TAKING SHAPE

LANKATILES
The Fine Art of Living

Lanka Tiles PLC
Integrated Annual Report 2018/19

TAKING SHAPE

At Lanka Tiles, we are shaping our future. As we explore new possibilities and expand our horizons, we look to the years ahead with confidence - forging ourselves to become stronger, refining our capabilities and undergoing an extraordinary transformation that will reinforce our ability to withstand the pressures around us.

Our strength, resilience, energy and vitality are corporate characteristics that set us apart, and our vision to excel drives us forward; shaping us into the entity we are today. Yet we continue to mould ourselves to become far better - pursuing perfection year after year. And now, as our strategy of expansion and transformation begins to take shape, we remain confident in our ability to reach our full potential in the years ahead.

LANKATILES
The Fine Art of Living

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The firing process explored in this report is an integral step in the manufacture of ceramic tiles. It begins a process that can transform the softest clay into an element that is durable, strong and enduring - and ensures long-lasting value.

ABOUT THE REPORT

GRI 102-50 102-51 102-52

- 690 employees
- Revenue over Rs. 7 Bn.
- 4 new showrooms
- 266,777 new customers
- 8,500 m^2 space expansion
- 122 branches

Giving an integrated representation of the Group's performance, Lanka Tiles PLC is pleased to present the Annual Report for the period ended 31st March 2019. This will be our 02nd Integrated Annual Report and reflects changes in our capitals, operating environment and business line reviews since our previous report for the financial year ended 31st March 2018.

The Board of directors fully acknowledge the responsibility of the Annual report for the period ended 31st March 2019.

GRI 102-46 102-48 102-49 102-53 102-54

Scope and Boundary

This report covers the activities of Lanka Tiles PLC (LTPLC) and subsidiary companies. Financial and non- financial information presented in the report relate to the Group unless indicated otherwise.

REPORTING ENHANCEMENTS

- This year, we focused on improving the relevance and conciseness of our annual report
- Included disclosure on our strategy
- Improved disclosure of our material topics.
- Page count was increased to 144 from 136 last year.

Reporting Frameworks

We have complied with the requirements set out in the following regulatory and voluntary framework

Regulatory Requirements	Voluntarily Adopted Frameworks for Reporting
• Companies Act No.7 of 2007 • Continued Listing Requirements of the Colombo Stock Exchange • Sri Lanka Accounting & Auditing Standards Act No.15 of 2015 • Sri Lanka Financial Reporting Standards	• Integrated Reporting Framework issued by the International Integrated Reporting Council. • Core option of the GRI standards. • Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka December 2017 • Communicating Sustainability issued by the Colombo Stock Exchange • Sustainability Standards issued by the Global Reporting Initiative • Sustainability Development Goals

Assurance

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

Changes in reporting

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

For any inquiries on the report, please contact
Mr. Tyrell Roche
General Manager (Finance)
Email: tyrell@lankatiles.com
Telephone : 011 4526700

OUR BUSINESS RESUME

GRI 102-1 102-5

VISION

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

MISSION

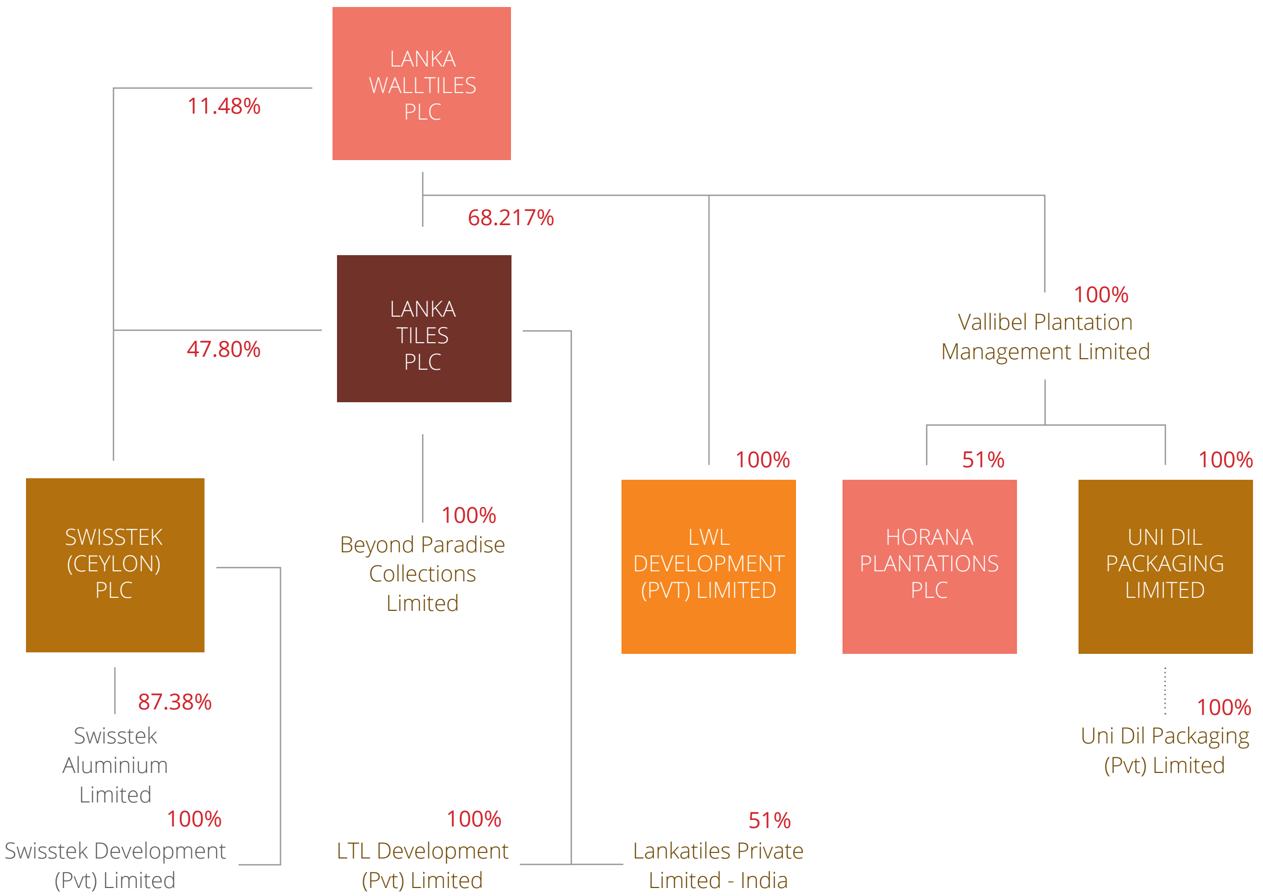
Our mission is to be a company that sets and constantly exceeds the benchmark of the highest quality in producing ceramic products of exceptional beauty and functionality and to cater to every need of our discerning customers both in Sri Lanka and abroad.

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

Incorporated in 1984 as a private Limited Company, Lanka Tiles PLC became a listed company in 1986. Today we have a market capitalization of Rs. 3,714 Mn.

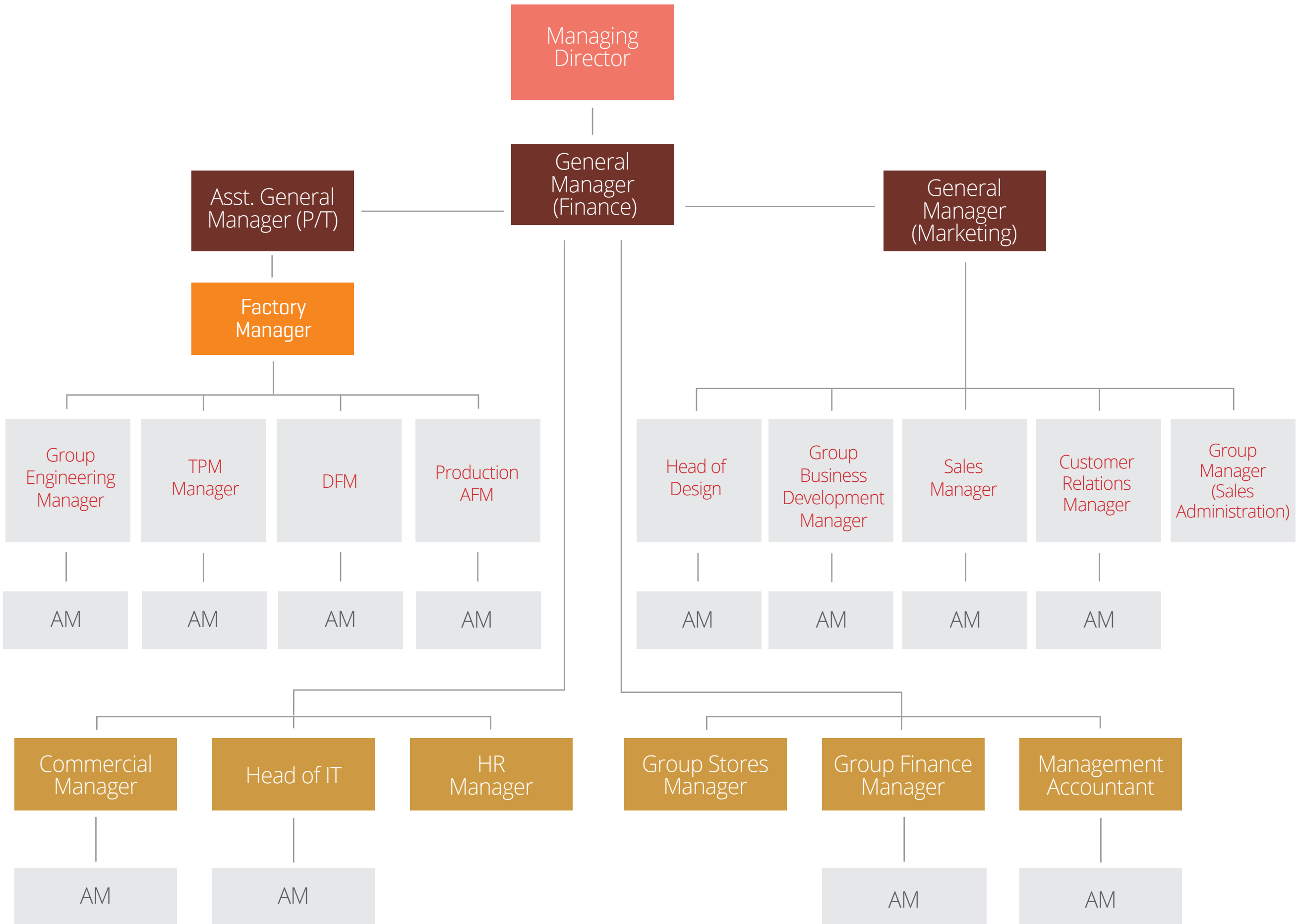
The main activity of the company is the manufacture and sale of ceramic and porcelain floor tiles.

Group Structure



Lanka Tiles organisation structure

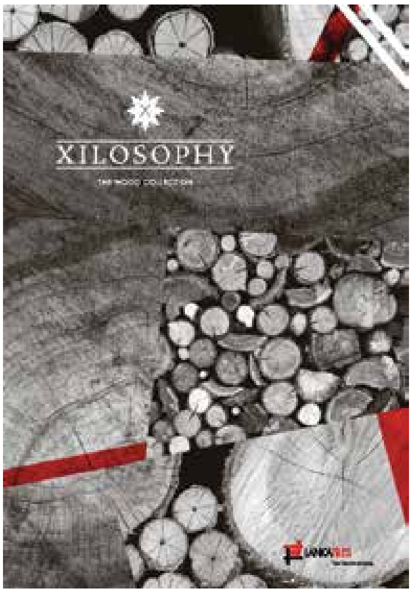
GRI 102-5 102-18



At Lanka Tiles PLC, we take pride in what we do. As the biggest tile producer in Sri Lanka, we focus on delivering the best possible product while being conscious about the environment we operate in.

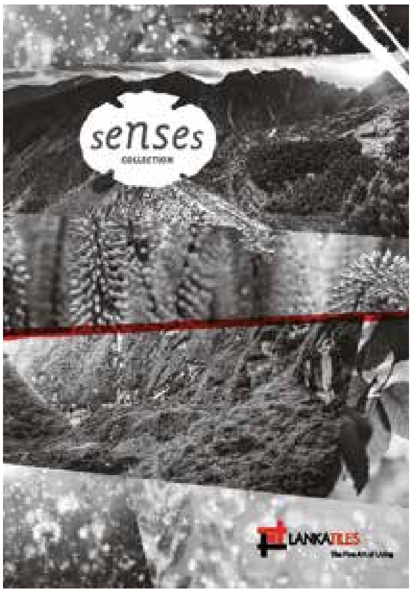
Our Product Portfolio

GRI 102-2



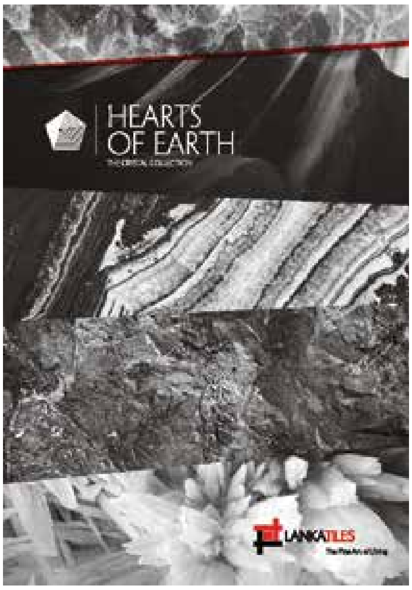
Xilosophy

ELEGANCE / DIGNITY NATURE /
RAW SUBSTANCE PERSONALITY



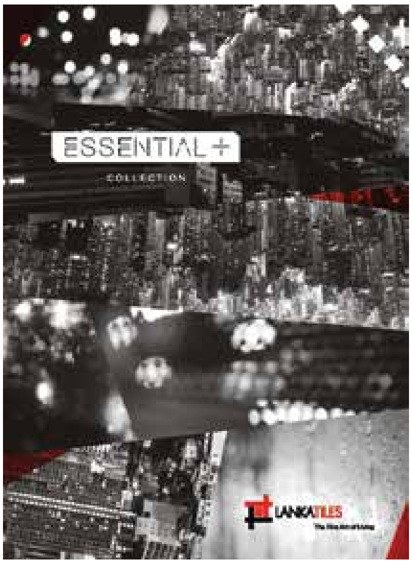
Senses

WITH AN ENCHANTING
EXPERIENCE OF NATURE



Hearts of earth

ENJOYING THE REFINED
TREASURES OF THE EARTH



Essential

WITH THE PLUS
OF BEING ESSENTIAL

Concrete

WITH A CONCRETE
ATTITUDE

Presence Along the Value Chain

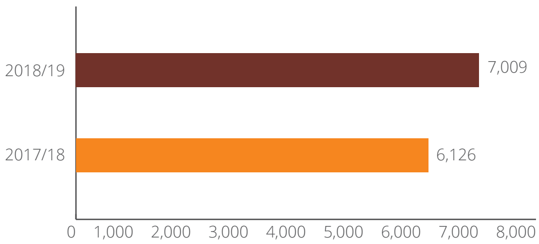
Sourcing
Small & Medium Suppliers
Rs. 4,708 Mn.
Large scale Suppliers
Rs. 8,514 Mn.

Production
Facilities 14,500 Sq. Mt
Labour Force 690

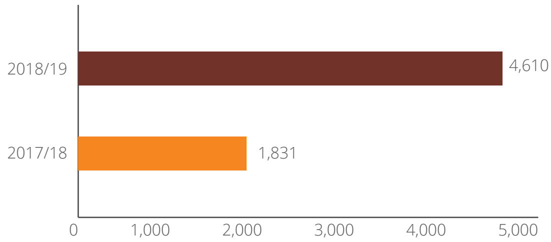
Distribution
Own Showrooms 2
Franchises 46
Distributors 28
Direct Dealers 37
Consignment Agents 9

Scale of Operations

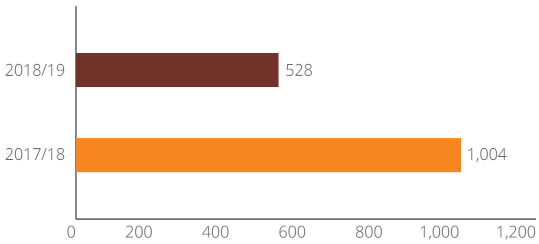
Revenue
Rs. Mn.



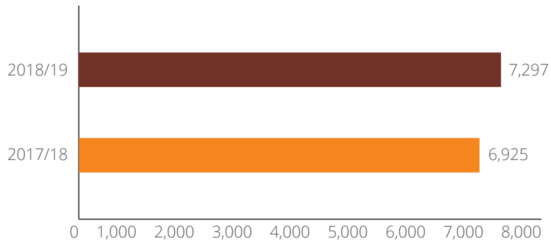
Liabilities
Rs. Mn.



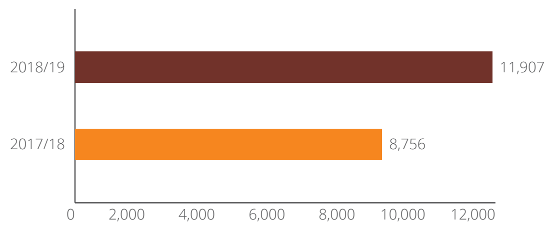
Profit
Rs. Mn.



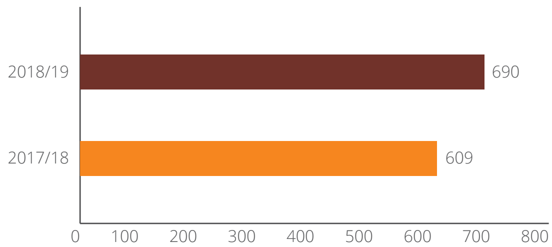
Equity
Rs. Mn.



Assets
Rs. Mn.



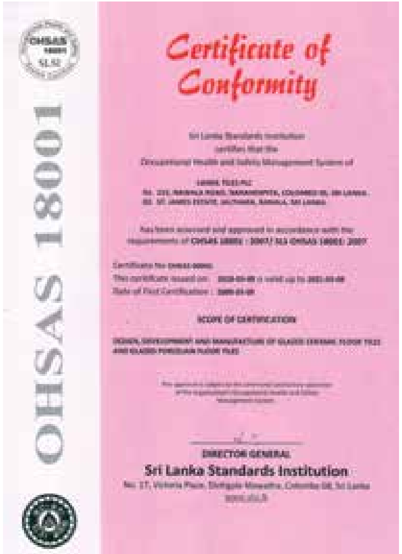
Employees
Nos



Accolades


Certificate of Conformity
ISO 14001


Certificate of Conformity
ISO 9001


OHSAS 18001
Certificate of Conformity
Sri Lanka Standards Institution


GREEN[SL] LABELLING SYSTEM
GREEN BUILDING COUNCIL OF SRI LANKA
LANKA TILES PLC
GLAZED CERAMIC FLOOR TILE
GLAZED PORCELAIN FLOOR TILE


Sri Lanka Institute of Architects
A'19 ARCHITECT
TRADE EXHIBITION
Best Trade Stall Displaying Local Products
Award of Excellence
Presented to
LANKA TILES PLC


CA
Annual Report Awards 2018
EPITOME

Economic Impact

Direct

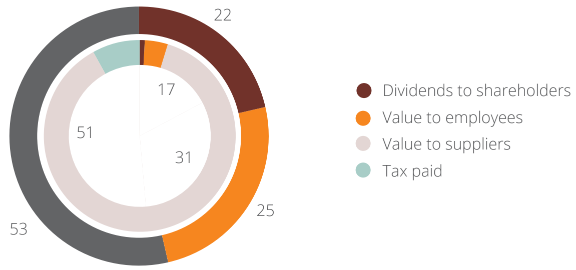
GRI 201-1

During the year, revenue of the group amounted to Rs. 7,009 Mn Distribution of direct economic value generated

1. Dividends to shareholders amounted to Rs. 167 Mn.
2. Value to employees amounted to Rs. 589 Mn.
3. Value to suppliers amounted to Rs. 13,223 Mn.
4. Tax paid to government amounted to Rs. 1,214 Mn.

The group retained Rs. 361 Mn. for re-investment on business operations.

Direct Economic Value Distribution
%



Indirect

64%
Direct Employment

36%
Indirect Employment

Rs. 3,714 Mn.
Market Capitalization

26%
Imports

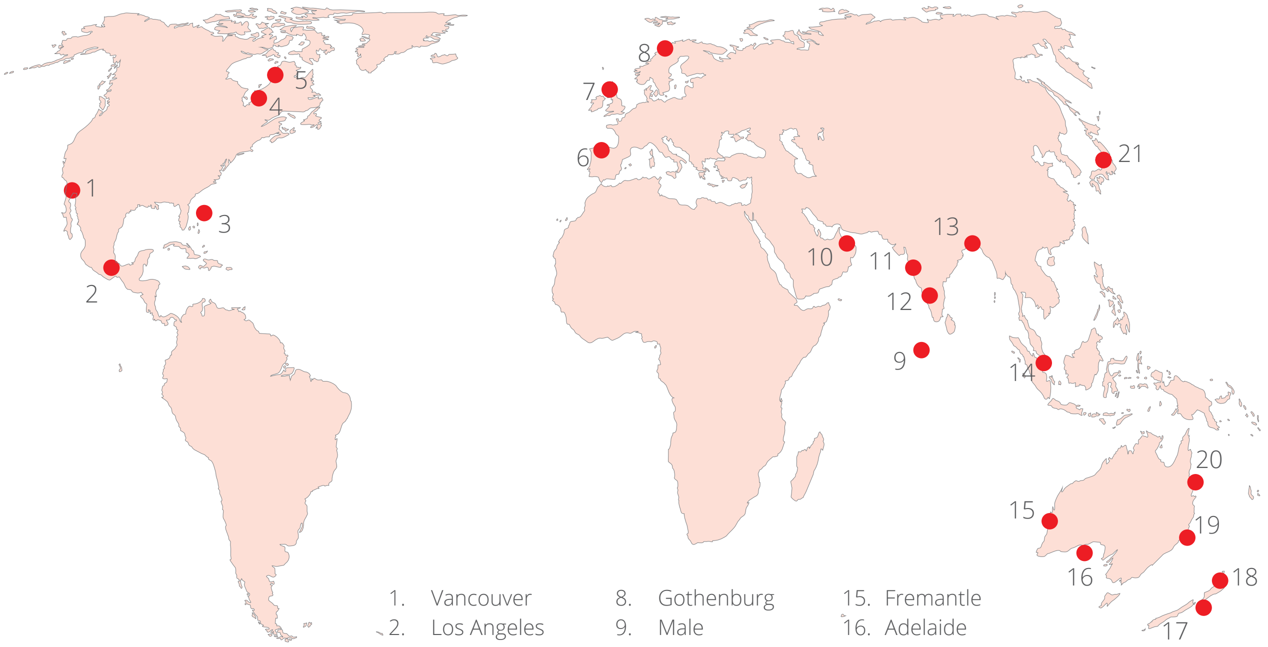
Rs. 218 Mn.
Exports

Economic Impact

Our Presence

GRI 102-6

We have been rapidly expanding our distribution network in order to reach a wider customer base. While we mainly supply to the local market we export 3% of our output to several international destinations.



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

FINANCIAL HIGHLIGHTS

GRI 102-7

Financial Performance	Unit	2018/19	2017/18	Change %
Revenue	Rs.'000	7,008,992	6,126,307	14%
Gross Profits	Rs.'000	2,006,290	2,379,127	-16%
Earnings Before Interest and Tax (EBIT)	Rs.'000	751,879	1,098,834	-32%
Profit before tax	Rs.'000	745,606	1,352,792	-45%
Profits after tax	Rs.'000	528,012	1,003,997	-47%
Profits attributable to shareholders	Rs.'000	527,968	1,004,494	-47%
Gross profit margin	%	28.6%	38.8%	-26%
Net profit margin	%	7.5%	16.4%	-54%
Return on assets (ROA)	%	5.1%	11.7%	-56%
Return on equity (ROE)	%	7.4%	14.8%	-50%
Interest cover	No of times	34.1	50.5	-33%

Financial Position	Unit	2018/19	2017/18	Change %
Assets	Rs.'000	11,906,947	8,756,292	36%
Capital expenditure	Rs.'000	2,162,415	402,174	438%
Debt	Rs.'000	2,102,058	201,402	944%
Other liabilities	Rs.'000	2,507,649	1,629,743	54%
Shareholders' equity	Rs.'000	7,297,240	6,925,147	5%
Gearing	%	29%	3%	890%
Net assets per share	Rs./share	137.55	130.54	5%
Current ratio	No of times	2.1	3.6	-43%
Quick assets ratio	No of times	0.8	1.75	-57%

Shareholder information	Unit	2018/19	2017/18	Change %
No of shares in issue	No	53,050,410	53,050,410	0%
Market value per share	Rs./share	70.00	99.70	-30%
Dividend per share	Rs./share	3.15	10.00	-69%
Earnings per share	Rs./share	9.95	18.93	-47%
Market capitalization	Rs. Mn.	3,714	5,289	-30%
Dividend payout ratio	%	32%	53%	-40%

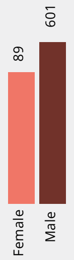
Other	Unit	2018/19	2017/18	Change %
Number of employees	No	690	609	13%
Average revenue per employee	Rs.'000	9,518.33	9,279.70	3%
Average profit per employee	Rs.'000	1,110.15	1,846.74	-40%
Number of showrooms	No	48	44	9%

NON–FINANCIAL HIGHLIGHTS

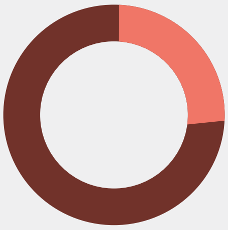
		Unit	2018/19	2017/18	Change %
Human Capital	No. Employees	No.	690	609	13
	New Recruits	No.	170	60	183
	Investment in Training	Rs. Mn	7.3	7.5	(54)
	Training Hours	Hours	5,809	583	896
	Workplace Injuries	No.	20	4	400
	Retention Rate	%	92.8	93.4	(0.64)
Manufactured Capital	Property, Plant & Equipment	Rs. Mn	5,743	3,856	49
	Investments	Rs. Mn	2,162	402	438
Social & Relationship capital	Own Showrooms	No.	2	2	-
	Franchise Showrooms	No.	46	42	10
	Dealers	No.	37	25	48
	Distributors	No.	28	24	17
	Consignment Agents	No.	9	9	-
	Suppliers	No.	1,178	1,118	19
	Payment to Suppliers	Rs. Mn	13,223	5,671	133
Natural Capital	Electricity	No of unit/Mn	15.6	14.7	7
	LPG	Kg/Mn	8.6	7.7	12
	Water Usage	Lit	27,180,756	27,950,867	(3)
	Water Recycled	Lit	2,168,950	2,200,000	(1)
	Environmental Standard Certification	No.	2	2	-
Intellectual Capital	No. of new Designs	No.	318	206	54
	Investment in R&D	Rs. Mn	12.3	15	18
	Quality Certifications	No.	3	3	-
	Awards Received	No.	2	2	-

EMPLOYEES

690
Staff Strength

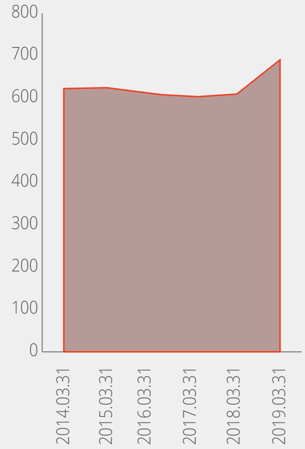


Gender Diversity



87%
Male

13%
Female



SOCIETY & ENVIRONMENT

LKR 1.2 Mn.
Ragama Hospital Renovation

Volunteer Hosting Project

Foreign volunteers engaging in educational and social work

149 Pre-Schools
LKR 7.3 Mn.

Pre-School Project

CHAIRMAN'S MESSAGE

Re-igniting the spirit of our vision

Dhammika Perera
Chairman

Dear Shareholders,

In an era where change is inevitable, Lanka Tiles is in the process of altering its own business model in order to retain its market leadership position. Over the years, the brand LANKATILES has been associated with high product standards and we continue to invest in our facilities and processes to sustain our position. Poor performance of the construction sector and the influx of cheaper imports have made our operating environment volatile and a re-evaluation of our business model was needed to ensure that we remain future fit as we move forward.

DRIVING CHANGE

Going back to the drawing board, we identified areas which needed urgent attention. Our product portfolio was outdated in terms of designs and sizes and needed an overhaul. We also needed a product range to compete with the imports priced at lower prices. Increased production capacity also needed to be utilised by developing our export markets and driving growth by inspiring customers with our designs. Therefore, the Board addressed these issues as a priority, allocating resources and setting up appropriate performance review mechanisms.

The transformation will inevitably straddle financial years as key strategies require significant time for implementation. However, we are pleased with what has been achieved to date and are confident that we are well positioned to deliver on more goals in the year that has commenced.

In an era where change is inevitable, Lanka Tiles is in the process of altering its own business model in order to retain its market leadership position. Over the years, the brand LANKATILES has been associated with high product standards and we continue to invest in our facilities and processes to sustain our position.

We have expanded our sourcing capabilities and as a result our supply chains have become more complex as we looked for solutions to many issues. Our contract manufacturing business in India has grown rapidly as we filled a lacuna in the market and our portfolio, retaining our promise of quality through our own quality control processes and people. Consequently, LANKATILES has become the single largest exporter of tiles as a brand in India. In the domestic market, we continue to maintain a relationship with key industry influencers such as architects and tilers and this has enabled us to maintain our visibility. We have also reinforced our domestic distribution by broadening our franchise showroom network. New product designs and sizes were introduced to our product portfolio in line with current market trends.

INSPIRING CUSTOMERS

As we understand the diversity of our customer requirements and have gone beyond focusing only on the design and quality of our products, the LANKATILES app was introduced with the aim of engaging an increasingly tech savvy clientele. The app allows customers to generate 3D images of their space using our products. We are confident that this innovative market tool will have a positive impact on our earnings. Our franchise showroom staff undergo regular training sessions in assisting customers to match their requirements.

FOCUS ON EXPORTS

We needed to look beyond the domestic market as the capacity enhancement coincided with a contraction in the domestic construction industry. Currently exports amount to a mere 3% of our total sales and in order to grow we need to grow our presence in established markets and also focus on developing new markets. Trade tensions between China and US together with and bilateral trade agreements may create opportunities that need to be seized. Encouragingly, we have observed renewed interest from these markets and we are working to convert these leads in to tangible orders.

CHAIRMAN'S MESSAGE

PERFORMANCE

Reflecting the weak demand and decrease in productivity due to trial runs for new designs and sizes, Lanka Tile's profit after tax for the year ended 31st March 2019 amounted to Rs. 528 Mn. reporting a decline of 47%. We had to shut down the old kiln during the year to install a new kiln with bigger capacity and this too had an adverse impact on our productivity. Growth of 14% in revenue was achieved mainly through volume growth which exerted pressure on margins. Finance costs increased by 1.4% as capital expenditure was funded by debt, further impacting the bottom line. In the long term, this trend is expected to reverse as loans get repaid, supporting bottom line growth.

On a more positive note, our asset base grew by 36% to reach Rs. 11,906 Mn. as we gear up for growth through new product and market developments.

Your Board paid a dividend of Rs.3.15 per share taking in to account the performance which amounts to Rs.167 Mn. as the interim dividend for the year ended 31st March 2019.

OUTLOOK

We have invested Rs. 2.2 Bn. in enhancing our production capacity with the ability to manufacture a wider range of tiles in terms of design and size. With this capacity enhancement we have become the single largest tile manufacturing facility in the county and are geared to be on top of evolving global trends.

We will continue to grow our contract manufacturing capabilities in India as we have identified this as a key area for potential growth while combating the intense competition coming from low priced imports.

GOVERNANCE

Corporate governance is vital for the growth of the Lanka Tiles Group and the Board continues to develop sound practices in order to comply with evolving practices. The International certifications and voluntarily adopted standards, frameworks and codes also support evolution of this key subject. Consequently, we have seen the Board packs and agenda evolving over time as we incorporate technology and improve our decision support information systems which has facilitated better governance, balancing all stakeholder interests. Enhanced information has also increased the objectivity of decision making which has become more focused on data and application of principles in a consistent manner.

SUSTAINABILITY

Our journey in sustainability continues to evolve as we broaden the scope of application and drive harder to minimise impacts each year. It pervades all aspects of our business from selection of energy efficient equipment to simple daily routines across all levels. However, we realise that there is more that needs to be done and the Board continues to provide leadership in this regard as we pursue the mantra "to do more with less". Sustainability, in fact makes commercial sense in this intensely competitive business landscape, particularly if the leadership is focused on the long term as we have always been. As global research and local events affirm, inequalities and environment are two of the greatest challenges that countries and corporates face and using the wider lens of sustainability ensures that we do our bit, addressing them in our workplace.

OPPORTUNITIES IN VOLATILITY

Domestic economic growth is likely to be hindered by the political and policy uncertainty. This, combined with rising interest rates pose several challenges for the current financial year. Despite the negative outlook we see potential opportunities which we will need to make use of in order to sustain our business both locally and internationally.

Trade wars between US and China have made Sri Lanka an alternative sourcing destination. This opportunity coupled with the depreciating Rupee is likely to make our products more competitive and attractive in the export market. The Country's reputation for social and environmental compliance frameworks also provide a significant competitive advantage.

It is also necessary to monitor the developments in the country's bilateral trade agreements to identify potential pathways for export growth opportunities.

Growth in the domestic market will be focused on maintaining and broadening our distribution network which we have built over the last 35 years by facilitating mutual growth.

APPRECIATION

I commend Mr. Mahendra Jayasekera for the leadership given to Lanka Tiles in order to navigate through challenging times. The dedication of the team at Lanka Tiles and its subsidiaries is commendable as the change within and adaptation required has been considerable and I thank them for their inspired work. I thank our franchise partners and our customers for their continued loyalty and all our other business partners who assist us in various ways in carrying out our operations. I am grateful for the counsel of my fellow Board members who discharge their duties with care and diligence. Finally, I wish to thank our shareholders for their support extended and look to the same as we continue on our transformational journey.

Dhammika Perera
Chairman

06th June 2019

MANAGING DIRECTOR'S MESSAGE

The passion to do things differently

J A P M Jayasekera
Managing Director

As challenging conditions have prompted us to re-evaluate our business model, we have accepted this challenge and are currently in the process of altering our approach to be better suited to today's market dynamics. We have taken measures to broaden our supply chain by expanding our contract manufacturing facilities in India, while market leadership in the domestic market combined with increased production capacity has inevitably led us to look for new market opportunities. Measures were taken during the year under review to address these issues and we look forward to the year that has commenced to deliver the results of these changes.

ENGAGING CUSTOMERS

High levels of customer engagement is of paramount importance in order to effectively compete in the market during times of modest economic growth. Continuous dialogue with our customers and influencers have helped us in getting a better understanding of our customers' needs. Potential areas for improvements were identified through in-house customer surveys, and these findings were used in improving our product portfolio. Training sessions for franchise network staff continued in areas such as understanding customer requirements and how to provide solutions in line with these requirements.

Subsequent to the customer feedback obtained we identified expansion in contract manufacturing in India as a key area for potential growth. As disposable income of our customers decreased, we observed a gradual shift towards cheaper imported tiles. We took this market shift as an opportunity and allocated more resources to manufacture tiles in India where cost of production was relatively lower. By taking this initiative we were able to provide products manufactured under LANKATILES brand, conforming to our stringent quality standards while pricing them at more competitive levels.

GRI 102-14

Lanka Tiles completed a Rs. 2.2Bn. capacity expansion in our Ranala factory and with this we have become the single largest tile manufacturer in the country.

Operating Context
• Sri Lanka GDP ⇧3.2%
• Per Capita Income ⇩ $4,102
• Inflation 2.1%
• Construction Sectors ⇩ 2.1%
• Private sector credit growth for construction activities ⇧14.1%
• Credit granted for personal housing ⇧ 13.1%
• AWPR ⇧ 68 bp

The Product portfolio was upgraded to meet modern day customer requirements and we introduced 128 new designs while older designs were discontinued. Significant capital investments were made in order to align our portfolio according to modern designs and sizes as our production facility in Ranala underwent a capacity expansion.

Further, in order to cater to the increasingly tech savvy customers we introduced the LANKATILES app which gives our customer the opportunity to obtain 3D images of their space using LANKATILES products. We also provided the same functionality online with a web-tool to engage customers on a wider screen format. Customer helplines were also established to expand channels of communication and assist in a limited manner to sort out potential issues.

CAPACITY EXPANSION IN PRODUCTION FACILITY

Lanka Tiles completed a Rs. 2.2 Bn. capacity expansion in our Ranala factory and with this we have become the single largest tile manufacturer in the country. The expansion resulted in production disruption as part of the facility had to be shut down and was unavailable for operations. Productivity was affected as trial runs for new designs and sizes had to be done.

Total Productive Maintenance (TPM), a group wide initiative which was introduced last year continued. However, benefits derived from this was mitigated by the production disruptions caused by the expansion. Once the improved facility is fully functional, we would be able to achieve operational efficiencies as well as an uninterrupted production process targeting a new and improved product line.

> **LANKATILES recorded top-line growth of 14% to Rs.7.0 Bn. strongly supported by volume growth as we introduced a range of competitively priced products. This reflects the agility of the company as this growth was achieved during a contraction of the construction sector**

PERFORMANCE

Lanka Tiles recorded top-line growth of 14% to Rs.7.0 Bn. strongly supported by volume growth as we introduced a range of competitively priced products. This reflects the agility of the company as this growth was achieved during a contraction of the construction sector, intensifying competition and reduced disposable incomes which combined to soften demand in the reporting year. Cheap imports of inferior quality also exerted pressure on margins as we pursued a strategy to drive volume growth to maintain market share, strengthening our domestic franchise and facilitating recovery of high levels of fixed overheads.

Gross profit declined by 16% to Rs.2.0 Bn. due to increased raw material prices, inflation, devaluation of the rupee, high energy costs and labour costs. Distribution costs increased by 16% to Rs.1 Bn. as we increased incentives to drive sales volumes engaging our franchise network which accounts for a significant proportion of sales. Consequently, operating profit declined by 32% to Rs. 751 Mn. reflecting economic headwinds and increasing costs.

Net finance costs for the reporting period amounted to Rs.14.1 Mn. in comparison with net finance income of Rs.88 Mn. recorded in the prior year as deposits were liquidated to fund the expansions in the previous year. Despite the increase, the interest cover is very comfortable although depressing profitability. Additionally, the share of income from the equity accounted investee, Swisstek (Ceylon) also declined to Rs. 8 Mn. from Rs.165 Mn. in the previous year due to the subdued performance of the company, also stemming from the contraction in the construction sector and overcapacity within the leading aluminium industry players. Consequently, profit before tax declined by 45% to Rs. 746 Mn. Taxation of 28% amounted to Rs.218 Mn. which resulted in a profit after tax of Rs. 528 Mn. which reflects a decline of 47% over the previous year.

STABILITY

Total assets increased by 36% to Rs.11.9 Bn. due to investments in capital expenditure of Rs. 2.2 Bn. and increased inventory and receivables as we geared for growth. At present, the Property, Plant & Equipment (PPE) of the Group Rs. 5.7 Bn. is testimony to the manufacturing capabilities of the Group. Borrowings increased significantly from Rs. 201 Mn. to Rs. 2.1 Bn. as capital expenditure was funded through borrowing, leveraging a strong balance sheet which is able to absorb the increased level of debt. The debt to equity ratio with the increased borrowing remains at a prudent 29% reflecting the stability of the Group.

OUTLOOK

Instability in the political environment and policy making is likely to dampen the economic activity in the domestic front while the global economic activity is likely to be hampered by the ongoing trade tensions and increasing vulnerabilities of some economies. Trade wars between China and US have made Sri Lanka a potential alternative and we are well positioned to seize the opportunity with our revamped product portfolio and improved production facility.

We have embarked on an aggressive expansion of our franchise network in order to broaden our footprint in the domestic market. This will enable us to reach a wider customer base in the future.

We have already begun altering our course in order to face tough times that are ahead and we will continue to re-evaluate our model as we move forward.

ACKNOWLEDGEMENTS

I thank the Board for steering our course and providing guidance through the year, and the respective business heads for the leadership given to our team. I take this opportunity to thank all our employees for being a part of our legacy as we continue to grow together. My appreciation goes to our business partners and customers who have been a part of our journey and shared our growth. Finally, my sincere thanks go out to our shareholders for your continued confidence in us and look forward to another profitable year.

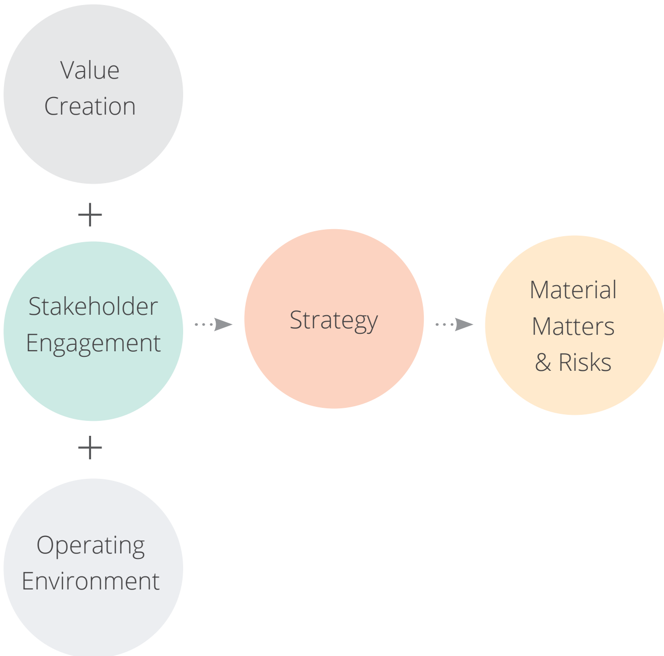
J A P M Jayasekera
Managing Director

06th June 2019

THE STRATEGIC REPORT

Value Creation

OVERVIEW



GRI 102-47

Value Creation

CAPITAL USED

FINANCIAL CAPITAL

Page 42

Shareholder Funds
Rs.7.29Bn

Debt
Rs.2.10Bn

MANUFACTURED CAPITAL

Page 50

Manufacturing Facilities
Rs.1.50Bn

Equipment
Rs.3.06Bn

HUMAN CAPITAL

Page 45

No. of Employees
690

SOCIAL & RELATIONSHIP CAPITAL

Page 48

Strong relationship with Customers
266,777

suppliers and distribution network of
1,237

NATURAL CAPITAL

Page 52

Land Extent
9,253 Perches

Energy Consumption
Rs.1.32Bn

INTELLECTUAL CAPITAL

Page 54

LANKATILES Registered Global Brand Brand

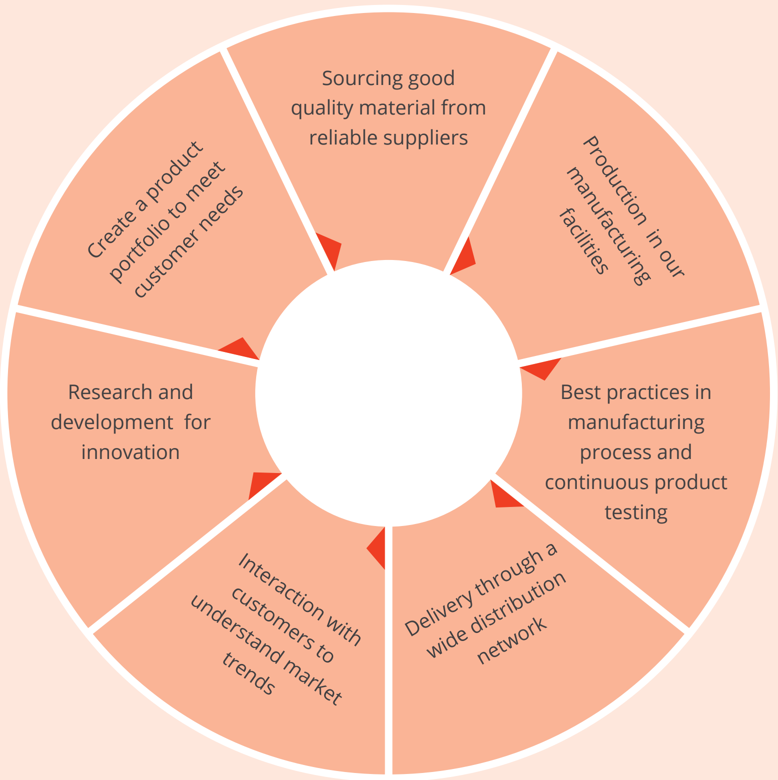
Systems and Processes Consumption
Rs.2.8Bn

GRI 204-1

Our focus is on optimum usage of our capital resources in order to create value to all stakeholders. Our key strengths are brand image, customer base, wide distribution network and innovativeness.

CORPORATE GOVERNANCE

Good governance is vital in order for the business to sustain and develop while it helps us to manage a better relationship with our stakeholders it also makes us more transparent and accountable.



RISK MANAGEMENT

Process of identifying, analysing, accepting or mitigating uncertainty.

VALUE CREATED TO STAKEHOLDERS

SHAREHOLDERS

Dividend per Share
Rs.3.15

Earnings per Share
Rs.9.95

EMPLOYEES

Salaries and wages paid
Rs.589Mn

Training Hours
5,809

Investment in Training
Rs.7.33Mn

CUSTOMERS

Tiles manufactured
New designs Introduced
Floor Tiles -
Gloss 7, Matt 31, Polished 12 Carving design 52, Full Body 8, Strip 10, Double 8

SUPPLIERS

Payment to international suppliers
Rs.3,286Mn

Payment to local suppliers
Rs.9,937Mn

GOVERNMENT

Taxes paid
Rs.1,214Mn

COMMUNITY

Employee opportunities
690

CSR
Rs.13.3Mn

Stakeholder Engagement

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

Understanding shareholder concerns is key to driving sustainable business growth. While many stakeholder concerns remain common, managing conflicting concerns in an equitable manner is key to our ability to create sustainable value.

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

Operating environment

Macro Economy

In order to maintain our leadership in the industry we continuously monitor our macro environment to assess potential risks and opportunities. Several key factors such as economic growth, interest rates, inflation and Government policies have a direct impact on our performance.

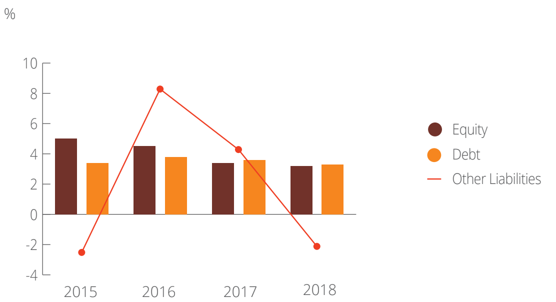
Construction sector and overall economic performance

2018 was a challenging year for the global economy as most markets were affected by geopolitical pressures, weakening financial markets and trade wars. Amidst political instability and changing Government policies Sri Lanka saw a GDP growth of 3.2% in 2018 compared to 3.4% of the previous year.

Growth in the construction sector which contributes to 6.8% of GDP was affected by high construction costs and low construction volume. During the first 3 quarters construction activity saw a decline of 2.1% compared to the 4.3% growth in the corresponding period of the previous year. This was reflected in the total cement manufactured and imported during the year which saw a decline of 6.3%. Credit extended by the Licensed Commercial Banks (LCBs) to the private sector for construction activities grew at a slower pace of 14.1% compared to the growth of 22.5% last year. Further, credit granted under personal housing loans by the LCBs saw a growth of 13.1% compared to the 21.4% growth in 2017.

Demand for floor tiles and wall tiles is heavily dependent on the construction and refurbishment of residential and commercial properties. Floor tiles takes up a significant portion of the local tile market while wall tiles are still considered as a niche product.

Economic Performance



Government Policies

Headline inflation improved to 0.4% in December 2018 compared to 7.3% a year ago led by lower food prices. This eased the effect of the exchange rate depreciation to a certain effect.

With this favourable outlook on inflation the Government maintained monetary policy to support economic growth. However due to lack of liquidity the Average Lending Rate (AWLR) continued to rise throughout the year. Tax rates were increased in order to increase Government revenue and to restrain expenditure on imports.

Energy Costs

2018 was a volatile year for world crude oil prices mostly due to US imposed sanctions on Iran and trade wars between China and US. As prices edged upwards, the Government of Sri Lanka introduced a price formula in order to prevent further losses to the Ceylon Petroleum Corporation resulting in an increase in the price of petrol and diesel.

Exchange Rate

Sri Lankan rupee depreciated against the US dollar by over 20% in 2018. Rupee saw a sharp decline during the second half of the year due to the political instability which prevailed in the country.

Demand and Supply

Demand for tiles was hampered as construction activity saw a decline due to rising borrowing costs, high cost of production and passive investor confidence due to political instability. Housing and other building approvals during the first half of 2018 amounted to 5,497 compared to 6,333 for the corresponding period of the previous year.

Industry Competition

Low priced imported tiles mainly form India and China continues to pose a threat to local manufacturers. Imported tiles have a direct adverse impact on the pricing of locally manufactured tiles as consumers are very price sensitive. As a result domestic manufacturers are unable to pass on the rising cost of production to consumers.

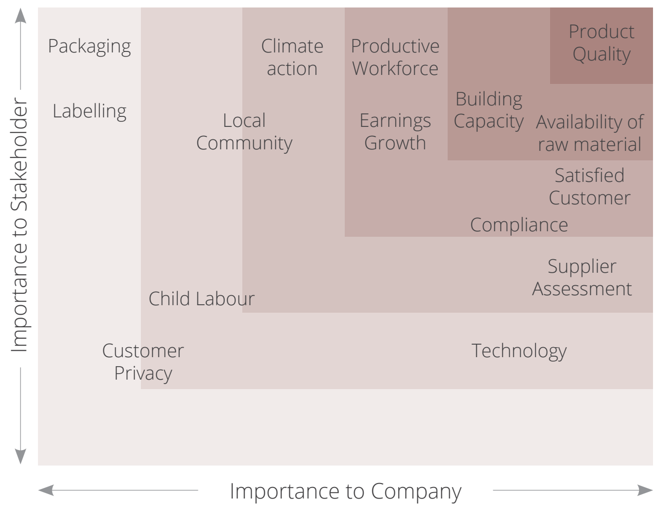
Strategy

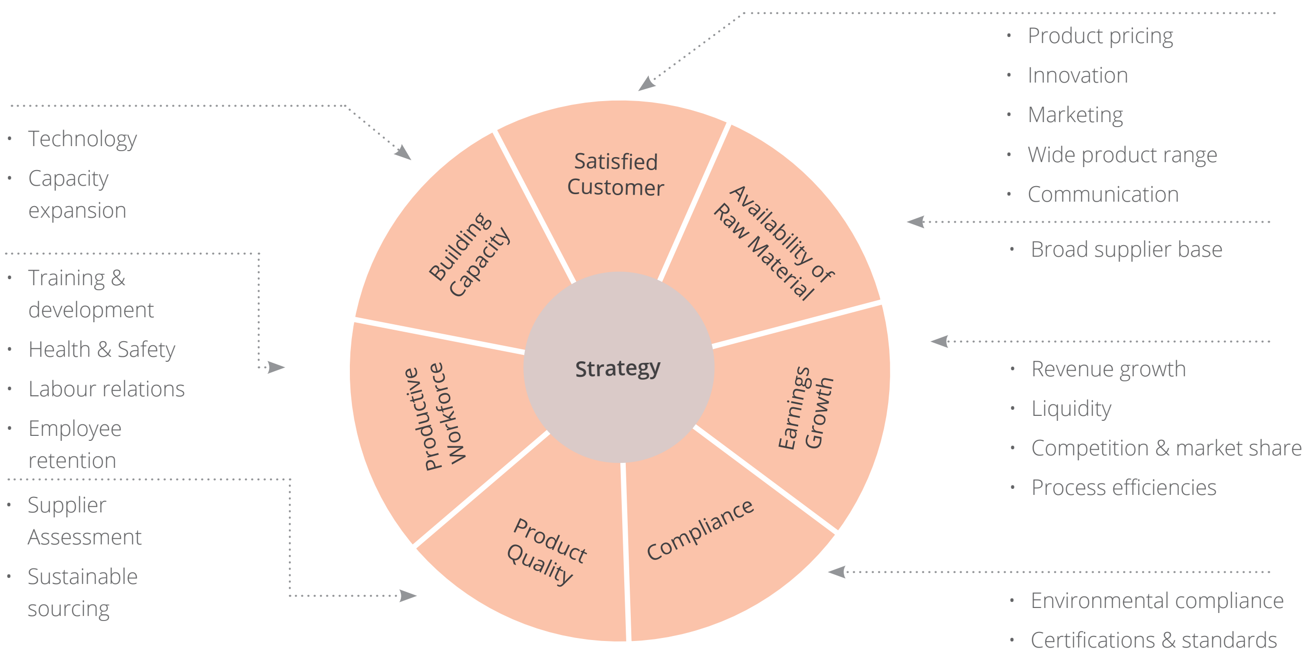
Lanka Tiles is the proud market leader for floor tiles in Sri Lanka with a market share of over 20%. Strategy is developed to increase our leadership of this sector and deliver value to our stakeholders including our supply chain partners. Resource allocation is key to implementing strategy to facilitate delivery of our key performance indicators.

STRATEGIC PRIORITY	HOW WE ADDRESSED FROM THEM	KEY PERFORMANCE INDICATORS	PLANS FOR 2019/20
Market Leadership	• Research & development Expenditures Rs. 12.3 Mn. • No. of new products launched • Expansion in contract manufacturing in India • Expansion to our distribution network	• Customer satisfaction score 81% • Revenue growth 14%	• Developing innovative products • Identifying new market segments • Export expansion • Widening our distribution network
Operational Excellence	• Capacity expansion • Total Productivity management initiatives • Cost efficiencies • Improving employee productivity	• Employee retention rate 92.8. • Cost savings from TPM Rs. 63.6 Mn. • Revenue per employee Rs.1,015 Mn.	• Focus on cost efficiencies
Financial Stability	• Funding capacity expansion • Managing liquidity • Managing financial leverage	• Gearing 29 % • Inventory turnover 2.01 • Increase in shareholder funds 5%	• Maintaining funding capacity • Managing working capital
Sustainability	• CSR projects • Conforming to environmental standards • Waste management	• CSR Rs. 13.3 Mn.	• Maintaining funding capacity • Managing working capital

Materiality

In order to grow as an organization, we need to identify, understand and balance the most important concerns of our stakeholders. This will help us sharpen our focus on drivers of value creation while it also helps us identify emerging opportunities and risks. The following graph depicts these identified issues assessed based on their impact to us as a company and to our stakeholders. Reporting guidelines such as GRI was used to provide full disclosure on material topics within three broad categories namely economic, social and environmental. The material topics were actively managed and monitored to create value for the organisation or stakeholders or mitigated if the topic posed a threat and where practical and cost effective to do so. In addition, these topics became a reference source to determine our principal risks and opportunities as described in page 31.





Principal Risks

As a company we are exposed to risks related not only to the tiling industry but to global and domestic macro economies. Risk management is vital in managing market volatility and we have identified key factors that have a significant impact on our performance and value creation as the principal risks which are discussed in page 31.

Risk Governance

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

Board of Directors

↓

Audit Committee

↓

CEO

↓

Executive Committee

↓

Operational Managers

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

Lanka Tiles PLC has the following management structure to facilitate risk management and risk reporting.

Organisation Strategy

↑

Risk Management Strategy

↑

Risk Management Policies and Procedures

↑

Risk Management Roles & Responsibilities

↑

Risk Response & Reporting

↑

Risk Identification & Assessment

↑

Corporate Governance

The LTPLC risk management process can be explained by the three lines of defence concept of risk management as given below

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

Our Principal risks in 2019

Risk	Impact and Developments in 2018/19	How to Mitigate
Subdued demand in the domestic market	Weakening economy and rising interest rates had a direct adverse impact on the disposable income. This in turn was reflected in the poor construction activity	• Review opportunities to increase exports to existing markets • Capturing markets in Australia, USA, India, Maldives, Madagascar and Seychelles. • Explore opportunities to enter into new export markets
Political and policy uncertainty	Introduction and implementation of new government policies and custom duties affecting mining and cost of production	• Industry representations to implement policies that support growth of the vital industry sector
Increased cost of key inputs	Energy costs and imported raw material costs increased significantly during the year impacted by volatility in global markets and a depreciating rupee. As our revenues are derived mainly from the local market which remained subdued during the reporting year, we were unable to pass through increasing costs resulting in significant pressure on margins. The industry also witnessed a declining supply of kaolin, ball clay, feldspar, silica quartz and dolomite which also exerted upward pressure on costs	• Total Project Management (TPM) was implemented during the year to streamline processes and create a platform for continuous corporate and individual performance improvement • Production being outsourced to factory facilities in India

Principal Risks

Risk	Impact and Developments in 2018/19	How to Mitigate
Changes in design trends	Interior design trends drive demand necessitating an ever-widening portfolio of sizes, shapes, colours and textures at varying price points coupled with accessories	• Modifying manufacturing facilities to produce larger sizes to cater to current design trends
Market reach	Ensuring that customers have the tiles they want at their preferred location is a significant challenge due to the space requirements	• Showrooms being opened and operated as franchise partnerships • Consistent display systems to facilitate review of portfolios • Launch of digital platforms to inspire/ design such as the Virtual Design Hub by Rocell and the Lankatiles App driving demand

Statement of Risk Management and Internal Control adequacy

The Board confirms that an effective risk management and internal control framework and an ongoing process is in place to minimise all potential risks and its probability of impact to the Company and its business.

The Board also confirms all risks were reviewed using internal and external parties and were deliberated upon by the Board and if necessary corrective actions were taken.

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

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

Dhammika Perera
Chairman

J A P M Jayasekera
Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

Continuously evolving to deliver our promise of value

Lanka Tiles PLC continues to be the market leader for floor tiles segment in the country with a market share of 20% and also became the largest manufacturer of tiles in the country with the completion of our expansion in Ranala. Our product portfolio has expanded beyond tiles to include mortar, pebbles, aluminium beading and grout providing our customers a one stop shop solution. Additionally, we have secured 13 manufacturing facilities in India and at present is the largest tile importer from India. Further we have expanded our markets beyond our shores to cover Australia, North America and India.

> Group reported a revenue growth of 14% despite the sluggish demand and weak economic conditions.

GRI 303-1 306-2

Financial Capital	18/19	17/18
Revenue (Rs. Mn.)	7,009	6,126
PBT (Rs. Mn.)	746	1,353
GP margin	29%	39%
Total Assets (Rs. Mn.)	11,906	8,756
Total Liabilities (Rs. Mn.)	4,610	1,831
ROCE (%)	9%	16%

Manufacturing Capital	18/19	17/18
PPE (NBV) (Rs. Mn.)	5,743	3,856
Capex (Rs. Mn.)	2,162	402
Depreciation (Rs. Mn.)	268	236
Capacity Utilization (%)	81.7	98.6
Locations	7	6

Human Capital	18/19	17/18
Employees (Nos.)	690	609
Remuneration (Rs. Mn.)	589	623
Employee Productivity (SQM '000/employee)	5,573	6,289
Investment in Training (Rs. Mn.)	7.33	7.49

NURTURING CAPITALS

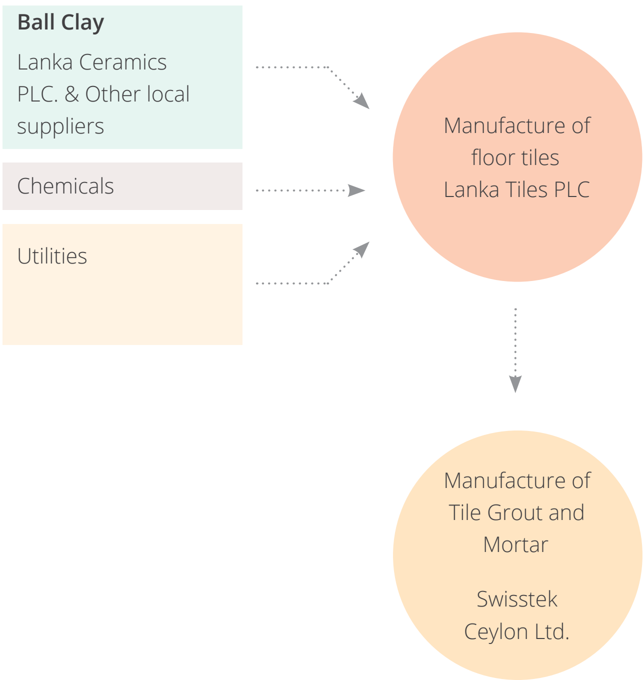
- Completion of Ranala factory expansion increasing capacity to 14,500 m^2 per day
- Introduced new product range with varying textures and sizes
- Continued to pursue export opportunities
- Knowledge transfer from Indian factories to Sri Lankan factories

Natural Capital	18/19	17/18
Materials (Mt)	87,177	81,021
Energy (No. of units)	15,675,184	14,787,945
Water (litres)	27,180,756	27,950,867
Waste water (litres)	2,168,950	2,200,000
Waste (MT)	9,010	2,175

Social & Relationship Capital	18/19	17/18
Distributors	28	24
Dealers	37	25
Franchisees	46	42
Consignment Agents	09	09
Tiler Club Members	3,678	3,371
Suppliers	1,178	1,118

Intellectual Capital	
Lanka Tiles brand Equity in books (Rs. Mn.)	24
Awards	02

Our Supply Chain



The supply chain in Sri Lanka is fairly short with 35% of the value of raw materials sourced from Sri Lanka while the balance comprising mainly chemicals are imported from Italy and China. Products manufactured in our factories in Sri Lanka account for 69% of our revenue. Tiles manufactured in India travel approximately 3,000 km to reach our warehouses with most of the transportation done via sea. Ball clay requirements for Indian tile factories are also situated in close proximity and chemicals are imported.

Performance

- Group reported a revenue growth of 14% despite the sluggish demand and weak economic conditions. Sales from the local market, which contribute 97% of total sales increased by 16% while exports sales saw a decline of 18%. Demand from Australia was affected by the poor performance in the construction industry while the sales from USA was hampered by the political tension between USA and China.

GRI 102-9 102-10

- Smaller kiln at our Ranala factory had to be shut down due to capacity expansion project and this resulted in loss of production and higher production cost which was reflected in a significant drop in our gross profit margin. Profit margins were further affected by the sharp increase in LPG. As a result the gross profit margin which was at 39% last year declined to 29% during the year.

- 4 new showrooms were opened during the year and the cost of this was reflected in a 16% increase in selling and distribution expenses. Administrative expenses remain at the same levels as last year.

- Group reported an operating profit of Rs.752 Mn., a sharp decline of 32% from the previous year. This was mainly due the increase in cost of production. We were unable to pass on the increased costs to our consumers due to the intense price competition in the market.

- Finance expenses increased to Rs. 14 Mn. compared to a finance income of Rs.88 Mn. previous year due to rising interest costs and new borrowing to funds the capacity expansion.

- Group's income tax expenses came down by 38% due to the decline in profits. Lanka Tiles reported a net profit of Rs. 528 Mn. compared to Rs.1,004 Mn. reported in the previous year.

During 2019, we completed the capacity expansion of our Ranala production facility with a total cost of Rs. 2.2 Bn. and are in the process of commissioning the improved facility. On commissioning of this facility, we will be the largest tile manufacturer in the country with a daily production capacity of 14,500 Sq. Mt.

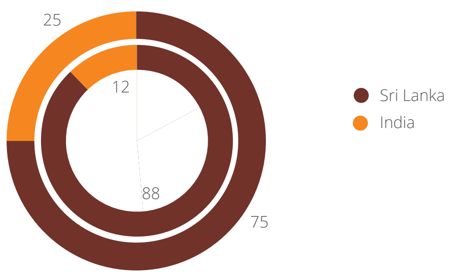
	18/19 Sq. Mt.	17/18 Sq. mt	% Change
Domestic Production Mn.	3.8	3.8	-
Indian Production Mn.	1.3	0.5	160%

As competition from low cost imported tiles intensified over the past few years, Lanka Tiles PLC took measures to manufacture tiles in India under our own brand though a strategic partnership with a leading Indian tile manufacturer Ambani Vitrified (pvt) Ltd. as an outsourcing partner in 2017. This has enabled us to increase our output under Lanka Tiles brand at competitive prices without compromising on the quality of the products offered through stringent quality control measures. We are currently working with 13 factories situated in Morbi and Gujarat in India to manufacture a range of tiles in sizes and textures which are not manufactured in our local facilities. During 2018 we imported 1,091 containers from India and we are the largest importer of tiles from India.

Total Productive Maintenance (TPM) is a Group wide in-depth and wide-reaching productivity improving initiative. This includes a comprehensive evaluation of existing production flows and procedures and will identify modifications needed in order to enhance overall productivity. This process also eliminates any repetitive activities, duplications and redundant steps within the production system.

During 2018 we succeeded in achieving cost savings of Rs. 64 Mn. compared to savings of Rs.148 Mn. achieved in 2017. Further savings and more efficiencies are anticipated as we continue to operate under TPM guidelines in order to further fine tune our production lines.

Production by Country
%



Exports

Performance Review

While our main focus is the domestic market, we exported 3% of our manufactured tiles to several countries such as USA, Canada, Japan, Singapore, New Zealand and Australia as well as to some European countries. We also have a showroom in Bangalore, India and plan to set up 1 more showroom in Chennai.

During 2018 demand from Australia moderated as the construction sector performed poorly, particularly in the Western Australia which recorded the lowest construction in the last 30 years. Exports to US also weakened amidst political tension. However trade wars between US and China may be beneficial for us as the US is likely to look for alternatives to tiles manufacturing in China.

Outlook

We expect the local market to absorb the increased output expected with the commissioning of the expanded Ranala factory. With the improvements made to the factory we are now able to manufacture large tiles which we were unable to produce before. Over the last couple of years customer preferences have seen a shift from smaller sized tiles to the larger sized tiles recently and we believe we could benefit from this with our improved production facilities.

We plan on increasing our imports from India to 2,500 containers in the coming year and will continue to expand in the long run as we see potential for strategic growth.

Lanka Tiles will continue to broaden our distribution network in order to reach a wider customer base. We have implemented a plan to open another 20 show rooms in the next 3 years under our franchise model and this will make our product more accessible to our customers.

Forecasts for global and local growth reflect a moderating trend with significant downside risks. However, we will explore potential for growth both in the country and in export markets as we renew our commitment to deliver growth. We are committed to play our part in rebuilding the business confidence and economic resilience of Sri Lanka, while supporting growth of our supply chain partners.

CAPITALS REPORT

Trade-offs	41
Financial Capital	42
Human Capital	45
Social & Relationship Capital	49
Manufactured Capital	50
Natural Capital	53
Intellectual Capital	54

CAPITALS REPORT

Managing our capital according to a structured and disciplined process is key to our success. The capitals report sets out a brief description of our capital and our processes to develop the same. We recognize that actions taken to manage one capital portfolio is likely to impact another and strive to deepen our understanding of these interactions to facilitate optimal utilization of the same.

MONETIZED
(included in the asset value)

FINANCIAL CAPITAL
42 Page

MANUFACTURED CAPITAL
50 Page

NATURAL CAPITAL
52 Page

NON-MONETIZED
(reflected in the intrinsic value)

HUMAN CAPITAL
45 Page

SOCIAL & RELATIONSHIP CAPITAL
48 Page

INTELLECTUAL CAPITAL
54 Page

Understanding Our Trade Offs

We need to invest in managing our capital and as resources are finite, we have to allocate our resources in the most optimal manner, considering potential trade-offs between the capital portfolios. The list below sets out the key trade offs.

Financial Capital & Manufactured Capital

Investments in PP&E is necessary to ensure that we are fit for the future and support scalability which requires a significant outlay of financial capital

Financial Capital & Social & Relationship Capital

Developing new markets for exports requires an outlay of financial capital to build relationships in new geographies and aligning our business goals

Manufactured Capital and Human Capital

Our investments in PP&E and IT drives higher levels of productivity and efficiency which necessitates re-skilling of employees and leaner teams driving a trade off between Human Capital and Manufactured Capital

Financial Capital & Human Capital

Inevitable trade offs between value delivered to our employees and financial capital formation is carefully balanced by strong HR Governance processes ensuring sufficient investment in up-skilling the team and retaining them through competitive rewards and remuneration.

Financial Capital & Intellectual Capital

We invest financial capital in developing a strong domestic franchise through advertising and other brand building activities which absorb financial capital. Trade offs are balanced through budgeting and approvals processes.

Financial Capital

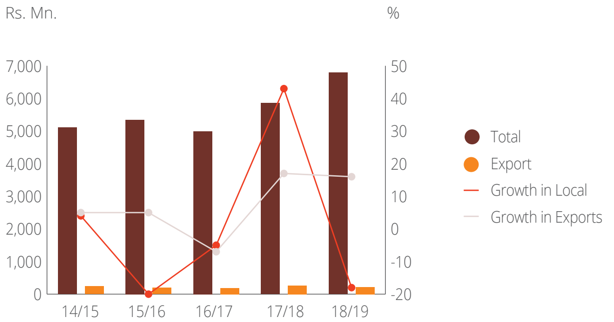
A snapshot of our performance

KPIs		Key Highlights				
Profitability		Revenue Rs. Mn.	EBIT Rs. Mn.	Profit after Tax Rs. Mn.	Assets Rs. Mn.	Liabilities Rs. Mn.
ROA	5.1%					
ROE	7.2%	7,009	752	528	11,907	4,610
Liquidity						
Asset Turnover		**Return to Shareholders**				
Leverage		DPS	EPS	Dividend Yield	Net Assets Per Share	
Debt/Equity	29%					
Interest Cover	34.1%	3.15	9.95	4.5%	137.44	

Revenue

Group reported a revenue of Rs.7,009 Mn, recording a healthy growth of 14% despite the weak economic conditions and sluggish demand. Although our key focus is on the domestic market (97% of total sales) we also cater to export markets such as USA, Canada, Japan, Singapore, New Zealand and Australia.

Revenue over Time



Revenue from the local market grew by 16% despite the contraction in the construction industry. Our strategy to import low priced tiles from India manufactured under LANKATILES brand name was key in driving revenue growth. 1,091 containers were imported from India during the year in order to cater the demand for low price tiles. We have expanded our distribution network by adding 4 more showrooms under the franchise model.

Revenue from export market amounted to Rs .218 Mn reporting a decline of 18%. Demand from Australia was affected by the poor performance in the construction industry, particularly in the Western Australia which recorded the lowest construction activity in 30 years. Demand from USA was hampered by the destabilized market due to tensed trade relations between USA and China.

Gross profits

Gross profit declined by 16% to Rs. 2,006 Mn. despite the growth in revenue as gross profit margin narrowed to 29% from last year's 39%. Smaller kiln in the Ranala factory had to be closed down due to the capacity expansion project and this resulted in loss of production as well as increased costs of production. With the introduction of new designs to our product range, particularly in terms of size our capacity utilization came down due to trial runs. Total saleable production declined by 6% resulting in higher per unit costs. Profit margin was further affected by the sharp increase in LPG prices.

Earnings before interest and tax (EBIT)

EBIT declined by 32% to Rs. 752 Mn. due to increase in production costs and selling and distribution costs. Cost of opening 4 new show rooms during the year was reflected in a 16% increase in selling and distribution cost. Administrative expenses remained constant at Rs. 404 Mn.

Net Finance costs

Net finance cost for the amounted to Rs. 14 Mn. compared to the net finance income of Rs. 88 Mn in the previous year. Finance income declined by 93% to Rs. 8 Mn. while finance expenses increased by 1% due to the new borrowings to fund the capacity expansion.

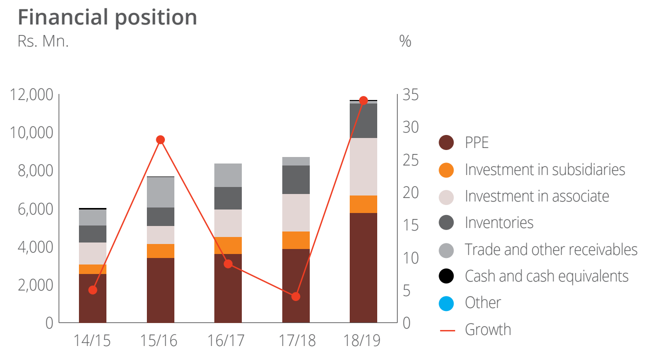
Income taxes

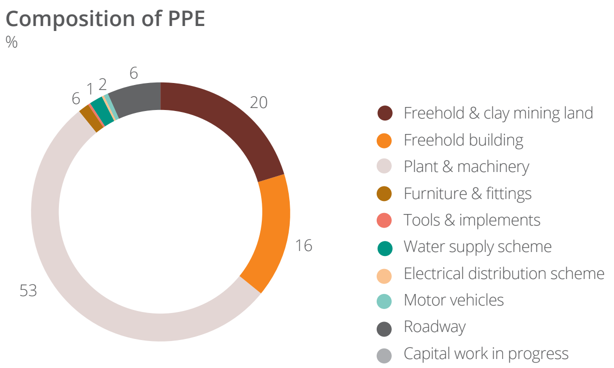
Tax on profit for the year amounted to Rs. 91 Mn. while the provisions made for deferred tax amounted to Rs. 127 Mn.

Financial position

Assets

Asset base grew by 36% during the year led by investments in property, plant and machinery and increase in inventories. Capital expenditure incurred during the year amounted to Rs. 2,162 Mn. compared to CAPEX of Rs. 402 Mn. previous year.



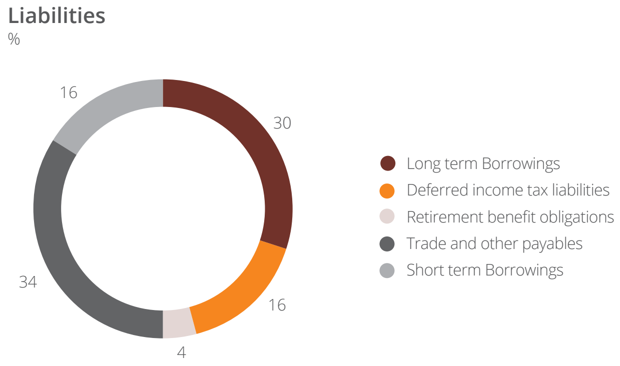


Working capital

During the year, working capital for operation requirement increased by 7% or Rs.187 Mn. mainly due to the 55% increase in inventories. Despite this Group still maintained a healthy current ratio of 2.1

Liabilities

Total liabilities increased by 152% to Rs. 4,610 Mn., led by increase in borrowings and trade payables. Interest bearing borrowings which accounts for 46% of total liabilities increased from Rs. 201Mn, to Rs. 2,102 Mn. This was mainly to finance the capacity expansion project at the Ranala factory. As a result of increased borrowings Group's debt to equity ratio increased to 29% from previous year's 2.9%. Trade payables which amounts to 34% of liabilities increased by 101%.



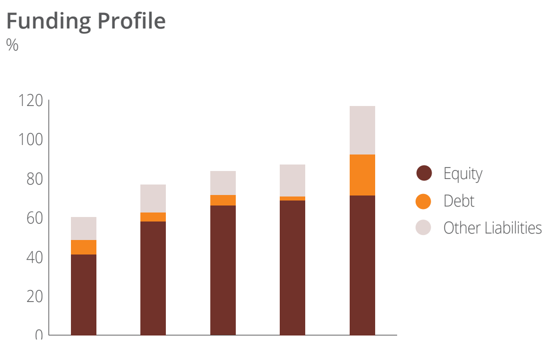
Equity

Equity funded 61% of group's assets. During the year equity attributable to shareholders increased 5 % to reach Rs. 7,297 Mn driven by the increase in retained earnings.

Funding Growth

Total pool of funds used by the group amounted to Rs. 11,907 Mn, 36% increase from the previous year. The incremental amount of Rs. 3,151 Mn was used to fund the capacity expansion project, working capital requirement and repayments of debt obligations that occurred during the year.

Financial Capital



Cash flows

Cash flow from operating activity declined by 78% to Rs. 155 Mn. due to the increase in inventories and drop in profitability. Cash outflow from investing activity increased by more than 5 folds to Rs. 1,810 Mn. due to increased capital expenditure. Financing activities generated an inflow of Rs. 2,191 Mn. supported by new borrowings.

Human Capital

Our capable and dynamic team is vital in value creation. At Lanka Tiles we take continuous measures to improve the quality of our team. Our skilled manufacturing team is comprised of 345 employees while we have a sales force of 33 employees, and they all fall under the categories of permanent, contract and outsourced.

The Human Resource Department reports to the General Manager – Finance responsible for the HR framework which supports the business needs of the Company. The HR Department is also responsible for reinforcing policy frameworks and ensuring regulatory compliance while balancing both company and employee interests.

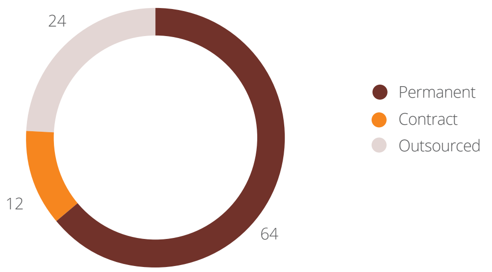
GRI 102-8

Human Capital at a Glance

No of employees	Revenue per employee
690	Rs. Mn. 10.1
Training hours	**Profit per Employee**
5,809	Rs. 765,235
Employee turnover	
7.2%	

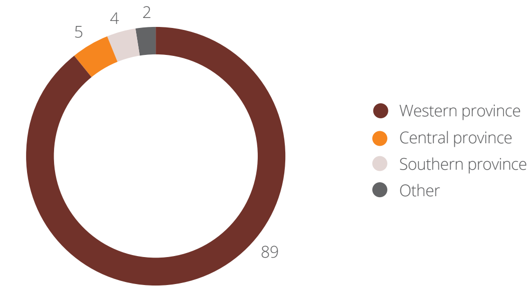
Our Team Profile

Team by Category
%



Category	Male	Female	Total
Senior management and above	9	2	11
Executive staff	40	6	46
Non-executive staff	449	22	471
Other	103	59	162
Total	601	89	690

Team by Region
%

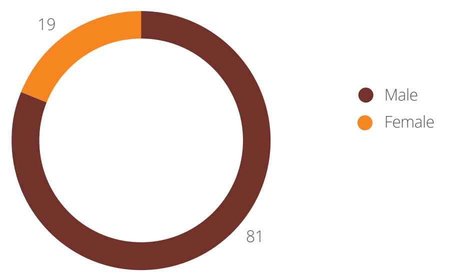


Employment

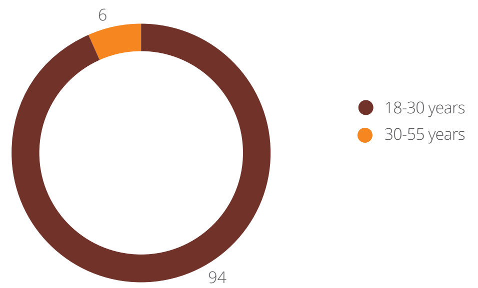
GRI 202-1 401-1 401-2 401-3

Lanka Tiles, as an equal opportunity employer has a formal recruitment process which is based on merit and all recruitments are subjected to Board approval. During the year 170 employees were recruited to the company while 89 left our workforce.

New Recruitments by Gender
%



New Recruitments by Age Group
%



Freedom of Association

37% of the Company's employees are members of the Inter Company Workers Union. Collective Agreements are signed every 3 years and Lanka Tiles does not restrict freedom of association and collective bargaining of our employees. During the year there was no labour unrest or industrial actions.

Employee Compensation and Benefits

A structured remunerations policy is in place in order to make compensation fair and competitive. Regular revisions are made in response to market conditions and trends and these revisions are evaluated by the Board Remunerations Committee.

Our basic salaries and wages are well above the stipulated minimum wage rates and our factory wage levels are maintained well above the minimum rates stipulated by the Ceramics Wages Board of the Department of Labour.

Our compensation package include,

- Basic salary and wage
- Defined benefit contributions such as Employee Provident Fund (EPF) and Employee Trust Fund (ETF)
- Parental Leave
- Health Insurance
- Gratuity payments on completion of 5 years
- Provisions for financial assistance for education qualifications

During the year, employee related costs amounted to Rs. 590 Mn. and a further Rs. 14 Mn. was paid as employee benefits.

Parental leave	2018/19
Employees entitled to parental leave	13
Employees on parental leave	16
Employees who returned to work during the period after parental leave	14
Employees who are still in employment 12 months after returning from parental leave	-
Total	43

Training and development

As a market leader in our business segment, our skills and competencies play a vital role in delivering a high quality product to our customers. We are committed in our attempt to improve our teams' skills, increase efficiency and effectiveness.

A Performance management system is in place to identify training needs while specialist skills are identified through a skill mapping process.

During the year we invested in over Rs. 7.3 Mn. in training and development and programs conducted were in the following areas

- 5'S awareness programs
- Safety Operations & maintenance of forklifts
- Awareness of non-communicable diseases
- Awareness of Occupational Safety & Health
- Introduction to TPM
- Kaizen Suggestion System & awareness of Autonomous Maintenance
- Safety awareness and enhance customer relation

	2018/19	2017/18
Investment in training Rs. Mn.	7.3	7.5
Total training Hours	5809	583
Number of employees trained	580	161
Average Hours of Training per Year	8.42	0.96

Health and safety

Lanka Tiles practices the Internationally accepted OHSAS 18001 (Occupational Health and Safety Assessment Series) safety standard in all our factory operations. A Safety Committee which is comprised of members from both the management and factory workers is in operation to monitor, review and advise on occupational health and safety initiatives.

Some of these initiatives include,

- As per the guidelines set out by the Department of labour and OHSAS 18001 standard, appropriate fire fighting and safety equipment is installed.
- Is compulsory for all workers to wear appropriate safety gear.
- Prominent display of safety information and instructions.
- Conducting safety awareness programs

GRI 403-1 403-2 405-1 404-2 404-3

Type of Accident	2018/19	2017/18
Minor Accidents	None	None
Major Accidents	20	4
No. of days lost due to accidents	7	2

Career progression

Lanka Tiles have adopted a "develop from within" philosophy in our HR practice. Accordingly existing employees are given priority when fulfilling vacancies. Further we have a standard succession plan in place where key senior level employees are identified for future senior management positions. The company also conducts career guidance and continuous professional development programs.

Promotions are given following performance appraisals and these routine performance appraisals take place bi-annually.

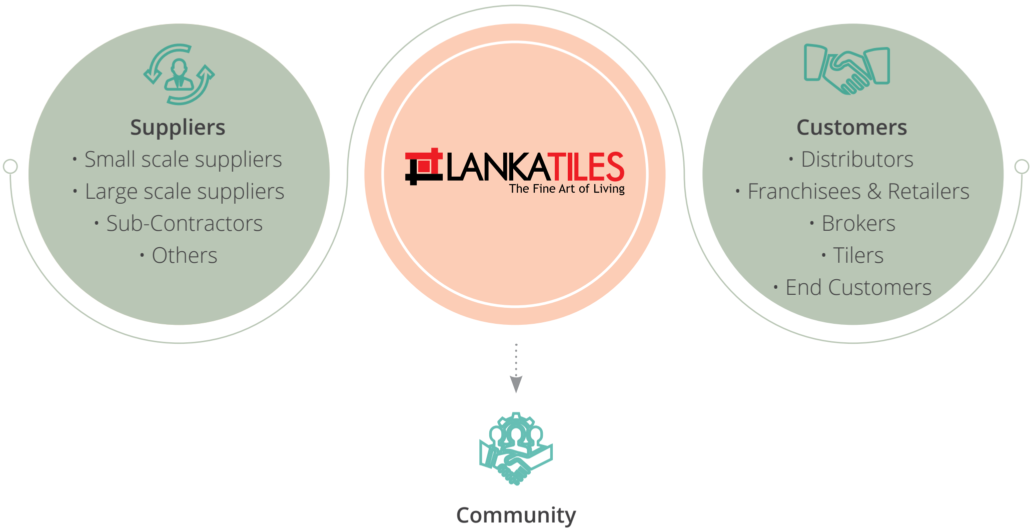
Employee Grievances

A grievance policy is in place supported by the Employee Grievance Committee, under the guidelines of OHSAS 18001

Social and Relationship Capital

GRI 413-1

We understand that the sustainability of our company depends on our ability to maintain strong relationship with our stakeholders to whom we also create value.



Customers

During the year our customer base generated a revenue of Rs.7 Bn, a growth of 14%. Our distribution network is focused mainly on a franchise model and during the year we added 4 showrooms to our network. Annual training sessions are conducted by the company for the franchise holders and they're provided with standard operating procedures to facilitate mutual success.

Product quality	Satisfaction	Innovation
• Products subjected to quality assurance across all sectors • Certification affirms compliance to international standards.	• Customer hotline • Monthly customer surveys Social media interactions	• Product portfolio of over 318 designs • Rs.12.3 Mn. investment in research and development

Customer base at a Glance

- 2 Own Stores
- 37 Direct Dealers
- 28 Distributors
- 46 Franchisees & Retailers
- 3,678 Tiler Club members

Suppliers

We seek to share our journey with our suppliers who are key business partners.

Fair Dealing	Value Delivered	Knowledge Sharing
• Timely payments • Transparency and trust • Procurement meetings	• Financial aid and support • Technical expertise when needed.	• Ensuring that suppliers have the relevant licenses issued by the Central Environmental Authority

Supplier base at a Glance

Rs. 4.9 Bn. Payments to SME Suppliers

Rs. 8.3 Bn. paid to Large Scale suppliers

Total Paid to all suppliers Rs. 13.2 Bn.

Total paid to local suppliers Rs. 4.7 Bn.

Rs. 8.5 Bn. paid to foreign suppliers

Communities

We're committed towards maintaining a healthy relationship with communities and support many community development projects.

During the year we initiated the following CSR projects

Donations to 149 Pre-Schools

Ragama Hospital Renovation

Foreign volunteers engaging in educational and social work

Manufactured Capital

Our manufactured capital comprises of buildings, plant & Machinery and other items including motor vehicles, furniture and fittings, tools and equipment etc. It excludes land, which are included in Natural Capital and amounts to Rs. 4,567 Mn. equivalent to 38% of the Group's Total Assets. Capital work in progress at the end of the year was Rs. 369 Mn.

GRI 102-4 203-1

Manufactured Capital at a glance

Accounts for 38% of Total Assets

Additions During Year Rs. 2.1 Bn.

CAPEX as % of sales 31%

Asset Turnover 0.59 times

Our Manufacturing facility

Location : **Ranala**

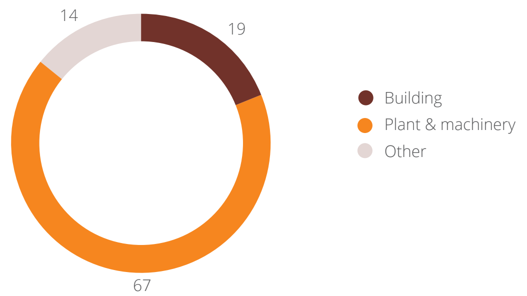
Produces glazed, vitrified and ceramic floor tiles for Lanka Tiles brand. Capacity was increased from **11,400m² to 14,500 per day**

No: of Showrooms: **48**

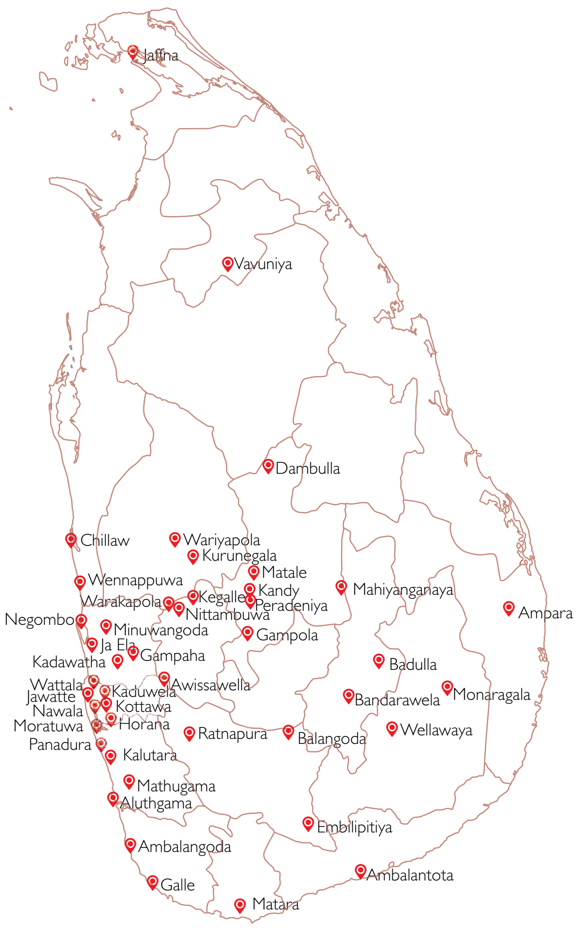
Additions during the year : **4**

Manufactured Capital by Type

%

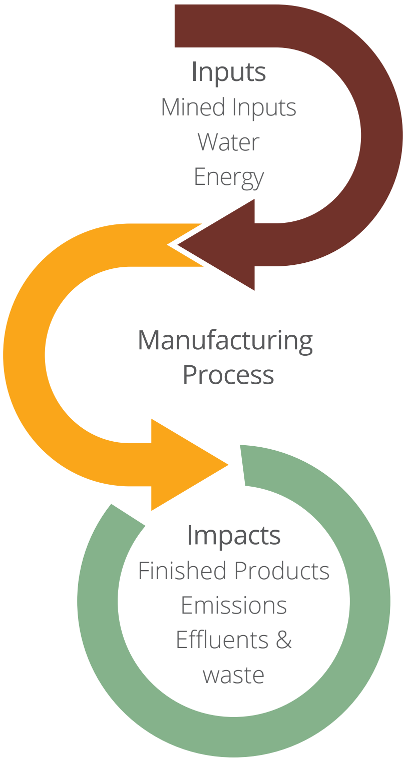


Our Footprint



Flagship Show rooms		
NAWALA 215, Nawala Road, Narahenpita	PERCEPTIONS TILE GALLERY 133, Jawatte Road, Colombo 5	
Franchise Showrooms		
BANDARAWELA No.482, Badulla Road, Bandarawela	CHILAW No.160B , Colombo Road, Maikkulama, Chilaw	GALLE No. 357 B-3, Hiribura Road, Dangedara, Galle
GAMPAHA No.23, Queens Mary Road, Gampaha	GAMPOLA No.98A, Hospital Road, Gampola	HORANA No.580, Panadura Road, Galledadugoda, Horana
JA-ELA No.351, Colombo Road, Weligampitiya, Jaela	JAFFNA No.85, Stanley Rd. Jaffna	KADAWATHA No.572/A, Kandy Road, Ranmuthugala, Kadawatha
KADUWELA No.160/10/U, Bandarawatta, Biyagama, Kaduwela	KALUTARA No.365, Galle Road, Kalutara South	KANDY No.121, Katugastota Road, Kandy
KEGALLE No.562A, Kandy Road, Meepitiya, Kegalle	KIRIBATHGODA No. 104/A/B, Kandy Road, Dalugama, Kelaniya	KOTTAWA No.360A, High level Road, Kottawa
KULIYAPITIYA No. 220 Hettipola Road, Kuliyapitiya.	KURUNEGALA No.250, Negombo Road, Kurunegala	MAHIYANGANAYA No.44 1/2 , Padiyathalawa Road, Mahiyanganaya.
MALAMBE No 302/6, Kaduwela Road, Koswaththa, Thalangama North.	MATALE No.575, Trincomalee Street, Matale	MATARA No.247, Gunawardana Mawatha, Kotuwegoda, Matara
MATHUGAMA No.206, Agalawatta Road, Mathugama	MINUWANGODA No.88/B, Airport Road, Boragodawatta, Minuwangoda	MONARAGALA No.132/1, Wellawaya Road, Monaragala
MORATUWA No.422, Galle Road, Moratuwa	NEGOMBO No.495, Colombo Road, Negombo	NITTAMBUWA No.02, Kandy Road, Nittambuwa
PANADURA No.04, Sri Medananda Road, Panadura	PERADENIYA No.255, Udaeriyagama, Peradeniya	RATNAPURA No.06, Main Street, Batugedara, Ratnapura
WARAKAPOLA No.229, Kandy Road, Warakapola	WARIYAPOLA No.22, Puttalam Road, Wariyapola	WATTALA No.3B, Negombo Road, Wattala
WELIMADA No.90,Badulla Road, Welimada.	WELLAWAYA Weerasekaragama, Wellawaya	WENNAPPUWA No.360/A, Kolinjadiya, Chilaw Road, Wennappuwa
ALUTHGAMA Aluthgama, No 415, Galle road	AMBALANGODA Ambalangoda, No 10, Main Street	AMPARA Ampara, no. 774, Brown Junction, Hospital Road.
HAMBANTHOTA Ambalantota, Thissa road, Dehigahalanda	ATHURUGIRIYA Athurugiriya, No.182, Pore	AVISSAWELLA Avissawella, No.260, Kiriwandala Ukwatta
BALANGODA Balangoda, No 350g/350h, Ratnapura Road	BADULLA no 315, Passara road, Badulla	EMBILIPITIYA Embilipitiya, Moraketiya Road, Pallegama,
VAVUNIYA, No 58, Jaffna Road Vavuniya		

Natural Capital



Natural capital accounts for a significant portion of our asset base. As a manufacturing company we're heavily dependent on natural resources such as ball clay, feldspar, water and energy.

- Company's monetized natural capital amounted to 10% of total assets.
- Freehold and Clay mining land value Rs.1,175 Mn.
- Land used for commercial purpose 8,412 Perches
- Land Used for mining purpose 841 Perches

As a responsible corporate citizen, we support responsible mining of natural resources. All mining activities are carried out in accordance with the license issued by the Central Environmental Authority (CEA) and is restored in compliance with the same.

GRI 301-1 302-1 302-2 302-3 302-4 302-5

Input Materials

Mined Inputs

Non renewable raw materials are a key input in our production process. Managing consumption is vital not only to manage cost of production but also because these resources are finite.

99% of minerals used are recycled and reused for production while the balance 1% is used to fill mines. All our suppliers are assessed for environmental compliance by inspecting the CEA license. During the year 8 new suppliers were assessed and 3 were rejected due to non-compliance.

Input	Quantity Used (Mt)	Cost Rs. Mn
Feldspar	47,739	204
Ball Clay	26,579	152
Silica Sand Dark	12,861	40

Energy & Water

Energy consumption by Type	Units	2018/19	2017/18
Within the Company			
Purchased electricity (from CEB)	Unit/ Mn	15.6	14.7
LPG	Kg/Mn	8.6	7.7
Diesel	Litres	355,016	595,543
Outside the Company			
Fuel consumed by Company owned vehicles	Litres	10,911	9,162
Fuel consumed for employee commute	Litres	10,082	6,538

Company's energy saving processes are regularly reviewed and upgraded as we have understood that energy efficiency is vital in achieving production efficiency. Energy consumption is monitored monthly and we also have an energy audit process for our factory premises. During the year the company has energy savings of 2 Bn. Joules through various energy saving initiatives.

GRI 301-2 303-3 305-1

Impacts

Type of Impact	Action Taken	What we have achieved
Dust Emission	To minimize the dust emissions arising from the firing process we have installed dust collectors at containment points. Collected dust is reused in the production process.	Dust emission of Lanka Tiles is well within the parameters set by the CEA
Sound Pollution	• Outsourcing the crushing process to an outside party who complies with the regulations • Purchasing the land surrounding the factory premises in order to minimize disturbance.	• Earnings & Dividends • Growth prospects • Environment & Social impact • Governance • Share price and liquidity
Effluents and waste Management	• Upgraded treatment plant that complies with regulations set by the Environmental Protection Authority	2.2 Mn. Liters of water recycled during the year

Intellectual Capital

GRI 308-1 308-2 302-13

Intellectual capital is part of non-monetized capital which supports us in creating value. Our competencies, innovation and tries and tested recipes are the used to create a product that meets the needs of the modern day customer.

Brand Image	The brand "LANKATILES" has managed established itself as a home grown brand that is unparalleled to international branding terms of quality and design. We have been consistent in our unmatched quality and trendy design while delivering optimum value for money
Recipes	Our proven recipes are tried and tested over the last 30 years. We manufacture tiles which vary in size, design, color and texture to suit both local and foreign markets.
Innovative Product Designs	Our skilled team of designers are committed to in building a product portfolio which meets the needs of a diverse set of customers. During the year we have introduced 318 new designs and 01 new size.

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

Membership of Associations
• Ceylon Chamber of Commerce
• Colombo Stock Exchange
• Sri Lanka Ceramic and Glass Council
• National Chamber of Commerce
• Exporters Association of Sri Lanka
• Employer Federation of Ceylon
• Ceylon National Chamber of Industries
• Italy Business Council

Our intellectual capital

Certifications

Recipes for tile manufacturing developed over 30 years.

Brand equity in books Rs. 24 Mn.

Unique product designs by renowned designers.

GOVERNANCE REPORT

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BOARD OF DIRECTOR 'S

Mr. Dhammika Perera - *Chairman*

Mr. K D G Gunaratne - *Director*

Mr. A M Weerasinghe - *Deputy Chairman*

Ms. A M L Page - *Director*

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

Mr. J A N R Adhihetty - *Director*

Dr. S Selliah - *Director*

Mr. G A R D Prasanna - *Alternate Director*

Mr. T G Thoradeniya - *Director*

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

Mr. A M Weerasinghe

Deputy Chairman

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

Mr. J A P M Jayasekera

Managing Director

Mr. Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC, Lanka Ceramic PLC and Swisstek Aluminium Limited. He is also a Director of HNB Assurance PLC, Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited.

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

Dr. S Selliah

Director

Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil). He has over two decades of diverse experience in varied fields.

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

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

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

Mr. T G Thoradeniya

Director

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

A marketer by profession, Tharana was in the pioneering batch of Chartered Marketers of the Chartered Institute of Marketing (UK).

BOARD OF DIRECTOR'S

Mr. K D G Gunaratne
Director

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

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

Ms. A M L Page
Director

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

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

Mr. J A N R Adhihetty
Director

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

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

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

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

Mr. G A R D Prasanna
Alternate Director

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

SENIOR MANAGEMENT

Mahendra Jayasekera
Managing Director

Nandajith Somaratne
Group General Manager Manufacturing

Shirley Mahendra
General Manager (Marketing)

Tyrell Roche
General Manager (Finance)

Patrick Piyasena
Assistant General Manager (Plant and Technical)

Prabhath Pupulewatta
Factory Manager

Upul Weerasinghe
Group Engineering Manager

Prasad Keerthiratna
Head of IT

Sajeewani Amarasinghe
Group Finance Manager

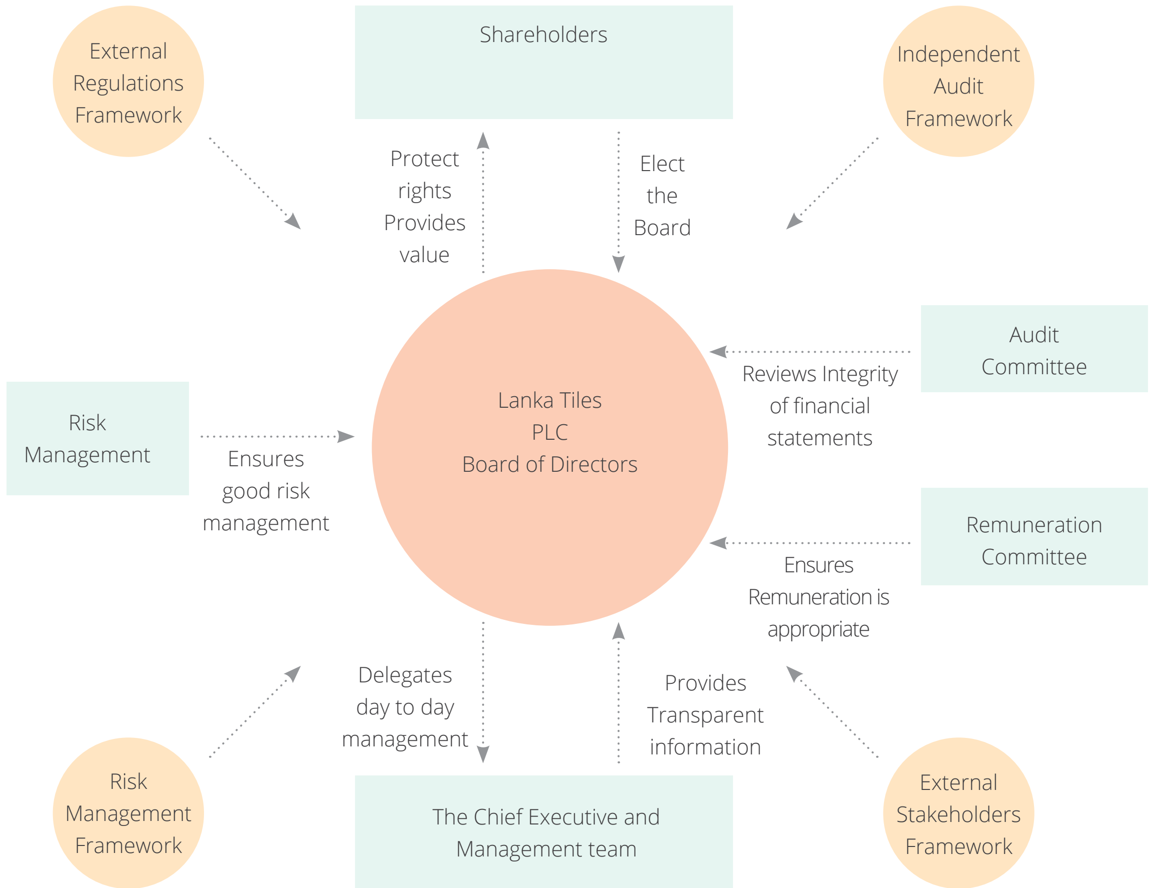
Anura Ratnayake
Group Business Development Manager

Kaushalya Sudasinghe
Group Manager - Sales Administration

B. A. M. Thilakasiri
Group Stores Manager

CORPORATE GOVERNANCE

The Board responsible for guiding strategy, providing leadership, managing risk and setting in place a sound governance framework. Such a framework must take in to account the need to carefully balance stakeholder interests to deliver sustainable value to shareholders in the long term. The governance framework set in place facilitates compliance with regulatory requirements and voluntary codes such as the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities & Exchange Commission.



An Effective Board

As illustrated The Board of Lanka Tiles PLC comprises of 8 members. Board Committees assist the Board in discharging its duties by exercising oversight on matters assigned to the Board through committee charters. Non-Executive Directors submit an annual Declaration of their independence or non- independence as required under the Listing Rules of the Colombo Stock Exchange.

Dr. S Selliah, Mr. K D G Gunaratne and Ms. A M L Page are Directors of Lanka Walltiles PLC, However, given that they are not actively involved in the management of Lanka Walltiles PLC and since they do not directly hold a significant shareholding of Lanka Tiles PLC, the Board is of the view that their independence is not compromised. Accordingly, the Board has determined that Dr. S Selliah, Mr. K D G Gunaratne and Ms. A M L Page are Independent Directors as per the criteria set out in the listing rules of the Colombo Stock Exchange.

Board Composition

Executive Directors

Non-Executive Non-Independent Directors

Independent Non-Executive Directors

Appointment & Re-election

The appointment of the Board in undertaken by the Board itself, after considering the required Board composition and the strategic input required. All appointments are informed to the SEC as per regulations.

One third of the Directors for the time being shall retire from the office and shall offer themselves for re-election each year by the shareholders.

Board Committees

The Board has delegated some of its functions to Board sub committees,

- Audit Committee
- Remunerations Committee
- Related Party Transaction Review Committee

Audit Committee, Remunerations Committee and Related Party Transaction Review Committee are constituted under our parent Lanka Walltiles.

Board Committee & Composition	Mandate	Further information
Audit Committee		
Comprises three non-executive Directors of LWPLC who is the parent company of LTPLC Mr. J D N Kekulawala (Chairman) Dr. S Selliah Mr. T G Thoradeniya	Monitor and supervise management's financial reporting process in ensuring: 1. The integrity of financial statements in accordance with Sri Lanka Financial Reporting Standards. 2. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements. 3. The External Auditor's independence and performance. 4. Review of the adequacy and effectiveness of the company's Internal Control and Risk Management systems, over the financial reporting process.	Refer page 79 for Audit Committee Report
Remuneration Committee		
Comprises three non-executive Directors of LWPLC Mr. A M Weerasinghe (Chairman) Mr. K D G Gunaratne Dr. S Selliah	The Committee focuses on and is responsible for ensuring that the total package is competitive to attract the best talent for the benefit of the Company.	Refer page 78 for Remuneration Committee Report
Related Party Transaction Review Committee		
Comprises three non-executive Directors of LWPLC Dr. S Selliah (Chairman) Mr. J D N Kekulawala Mr. T G Thoradeniya	Committee conducts an independent review of all related party transactions to ensure that the Company complies with the rules set out in the Code of Best Practice issued by the SEC.	Refer page 77 for Related Party Transaction Review Committee Report

Meetings & Attendance

Meetings and attendance at the Board are given below.

	Attendance			
	Board Meetings	Audit Committee	Related Party Transactions Review Committee	Remuneration Committee
Dhammika Perera	5/11	-	-	-
A M Weerasinghe	11/11	-	-	1/1
J A P M Jayasekera	11/11	-	-	-
Dr. S. Selliah	11/11	5/5	5/5	1/1
T G Thoradeniya	10/11	3/5	3/5	-
K D G Gunaratne	10/11	-	-	1/1
A M L Page	7/11	-	-	-
J A N R Adhihetty	5/11	-	-	-
G A R D Prasanna (Alternate Director)	11/11	-	-	-
J D N Kekulawala (Parent Company Board Member)	-	5/5	5/5	-

Chairman & Managing Director

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

Shareholders

Directors are appointed by shareholders and are accountable to them for performance in line with the Companies Act. The Board recommends suitable candidates for appointment as directors to shareholders. Appointment of auditors is also facilitated by the Board together with the Audit Committee who evaluate the competence, independence and objectivity of the auditors. The Chairman of the Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee and the Auditors attend the Annual General Meetings to respond to queries that may be raised by the shareholders.

Shareholders are informed about the performance of the company through press releases, quarterly financial statements and notices to the Colombo Stock Exchange in accordance with the continued listing rules.

Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017

Code Ref.	Requirement	Reference	Compliance Status
A	Directors		
A.1	An effective Board should direct, lead and control the company		
A.1.1	Regular meetings, structure and process of submitting information	Refer Meetings and Attendance in Page 62	✓
A.1.2	Role & Responsibilities of the Board	Refer Mandate of the Board in Annual Report of the Board of Directors on the Affairs of the Company- Page 70	✓
A.1.3	Act in Accordance with laws - Independent professional advice	During the year under review company complied with all the applicable laws, rules and regulations	✓
A.1.4	Access to advise and services of Company Secretary	The services and advice of the Company Secretary M/s. PW Corporate Secretarial (Pvt.) Ltd. is made available to Directors as necessary.	✓
A.1.5	Independent judgement	Board comprises mainly of independent professionals who in turn exercise independent judgement in discharging their duties	✓
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Regular Board meetings and Sub-Committee meetings are scheduled well in advance and Board papers are circulated a week prior to the meeting giving adequate time to review	✓
A.1.7	Calls for resolutions	Resolutions are passed for all board approvals and recorded in minute book	✓
A.1.8	Board induction and Training	All Directors have considerable experience in managing companies and the ceramic industry. Relevant local and foreign training opportunities are made available to all Directors.	✓
A.2	Chairman & Chief Executive Officer	Refer Chairman and Managing Director report in page 16 to 23	✓
A.3.	Prepare good corporate governance and facilitate effective discharge of Board functions	During the year, the Chairman conducted 11 Board meetings to maintain close contact with the directors. In addition, informal meetings were with non- executive directors whenever necessary.	✓
A.4	Availability of financial acumen	As page no 57 directors including the Managing Director are experienced finance professionals, the Board is deemed to have a sufficiency of financial acumen.	✓
A.5.1	Majority of Non-Executive Directors	Board composition exceeds the requirement of the Code as seven out of eight Directors are Non-Executives	✓
A.5.2	If only 3 NEDs, they should be independent	The Board comprises of one executive and seven non- executives Directors.	✓
A.5.3	Independence of Directors	Independent Directors are independent of management and free of business dealings that may be perceived to materially interfere with the exercise of their unfettered and independent judgement	✓

Code Ref.	Requirement	Reference	Compliance Status
A.5.4	Annual declaration by directors	All directors have been made and signed with the company secretary	✓
A.5.5	Annual determination of independence	Board have determined and signed the independence/non independence of all directors.	✓
A.5.6	Alternate Directors	Mr. G A R D Prasanna is appointed as the alternate Director to Mr. Dhammika Perera and meets the criteria for and Independent Director	✓
A.5.7 & A.5.8	Senior Independent Directors	There is one senior independent director to advice the board in important matter.	✓
A.5.9	Annual meeting with non Executive Directors	All non executive directors have met and recorded minute.	✓
A.5.10	Recording of dissent in minutes	All dissent of decision are nominated	✓
A.6.	Supply of Information		
A.6.1	Quality, timely information; Directors should inquire for further information; Chairman ensures board is adequately briefed	The Board papers are circulated a week prior to the Board meetings with an adequate briefing on relevant information	✓
A.6.2	Timelines -Board pack -Board meeting minutes	Relevant board paper pack sent to director with minutes prior to meeting to have adequate information.	✓
A.7	Appointments to the Board & Re-election	Refer appointment and re-election in page 142	✓
A.7.1	Nomination Committee - appointment, terms of reference, members, disclosure,	All new appointments are informed to the CSE as per existing regulations. Appointments are undertaken by the Board of directors.	✓
A.7.2	Annual assessment of Board's skill and knowledge composition in meeting Bank's strategic demands	The board skill and knowledge is assessed by the parent company board annually and informed to the directors.	✓
A.7.3	Disclosure of Appointments to the Board	All board appointments are disclosed to CSE	✓
A.8	Directors to submit themselves for re-election	As per the Articles of Association one third of the Directors for the time being shall retire from the office and shall offer themselves for re-election each year by the shareholders	✓
A.8.1	Re-election in accordance with Companies Act.		
A.8.2	Re-election by shareholders		
A.8.3	Resignation	Board resignations are minuted and disclosed to CSE	✓

Code Ref.	Requirement	Reference	Compliance Status
A.9	Appraisal of Board & Committee performance		
A.9.1	Formal annual assessment	The Board regularly self-evaluates its performance based on achievement of corporate objectives, implementation of strategy, risk management, internal controls, compliance with laws and stakeholder requirements. In addition, the Remuneration Committee also evaluates the performance of the Board and makes necessary recommendations.	✓
A.9.2	Self-evaluation. Nomination Committee to assess improvements		✓
A.9.3	Review participation, engagement and contribution of each director at Re-election		✓
A.9.4	Disclose evaluation procedure in Annual report		✓
A.10	Annual Report to disclose specified information regarding Directors	Profiles of Directors – Page 57	✓
A.11	Annual appraisal of the CEO	The CEO is evaluated each year by the Board against the yearly targets that has been agreed with the annual budget and corporate requirements.	✓
A.11.1	Predefined targets		
A.11.2	Year end appraisal		
B.	Directors' Remuneration		
B.1	Establish process for developing policy on executive and director remuneration.		
B.1.1	Set up a Remuneration Committee	Refer Remunerations Committee Report in Page 78. Directors emoluments in note 22 in page 123 Key management personal compensation in note 29 Page 128 Professional advice for Audit/Technical and legal obtained	✓
B.1.2	Composition of Remuneration Committee		✓
B.1.3	Disclosure of members of Remuneration Committee		✓
B.1.4	Remuneration of Non Executive Directors		✓
B.1.5	Access to Professional advice		✓
B.2	Level & Make Up of Remuneration		
B.2.1& B.2.2	Executive Remuneration sufficient to attract, retain and motivate and Promote long term success The Company	Remuneration levels have been designed to attract, retain and motivate Directors and Senior Management needed to run the Company successfully., while remaining within the industry standards and Annual performance approved	✓
B.2.3	Market rates		✓
B.2.4	Group Remuneration		✓
B.2.5	Remuneration performance related		
B.2.6	ESOP	Company does not have a ESOP	✓

Code Ref.	Requirement	Reference	Compliance Status
B.2.10	NED Remuneration	Refer Remunerations Committee Report in Page 78. Directors emoluments in note 22 in page 123 Key management personal compensation in note 29 Page 128	✓
B.3	Disclosures - Remuneration Policy statement -Aggregate Board remuneration paid -HRRC report	Refer page 78 of the report.	✓
C.	Relations with Shareholders		✓
C.1	Constructive use of the AGM & Other General Meetings		
C.1.1	Notice of AGM	Refer Notice of Meeting - page 142	✓
C.1.2	Separate Resolutions		✓
C.1.3	Count and record of votes		✓
C.1.4	Availability of Committee Chairmans at AGM		✓
C.1.5	Advice voting procedures		✓
C.2	Communication with shareholders		
C.2.1	Communication Channels	Policies and procedures are in place to receive and respond to matters and Company Secretary is the contact person to communicate with the shareholders officially.	✓
C.2.2	Communication Policy		
C.2.3	Implementation		
C.2.4	Contact person		
C.2.5	Directors informed		
C.2.6	Company secretary		
C2.7	Process for responding		
C3	Major and Material Transactions		
C.3.1	Shareholder approval	There were no transactions during the period under review which are considered as material/ Major as per the companies Act. The report of the Related Party Transactions Review Committee is on the page 77.	✓
C.3.2	Disclosures		✓
D.	Accountability & Audit		
D.1	Accountability & audit	This Annual Report seeks to provide a balanced review of the performance of the company in accordance with the regulatory requirements.	✓
D.1.1	Balanced Annual Report		✓
D.1.2	Balanced and understandable communication		
D.1.3	CEO/CFO declaration	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement on page 76	✓
D.1.4	Directors Report declarations	Annual report of the Board of Directors on the Affairs of the Company - page 70	✓

Code Ref.	Requirement	Reference	Compliance Status
D.1.5	Financial reporting -statement on board responsibilities, Statement on internal control	Directors' Responsibility for Financial Reporting on page 75 Directors' Statement on Internal Control on page 32	✓ ✓
D.1.6	Management Discussion & Analysis –	Capital reports/ business line reports - pages 40 to 54	✓
D.1.7	Net Assets < 50%	In the unlikely event of the net assets of the company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM)to notify the shareholders of the position and to explain the remedial action being taken	✓
D.1.8	Related Party Transactions	Refer Report on page 77	✓
D.2	Risk Management & Internal Control	Principal Risks in Page 31	✓
D.2.1	Monitor, review and report risk and internal control systems	Report of the Audit Committee in page 79	✓
D.2.2	Confirm assessment and risks identified and mitigated	Refer page 31	✓
D.2.3	Internal audit function	Refer Audit Committee report on page 79	✓
D.2.4	Board responsibilities for disclosure	Refer Annual Report of the Board of Directors – page 70	✓
D.2.5	Directors responsibility internal control system		✓
D.3	Audit Committee	Refer Audit Committee Report on Page 79	✓
D.4	Related Party Transactions Review Committee	Refer Related Party Transaction Review Committee on page 77	✓
D.5	Code of Business Conduct and Ethics	The Board of Directors have adopted the The Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission	✓
D.5.1	Board declaration for compliance with Code	Refer page 69	✓
D.5.2	Price sensitive information	Disclose to CSE	✓
D.5.3	Monitor Share purchase by Directors/ KMPs	Disclose to CSE	✓
D.5.4	Chairman's statement	Chairman's message in Page 17	✓

Code Ref.	Requirement	Reference	Compliance Status
D.6	Corporate Governance Disclosures	Refer, Annual Report of the Board of Directors on the Affairs of the Company - Page 70 Corporate Governance Report Page 57 and Annexes on pages 63 to 69	✓
E	Institutional and other Investors	Shareholders are encouraged to participate at the AGM and vote on matters set before them	✓
E.1	Shareholder voting		✓
E.1.1	Institutional investors		✓
E.2	Evaluation of Governance Disclosures	The Annual Report describes the corporate governance process.	✓
F.	Other investors	The Annual Report contains sufficient information to make an informed decision. The report is hosted in Colombo Stock Exchange website with the quarterly reports to facilitate investors and shareholders to make informed decisions.	✓
F.1	Investing /divesting decision	Shareholder are encouraged to carry out analysis prior to investing or divesting. A dedicated Investor Relations website, timely announcements to the CSE and quarterly and annual financial reporting support investor analysis.	✓
G.	Internet of Things & Cybersecurity	The Company has implemented a cybersecurity policy and have robust cybersecurity risk management process and has a designated Chief Information Security Officer in place	✓
G.1	Identify connectivity and related cyber risks		✓
G.2	Appoint a CISO and allocate budget to implement a cybersecurity policy		✓
G.3	Include cyber security in Board agenda		✓
G.4	Obtain periodic assurance to review effectiveness of cybersecurity risk management		✓
G.5	Disclosures in Annual Report		✓
H.	Environment, Society & Governance	Refer value creation report from pages 24 to 54.	✓
H.1	ESG Reporting		✓
	Principle 1 - Reporting of Economic Sustainability	Refer Financial Capital in page 42	✓
	Principle 2 - Reporting on the Environment (Impact on Environment)	Refer Natural Capital in page 52	✓

Code Ref.	Requirement	Reference	Compliance Status
	Principle 3 - Reporting on Labour Practices (Human Capital)	Refer Human Capital Report in page 45	✓
	Principle 4 - Reporting on Society (Social Impact)	Refer Social capital Report in page	✓
	Principle 5 - Reporting on Product Responsibility (Social and Network Capital)	Refer Social and relationship Capital on page 48	✓
	Principle 6 - Reporting on Stakeholder identification, engagement and effective communication (Stakeholder Engagement)	Refer corporate Governance report page 26	✓
	Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly (About this Report)	Refer GRI Index in page 81 to 84	✓

STATEMENT OF COMPLIANCE

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

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

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

Dhammika Perera
Chairman

J A P M Jayasekera
Managing Director

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

The Board of Directors of Lanka Tiles PLC is pleased to present herewith the Annual Report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as 'the Group') for the year ended 31st March 2019 as set out on page 90 To 134.

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

Formation

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

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

On 1st June 1986, Lanka Tiles Limited was listed on the Colombo Stock Exchange as a Public Limited Liability Company.

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

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

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

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

Financial Statements

Financial Statements of the Company and Group for the year ended 31 March 2019, which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) with the inclusion of the signatures of the Chairman, Managing Director and General Manager (Finance) are given from pages 90 to 134 and form a part of the Integrated Annual Report.

Summarised financial results (Group)

Year ended 31st March	2019 Rs.'000	2018 Rs.'000
Revenue	7,008,992	6,126,307
Total comprehensive Income for the year	539,201	806,026

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 86.

Accounting Policies

The financial statements of the Company and the Group have been prepared in accordance with the Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Financial Reporting Standards (LKASs) relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC). The significant accounting policies adopted in the preparation of financial statements are given on pages 94 To 134.

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 56 to 58.

Executive Directors	
Mr. J A P M Jayasekera	Managing Director

Non - Executive Directors	
Mr. Dhammika Perera (Alternate Director Mr. G A R D Prasanna)	Chairman
Mr. A M Weerasinghe	Deputy Chairman
Mr. T G Thoradeniya	Director

Independent Non - Executive Directors	
Dr. S Selliah	Director
Mr. K D G Gunaratne	Director
Ms. A M L Page	Director
Mr. J A N R Adhihetty	Director (Appointed w.e.f. 10th October 2018)

Mr. Dhammika Perera and Mr. K D G Gunaratne retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 103 and 104 of the Articles of Association and being eligible are recommended by the Directors for re-election.

Mr. J A N R Adhihetty who was appointed to the Board on 10th October 2018, retires under Article 110 of the Articles of Association, and being eligible, has offered himself for re-election as recommended by the Board of Directors.

Directors of the subsidiary Company

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

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

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

Interests Register

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

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

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2019.include the sec 9.3 c part 2

The relevant interests of Directors in the shares of the Company as at 31st March 2019 as recorded in the Interests Register are given in this Report under Directors' shareholding.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 29 to the Financial Statements on page 128.

Directors' Interests in Contracts

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

Directors' responsibility for Financial Reporting

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

Independent Auditors

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

A total amount of Rs. 1,779,000 (2018 – Rs.1,658,000/-) is payable by the Company to the Auditors for the year under review comprising Rs. 886,000 (2018 – Rs.805,000/-) as audit fees and Rs. 893,000 (2018 – Rs.853,000/-) for non audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 23rd May 2019 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company is Rs.900,967,696/- (2018 - Rs.900,967,696/-)

The number of shares issued by the Company stood at 53,050,410 fully paid ordinary shares as at 31st March 2019 (which was the same as at 31st March 2018).

Directors' Shareholding

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

Directors	Shareholding as at 31/03/2019	Shareholding as at 31/03/2018
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	35,863	34,697
Mr. J A P M Jayasekera	-	-
Dr. S Selliah	-	-
Mr. T G Thoradeniya		-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	2,500	2,500

Shareholders

There were 1,762 shareholders registered as at 31st March 2019 (1,735 shareholders as at 31st March 2018). The details of distribution are given on page 137 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 137 to 138 under Share Information.

Employment Policy

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

As at 31st March 2019 , 690 persons were in employment (609 persons as at 31st March 2018).

Reserves

The reserves of the Company with the movements during the year are given in the Statement of Changes in equity to the Financial Statements on page 92.

Capital Expenditure

The total capital expenditure during the year amounted to Rs 2,162 Mn. compared to Rs. 402 Mn. incurred in the previous year. Details of movement in property, plant and equipment and capital work-in-progress are given under Note 5 to the financial statements.

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 5,743 Mn. (2018 – Rs. 3,856 Mn.)

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

Location	No. of Buildings	Lands in extent (Perches)	Valuation/Cost (Rs '000) 2019	Valuation (Rs '000) 2018
Factory at Jaltara, Ranala	41	4,060	1,132,942	1,132,942
Land adjacent to the factory	17	1,897	211,851	211,851
Warehouse at Biyagama	2	336	471,305	471,305
Ball Clay land at Kalutara	-	841	52	52
Nawala Land	1	32	232,218	232,218
Land adjacent to the factory	-	5	792	-
Land at Madampe	-	2,082	39,038	39,038
Total	61	9,253	2,088,198	2,087,406

The movement of fixed assets during the year is given in Note 5 to the financial statements.

Dividends

An interim dividend of Rs. 3/15 per share for the year ended 31st March 2019 was paid on 12th April 2019.

Substantial Shareholdings

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

Investments

Details of the Company's quoted and unquoted investments as at 31st March 2019 are given in Notes 07 and 08 to the Financial Statements on pages 110 to 111

Public Holding

28.275% (2018 – 28.27) of the issued shares of the Company are widely held by the public

Donations

The company made donations amounting to Rs. 1,722,729 (2018 - Rs. 977,763) in total, during the year under review.

Risk Management

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

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 31and 32.

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 30 to the Financial Statements on page 130, there were no material Contingent Liabilities as at the Balance Sheet date.

Events after the Reporting Period

As disclosed in Note 33 to the financial statements there are no material events as at the date of the auditor's report which require adjustment to or disclosure in the financial statements.

Corporate Governance

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

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

Audit Committee

Mr. J D N Kekulawala - Chairman

Dr. S Selliah

Mr. T G Thoradeniya

Remuneration Committee

Mr. A M Weerasinghe - Chairman

Mr. K D G Gunaratne

Dr. S Selliah

Related Party Transaction Review Committee

Dr. S Selliah - Chairman

Mr. J D N Kekulawala

Mr. T G Thoradeniya

The Corporate Governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 61 to 69 explains the measures adopted by the Company during the year.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 15 and 49 of this Report.

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

Environmental Protection

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

Going Concern

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

Annual General Meeting

The Notice of the Thirty Fifth (35th) Annual General Meeting appears on page 142.

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

Dhammika Perera	J A P M Jayasekera
Chairman	Managing Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

06th June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

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

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

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2018/2019, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board
LANKA TILES PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

06th June 2019

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

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

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

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

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

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

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

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

B T T Roche
General Manager - Finance

J A P M Jayasekera
Managing Director

06th June 2019

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

PURPOSE OF THE COMMITTEE

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

RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

a) Ensure that the Company complies with the rules set out in the Listing Rules
b) Subject to the exceptions given in the Listing Rules, review, in advance all proposed related party transactions
c) Perform other activities related to the Charter as requested by the Board
d) Have meetings every fiscal quarter and report to the Board on the Committee's activities
e) Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.
f) Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises of the following three non-executive Directors of Lanka Walltiles PLC who is the parent company of LTPLC.

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

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

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

MEETINGS

The Committee held five meetings during the year.

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

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

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

PROCEDURES FOR REPORTING RPT'S

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

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

REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2018/19 has communicated the comments and observation to the Board of Directors. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no one-recurrent related party transactions entered into during the course of the financial year aggregative value of which exceeded the lower of 10% of the equity or 5% of the assets. There were no recurrent related party transactions carried out during the financial year ended 31st March 2019, the aggregate value of which exceeded 10% of the revenue.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 29 to the Financial Statements, on pages 125 to 129 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 70 of this Annual Report.

Dr. S Selliah
Chairman - Related Party Transactions Review Committee

06th June 2019

REMUNERATION COMMITTEE REPORT

Role of the Remuneration Committee

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

Composition of the Remuneration Committee

The Remuneration Committee comprises of the following three non-executive Directors of Lanka Walltiles PLC who is the parent company of LTPLC.

Mr. A M Weerasinghe
Chairman of the Remuneration Committee

Mr. K D G Gunaratne
Committee Member

Dr. S Selliah
Committee Member

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

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

Meetings

The Remuneration Committee met once for the year where all members participated.

Functions performed by the Remuneration Committee

a. Evaluating and recommending the remuneration payable to the Board, Managing Director and the Key Management Personal of the Company to the Board to make the final determination. Based on that, the aggregate remuneration paid to Executive and Non Executive Directors for last financial year is given on Page 128 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. And it also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.

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

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

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

Conclusion

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

A M Weerasinghe
Chairman of the Remuneration Committee
06th June 2019

AUDIT COMMITTEE REPORT

Role of the Audit Committee

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

Composition of the Audit Committee

The Audit Committee comprised of the following three Directors of Lanka Walltiles PLC who is the parent company of Lanka Tiles PLC.

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

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

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

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

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

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

Meetings

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

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

Functions performed by the Audit Committee

a. The Committee reviewed the provisional financial statements that were published for financial year 2018/19 and the Annual Report of 2018/19. It reviewed the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards and SLFRS. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.

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

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

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

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

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

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

   Oversee special investigations as needed. Reviewed and assessed the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

Conclusion

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

J D N Kekulawala
Chairman – Audit Committee
06th June 2019

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Interim Report – 1st Quarter	10 August 2018
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INDEPENDENT AUDITOR'S REPORT

pwc

To the Shareholders of Lanka Tiles PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Lanka Tiles PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

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

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Key audit matters

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

The Company and Group:

Key audit matter	How our audit addressed the Key audit matter
Existence of finished goods inventory held at distribution network channels (Refer note 11 in the financial statements) Finished goods held at the Company's distribution network channels (consignment agents, franchise dealers and consignment distributors) amounted to LKR 689 Mn. which represents 52% of total value of finished goods inventory of the Company as at 31 March 2019. The existence of finished goods inventory held at the Company's distribution network channels is a key audit matter due to the significance of the amount of finished goods held at these third party stores/ locations across Sri Lanka.	Our audit approach mainly included; test of details that covered the following: We selected a sample of distribution network channels locations and attended finished goods inventory counts. For locations attended, we performed following procedures: - checked the systems and processes used to accurately record inventory movements; - observed the inventory count procedures to assess compliance with the instructions issued by management for inventory counting; - selected a sample of inventory items and performed independent test counts. Agreed the quantities that we counted to the quantities recorded; and - made inquiries regarding obsolete inventory items and inspected the physical condition of items counted. Further, we performed independent third party confirmation procedures on finished goods inventory in the custody of distribution network channels whilst maintaining control over the confirmation process. From the procedures performed, there were no material differences identified with regard to the existence of finished goods inventory held at distribution network channels and the stock records at head office.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the Key audit matter</th></tr>
<tr><td colspan="2">The Group:</td></tr>
<tr><td>Valuation of the investment property
(Refer note 6 in the financial statements)

The investment property of the Group solely comprised a land situated in Divulupitiya area and carries the fair value of LKR 394.8 Mn. as at 31 March 2019. The Group has leased out this land under a cancellable operating lease arrangements to its affiliated company – LWL Development (Private) Limited. The property is classified as an investment property and accounted for at fair value.

The Group engaged an external valuer to measure the value of its investment property and the resulting valuation has indicated an increase in fair value by LKR 171 Mn. compared to last financial year.

The valuation of land is an area that involves judgments and assumptions over market prices of comparable land, adjusting for differences in key attributes such as extent of land, site improvements and access to public roads.</td><td>Our audit approach mainly included; test of details that covered the following:

We evaluated the competency, capability and objectivity of the external valuer engaged by the Group to perform the investment property valuation by assessing the professional qualifications, experience and independence.

We also obtained the external valuation report and performed the following:

- verified the completeness and accuracy of the information provided to the external valuer;

- evaluated the appropriateness of the methodology used to value the respective property by comparing with the methods and practices generally used in the industry;

- assessed the reasonableness of valuer's market prices and related assumptions used in the valuation, by comparing the market prices of lands in the vicinity using publicly available independent property market information.

Based on our work performed, we found that the fair value of investment property as at 31 March 2019 to be appropriate.</td></tr>
</table>

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number [1581]
COLOMBO
06th June 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Group 31 March 2019 Rs. '000	Group 31 March 2018 Rs. '000	Company 31 March 2019 Rs. '000	Company 31 March 2018 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	5	5,743,130	3,855,576	5,743,130	3,855,576
Investment property	6	394,819	223,800	-	-
Investment in subsidiaries	7	-	-	6,242	6,242
Investment in associate	8	923,924	933,633	923,924	933,633
Loans given to related companies	12	-	10,898	-	10,898
		7,061,873	5,023,907	6,673,296	4,806,349
Current assets					
Inventories	11	3,019,769	1,945,726	3,019,769	1,945,726
Trade and other receivables	12	1,629,226	1,341,661	1,801,542	1,514,996
Current tax assets		51,570	-	51,570	-
Cash and cash equivalents	13	144,509	444,998	132,717	433,975
		4,845,074	3,732,385	5,005,598	3,894,697
Total assets		11,906,947	8,756,292	11,678,894	8,701,046
EQUITY					
Capital and reserves					
Equity attributable to equity holders of the parent					
Stated capital	18	900,968	900,968	900,968	900,968
Amalgamation reserve		460,151	460,151	460,151	460,151
Revaluation reserve		730,515	730,515	730,515	730,515
Exchange translation reserve		226	(132)	-	-
Retained earnings		5,199,620	4,828,272	5,025,691	4,778,698
Shareholders' Funds		7,291,480	6,919,774	7,117,325	6,870,332
Non controlling interest		5,760	5,373	-	-
Total equity		7,297,240	6,925,147	7,117,325	6,870,332
LIABILITIES					
Non-current liabilities					
Borrowings	15	1,351,169	7,374	1,351,169	7,374
Deferred tax liabilities	16	763,292	634,246	715,407	634,246
Employee benefit obligations	17	172,514	166,370	172,514	166,370
		2,286,975	807,990	2,239,090	807,990
Current liabilities					
Trade and other payables	14	1,571,843	782,195	1,571,590	781,972
Current tax liabilities		-	46,932	-	46,724
Borrowings	15	750,889	194,028	750,889	194,028
		2,322,732	1,023,155	2,322,479	1,022,724
Total liabilities		4,609,707	1,831,145	4,561,569	1,830,714
Total equity and liabilities		11,906,947	8,756,292	11,678,894	8,701,046

The notes on pages 94 to 134 form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

B T T Roche
General Manager (Finance)

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

Dhammika Perera
Chairman

J A P M Jayasekera
Managing Director

06th June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group Year ended 31 March 2019 Rs. '000	Group Year ended 31 March 2018 Rs. '000	Company Year ended 31 March 2019 Rs. '000	Company Year ended 31 March 2018 Rs. '000
Revenue from contract with customers	19	7,008,992	6,126,307	7,008,992	6,126,307
Cost of sales of goods		(5,002,702)	(3,747,180)	(5,002,702)	(3,747,180)
Gross profit		2,006,290	2,379,127	2,006,290	2,379,127
Distribution costs		(1,037,762)	(890,109)	(1,037,762)	(890,109)
Net impairment losses financial assets	12(c)	(4,000)	(5,238)	(4,000)	(5,238)
Administrative expenses		(404,155)	(405,816)	(403,520)	(404,447)
Other income	20	27,011	20,866	25,328	19,447
Other gains / (losses) - net	21	164,495	4	(6,524)	4
Operating profit		751,879	1,098,834	579,812	1,098,784
Finance income		7,916	110,344	7,916	110,344
Finance costs		(22,077)	(21,768)	(22,077)	(21,768)
Finance income - net	24	(14,161)	88,576	(14,161)	88,576
Share of net profit of associate accounted for using the equity method	8	7,888	165,383	7,888	165,383
Profit before income tax		745,606	1,352,792	573,539	1,352,743
Income tax expense	25	(217,594)	(348,795)	(169,925)	(348,721)
Profit for the year		528,012	1,003,997	403,614	1,004,022
Other comprehensive income :					
Items that will not be reclassified to profit or loss					
Gains on revaluation of land and buildings	5	-	83,293	-	83,293
"Deferred tax component - gains on revaluation of land and buildings"	16	-	(191,634)	-	(191,634)
Remeasurements of post employment benefit obligations - gratuity	17	7,746	(28,361)	7,746	(28,361)
Deferred tax component - remeasurement of retirement benefit obligations - gratuity	16	(2,169)	7,941	(2,169)	7,941
Exchange gain / (loss) arising on translation of foreign operations		701	(259)	-	-
Items that may be subsequently reclassified to profit or loss					
"Share of other comprehensive income of associate investment accounted for using the equity method"	8	4,911	(68,951)	4,911	(68,951)
Total other comprehensive income for the year, net of tax		11,189	(197,971)	10,488	(197,712)
Total comprehensive income for the year		539,201	806,026	414,102	806,310
Profit attributable to :					
Equity holders of the parent		527,968	1,004,494	403,614	1,004,022
Non controlling interest		44	(497)	-	-
Profit for the year		528,012	1,003,997	403,614	1,004,022
Total comprehensive income attributable to :					
Equity holders of the parent		538,814	806,650	414,102	806,310
Non controlling interest		387	(624)	-	-
Total comprehensive income for the year		539,201	806,026	414,102	806,310
Basic earnings per share (Rs)	26	9.95	18.93	7.61	18.93

The notes on pages 94 to 134 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity owners of the parent						
	Stated capital	Retained earnings	Revaluation reserve	Amalgamation reserve*	Exchange translation reserve	Non controlling interest	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
a) Group							
Balance as at 1 April 2017	900,968	4,443,653	838,856	460,151	-	-	6,643,628
Profit for the year	-	1,004,494	-	-	-	(497)	1,003,997
Other comprehensive income for the year	-	(89,371)	(108,341)	-	(132)	(127)	(197,971)
Total comprehensive income for the year	-	915,123	(108,341)	-	(132)	(624)	806,026
Shares issued to minority shareholders	-	-	-	-	-	5,997	5,997
Dividends for year 2017/2018 (interim 1)	-	(212,202)	-	-	-	-	(212,202)
Dividends for year 2017/2018 (interim 2)	-	(318,302)	-	-	-	-	(318,302)
Balance as at 31 March 2018	900,968	4,828,272	730,515	460,151	(132)	5,373	6,925,147
Balance as at 1 April 2018	900,968	4,828,272	730,515	460,151	(132)	5,373	6,925,147
Profit for the year	-	527,968	-	-	-	44	528,012
Other comprehensive income for the year	-	10,488	-	-	358	343	11,189
Total comprehensive income for the year	-	538,456	-	-	358	387	539,201
Dividends for year 2018/2019 (interim)	-	(167,109)	-	-	-	-	(167,109)
Balance as at 31 March 2019	900,968	5,199,620	730,515	460,151	226	5,760	7,297,240

	Attributable to equity owners of the Company				
	Stated capital	Retained earnings	Revaluation reserve	Amalgamation reserve*	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
b) Company					
Balance as at 1 April 2017	900,968	4,394,551	838,856	460,151	6,594,526
Profit for the year	-	1,004,022	-	-	1,004,022
Other comprehensive income for the year	-	(89,371)	(108,341)	-	(197,712)
Total comprehensive income for the year	-	914,651	(108,341)	-	806,310
Dividends for year 2017/2018 (interim 1)	-	(212,202)	-	-	(212,202)
Dividends for year 2017/2018 (interim 2)	-	(318,302)	-	-	(318,302)
Balance as at 31 March 2018	900,968	4,778,698	730,515	460,151	6,870,332
Balance as at 1 April 2018	900,968	4,778,698	730,515	460,151	6,870,332
Profit for the year	-	403,614	-	-	403,614
Other comprehensive income for the year	-	10,488	-	-	10,488
Total comprehensive income for the year	-	414,102	-	-	414,102
Dividends for year 2018/2019 (interim)	-	(167,109)	-	-	(167,109)
Balance as at 31 March 2019	900,968	5,025,691	730,515	460,151	7,117,325

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

The notes on pages 94 to 134 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group Year ended 31 March		Company Year ended 31 March	
		2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Cash flows from operating activities					
Cash generated from operations	28	155,141	703,781	155,080	704,739
Interest paid		(22,077)	(21,768)	(22,077)	(21,768)
Interest received		7,916	110,344	7,916	110,344
Gratuity paid	17	(13,773)	(12,385)	(13,773)	(12,385)
Tax paid		(189,220)	(363,788)	(189,227)	(363,789)
Net cash generated from operating activities		(62,013)	416,184	(62,081)	417,141
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(1,690,119)	(64,465)	(1,690,119)	(64,465)
Proceeds from sale of property, plant and equipment		785	2,449	785	2,449
Expenditure incurred on capital work in progress	5	(472,296)	(337,709)	(472,296)	(337,709)
Investment in subsidiary	7	-	-	-	(6,242)
Dividend received		-	43,851	-	43,851
Repayments by (loans to) related companies		21,797	25,709	21,797	25,709
Net cash used in investing activities		(2,139,833)	(330,165)	(2,139,833)	(336,407)
Cash flows from financing activities					
Dividends paid		-	(530,504)	-	(530,504)
Proceeds on issue of shares to minority shareholders		-	5,997	-	-
Proceeds from borrowings		2,458,909	100,000	2,458,909	100,000
Repayments of borrowings		(853,457)	(161,416)	(853,457)	(161,416)
Net cash used in financing activities		1,605,452	(585,923)	1,605,452	(591,920)
Net (decrease) / increase in cash and cash equivalents		(596,394)	(499,904)	(596,462)	(511,186)
Movement in cash and cash equivalents					
Cash and cash equivalents at beginning of year		349,819	849,982	338,796	849,982
Net (decrease) / increase in cash and cash equivalents		(596,394)	(499,904)	(596,462)	(511,186)
Net foreign exchange difference arising on translation of foreign operations		701	(259)	-	-
Cash and cash equivalents at end of year	13	(245,874)	349,819	(257,666)	338,796

The notes on pages 94 to 134 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

General

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

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

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

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

Principal activities and nature of operations

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

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

Lanka Tiles Private Limited distributes the tiles in India.

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

Parent company and ultimate parent company

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

Date of authorization for issue

The financial statements were authorized for issue in accordance with a resolution of the board of directors on 06 June 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies and disclosures

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

The following amendment of standards and interpretations apply for the financial reporting periods commencing on or after 1 April 2018,

(i) SLFRS 9 'Financial Instruments', replaces the multiple classification and measurement models in LKAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

"Further changes introduced to the classification and measurement rules and also introduced a new impairment model to SLFRS 9. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments.
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. "

The standard is effective for the annual periods beginning on or after 1 January 2018.

"Amendments to SLFRS 9 Financial Instruments - Prepayment Features with Negative Compensation
This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from LKAS 39."

The amendment is effective for annual periods beginning on or after 1 January 2019.

(ii) "SLFRS 15 'Revenue from contracts with customers' replaces LKAS 18 'Revenue' and LKAS 11 'Construction contracts' and related interpretations. The core principle in SLFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied."

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.

- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures."

The standard is effective for accounting periods beginning on or after 1 January 2018.

There are no other standards, IFRIC interpretations or amendments which are effective for the financial year beginning on 1 April 2018 that would be expected to have a material impact on the Company.

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

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

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

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

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

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

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact to the Company.

2.3 Comparative information

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

2.4 Consolidation

(a) Subsidiaries

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

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

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

(b) Associates

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

Equity method

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

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

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

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

ii. Changes in ownership interests

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

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

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2.6 Current and deferred income tax

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

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

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

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

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

2.7 Borrowing costs

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

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

Other borrowing costs are expensed in the period in which they are incurred.

2.8 Inventories

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

2.9 Financial assets

2.9.1 Classification

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

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

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

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

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

2.9.2 Recognition and initial measurement

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

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

2.9.3 Subsequent measurement

(i) Debt instruments

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

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other income/(losses) together with foreign exchange gains and losses.

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

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

(ii) Equity instruments

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

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

2.9.4 Impairment

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

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

2.9.5 Derecognition

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

2.9.6 Offsetting financial instruments

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

2.9.7 Derivatives and hedging activities

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

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

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

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

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

2.10 Cash and cash equivalents

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

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

2.11 Trade receivables

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

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

2.12 Trade payables

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

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

2.13 Borrowings

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

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

Borrowings are classified as current liabilities unless the Company and the Group have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.14 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

2.15 Investment property

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

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

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

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

2.16 Impairment of non financial assets

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

2.17 Provisions

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

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

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

2.18 Employee benefits

(a) Defined benefit plans - gratuity

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

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield rate of the long term government bonds that have terms to maturity approximating to the terms of the related defined benefit obligation.

"The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and included in employee benefit expense in the profit or loss.

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

Past service costs are recognised immediately in the profit or loss.

The assumptions based on which the results of the actuarial valuation was determined, are included in note 17 to the financial statements.

(b) Defined contribution plans

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

(c) Short term employee benefits

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

2.19 Stated capital

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

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

2.20 Dividend distribution

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

2.21 Revenue recognition

a) Revenue from contracts with customers

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

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

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable. The revenue is recognised as follows:

(a) Sale of goods

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

(b) Interest income

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

(c) Dividend income

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

(d) Rental income

Rental income is recognised on an accrual basis.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Company and the Group lease certain property, plant and equipment. Leases of property, plant and equipment where the Company and the Group have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.23 Segment reporting

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

3.1 Critical accounting estimates and assumptions

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

(a) Defined benefit plans - gratuity

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

(b) Estimated useful lives of PPE

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

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

(c) Impairment of non financial assets

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

3.2 **Critical judgments in applying the Company's accounting policies**

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

(a) Taxation

(i) Income Taxes

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

(ii) Deferred tax asset

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

(b) Impairment of trade receivables

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

(c) Fair value of investment property.

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

4 FINANCIAL RISK MANAGEMENT

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

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

Market risk consists of:

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

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

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

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

Credit risk – risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss (refer note 9).

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

Foreign exchange risk

The Company and the Group operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and EURO. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

As at end of the reporting period, if the functional currency (LKR) had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs 7,539,218 (2018: Rs 9,525,005) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated loans granted, trade receivables and trade creditors.

As at end of the reporting period, if the functional currency (LKR) had weakened/strengthened by 5% against the EURO with all other variables held constant, post-tax profit for the year would have been Rs 2,976,306 (2018: Rs 6,042,938) lower/higher, mainly as a result of foreign exchange gains/ losses on translation of EURO-denominated trade creditors.

Cash flow and fair value interest rate risk

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

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

At 31 March 2019, if interest rates on Sri Lankan rupee-denominated borrowings at that date had been 0.5% higher/ lower with all other variables held constant, pre-tax profit for the year would have been Rs. 8,558,380 (2018 - Rs. 1,051,815) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

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

The Company and the Group place their cash and cash equivalents with a number of creditworthy financial institutions. The Company's and the Group's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the Company and the Group is approximately their carrying amounts as at balance sheet date, except for trade receivables which are secured by bank guarantees.

Liquidity risk

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

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

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

At 31 March 2019	Less than 3 months	Between 3 months and 1 year	Between year 1 and year 2	Between year 2 and year 5	Over 5 years
Borrowings	646,723	104,166	250,000	1,101,169	-
Trade and other payables	881,185	-	-	-	-

At 31 March 2018	Less than 3 months	Between 3 months and 1 year	Between year 1 and year 2	Between year 2 and year 5	Over 5 years
Borrowings	163,016	31,012	7,374	-	-
Trade and other payables	269,433	-	-	-	-

Capital management risk

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

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

Consistent with others in the industry, the Company and the Group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratio as at 31 March is as follows:

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
Borrowings (net of cash)	1,957,549	-	1,969,341	-
Total equity	7,291,480	6,919,774	7,117,325	6,870,332
Total capital	9,249,029	6,919,774	9,086,666	6,870,332
Gearing ratio	27%	-	28%	-

5 PROPERTY, PLANT AND EQUIPMENT

(a) Group	Freehold and clay mining land Rs. '000	Freehold building Rs. '000	Plant & machinery Rs. '000	Furniture, fittings and electrical appliances Rs. '000	Tools & implements Rs. '000	Water supply scheme Rs. '000	Electrical distribution scheme Rs. '000	Motor vehicles Rs. '000	Roadway Rs. '000	Capital work in progress (CWIP) Rs. '000	Total Rs. '000
Year ended 31 March 2018											
Cost / valuation	1,128,234	928,084	2,883,001	247,893	11,089	29,933	230,736	98,932	23,116	30,909	5,611,927
Accumulated depreciation	-	(26,428)	(1,527,690)	(181,707)	(9,414)	(21,009)	(159,703)	(72,842)	(4,344)	-	(2,003,137)
Net book value	1,128,234	901,656	1,355,311	66,186	1,675	8,924	71,033	26,090	18,772	30,909	3,608,790
Year ended 31 March 2017											
Balance as at 1 April 2017	1,128,234	901,656	1,355,311	66,186	1,675	8,924	71,033	26,090	18,772	30,909	3,608,790
Additions	390	-	36,766	24,561	1,323	26	-	1,400	-	337,709	402,175
Land transferred to investment property	46,080	37,213	-	-	-	-	-	-	-	-	83,293
Additions transferred from CWIP	-	386	18,100	789	-	-	828	-	998	(21,101)	-
Depreciation charge for the year	-	(26,554)	(149,455)	(31,252)	(1,312)	(1,788)	(14,116)	(11,284)	(475)	-	(236,236)
Disposals	-	-	(3,532)	(1,071)	-	-	-	(9,948)	-	-	(14,551)
Depreciation on disposals	-	-	1,320	849	-	-	-	9,936	-	-	12,105
Net book value	1,174,704	912,701	1,258,510	60,062	1,686	7,162	57,745	16,194	19,295	347,517	3,855,576
Year ended 31 March 2018											
Cost / valuation	1,174,704	912,701	2,934,335	272,172	12,412	29,959	231,564	90,384	24,114	347,517	6,029,862
Accumulated depreciation	-	-	(1,675,825)	(212,110)	(10,726)	(22,797)	(173,819)	(74,190)	(4,819)	-	(2,174,286)
Net book value	1,174,704	912,701	1,258,510	60,062	1,686	7,162	57,745	16,194	19,295	347,517	3,855,576
Year ended 31 March 2019											
Balance as at 1 April 2018	1,174,704	912,701	1,258,510	60,062	1,686	7,162	57,745	16,194	19,295	347,517	3,855,576
Additions	792	-	1,592,696	37,312	3,508	2,715	39,232	13,864	-	472,296	2,162,415
Revaluation surplus	-	-	-	-	-	-	-	-	-	.	-
Additions transferred from CWIP	-	7,140	403,744	8,275	-	806	18,711	-	12,387	(451,063)	-
Depreciation charge for the year	-	(28,800)	(184,439)	(26,385)	(1,552)	(1,943)	(13,758)	(10,120)	(555)	-	(267,552)
Disposals	-	(536)	(18,009)	(471)	-	-	-	(89)	-	-	(19,105)
Depreciation on disposals	-	102	11,221	384	-	-	-	89	-	-	11,796
Net book value	1,175,496	890,607	3,063,723	79,177	3,642	8,740	101,930	19,938	31,127	368,750	5,743,130
Year ended 31 March 2019											
Cost / valuation	1,175,496	919,305	4,912,766	317,288	15,920	33,480	289,507	104,159	36,501	368,750	8,173,172
Accumulated depreciation	-	(28,698)	(1,849,043)	(238,111)	(12,278)	(24,740)	(187,577)	(84,221)	(5,374)	-	(2,430,042)
Net book value	1,175,496	890,607	3,063,723	79,177	3,642	8,740	101,930	19,938	31,127	368,750	5,743,130

5 PROPERTY, PLANT AND EQUIPMENT

(b) Company	Freehold and clay mining land Rs. '000	Freehold building Rs. '000	Plant & machinery Rs. '000	Furniture, fittings and electrical appliances Rs. '000	Tools & implements Rs. '000	Water supply scheme Rs. '000	Electrical distribution scheme Rs. '000	Motor vehicles Rs. '000	Roadway Rs. '000	Capital work in progress (CWIP) Rs. '000	Total Rs. '000
Year ended 31 March 2017											
Cost / valuation	1,128,234	928,084	2,883,001	247,893	11,089	29,933	230,736	98,932	23,116	30,909	5,611,927
Accumulated depreciation	-	(26,428)	(1,527,690)	(181,707)	(9,414)	(21,009)	(159,703)	(72,842)	(4,344)	-	(2,003,137)
Net book value	1,128,234	901,656	1,355,311	66,186	1,675	8,924	71,033	26,090	18,772	30,909	3,608,790
Year ended 31 March 2018											
Balance as at 1 April 2017	1,128,234	901,656	1,355,311	66,186	1,675	8,924	71,033	26,090	18,772	30,909	3,608,790
Additions	390	-	36,766	24,561	1,323	26	-	1,400	-	337,709	402,175
Land transferred to investment property	46,080	37,213	-	-	-	-	-	-	-	-	83,293
Additions transferred from CWIP	-	386	18,100	789	-	-	828	-	998	(21,101)	-
Depreciation charge for the year	-	(26,554)	(149,455)	(31,252)	(1,312)	(1,788)	(14,116)	(11,284)	(475)	-	(236,236)
Disposals	-	-	(3,532)	(1,071)	-	-	-	(9,948)	-	-	(14,551)
Depreciation on disposals	-	-	1,320	849	-	-	-	9,936	-	-	12,105
Net book value	1,174,704	912,701	1,258,510	60,062	1,686	7,162	57,745	16,194	19,295	347,517	3,855,576
Year ended 31 March 2018											
Cost / valuation	1,174,704	912,701	2,934,335	272,172	12,412	29,959	231,564	90,384	24,114	347,517	6,029,862
Accumulated depreciation	-	-	(1,675,825)	(212,110)	(10,726)	(22,797)	(173,819)	(74,190)	(4,819)	-	(2,174,286)
Net book value	1,174,704	912,701	1,258,510	60,062	1,686	7,162	57,745	16,194	19,295	347,517	3,855,576
Year ended 31 March 2019											
Balance as at 1 April 2018	1,174,704	912,701	1,258,510	60,062	1,686	7,162	57,745	16,194	19,295	347,517	3,855,576
Additions	792	-	1,592,696	37,312	3,508	2,715	39,232	13,864	-	472,296	2,162,415
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-
Additions transferred from CWIP	-	7,140	403,744	8,275	-	806	18,711	-	12,387	(451,063)	-
Depreciation charge for the year	-	(28,800)	(184,439)	(26,385)	(1,552)	(1,943)	(13,758)	(10,120)	(555)	-	(267,552)
Disposals	-	(536)	(18,009)	(471)	-	-	-	(89)	-	-	(19,105)
Depreciation on disposals	-	102	11,221	384	-	-	-	89	-	-	11,796
Net book value	1,175,496	890,607	3,063,723	79,177	3,642	8,740	101,930	19,938	31,127	368,750	5,743,130
Year ended 31 March 2019											
Cost / valuation	1,175,496	919,305	4,912,766	317,288	15,920	33,480	289,507	104,159	36,501	368,750	8,173,172
Accumulated depreciation	-	(28,698)	(1,849,043)	(238,111)	(12,278)	(24,740)	(187,577)	(84,221)	(5,374)	-	(2,430,042)
Net book value	1,175,496	890,607	3,063,723	79,177	3,642	8,740	101,930	19,938	31,127	368,750	5,743,130

5 PROPERTY, PLANT AND EQUIPMENT (CONTD)

(a) Property, plant and equipment of the Group / Company include fully depreciated assets in use at 31 March 2019, the cost of which amounted to the Group / Company Rs. 816,336,747 (2018 - Rs. 621,328,751).

(b) The bank borrowings are secured on freehold land, freehold building and plant and machinery. The values of assets secured is given in Note 15 to the financial statements.

(c) Valuation of the Company's land and buildings was performed by the independent valuer Mr. R. J. Samarakone on 31 March 2018. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in revaluation reserve in shareholders equity. Different levels of fair valuation methods have been defined as follows:

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

- Inputs other than quoted prices with in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);

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

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

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

	Cost (Rs '000)	Accumulated depreciation (Rs '000)	Carrying value (Rs '000)
Land	1,175,496	-	1,175,496
Buildings	919,305	(28,698)	890,607
	2,094,801	(28,698)	2,066,103

6 INVESTMENT PROPERTY

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Opening balance	223,800	223,800	-	-
Transfer from property plant and equipment	-	-	-	-
Disposal	-	-	-	-
Net gain/(Loss) from fair value adjustment	171,019	-	-	-
Closing balance	394,819	223,800	-	-

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

Amounts recognised in profit or loss in relation to investment properties

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Rental income	1,200	1,200	-	-
	1,200	1,200	-	-

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

Total extent of land	48 acre - 3 rood - 17.9 perches
Total valuation for land	394,819,000
Location	Agalagedara Village, Divulapitiya, Gampaha
Date of valuation	31 March 2019

Details of entities in which the Company had control as at 31 March 2019 are set out below.

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

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

7 INVESTMENT IN SUBSIDIARIES

Details of entities in which the Company had control as at 31 March 2019 are set out below,

Name of the subsidiary	Number of shares	% Holding	2019 Rs	2018 Rs
Beyond Paradise Collection (Private) Limited (a)	1	100	10	10
Lankatiles Private Limited (b)	255,000	51	6,241,727	6,241,727
LTL Development (Private) Limited (c')	1	100	10	10

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

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

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

8 INVESTMENT IN ASSOCIATE

	Number of shares	Group 2019 Rs '000	Group 2018 Rs '000	Company 2019 Rs '000	Company 2018 Rs '000
Opening net book amount		933,633	881,052	933,633	881,052
Share of results of associate for the year		12,798	96,432	12,798	96,432
Dividend received		(22,507)	(43,851)	(22,507)	(43,851)
At the end of year	13,085,180	923,924	933,633	923,924	933,633

(a) The Company holds 47.8% (2018 - 47.8%) ownership interest in Swisstek (Ceylon) PLC. The principal activities of Swisstek (Ceylon) PLC are manufacturing and selling of Tile Grout and Tile Mortar. Its subsidiary Swisstek Aluminium Limited manufacture and sells aluminium extrusions.

(b) The market value of quoted associate investment as at date of consolidated balance sheet is Rs. 455,364,264 (2018 - Rs. 775,951,174).

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

	2019 Rs '000	2018 Rs '000
Current Assets		
Cash and Cash equivalents	130,085	65,632
Other current assets	3,557,013	2,777,972
Total current assets	3,687,098	2,843,604
Non current assets	2,825,803	2,586,802
Current liabilities	3,450,685	2,366,007
Non current liabilities	960,904	920,784
Net Assets	2,101,312	2,143,615
Summarised Statement of comprehensive income		
Revenue	4,294,028	4,077,367
Gross profit	821,942	1,188,604
Profit attributable to owners of the Company for the year	16,501	345,989
Total comprehensive income attributable to owners of the Company	10,274	(144,249)
% interest held	47.8	47.8
Share of profit	7,888	165,383
Share of other comprehensive income	4,911	(68,951)

9 FINANCIAL INSTRUMENTS BY CATEGORY

31 March 2019	Amortised cost	
	Group	Company
	Rs '000	Rs '000
Assets as per the consolidated Statement of Financial position		
Trade and other receivables (excluding pre-payments) (Note 12)	1,398,558	1,570,874
Cash and cash equivalents (Note 13)	144,509	132,717
Total	1,543,067	1,703,591

31 March 2019	Other financial liabilities	
	Group	Company
	Rs '000	Rs '000
Liabilities as per the consolidated Statement of Financial position		
Borrowings (excluding finance lease liabilities) (Note 15)	2,102,058	2,102,058
Trade and other payables excluding non-financial liabilities (Note 14)	1,571,843	1,571,590
Total	3,673,901	3,673,648

31 March 2018	Amortised cost	
	Group	Company
	Rs '000	Rs '000
Assets as per the consolidated Statement of Financial position		
Loans given to related companies (Note 12)	21,797	21,797
Trade and other receivables (excluding pre-payments) (Note 12)	1,180,228	1,353,576
Cash and cash equivalents (Note 13)	444,998	433,975
Total	1,647,023	1,809,348

31 March 2018	Other financial liabilities	
	Group	Company
	Rs '000	Rs '000
Liabilities as per the consolidated Statement of Financial position		
Borrowings (excluding finance lease liabilities) (Note 15)	201,402	201,402
Trade and other payables excluding non-financial liabilities (Note 14)	782,195	781,972
Total	983,597	983,374

10 CREDIT QUALITY OF FINANCIAL ASSETS

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

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Trade receivables				
Counterparties without external credit ratings				
Group 1	204,330	204,501	204,330	204,501
Group 2	48,666	56,793	48,666	56,793
Group 3	198,199	249,761	198,199	249,761
Total trade receivables	451,195	511,055	451,195	511,055

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Cash at bank and short-term bank deposits				
AA +	1,812	48,839	1,812	46,397
AA	80,816	162,451	80,816	162,451
A	517	1,070	517	1,070
A +	-	532	-	532
AA -	21,220	224,696	9,428	216,115
BB +	320	-	320	-
Counterparties without external credit rating	38,322	6,309	38,322	6,309
Total	143,007	443,897	131,215	432,874

Group 1 – Customers whose due amounts are secured with bank guarantees.

Group 2 – Customers whose due amounts are secured with documentary credits.

Group 3 – Customers whose due amounts are not secured with any collaterals.

11 INVENTORIES

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Raw materials	988,884	749,435	988,884	749,435
Work in progress	50,572	35,766	50,572	35,766
Finished goods	1,315,892	822,089	1,315,892	822,089
Trading stock	711,912	420,331	711,912	420,331
Less: Provision for slow moving inventories	(83,306)	(81,895)	(83,306)	(81,895)
	2,983,954	1,945,726	2,983,954	1,945,726
Goods in transit	35,815	-	35,815	-
	3,019,769	1,945,726	3,019,769	1,945,726

The cost of inventories recognised as an expense and included in cost of goods sold amounted to Rs. 5,002,701,663 (2018 - Rs. 3,747,179,792).

12 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
Trade receivables	709,955	686,430	709,955	686,430
Less: Provision for impairments	(11,308)	(7,308)	(11,308)	(7,308)
	698,647	679,122	698,647	679,122
Receivables from parent company [Note 29 (j)]	307,758	234,917	307,758	234,917
Receivables from related companies [Note 29 (j)]	309,884	257,238	482,239	430,586
Loans to related companies [Note 28 (k)]	-	21,797	-	21,797
Prepayments and deposits	230,668	150,534	230,668	150,521
Other receivables	82,269	8,951	82,230	8,951
	1,629,226	1,352,559	1,801,542	1,525,894
Less: non current portion - loans to related companies	-	(10,898)	-	(10,898)
Current portion	1,629,226	1,341,661	1,801,542	1,514,996

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

The long term loans to related companies are carried at amortised cost based on effective interest rates which equals to market interest rates.

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

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
Neither past due nor impaired	451,195	511,055	451,195	511,055
Past due but not impaired	247,452	168,067	247,452	168,067
Impaired	11,308	7,308	11,308	7,308
	709,955	686,430	709,955	686,430

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

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
Amount overdue:				
1 month to 3 months	117,291	106,157	117,291	106,157
3 months to 1 year	120,801	59,220	120,801	59,220
More than 1 year	9,360	2,690	9,360	2,690
	247,452	168,067	247,452	168,067

Rs. 247,452,000 (2018- Rs. 168,067,000) of debtors which are past due but not impaired are secured with bank guarantees, hence no impairment considered necessary.

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

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
At 1 April	7,308	3,217	7,308	3,217
Provision for impairment	4,000	5,238	4,000	5,238
Reversal of impairment provision	-	(1,147)	-	(1,147)
Receivables written off during the year as uncollectible	-	-	-	-
At 31 March	11,308	7,308	11,308	7,308

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

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
United States dollars	17,726	26,343	17,726	26,343
Australian dollars	30,940	33,874	30,940	33,874
Sri Lankan rupees	1,580,560	1,281,444	1,752,876	1,454,779
	1,629,226	1,341,661	1,801,542	1,514,996

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

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

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
Cash at bank and cash in hand	133,138	228,036	132,549	225,594
Short term deposits	11,371	216,962	168	208,381
Cash and cash equivalents (excluding bank overdraft)	144,509	444,998	132,717	433,975

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

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
Cash and cash equivalents	144,509	444,998	132,717	433,975
Bank overdrafts (Note 15)	(390,383)	(95,179)	(390,383)	(95,179)
Total cash and cash equivalents	(245,874)	349,819	(257,666)	338,796

The cash and cash equivalents are denominated in following currencies;

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Sri Lankan rupees	94,201	417,354	94,201	417,354
Indian rupees	11,792	11,023	-	-
United States dollars	192	10,108	192	10,108
Australian dollars	38,195	6,165	38,195	6,165
Euro	129	348	129	348
	144,509	444,998	132,717	433,975

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Trade payables	881,185	269,433	881,185	269,433
Amount due to related parties { Note 29 (j) }	210,006	79,256	209,950	79,199
Accrued expenses	201,972	187,887	201,972	187,887
Other payables	278,680	245,619	278,483	245,453
	1,571,843	782,195	1,571,590	781,972

Other payables of the Company mainly include Dividend payable amounting to Rs 147,450 895/- and Nations Building Tax payable amounting to Rs. 8,476,863 (2018 - Rs 3,979,826).

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

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Sri Lankan rupees	848,979	626,516	848,726	626,293
United States dollars	460,319	95,250	460,319	95,250
Euro	262,545	60,429	262,545	60,429
	1,571,843	782,195	1,571,590	781,972

15 BORROWINGS

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Current				
Bank borrowings	360,506	98,849	360,506	98,849
Bank overdrafts (Note 13)	390,383	95,179	390,383	95,179
	750,889	194,028	750,889	194,028
Non-current				
Bank borrowings	1,351,169	7,374	1,351,169	7,374
Total borrowings	2,102,058	201,402	2,102,058	201,402

(a) Bank overdrafts are secured primarily on inventories.

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

Loan		Security offered	Interest rate per annum (%)
DFCC	LKR 165 Mn	A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.300 Mn	4 WEEK AWPLR + 0.5%
DFCC	LKR 1500 Mn	A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.1500 Mn	4 WEEK AWPLR + 0.75%
DFCC	LKR 80 Mn	A primary mortgage over land, buildings and plant and machinery located at Ranala amounting to Rs.300 Mn	4 WEEK AWPLR + 0.5%

(c) Weighted average effective interest rates:

	Group		Company	
	2019	2018	2019	2018
Bank overdrafts	12.73%	12.32%	12.73%	12.32%
Bank borrowings	12.98%	12.25%	12.98%	12.25%

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

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Between one and two years	250,000	7,374	250,000	7,374
Between two and five years	1,101,169	-	1,101,169	-
	1,351,169	7,374	1,351,169	7,374

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

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Sri Lankan rupees	2,102,058	201,402	2,102,058	201,402
United States dollars	-	-	-	-
	2,102,058	201,402	2,102,058	201,402

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

16 DEFERRED TAX LIABILITIES

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

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

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
At beginning of year	634,246	443,787	634,246	443,787
Income statement charge (Note 25)	126,877	6,766	78,992	6,766
Deferred tax release on the components of other comprehensive income	2,169	183,693	2,169	183,693
At end of year	763,292	634,246	715,407	634,246

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

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
Deferred tax assets	(72,750)	(69,515)	(72,750)	(69,515)
Deferred tax liabilities	836,042	703,761	788,157	703,761
Deferred tax liabilities (net)	763,292	634,246	715,407	634,246

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

	Group		
	Revaluation reserve	Accelerated tax depreciation	Total
	Rs '000	Rs '000	Rs '000
Deferred tax liabilities			
At 1 April 2017	-	507,538	507,538
Charged to income statement	-	4,589	4,589
Charged to other comprehensive income	191,634	-	191,634
At 31 March 2018	191,634	512,127	703,761
Charged to income statement	47,885	84,396	132,281
Charged to other comprehensive income	-	-	-
At 31 March 2019	239,519	596,523	836,042

	Group			
	Retirement benefit obligations	Impairment Provision	Inventory Provision	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Deferred tax assets				
At 1 April 2017	(34,122)	-	(29,629)	(63,751)
Charged / (credited) to income statement	(4,521)	-	6,698	2,177
Credited to other comprehensive income	(7,941)	-	-	(7,941)
At 31 March 2018	(46,584)	-	(22,931)	(69,515)
Credited to income statement	(3,889)	(1,120)	(395)	(5,404)
Credited to other comprehensive income	2,169	-	-	2,169
At 31 March 2019	(48,304)	(1,120)	(23,326)	(72,750)

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

	Company		
	Revaluation reserve	Accelerated tax depreciation	Total
	Rs '000	Rs '000	Rs '000
Deferred tax liabilities			
At 1 April 2017	-	507,538	507,538
Charged to income statement	-	4,589	4,589
Charged to other comprehensive income	191,634	-	191,634
At 31 March 2018	191,634	512,127	703,761
Charged to income statement	-	84,396	84,396
Charged to other comprehensive income	-	-	-
At 31 March 2019	191,634	596,523	788,157

	Company			
	Retirement benefit obligations	Impairment Provision	Inventory Provision	Total
	Rs '000	Rs '000	Rs '000	Rs '000
Deferred tax assets				
At 1 April 2017	(34,122)	-	(29,629)	(63,751)
Charged / (credited) to income statement	(4,521)	-	6,698	2,177
Credited to other comprehensive income	(7,941)	-	-	(7,941)
At 31 March 2018	(46,584)	-	(22,931)	(69,515)
Credited to income statement	(3,889)	(1,120)	(395)	(5,404)
Credited to other comprehensive income	2,169	-	-	2,169
At 31 March 2019	(48,304)	(1,120)	(23,326)	(72,750)

17 EMPLOYEE BENEFIT OBLIGATIONS - GRATUITY

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
Balance sheet obligations for:				
Defined benefits - gratuity	172,514	166,370	172,514	166,370
Income statement charge included in operating profit for:				
Defined benefits - gratuity	27,663	26,000	27,663	26,000
Remeasurements for:				
Defined benefits - gratuity	(7,746)	28,361	(7,746)	28,361

The movement in the defined benefit obligations is as follows

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
At 1 April	166,370	124,394	166,370	124,394
Current service cost	11,026	11,073	11,026	11,073
Interest expense	16,637	14,927	16,637	14,927
Benefits paid	(13,773)	(12,385)	(13,773)	(12,385)
Remeasurements:				
Losses from change in financial assumptions	(8,142)	17,569	(8,142)	17,569
(Gains) from change in demographic assumptions	(1,484)	(720)	(1,484)	(720)
Experience losses	1,880	11,512	1,880	11,512
At 31 March	172,514	166,370	172,514	166,370

The amount recognised in the income statement are as follows:

	Group		Company	
	2019	2018	2019	2018
	Rs '000	Rs '000	Rs '000	Rs '000
Current service cost	11,026	11,073	11,026	11,073
Interest cost	16,637	14,927	16,637	14,927
Total, included in staff costs (Note 23)	27,663	26,000	27,663	26,000

The obligation is not externally funded.

The gratuity liability of the Company / the Group is based on the actuarial valuation carried out by the independent actuary Messrs Actuarial and Management Consultants (Private) Limited, as at 31 March 2019. The principal actuarial valuation assumptions used were as follows:

	Group		Company	
	2019 Rs '000	2018 Rs '000	2019 Rs '000	2018 Rs '000
Discount rate	11.00%	10.00%	11.00%	10.00%
Future salary increase rate				
- Executive staff	12.50%	12.50%	12.50%	12.50%
- Others	10.00%	10.00%	10.00%	10.00%

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

The weighted average duration of the defined benefit obligations is 5.13 years.

Expected maturity analysis of undiscounted defined benefits - gratuity;

	Less than a year Rs '000	Between 1-2 years Rs '000	Between 3- 5 years Rs '000	Between 6- 10 years Rs '000	Over year 10 Rs '000	Total Rs '000
Defined benefits - gratuity;	23,647	74,993	26,020	24,461	23,393	172,514
As at 31 March 2019	23,647	74,993	26,020	24,461	23,393	172,514

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

Discount Rate as at 31 March 2019	11.00%
One percentage point increase in discount rate	165,897
One percentage point decrease in discount rate	182,186
Salary escalation rate as at 31 March 2019	12.50%
One percentage point increase in salary escalation rate	182,588
One percentage point decrease in salary escalation rate	165,395

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

18 STATED CAPITAL

	Group		Company	
	Number of shares	Stated capital Rs. '000	Number of shares	Stated capital Rs. '000
At 31 March 2018	53,050,410	900,968	53,050,410	900,968
At 31 March 2019	53,050,410	900,968	53,050,410	900,968

All issued shares are fully paid.

19 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
(i) Revenue from local sales	6,790,844	5,861,016	6,790,844	5,861,016
(ii) Revenue from export sales	218,148	265,291	218,148	265,291
Revenue from external customers	7,008,992	6,126,307	7,008,992	6,126,307
Timing of revenue recognition at a point in time	7,008,992	6,126,307	7,008,992	6,126,307

20 OTHER INCOME

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Sundry income	27,011	20,866	25,328	19,447
	27,011	20,866	25,328	19,447

Sundry income mainly include the rental income Rs 12,876,432 (2018 - Rs 12,876,432) and scrap sales of Rs.1,735,762 (2018- Rs.333,839).

21 OTHER GAINS / (LOSSES) - NET

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Net gain / (loss) on disposal of property, plant and equipment	(6,524)	4	(6,524)	4
Fair value adjustment to investment property (Note 06)	171,019	-	-	-
	164,495	4	(6,524)	4

22 BREAKDOWN OF EXPENSES BY NATURE

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

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Directors' emoluments				
-As Directors' fees	12,338	10,458	12,338	10,458
-For managerial services	34,485	37,485	34,485	37,485
Auditors' remuneration				
-Audit	1,086	885	886	805
-Non-Audit services	324	324	324	324
-Reimbursable expenses	569	529	529	529
Depreciation on property, plant and equipment (Note 5)	267,552	236,236	267,552	236,236
Changes in inventories of finished goods, trading items and work in progress	800,190	393,994	800,190	393,994
Raw materials and consumables used	3,148,471	2,804,022	3,148,471	2,802,748
Technical fee	90,017	95,020	90,017	95,020
Advertising expenses	31,691	41,953	31,691	41,953
Promotional expenses and sales commission	484,771	546,575	484,771	546,575
Repair and maintenance expenditure	254,701	228,644	254,701	228,644
(Reversal) / provision for slow moving inventories	1,410	(18,916)	1,410	(18,916)
Staff costs (Note 24)	589,689	622,553	589,689	622,553
Other expenses	731,325	48,582	730,930	48,566
Total cost of sales, distribution costs and administrative expenses	6,448,619	5,048,344	6,447,984	5,046,974

23 STAFF COSTS

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
- Wages, salaries and bonus	518,410	557,127	518,410	557,127
- Defined contribution plans	43,616	39,426	43,616	39,426
- Defined benefit plan - gratuity (Note 17)	27,663	26,000	27,663	26,000
	589,689	622,553	589,689	622,553
Average no of persons employed as at 31 March - full time	690	609	690	609

24 NET FINANCE INCOME

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Interest income	4,879	90,459	4,879	90,459
Interest Income from Related Companies	3,037	19,885	3,037	19,885
Finance income	7,916	110,344	7,916	110,344
Interest expenses	(40,740)	(23,492)	(40,740)	(23,492)
Net foreign exchange losses on transactions / translations	18,663	1,724	18,663	1,724
Finance costs	(22,077)	(21,768)	(22,077)	(21,768)
Net finance income	(14,161)	88,576	(14,161)	88,576

25 INCOME TAX

	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) Current tax :				
- Current tax on profit for the year	90,717	342,029	90,933	341,955
Total current tax	90,717	342,029	90,933	341,955
(b) Deferred tax (Note 16)				
- Increase in of temporary differences	126,877	6,766	78,992	6,766
Total income tax expense	217,594	348,795	169,925	348,721

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

	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before tax	745,606	1,352,792	573,539	1,352,743
Tax calculated at average rate 28% (2018 : 28%)	208,770	382,000	160,591	381,680
Tax on share of results of associate	(2,209)	(46,297)	(2,209)	(46,297)
Income not subject to tax	(309,695)	(81,694)	(309,401)	(81,582)
Expenses not deductible for tax purposes	316,831	94,920	316,831	94,920
Under/(over) provision in respect of previous year	3,897	(134)	4,113	-
	217,594	348,795	169,925	348,721

The weighted average applicable tax rate was 28% (2018 : 28%).

26 EARNINGS PER SHARE

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

	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit attributable to equity holders	527,968	1,004,495	403,614	1,004,022
Weighted average number of ordinary shares (thousands)	53,050	53,050	53,050	53,050
Basic earnings per share (Rs)	9.95	18.93	7.61	18.93

27 DIVIDENDS

A interim dividend of Rs. 167,108,792/- (2018 - Rs. 212,201,640 and 318,302,460) at Rs 3.15 (2018 - Rs 4.00 and 6.00) per share for the year ended 31 March 2019 was paid on 12th April 2019.

28 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before tax	745,606	1,352,792	573,539	1,352,743
Adjustments for:				
Depreciation (Note 5)	267,552	236,236	267,552	236,236
Provision for retirement benefit obligations (Note 17)	27,663	26,000	27,663	26,000
Net fair value gain recognised in profit or loss (Note 21)	(171,019)	-	-	-
Losses / (gains) on disposal of assets (Note 21)	6,524	(4)	6,524	(4)
Interest expenses (Note 24)	22,077	21,768	22,077	21,768
Interest income (Note 24)	(7,916)	(110,344)	(7,916)	(110,344)
Unrealised (profits) / losses on inventory purchased from associate	6,154	211	6,154	211
Profit share of results of associate	(7,888)	(165,383)	(7,888)	(165,383)
Provision for slow moving inventories (Note 11)	1,411	(18,917)	1,411	(18,917)
Changes in working capital				
- (Increase) /Decrease in inventories	(1,081,608)	(492,608)	(1,081,608)	(492,608)
- Decrease / (increase) in trade and other receivables	(275,957)	(344,338)	(274,938)	(343,394)
- Increase / (decrease) in trade and other payables	622,542	198,368	622,510	198,431
Cash generated from operations	155,141	703,781	155,080	704,739

29 RELATED PARTY TRANSACTIONS

The Company is controlled by Lanka Walltiles PLC which owns 68.22% (2018 - 68.22%) of the Company's issued share capital. The remaining 31.78% of the shares are widely held. The ultimate parent of the Company is Vallibel One PLC.

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

				Group		Company	
				2019	2018	2019	2018
(a)	**Sale of goods to:**	Relationship		Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Lanka Walltiles PLC	Parent	Raw materials	9,804	3,477	9,804	3,477
	Royal Porcelain (Private) Limited	Affiliate	Raw materials	2,684	3,972	2,684	3,972
			Spares	35	213	35	213
			Consumables	-	199	-	199
	Royal Ceramics Lanka PLC	Affiliate	Raw materials	105	947	105	947
			Spares	785	29	785	29
			Packing	24	-	24	-
	M N Properties (Private) Limited	Affiliate	Finished goods	-	180	-	180
				13,437	9,017	13,437	9,017

				Group		Company	
				2019	2018	2019	2018
(b)	**Purchase of goods/services**	Relationship		Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Swisstek (Ceylon) PLC	Associate	Trading items	340,363	252,868	340,363	252,868
			Sales commission	54,565	45,693	54,565	45,693
			Reimbursement of operational expense	4,775	4,361	4,775	4,361
	Swisstek Aluminium Limited	Affiliate	Trading items	38,665	-	38,665	-
	Lanka Ceramic PLC	Affiliate	Raw materials	125,992	123,960	125,992	123,960
	Lanka Walltiles PLC	Parent	Raw materials	1,527	726	1,527	726
			Consumables	5,085	1,516	5,085	1,516
			Services	1,331	-	1,331	-
	Royal Porcelain (Private) Limited	Affiliate	Raw materials	11	6,222	11	6,222
			Spares	329	101	329	101
			Consumables	-	553	-	553
	Royal Ceramics Lanka PLC	Affiliate	Spares	-	141	-	141
	Uni-Dil Packaging Limited	Affiliate	Raw materials	89,756	70,099	89,756	70,099
	Hayleys Travels & Tours (Private) limited	Affiliate	Services	10,126	10,274	10,126	10,274
	Hayleys Agriculture Holding Limited	Affiliate	Services	544	206	544	206
	Hayleys Electronic Lighting (Private) Limited	Affiliate	Services	27	258	27	258
	Hayleys Industrial Solutions (Private) Limited	Affiliate	Services	24,247	9,506	24,247	9,506
	Delmege Freight Services (Private) Limited	Affiliate	Services	8,585	1,434	8,585	1,434
				705,928	527,918	705,928	527,918

				Group		Company	
				2019	2018	2019	2018
(c)	**Receipt of funds from:**	Relationship		Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Lanka Walltiles PLC	Parent	Expenses Reimbursement	80,343	-	80,343	-
			Raw materials	6,165	-	6,165	-
	Swisstek (Ceylon) PLC	Associate	Interest received	1,904	4,865	1,904	4,865
			Loan settlement	21,798	30,834	21,798	30,834
				110,210	35,699	110,210	35,699

				Group		Company	
				2019	2018	2019	2018
(d)	**Transfer of funds to:**	Relationship		Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Lanka Walltiles PLC	Parent	Expenses Reimbursement Settlement	133,206	108,133	133,206	108,133
			Services- Settlement	1,331	-	1,331	-
			Raw Material Sale- Settlement	6,350	1,784	6,350	1,784
	Swisstek (Ceylon) PLC	Associate		277,437	242,698	277,437	242,698
	LWL Development (Private) Limited	Affiliate		49,015	22,475	49,015	22,475
				467,339	375,090	467,339	375,090

(e) Expenses incurred and transferred to/(from)

	Relationship	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Lanka Walltiles PLC					
-Administration expenses	Parent	40,177	42,651	40,177	42,651
-Distribution expenses		93,536	100,056	93,536	100,056
Swisstek (Ceylon) PLC					
-Administration expenses	Affiliate	3,315	9,892	3,315	9,892
Swisstek Aluminium Limited					
-Administration expenses		1,849	1,238	1,849	1,238
Royal Ceramics Lanka PLC					
-Technical fees	Affiliate	9,002	73,445	9,002	73,445
Vallibel One PLC					
-Technical fees	Ultimate Parent	81,015	36,328	81,015	36,328
Beyond Paradise Collection Limited					
-Administration expenses	Subsidiary	-	-	205	189
LTL Development (Private) Limited					
-Administration expenses	Subsidiary	-	-	2	79
LWL Development (Private) Limited					
-Administration expenses	Affiliate	1,326	7	1,326	-
		230,220	263,617	230,427	263,878

(f) Key management compensation

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

	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Salaries and short-term employee benefits	46,823	47,943	46,823	47,943
Salaries and long-term employee benefits	24,557	19,995	24,557	19,995
	71,380	67,938	71,380	67,938

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

(g) Rental expense

The Company has paid a rental of Rs. 9,945,153 (2018 - Rs. 7,830,641) to Swisstek (Ceylon) PLC for the use of warehouse space at Balummahara during the financial year ended and Rs 28,602,672 (2018 - Rs 28,602,672) to Lanka Walltiles PLC for the use of office space at Nawala, during the financial year ended 31 March 2019.

(h) Rental Income

The Company has received a rental income of Rs.12,532,653 (2018 - Rs.12,532,653) from Lanka Walltiles PLC for Biyagama warehouse during the financial year ended 31 March 2019.

The Group has received a rental income of Rs1,200,000 (2018 - Rs.1,200,000) from LWL Development (Private) Limited for Divulapitiya land during the financial year ended 31 March 2019.

(i) The property owned by Swisstek (Ceylon) PLC at Balummahara, has been mortgaged to Lanka Tiles PLC as security to the value of Rs. 78 Mn against the outstanding balance due to Lanka Tiles PLC by Swisstek (Ceylon) PLC. Lanka Tiles PLC charges interest at AWPLR + 1% per annum on the loans given to Swisstek (Ceylon) PLC

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

	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Receivables from related Companies:				
Lanka Walltiles PLC	307,758	234,917	307,758	234,917
Swisstek Aluminium Limited	881	499	881	499
Royal Porcelain (Private) Limited	1,578	855	1,578	855
Beyond Paradise Collection (Private) Limited	-	-	175,273	175,068
LWL Development (Private) Limited	307,425	255,884	304,425	254,085
LTL Development (Private) Limited	-	-	82	79
	617,642	492,155	789,997	665,503
Payables to related parties:				
Lanka Ceramic PLC	18,708	17,059	18,708	17,059
Royal Ceramics Lanka PLC	5,499	5,150	5,499	5,150
Swisstek (Ceylon) PLC	136,784	43,959	136,784	43,959
Uni-Dil Packaging Limited	10,715	7,119	10,715	7,119
Swisstek Aluminium Limited	28,207	-	28,207	-
Vallibel One PLC	10,037	5,912	10,037	5,912
LWL Development (Private) Limited	56	57	-	-
	210,006	79,256	209,950	79,199

(k) Loans given to related parties

	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Swisstek (Ceylon) PLC [See Note 29 (i) above]	-	21,797	-	21,797
	-	21,797	-	21,797

Terms and Conditions with related parties

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

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

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

30 CONTINGENCIES AND COMMITMENTS

Contingent Liabilities

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

Financial commitments

The Company is committed to pay Rs 499,125 and Rs2,072,657 as rent per month for the use of building located at Rajagiriya and Nawala respectively.

Capital commitments

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

31 RESTATEMENT AND RECLASSIFICATIONS OF COMPARATIVES

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

32 CHANGES IN ACCOUNTING POLICIES

(a) Impact on the financial statements

The Company and the Group adopted SLFRS 9, 'Financial Instruments' and SLFRS 15, 'Revenue from Contracts with Customers', with effect from 1 January 2018 which resulted in changes to accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions, the Company and the Group adopted the new policies retrospectively with the cumulative effect of these standards recognised at the date of initial application.

Adjustments to the statement of financial position as at 1 April 2018 from first time adoption of SLFRS 9, 'Financial Instruments', and SLFRS 15, 'Revenue from Contracts with Customers', are as below:

Group	Note	Balance as at 31st March 2018 Rs.'000	Impact from SLFRS 9 Rs.'000	Impact from SLFRS 15 Rs.'000	Balance as at 01 April 2018 Rs.'000
Non Current Assets		5,023,907	-	-	5,023,907
Current Assets		3,732,385	-	-	3,732,385
Equity and reserves		6,925,147	-	-	6,925,147
Non - Current liabilities		807,990	-	-	807,990
Current liabilities		1,023,155	-	-	1,023,155

Company	Note	Balance as at 31st March 2018 Rs.'000	Impact from SLFRS 9 Rs.'000	Impact from SLFRS 15 Rs.'000	Balance as at 01 April 2018 Rs.'000
Non Current Assets		4,806,349	-	-	4,806,349
Current Assets		3,894,697	-	-	3,894,697
Equity and reserves		6,870,332	-	-	6,870,332
Non - Current liabilities		807,990	-	-	807,990
Current liabilities		1,022,724	-	-	1,022,724

The following tables show the adjustments recognised for each individual line item affected with the adoption of above standards during the reporting.

Group	Note	Before SLFRS 9 and SLFRS 15 adjustments Rs.'000	Impact from SLFRS 9 Rs.'000	Impact from SLFRS 15 Rs.'000	For the year ended 31 March 2019 (reported) Rs.'000
Non Current Assets		7,061,873	-	-	7,061,873
Current Assets		4,849,074	(4,000)	-	4,845,074
Equity and reserves		7,301,240	(4,000)	-	7,297,240
Non - Current liabilities		2,286,975	-	-	2,286,975
Current liabilities		2,322,732	-	-	2,322,732

Company	Note	Before SLFRS 9 and SLFRS 15 adjustments Rs.'000	Impact from SLFRS 9 Rs.'000	Impact from SLFRS 15 Rs.'000	For the year ended 31 March 2019 (reported) Rs.'000
Non Current Assets		6,673,296	-	-	6,673,296
Current Assets		5,009,598	(4,000)	-	5,005,598
Equity and reserves		7,121,325	(4,000)	-	7,117,325
Non - Current liabilities		2,239,090	-	-	2,239,090
Current liabilities		2,322,479	-	-	2,322,479

Statement of comprehensive income

Group	Note	Before SLFRS 9 and SLFRS 15 adjustments Rs.'000	Impact from SLFRS 9 Rs.'000	Impact from SLFRS 15 Rs.'000	For the year ended 31 March 2019 (reported) Rs.'000
Revenue		7,008,992	-	-	7,008,992
Cost of sales		(5,002,702)	-	-	(5,002,702)
Operating expenses		(1,441,917)	(4,000)	-	(1,445,917)
Profit before tax		749,606	(4,000)	-	745,606
Profit for the year		532,012	(4,000)	-	528,012

Company	Note	Before SLFRS 9 and SLFRS 15 adjustments Rs.'000	Impact from SLFRS 9 Rs.'000	Impact from SLFRS 15 Rs.'000	For the year ended 31 March 2019 (reported) Rs.'000
Revenue		7,008,992	-	-	7,008,992
Cost of sales		(5,002,702)	-	-	(5,002,702)
Operating expenses		(1,441,280)	(4,000)	-	(1,445,280)
Profit before tax		577,539	(4,000)	-	573,539
Profit for the year		407,614	(4,000)	-	403,614

32 (b) SLFRS 9 Financial instruments

SLFRS 9 replaces the provisions of LKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of SLFRS 9 Financial Instruments from 01 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.9 and 2.2 above. In accordance with the transitional provisions in SLFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the group's retained earnings as at 1 April 2018 and 1 April 2017 is as follows:

Group	Notes	2018 Rs.'000	2017 Rs.'000
Closing retained earnings 31 March – LKAS 39/LKAS 18		4,443,653	4,443,653
Reclassify investments from available-for-sale to FVPL		-	-
Increase in provision for trade receivables		-	-
Increase in provision for debt investments at FVOCI		-	-
Increase in deferred tax assets relating to impairment provisions		-	-
Adjustment to retained earnings from adoption of SLFRS 9 on 01 April 2018		-	-
Opening retained earnings 1 April - SLFRS 9		4,443,653	4,443,653

i) Classification and measurement

On 01 April 2018 (the date of initial application of SLFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate SLFRS 9 categories. The main effects resulting from this reclassification are as follows:

Group Financial Assets - 1 April 2018	Loans and Receivables Rs.'000	FVOCI (Available for sale) Rs.'000	Held to Maturity Rs.'000	Amortised cost Rs.'000
Closing balance as at 31 March 2018 as per LKAS 39	1,647,023	-	-	-
Reclassify loans and receivables to Amortised cost	(1,647,023)	-	-	1,647,023
Closing balance as at 01 April as per SLFRS 9	-	-	-	1,647,023

According to the provisions of SLFRS 9, 'Financial Instruments', the Group recognises impairment provisions based on expected credit losses. Impairment provisions were previously based on incurred credit losses.

The impact of these changes on the group's retained earnings is as follows:

The following is a summary of transition adjustments to the Company's and the Group's retained earnings from the initial application of SLFRS 9, 'Financial Instruments as at 01 April 2018.

	Group Rs.'000	Company Rs.'000
Retained earnings as at 31 March 2018	4,828,273	4,778,698
Increase in impairment provision	(4,000)	(4,000)
Adjustments to retained earnings from changes in accounting policies	-	-
Retained earnings as at 01 April 2018	4,824,273	4,774,698

Reclassifications of financial instruments on adoption of SLFRS 9

Group					
Financial Assets - 1 April 2018	Notes	FVPL	Carrying Amount		
	Original (IAS 39)	New (SLFRS 9)	Original	NEW	Difference
			Rs.'000	Rs.'000	Rs.'000
Loans given to related companies (Note 12)	Loans and Receivables	Amortised cost	21,797	21,797	-
Trade and other receivables (excluding pre-payments) (Note 12)	Loans and Receivables	Amortised cost	1,180,228	1,180,228	-
Cash and cash equivalents (Note 13)	Loans and Receivables	Amortised cost	444,998	444,998	-
Borrowings (Note 15)	Other financial liabilities at amortised cost	Other financial liabilities	201,402	201,402	-
Trade and other payables excluding non-financial liabilities (Note 14)	Other financial liabilities at amortised cost	Other financial liabilities	782,195	782,195	-

Company					
Financial Assets - 1 April 2018	Notes	FVPL	Carrying Amount		
	Original (IAS 39)	New (SLFRS 9)	Original	NEW	Difference
			Rs.'000	Rs.'000	Rs.'000
Loans given to related companies (Note 12)	Loans and Receivables	Amortised cost	21,797	21,797	-
Trade and other receivables (excluding pre-payments) (Note 12)	Loans and Receivables	Amortised cost	1,353,576	1,353,576	-
Cash and cash equivalents (Note 13)	Loans and Receivables	Amortised cost	433,975	433,975	-
Borrowings (Note 15)	Other financial liabilities at amortised cost	Other financial liabilities	201,402	201,402	-
Trade and other payables excluding non-financial liabilities (Note 14)	Other financial liabilities at amortised cost	Other financial liabilities	781,972	781,972	-

ii) Impairment of financial assets

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

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

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

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

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

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 March 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 March 2019 (on adoption of IFRS 9) was determined as follows for trade receivables:

31 March 2019	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0.65%	1.98%	2.73%	7.94%	1.59%
Gross carrying amount – trade receivables	553,446,767	55,118,903	27,822,051	73,566,910	709,954,630
Loss allowance	3,612,230	1,090,529	760,701	5,844,790	11,308,250

The closing loss allowances for trade receivables as at 31 March 2019 reconcile to the opening loss allowances as follows:

Trade Receivables	
31 March 2018 – calculated under IAS 39	7,308,250
Amounts restated through opening retained earnings	-
Opening loss allowance as at 1 April 2018 – calculated under IFRS 9	7,308,250
Increase in loan loss allowance recognised in profit or loss during the year	4,000,000
Receivables written off during the year as uncollectible	-
Unused amount reversed	-
At 31 March 2019	11,308,250

33 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the balance sheet date which require adjustments to, or disclosure in the financial statements.

FIVE YEAR SUMMARY STATEMENT OF COMPREHENSIVE INCOME

GROUP

Year ended 31st March	2015 Rs '000	2016 Rs '000	2017 Rs '000	2018 Rs '000	2019 Rs '000
Revenue	5,349,670	5,541,368	5,176,372	6,126,307	7,008,992
Operating profit	980,738	1,396,581	1,300,253	1,098,833	751,879
Finance income/(costs)	(25,250)	45,610	118,971	88,576	(14,161)
Share of results of associate-Net of Tax	110,736	139,411	185,284	165,383	7,888
Profit before income tax	1,066,224	1,581,602	1,604,508	1,352,792	745,606
Income tax expense	(225,949)	(399,448)	(359,170)	(348,795)	(217,594)
Profit for the year	840,275	1,182,154	1,245,338	1,003,997	528,012
Profit attributable to the equity owners of the Parent	840,275	1,182,154	1,245,338	1,004,495	527,968
Dividends	(344,828)	(371,353)	(397,878)	(530,504)	(167,109)
Retained profit for the year	495,447	810,801	847,460	473,991	360,859
Earnings per share - basic (Rs)	15.84	22.28	23.47	18.93	9.95

COMPANY

Year ended 31st March	2015 Rs '000	2016 Rs '000	2017 Rs '000	2018 Rs '000	2019 Rs '000
Revenue	5,349,670	5,541,368	5,176,372	6,126,307	7,008,992
Operating profit	980,738	1,396,581	1,247,570	1,098,784	579,812
Finance income/(costs)	(25,250)	45,610	118,971	88,576	(14,161)
Share of results of associate-Net of Tax	110,736	139,411	185,284	165,383	7,888
Profit before income tax	1,066,224	1,581,602	1,551,825	1,352,743	573,539
Income tax expense	(225,949)	(399,448)	(359,002)	(348,721)	(169,925)
Profit for the year	840,275	1,182,154	1,192,823	1,004,022	403,614
Profit attributable to the equity owners of the Company	840,275	1,182,154	1,192,823	1,004,022	403,614
Dividends	(344,828)	(371,353)	(397,878)	(530,504)	(167,109)
Retained profit for the year	495,447	810,801	794,945	473,518	236,505
Earnings per share - basic (Rs)	15.84	22.28	22.48	18.93	7.61

FIVE YEAR SUMMARY STATEMENT OF FINANCIAL POSITION

Year ended 31st March	2015 Rs '000	2016 Rs '000	2017 Rs '000	2018 Rs '000	2019 Rs '000
ASSETS					
Non-current assets					
Property, plant and equipment	2,556,753	3,398,848	3,608,790	3,855,576	5,743,130
Investment in subsidiary	-	-	-	6,242	6,242
Investments in associates	493,136	725,543	881,052	933,633	923,924
Loan given to related companies	79,885	49,050	20,422	10,898	-
Finance lease debtors	-	-	-		
	3,129,774	4,173,441	4,510,264	4,806,349	6,673,296
Current assets					
Inventories	1,137,108	932,256	1,434,412	1,945,726	3,019,769
Trade and other receivables	898,820	987,986	1,187,787	1,514,996	1,801,542
Income tax assets	-	-	-	-	51,570
Cash and cash equivalents	846,794	1,586,065	1,227,119	433,975	132,717
	2,882,722	3,506,307	3,849,318	3,894,697	5,005,598
Total assets	6,012,496	7,679,748	8,359,582	8,701,046	11,678,894
EQUITY					
Capital and reserves					
Stated capital	900,968	900,968	900,968	900,968	900,968
Retained earnings	2,745,049	3,584,487	4,394,551	4,778,698	5,025,691
Revaluation reserve	-	838,856	838,856	730,515	730,515
Amalgamation reserve	460,151	460,151	460,151	460,151	460,151
	4,106,168	5,784,462	6,594,526	6,870,332	7,117,325
LIABILITIES					
Non-current liabilities					
Borrowings	383,974	260,824	56,224	7,374	1,351,169
Deferred income tax liabilities	375,486	453,542	443,787	634,246	715,407
Defined benefit obligations	110,577	129,073	124,394	166,370	172,514
	870,037	843,439	624,405	807,990	2,239,090
Current liabilities					
Trade and other payables	536,171	580,766	583,540	781,972	1,571,590
Current income tax liabilities	139,565	276,660	68,558	46,724	-
Borrowings	360,555	194,421	488,553	194,028	750,889
	1,036,291	1,051,847	1,140,651	1,022,724	2,322,479
Total liabilities	1,906,328	1,895,286	1,765,056	1,830,714	4,561,569
Total equity and liabilities	6,012,496	7,679,748	8,359,582	8,701,046	11,678,894

SHAREHOLDER INFORMATION

Year ended 31st March		2015	2016	2017	2018	2019
Authorised share capital	(Rs.Mn)	500.0	500.0	500.0	500.0	500.0
Stated capital	(Rs.Mn)	900.0	900.0	900.0	900.0	900.0
Shares in issue (as at end of year)	(Mn)	53.5	53.5	53.5	53.5	53.5
Shareholders						
- Institutions	(Number)	141	144	143	140	137
- Individuals	(Number)	1579	1619	1644	1595	1625
Total		1,720	1,763	1,787	1,735	1,762
Shares held by						
- Institutions	(%)	91.85	91.49	92.13	93.15	93.26
- Individuals	(%)	8.15	8.51	7.87	6.86	6.74
Total		100.0	100.0	100.0	100.0	100.0
Transactions	(Number)	1,352	1,605	978	610	611
Shares traded	(Mn)	315.00	224.00	1,173.00	115.00	28.73
Dividends	(%)	41.4	31.4	33.4	53	41.4
Dividends per share	(Rs.)	4.50	7.00	7.50	10.00	3.15
Market price per share						
- Highest during the year	(Rs.)	117.90	128.00	123.90	121.40	106.50
- Lowest during the year	(Rs.)	75.10	97.00	95.00	99.50	63.00
- As at end of the year	(Rs.)	106.00	100.60	102.00	99.70	70.00
Market Capitalization (as at end of year)	(Rs.Mn)	5,623.30	5,336.83	5,411.10	5,289.09	3,713.50
Earnings per share	(Rs.)	15.84	22.28	22.48	18.93	7.61
Price/Earnings ratio	(Times)	6.69	4.51	4.54	5.27	9.20
Net assets per share	(Rs.)	77.40	109.04	124.31	129.51	134.16

DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2019

Size of shareholdings Number	Shareholders Number	Shares Number	Holdings %
1 - 1,000	1,340	272,527	0.51
1,001 - 10,000	345	1,139,389	2.15
10,001 - 100,000	64	1,581,367	2.98
100,001 - 1,000,000	8	2,540,219	4.79
Over - 1,000,000	5	47,516,908	89.57
	1,762	53,050,410	100.00

CATEGORIES OF SHAREHOLDERS	No of Holders	No of Shares	%
Local Individuals	1,576	2,955,710	5.57%
Local Institutions	127	44,400,841	83.70%
Foreign Individuals	49	623,860	1.17%
Foreign Institutions	10	5,069,999	9.56%
	1,762	53,050,410	100%

The Float adjusted Market Capitalization as at 31st March 2019 is Rs. 1,049,989,500.00

The Float adjusted Market Capitalization of the company falls under option 5 Rule 7.13.1 (a) Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

20 MAJOR SHAREHOLDERS

	Name	No of Shares 31.03.2019	%	No of Shares 31.03.2018	%
1	Lanka Walltiles PLC	36,189,195	68.217	36,189,195	68.217
2	Employees Provident Fund	4,968,313	9.365	4,968,313	9.365
3	BNYM RE-Frontaura Global Frontier fund LLC	3,505,980	6.609	3,505,980	6.609
4	Caceis Bank S/A Barca Globel Master fund LP Luxemburg	1,464,939	2.761	1,353,338	2.551
5	Royal Ceramics Lanka PLC	1,388,481	2.617	1,388,481	2.617
6	Bank of Ceylon No. 1 Account	973,200	1.834	973,200	1.834
7	Mr. K R Kamon	537,628	1.013	537,628	1.013
8	Mr. A A Page	433,939	0.818	433,939	0.818
9	Aruna Enterprises (Pvt) Limited	128,500	0.242	128,500	0.242
10	Mr S.M Fernando	126,446	0.238	126,446	0.238
11	Mr M . M Udeshi Mrs A A Merchant	125,000	0.236	-	-
12	Dr A C Visvalingam and Mrss Y I Visvalingam	108,143	0.204	-	-
13	Seylan Bank PLC / W D N H Perera	107,363	0.202	-	-
14	Pinnacle Trust (Pvt) Limited	92,038	0.173	92,038	0.173
15	Sampath Bank PLC /Dr T Senthilverl	90,600	0.171	90,600	0.171
16	Mr M S Fernando	78,496	0.148	49,105	0.093
17	Seylan Bank PLC/ Channa Nalin Rajahmoney	72,104	0.136	72,104	0.136
18	Mrs B C Sansoni	62,495	0.118	62,495	0.118
19	Mr. S A C Keerthisinghe & Mrs D M J S Dissanayaka	45,500	0.086	34,450	0.065
20	Saboor Chatoor (Pvt) Ltd	42,200	0.080	42,200	0.080
	Sub Total	50,540,560	95.269	50,048,012	94.340
	Others 1,742 Shareholders	2,509,850	4.731	3,002,398	5.660
	Grand Total	53,050,410	100.00	53,050,410	100.00

DIRECTORS' AND CEO'S SHAREHOLDING AS AT 31ST MARCH 2019

Name of Director	No of Shares	%
Mr. Dhammika Perera	-	-
Mr. A M Weerasinghe	35,863	0.068
Mr. J A P M Jayasekera	-	-
Dr. S Selliah	-	-
Mr T G Thoradeniya	-	-
Mr. K D G Gunaratne	-	-
Ms. A M L Page	2,500	0.0047
Mr R D P Godawatta Arachchige (Alternative Director to Mr. Dhammika Perera)	-	-
Mr J A N R Adhihetty	-	-

The fractional shares of 582 arising from the capitalization of revenue reserves issue were issued jointly in the names of Mr. J A P M Jayasekera and Mr. A A Page

SHARE PRICE FOR THE YEAR

Market price per share	
Highest during the year	Rs. 106.50 (02-05-2018)
Lowest during the year	Rs. 63.00 (27-03-2019)
As at end of the year	Rs. 70.00
Number of Transactions during the year	611
Number of Shares traded during the year	306,882
Value of shares traded during the year (Rs.)	28,733,732.10

PUBLIC HOLDING	
The Percentage of shares held by the Public	28.275%
No of shareholders representing the above percentage	1,756

STATEMENT OF VALUE ADDED

For The Year ended 31st March	2015		2016		2017		2018		2019	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Sales	5,941,148		6,123,730		5,805,556		6,126,307		7,008,992	
Duty rebate	-		-		-		-		-	
Other income	25,939		37,328		26,154		19,447		25,328	
Less:										
Cost of materials & services bought in	(3,535,313)		(3,179,762)		(2,899,677)		(3,096,393)		(4,447,365)	
Value added	2,431,774		2,981,296		2,932,033		3,049,361		2,586,955	
Distribution of Value Added										
Employees as remuneration & welfare	526,439	21.65	597,336	20.04	571,757	19.50	630,588	20.68	588,870	22.76
Government as taxes	877,775	36.10	1,096,099	36.77	1,140,843	38.91	1,320,290	43.30	1,214,934	46.96
Lenders of capital as interest	49,242	2.02	26,518	0.89	30,789	1.05	23,492	0.77	40,740	1.57
Shareholders as dividends	238,727	9.82	371,353	12.46	397,878	13.57	530,504	17.40	167,109	6.46
Retained in the business as		-		-		-		-		-
- Depreciation/deferred tax	248,779	10.23	218,600	7.33	181,106	6.18	236,352	7.75	346,685	13.40
- Profits	490,812	20.18	671,390	22.52	609,660	20.79	308,135	10.10	228,617	8.84
Total	2,431,774	100.0	2,981,296	100.0	2,932,033	100.0	3,049,361	100.0	2,586,955	100

NOTES

CORPORATE INFORMATION

NAME OF THE COMPANY

Lanka Tiles PLC

LEGAL FORM

Public Limited Liability Company listed on the Colombo Stock Exchange. (Incorporated as a Private Limited Liability Company on 30th March 1984 under the Companies Act No. 17 of 1982 and converted to a Public Limited Liability Company on 07th August 1984.) The Company was re-registered under the New Companies Act No. 07 of 2007 on 19th March 2008. (Registration No. PQ 129)

DIRECTORS

Mr. Dhammika Perera (Chairman)

Mr. A M Weerasinghe (Deputy Chairman)

Mr. J A P M Jayasekera (Managing Director)

Dr. S Selliah

Mr. T G Thoradeniya

Mr. K D G Gunaratne

Ms. A M L Page

Mr J A N R Adhihetty

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

SECRETARIES

P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road
Colombo 08

Telephone	:	+ 94 -11 - 4640360-3
Facsimile	:	+ 94 -11 - 4740588
E-mail	:	pwcs@pwcs.lk

REGISTERED OFFICE

215, Nawala Road, Narahenpita, Colombo 05

Telephone	:	+ 94 -11 - 2808050 / 2808001-3
Facsimile	:	+ 94 -11 - 2806232
E-mail	:	info@lankatiles.com
Website	:	www.lankatiles.com

FACTORY

St. James Estate, Jaltara, Ranala

Telephone	:	+ 94 - 11 - 2141055, 2141057, 2141819
Facsimile	:	+ 94 - 11 - 2141045
E-mail	:	factory@lankatiles.com

BANKERS

Commercial Bank of Ceylon PLC

DFCC Bank

Bank of Ceylon

Hongkong & Shanghai Banking Corp. Limited

Hatton National Bank PLC
Sampath Bank PLC

AUDITORS

PricewaterhouseCoopers

Chartered Accountants

100, Braybrooke Place, Colombo 2.

Telephone	:	+ 94 - 11 - 4719838
Facsimile	:	+ 94 - 11 - 2303197

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty Fifth (35th) Annual General Meeting of Lanka Tiles PLC will be held at the Winchester Hall, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01 on the 05th July 2019 at 11.20 a.m for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2019 and the Report of the Auditors thereon.

2. To re-elect 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

3. To re-elect Mr. K D G Gunaratne, 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. J A N R Adhihetty, who retires in terms of Articles 110 of the Articles of Association, as a Director of the Company.

5. To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.

6. To authorize the Directors to determine Donations for the ensuing year.

By Order of the Board
LANKA TILES PLC

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
06th June 2019

Notes:

1) A shareholder entitled to attend or attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him/her. A Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.

2) A Form of Proxy is enclosed in this Report.

3) The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 215, Nawala Road, Narahenpita, Colombo 05, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting.

PROXY FORM

I/We the undersigned .... NIC No .... of

.... being a member/s* of Lanka Tiles PLC hereby appoint:

....

of ....

Mr. Dhammika Perera	of Colombo or failing him*
Mr. Amarakone Mudiyanselage Weerasinghe	of Colombo or failing him*
Mr. Jayasekera Arachchige Panduka Mahendra Jayasekera	of Colombo or failing him*
Dr. Sivakumar Selliah	of Colombo or failing him*
Mr. Tharana Gangul Thoradeniya	of Colombo or failing him*
Mr. Kalupathiranalage Don Gamini Gunaratne	of Colombo or failing him*
Ms. Anjalie Maryanne Letitia Page	of Colombo or failing him*
Mr. John Amrith Nishan Ratnatunga Adhihetty	of Colombo or failing him*

my/our * Proxy to vote and speak as indicated hereunder for me/us* and on my/our* behalf at the Thirty Fifth Annual General Meeting of the Company to be held on 5th July 2019 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

	For	Against
Resolution 1 To re-elect Mr. Dhammika Perera who retires in terms of Article No.103 and 104 of the Articles of Association, as a Director.		
Resolution 2 To re-elect Mr. K D G Gunaratne who retires in terms of Article No.103 and 104 of the Articles of Association, as a Director.		
Resolution 3 To elect Mr. J A N R Adhihetty who retires in terms of Article No.110 of the Articles of Association, as a Director.		
Resolution 4 To re-appoint Messrs. Pricewaterhouse coopers Accountants as Auditors of the Company and authorize the Directors to determine their remuneration.		
Resolution 5 To authorize the Directors to determine donations for the ensuing year.		

In witness my/our* hands this .... day of .... Two Thousand and Nineteen.

....
Signature of Shareholder/s

* Please delete the inappropriate words.
Instructions as to completion appear on the reverse.

INSTRUCTIONS FOR COMPLETION OF FORM OF PROXY

1. This Form of Proxy must be deposited at No. 215, Nawala Road, Narahenpita, Colombo 5 not less than forty eight (48) hours before the time fixed for the Meeting.

2. In perfecting the Form of Proxy please ensure that all details are legible.

3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.

4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.

5. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at The Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, 3/17, Kynsey Road, Colombo 8) for registration.

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