sale of Plantation Produce	1,762,154	2,005,255	-	-
Sale of Packing Materials	3,854,957	3,543,376	-	-
Sale of Aluminium Products	3,234,945	3,133,622	-	-
Total revenue from contract with customers	19,929,709	19,627,160	3,493,619	3,220,934
Geographical markets				
Local	19,190,152	18,901,130	2,862,683	2,713,051
Foreign - Export	739,558	726,031	630,936	507,883
Total revenue from contract with customers	19,929,709	19,627,160	3,493,619	3,220,934
Timing of revenue recognition				
Goods transferred at a point in time	19,929,709	19,627,160	3,493,619	3,220,934
Total revenue from contract with customers	19,929,709	19,627,160	3,493,619	3,220,934

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

20.2 Contract balances

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Trade receivables (Note 09)	3,875,187	3,837,082	673,756	814,889
Contract assets (Note 20.3)	38,079	58,269	-	-
Contract liability (Note 20.4)	14,843	79,177	-	-

20.3 Contract Assets

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
As at 1st April	58,269	-	-	-
During the year recognized	(20,190)	58,269	-	-
As at 31st March	38,079	58,269	-	-

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

20.4 Contract Liability

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
As at 1st April	79,177	-	-	-
During the year recognized	(64,334)	79,177	-	-
As at 31st March	14,843	79,177	-	-

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

21 OTHER INCOME

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Income from investments in related Parties - Dividend	-	-	-	105,589
Rental income - Related parties	-	-	24,828	24,994
Technical fee income - Related parties	-	-	-	49,621
Amortisation of capital and revenue grants	6,800	13,179	-	-
Sales commission - Related parties	-	7,258	-	-
Disposal Gain/(Loss) on property, plant and equipment	(197)	(320)	(51)	(708)
Change in fair value of consumable biological assets	56,693	86,509	-	-
Sundry income	93,977	123,236	3,830	6,572
Exchange gain	8,215	28,725	8,215	28,725
Total	165,489	258,587	36,823	214,793

22 FINANCE COST

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Interest expense on overdrafts	175,422	140,945	63,412	46,844
Interest expense on bank loans	999,012	710,770	152,146	119,642
Finance charges on lease liabilities	37,950	15,972	4,520	-
Exchange loss	18,728	38,629	-	-
Less : Capitalisation of borrowing costs on immature plantations	(59,732)	(58,723)	-	-
Total	1,171,381	847,593	220,077	166,487

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCE INCOME

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Interest income	1,837	6,012	-	-
Total	1,837	6,012	-	-

24 PROFIT BEFORE TAX

Is stated after Charging /(Crediting)

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Included in cost of sales				
Depreciation and Amortization cost	906,019	719,299	165,881	152,794
Amortisation of Right of use Lease Assets	14,943	-	-	-
Defined benefit plan costs - gratuity	130,545	94,521	13,372	11,744
Defined contribution plan costs - EPF & ETF	231,277	206,375	27,710	25,835
Other staff cost	2,223,281	2,082,568	341,071	317,271
Inventory written off and allowances	23,291	15,365	3,459	14,864
Included in administration expenses				
Depreciation and Amortization cost	40,760	51,768	11,336	9,430
Amortisation of Right of use Lease Assets	4,822	-	-	-
Defined benefit plan costs - gratuity	34,789	27,662	9,714	7,523
Defined contribution plan costs - EPF & ETF	31,279	29,563	4,624	4,482
Other staff cost	260,371	255,426	36,568	37,103
Audit Fee	7,628	7,307	1,579	1,664
Technical Fee	129,476	243,588	28,023	28,609
Included in distribution cost				
Depreciation and Amortization cost	13,255	42,809	4,794	4,267
Amortisation of Right of use Lease Assets	46,485	-	-	-
Defined benefit plan costs - gratuity	4,431	4,106	-	-
Defined contribution plan costs - EPF & ETF	17,275	15,526	6,025	5,718
Other staff cost	183,697	159,032	62,995	55,523
Allowance for doubtful Debts	18,187	7,089	1,300	20

25 INCOME TAX EXPENSES

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

Year ended 31st March	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
(a) Current income tax				
Current income tax charge	278,618	155,227	36,127	64,275
Under/(over) provision of current taxes in respect of prior years	7,055	3,194	3,738	-
Economic Service Charge (non-claimable)	12,600	11,430	-	-
Tax effect on Inter company Dividends	3,243	19,246	-	-
	301,516	189,097	39,865	64,275
(b) Deferred income tax				
Deferred taxation charge/(reversal)	87,512	223,605	(18,766)	(7,361)
Income tax expense reported in the Income statement	389,028	412,702	21,099	56,915
(c) Deferred tax expense reported in the OCI				
	(6,801)	103,080	(2,792)	109,521
Total	382,227	515,782	18,307	166,436

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

Year ended 31st March	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Accounting profit before income tax	803,675	1,192,772	59,124	288,196
Income considered as separate source of income	37,273	12,632	24,828	24,994
Income exempt from tax	(19,922)	(133,579)	-	(105,589)
Non deductible expenses	1,327,855	932,356	246,564	205,897
Deductible expenses	(1,593,912)	(1,588,756)	(201,491)	(183,943)
Total Statutory Income	554,969	415,425	129,025	229,555
Tax losses utilised	(66,751)	(196,625)	-	-
Net Taxable profit	488,218	218,800	129,025	229,555
Taxable Profit	1,091,398	554,382	129,025	229,555
Taxable Loss	(603,180)	(335,582)	-	-
Net Taxable profit	488,218	218,800	129,025	229,555
Current income tax expense				
Taxation -18%	3,231	-	-	-
Taxation -28%	275,387	155,227	36,127	64,275
Total	278,618	155,227	36,127	64,275

NOTES TO THE FINANCIAL STATEMENTS

25 INCOME TAX EXPENSES CONTD.

Reconciliation between tax expense and the product of accounting profit

Year ended 31st March	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Deferred income tax reported in income statement				
Capital Allowances	80,018	288,214	(14,430)	(3,792)
Retirement Benefit Liability	(13,331)	9,832	(3,972)	(3,339)
Carried Forward Tax Losses	31,159	(67,099)	-	-
Lease Liability	1,167	-	-	-
Provision for Obsolete and Slow Moving, Consumables and Spares	(6,070)	(5,720)	-	(224)
Allowances for Doubtful Debts	(5,429)	(1,621)	(364)	(5)
Deferred taxation charge/(reversal)	87,512	223,605	(18,767)	(7,361)
Deferred income tax reported in other comprehensive income				
Revaluation Surplus	-	111,455	-	108,993
Retirement Benefit Liability	(6,801)	(8,375)	(2,792)	528
Total	(6,801)	103,080	(2,792)	109,521
Effective Income Tax Rate	48.41%	34.60%	35.69%	19.75%

25.3 Notes on income tax of Group companies

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

The statutory tax rate of above companies are as follows;

	2020	2019
Local sales and other profits	28%/18%	28%
Qualified export profit	28%	28%
Specified profits	20%/14%	20%/14%

Swisstek Aluminium Ltd

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

Horana Plantations PLC

Profit from Agricultural business will be taxed at rate of 14% as per the Inland Revenue Act No. 24 of 2017. Other income will be taxed at the rate of 28%.

26 EARNINGS PER SHARE

26.1 Earnings per share - basic

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of Lanka Walltiles PLC by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in the resources such as a bonus issue.

The following reflects the income and share data used in the basic earnings per share computations.

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Amounts used as the numerator:

Profit attributable to equity holders for basic earnings per share	405,113	617,157	38,025	231,281
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	Group		Company	
	2020	2019	2020	2019
	'000	'000	'000	'000

Number of ordinary shares used as the denominator:

Weighted average number of ordinary shares in issue applicable to basic earnings per share	54,600	54,600	54,600	54,600
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27 DIVIDENDS PAID

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Declared and paid during the year

Equity dividends on ordinary shares :

First Interim 2018/19 (Rs. 3.00 per share)	-	163,800	-	163,800
Total	-	163,800	-	163,800

Dividend Payout Ratio (%)	0%	21%	0%	71%
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NOTES TO THE FINANCIAL STATEMENTS

28. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Favourable cash & cash equivalents balance				
Cash & bank balances	413,243	401,580	47,776	33,240
	413,243	401,580	47,776	33,240
Unfavourable cash & cash equivalent balances				
Bank overdrafts (13)	(2,808,210)	(1,757,615)	(817,074)	(487,854)
Total cash and cash equivalents for the purpose of cash flow statement	(2,394,967)	(1,356,035)	(769,298)	(454,614)

29. ASSETS PLEDGED

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

Lanka Tiles PLC

Bank overdrafts are secured primarily on inventories.

Uni Dil Packaging (Pvt) Ltd

Import Loan 1 (Hatton National Bank PLC)	Immovable Property	110,000,000
	Inventories and Debtors	145,000,000
Import Loan 2 (Standard Chartered Bank)	Land and Building, Immovable Machinery and Debtors	70,000,000
	Inventories and Debtors	134,000,000
Import Loan 3 (DFCC Bank)	Inventories and Debtors	150,000,000

Uni Dil Packaging Solutions Ltd

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

Horana Plantations PLC

The following securities were offered for bank overdraft facilities.

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs.'000
Seylan Bank PLC	Mortgage over leasehold rights of Mahanilu Estate and including buildings, fixed and floating assets.	12.50% p.a.	100,000
Commercial Bank of Ceylon PLC	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	9.97% p.a. (AWPLR+0.5%)	250,000
Hatton National Bank PLC	Mortgage over leasehold rights of Eildon Hall Estate, including buildings, fixed and floating assets.	10.22% p.a. (AWPLR+0.75%)	150,000
Sampath Bank PLC	Primary Mortgage Bond for Rs. 100 Mn over leasehold rights of Gouravilla Estate.	11.31% p.a. (AWPLR+1.8%)	100,000

Lanka Walltiles PLC

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

Swisstek Aluminium Limited

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

NOTES TO THE FINANCIAL STATEMENTS

30 RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows

30.1

Company

	Transactions with the Parent and Ultimate Parent Company (Royal Ceramic Lanka PLC and Vallibel One PLC)		Transactions with Subsidiaries Companies		Transactions with Affiliate Companies		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	R. '000	R. '000	R. '000	R. '000	R. '000	R. '000	R. '000	R. '000
Balance as at 01 April	(21,542)	(8,674)	(229,101)	(208,311)	(8,284)	(6,079)	(258,927)	(223,064)
Sale of Tiles/ (Sales returns)	1,746	5,766	(432)	-	27	29	1,341	5,795
Purchase of raw materials	-	-	(17,431)	(8,854)	(27,667)	(17,415)	(45,098)	(26,269)
Purchase of other items	(106)	(5,724)	(69,089)	(66,841)	-	-	(69,196)	(72,565)
Sale of raw materials	361	27	4,723	5,771	85	1,144	5,169	6,942
Settlements/(Recoveries) by the Company	37,160	26,488	290,422	200,982	23,595	16,155	351,177	243,625
Rent received/(paid)	-	-	5,745	7,901	-	-	5,745	7,901
Expenses apportioned	605	(4,765)	107,753	128,546	1	220	108,359	124,001
Commission on sales	(74)	(1,759)	(14,461)	(14,861)	-	-	(14,534)	(16,620)
Expenses incurred and transferred	(1,208)	-	(149,630)	(118,602)	-	-	(150,838)	(118,602)
Credit Cards Collected On Behalf Of Subsidiary	-	-	(67,517)	(135,598)	-	-	(67,517)	(135,598)
Sale of other items	-	-	-	(78,637)	-	-	-	(78,637)
Transfer from RPCL	2,202	-	(2,338)	-	1,343	-	1,207	-
Technical Fees	(33,333)	(32,901)	6,510	57,064	-	-	(26,823)	24,164
Balance as at 31 March	(14,189)	(21,542)	(134,846)	(231,439)	(10,899)	(5,946)	(159,935)	(258,928)
Included Under								
Trade and other receivable	1,504	-	718	575	162	364	2,384	939
Trade and other payable	-	-	(71,934)	(141,246)	(9,323)	-	(81,257)	(141,246)
Amount due from related parties	-	-	63,506	72,756	1,475	-	64,981	72,756
Amount due to related parties	(15,693)	(21,542)	(127,136)	(163,525)	(3,213)	(6,310)	(146,042)	(191,377)
Balance as at 31 March	(14,189)	(21,542)	(134,846)	(231,439)	(10,899)	(5,946)	(159,935)	(258,928)

The above subsidiaries and affiliates include following companies;

Company

- Lanka Tiles PLC
- Unidil Packaging (Pvt) Ltd
- Vallibel Plantation Management (Pvt) Ltd
- Horana Plantations PLC
- Swisstek Aluminium Limited
- Swisstek (Ceylon) PLC
- Royal Porcelain (Private) Limited
- Rocell Bathware Limited
- LWL Development (Private) Limited
- Beyond Paradise Collection Limited
- Lankatiles (Pvt) Ltd
- LTL Development (Pvt) Limited
- Swisstek Development (Pvt) Limited
- MN Properties (Pvt) Ltd
- Lanka Ceramics PLC

Terms and conditions with related parties

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

Outstanding balances as at the year end are unsecured, interest free and settlement occur in cash within a short period of time.

Technical fees paid to Royal Ceramic Lanka PLC and Vallibel One PLC are for services rendered in providing technical advice to improve the manufacturing process of Lanka Walltiles PLC, Lanka Tiles PLC and Swisstek Aluminium Limited.

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

Commission on sales paid to Royal Ceramic Lanka PLC & Swisstek Ceylon PLC for the sales of tiles at their owned location.

NOTES TO THE FINANCIAL STATEMENTS

30 RELATED PARTY DISCLOSURES CONTD.

30.2 Group - Related Party Transactions

30.2.1 Lanka Tile PLC

Name of the company	Relationship	Nature of the transaction	2020	2019
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Royal Porcelain (Pvt) Ltd	Affiliated Company	Raw materials	-	2,684
		Spares	-	35
Rocell Bathware Ltd.	Affiliated Company	Raw materials	375	-
		Spares	4	-
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	2,654	105
		Spares	2,067	785
		Consumables	2,932	24
(b) Purchase of goods/Services from:				
Lanka Ceramic PLC	Affiliated Company	Raw materials	132,875	125,992
Swisstek Aluminium Ltd	Affiliated Company	Trading Items	65,121	38,665
Swistek (Ceylon)PLC	Affiliated Company	Trading Items	380,317	340,363
		Sales Commission	57,619	54,565
Uni-Dil Packing (Pvt) Ltd	Affiliated Company	Packing Material	115,144	89,756
Royal Porcelain (Pvt) Ltd	Affiliated Company	Raw materials	-	11
		Spares	-	329
Royal Ceramics Lanka PLC	Affiliated Company	Raw materials	777	-
		Spares	141	-
		Consumables	3,093	-
		Technical fees	10,162	9,002
Vallibel One PLC	Affiliated Company	Technical fees	91,454	81,015
Delmege Freight Services (Pvt) Ltd	Affiliated Company	Services	4,663	8,585
Hayleys Travels & Tours (Private) limited	Affiliated Company	Services	2,502	10,126
Hayleys Agriculture Holding Limited	Affiliated Company	Services	-	544
Hayleys Electronic Lighting (Private) Limited	Affiliated Company	Services	-	27
Hayleys Industrial Solutions (Private) Limited	Affiliated Company	Services	20	24,247

30.2.2 Swisstek (Ceylon) PLC

Name of the company	Relationship	Nature of the transaction	2020	2019
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Lanka Tiles PLC	Affiliated Company	Finished goods	407,051	351,184
		Warehouse rental income	11,958	9,945
		Sales Commission	57,619	54,565
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	66,566	73,381
		Sales Commission	1,768	2,143
		Warehouse rental income	4,758	5,133
(b) Purchase of goods/Services from:				
Royal Porcelain (Pvt) Ltd	Affiliated Company	Sales Commission	5,408	5,467
Rocell Bathware Ltd.	Affiliated Company	Sales Commission	962	816
Uni-Dil Packing Ltd	Affiliated Company	Purchase of corrugated boxes	6,129	4,460
Lanka Ceramic PLC	Affiliated Company	Purchase of Goods	342	-
Swisstek Aluminium Ltd	Subsidiary Company	Purchase of Goods	22,751	15,514

30.2.3 Swisstek Aluminium Ltd

Name of the company	Relationship	Nature of the transaction	2020	2019
			Rs. '000	Rs. '000
(a) Sale of goods /services to				
Lanka Tiles PLC	Affiliated Company	Finished goods	89,937	46,560
Swisstek (Ceylon) PLC	Parent Company	Finished goods	30,971	17,844
(b) Purchase of goods/Services from:				
Lanka Walltiles PLC	Affiliated Company	Technical fees	-	49,623
Lanka Tiles PLC	Affiliated Company	Purchase of goods	25	228
Vallibel One PLC	Affiliated Company	Technical fees	-	49,817

NOTES TO THE FINANCIAL STATEMENTS

30 RELATED PARTY DISCLOSURES CONTD.

30.2.4 Uni Dil Packaging Ltd

Name of the company	Relationship	Nature of the transaction	2020 Rs. '000	2019 Rs. '000
(a) Sale of goods /services to				
Horana Plantations PLC	Affiliated Company	Finished goods	-	156
Lanka Walltiles PLC	Affiliated Company	Finished goods	-	22
Uni-Dil Packing Solution Limited	Affiliated Company	Finished goods	9,108	7,466
Royal Porcelain (Pvt) Ltd	Affiliated Company	Finished goods	(419)	(94)
Royal Bathware LTD	Affiliated Company	Finished goods	-	1
Swistek (Ceylon)PLC	Affiliated Company	Finished goods	6,129	4,460
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	22	42
(b) Purchase of goods/Services from:				
Horana Plantations PLC	Affiliated Company	Finished goods	-	185
Vallibel One PLC	Affiliated Company	Technical fees	32,393	20,004

30.2.5 Uni Dil Packaging Solutions Ltd

Name of the company	Relationship	Nature of the transaction	2020 Rs. '000	2019 Rs. '000
(a) Sale of goods to				
Royal Porcelain (Pvt) Ltd	Affiliated Company	Finished goods	107,449	116,872
Royal Bathware LTD	Affiliated Company	Finished goods	24,513	33,159
Royal Ceramics Lanka PLC	Affiliated Company	Finished goods	76,587	76,459
Lanka Walltiles PLC	Affiliated Company	Finished goods	67,594	66,967
Lanka Tiles PLC	Affiliated Company	Finished goods	115,221	90,088
Horana Plantation PLC	Affiliated Company	Finished goods	11,045	9,280
(b) Purchase of goods/services from/ Expenses Reimbursement				
Uni Dil Packaging Ltd	Parent Company	Purchase of goods	9,108	7,466

30.2.6 Horana Plantations PLC

Name of the company	Relationship	Nature of the transaction	2020 Rs. '000	2019 Rs. '000
(a) Sale of goods /services to				
Uni Dil Packaging Pvt Ltd	Affiliated Company	Sale of tea	525	450
Lanka Ceramic PLC	Affiliated Company	Sale of tea	52	75
Delmege Forsyth & Co.Ltd	Affiliated Company	Sale of tea	42,703	67,139
Dipped Products PLC	Affiliated Company	Sale of Latex	23,619	-

Name of the company	Relationship	Nature of the transaction	2020	2019
			Rs. '000	Rs. '000
(b) Purchase of goods/services from/ Expenses Reimbursement				
Uni Dil Packaging Pvt Ltd	Affiliated Company	Purchase of goods	507	1,763
Uni Dil Packaging Solutions Ltd	Affiliated Company	Purchase of goods	11,630	15,338
Royal Bathware LTD	Affiliated Company	Purchase of goods		
Royal Ceramics Lanka PLC	Affiliated Company	Purchase of tiles	-	126
Hayleys PLC	Affiliated Company	Management Fee	-	16,336
		Office Rent & related services	4,699	4,641
Hayleys Agriculture Holdings Ltd	Affiliated Company	Chemicals	3,352	5,432
Hayleys Agro Fertilizer (Pvt) Ltd	Affiliated Company	Fertilizer	36,139	69,867
Hayleys Business Solutions International (Pvt) Ltd	Affiliated Company	Salary Processing Fee	152	136
Hayleys Aventura(Pvt) Ltd	Affiliated Company	Office Premises Related Services	164	-
Logiwiz Limited	Affiliated Company	Document Storage Rental	24	38
NYK Lanka (Pvt) Ltd	Affiliated Company	Office Premises Related Services	477	746
Singer Sri Lanka PLC	Affiliated Company	Purchase of Equipment	23	160
Puritas (Pvt) Ltd	Affiliated Company	Maintenance of Water Purification Plant	73	2
Diesel & Motor Engineering PLC	Affiliated Company	Purchase of Motor Vehicle Spares	151	1,084

30.2 Transactions with key management personnel of the company

The key management personnel of the company are the members of its Board of Directors and that of its parent.

Key management personnel compensation	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short Term Employment Benefits	123,280	115,243	29,613	27,923
Post Employment Benefits	38,893	37,780	13,612	13,223
	162,173	153,023	43,225	41,146

NOTES TO THE FINANCIAL STATEMENTS

31. COMMITMENTS AND CONTINGENCIES

31.1 Capital commitments

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

Lease commitments

- a). Lanka Tiles PLC is committed to pay Rs. 2,000,000/- & Rs. 2,300,471/- respectively as rent per month for the use of land & buildings situated in Nawala.
- b). Horana Plantation PLC has commitments under operating lease rentals on Dumbara Estate as given below;

Finance lease rentals payable to the Secretary to the Treasury;	
22.06.2019 to 21.06.2045 (per annum)	Rs. 5.228 Mn

- c). Swisstek Aluminium Limited has a commitment on letter of credits amounting to Rs.190.12 Mn as at the reporting date.
Swisstek Aluminium Ltd is committed to pay Rs. 357,500 & Rs. 100,000 respectively as rent per month for the use of building situated in Nawala.

31.2 Contingencies

a) Horana Palntaion PLC

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

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

b) Lanka Walltiles PLC

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

The Directors believe, based on the information currently available, the ultimate resolution of such assessment is not likely to have a material adverse effect on the Company.

Accordingly no provision for liability has been made in these financial statements.

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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 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.

There were no other unusual events or transactions affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 31 March 2020.

	2020				2019				Total			
	Tiles & Aluminium associated items	Aluminium Products	Plantation products	Packing materials	Inter Segment Elimination	Total	Tiles & Aluminium associated items	Aluminium Products		Plantation products	Packing materials	Inter Segment Elimination
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sales to External Customers	11,077,654	3,234,945	1,762,154	3,854,957	-	19,929,709	10,944,908	3,133,622	2,005,255	3,543,376	-	19,627,160
Inter Segment Sales	-	-	-	186,240	(186,240)	-	-	-	-	157,853	(157,853)	-
Total Revenue	11,077,654	3,234,945	1,762,154	4,041,197	(186,240)	19,929,709	10,944,908	3,133,622	2,005,255	3,701,229	(157,853)	19,627,160
Gross Profit	3,773,950	576,528	(217,542)	651,994	-	4,784,930	3,230,517	533,355	165,106	374,035	-	4,303,014
Other Income	5,212	11,040	83,515	69,651	(3,930)	165,489	453,159	8,395	112,032	93,976	(53,344)	614,218
Distribution Costs	(1,523,303)	(244,597)	-	(153,343)	-	(1,921,242)	(1,487,356)	(198,261)	-	(121,323)	3,722	(1,803,218)
Administrative Expenses	(628,560)	(88,192)	(171,797)	(171,338)	3,930	(1,055,957)	(659,387)	(188,162)	(136,222)	(145,511)	49,621	(1,079,661)
Finance Cost	(626,191)	(308,237)	(146,616)	(90,337)	-	(1,171,381)	(260,493)	(334,630)	(130,699)	(126,635)	4,865	(847,593)
Finance Income	1,595	-	241	-	-	1,837	10,877	-	-	-	(4,865)	6,012
Profit Before Tax	1,002,703	(53,458)	(452,197)	306,627	-	803,675	1,287,316	(179,303)	10,216	74,543	(0)	1,192,772
Income Tax Expense	(292,729)	13,571	(83,014)	(23,612)	(3,243)	(389,027)	(390,766)	54,496	(2,546)	(54,640)	(19,246)	(412,702)
Net Profit for the year	709,975	(39,887)	(535,211)	283,015	(3,243)	414,648	896,551	(124,807)	7,670	19,902	(19,246)	780,070
Segment Assets	24,341,759	3,884,145	4,070,751	3,136,937	(2,010,715)	33,422,877	21,530,340	4,424,811	4,145,463	2,966,559	(2,010,715)	31,056,458
Segment Liabilities	10,577,490	2,710,419	2,924,629	1,647,302	5,386	17,865,225	8,507,843	3,209,960	2,491,171	1,662,631	(442)	15,871,162
Operating Cash flows	(1,034,243)	417,983	(152,041)	114,833	-	(653,467)	(254,318)	(855,374)	14,388	168,649	-	(926,655)
Investing Cash flows	(915,818)	(44,565)	(165,100)	(92,483)	-	(1,217,966)	(2,585,364)	(171,389)	(173,276)	(11,743)	-	(2,941,772)
Financing Cash flows	1,206,707	(403,932)	103,123	(73,092)	-	832,806	2,141,114	719,366	66,961	(112,500)	-	2,814,942
Other Segment Information												
Total cost incurred during the period to												
Depreciation and amortisation	650,088	108,833	187,691	79,673	-	1,026,285	464,274	99,463	168,690	81,449	-	813,877
Property, plant & equipment	906,896	44,628	10,211	92,483	-	1,054,219	2,588,280	175,487	10,080	11,743	-	2,785,590
Biological assets	-	-	154,988	-	-	154,988	-	-	170,057	-	-	170,057
Trade debtors and inventory impairment	23,008	13,497	4,154	10,645	-	51,304	11,774	-	-	(1,012)	-	10,762
Provision for retirement benefit	56,790	5,595	91,779	13,045	-	167,210	48,308	4,349	62,829	10,965	-	126,451
Reconciliation of net profit for the year												
Segment net profit for the year						417,891						799,316
Dividend tax on Inter segment dividend						(3,243)						(19,246)
Group net profit for the year						414,648						780,070
Reconciliation of assets												
Segment Assets						35,433,592						33,067,173
Inter-segment balance eliminations						5,386						(442)
Investment in subsidiary elimination						(2,016,101)						(2,010,273)
Reconciliation of liabilities						33,422,877						31,056,458
Segment Liabilities						17,859,840						15,871,605
Inter-segment balance eliminations						5,386						(442)
Reconciliation of liabilities						17,865,225						15,871,162

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

- (i) Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- (ii) Cash flow interest rate risk - risk that future cash flows associated with a financial instrument will fluctuate.

Foreign currency/ exchange risk

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

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

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

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar & Euro in March 2020 on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. The Group companies exposed to foreign currency-denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.

Foreign currency sensitivity	Change in	Change in	Company
		profit before tax Group	
		Rs. '000	Rs. '000
2020	5.0%	37,897	1,348
2019	5.0%	36,699	823

Cash flow and fair value interest rate risk

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

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

The outbreak of the novel COVID-19 epidemic has resulted in consecutive reductions in policy rates and monetary easing policies by Central Bank of Sri Lanka to companies to reduce lending rates encourage banks and finance companies to reduce lending rates.

Interest Rate	Change in basis points	Change in profit before tax Group Rs. '000	Company Rs. '000
2020	0.05	57,041	11,437
2019	0.05	46,073	8,235

Credit risk

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

The group places its cash and cash equivalents with a number of creditworthy financial institutions. The group's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the group is approximately the carrying amounts as at reporting date, except for trade receivables which are secured by bank guarantees. (Please refer Note 9.2 for ageing analysis of trade receivables)

Liquidity risk

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

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

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

The Board together with the Management is focused on minimizing the Liquidity risk and ensuring long term business continuity by critically analysing cash flow management in order to preserving and increasing liquidity, particularly on account of the impact of COVID-19.

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT CONTD.

Group

At 31 March 2020	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Bearing Loans and Borrowings	6,205,383	2,728,737	901,274	2,153,945	773,149
Lease Liability on Right of Use Assets	19,604	63,137	29,667	130,320	612,810
Trade and other payables	2,785,122	-	-	-	-
Amounts due to related parties	90,903	-	-	-	-

At 31 March 2019	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Bearing Loans and Borrowings	5,199,927	1,292,443	924,561	2,826,458	117,393
Trade and other payables	3,117,585	-	-	-	-
Amounts due to related parties	100,613	-	-	-	-

Company

At 31 March 2020	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Bearing Loans and Borrowings	1,078,890	1,229,332	34,083	57,218	-
Lease Liability on Right of Use Assets	5,819	19,752	6,558	27,358	-
Trade and other payables	483,266	-	-	-	-
Amounts due to related parties	146,043	-	-	-	-

At 31 March 2019	Less than 3 months	Between 3 months and 1 year	Between year 1 and 2 year	Between year 2 and year 5	Over 5 years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Bearing Loans and Borrowings	1,451,139	116,569	84,979	60,458	-
Trade and other payables	666,730	-	-	-	-
Amounts due to related parties	191,377	-	-	-	-

Capital management risk

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non-current and current borrowings as shown in the statements of financial position. Total equity is calculated as 'Total equity' in the statements of financial position.

The gearing ratio as at 31 March is as follows:

Key management personnel compensation	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Borrowings	11,408,192	9,214,647	2,287,347	1,646,972
Total equity	15,557,652	15,185,107	5,370,546	5,339,700
Gearing ratio ; Debt to Equity	73%	61%	43%	31%

35. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2020	2019
		%	%
Lanka Tiles PLC	Sri Lanka	31.78%	31.78%
Horana Plantation PLC	Sri Lanka	49.00%	49.00%
Swisstek (Ceylon) PLC	Sri Lanka	55.91%	55.91%
Swisstek Aluminium Limited	Sri Lanka	61.48%	61.48%
Beyond Paradise Collection Limited	Sri Lanka	31.78%	31.78%
lankatiles (Pvt) Ltd	India	65.21%	65.21%

Accumulated Balances of the Material Non - Controlling Interest

Name	2020	2019
	Rs. '000	Rs. '000
Accumulated Balances of Material Non - Controlling Interest		
Lanka Tiles PLC	2,187,325	2,027,754
Horana Plantation PLC	410,322	661,703
Swisstek (Ceylon) PLC	693,504	577,195
Swisstek Aluminium Limited	590,552	615,834
Beyond Paradise Collection Limited	55,709	55,386
lankatiles (Pvt) Ltd	5,694	5,682
Total	3,943,106	3,943,553

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT CONTD.

Name	2020	2019
	Rs. '000	Rs. '000
Profit allocated to Material Non - Controlling Interest		
Lanka Tiles PLC	159,446	127,718
Horana Plantation PLC	(242,485)	2,353
Swisstek (Ceylon) PLC	116,561	70,072
Swisstek Aluminium Limited	(24,521)	(76,728)
Beyond Paradise Collection Limited	323	39,440
Lankatiles (Pvt) Ltd	211	58
Total	9,534	162,914

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

Summarised statement of profit or loss for year ended 31 March 2020

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Revenue	6,694,824	1,762,154	1,418,975	3,234,945	-	-
Cost of sales	(4,275,376)	(1,979,696)	(1,021,078)	(2,658,417)	-	-
Distribution costs	(1,028,280)	-	(80,216)	(244,597)	-	-
Administrative expenses	(388,677)	(170,053)	(49,457)	(88,192)	(391)	(301)
Finance costs	(334,564)	(146,615)	(70,868)	(308,237)	-	-
Profit before tax	695,033	(470,374)	286,977	(53,458)	-	-
Income tax	(193,316)	(24,493)	(78,508)	13,571	-	-
Profit for the year	501,717	(494,868)	208,469	(39,887)	1,017	323
Total comprehensive income	502,113	(513,022)	208,018	(41,124)	1,017	18
Attributable to non-controlling interests	159,446	(242,485)	116,561	(24,521)	323	211
Dividends paid to non-controlling interests	-	-	-	-	-	-

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

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

35. MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

Summarised statement of financial position as at 31 March 2020:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Current Assets	6,491,998	309,543	837,566	2,437,641	4,200	11,848
Non- Current Assets	6,345,899	3,411,853	1,598,505	1,446,504	394,819	-
Current Liabilities	3,660,067	1,225,155	655,754	2,380,888	175,841	74
Non- Current Liabilities	2,228,716	1,684,663	492,598	329,531	47,885	-
Total equity	6,949,115	811,579	1,287,720	1,173,728	175,292	11,774
Attributable to:						
Equity holders of parent	4,740,686	413,906	567,756	452,165	119,584	4,096
Non-controlling interest	2,208,429	397,674	719,964	721,563	55,708	7,678

Summarised statement of financial position as at 31 March 2019:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Current Assets	5,013,131	444,371	754,997	2,945,293	3,000	11,831
Non- Current Assets	5,995,438	3,351,757	1,539,101	1,479,518	394,819	-
Current Liabilities	2,322,479	956,105	728,165	2,735,081	175,659	76
Non- Current Liabilities	2,239,088	1,502,099	486,027	474,879	47,885	-
Total equity	6,447,002	1,337,916	1,079,905	1,214,853	174,275	11,756
Attributable to:						
Equity holders of parent	4,398,144	682,337	476,130	468,008	118,890	4,090
Non-controlling interest	2,048,857	655,579	603,775	746,845	55,385	7,666

NOTES TO THE FINANCIAL STATEMENTS

35. MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

Summarised cash flow information for year ending 31 March 2020:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Operating	(821,733)	(152,041)	160,482	417,983	-	300
Investing	(624,498)	(165,100)	(100,219)	(44,565)	-	-
Financing	965,376	103,123	(69,573)	(403,932)	-	-
Net increase / (decrease) in cash and cash equivalents	(480,855)	(214,018)	(9,311)	(30,514)	-	300

Summarised cash flow information for year ending 31 March 2019:

	Lanka Tiles PLC	Horana Plantation PLC	Swisstek (Ceylon) PLC	Swisstek Aluminium Limited	Beyond Paradise Collection Limited	Lankatiles (Pvt) Ltd
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Operating	(62,083)	14,388	(31,173)	(855,374)	-	67
Investing	(2,139,832)	(173,276)	(178,168)	(171,389)	-	-
Financing	1,605,452	66,961	267,934	719,366	-	-
Net increase / (decrease) in cash and cash equivalents	(596,463)	(91,927)	58,594	(307,397)	-	67

WE ARE EXPANDING
OUR HORIZONS
THROUGH
CONSISTENT
OPERATIONS THAT
HAVE BUILT A
LASTING IMPACT OF
TRUST AND QUALITY.

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FIVE YEAR SUMMARY - STATEMENT OF PROFIT OR LOSS

	2020	2019	Group 2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Continuing Operations					
Revenue	19,929,709	19,627,160	18,313,245	16,000,150	15,545,188
Cost of Sales	(15,144,779)	(15,324,146)	(12,995,860)	(10,783,477)	(10,763,886)
Gross Profit	4,784,930	4,303,014	5,317,386	5,216,673	4,781,301
Other Income	165,489	614,218	189,020	135,843	175,479
Distribution Costs	(1,921,242)	(1,803,218)	(1,798,905)	(1,466,625)	(1,272,084)
Administrative Expenses	(1,055,957)	(1,079,661)	(1,027,033)	(1,007,570)	(998,379)
Finance Cost	(1,171,381)	(847,593)	(480,146)	(408,928)	(255,710)
Finance Income	1,837	6,012	110,617	142,549	62,458
Profit / (Loss) Before Tax from Continuing Operations	803,676	1,192,772	2,310,938	2,611,942	2,493,065
Income Tax (Expense)/Reversal	(389,027)	(412,702)	(699,774)	(664,591)	(680,373)
Profit / (Loss) for the Year from Continuing Operations	414,649	780,070	1,611,165	1,947,351	1,812,692
Profit for the Year	414,649	780,070	1,611,165	1,947,351	1,812,692
Profit attributable to:					
Equity holders of the parent	405,115	617,157	1,086,902	1,387,503	1,334,339
Non controlling interest	9,534	162,913	524,262	559,849	478,354
Profit for the year	414,649	780,070	1,611,165	1,947,351	1,812,692
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders	7.42	11.30	19.91	25.41	24.44

	Company				
	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000
Continuing Operations					
Revenue	3,493,619	3,220,934	3,316,247	3,345,337	3,209,561
Cost of Sales	(2,537,014)	(2,291,881)	(2,106,806)	(2,013,574)	(2,053,751)
Gross Profit	956,605	929,053	1,209,441	1,331,763	1,155,809
Other Income	36,823	214,793	424,965	309,426	283,146
Distribution Costs	(528,567)	(483,030)	(445,167)	(381,220)	(324,033)
Administrative Expenses	(185,660)	(206,133)	(208,646)	(210,028)	(201,519)
Finance Cost	(220,077)	(166,487)	(113,185)	(105,269)	(112,023)
Profit / (Loss) Before Tax from Continuing Operations	59,124	288,196	867,409	944,673	801,380
Income Tax (Expense)/Reversal	(21,099)	(56,915)	(176,368)	(171,908)	(158,002)
Profit / (Loss) for the Year from Continuing Operations	38,026	231,281	691,041	772,765	643,378
Profit for the Year	38,026	231,281	691,041	772,765	643,378
Profit attributable to:					
Equity holders of the parent	38,026	231,281	972,313	786,036	643,378
Profit for the year	38,026	231,281	972,313	786,036	643,378
Basic Earnings Per Share - Profit Attributable to Ordinary Equity Holders					
	0.70	4.24	12.66	14.15	11.78

FIVE YEAR SUMMARY - STATEMENT OF FINANCIAL POSITION

	Group				
	2020	2019	2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-current assets					
Property, plant and equipment	16,884,149	16,822,752	14,316,493	12,988,436	1,943,053
Consumable biological assets	632,177	585,920	536,575	490,535	453,884
Investment Property	816,805	816,805	459,407	-	-
Intangible assets - goodwill	37,113	24,519	24,519	24,519	24,519
Long term receivables	27,285	27,285	27,285	27,285	27,285
Right of use assets	389,880	-	-	-	-
Deferred tax asset	-	847	14,686	12,176	12,527
	18,787,409	18,278,128	15,378,965	13,542,950	2,461,269
Current assets					
Inventories	10,226,419	8,316,920	6,113,247	4,313,824	3,139,621
Trade and other receivables	3,875,187	3,837,082	3,450,285	2,885,572	2,198,681
Contract Assets	38,079	58,269	-	-	-
Amounts due from related parties	48,450	37,016	55,427	8,729	4,784
Income tax receivable	30,336	123,962	60,854	24,674	-
Short term investments	3,754	3,499	3,239	3,296	3,078
Cash and cash equivalents	413,243	401,580	660,879	1,423,632	1,784,641
	14,635,468	12,778,328	10,343,930	8,659,727	7,130,805
Total assets	33,422,877	31,056,456	25,722,894	22,202,677	19,592,074
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	787,765	787,765	787,765	787,765	787,765
Reserves	2,850,974	2,850,974	2,566,671	2,409,494	2,306,645
Retained earnings	7,982,331	7,602,815	7,162,378	6,597,189	5,590,940
Shareholders' funds	11,621,070	11,241,554	10,516,814	9,794,448	8,685,350
Non controlling interest	3,936,582	3,943,553	3,897,935	3,764,563	3,360,147
Total equity	15,557,652	15,185,107	14,414,750	13,559,011	12,045,497
Non-current liabilities					
Interest bearing liabilities	2,765,040	2,950,245	1,712,118	1,773,267	1,725,466
Deferred tax liabilities	2,421,476	2,341,613	2,032,023	1,042,939	980,802
Retirement benefit liability	975,933	882,161	778,830	656,086	699,951
Deferred income & Capital grants	122,832	125,726	136,532	138,189	134,301
	6,285,281	6,299,745	4,659,503	3,610,480	3,540,520
Current liabilities					
Trade and other payables	2,785,122	3,117,585	2,714,644	1,789,552	1,524,474
Contract liability	14,843	79,177	-	-	-
Income tax liabilities	45,924	9,827	81,844	168,839	339,336
Amounts due to related parties	90,903	100,613	48,528	17,045	22,723
Current portion of interest bearing liabilities	8,643,152	6,264,402	3,803,622	3,057,748	2,119,524
	11,579,944	9,571,604	6,648,638	5,033,184	4,006,057
Total equity and liabilities	33,422,877	31,056,456	25,722,894	22,202,677	19,592,074

	Company				
	2020	2019	2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-current assets					
Property, plant and equipment	4,524,000	4,536,281	4,114,548	3,323,749	3,321,976
Investments in subsidiaries	1,276,096	1,276,096	1,276,096	1,276,097	1,276,097
Right of use assets	57,885	-	-	-	-
	5,857,981	5,812,377	5,390,644	4,599,845	4,598,073
Current assets					
Inventories	2,762,580	2,224,608	1,606,272	1,335,580	1,196,576
Trade and other receivables	673,756	814,889	725,049	499,333	517,726
Amounts due from related parties	64,981	72,756	34,628	17,739	15,374
Short term investments	3,754	3,499	3,239	3,296	3,078
Cash and cash equivalents	47,776	33,240	61,004	43,372	41,223
	3,552,847	3,148,992	2,430,193	1,899,321	1,773,977
Total assets	9,410,828	8,961,369	7,820,837	6,499,167	6,372,050
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	787,765	787,765	787,765	787,765	787,765
Reserves	1,812,082	1,812,082	1,531,815	1,237,011	1,237,011
Retained earnings	2,770,701	2,739,853	2,661,459	2,494,799	2,118,262
Shareholders' funds	5,370,548	5,339,700	4,981,039	4,519,576	4,143,038
Total equity	5,370,548	5,339,700	4,981,039	4,519,576	4,143,038
Non-current liabilities					
Interest bearing liabilities	72,735	119,134	165,180	324,981	584,245
Deferred tax liabilities	967,884	989,442	887,282	367,375	338,863
Retirement benefit liability	142,902	118,746	108,706	75,825	82,569
	1,183,521	1,227,322	1,161,169	768,180	1,005,676
Current liabilities					
Trade and other payables	483,266	666,730	479,476	414,318	373,246
Income tax liabilities	12,839	8,402	23,833	72,269	39,476
Amounts due to related parties	146,043	191,377	167,860	86,707	93,856
Current portion of interest bearing liabilities	2,214,611	1,527,838	1,007,459	638,118	716,759
	2,856,759	2,394,347	1,678,628	1,211,412	1,223,337
Total equity and liabilities	9,410,828	8,961,369	7,820,837	6,499,167	6,372,050

MAJOR SHAREHOLDERS

20 MAJOR SHAREHOLDERS OF THE COMPANY

NAME	No. of Shares		No. of Shares	
	31-03-2020	%	31-03-2019	%
1 ROYAL CERAMICS LANKA PLC	29,784,218	54.550	29,784,218	54.550
2 MR.A A PAGE	5,159,756	9.450	5,159,756	9.450
3 CT HOLDINGS PLC	1,499,628	2.747	1,499,628	2.747
4 ARUNODHAYA INVESTMENTS (PRIVATE) LIMITED	1,262,669	2.313	1,262,669	2.313
5 ARUNODHAYA (PRIVATE) LIMITED	1,262,669	2.313	1,262,669	2.313
6 ARUNODHAYA INDUSTRIES (PRIVATE) LIMITED	1,262,669	2.313	1,262,669	2.313
7 SEYLAN BANK PLC / W D N H PERERA	1,015,395	1.860	743,797	1.362
8 MR D F G DALPETHADO AND MRS H F A K D FONSEKA	949,390	1.739	1,011,778	1.853
9 SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	807,600	1.479	807,600	1.479
10 MRS. A SELIAH	746,779	1.368	746,779	1.368
11 MRS. A KAILASAPILLAI	697,334	1.277	697,334	1.277
12 ANDYSEL PRIVATE LIMITED	420,000	0.769	420,000	0.769
13 AKBAR BROTHERS PVT LTD A/C NO 1	419,798	0.769	419,798	0.769
14 MR. K ARAVINTHAN	336,000	0.615	336,000	0.615
15 BANK OF CEYLON A/C CEYBANK CENTURY GROWTH FUND	199,760	0.366	236,421	0.433
16 AMES TILE & STONE LTD	177,450	0.325	177,450	0.325
17 MR A H UDESHI	134,897	0.247	379,594	0.695
18 ASSETLINE LEASING CO.LTD/BRITISH AMERICAN TECHNOLOGIES PVT LTD	125,000	0.229	125,000	0.229
19 MR S VASUDEVAN	121,788	0.223	19,000	0.035
20 MR L P MENDIS & MRS M S MENDIS	114,900	0.210	114,900	0.210
SUB TOTAL	46,497,700	85.161	46,467,060	85.105
OTHER	8,102,300	14.839	8,132,940	14.895
ISSUED CAPITAL	54,600,000	100.000	54,600,000	100.000

SHARE DISTRIBUTION AS AT 31 ST MARCH 2020

Size of Shareholdings Number	No of holders	No of Shares	Holdings %
1 - 1,000	10,418	2,205,063	4.04
1,001 - 10,000	754	2,274,619	4.17
10,001- 100,000	136	3,420,175	6.27
100,001 - 1,000,000	15	5,453,139	9.98
Over 1,000,000	7	41,247,004	75.54
	11,330	54,600,000	100.00

CATEGORIES OF SHAREHOLDERS

	No of holders	No of Shares	Holdings %
Local Individuals	10,955	14,463,756	26.49
Local Institutions	283	39,834,438	72.96
Foreign Individuals	88	105,137	0.19
Foreign Institutions	4	196,669	0.36
	11,330	54,600,000	100.00

MAJOR SHAREHOLDERS

DIRECTORS' & CEO'S SHAREHOLDING AS AT 31ST MARCH 2020

Name of Director	No. of shares	%
Mr Dhammika Perera	-	-
Mr A M Weerasinghe	6,610	0.012
Mr J A P M Jayasekera	199	0.000
Dr. S Selliah	-	-
Mr T G Thoradeniya	-	-
Mr K D G Gunaratne	-	-
Ms A M L Page	-	-
Mr M W R N Somaratne	11,000	0.020
Mr J D N Kekulawala	-	-
Mr S M Liyanage (appointed w. e. f. 21st February 2020)	-	-

- The fractional shares of 35 and 7 arising from the Capitalization of revenue reserves were issued jointly in the names of Mr. A A Page and Mr. L De Chikera
- The fractional shares of 489 arising from the Consolidation and Sub-Division / Capitalization of revenue reserves were issued jointly in the names of Mr. A A Page and Mr. J A P M Jayasekera.

SHARE PRICE FOR THE YEAR

Market price per share

Highest during the year - 29-11-2019	Rs. 81.50
Lowest during the year - 20-03-2020	Rs. 40.00
As at end of the year	Rs. 41.10
Number of Transactions during the year	5,573
Number of Shares traded during the year	4,013,571
Value of shares traded during the year	Rs. 270,079,093.30

PUBLIC HOLDING

Public Holding

The Percentage of shares held by the Public as at 31st March 2020	26.854
No of shareholders representing the above percentage	11,315
The float adjusted market capitalization as at 31st March 2020 is	Rs 602,620,242.30

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.

STATEMENT OF VALUE ADDED

GRI 201-1

	2020		2019		2018		2017		2016	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Group										
Turnover	19,929,709		19,627,160		18,313,245		16,000,150		15,545,188	
Other income	167,326.00		620,230.00		299,637		278,392		237,937	
Cost of material and services purchased	(14,013,881)		(14,409,902)		(12,438,227)		(10,303,206)		(10,322,806)	
Value Added	6,083,155		5,837,488		6,174,655		5,975,336		5,460,319	
To employees as remuneration	3,116,945	51.24	2,874,779	49.2	3,037,814	49.2	2,747,892	46.0	2,611,915	47.8
To providers of funds as interest	1,171,381	19.26	847,593	14.5	486,146	7.9	408,146	6.8	255,710	4.7
To state as taxes	389,028	6.40	412,702	7.1	699,774	11.3	664,591	11.1	680,373	12.5
To shareholders as dividends	-	-	163,800	2.8	518,700	8.4	409,500	6.9	409,500	7.5
Depreciation	1,026,284	16.87	813,876	13.9	709,855	11.5	636,109	10.6	616,904	11.3
Reserves	379,516	6.24	724,739	12.4	722,366	11.7	1,109,098	18.6	885,917	16.2
Total	6,083,155	100.00	5,837,488	100.0	6,174,655	100.0	5,975,336	100.0	5,460,319	100.0

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Third (43rd) Annual General Meeting of Lanka Walltiles PLC will be held by way of electronic means on the 30th day of July 2020 at 12.00 noon 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. M W R N Somaratne, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
3. To re-elect Mr. Dhammika Perera, 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 Ernst & Young, 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 WALLTILES PLC



P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
1st 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 Walltiles PLC, do hereby appoint of
 or failing him/her

Mr. Dhammika Perera	of Colombo or failing him*
Mr. Amarakone Mudiyanseelage Weerasinghe	of Colombo or failing him*
Mr. Jayasekera Arachchige Panduka Mahendra Jayasekera	of Colombo or failing him*
Dr. Sivakumar Selliah	of Colombo or failing him*
Mr. Tharana Gangul Thoradeniya	of Colombo or failing him*
Mr. Kalupathiranalage Don Gamini Gunaratne	of Colombo or failing him*
Ms. Anjalie Maryanne Letitia Page	of Colombo or failing her*
Mr. Migel Wasam Rizvi Nandajith Somaratne	of Colombo or failing him*
Mr. Joseph Dacius Nihal Kekulawala	of Colombo or failing him*
Mr. Sameera Madushanka Liyanage	of Colombo or failing him*

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 12.00 noon and any adjournment thereof and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To re-elect Mr. M W R N Somaratne, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. Dhammika Perera, who retires by rotation in terms of Article 103 and 104 of the Articles of Association as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3) To elect Mr. S M Liyanage, who retires in terms of Article 110 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-appoint M/s Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5) To authorize the Directors to determine donations for the ensuing year	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of Two Thousand and Twenty.

.....
 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 lwl.pwcs@gmail.com 48 hours before the time fixed for the meeting.

CORPORATE INFORMATION

NAME OF THE COMPANY

Lanka Walltiles PLC

LEGAL FORM

Lanka Walltiles PLC is a public limited liability company which was incorporated under the Companies Ordinance No.51 of 1938 as a public company on 24th day of September 1975. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 24th July 2007 and bears registration number PQ 55.

DIRECTORS

Mr. Dhammika Perera (Chairman)
Mr. A M Weerasinghe (Deputy Chairman)
Mr. J A P M Jayasekera (Managing Director)
Dr. S Selliah
Mr. T G Thoradeniya
Mr. K D G Gunaratne
Ms. A M L Page
Mr. M W R N Somaratne
Mr. J D N Kekulawala
Mr. S M Liyanage

REGISTERED OFFICE

215, Nawala Road, Narahenpita, Colombo 05
Telephone : + 94 -11 - 4526700
Facsimile : + 94 -11 - 2805463
E-mail : info@lankatiles.com
Website : www.lankatiles.com

FACTORY

Meepe, Padukka
Telephone : + 94 - 11 - 4309809
Facsimile : + 94 - 11 - 2859168
E-mail : meepe_fac@lankatiles.com

PARENT COMPANY

Royal Ceramics Lanka PLC
No. 20, R A De Mel Mawatha
Colombo 03
Telephone : + 94 - 11 - 4799400
Facsimile : + 94 - 11 - 4720077
Website : www.rocell.com

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road
Colombo 08
Telephone : + 94 - 11 - 4640360-3
Facsimile : + 94 - 11 - 4740588
E-mail : pwcs@pwcs.lk

BANKERS

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Bank of Ceylon
HSBC Bank
People's Bank
DFCC Bank PLC
Sampath Bank PLC

AUDITORS

Ernst & Young
Chartered Accountants
201, De Saram Place
Colombo 10

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