



SWISSTEK (CEYLON) PLC



# Harmony in **Style**





Annual Report online  
<http://www.swisstekceylon.com>



**SWISSTEK (CEYLON) PLC**

Lanka Walltiles Group  
# 215, Nawala Road, Narahenpita  
Colombo 5, Sri Lanka.

The top half of the image features a close-up, horizontal view of a wooden surface, likely a table or floor, with a warm, light brown tone and visible wood grain patterns. Below this, the text is set against a plain white background.

# Harmony in Style

Our products blends harmoniously in style to reinvent homes and spaces with modern and contemporary designs.







## Vision

To be the leading manufacturer of Tile Grout, Tile Mortar and Decorative Pebbles in Sri Lanka whilst supplying wooden flooring to enhance the range of flooring products available through other group Companies.

## Mission

**SWISSTEK** is committed to exceed customer demands by manufacturing and supplying a wide range of products to the highest quality standards; to fulfil the aspirations of our employees and reward loyalty; and to ensure our Shareholders good returns on their investments.

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## About the Company

Incorporated in 1967 as a limited liability company, Parquet (Ceylon) now known as Swisstek (Ceylon) celebrated 50 years on 12 July 2017.

The initial objective of the Company was to add value to Teak off cuts available in the local market, by manufacturing mosaic wooden flooring for the local market. With a technical collaboration with Bauwerk AG of Switzerland, the company ventured out to Exporting mosaic flooring in 1972. With the growth of the Export business, the Company added boarded and strip flooring as well as engineered flooring, unfinished as well as factory pre-finished, to its range of manufacture, in meeting overseas and local demand.

Wooden flooring was exported to countries such as UK, USA, Australia, Germany, Netherlands, Belgium, Spain, Switzerland, Norway, Greece, India, Pakistan, Korea etc and the company was awarded the prestigious Presidential Export award for excellence in the wood sector, on no less than 5 occasions. SWISSPARKETT became a household name for wooden flooring in the local market.

In 1983 the company was listed in the Colombo Stock Exchange and in 2003 became a member of the Lanka Walltile Group of companies. In 2010 the main line of business was changed from wooden flooring to the manufacture and supply of Tile Mortar and Tile Grout under the SWISSTEK brand name. Other products such as Decorative Pebbles, Fibre Cement Roofing & Ceiling sheets, Skim Coat have been added to the

SWISSTEK range of products whilst continuing to supply and install wooden flooring in the local market under the SWISSPARKETT brand name.

The company has grown from strength to strength over the years and strict quality controls are carried out to ensure all products are of international quality standards.

Significant increases in both Turnover and Profits have been recorded in the past few years and the management is confident of further rapid growth in the years ahead.



# Historical Milestones

1967 ➤

- The Company was incorporated as Parquet (Ceylon) Ltd.
- The main line of business was the manufacture of mosaic flooring using off cuts of local Teak, which otherwise was used for firewood.
- Machines required to manufacture mosaic flooring was imported from Bauwerk AG of Switzerland under a Technical collaboration.
- The Swiss Collaboration was the reason for the Brand name "SWISSPARKETT" for flooring marketed locally.

1972 ➤

- The Company ventured out to the export of mosaic flooring & block Parquet manufactured in local species Teak, Kumbuk & Panakka in addition to supplying & installing flooring in the local market.

2009 ✓

- The main line of business was changed from the manufacture & sale of wooden flooring to the manufacture & sale of Tile Mortar and Tile Grout. The manufacture of wooden flooring was discontinued though imported wooden flooring continued to be sold locally.

2003 ⬅

- The Company became a member of the Lanka Walltile Group of Companies.

2010 ➤

- The Company acquired Ceykor Aluminium Industries Ltd in the business of manufacture & sale of Aluminium Extrusions.

2011 ➤

- The Company name was changed from Parquet (Ceylon) PLC to Swisstek (Ceylon) PLC. The name of the subsidiary Ceykor Aluminium Industries Ltd was changed to Swisstek Aluminium Ltd.
- "SWISSTEK" Brand name was introduced for Tile Mortar & Tile Grout and used for Decorative Pebbles, Skim Coat & Tile Cleaner products added to the range, subsequently. Imported Wooden flooring continues to be marketed locally under the "SWISSPARKETT" Brand name. Aluminium products sold by the subsidiary are marketed under the "SWISSTEK ALUMINIUM" Brand name.



1983 (>)

- The Company was listed in the Colombo Stock Exchange.

1987 (v)

- The first Company in the region to introduce Rubberwood for flooring to the international market.

1996 (<)

- The first Company to obtain the Forest Stewardship Council Certificate (FSC) to certify that the Rubberwood used for flooring come from well managed plantations and thus an environmentally friendly species.
- Over the years Engineered flooring and solid wood Boarded / Strip flooring were added to the product range.
- Wooden flooring was exported to UK, USA, Germany, Netherlands, Switzerland, Spain, Greece, Australia, India, Pakistan, Norway, Belgium, Korea etc.
- The Company was awarded the prestigious Presidential Export Award for Excellence in the Wood sector, on no less than 5 occasions.

2013 (>)

- Vallibel became the Company's ultimate parent Company

2015 (L)

- Was awarded the ISO 9001 certificate for manufacture of Tile Mortar, by the Sri Lanka Standards Institute.
- Empire City Apartments, Royal Park Apartments, Cinnamon Lodge Habarana, Royal College Sports Complex, Laugfs Holdings Office Complex, National School of Business Management (NSBM), Kandy Municipality Sports Complex, Seemamalakaya Gangaramaya, Rocell Office Complex, La Fortress Hotel are some of the many locations "SWISSPARKET" wooden flooring have been installed, across the country, over the years.
- The Company has recorded unprecedented growth in both Turnover and Profit over the past few years.
- Continuity of growth is expected in the coming years with the investment of Rs. 170 Mn in a plant to increase the manufacture of Tile Mortar, to meet the market demand.

2018

- The company's share is trading at Rs. 60 per share as at 31 March 2018.
- Celebrated 50 years in business



# About this Report

Swisstek (Ceylon) PLC is pleased to present its first Integrated Annual Report in accordance with the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). This first Integrated Report provides information on our value creation process, including our goals and strategy, performance and governance through different forms of capitals inputs, outputs and outcomes.

## Scope and Boundary

Swisstek (Ceylon) PLC adopts an annual reporting cycle and this year's report covers the period from 1st April 2017 to 31st of March 2018. This report covers the aspects that are deemed material to the company's strategic direction. The report has been prepared in accordance with the Global Reporting Initiative G4 criteria - Core.

## Guiding Principles

We comply with all applicable local and global regulations, standards and frameworks, some of which are:

- Sri Lanka Accounting Standards
- Integrated Reporting Framework issued by the IIRC
- Global Reporting Initiative- G4 Standards
- Companies Act No 7 of 2007
- Listing Rules of the Colombo Stock Exchange
- 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
- Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka

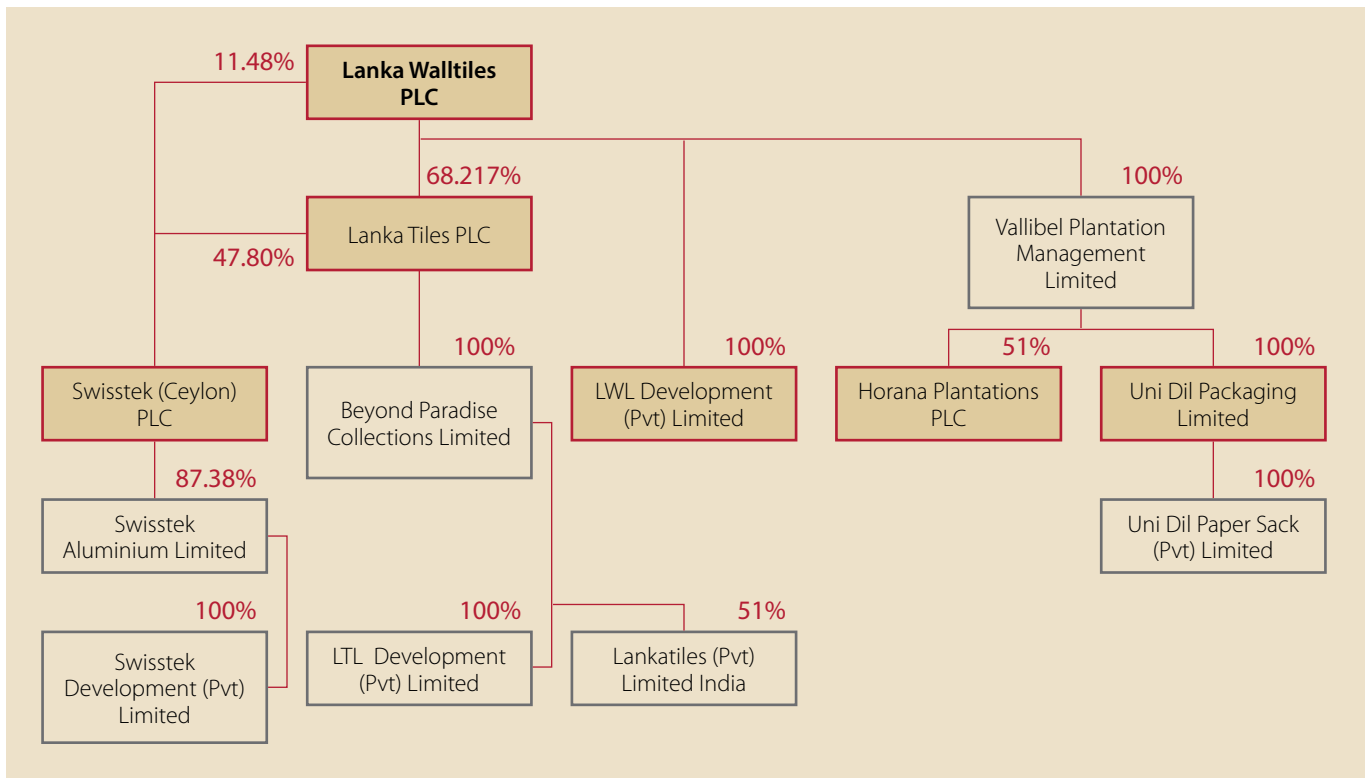
## Assurance

The independent auditor's opinion by M/s KPMG, Chartered Accountants on the Financial Statements is available in page 78 of this report.

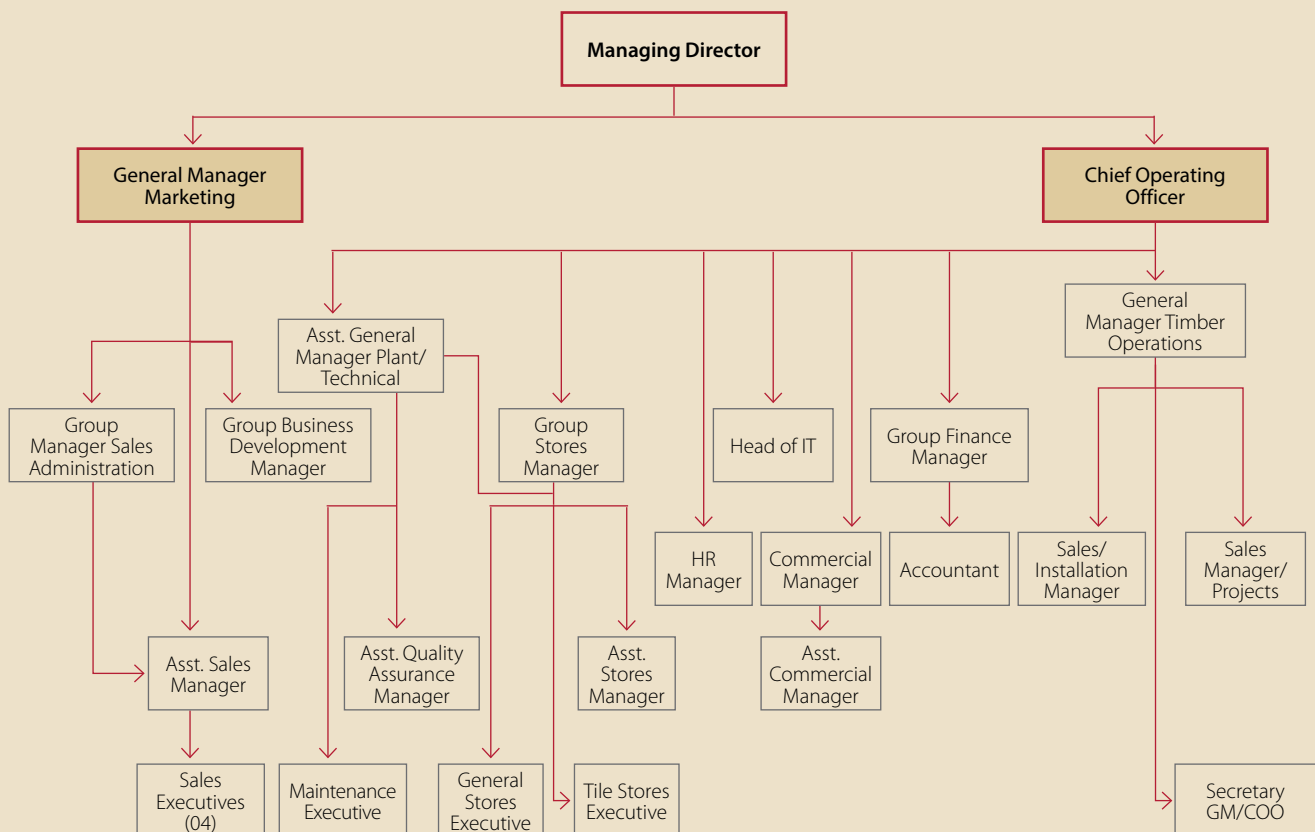
### Feedback

We are committed to improving our integrated reporting frame work in the coming years and we welcome your feedback, suggestions and other comments on our First Integrated Report. Please contact Tyrell Roche on 011 4526400 or [tyrell@lankatiles.com](mailto:tyrell@lankatiles.com)

# Group Structure



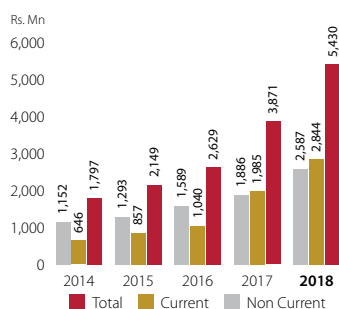
## Swisstek (Ceylon) PLC Organizational Structure - Executive Cadre



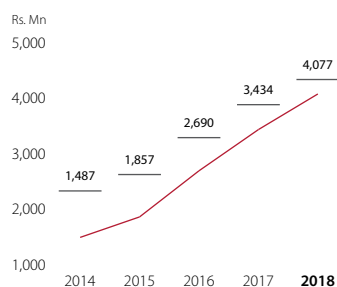
# Key Performance Indicators

The Swisstek (Ceylon) PLC group consists of Swisstek (Ceylon) PLC and one subsidiary, Swisstek Aluminium Ltd.

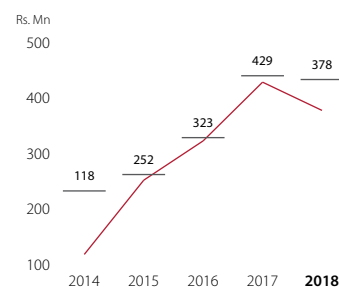
## Group Assets



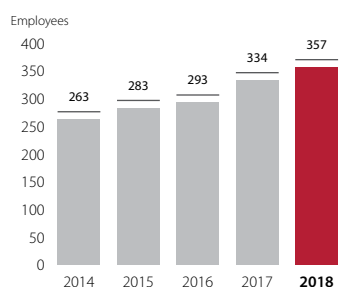
## Group Turnover



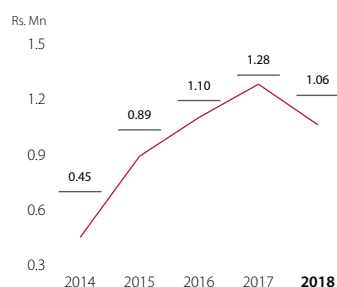
## Profit After Tax



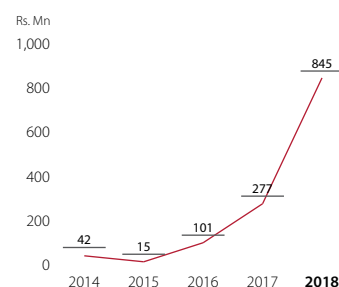
## Number of Employees



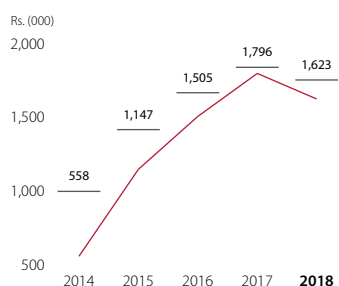
## Profit Per Employee



## Capital Investment



## Market Capitalization





# Financial Highlights

## Summary of Operations

Year ended 31 March		2018	2017	Change %
Revenue	(Rs. '000)	<b>4,077,367</b>	3,433,741	18.7
Gross Profit	(Rs. '000)	<b>1,188,604</b>	1,099,112	8.1
Operating Profit	(Rs. '000)	<b>630,050</b>	608,346	3.6
Profit for the year	(Rs. '000)	<b>378,070</b>	428,722	-11.8

## Summary of the Financial Position

Working Capital	(Rs. '000)	<b>477,595</b>	515,902	-7.4
Net Assets	(Rs. '000)	<b>2,143,615</b>	2,014,350	6.4
Borrowings	(Rs. '000)	<b>1,989,187</b>	1,328,312	49.8
Current Ratio	(Times)	<b>1.20</b>	1.35	-11.1

### Working Capital Growth

**8%**

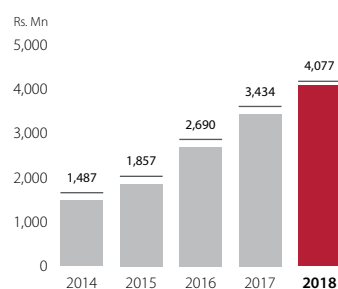
### Revenue Growth

**19%**

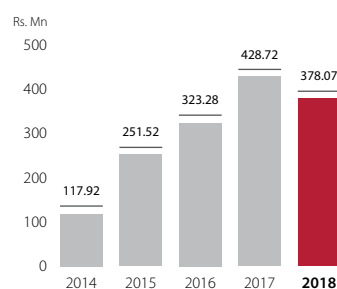
### Net Assets Growth

**7%**

#### Revenue Growth



#### Profit Growth



# Chairman's Review

Dear Shareholder,

I take pride in welcoming you to the fifty first Annual General Meeting of Swisstek (Ceylon) PLC. I am pleased to report that we remained unwavering in our purpose to create a more valuable company by strengthening our systems and processes as mentioned in my communication in last year's annual report. As a natural corollary to our focus, the year under review was marked by substantial investments in enhancing manufacturing capacity and expanding infrastructure to position the group to take advantage of new business lines - some of which were embarked upon during the year while others are in the pipeline. Overall prices increases of raw materials used in our manufacturing processes and the sharp rise in global aluminium prices in particular made it clear that improving on the previous year's financial performance would be an impossible task. Against this backdrop, the Swisstek (Ceylon) Group posted turnover growth of 19% against 28% in the previous year, while Group profitability declined to Rs. 378 Mn from Rs. 428 Mn in the preceding financial year. Furthermore, deceleration in the growth of the local economy resulted in sluggish demand for our building materials on the whole.

## Operating Conditions

Sri Lanka's economy posted a performance during the period under review. Real GDP growth decelerated during 2017 to 3.1% from 4.5% recorded in 2016, a year in which Swisstek (Ceylon) Group had delivered impressive financial results. The period under consideration, however, proved challenging for economic growth. During 2017, the unemployment rate declined to 4.2% from 4.4% in the preceding year. Headline

inflation remained broadly above the target during 2017, while core inflation stabilised at desired levels during the latter part of the year. Revisions to Value Added Tax (VAT) and Nation Building Tax (NBT), and higher commodity prices in the global market also contributed to high levels of inflation.

Agriculture related activities recorded a contraction of 0.8% against the backdrop of adverse weather conditions that carried over from 2016, while a slowdown in economic activity in both services and industrial sectors further exacerbated the situation. The Services sector, which accounted for 56.8% of real GDP, grew by 3.2% in 2017, on a year-on-year basis, driven by the expansion in financial service activities, wholesale and retail trade, and other personal service activities. On the other hand, public administration and defence activities recorded a contraction, dampening the services sector growth, while the slowdown in transportation activities also contributed towards the moderation in overall economic growth during the year.

Meanwhile, industry related activities, accounting for 26.8% of real GDP, grew by 3.9% in 2017. The growth in industrial activities was primarily supported by manufacturing activities, construction activities, and mining and quarrying. The construction sector slowed down to record a growth of 3.1% compared to an expansion of 8.3% in 2016. As a group, this impacted us by way of sluggish demand for building materials. Adding to the rising set of challenges stacked against the Group, the year under review witnessed aluminium prices climbing at a frenetic pace in the London Metal Exchange. Due to sweeping fundamental changes in the way aluminium is produced and consumed, the metal

rocketed from lows of US\$1,800 to five-year highs, before settling around the US\$2,100 mark. This had a profound impact on the projected earnings of our subsidiary company, Swisstek Aluminium, added to the fact that this coincided with the Company's tax holiday period ending during 2017, thereby making it liable for taxation.

## Value Creation for Shareholders

Despite the hardships faced by the Group during the year outside its control, Swisstek (Ceylon) PLC paid the highest dividend yet to shareholders in the history of the company. A dividend of Rs. 3.50 per share for the year ended 31 March 2018 was paid to the shareholders of Swisstek (Ceylon) PLC. Growing the wealth of our shareholders is at the core of our sustainable operations and we are proud to reward our shareholder base for their continued faith in our prudent management of the group.

## Positioned for Growth

A slew of capacity expansion projects and new product launches were undertaken to consolidate the Group's manufacturing excellence and widen its portfolio of products and services. The addition of a new sand grinding plant, investments in buying in land for enhancing warehouse capacity, and the introduction of new tiling related products have substantially strengthened the value of Swisstek (Ceylon) PLC. Significant investments in lands, building and machinery for growing Swisstek Aluminium's extrusion capacity were made during the year. An investment of Rs. 200 Mn was made to achieve capacity expansion in Swisstek (Ceylon) PLC, while another Rs. 700 Mn was strategically invested in Swisstek Aluminium to build capacity, ensure long-term operational

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Growing the wealth of our shareholders is at the core of our sustainable operations and we are proud to reward our shareholder base for their continued faith in our prudent management of the group.

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excellence and to be better positioned to meet growing market demand as a preferred brand name.

### Corporate, Environment and Social Governance

Good governance is at the core of our operations and the company's Board of Directors stringently monitors the Company's adherence to established governance and risk frameworks to demonstrate strong corporate stewardship.

### Our Integrated Reporting Journey

The Company remains committed to sustainable operation that is mindful of its impact on people, planet and profits. This is demonstrated in our First Integrated Annual Report this year which will provide a keen insight into how we create value for our stakeholder through our business model. Close

engagement with our business partners, customers and the society at large has ensured clarity of purpose and we have undertaken many social responsibility projects that enhance lives in the wider community.

Due to the unfavourable conditions and fierce competition prevailing in the market, the Board took a strategic decision not to increase prices of its products during the year. We bolstered the capacity expansion investments with building tighter teams focusing on specific market segments, strengthened distribution channels and continued to hone our customer service excellence standards. Our people-centric focus during the year with our stakeholder helped drive efficiencies and become a more cost effective operation.

### Acknowledgements

I would like to place on record my appreciation to our stakeholders for placing their confidence in us. Our team performed exceptionally during the year to mitigate challenges faced during the year. Cooperation from our valued suppliers and distributors was critical in our journey this year as we positioned the company to better seize opportunities as they emerge.

**A M Weerasinghe**  
Chairman

25 May 2018

# Managing Director's Review

The year under review was marked by some very significant developments in Swisstek (Ceylon) PLC's journey. Large investments in capacity and infrastructure enhancements combined with sharp increases in raw materials resulted in shrinking margins for the group. Overall group performance did not meet set targets and despite a turnover growth of 19%, profitability eroded by 12%. The group in profitability declined to Rs. 378 Mn from Rs. 429 Mn in the preceding financial year. Furthermore, the construction industry was also adversely affected by inclement weather conditions during the year, resulting in sluggish demand for our range of building products.

One of the main reasons for the drop in group profitability apart from increase in aluminium prices driven by the London Metal Exchange was that group subsidiary Swisstek Aluminium's tax holiday period ended during the year under review, making it a tax paying company. As a result, the company had to pay Rs. 84 Mn in taxes for the year, which shaved off profits from its bottom line. At both company and group level, higher interest cost was experienced due to investments in expansion made in both companies.

## Dividend payout

Shareholders of Swisstek (Ceylon) PLC can look forward to fruitful return on their investments as the management has approved a generous dividend of Rs. 3.50 per share, which reflects the prudent financial discipline and shareholder wealth creation commitment of the company.

During the period under review, Swisstek (Ceylon) PLC added a new sand grinding

plant and invested in land for warehouse purposes. Meanwhile, Swisstek Aluminium invested in land, building and machinery for expansion, which went up from 400 MT to 1000 MT of extrusion capacity, thus driving an increase in interest cost. Although the group profitability tapered off during the year under review, the extensive investments in expansion and system and process improvements have positioned Swisstek (Ceylon) PLC and Swisstek Aluminium Ltd. for exponential growth.

## Performance Swisstek (Ceylon) PLC

Swisstek (Ceylon) sustained its business of manufacturing and selling Tile Adhesives and mortar but could not meet local market demand in this category. Although plans were underway to commission plant expansion at an earlier date, we were unable to do so due to a slew of factors, thereby causing a delay of about five months. However, we were able to mitigate loss of revenue to a certain extent by introducing new wall putty - Skimcoat. We hope to partner a company manufacturing this wall putty in India, which will in turn earn for the company, duty benefits and cost advantage over competitors in the local market. Year on year profit increased by 25% to Rs. 178 Mn from Rs. 143 Mn in the previous year while turnover increased by 22%. Despite higher raw material costs, the management took a strategic decision not to pass on the price increases to consumers to ensure we remain competitive.

In order to augment revenues, we are also operating a sales outlet to sell parent group 'LANKATILES' and 'ROCELL' products, which is proving to be a steady revenue generator.

Swisstek (Ceylon) remains a market leader in the higher value Timber flooring segment for homes, hotels and swimming pool decks. We are considering diversification into related products as well. Our Tile Pebbles product is doing well and serves as the right embellishment along pool sides and water features in homes and hotels.

Our business line of trading in third party products was marked by the launch of fibre cement products to the market during the year under review to take advantage of the government's ban on asbestos. Unfortunately, the project did not take off as expected, as the imported product did not suit market conditions, leading us to discontinue the product.

The future outlook for Swisstek (Ceylon) is very promising with the introduction of Skimcoat and new variations of upgraded tile and mortar products in the next financial year. The newly-introduced Self-Leveling Cement product is also generating interest in the market.

We have put in place dedicated raw material sourcing teams to ensure a steady supply. With the introduction of our new products Skim Coat and Timber flooring, we are making inroads into new market segments.

It is evident that we will have to adopt a price increase to mitigate raw material increases and widen gross margins. In the meanwhile, we continue to focus on driving greater energy and cost efficiency, implementing cost control measures across our operations.

This year, we further developed our distribution channels, adding support to enhance our reach to a larger



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Our monthly customer satisfaction reports are putting us on the right path when it comes to honing our service at customer touch points, ensuring that we build loyalty with our customers.

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market audience. The Company stands at the forefront of manufacturing and technology leadership with the capacity increase, diversification, and process upgrade. The management remains committed to increase our cost efficiencies through process re-engineering.

### **Subsidiary Performance Swisstek Aluminium**

Our subsidiary company continued to excel in its operation in the current year with enhancement of capacity by 150%, new product development, process improvement and brand development. As a result of these measures coupled with the strong brand recognition and loyalty the company enjoys, Swisstek Aluminium market share grew to 28% during the year.

Due to expansion commissioned in July 2017, Swisstek Aluminium achieved greater levels of production in 2017/18, recording 19% turnover growth. However, profits fell below that of the previous year due to high aluminium prices its tax-paying status. If not, PAT would have largely been at the previous year's level although Profit before Tax declined. Inability to pass on price increases to consumers resulted in shrinking margins during the year.

### **Enhancing our capitals**

Sustainability has been key to our success and during this year too, we remained focused on building our key pillars. Customer centricity remains at the heart of our efforts and initiatives. Our biannual customer satisfaction reports are putting us on the right path when it comes to honing our service at customer touch points, ensuring that we build loyalty

with our customers. Our employees are regularly trained in customer service and management skills so that they are able to fully satisfy customer needs.

### **First Integrated Report**

We are delighted to present our first integrated report. By clearly using the capitals approach to assess our business operations and demonstrate how we create value across our operations, we are gaining new insights into how to enhance process efficiency even further. We welcome feedback from all stakeholders on our first integrated report so that we can improve on it in a way that delivers greater value.

Employee growth and advancement remains a key endeavour. We are gratified to note that the Company improved its position in the 'Great Place to Work' rating from 66 in the previous year to 85 this

## Managing Director's Review

year by taking speedy action to amend any less favourable perceptions held by staff. The results have been praiseworthy. We can now claim a low attrition rate and have begun to invest more heavily in local and overseas training for identified technical personnel. Interaction with overseas technical consultants is also encouraged. During the year, Swisstek Aluminium strengthened its quality assurance team and recruited an experienced HR Manager to further enhance human capital across the enterprise.

Our focus on up skilling industry remains unwavering, Swisstek (Ceylon) which jointly works with the 'LANKATILES' Tilers Club to train tilers on the technical aspects of laying grout, mortar and other tiling materials. The Aluminium Fabricators Club too runs on a similar concept. We regularly hold training sessions in different towns across the country, thus improving their vocational skills and enhancing their technical expertise.

We continued to sustain our longstanding relationships with dealers, suppliers and distributors. During the year, we welcomed more distributors and dealers into our fold. Swisstek Aluminium appointed new consignment dealers during the year and is in the process of adding a new warehouse to store aluminium profiles for easy availability. Our annual dealer meet is eagerly awaited by our dealer network as it provides an ideal platform for us to appreciate their contributions to growing our sales volumes.

### Future Group Prospects

The future is filled with possibilities for the group. Expansion capacity at both companies has almost doubled

production to meet higher demand, eventually helping us to carve out a greater share of the market. The diversification into new products lines, marketing Skimcoat under our brand eventually and launching pioneering flooring products are initiatives that will propel the company ahead.

In order to complement aluminium, we plan to introduce thermal break systems, proprietary systems and solar power mountings to enhance market share and serve customers better. We have put together a new R&D team and a team focused on the projects market as it is more lucrative.

### Corporate, Environment and Social Stewardship

Our integrated reporting journey has driven home the magnitude of the ripple effect that the various capitals can have on each other both with positive and negative results and how as a company we need to constantly examine what this means for our business. This realisation to demonstrate corporate stewardship in all aspects of governance - corporate environment and social - is crucial for running a sustainable business. Thankfully, Swisstek (Ceylon) PLC has always had good governance as the overriding principle in its operations and therefore has appropriate industry best governance and risk standards in place to ensure full compliance to accepted governance standards. On the same note, the Group is committed to earning its social license to operate by engaging with the community and investing in impactful social responsibility projects.

We expect the 2018/19 financial year to be more conducive for the construction industry as many of the under

construction condominium projects will be in the finishing stages and will require our products, which will provide a fillip for the Group's products and services. We are focused on vertical growth in next two years and will pursue aggressive opportunities in the present product range.

### Acknowledgements

I would like to express my gratitude to the Chairman and Board of Directors for their support and to the management team and staff for their meaningful contributions. I would like to thank all suppliers and customers for the valuable cooperation they extend to us. Our shareholders need to be commended for the confidence they place in us as we look forward to a promising future.



**J A P M Jayasekera**  
Managing Director

25 May 2018



# Creating Value for Our Stakeholders

## Our Business Model

The main activity of Swisstek (Ceylon) PLC, is the manufacture of Tile Grout, Tile Mortar, Tile Cleaner, and Skim Coat. The Company also manufactures Decorative Pebbles and continues to import and supply wooden flooring for the local market. We are a leading supplier of wooden flooring; the timber flooring is marketed under the SWISSPARKETT Brand Name.

All products are manufactured to the highest quality standards and are distributed under new brand name "SWISSTEK".

Our business model depicts how we utilise our financial and non financial capitals to create value for our stakeholders.

The Company's strategic value mapping process revolves around three strategic thrusts:

- Invest to reinforce Financial Capital and Manufacturing Capital
- Innovate to strengthen Intellectual Capital
- Evolve to become a sustainable business by developing Human Capital, Social Capital and Natural Capital

## Stakeholder Engagement

Swisstek (Ceylon) PLC has been in operation for 50 years since establishment in 1967. This longevity of the business can be directly attributable to the Company's ability to adapt to customer and other stakeholder requirements that have changed with

time. Therefore, we constantly attempt to align our business model in line with our stakeholder expectations to create genuine value for all stakeholders.

The Company has in place formal stakeholder engagement mechanisms to engage with key stakeholder groups. These mechanisms are reviewed regularly and improvements made or new mechanisms are introduced to ensure regular and clear communications.

Our key stakeholders as those who have a significant impact on business operations, or can be significantly impacted by the Company's operations. Our engagements with key stakeholder groups during the year are depicted below.

## Shareholders



Concerns	Response	Engagement Methods	Frequency of Engagement
<ul style="list-style-type: none"> <li>• Increase returns</li> <li>• Good governance</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced dividend payout ratio</li> <li>• Transparent information dissemination and business operations</li> </ul>	<ul style="list-style-type: none"> <li>• Dividend announcement</li> <li>• Stock Exchange announcements press releases</li> <li>• Quarterly publications</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly</li> <li>• Quarterly</li> <li>• Quarterly</li> </ul>

## Regulatory Authorities



Concerns	Response	Engagement Methods	Frequency of Engagement
<ul style="list-style-type: none"> <li>• Good governance creating employment and new business opportunities. Integrate environmental concerns into operations</li> </ul>	<ul style="list-style-type: none"> <li>• Improve governance practices maintain close working relationships with regulator</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly reporting framework</li> <li>• Annual reporting structure</li> <li>• Regular monitoring and audits</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly</li> <li>• Annual</li> <li>• Ongoing</li> </ul>



## Employees



Concerns	Response	Engagement Methods	Frequency of Engagement
<ul style="list-style-type: none"> <li>Development and growth</li> <li>Employment security</li> </ul>	<ul style="list-style-type: none"> <li>Training opportunities were increased</li> <li>Provided salary increments</li> <li>Performance appraisals were conducted</li> </ul>	<ul style="list-style-type: none"> <li>Direct interactions with senior management Notice Boards Letters/ Email Notices Meetings Workshops Labour forums</li> <li>Company sponsored social Interactions</li> <li>Performance Appraisals</li> </ul>	<ul style="list-style-type: none"> <li>As required</li> <li>Annual</li> <li>Biannual</li> </ul>

## Customers



Concerns	Response	Engagement Methods	Frequency of Engagement
<ul style="list-style-type: none"> <li>Value for money</li> <li>Product quality</li> <li>Reliable service</li> <li>Accessibility</li> <li>Choices</li> <li>Modern designs</li> </ul>	<ul style="list-style-type: none"> <li>Expanded retail and storage for better access</li> <li>Many new products and designs introduced</li> <li>Employees trained on customer</li> <li>Competitive pricing</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face interactions</li> <li>Customer hotline</li> <li>Customer complaints process</li> <li>Monthly Customer surveys</li> <li>Customer Satisfaction Index</li> <li>Social media interactions</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing as and when required</li> <li>Ongoing as and when required</li> </ul>

## Distributor



Concerns	Response	Engagement Methods	Frequency of Engagement
<ul style="list-style-type: none"> <li>Improve performance and skills development</li> <li>Knowledge transfer</li> </ul>	<ul style="list-style-type: none"> <li>Business support services</li> <li>Set-up an Index for distributors</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face interactions</li> <li>Customer hotline</li> <li>Customer complaints process</li> <li>Customer surveys</li> <li>Customer Satisfaction Index</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing as and when required</li> <li>Monthly</li> </ul>

## Creating Value for Our Stakeholders

### Suppliers

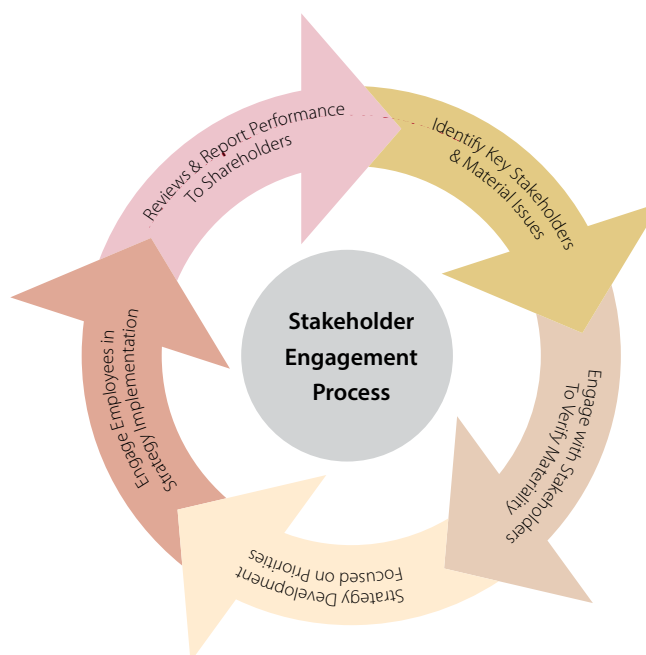
Concerns	Response	Engagement Methods	Frequency of Engagement
<ul style="list-style-type: none"> <li>Grow their business</li> <li>Skills development</li> </ul>	<ul style="list-style-type: none"> <li>Develop &amp; Maintain a supplier base</li> <li>Conduct workshops and trainings</li> </ul>	<ul style="list-style-type: none"> <li>Supplier visits</li> <li>Meetings</li> <li>Industry forums</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> </ul>

### Communities

Concerns	Response	Engagement Methods	Frequency of Engagement
<ul style="list-style-type: none"> <li>Safety and environmental concerns</li> <li>Support for social events</li> </ul>	<ul style="list-style-type: none"> <li>All environmental precautions are observed at all times</li> <li>Improved systems to reduce environmental impacts</li> <li>We have bought land surrounding the factory</li> <li>We support community activities</li> </ul>	<ul style="list-style-type: none"> <li>Hotline to address community complaints</li> <li>Participation in community activities</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> </ul>


# Stakeholder Engagement

The key stakeholders of Swisstek Ceylon PLC have been identified as Business Partners (Shareholders, Customers, Suppliers, Distributors, Dealers and Retail Customers), Government & Regulatory Bodies, Employees, and the Community. While we are yet to engage with them in a formal stakeholder engagement process, we have systems in place to engage with them to better understand their expectations in their interaction with our company, products and services. We take our stakeholder well-being into account at all stages of our decision-making process.



Stakeholder	Engagement Method	Details
 <b>Dealers</b>	<ul style="list-style-type: none"> <li>• Technical training programs</li> <li>• Regular meetings with dealers</li> <li>• Investment in capacity building</li> <li>• Tiler training programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Product innovation</li> <li>• Quality of service</li> <li>• Training programmes for dealers</li> <li>• Training on company products for tilers</li> </ul>
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Awareness raising programs</li> <li>• Upgrade capability</li> <li>• Meeting with suppliers</li> <li>• Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion on ease of transaction and procurement policies.</li> <li>• Agreements of long term partnership.</li> <li>• Quality of service</li> <li>• Product innovation with supplier help</li> </ul>
 <b>Customers</b>	<ul style="list-style-type: none"> <li>• Annual general meetings</li> <li>• Customer satisfaction survey</li> <li>• Company web sites and social media</li> <li>• Face to face interaction</li> </ul>	<ul style="list-style-type: none"> <li>• Product and service quality</li> <li>• Timely delivery</li> <li>• Product innovations</li> <li>• Ease of transaction</li> </ul>

## Stakeholder Engagement

Stakeholder	Engagement Method	Details
 <b>Shareholders</b>	<ul style="list-style-type: none"> <li>Annual general meeting</li> <li>Annual reports</li> <li>Quarterly reports</li> <li>Company websites</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability growth in earnings.</li> <li>Corporate governance and ethics.</li> <li>Risk management</li> <li>Growth opportunities and future outlook.</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>Training &amp; development programmes</li> <li>Appraisals</li> <li>Rewards and recognition</li> <li>Welfare events</li> </ul>	<ul style="list-style-type: none"> <li>Training and development.</li> <li>Workplace improvement.</li> <li>Review of remuneration policies and practices.</li> <li>Organizational developments.</li> </ul>
 <b>Government &amp; regulatory bodies</b>	<ul style="list-style-type: none"> <li>Annual report returns filing</li> <li>Regular meetings with regulatory bodies</li> <li>Updates are informed</li> <li>Corporate communication</li> </ul>	<ul style="list-style-type: none"> <li>Compliance of with all regulations and legislations.</li> <li>Payments of statutory dues.</li> <li>Corporate responsibility and communications</li> <li>Corporate governance.</li> </ul>
 <b>Society</b>	<ul style="list-style-type: none"> <li>CSR projects</li> <li>Company website and social media</li> <li>Training for undergraduates</li> <li>Donations</li> </ul>	<ul style="list-style-type: none"> <li>Creation direct and indirect job opportunities.</li> <li>Sponsorships and donations.</li> <li>Discussion on environmental and social impact of our business.</li> <li>Practice good corporate citizenship</li> </ul>

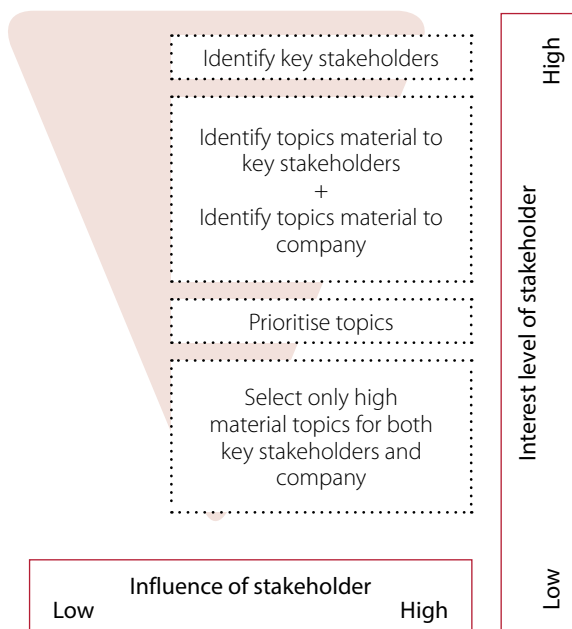


# Identifying Material Issues

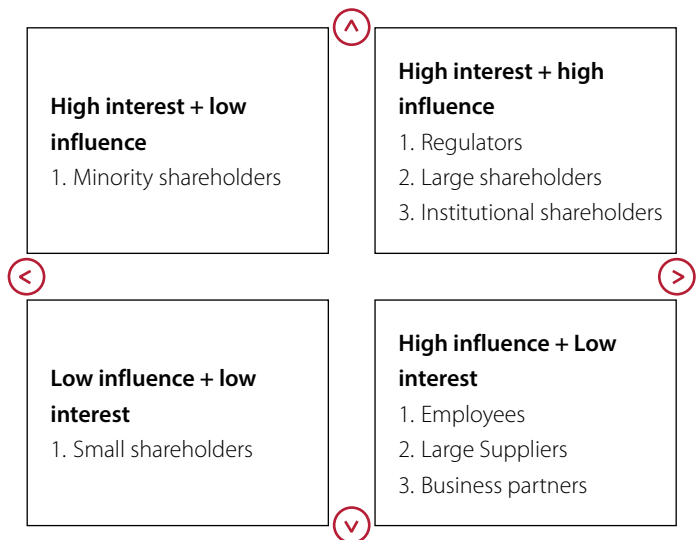
*Considering that this is our first integrated report*, a materiality assessment was conducted to ensure the report conforms to Integrated Reporting principles by disclosing topics of relevance to both the Company and key stakeholder groups. This was a 5-step process where:

1. Key stakeholders were identified (please refer the Creating Value for our Stakeholders chapter and Social Capital section of this report for information regarding our key stakeholder groups)
2. An assessment was conducted to identify material topics under each of the coverage areas of the IR Framework, for the given period.
3. These topics were then matched against stakeholder expectations.
4. Topics were prioritised.
5. Topics deemed to be high priority for both the Company and stakeholders were selected for discussion in the report. This process is depicted below.

## Process of identifying material topics for disclosure

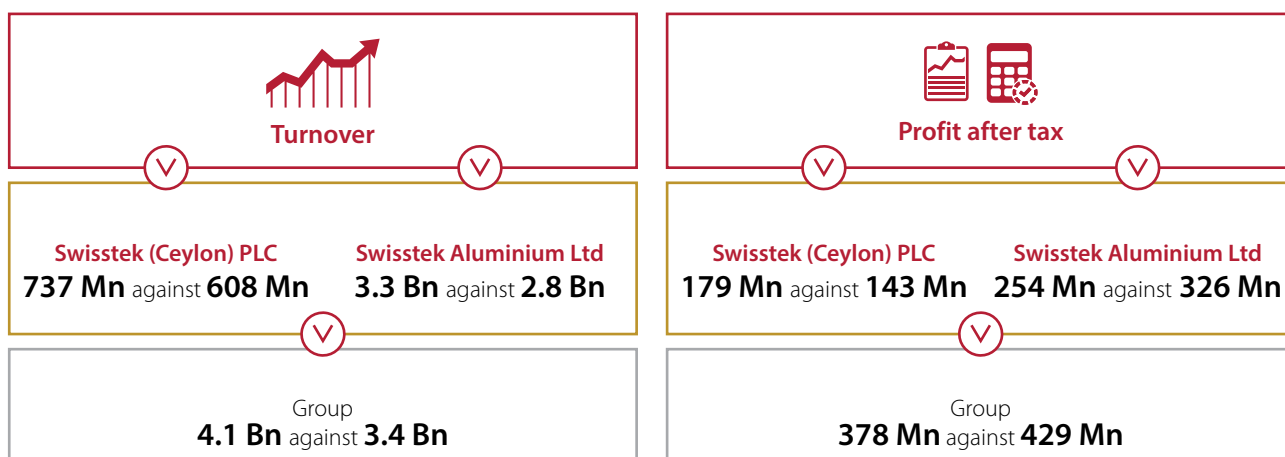


## Key stakeholder mapping



# Goals & Strategies

Swisstek (Ceylon) PLC is led by a bold ambition to provide exceptional customer experience, engagement, trust and advocacy in our chosen business area. Our due diligence to defining our goals and strategies makes our achievement of those aims amply clear across the enterprise. We uphold the responsibility of delivering financial returns while enriching the quality of life for our customers, employees, suppliers and stakeholders, as well as for our community, the environment and society at large.











# **Management Discussion and Analysis**

Delivering a sustainable  
value proposition to all  
stakeholders.



# Macro Economic Conditions

## Global Economy

The global economy continued to gain momentum in 2017 with a substantial majority of economies registering a pickup in growth. Two-thirds of the world economies, comprising emerging and developing economies as well as advanced economies, registered higher growth rates in 2017, compared to 2016. For the first time since the Global Financial Crisis, there is synchronised growth in the US, UK, EU and Japan. Growth in the advanced economies and China was triggered mainly by the increase in expenditure on fixed capital formation and accommodative monetary policy, while an increase in private consumption contributed to increased growth in most emerging market economies. Global trade recovered strongly and recorded substantially higher levels in 2017 compared to the past two years, despite the beginning of a series of successive retaliatory trade restrictions imposed on each other by the US and China. The global growth momentum is expected to improve further in 2018 and 2019 with better prospects for both advanced and emerging economies in terms of investment, production and trade, though possibly in the face of tightening financial market conditions and disruptions arising from trade wars between key global economies.

## Local Economy

Sri Lanka's real GDP growth decelerated further during 2017 to 3.1 per cent, from a growth of 4.5 per cent recorded in 2016. Inclement weather conditions carried over from 2016, while a slowdown in economic activity in both services and industrial sectors was observed. Amongst the sub activities of agriculture, growing of oleaginous fruits, vegetables and rice

reported negative growth rates. However, the growth of forestry and logging, fruits and tea helped contain the contraction in agriculture activities to some extent. Industry related activities, accounting for 26.8 per cent of real GDP, grew by 3.9 per cent in 2017. The growth in industrial activities was primarily supported by manufacturing activities, construction activities, and mining and quarrying.

However, the growth of construction activities that supported overall economic growth throughout the post conflict period, with the exception of 2015, decelerated notably during 2017. Services activities, which accounted for 56.8 per cent of real GDP, grew by 3.2 per cent in 2017, on a year-on-year basis, driven by the expansion in financial service activities, wholesale and retail trade, and other personal service activities.

On the other hand, public administration and defence activities recorded a contraction, dampening the services sector growth, while the slowdown in transportation activities also contributed towards the moderation in overall economic growth during the year.

Consumption expenditure, which accounts for the largest share of total expenditure of the economy, recorded a growth of 9.0 per cent in nominal terms during 2017, compared to the modest growth of 3.1 per cent in 2016. Higher growth of consumption expenditure was a result of the expansion in both public and private expenditure. Meanwhile, investment expenditure continued to support growth, with an expansion of 16.6 per cent in nominal terms. However, the slowdown in the growth of construction activities during 2017

contributed towards lowering the growth momentum in investment expenditure, compared to 2016. Nevertheless, in nominal terms, investment as a percentage of GDP rose to 36.5 per cent in 2017, compared to 35.0 per cent in 2016. Economic growth in 2017 was supported by domestic demand, which grew by 11.5 per cent.

The growth in industry related activities slowed during 2017 with the deceleration in the growth of construction, and mining and quarrying activities. The construction sector, which supported the overall growth of the economy considerably during the post-war era, slowed down to record a growth of 3.1 per cent compared to an expansion of 8.3 per cent in 2016.

## Balance of Payment

During the year, the trade deficit widened as a result of the increased expenditure on imports beyond expected levels, which outpaced the considerable increase in earnings from exports. The trade deficit expanded to US dollars 9,619 Mn in 2017, compared to US dollars 8,873 Mn recorded in 2016. As a percentage of GDP, the trade deficit was at 11.0 per cent in 2017, compared to 10.9 per cent in the previous year.

## Exports Sector

Exports rebounded during 2017 to record the historically highest value in terms of earnings, thus reversing the lacklustre performance in exports, which has seen them declining from 33.3 per cent of GDP in 2000 to 12.6 per cent in 2016. Accordingly, earnings from exports increased by 10.2 per cent to US dollars 11,360 Mn in 2017. The increase in exports was supported by the restoration of the EU GSP+ facility,

recovery in external demand, expansion in investment in export related industries, increased commodity prices in the international market, conducive external trade policies together with strong institutional support and the favourable impact of the flexible exchange rate policy maintained by the Central Bank.

### **Exchange Movements**

The depreciation pressure on the rupee, which prevailed particularly during the first two months of 2017, moderated thereafter with increased foreign investment to the government securities market and the CSE, and the increase in the conversion of export proceeds.

The depreciation pressure on the rupee further eased from May onwards with the receipt of the proceeds from the ISB, the foreign currency term financing facility and disbursements of two tranches of the IMF-EFF programme, which helped improve investor confidence. With these developments and measures taken to develop the foreign exchange market, the rupee remained broadly stable, depreciating by 2.0 per cent against the US dollar during the year.



## Financial Capital

This section sets out the status of the financial capital base of the Swisstek Group as at end-March 2018. It demonstrates the Group's financial stability and ability to withstand financial shocks through prudent cash management and strategic planning of investments.

### Financial Capital Management

The risks associated with the financial capital base of the Group is managed on a daily basis through the financial risk management framework which defines risk components and risk appetite for the Company and the Group. Financial risks faced by the Company and Group are explained in the financial statements, note 28 and the Risk Management section of this report.

### Changes to financial capital structure

The Group financial capital structure did not experience changes in its equity during the year and total issued share capital remained at Rs. 368 Mn. Swisstek (Ceylon)'s equity capital comprised Rs. 368 Mn in 27,320,000 ordinary shares. However, the market value of the Company was Rs. 1.6 Bn in 2017-18, with the share price standing at Rs. 59/- as at end-March 2018. As at end-March 2018, shareholders' equity increased to Rs. 2.0 Mn due to growth in retained profits by Rs. 250 Mn.

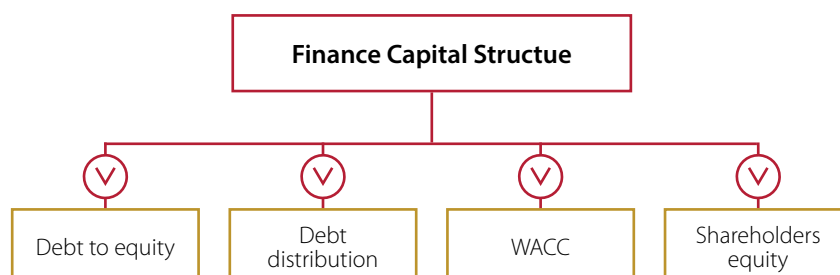
The debt capital of the Group, as at end-March 2018, comprised Rs. 2 Bn of long term and short term borrowing. Long-term liabilities increased to Rs. 291 Mn from Rs. 387 Mn in 2016-17. As a result, the debt to equity ratio moved from 68% in 2016-17, to 100% in 2017-18 and the



gearing ratio improved from 41% in 2016-17 to 50% in 2017-18. The weighted average cost of capital increased from 11% to 12% due to the higher dividend paid.

During the year, the Company accessed financial facilities from banks for its imports and working capital requirements to the value of Rs. 173 Mn in Rupee loans.

### Changes to financial capital structure in 2017-18



### Distribution of profits

An interim dividend of Rs. 3.50 per ordinary share for the financial year 2017/18 was declared by the Board.

### Assets

Group assets grew to Rs. 5.4 Bn by end-March 2018.

### Revenue

The Group recorded a revenue growth of 19% year-on-year, for 2017-18, from Rs. 3.4 Bn to Rs. 4.1 Bn. This revenue growth was supported by the powder coated Aluminium products, Tile Mortar and Fiber Cement sheet sales by Swisstek Group.

### Earnings Before Interest and Tax

At Group level, Swisstek was able to achieve a gross profit increase of 8% for the year, from Rs. 1.1 Bn, to Rs. 1.2 Bn despite cost of sales rising by 24% and the average cost of production increasing from Rs. 2.4 Bn to Rs. 3.0 Bn. The Swisstek Group EBIT increased to Rs. 630 Mn from Rs. 608 Mn in the previous year.

### Net profit

Swisstek Group recorded a net profit drop from Rs. 429 Mn in 2016/17, to Rs. 378 Mn this year with total tax expense increased to Rs. 107 Mn. compared to Rs. 73 Mn in the previous year and Finance cost increased to Rs. 145 Mn, compared to Rs. 107 Mn in the previous year.

### Performance benchmarks

#### ROCE

The Group ROCE declined from 22% to 21%

#### ROE

The Company's ROE declined to 19% from a ratio of 23% in the previous year due to growth in shareholders' equity.



## Manufactured Capital

The Group's manufactured capital base comprises the factory facility, group owned warehouses and showrooms, vehicles, inventory and furniture and equipment. This section explains the status of manufactured assets of the Group.

### Swisstek (Ceylon)

Swisstek (Ceylon) has a factory at Belummahara, which manufactures Mortar, Grout Skimcoat and Pebbles, and also operates an outlet for tiles sales. The products and finishes manufactured have appropriate safety information labeling, marketing and privacy. To ensure that our products have no impact on customers' health and safety, we rely on environmentally-compatible product development and innovative concepts.

### Swisstek Aluminium

Swisstek Aluminium has a factory at Dompe, Gampaha District, which manufactures Aluminium upto 850 MT. The products and finishes used are anodized, powder coated, wood finished and mill finished. Due to expansion commissioned in July 2017, Swisstek Aluminium achieved greater levels of production in 2017/18, recording 20% turnover growth.



### Sustainable Processes

Our factories are fully equipped plant with ISO 9001 environmental control, quality control and health & safety. Process efficiency remains an ongoing endeavour. We constantly strive to achieve energy efficiency and are certified with ISO 9001:2015 and SLS 1410:2011 Quality Controls. Our measures for environmentally compatible and energy efficient product design takes into account the entire product life-cycle, spanning development production and product use, as well as disposal and recycling.

### Investments

In order to augment revenues, we are also operating a sales outlet to sell parent group Lanka Tiles, Lanka Walltiles and Rocell products, which is proving to be a steady revenue generator. During the period under review, Swisstek (Ceylon) added a new silica sand processing plant and invested in acquiring land for warehousing purposes.

Meanwhile, Swisstek Aluminium invested in lands, building and machinery for expansion, which went up from 400 MT to 1000 MT of extrusion capacity, thus driving an increase in interest cost.



Although group profitability tapered off during the year under review, the extensive investments in expansion and system and process improvements have positioned Swisstek (Ceylon) and Swisstek Aluminium for exponential growth.

### During the 2017/18 year:

- Steps were taken to direct import of chemicals which were hitherto purchased through an agent and also to purchase bulk cement instead of bag cement in order to reduce cost of production.





- Implementation of a direct sand feeding system resulted in a saving of Rs. 100,000.00 per month along with quality enhancements.
- The Company invested Rs. 175 Mn for commissioning a silica sand processing plant to exercise greater control of its value chain. As a result, we will be able to maintain consistency of product quality while simultaneously lowering dependence on suppliers.
- This was augmented with the addition of a weigh bridge costing Rs. 45 Mn, thereby facilitating the smooth supply of raw material. In order to expand warehousing capacity, the company purchased 80 perches of land at an investment of Rs. 36 Mn close to the factory, thereby reducing carbon emissions caused by transporting materials across far distances.

#### Changes to Manufactured Assets

	2016-17 Rs. Mn	2017-18 Rs. Mn	% change
Factory building	375	<b>613</b>	63
Plant and machinery	425	<b>796</b>	87
Fleet of vehicles	12	<b>40</b>	233
Furniture and equipment	5	<b>15</b>	200
Inventory	812	<b>1,605</b>	98
<b>Total</b>	<b>1,629</b>	<b>3,069</b>	<b>88</b>

The value of factory buildings increased by 63% to Rs. 613 Mn from Rs. 375 Mn in the previous year, while the value of plant and machinery increased by 87% to Rs. 796 Mn from Rs. 425 Mn, as a result of upgrading the processing plant located in the factory premises. Regular maintenance and upkeep schedules are duly followed at the correct time and within stipulated technical specifications to maintain plant and machinery in optimum condition. During the year, we continued to upgrade and maintain our buildings and showrooms to maintain their market value. The value of the Group's fleet of vehicles increased by 233%, from

Rs. 12 Mn to Rs. 40 Mn. Total inventory value of the Group increased with higher capacity utilisation, which in turn increased domestic outputs. The valuation of stock holdings increased by 98% year-on-year to Rs. 3.1 Bn from Rs. 1.6 Bn in the previous year.







## Intellectual Capital

Positioned as a reliable, trustworthy product of good quality, Swisstek has a high recognition as a subsidiary Company of Lanka Tiles and Royal Ceramics. The Company enjoys a 34% share of the market. Intellectual Capital can be defined as collective knowledge of individuals in an organization which is leveraged upon to produce wealth, multiply output of physical assets, gain competitive advantage, and enhance value of other types of capital. Considering Swisstek's long history and track record for manufacturing high quality products, we have accumulated a vast store of knowledge in the Company. This expertise finds expression in our superior 'Swisstek' brand backed by strong R&D capabilities.

During the year under review, the Company invested Rs. 10 Mn in strengthening its R&D capability further, in order to drive innovation. The company has formulated for Mortar, Grout and Aluminium by leveraging on established norms further augmented by in-house improvement to suit market conditions and local customer needs. The Company migrated to an advanced ERP system during the year which will help streamline operations and enhance decision-making. This ERP system was developed in-house by our IT and risk experts to suit our unique organizational requirements.

During the year under review, the Company launched a new brand, Swisstek Non Asbestos Fibre Cement Sheets, which we believe have immense potential in the market. Apart from introducing new products, we are also focused on improving existing products. During the year, quality parameters of Skimcoat were developed keeping in mind customer and market feedback. We



also made additional improvement in our formulations after considering customer feedback.

The Company has 4 main product categories - Ready-made plaster mix, tile grout sealants, epoxy base tile adhesive and tile grout, engineered flooring, and aluminium extrusions. During the year, we aggressively introduced and marketed Skimcoat to the market.

SWISSPARKETT Solid Wood Flooring, skirting, stairway steps & risers are available in species such as Walnut, Merbau, Pyinkado, Burma Teak, Bamboo etc in different thickness/s/specifications, giving a wide range of choice of timber flooring made to international standards, at competitive prices. Supply and installation of outdoor decking is also undertaken by the Company. The pioneer wooden flooring Company, in Sri Lanka has carried out hundreds of thousands wooden flooring installations across the country over the past 48 years and caters to residences, offices, hotels, sports complexes etc. All products are finished with world renowned Bona floor finishes to exceptional quality standards.

We are also engaged in product development and hold regular training

programmes to identify related new products. We also participate in overseas industry platforms such as the Paint India exhibition and other training programmes to gain exposure to global trends.

### Certifications

The Company complies with local quality standards and holds ISO 9001:2008 quality management system certificate for tile mortar and tile grout and ISO 9001:2015 quality management system for tile mortar, tile grout, and skim coat manufacturing processes.



## Human Capital

The Company has progressed on a key pillar – its people. Our employees have truly been the pivot on which our Company has navigated challenges and successfully carved out a unique niche for itself, growing to become the second-largest player in the sectors in which it operates.

We have strategically invested in our people in terms of imparting learning and development opportunities through technical, vocational and leadership training programmes. Our employee development objectives are to create and promote career and employment opportunities and advance workforce planning and talent management. Recruitment and retention initiatives, leadership development and succession planning and continuous learning are a key focus.

Recognition is critical in motivating and rewarding employees and the Company ensures employees are regularly feted for their achievements. The Company is in full compliance with all statutory regulating requirements such as employee tax, EPF and ETF.

### Training programmes conducted during 2017/18 with an investment of Rs. 5 Mn

- 5S and Kaizen courses
- Product and productivity development
- Customer satisfaction and product awareness training
- IT system development training
- Glass and ceramic council symposium
- Training programme for field sales staff to enhance the knowledge of



our staff and empower them to be more effective in their relationships and transactions and align with Company objectives for the future.

- Overseas training

The Group employs 500 of which 120 are employed by Swisstek (Ceylon) and 380 in Swisstek Aluminium. The Group possesses a balance of young talent and experienced veterans. The nature of the business being what it is, there is greater number of males employed in the Group. However, wherever possible, we have hired female employees in administration roles. The Group has a mix of skilled and unskilled staff as required by their job roles.

### Appraisals

Annual assessments are conducted with consultations with the appraiser on a departmental basis which also identifies employees' training needs. The annual "Great Place to Work" survey was conducted in the previous year and grievances addressed. A direct result of this was that we improved employee satisfaction by leaps and bounds as evidenced from an improvement in ranking from 85 last year to 66 in the year under review.

### Employee Welfare

In order to ensure employee health and safety, appropriate safety measures are taken on the shop-floor. A comprehensive health insurance plan is extended to all staff and an annual bonus is announced based on appraisals.

The Company provides many opportunities for fellowship by organizing annual trips with families and celebrations both religious and cultural such as chanting of annual pirith and Sinhala/Tamil New Year. Subsidised meals are provided to factory workers to ensure they get adequate nutrition.

An inter-Company cricket tournament is organized every year between the two companies which brings out keen sportsmanship. Further, cash and gift awards were presented to employees in appreciation of their long service during the 50th anniversary celebration of the Company.



## Social & Relationship Capital

The Company has categorized its customers into Business Partners (Dealers, Suppliers, Distributors, Contractors, Fabricators), Retail Customers, Shareholders, Government entities and Communities. Our supply chain integrates our trading partners key business processes from initial raw material extraction to the final or end customer, including all intermediate processing, transportation and storage activities ensuring a quality finished product to our customers.



### Business Partners

Swisstek (Ceylon) PLC caters to the local market via 13 distributors while a separate team deals directly with project customers. We also have about 5 direct all island dealers. During the year, an online sales system was implemented at all distribution locations in the country by connecting all locations to the centralized system at head office. This has reduced response time and helped streamline distribution.

The Company engages with its distributor and dealers on a regular basis through our sales teams. We also engage with contractors, by organizing awareness programme about Swisstek products.

We also invest in capacity enhancement for these business partners. During the year, we invested over Rs. 1 Mn to increase manufacturing capabilities for one of our sand suppliers and overall spent more than Rs. 500 Mn is purchasing raw materials from suppliers. Regular meetings with our suppliers to discuss on business improvements have ensured that we get the best out of our suppliers. Furthermore, our integrated supply chain enables to reduce inventory

and costs, adds product value, extends resources, accelerates time to market and retains customers.

The Company provides high quality of pre sales and after sales service for retail customers who visit our outlets for purchasing Lanka Tiles and Lanka Walltiles products. The outlet staff has undergone customer service training to ensure a smooth and rewarding experience for customers. We expect this business line to generate greater returns and have focused on proving a superior ambience and customer experience.

Shareholders are at the heart of operations and we strive to create value for them by operating a sustainable business that delivers returns on their investment with regular dividend payouts. The Company engages with shareholders regularly through updates, corporate governance reports and annual general meetings. All shareholder concerns are addressed through the established procedure.

The Company relies on the government for establishing policy and for extending licenses for various operations in our business. In response, we demonstrate our commitment by paying our taxes in

a timely manner, meeting government officials at regular intervals, engaging with them on various forums and lobbying for industry requirements and to debate regulations that impact our business. Our proactive stance has ensured that we opened a strong channel of communication.

### Community

Over its many years of operations, the Group has woven its operations in the fabric of people's lives. Apart from employing staff from local communities, the Company engages closely with the wider community to extend support and help in the most worthy of causes. One of our key endeavour is the development of surrounding villages via financial assistance so that they can enhance services for people.

During the year, the Company engaged in alms giving to the Peter Weeresekara Children's Home, which houses many orphaned and destitute children. In addition, we donated tiles to develop wash-room facilities of the children's home so that they can enjoy better sanitation.

The Company also extended concern to employees by donating towards a waiting facility for the bus commuters near the factory.

Our focus on up-skilling industry remains unwavering. Swisstek (Ceylon) joins 'LANKATILES' the Tilers Club where we train tillers on the technical aspects of laying grout, mortar and other tiling materials. The Aluminium Fabricators Club too runs on a similar concept. We regularly hold training sessions in different towns across the country, thus improving their vocational skills and enhancing their technical expertise.

### Product Responsibility

The Company takes product responsibility very seriously as it can have a big impact on our reputation and credibility in the market amongst all our stakeholders. Attention is paid to labelling, marketing and privacy aspects of our entire product range. We also use only environmentally compatible product development and innovative concepts. Our measures for environmentally compatible and energy efficient product design take into account the entire product life-cycle spanning development production and product use, as well as disposal and recycling. The Company ensures products comply with relevant product standards. Any grievance is swiftly addressed and appropriately resolved to the customers satisfaction.







## Natural Capital

Natural Capital is the environmental stock or resources of the earth that we use in our operations. While some of these might be renewable, we remain focused on conservation and prudent usage of natural resources to ensure minimal impact of our operations on the sustainability of these natural resources. Swisstek (Ceylon) PLC makes responsible decisions that reduce its business' negative impact on the environment. We strive to minimise the environmental impact of our operations and supply chain, which increases the energy and resource efficiency of our processes.

- Creating an eco-friendly environment – The Group is focused on conserving the environment and to prevent any negative impact on the environment by our operations. This commitment goes beyond a notional exercise and extends to actual practices that influence how we conduct ourselves in preserving and protecting the natural environment, preventing air, water and land pollution in the process of conserving energy.
- Waste Management - A solid waste disposal system is in place at our factories, through which we carry out composting and recycling by partnering external agencies in a way that there will be no adverse social or environmental impact.
- Promoting the use of resources efficiently through sustainable operations whilst improving energy efficiency at all levels of the business model and exploring attractive energy options.
- Improving environmental compliance through the integration of day-to-day operations.



The main energy resource used by the company is power from the national grid along with diesel and LPG for our manufacturing process. These resources are used prudently and disciplined usage of these non-renewable resources is instilled in our employees. We have installed noise pollution control mechanisms at our factories so that we do not in any way cause disturbance to surrounding communities and flora and fauna in the vicinity of our manufacturing facilities. The Company has put in place a well-defined Solid Waste and Effluent Management process that ensures that waste is treated in an environmentally-friendly manner before being released. During the year under review, we worked to minimise the environmental impact of our operations by using resources efficiently and reducing waste in our manufacturing processes.

### Environmental Regulatory Compliance

We are fully compliant with all applicable Central Environmental Authority (CEA) and other regulations. During the year, we did not face any fines or penalties for non-compliance.

During 2017-18, the Company invested Rs. 23.8 Mn on compliance activities

such as sound proofing, monitoring environmental impacts and reducing dust emissions and sound pollution.

### Mitigating Dust Emissions:

To minimise dust emissions arising from the firing process during the manufacture of tiles, the Company has installed dust collectors or containment points. This dust is collected and reused in the production process. Dust emissions of the Company are well below the parameters set by the CEA.

### Containing Sound Pollution

During the current financial year, we continued to monitor and improve internal systems to measure and control sound pollution by:

- Outsourcing crushing process to reduce sound pollution within the factory radius. The partner to whom we have outsourced this process conducts this process in a manner that does not disturb the surrounding areas and as per regulations.
- The Company has also bought up land surrounding the factory to prevent sound disturbance to neighbours.

## Future Outlook

In our mission to deliver greater value added products and grow shareholder wealth, the Company has invested in technology and capacity upgrades during the year under review in a manner that positions it to cater to greater demand in the future. The main projects undertaken during the year including warehouse expansion, Improved dust control system, New product development and Investment in machinery to increase production. We believe these initiatives will propel the company ahead to garner a niche market and also enhance visibility of our products. We are also focused on geographical expansion, by increasing penetration in the North and East regions of the country. Our employee-centric approach to doing business has motivated us to invest heavily in training so that the team is better able to offer a distinctive customer service.

While we are now equipped with greater capacity and a well-trained workforce, we remain cognizant of certain challenges which include decreasing the supplier bargaining power by strengthening our value chain, bringing down the unit cost for each product through productivity and efficiency enhancement, decreasing the wastage of material and energy to enhance our carbon footprint and upholding the quality consistency that we are known for in the market. One of the key pillars for growth will be to grow our market share over the next few years by leveraging on our diversified portfolio.





A modern interior space with large windows, white furniture, and a bright, airy atmosphere. The room features a white table and chairs, a white desk, and a large window looking out onto a green landscape. The text is overlaid on a white diagonal band.

## **Leadership & Governance**

Focused governance structure to ensure highest standards of integrity and transparency.



## Board of Directors



### **Mr. A M Weerasinghe**

Chairman

A Gem Merchant by profession. Has been in the business field for more than 35 years involved in real estate, construction, transportation & hospital industry and has been a landed proprietor. In addition to the above, he is also the Chairman of the Singhe Hospitals PLC and Weerasinghe Property Development (Pvt) Ltd., TradeHuts (Pvt) Ltd., Weerasinghe Gems (Pvt) Ltd., Swisstek (Ceylon), Swisstek Aluminium and Deputy Chairman of Royal Ceramics Lanka PLC, Lanka Tiles PLC., Lanka Ceramics PLC. and Lanka Walltiles PLC.

### **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 Ltd. 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.



**Mr. J K A Sirinatha**  
Director

Mr. Aravinda Sirinatha holds a Master's Degree in Business Administration, a Bachelor's Degree in Management and has also completed the Intermediate level exams held by the Institute of Chartered Accountants of Sri Lanka. He holds 25 years' experience in the fields of finance, Manufacturing, Supply Chain Management and Sales and Marketing. He is a Director of Everpaint and Chemical Industries (Pvt) Ltd. He currently serves as the Head of Sales and Administration of Royal Ceramics Lanka PLC and on the board of LB Managements Services (Private) Ltd. Delmege Freight Services (Private) Ltd and Delmege Air Services Ltd.

**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 various fields which include areas of manufacturing, healthcare, plantations, packaging, logistics and retail.

He currently holds the position of Deputy Chairman of Asiri Hospitals Holdings PLC, Deputy Chairman of Asiri Surgical Hospital PLC and Central Hospital Pvt Ltd. He is a Director of Lanka Tiles PLC, Lanka Walltiles PLC, Softlogic Holdings PLC, ODEL PLC, HNB Assurance PLC, ACL Cables PLC, Lanka Ceramic PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Ltd. Dr. Selliah is the Chairman of JAT Holdings Pvt Ltd, Cleanco Lanka Pvt Ltd.

Dr. Selliah serves on the Audit committee, Investment committee, Risk committee, Strategic planning committee, Related Party Transaction committee and HR & Remuneration committee of some of the companies listed above.



## *Board of Directors*

### **Mr. A S Mahendra**

Director

Mr. A S Mahendra is the General Manager - Marketing of Lanka Walltiles PLC and Lanka Tiles PLC both companies quoted on the Colombo Stock Exchange. He is a Director of Swisstek (Ceylon) PLC and Swisstek Aluminium Limited.

He is having 30 years of working experience in the field of Sales and Marketing.

He is holding a MBA in Marketing from University of Colombo, Post Graduate Diploma from Chartered Institute of Marketing. Also, a Chartered Marketer and a member of the Chartered Institute of Marketing – UK.

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### **Mr. K D G Gunaratne**

Director

Mr. Gunaratne was a member of the Western Province Council during the period 1989 to 2009.

Mr. Gunaratne currently serves as the Chairman of Lanka Hotels & Residencies (Pvt) Ltd., Chairman of Urban Investments & Development Company (Pvt) Limited (Subsidiary of Urban Development Authority). Holds directorships at Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic PLC, Horana Plantations PLC, Insurance & Financial Services (Pvt) Ltd, Dipped Products PLC, Singer Industries Ceylon PLC, Regnis Lanka PLC.

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# Senior Management Team



**Mr. B T Tyrell Roche**  
Chief Operating Officer



**Mr. A Sharley Mahendra**  
General Manager Marketing



**Mr. Dayal de Silva**  
General Manager Timber Operations



**Ms. Wajira Nanayakkara**  
Asst. General Manager Plant/ Technical



**Mr. Prasad Keerthirathne**  
Head of IT



**Ms. Sajeewani Amarasinghe**  
Group Finance Manager



**Mr. Anura Ratnayake**  
Group Business Development Manager



**Ms. S P H Kaushalya**  
Group Manager - Sales Administration



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



# Corporate Governance Report

## Introduction

The Board of Directors of Swisstek (Ceylon) PLC is committed to upholding the highest standards of integrity and transparency in its governance of the Company and its subsidiaries. The Board is guided by the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka in conjunction with the Securities and

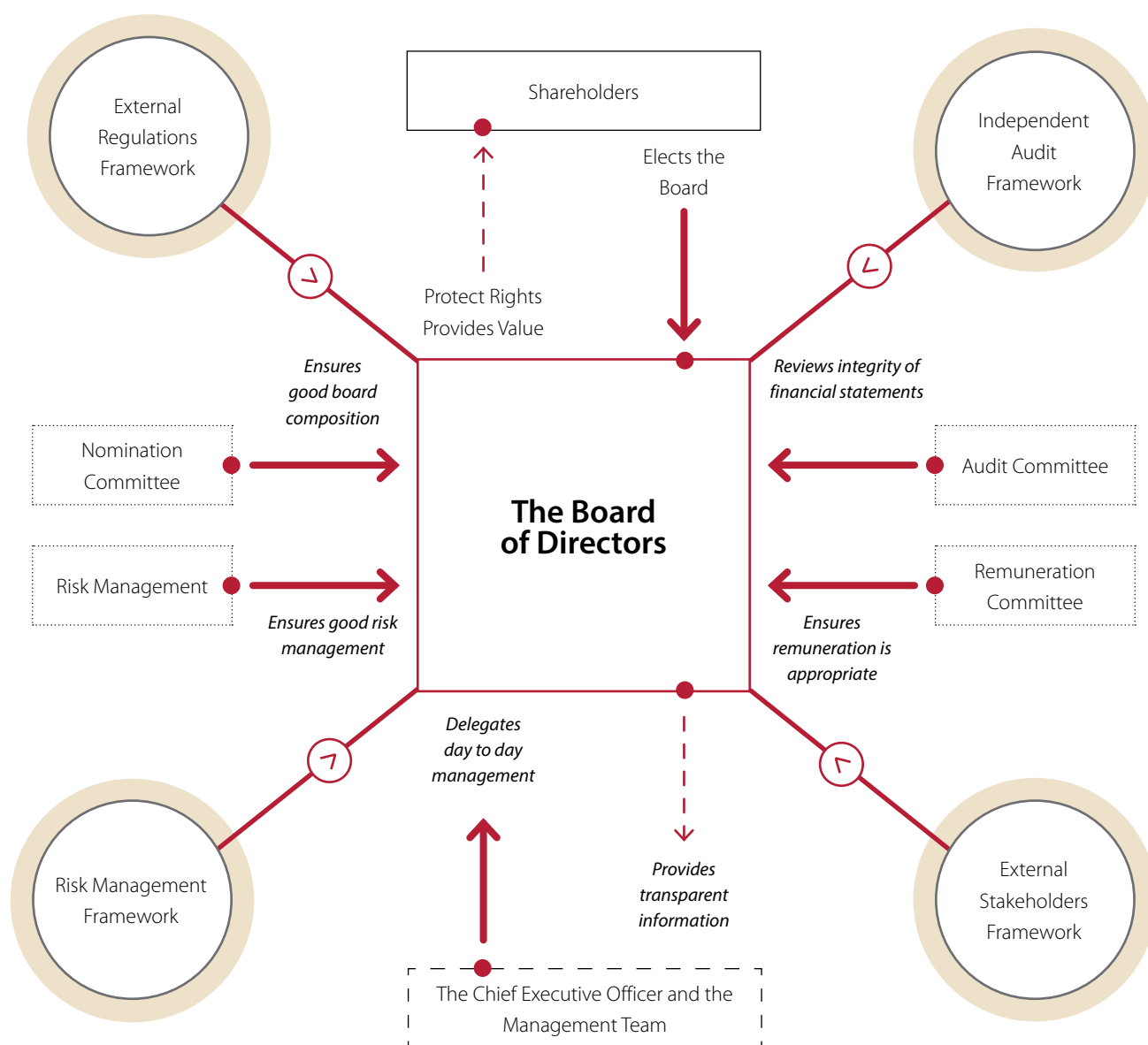
Exchange Commission of Sri Lanka and the Colombo Stock Exchange. The Board is responsible for protecting the rights and interests of shareholders and is accountable to them for the overall management of the Company.

In this report the Company shares its corporate governance framework, compliance to corporate governance codes and the board statement of

compliance is given. This is presented to the shareholder to ensure that their rights are protected while the business is being run to create value for them.

## Corporate Governance Framework

The Corporate Governance framework to accomplish the corporate governance objective of Swisstek (Ceylon) PLC is given below.



## The Compliancy to Corporate Governance Code Issued by Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka

The compliance of Swisstek (Ceylon) PLC to the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka in 2017 is as follows:

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
<b>A. Directors</b>		
<b>A.1 - The Board</b>		
Frequency of Board Meetings	<p>The Board met on a monthly basis in the year under review. The Board's sub committees met on four occasions.</p> <p>Board meeting attendance:</p> <p>A M Weerasinghe - (Chairman) - 12/12</p> <p>J A P M Jayasekera - (Managing Director) - 12/12</p> <p>Dr. S.Selliah - (Director) - 12/12</p> <p>J K A Sirinatha - (Director) - 11/12</p> <p>K D G Gunaratne - (Director) - 7/12 (Appointed w.e.f. 30/08/2017)</p> <p>A S Mahendra - (Director) - 7/12 (Appointed w.e.f. 30/08/2017)</p> <p>K C Silva - (Director) - 01/12 (Resigned w.e.f. 27/04/2017)</p> <p>K Y Choi - (Director) - 02/12 (Resigned w.e.f. 26/07/2017)</p> <p>S A D M Ratnayake - (Director) - 01/12 (Resigned w.e.f. 02/05/2017)</p>	Compliant
Role and responsibility of the Board	<p>The Board is responsible for:</p> <ol style="list-style-type: none"> <li>The formulation and implementation of a sound business strategy.</li> <li>Monitoring compliance of governance, laws and regulations.</li> <li>Overseeing systems of internal control and risk management.</li> <li>Approving annual budgets and strategic plans.</li> <li>Appointing and reviewing the performance of the Managing Director.</li> <li>Approving any change in the Group's business portfolio and sanctioning major investments and disinvestments in accordance with parameters set.</li> <li>Ensuring that effective remuneration, reward and recognition policies are in place to motivate employees to meet Company objectives.</li> <li>Submitting themselves for re-election at regular intervals and at least once in every three years.</li> </ol>	Compliant
Compliance with applicable law	The Board ensured in the year under review that the Company adhered to all applicable laws, rules and regulations.	Compliant

## Corporate Governance Report

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
Company Secretary	The services and advice of the Company Secretary M/s. PW Corporate Secretarial (Pvt.) Ltd. is made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant individually as Directors and collectively to the Board.	Compliant
Independent judgment	The Board members are required to divulge all functions with the Company, refrain from matters of self interest and to bring independent judgement to the decision making process.	Compliant
Dedication of adequate time and effort	Board members attend all Board meetings in person and need to be prepared to engage in decision making matters which may entail an adequate amount of time and effort spent.	Compliant
Appropriate training for Directors	All Directors have considerable experience in managing Companies and the ceramic industry. Relevant training opportunities are made available to all Directors locally and internationally to further their knowledge and expertise.	Compliant
<b>A.2 - Chairman and CEO</b>		
Division of responsibilities between the Chairman and CEO	There is a clear division of responsibility at the head of the Company. This is between the running of the Board (Chairman) and the executive responsibility of overseeing the Company's business (Managing Director). No single individual has liberal powers with regard to decision making.	Compliant
<b>A.3 – Chairman's Role</b>		
Prepare good corporate governance and facilitate effective discharge of Board functions	The Chairman is responsible for the efficient conduct of Board meetings. The Chairman maintains close contact with all Directors and holds informal meetings with Non-Executive Directors whenever necessary.	Compliant
<b>A.4 - Financial Acumen</b>		
Availability of sufficient financial acumen and knowledge.	The Board includes directors, who possess the necessary knowledge and competence to offer the Board guidance on financial matters. The Managing Director is a Chartered Accountant.	Compliant

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
<b>A.5 - Board Balance</b>		
The Board should have an adequate number of Directors with a balance of executive and non-executive Directors of sufficient calibre along with independent Directors.	<p>The Board comprises of 06 executive and non-executive Directors.</p> <p>Directors' status is as follows:</p> <p><b>Executive Director</b></p> <p>J A P M Jayasekera</p> <p><b>Non - Executive Directors</b></p> <p>A M Weerasinghe - (Chairman)</p> <p>K Y Choi – (Resigned w.e.f. 26/07/2017)</p> <p>J K A Sirinatha</p> <p>Tilak De Zoysa – (Retired w.e.f. 29/06/2017)</p> <p>*Dr. S.Selliah</p> <p>A S Mahendra - (Appointed w.e.f. 30/08/2017)</p> <p>*K D G Gunaratne - (Appointed w.e.f. 30/08/2017)</p> <p>*Independent and Non-Executive Directors</p> <p>Dr. S Selliah and Mr. K D G Gunaratne are Directors of Lanka Walltiles PLC. However, after taking into consideration the fact that they are not actively involved in the management of Lanka Walltiles PLC and furthermore, since they do not directly hold a significant percentage of shares in Swisstek (Ceylon) PLC, the Board is on the view that their independence is not compromised. Accordingly, the Board has determined that Dr. Selliah and Mr. K D G Gunaratne are 'independent' Directors as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.</p>	Compliant
<b>A.6 - Supply of Information</b>		
Relevant information and agenda to be circulated in a timely manner to the Board.	The Board papers are circulated a week prior to Board meetings with an adequate briefing on relevant information.	Compliant
<b>A.7 - Appointments to the Board</b>		
Procedure for the appointment and disclosure of new Directors/ Assessment of Board composition	The appointment to the Board is undertaken by the Board itself, taking into consideration the Board composition required and the strategic input required. All Board appointments are informed to the SEC as per the existing regulations.	Compliant
<b>A.8 - Re-election</b>		
Re-election of Directors at regular intervals.	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 Shareholders.	Compliant

## Corporate Governance Report

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
A.9 - Appraisal of Board Performance		
Boards should periodically appraise their own performance in order to ensure that responsibilities are discharged in a satisfactory manner	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 evaluating the performance of the Board and make necessary recommendations for improvements.	Compliant
A.10 - Disclosure of information in respect of Information		
Shareholders at all times should be aware of relevant details with respect to Directors.	All Directors have declared their details in page 42 as Director profiles.	Compliant
A.11 - Appraisal of Chief Executive Officer		
The Board should be required to assess the performance of the CEO annually.	The CEO is evaluated each year by the Board as per the yearly targets that has been agreed with the annual budget and corporate requirements.	Compliant
B. Directors' Remuneration		
B.1 - Remuneration Procedure		
Formal and transparent procedure for developing policies on remuneration.	The Board has implemented a formal and transparent procedure for developing policies on remuneration by setting up a Remuneration Committee. Its purpose is to assist the Board of Directors in matters relating to compensation of the Company's Directors, Executive Officers and such other employees as determined by the Committee	Compliant
Composition and disclosure of the members of the Remuneration Committee	The Remuneration Report which is in Page 71 of the report addresses all related matters.	
B.2 - The level and make up of Remuneration		
Levels of Remuneration	Remuneration levels have been designed to attract, retain and motivate Directors and Senior Management required to run the Company successfully, while remaining within the industry's remuneration standards	Compliant
B.3 - Disclosure of Remuneration		
Disclosure of Remuneration in the Annual Report	Details of the Remuneration Committee and the statement of remuneration policy are provided in the Annual Report.  The aggregate remuneration paid to Executive and Non-executive Directors are disclosed on Page 126 of this Report.	Compliant



Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
<b>C. Relations with Shareholders</b>		
<b>C.1 - Constructive use of the Annual General Meeting and conduct of General Meetings</b>		
Boards should use the Annual General Meeting to communicate with shareholders and encourage their participation.	The active participation of shareholders at the AGM is encouraged. The Board believes the AGM is a means of continuing effective dialogue with Shareholders.	Compliant
<b>C.2 – Communication with shareholders</b>		
Board should implement effective communication with shareholders	Policies and processes to receive and respond matters are in place and the Company Secretary is the contact person to communicate with shareholders officially.	
<b>C.3 – Major and Material Transactions</b>		
Disclosure of major and material corporate transactions that will materially effect the net asset base of the company and/or its subsidiaries.	There have been no transactions during the year under review, which fall within the definition of 'Major Transactions' in terms of the Companies Act. This has been reviewed by the Related Party Transactions Review Committee and the report is in the page 74.	Compliant
<b>D. Accountability and Audit</b>		
<b>D.1 – Financial and Business Reporting</b>		
The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	The Annual Report of the Company provides a balanced and understandable assessment of the Company which is in addition to the accounts, the management and financial reviews, Director's report and responsibility structures. All major and minor related party transactions are also reported there.	Compliant
<b>D.2 – Risk Management and Internal Control</b>		
The Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets.	The Board has taken necessary steps to ensure the integrity of the Group's accounting, financial reporting and internal control systems and also their review and monitoring on a periodic basis. Our systems covering risk management, financial and operational control, ethical conduct, compliance with legal and regulatory requirements and corporate social responsibility are detailed below.	Compliant
<b>D.3 - Audit Committee</b>		
The Board should establish formal and transparent arrangements in the manner in which they select and apply accounting policies, financial reporting, internal control principles and maintaining an appropriate relationship with the Company's Auditors.	The Audit Committee Report on page 72 of the report addresses this section in full.	Compliant

## Corporate Governance Report

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
<b>D.4 – Related Party Transactions Review Committee</b>		
The Board should establish a procedure to ensure that the company does not engage in transactions with “related parties” in a manner that would grant such parties “more favourable treatment” than that accorded to third parties in the normal course of business	Related party transactions detailed in LKAS 24 and the company’s adhered to it and the details are given in the Related Party Transactions Review Committee report in Page 74 of this report.	Compliant
<b>D.5 - Code of Business Conduct and Ethics</b>		
Companies must adopt a Code of Business Conduct and Ethics for Directors and members of the Senior Management team and promptly disclose any waivers of the Code for Directors or others.	The Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission is adopted by the Directors who then ensure that the Company and the employees behave ethically.	Compliant
<b>D.6 - Corporate Governance Disclosures</b>		
Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	Adhered to as per the Corporate Governance report in the Annual Report Page 46.	Compliant
<b>E. Shareholders – Institutional Investors</b>		
<b>E.1 - Shareholder Voting</b>		
Institutional shareholders should be encouraged to ensure their voting intentions are translated into practice.	All institutional shareholders are encouraged to participate and their views are communicated to all concerned.	Compliant
<b>E.2 - Evaluation of Governance Disclosures</b>		
Institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	The Report contains the Company’s Corporate Governance process and structure for investor’s attention.	Compliant
<b>F. Other Investors</b>		
<b>F.1 - Investing / Divesting Decision</b>		
Individual shareholders, should be encouraged to carry out adequate analysis in investing or divesting decisions.	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.	Compliant

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
<b>F.2 - Shareholder participation in meetings</b>		
Individual shareholders should be encouraged to participate in the General Meeting of Companies and exercise their voting rights.	All shareholders are encouraged to participate at the Annual General Meeting / Extraordinary General Meeting and cast their votes. AGM's are noticed in advance as per Companies Act and held on accessible area to ensure shareholders can participate effectively.	Compliant
<b>G. Internet of Things and Cyber security</b>		
<b>G.1 - Internet of Things and Cyber security</b>		
The Board should have a process to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cyber security risks that may affect the business.	The company has implemented a cyber security policy and have a robust cyber security risk management process and has a designated Chief Information Security Officer (CISO) in place to manage this area. Details of this appear in page 57 of this report under the risk management and internal control report.	Compliant
<b>H. Environment and Social Governance (ESG)</b>		
<b>H.1 - ESG Reporting</b>		
ESG reporting is a Board's responsibility and it is designated to add value by providing a credible account of the Company's economic, social and environmental impact.  The Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported.	Refer page 63 in the Annual Report for information pertaining to this and the capital reports in pages 30 to 38.	Compliant

## Corporate Governance Report

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
<b>H.2 - Environmental and Social Factors Governance</b>		
<p>Company should establish a governance structure to support its ability to create value and manage risks in the short, medium and long term, recognizing managing and reporting on all pertinent aspects of ESG.</p> <p>Environmental governance of an organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of the decisions and activities.</p> <p>Social governance of an organization should include its relationship with the community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organization's business model</p>	Refer page 63 in the Annual Report for information pertaining to this and the capital reports in pages 30 to 38.	Compliant

## Compliance to Corporate Governance Rules of CSE

Swisstek (Ceylon) PLC's extent of adherence to corporate governance rules under section 7.10 of continuous listing requirements of the Colombo Stock Exchange is given below.

<b>a. Non-Executive Directors</b>		
The Board of Directors should include at least two non-executive directors or such number of non-executive Directors equivalent to one third of the total number of directors whichever is higher.	Swisstek (Ceylon) PLC has five non- executive Directors out of six as given in item A5 in the ICASL adherence table, which is above the minimum requirement.	Compliant
<b>b. Independent Directors</b>		
The Board of Directors should include two or 1/3 of non-executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.	The Company has two independent Directors out of six as given in item A5 in ICASL adherence table, which is above the minimum level.	Compliant
<b>c. Disclosure relating to Directors</b>		
The Board shall make a determination annually as to the independence or non-independence of each non-executive Director based on such declaration and other information available to the Board and shall set out in the annual report the names of Directors determined to be 'independent'.	The Board has determined the independence of each independent director and set out and declared the independence as per item A5 in the previous table.	Compliant
<b>d. Criteria for Defining 'Independence'</b>		
The Colombo Stock Exchange identified criteria of independence should be met by the independent directors of the Company	All directors meet the above criteria and additional explanations are given in Note A5 in Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission corporate governance adherence report.	Compliant
<b>e. Remuneration Committee</b>		
<b>i. Composition of Remuneration Committee</b>		
The remuneration committee shall comprise of at least two non-executive Directors in which a majority shall be Independent.	As per the remuneration committee report given in page 71 the Remuneration Committee comprises of two independent non-executive Directors of Royal Ceramics Lanka PLC and who are also the members of the Group Remuneration Committee	Compliant
<b>ii. Functions of Remuneration Committee</b>		
The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity to the board of the Listed Entity among other defined functions.	The remuneration committee met once for the year and have recommended the remuneration of the CEO and the Senior management of the Company to the board and there report is published in page 71.	Compliant



## Corporate Governance Report

iii. Disclosure in the Annual Report		
The annual report should set out the names of directors in comprising the remuneration committee and contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors	The remuneration committee report in page 71 as sets out the names of the directors in the remuneration committee report and aggregate remuneration paid to all directors is given in page 126.	Compliant
f. Audit Committee		
i. Composition of the Audit Committee		
The audit committee shall comprise of at least two non-executive directors a majority of whom shall be independent.	The Audit Committee comprises of three two of whom are independent, non – executive Directors of Swisstek (Ceylon) PLC	Compliant
ii. Functions Audit Committee		
Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.	The audit committee report in page 72 of the annual report explains the function of the audit committee which has executed the above function.	Compliant
iii. Disclosure in the Annual Report relating to Remuneration Committee		
The names of the directors comprising the Remuneration committee should be disclosed in the annual report.	The audit committee report in page 72 has addressed this requirement.	Compliant

### 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.



**J A P M Jayasekera**  
Managing Director

25 May 2018



**A M Weerasinghe**  
Chairman

# Risk Management and Internal Control Report

## Introduction

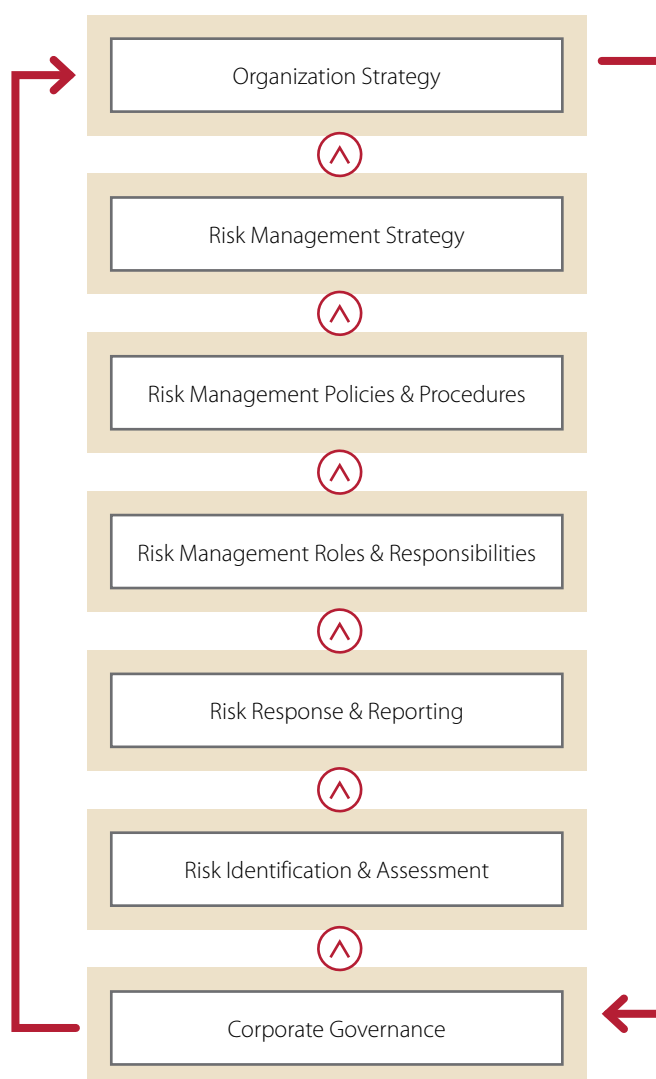
Risk Management is a critical requirement for any company operating in a competitive market and a changing economy. Recent global and local developments have highlighted the need for a robust, integrated risk management approach across the business. Swisstek (Ceylon) PLC (SCPLC) henceforth has taken a strategic initiative to identify the areas relevant to the organization and respond to potential risk. The risk management process will enable administration to evaluate strategies existing within the organization to mitigate the risk factors identified, gain comfort over the continuation of the business and ensure the required returns to the stakeholders. This process additionally assists the Company in managing sustainability of growth and profitability. The objective is to improve performance and decision making through identification, evaluation and management of key risks. The responsibility of the Risk Management process lies with the Board of Directors and the process is supervised by the Company's Executive Committee and process is supervised by the Company's Executive Committee and reviewed by the Audit Committee. A review of the risk management framework and the process of the Company is described below.

## Risk Management Framework

The Committee of Sponsoring Organizations of the Trade-way Commission (COSO) defines Enterprise Risk Management (ERM) as a process, effected by the entity's Board of Directors and management and applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, to provide

reasonable assurance regarding the achievement of entity objectives. SCPLC adopted an ERM approach in year 2013, because it provides an integrated approach to the management of the Company's business risk.

A graphical overview of the Company's risk management framework is given below.



## Risk Management and Internal Control Report

The adherence of the Swisstek (Ceylon) PLC risk management framework with the COSO's integrated enterprise risk management principles can be presented as follows;

Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
<b>Risk culture</b>		
A Company has to cultivate an appropriate risk awareness culture for effective ERM practice. A strong endorsement by the Board of Directors and senior management of the value of investing time and infrastructure in better understanding the organization's most significant risk exposures is an important and necessary condition that must be in place.	In this regard the senior management and the Board of Directors have a clear understanding of the objectives of ERM relative to traditional approaches to risk management and the CEO embraces the need and provides adequate endorsement of an enterprise wide approach to risk oversight that seeks to obtain a top-down view of major risk exposures. The Board of Directors is also supportive of management's efforts to implement an enterprise wide approach to risk oversight and the Board of Directors sets aside agenda time at each of its meetings to discuss the most significant risks facing the organization. The senior management has effective risk management capabilities and competencies.	Compliant
<b>Risk identification</b>		
Robust processes have to be in place in the organization to identify risks, particularly those risks that may be currently unknown, but emerging and should encourage the management to regularly think about risk.	In this regard, the organization has defined and widely communicated to members of management and the Board what it means by the term "risk."The organization has identified a broad range of risks that may arise both internally and externally, including risks that can be controlled or prevented, as well as those over which the organization has no control. The organization engages in identifiable processes to regularly scan the environment in an effort to identify unknown, but potentially emerging risks such as competitor moves, new regulations, changing consumer preferences, etc. Each member of the Board of Directors has provided input into the risk identification process.	Compliant
<b>Risk assessment</b>		
Organization needs methods to prioritise risks that encourages a consistent consideration of both the likelihood of the risk occurring and the impact of the event to the organization, if the risk occurs.	The organization defines a five year time period over which risks should be assessed to ensure consistency in management's evaluations. The organization strives to assess inherent risk of the Company and industry and the organization assesses not only the likelihood of a risk event occurring but also the impact of the risk to the organization. The Board of Directors has concurred with the assessment of the risks completed by management.	Compliant
<b>Articulation of risk appetite</b>		
While determining the organization's appetite for risk taking can be challenging, it is important that the board and senior management make some attempt to articulate its overall appetite for risk taking.	The board and management have engaged in discussions to articulate the organization's overall appetite for risk taking. The Board of Directors has concurred with the organization's risk appetite.	Compliant

Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
<b>Risk response</b>		
It is very important to ensure that an appropriate risk response method is implemented, and then to ensure that the response is working as intended. Periodic evaluation of whether identified risk responses are effectively being carried out will ensure an effective ongoing ERM process.	The organization has identified risk owners with responsibility for each of its most significant risks. The organization has evaluated whether the existing response is sufficient to manage the risks to be within the organization's risk appetite. The organization has separately evaluated the potential cost of the risk response relative to the benefit provided by the response towards either reducing the impact or reducing the probability of occurrence of the risk event. The organization's ERM process helps identify potential overlaps or duplications in risk responses across the enterprise.	Compliant
<b>Risk reporting</b>		
As risks are identified and assessed across the organization, processes are needed to facilitate the communication of risk-related information so that an aggregate view of important risks and their related risk responses are provided to senior management, the board, and to critical stakeholders.	The organization has developed and monitors critical risk indicators that are leading in nature in that they provide some indication that a risk event is more likely to occur in the future. Senior management regularly review management reports that provide the status of critical risks and risk response plans. The Board monthly receives and reviews these reports which provide the status of critical risks and risk response plans.	Compliant
<b>Integration with strategic planning</b>		
Effective ERM can be an important input and consideration into the determination and execution of any organization's strategy. ERM provides critical insights into the portfolio of existing and emerging risk exposures that can contribute to the strategic success of the organization.	The organization has a formal strategic planning process and the strategic plan is updated at least annually. The organization's existing risk profile is an important input for the strategic planning process. Senior management links the top risk exposures to strategic objectives to determine which objectives face the greatest number of risks and to determine which risks impact the greatest number of objectives.	Compliant
<b>Assessment of ERM effectiveness of the risk management process:</b>		
Senior management and the Board of Directors need to view ERM as an evolution, not a point-in-time project to be implemented.	In the organization the senior management regards ERM as an ongoing process rather than just a project and they seek to understand and monitor emerging ERM best practices and adequate resources have been dedicated to support and complete the ERM function, successfully.	Compliant

## Risk Management and Internal Control Report

### Risk Management Process

The risk management process has been designed to ensure identification of any situation or circumstance that would adversely effect the achievement of Company activities and to accept and manage unavoidable risks and to ensure surprise events or situations are minimized. This process is aligned directly to the Company strategy, annual plans and monitored by the Board which is reviewed by the Audit Committee.

To facilitate a professional risk management process a facilitative management structure and a robust management process needs to be in place in the organization.

Swisstek (Ceylon) PLC has the following management structure to facilitate risk management and risk reporting.



The Swisstek (Ceylon) PLC risk management process can be explained by the three lines of defence concept of risk management as given below

	First line	Second line	Third line
Responsibility	<ul style="list-style-type: none"> <li>Day to day identification, assessment, managing and reporting of all risk within span of control</li> <li>Ensuring risk exposures stay within limits</li> <li>Responding appropriately to challenge by the second line of defence</li> <li>Implementing recommendations by third line of defence</li> </ul>	<ul style="list-style-type: none"> <li>Clear and well communicated risk policies</li> <li>Effective control and monitoring systems</li> <li>Providing assurance that risks are being appropriately managed across the business</li> <li>Providing robust challenge to first line</li> <li>Facilitating actions to respond to levels of risk deemed to be beyond or close to tolerance</li> </ul>	<ul style="list-style-type: none"> <li>Independent assurance and oversight on the effectiveness of :               <ul style="list-style-type: none"> <li>Systems of governance</li> <li>Risk management</li> <li>Internal control</li> </ul> </li> </ul>



	First line	Second line	Third line
Accountability	<ul style="list-style-type: none"> <li>Executives and Supervisors.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Management team.</li> </ul>	<ul style="list-style-type: none"> <li>The Board</li> </ul>

The Key Risks that may hinder the Achievement of the Company's Strategic Business Objectives are set out below

Principle	Swisstek (Ceylon) PLC Adherence	Control Status
<b>Business Environment Risk</b>		
Environment risk arises when there are external forces that may affect the viability of the enterprise's business model, including the fundamentals that drive the overall objectives and strategies that define it. Adverse political actions and changing laws may be harmful to the firm's resources and future cash flows in a country in which the firm has invested significantly and is dependent on a significant volume of business.	To counter political and regulation risk the Company brings the relevant issues to the notice of government institutions, persistently monitors them and maintains a close relationship with relevant government institutions and industry associations and chambers. The Company also assists government institutions in formulating new laws and regulations pertaining to the industry and provides information on relevant issues to government institutions. In addition, a legal feasibility evaluation has been made a standard process in order to approve capital projects.	In control
<b>Operations Risk</b>		
Operations risk is the risk of inefficiency in executing the firm's business model, satisfying customers and achieving the Company's quality, cost and time performance objectives. Unproductive operations threaten the Company's capacity to produce goods at or below cost levels incurred by competitors.	To counter operations risk, the Company has a strong operational control mechanism where production, quality, cost and efficiency are monitored on a daily basis and improvement projects are undertaken to increase efficiency. Plant upgrades with new plants and machinery are done annually to be on par with world class manufacturers. In addition, a five year strategic plan has been implemented to enhance capacity and ensure operations run smoothly	In control

## Risk Management and Internal Control Report

Principle	Swisstek (Ceylon) PLC Adherence	Control Status
<b>Cyber security Risk</b>		
<p>Cyber security risk is the risk that external parties by using the cyberspace or cyber tools penetrate the organizations database to obtain specific details which are counterproductive to the organization.</p> <p>Internal and external parties could have computing devices systems embedded in everyday objects which may enable them to interconnect with the company's network to send and receive data which are unauthorized by the organization. The external parties may also use sophisticated tools to hack into company database. These data can be then acquired and used to destabilize company operation or obtain confidential corporate information or be used to demand a financial payment from the company.</p>	<p>To counter cyber security risk, the company has appointed a Chief Information Security Officer (CISO) designated as Head of IT who has sufficient expertise, authority and budgetary allocation to introduce and implement robust cyber security risk and management policy and control system.</p> <p>In addition a cyber security risk management process, response system, disaster recovery plan and cybersecurity governance practice is in place.</p> <p>Also the Board allocates regular and adequate time on the board meeting for discussions about cyber risk management which includes, potential cybersecurity risks in the company's business model and Company's security strategy compliance.</p> <p>Also an independent review of cybersecurity risk is done by third parties whose findings are reviewed by the CISO, CFO, CEO and the Board.</p>	In control
<b>Capacity Risk</b>		
<p>Insufficient capacity will pose a hindrance to the Company's ability to meet customer demands or excess capacity threatens the firm's ability to generate competitive profit margins.</p>	<p>Presently the firm has identified that it needs more capacity and therefore a Capacity Expansion Program has been planned for next five years and reviewed monthly. This includes installation of the new sand grinding plant increasing grout and Motar capacity and capacity expansion plan to monitor financial and resources requirements.</p>	In control
<b>Integrity Risk</b>		
<p>Integrity risk is the risk of management fraud, employee fraud, illegal acts, unauthorized acts and any or all of which could lead to loss of reputation in the marketplace.</p>	<p>To mitigate this risk the Company conducts a monthly internal audit of transactions undertaken by an independent firm of chartered accountants, to detect and reduce fraud and detail approval processes for official transactions which mitigate the above risk. In addition quarterly audit committee meeting to monitor the reporting status coupled with monthly Board meetings which supervise the financial status of the Company and the integrity of employees.</p>	In control

Principle	Swisstek (Ceylon) PLC Adherence	Control Status
<b>Financial Risk</b>		
Exposure to lower returns or the necessity to borrow due to shortfalls in cash or expected cash flows or variances in timing or significant movements in interest rates expose the firm to a number of negative factors. These include higher borrowing costs, lower investment yields or decreased asset values and result in financial helping risk. Movements in prices, rates, indices and such, affect the value of the Company's financial assets and stock price, which may additionally impact its cost of capital and/ or the ability to raise capital	Credit limits and given credit is reviewed through a detailed approval process reducing risk of debt, exports under DA terms are insured using SLECIC and monthly overdue debtors are reported to the Board for necessary action. These actions reduce cash flow risk and all capital projects are financially evaluated to ensure that inflows match with borrowings. Both floating and fixed rate debt is maintained and is structured using loans, share capital and internal fund management to reduce borrowings.	In control
<b>Environmental and Social Risk</b>		
<p>Company should establish a structure to support its ability to create value and manage risks in the short, medium and long term, recognizing managing and reporting on all pertinent aspects of Environment and Social Risk.</p> <p>Environmental Risk of an organization is the direct and indirect economic, social, health and environmental implications of the decisions and activities on the business.</p> <p>Social Risk of an organization is its relationship with the community, customers, employees, suppliers, outsourced providers and any other party that can influence the organization's business model</p>	<p>The Board and the Senior Management review Environmental, Social factory that impact the business at each board meeting. Also the compliance to regulations are tabled. The board also reviews the adequacy of management control systems and threats to manage this risk effectively.</p> <p>Regular training, exposure and leadership is given to Senior Management and line management to manage the risks and mitigate them</p>	In control

## *Risk Management and Internal Control Report*

### **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 minimize 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.



**J A P M Jayasekera**  
Managing Director



**A M Weerasinghe**  
Chairman

25 May 2018

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

The Directors of Swisstek (Ceylon) PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2018.

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

## General

Swisstek (Ceylon) PLC is a public limited liability company which was incorporated under the Companies Ordinance No.51 of 1938 as a public company on 12th day of July 1967. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 6th June 2008 and bears registration number PQ155.

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

The main activity of Swisstek (Ceylon) PLC, which remained unchanged during the year, is the manufacture and sale of Tile Grout and Mortar. The Chairman's Review describes the Company's affairs and mentions important events, which took place during the year under review.

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

## Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 83 to 127.

## Summarised Financial Results

Year ended 31 March	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	<b>4,077,367</b>	3,433,741	<b>736,784</b>	607,948
Profit for the year	<b>378,070</b>	428,722	<b>178,915</b>	143,285

## Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 78.

## Accounting Policies

The Accounting Policies adopted by the Company in the preparation of the Financial Statements are given on pages 88 to 98 which are consistent with those of the previous period.

## 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 42 to 44.

### Executive Directors

Mr. J A P M Jayaskera Managing Director

### Non - Executive Directors

Mr. A M Weerasinghe Chairman  
 Mr. K Y Choi (Resigned w.e.f. 26/07/2017)  
 Mr. J K A Sirinatha  
 Mr. Tilak de Zoysa (Retired w.e.f. 29/06/2017)  
 \*Dr. S Selliah  
 Mr. A S Mahendra (Appointed w.e.f.30/08/2017)  
 \*Mr. K D G Gunaratne (Appointed w.e.f. 30/08/2017)

\* Independent Non-Executive Directors

Mr. Tilak de Zoysa retired from the Board on 29th June 2017 and Mr. K Y Choi resigned from the Board on 26th July 2017.

Mr. A S Mahendra was appointed as a Non-Executive Director on 30th August 2017.

Mr. K D G Gunaratne was appointed an Independent Non-Executive Director of the Company on 30th August 2017.



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

Mr. J K A Sirinatha retires by rotation at the conclusion of the Annual General Meeting in terms of Articles 103 and 104 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Mr. A S Mahendra and Mr. K D G Gunaratne who were appointed Directors on 30th August 2017, are due to retire at the forthcoming Annual General Meeting in terms of Article 110 of the Articles of Association of the Company and being eligible are recommended for re-election.

### **Directors of Subsidiary Companies**

#### **Swisstek Aluminium Limited**

Mr. A M Weerasinghe  
Mr. J A P M Jayasekera  
Mr. A S Mahendra  
Mr. B T T Roche  
Dr. S Selliah  
Mr. T G Thoradeniya

### **Interests Register**

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

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

The relevant interests of Directors in the shares of the Company as at 31st March 2018 as recorded in the Interests Register are given in this Report under Directors' shareholding.

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 2018.

### **Directors' Remuneration**

The Directors' remuneration is disclosed in Note 30.3 to the Financial Statements on page 126.

### **Directors' Interests in Contracts**

The Directors' interest in contracts are included with the related party disclosures in Note 30.3 to the Financial Statements.

The Company carried out transactions in the ordinary course of its business at commercial rates with related entities.

### **Directors' Responsibility for Financial Reporting**

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

### **Auditors**

Messrs KPMG, Chartered Accountants served as the Auditors during the year under review. Based on the written representations made by the Auditors, they do not have any interest in the Company other than as Auditors and Tax Consultants.

The Audit fee payable to the Auditors for the year under review is Rs. 445,000/- (2017 – Rs. 385,000/-)

A fee of Rs. 255,000/- (2017 Rs. 255,000/-) is also payable to the Auditors for tax compliance services provided during the year.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 23 May 2018 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. 368,256,000/-.

The number of shares issued by the Company stood at 27,372,000 fully paid ordinary shares as at 31 March 2018.

### **Directors' Shareholding**

The relevant interests of Directors in the shares of the Company as at 31 March 2018 and 31 March 2017 are as follows.

	Shareholding as at 31/03/2018	Shareholding as at 31/03/2017
Mr. A M Weerasinghe	20,340	-
Mr. J A P M Jayasekera	25,557	25,557
Dr. S Selliah	-	-
Mr. J K A Sirinatha	-	-
Mr. A S Mahendra	-	-
Mr. K D G Gunaratne	-	-

### Major Shareholders, Distribution Schedule and other information

Information on the twenty largest shareholders of the Company distribution schedule of the number of shareholders, percentage of shares held by the public, market values per share as per the Listing Rules of the Colombo Stock Exchange are given on pages 128 and 129 under Investor Information.

### Reserves

The movement of reserves during the year are given under the Statement of Changes in Equity on page 86 (Statement of Changes in Equity).

### Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 1,057 Mn (2017-Rs. 767 Mn)

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

Location	No. of buildings	Lands in extent (perches)	Valuation Rs '000
Factory at Balummahara	15	1,082	839,850

The movement of fixed assets during the year is given in Note 13 to the financial statements.

### Property, Plant and Equipment

Details and movements of property, plant and equipment are given under Note 13 to the Financial Statements on pages 104 to 108.

### Capital Expenditure

The total capital expenditure during the year amounted to Rs. 256 Mn compared to Rs. 35 Mn incurred in the previous year. Details of movement in property, plant and equipment and capital work-in-progress are given under Note 13 to the financial statements.

### Donations

The Company has not made donations during the year under review.

### Dividends

An interim dividend of Rs. 3/50 per share for the year ending 31 March 2018 was paid on 22 March 2018.

### Corporate Governance

Corporate Governance practices and principles with respect to the Management and Operations of the Company are set out on pages 46 to 56.

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

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

### **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 Report on Corporate Governance I given on pages 46 to 56 of the Annual Report.

### **Events Occurring After the Reporting Date**

No circumstances have arisen since the reporting date which would require adjustment to or disclosure in the Financial Statements.

### **Annual General Meeting**


The Annual General Meeting will be held on 28 June 2018 at the Kingsbury Hotel, Winchester Hall, No.48, Janadhipathi Mawatha, Colombo 01.

The Notice of the Annual General Meeting appears on page 134.

By Order of the Board  
**Swisstek (Ceylon) PLC**



**A M Weerasinghe**  
Chairman



**J A P M Jayasekera**  
Managing Director



**P W Corporate Secretarial (Pvt) Ltd**  
Secretaries

25 May 2018  
Colombo

# Statement of Directors' Responsibilities

The Directors are required by the Companies Act No. 7 of 2007 to prepare Financial Statements for each financial year, which give a true and fair view of the statement and 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 specified the form and content of Financial Statements and any other requirement 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 judgements and estimates and in compliance with the Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The Directors are responsible for ensuring that the Company keep 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' are making inquiries and reviews of the Company's business plan for the Financial Year 2017/2018 including Cash Flows and borrowing facilities and consider the Company has adequate resources to continue in operation.

By Order of the Boards  
**Swisstek (Ceylon) PLC**



**P W Corporate Secretarial (Pvt) Ltd**  
Secretaries

25 May 2018

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

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

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and 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 present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

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

The financial statements were audited by M/s. 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 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.



**BTT Roche**  
Chief Operating Officer



**J A P M Jayasekera**  
Managing Director

25 May 2018



# Remuneration Committee Report

## Role of the Remuneration Committee

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

## Composition of the Remuneration Committee

The Remuneration Committee comprises of the following three independent non-executive Directors.

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.

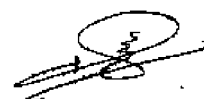
## Functions performed by the Remuneration Committee

- 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 126 of the Annual Report under key management remuneration.
- Ensuring that the Board complies with the Companies Act in relation to Directors remunerations, especially the requirements of section 216. And it also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.
- Constructing a specific remuneration policy and remuneration framework that enables the Company to attract and retain a high quality and representative staff in its operations and do this inter alia with reference to appropriate market rates where these are relevant, and benchmarking specific categories where required.

- Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.
- Ensuring that staff costs are within the budget set by the Board, and are sustainable over time.

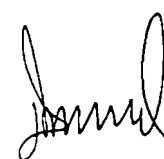
## Conclusion

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



**A M Weerasinghe**

Chairman - Remuneration Committee



**J A P M Jayasekera**

Managing Director

25 May 2018

# 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 Non-Executive Directors of Lanka Wall tiles PLC who is the parent Company of Swisstek (Ceylon) PLC.

Mr. J D N Kekulawala	- Chairman - Independent Non-Executive
Dr. S Selliah	- Committee Member - Independent Non-Executive
Mr. T G Thoradeniya	- Committee Member - Non-Executive
Mr. Tilak de Zoysa	- Committee Member – Independent Non-Executive (Resigned w.e.f. 29/06/2017)

The Managing Director and the Chief Operating Officer 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	- 4/4
Dr. S Selliah	- 4/4
Mr. T G Thoradeniya	- 2/4
Mr. T de Zoysa	- 1/4 (Resigned w.e.f. 29/06/2017)

## Functions performed by the Audit Committee

- The Committee reviewed the provisional financial statements that were published for financial year 2017/18 and the Annual Report of 2017/18. 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.
- The Committee reviewed the monthly internal audit reports. The internal audit function is carried out by M/s. KPMG. The Internal audits are done on a process based audit framework to improve process performance and control.
- 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

25 May 2018

# Related Party Transactions Review Committee Report

## Purpose of the Committee

The purpose of the Related Party Transaction Review Committee (RPTRC) of Swisstek (Ceylon) PLC (SCPLC) is to conduct an independent review and oversight of all related party transactions of SCPLC and to ensure that the Company complies with the rules set out in the Code OF best Practice issued by the Securities and Exchange Commission of Sri Lanka. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, Key Management Personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the related party transaction Policy which contains the company's Policy governing the review, approval and oversight of related party transactions.

## Composition of the Committee

The Related Party Transactions Review Committee comprises of the following three independent non-executive Directors.

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

The Managing Director and the Chief Operating Officer attend meetings by invitation and the Company Secretary functions as the Secretary to the Committee.

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

## Meetings

The Committee held four meetings during the year under review for which all members attended. The minutes of the Committee meeting were tabled at Board meeting, for the review of the Board.

## Responsibilities of the Related Party Transactions Review Committee

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

- a) Ensure that the Company complies with the rules set out in the Code
- b) Subject to the exceptions given under Rule 27 of the Code, review, in advance all proposed related party transactions
- c) Perform other activities related to the Charter as requested by the Board
- d) Have meetings every fiscal quarter and report to the Board on the Committee's activities
- e) Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.

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

## Procedures for Reporting 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 2017/18. 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 2018, the aggregate value of which exceeded 10% of the revenue.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 30.2 to the Financial Statements, on pages 83 to 127 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 125 and 126 of this Annual Report.



**Dr. S Selliah**

Chairman - Related Party Transactions  
Review Committee

25 May 2018









# **Financial Reports**

Creating financial value.

# Independent Auditor's Report



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(Chartered Accountants)  
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To the Shareholders of Swisstek  
(Ceylon) PLC

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Swisstek (Ceylon) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for Opinion

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

### Key Audit Matters

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

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA	M.N.M. Shameel ACA	
<b>Principals</b> - S.R.I. Perera FCMA(UK). LLB, Attorney-at-Law, H.S. Goonewardene ACA Ms. C.T.K.N. Perera ACA		

## 1. Valuation of Investment Properties

See Note 16 to the consolidated financial statements.

Risk Description	Our Response
<p>As described in Note 3.3.4. (accounting policies) and Note 16 (Investment properties), the fair value of investment properties amounted to Rs. 134 Mn as at 31 March 2018 (2017: Rs. 117.5 Mn)</p> <p>These investment properties are stated at fair value, determined based on valuations by professional external valuers engaged by the Company.</p> <p>The valuation of the properties requires the application of significant judgment and estimation in the selection of the appropriate valuation methodology to be used and in estimating the key assumptions applied. These key assumptions include market comparables used, taking into consideration for differences such as location, size and tenure. A change in the key assumptions will have an impact on the valuation.</p>	<p><b>Our audit Procedures included</b></p> <ul style="list-style-type: none"> <li>Assessing the objectivity and independence of the external valuers and the competence and qualification of the external valuers.</li> <li>Assessing the appropriateness of the valuation techniques used by the external valuers, taking into account the profile of the investment properties.</li> <li>Discussions with management and the external valuers and compare the key assumptions used against externally published market comparables or industry data where available and challenging the reasonableness of key assumptions based on our knowledge of the business and industry</li> <li>Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.</li> </ul>

## 2. Carrying Value of Inventories

See Note 17 to the consolidated financial statements.

Risk Description	Our Response
<p>As described in Note 3.4.9. (accounting policies) and Note 17 (Inventories), the carrying value of inventories amount to Rs. 1,605.1 Mn as at 31 March 2018 (2017: Rs. 812.3 Mn)</p> <p>The Group has significant levels of inventory and judgment is exercised with regard to categorization of stock as obsolete and/or slow moving to be considered for provision; estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories to arrive at valuation based on lower of cost and net realizable value. Given the level of judgments and estimates involved this is considered to be a key audit risk.</p>	<p><b>Our audit Procedures included</b></p> <ul style="list-style-type: none"> <li>Testing of Key Control over Inventory Valuation.</li> <li>Testing the Group's Key controls designed to identify slow moving and/or obsolete inventories.</li> <li>Comparison of inventory levels, by product group, to sales data to corroborate whether slow moving and obsolete inventories had been appropriately identified and challenge the Group's categorization as obsolete or slow moving.</li> <li>Assessing the realizations of inventories during the period and after the period end, in particular of clearance categories, and compare these to the Group's expected recoveries for inventory categorized as obsolete and/or slow moving at the period end date to assess whether the provision for obsolete and slow moving stock is appropriate.</li> <li>Assessing the adequacy of the Group's disclosures in the financial statements</li> </ul>

## Independent Auditor's Report

3. Recoverability of Trade Receivable	
See Note 18 to the consolidated financial statements.	
Risk Description	Our Response
<p>As described in Note 3.4.10. (accounting policies) and Note 18 (Trade and other receivable), the group recorded Trade and other receivable amounting to Rs. 1,145.35 Mn as at 31 March 2018 (2017: Rs. 1,092.62 Mn)</p> <p>The Group has significant levels of trade receivable and judgment is exercised with regard to calculation of the bad debt provision requires a significant level of judgment as sells products to a wide customer base.</p> <p>The recoverability of trade receivables is dependent on the credit worthiness of customers and their ability to settle the amounts due.</p> <p>This area is a key audit matter due to the inherent subjectivity that is involved in the consolidated entity making judgments in relation to credit risk exposures to determine the recoverability of trade receivables.</p>	<p><b>Our Procedures included</b></p> <ul style="list-style-type: none"> <li>• Testing Key controls within the credit control and approval processes.</li> <li>• Testing the adequacy of the provisions for bad debt recorded against trade receivable balances by taking into account the ageing of receivables at year end and cash received after year end, as well as the controls over its calculation.</li> <li>• Assessing the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions.</li> <li>• Assessing whether the group's policies had been consistently applied and the adequacy of the Group's disclosures in respect of credit risk.</li> </ul>

### Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and

for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

opinion on the effectiveness of the Company 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## *Independent Auditor's Report*

### **Report on Other Legal and Regulatory Requirements**

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2618.



**Chartered Accountants**

Colombo, Sri Lanka

25 May 2018

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March,		Group		Company	
		2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
	Note				
Revenue	6.	4,077,367	3,433,741	736,784	607,948
Cost of sales		(2,888,763)	(2,334,629)	(561,592)	(451,062)
Gross profit		1,188,604	1,099,112	175,192	156,886
Other income	7.	92,421	78,186	141,905	110,153
Administrative expenses		(199,289)	(185,351)	(34,571)	(30,061)
Selling and distribution expenses		(446,650)	(382,600)	(48,194)	(44,074)
Other expenses	8.	(5,036)	(1,001)	(5,036)	(1,021)
Results from operating activities		630,050	608,346	229,296	191,883
Net finance cost	9.	(145,262)	(106,821)	(28,641)	(18,813)
Profit before tax	10.	484,788	501,525	200,655	173,070
Taxation	11.	(106,718)	(72,803)	(21,740)	(29,785)
<b>Profit for the year</b>		<b>378,070</b>	<b>428,722</b>	<b>178,915</b>	<b>143,285</b>
<b>Other comprehensive income :</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Gain on revaluation of land and buildings		56,289	-	51,285	-
Defined benefit plan actuarial gains/ (losses)		(156)	4,184	(534)	575
Deferred tax on other comprehensive income		(200,300)	(883)	(195,562)	(161)
Other comprehensive income for the period		(144,168)	3,301	(144,811)	414
<b>Total comprehensive income for the period</b>		<b>233,902</b>	<b>432,023</b>	<b>34,104</b>	<b>143,699</b>
<b>Profit Attributable to;</b>					
Owners of the company		345,989	387,624	178,915	143,285
Non controlling interest		32,081	41,098	-	-
Profit for the year		378,070	428,722	178,915	143,285
<b>Total comprehensive income attributable to:</b>					
Owners of the company		201,740	390,560	34,104	143,699
Non controlling interest		32,162	41,463	-	-
<b>Total comprehensive income for the year</b>		<b>233,902</b>	<b>432,023</b>	<b>34,104</b>	<b>143,699</b>
Basic earnings per share	12.	12.64	14.16	6.54	5.23

The notes on pages 88 to 127 are an integral part of these financial statements.

# Statement of Financial Position

As at 31 March,	Note	Group		Company	
		2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
<b>Assets</b>					
Property, plant and equipment	13	2,397,303	1,631,600	1,057,488	767,638
Capital work-in-progress	13.1	55,421	136,711	-	37,699
Investment in subsidiary	14	-	-	229,784	229,784
Other long term Investments	15	79	-	79	-
Investment property	16	134,000	117,483	134,000	117,483
<b>Non current assets</b>		2,586,803	1,885,795	1,421,351	1,152,605
Inventories	17	1,605,100	812,332	107,775	100,977
Trade and other receivables	18	1,145,345	1,092,619	171,831	115,340
Tax Receivables		95	-	95	-
Amounts due from related parties	19	27,433	4,828	27,764	5,150
Cash and cash equivalents	20	65,632	75,202	2,817	14,860
<b>Current assets</b>		2,843,605	1,984,980	310,282	236,327
<b>Total assets</b>		5,430,408	3,870,775	1,731,633	1,388,931
<b>Equity</b>					
Stated capital	21	368,256	368,256	368,256	368,256
Reserves	22	616,134	760,262	524,929	669,356
Retained Earnings		991,577	741,511	145,663	62,933
<b>Equity attributable to owners of the company</b>		1,975,967	1,870,029	1,038,848	1,100,545
Non controlling interest		167,647	144,321	-	-
<b>Total equity</b>		2,143,614	2,014,350	1,038,848	1,100,545
<b>Liabilities</b>					
Retirement benefits Obligation	23	20,647	17,170	6,342	5,501
Borrowings - Related party	27.2	-	21,797	-	21,797
Deferred tax liability	11.1	309,877	46,828	208,252	6,544
Loans and borrowings	24.2	590,260	301,553	150,490	28,562
<b>Non current liabilities</b>		920,784	387,348	365,084	62,403
Trade and other payables	25	959,761	431,583	96,833	87,791
Loans & borrowings	24.1	183,832	79,764	37,500	5,376
Short term loans	26	1,027,766	772,496	121,659	65,863
Amounts due to related parties	27.1	4,620	4,958	4,620	4,958
Borrowings - Related party	27.2	21,797	30,835	21,797	30,835
Tax payable		2,700	27,575	-	7,068
Bank overdrafts	20	165,534	121,867	45,292	24,091
<b>Current liabilities</b>		2,366,010	1,469,078	327,701	225,982
<b>Total liabilities</b>		3,286,794	1,856,425	692,785	288,385
<b>Total equity and liabilities</b>		5,430,408	3,870,775	1,731,633	1,388,931

The notes on pages 88 to 127 are an integral part of these financial statements.

It is certified that the financial statements have been prepared in compliance with the requirements of Companies Act No.7 of 2007.

  
**B T Tyrell Roche**  
 Chief Operating Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved for and on behalf of the Board of Directors:

  
**A M Weerasinhe**  
 Chairman  
 25 May 2018  
 Colombo

  
**J A P M Jayasekara**  
 Managing Director

# Statement of Changes in Equity

For the year ended 31 March 2018

Group	Stated capital Rs. 000	Revaluation reserve Rs. 000	Capital redemption reserve Rs. 000	General reserve Rs. 000	Retained earnings Rs. 000	Total Rs. 000	Non-controlling interest Rs. 000	Total equity Rs. 000
<b>Balance as at 1 April 2016</b>	368,256	740,299	121	19,842	419,381	1,547,899	108,689	1,656,587
- Profit for the year	-	-	-	-	387,624	387,624	41,098	428,722
<b>Other comprehensive income</b>								
<b>Items that will not be reclassified to profit or loss</b>								
- Defined benefit plan actuarial gains/(losses)	-	-	-	-	3,729	3,729	455	4,184
- Gain on revaluation of land	-	-	-	-	-	-	-	-
- Deferred tax on other comprehensive income	-	-	-	-	(793)	(793)	(90)	(883)
	-	-	-	-	2,936	2,936	365	3,301
- Dividend paid	-	-	-	-	(68,430)	(68,430)	(5,831)	(74,261)
<b>Balance as at 31 March 2017</b>	368,256	740,299	121	19,842	741,511	1,870,029	144,321	2,014,350
- Profit for the year	-	-	-	-	345,989	345,989	32,081	378,070
<b>Other comprehensive income</b>								
<b>Items that will not be reclassified to profit or loss</b>								
- Defined benefit plan actuarial gains/(losses)	-	-	-	-	(204)	(204)	48	(156)
- Gain on revaluation of land	-	55,657	-	-	-	55,657	632	56,289
- Deferred tax on other comprehensive income	-	(199,785)	-	-	83	(199,702)	(598)	(200,300)
	-	(144,128)	-	-	(121)	(144,249)	82	(144,167)
- Dividend paid	-	-	-	-	(95,802)	(95,802)	(8,836)	(104,638)
<b>Balance as at 31 March 2018</b>	368,256	596,171	121	19,842	991,577	1,975,967	167,647	2,143,614

## Statement of Changes in Equity

For the year ended 31 March 2018

Company	Stated capital Rs. 000	Revaluation reserve Rs. 000	Capital redemption reserve Rs. 000	General reserve Rs. 000	Retained earnings/ (losses) Rs. 000	Total equity Rs. 000
<b>Balance as at 1 April 2016</b>	368,256	649,393	121	19,842	(12,335)	1,025,276
- Profit for the year	-	-	-	-	143,285	143,285
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
- Defined benefit plan actuarial gains/(losses)	-	-	-	-	575	575
- Gain on revaluation of land and buildings	-	-	-	-	-	-
- Deferred tax on other comprehensive income	-	-	-	-	(161)	(161)
	-	-	-	-	414	414
- Dividend paid	-	-	-	-	(68,430)	(68,430)
<b>Balance as at 31 March 2017</b>	368,256	649,392	121	19,842	62,934	1,100,545
- Profit for the year	-	-	-	-	178,915	178,915
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
- Defined benefit plan actuarial gains/(losses)	-	-	-	-	(534)	(534)
- Gain on revaluation of land and buildings	-	51,285	-	-	-	51,285
- Deferred tax on other comprehensive income	-	(195,712)	-	-	150	(195,562)
	-	(144,427)	-	-	(385)	(144,811)
- Dividend paid	-	-	-	-	(95,802)	(95,802)
<b>Balance as at 31 March 2018</b>	368,256	504,966	121	19,842	145,663	1,038,848

The notes on pages 88 to 127 are an integral part of these financial statements.



# Statement of Cash Flows

For the year ended 31 March,	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
<b>Profit before taxation</b>	<b>484,788</b>	501,525	<b>200,655</b>	173,070
<b>Adjustments For;</b>				
Depreciation	79,494	74,822	17,026	10,633
Inventory provision/ (Reversal)	2,990	(155)	3,007	(155)
Interest income	(5,138)	-	(5,138)	(1,184)
Provision on retirement benefit obligation	5,305	4,793	1,305	1,270
Dividend Income	-	-	(55,053)	(36,335)
Interest expense	149,407	105,439	33,779	19,997
(Profit)/Loss on sale of property, plant & equipment	-	967	-	987
(Gain)/ Loss on revaluation of investment property	(16,517)	(13,659)	(16,517)	(13,659)
Provision/ (Reversal) for impairment of trade receivables	(2,539)	189	152	189
Exchange loss / (gain)	993	1,382	-	-
<b>Changes in;</b>				
- Trade and other payables	527,185	196,752	9,042	17,384
- Amounts due to related parties	(339)	(9,639)	(339)	(9,639)
- Inventories	(795,758)	(411,312)	(9,805)	(59,672)
- Trade and other receivables	(50,188)	(469,656)	(56,642)	(3,999)
- Amounts due from related parties	(22,605)	(1,799)	(22,615)	(1,146)
<b>Cash generated from/(used in) operating activities</b>	<b>357,078</b>	(20,351)	<b>98,857</b>	97,741
Interest paid	(149,407)	(99,440)	(33,779)	(19,631)
Income tax paid	(68,937)	(31,046)	(22,754)	(27,007)
Gratuity payment	(1,984)	(2,425)	(998)	(2,040)
<b>Net cash generated from/(used in) operating activities</b>	<b>136,752</b>	(153,263)	<b>41,326</b>	49,063
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(707,618)	(362,627)	(217,892)	(73,141)
Proceeds on disposal of property, plant & equipment	-	1,567	-	1,522
Other long Term Investment	(79)	-	(79)	-
Loans settled by related parties	-	-	-	22,430
Dividend Income	-	-	55,053	36,335
<b>Net cash generated from/(used in) investing activities</b>	<b>(707,697)</b>	(361,060)	<b>(162,918)</b>	(12,855)
<b>Cash flows from financing activities</b>				
Dividend paid	(95,802)	(68,430)	(95,802)	(68,430)
Dividend paid to NCI	(8,836)	(5,831)	-	-
Interest income	5,138	-	5,138	1,184
Loan repayment to related party	(30,835)	(30,834)	(30,835)	(30,834)
Term Loan Obtained	2,965,113	662,537	398,612	67,597
Repayment of borrowings	(2,317,069)	(74,413)	(188,764)	(3,000)
<b>Net cash generated from/(used in) financing activities</b>	<b>517,710</b>	483,029	<b>88,349</b>	(33,483)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(53,237)</b>	(31,294)	<b>(33,243)</b>	2,727
Cash & cash equivalents at the beginning of the year	(46,665)	(15,370)	(9,232)	(11,959)
<b>Cash &amp; cash equivalents at the end of the year (Note 20)</b>	<b>(99,902)</b>	(46,665)	<b>(42,475)</b>	(9,232)

The notes on pages 88 to 127 are an integral part of these financial statements.

# Notes to the Financial Statements

## 1) Reporting entity

Swisstek (Ceylon) PLC is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office is No.215, Nawala Road, Narahenpita, Colombo 05.

The financial statements of Swisstek (Ceylon) PLC, as at and for the year ended 31 March 2018 encompass the Company and its Subsidiary (together referred to as the "Group"). Descriptions of the nature of the operations and principal activities of the Company, its Subsidiary are given on note 14.

Lanka Walltiles PLC is the immediate parent of Swisstek (Ceylon) PLC and the ultimate parent is Vallibel One PLC.

The financial statements of all Companies in the Group are prepared for a common financial year, which ends on 31 March.

## 2) Basis of preparation

### 2.1 Statement of compliance

The financial statements of the Group and the Company which comprises the statement of financial position, statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows have been prepared in accordance with Sri Lanka Accounting Standards (LKAS & SLFRS) as laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007. The financial statements of Swisstek (Ceylon) PLC for the year ended 31 March 2018 were authorized for issue by the Board of Directors on 25 May 2018.

### 2.2 Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following:

- Available-for-sale financial assets are measured at fair value.
- The liability for defined benefit obligation is actuarially valued and recognized at the present value of the defined benefit obligation.

- Land and building measured at cost at the time of acquisition and subsequently at revaluation.
- Investment property is measured at fair value.

### 2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the company's functional currency. All financial information presented in Sri Lankan Rupees have been given to the nearest thousand, unless stated otherwise.

### 2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with SLFRSs requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are described in the following notes:

Note 11 – Deferred tax  
Note 13 – Property Plant and Equipment  
Note 23 – Employee benefits

## 3) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated. The accounting policies of the company have been consistently applied by the Group entities where applicable and deviations if any, have been disclosed accordingly.

### 3.1.1 Basis of Consolidation

The consolidated financial statements (referred to as the "Group") Comprise the financial statements of the Company and its subsidiary.

Subsidiary is disclosed in note 14 to the consolidated financial statements.

### 3.1.2 Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

### 3.1.3 Non- controlling interest

Non-controlling interests are measured at their proportionate share of acquirer's identifiable net assets at the date of acquisition. Changes in the group interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### 3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

## 3.2 Foreign currency

### 3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in statement of profit or loss and other comprehensive income. Non-monetary items that are

measured based on historical cost in a foreign currency are not translated.

## 3.3 Financial assets and financial liabilities

### 3.3.1 Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at the fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts intends either to settle on a net basis or realize the assets and settle the liability simultaneously. The Group has the following non-derivative financial assets.

#### a) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivable comprise cash and cash equivalents, trade and other receivables, including related party receivables.

#### b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments

## Notes to the Financial Statements

### 3.3.2 Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group de-recognises a financial liability discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

### 3.3.3 Fair value of financial instruments carried at amortized cost

The financial instruments held at amortized cost are trade and other receivables including related party receivables, loans and borrowings and trade and other payables. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date. The estimated fair values are based on relevant information. The company does not anticipate the fair value of these to be significantly different to their carrying values and considers the impact as not material for the disclosure.

### 3.3.4 Fair Value Measurement

SLFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date which takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

A Fair value measurement requires an entity to determine all the following;

1. The particular asset or liability that is the subject of the measurement
2. for a non-financial asset, the valuation premise that is appropriate for the measurement (Consistently with its highest and best use).
3. The principal (or most advantageous) market for the asset or liability.
4. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the

transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

### 3.3.5 Determination of fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

- Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

## 3.4 Property, plant & equipment

### 3.4.1 Recognition and measurement

Items of property, plant & equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Land and buildings are stated at fair value.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

A revaluation of land and building is done when there is a substantial difference between the fair value and the carrying amount of the land, and is undertaken by professionally qualified valuers every 3 years.

Increases in the carrying amount on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset are charged against revaluation reserve directly in equity. All other decreases are expensed in profit and loss.

### 3.4.2 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. For operating leases, the leased assets are not recognized on the Group's statement of financial position.

### 3.4.3 Subsequent costs

The cost of replacing part of an item of property, plant & equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of property, plant & equipment are recognized in profit and loss as incurred.

### 3.4.4 De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in profit or loss.

## Notes to the Financial Statements

When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is de-recognized.

### 3.4.5 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost/valuation, less its residual value. Fully depreciated property, plant and equipment are retained in the financial statements until such time when they are no longer in use. Depreciation is recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized. Leased assets are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the company will have ownership by the end of the lease term. Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The estimated useful lives for the current and comparative periods are as follows.

The estimated useful lives for the assets are as follows.

Description of the asset	Estimated useful life time
Buildings	25 to 50 years
Plant & machinery	5 to 20 years
Factory Electrification	5 to 20 years
Furniture & fittings	5 years
Motor vehicles	5 years
Office Equipment	5 years
Road way	50 years
Tools & Equipment	5 years

### 3.4.6 Intangible assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset

can be measured reliably in accordance with LKAS 38, "Intangible Assets". Accordingly, these assets are stated at cost less accumulated amortization and accumulated impairment losses in the statement of financial position.

#### 3.4.6.1 Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful life of 5 years.

#### 3.4.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalized borrowing cost.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property on transfer. Any gain arising on this remeasurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognized in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognized immediately in profit or loss.



### 3.4.8 Impairment

#### 3.4.8.1 Non financial assets

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a prorata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of

depreciation or amortization, if no impairment loss had been recognized.

#### 3.4.8.2 Non Derivative Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The group considers evidence of impairment for receivables a specific asset and collective level. All individually significant receivables are as assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event

## Notes to the Financial Statements

causes the amount of impairment loss to decrease, the decrease in impairment loss is reserved through profit or loss.

### 3.4.9 Inventories

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

The cost of inventory is determined on the basis of weighted average. In the case of manufactured products, cost includes direct expenditure and appropriate proportion of fixed production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

### 3.4.10 Trade and other receivables

Trade and other receivables are stated at their estimated realisable amounts.

## 3.5 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment later than one year from the reporting date.

All known liabilities have been accounted for in preparing the financial statements.

### 3.5.1 Employee benefits

#### 3.5.1.1 Defined benefit plan

Defined Benefit Plan is a post-employment benefit plan other than Defined Contribution Plan. The liability recognized in the statement of financial position in respect of Defined Benefit Plan is the present value of the defined benefit obligation at the statement of financial position date. The defined benefit obligation is calculated annually by independent actuaries, using projected unit credit method, as recommended by

LKAS 19, "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The assumptions based on which the results of the actuarial valuation were determined are included in the note 23 to the Financial Statements. This liability is not externally funded and the item is grouped under non-current liabilities in the statement of financial position. However, under the Payment of Gratuity Act No. 12 of 1983 the liability to an employee arises only on completion of five years of continued service.

Short-term employee benefit obligations are measured on an un discounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The company recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and expenses related to defined benefit plans in staff expenses in profit or loss.

#### 3.5.1.2 Defined contribution plan

Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay any further amounts. Obligations for contributions to Employees Provident Fund and Employees Trust Fund covering all employees are recognised as an expense in profit or loss as incurred.

#### 3.5.1.3 Short-Term benefits

Short-term employee benefit obligations are measured on an un discounted basis and are expensed as the related service is provided.

### 3.5.2 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an

outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the liability. Unwinding of discount is recognized as finance cost.

### **3.5.3 Commitments and contingencies**

Commitments and contingent liabilities of the Group are disclosed in the respective Notes to the Financial Statements.

### **3.5.4 Trade and other payables**

Trade and other payables are stated at their cost.

## **3.6 Statement of profit or loss and other comprehensive income**

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive Income, the function of expenses method is adopted, as it represents fairly the elements of Company performance.

### **3.6.1 Revenue recognition**

#### **3.6.1.1 Sale of goods and services**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date.

#### **3.6.1.2 Rental income**

Rent income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease.

### **3.6.1.3 Commission income**

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the commission made by the Company.

### **3.6.1.4 Finance income and expenses**

The Group's finance income and finance cost include:

- Interest income from loans granted
- Dividend income
- Interest expense from borrowings
- Interest expense arising from leases
- Foreign exchange gain / loss

Interest income or expense is recognised using the effective interest method.

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

### **3.6.2 Expenses**

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

#### **3.6.2.1 Operating leases**

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

#### **3.6.2.3 Income Tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

## Notes to the Financial Statements

### 3.6.2.4 Current Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

### 3.7 Deferred Taxation

Deferred tax is recognised using the reporting method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.8 Events after the reporting period

All material post statement of financial position events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

### 3.9 Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### 3.10 Comparative information

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the financial statements are amended, comparative amounts are reclassified unless it is impracticable.

### 3.11 Segmental reporting

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities. Inter-segment transfers are based on fair market prices. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant & equipment and intangible assets other than goodwill.

The Group comprises the following main business segments;

- a) **Tile related products**
- b) **Wooden flooring & installation**
- c) **Aluminium (Subsidiary)**

### 3.12 New accounting standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued the following new Sri Lanka Accounting Standards. However, these Standards have not been applied in preparing these financial statements

#### **SLFRS 9 – Financial Instruments: Classification & Measurement**

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets & liabilities, depending

on the entity's business model for managing contractual cash flows characteristics of the financial asset.

SLFRS 9 will be effective for financial periods beginning on or after 1 January 2018.

#### **SLFRS 15 – Revenue from contract with customers**

SLFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard will supersede the current revenue recognition guidance including LKAS 18 'Revenue' and LKAS 11 'Construction Contracts' and the related Interpretations when they become effective.

The core principle of SLFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under SLFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SLFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SLFRS 15.

The Directors of the Group & Company anticipate that the application of SLFRS 15 in the future may have an impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect

of SLFRS 15 until the Group and the Company complete a detailed review.

The Group & Company plans to apply the cumulative effect method when transitioning to the new standard without restating the comparative period amounts.

#### **SLFRS 16 – Leases**

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

SLFRS 16 is effective from 1 January 2019. A company can choose to apply SLFRS 16 before that date but only if it also applies SLFRS 15-Revenue from Contracts with Customers (which is effective from 01st January 2018).

SLFRS 16 replaces the existing leases Standard, LKAS 17 Leases, and related interpretations.

The Group & Company is currently in the process of evaluating the potential effect of these standards on its financial statements and the impacts of the adoption of these standards have not been quantified as at the reporting date.

### **4.) Financial risk management**

#### **Overview**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

#### **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor

## Notes to the Financial Statements

risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### 4.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group is exposed to credit risk on trade and other receivables.

#### Trade and other receivables

The creditworthiness of each customer is evaluated prior to sanctioning credit facilities. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.

### 4.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

### 4.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

#### Interest rate risk

The principal risk to which non – trading portfolios are exposed is the loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

### 4.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

Requirements for appropriate segregation of duties, including the independent authorisation of transactions;

- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.



## 5 Segment Information

Information about reportable segments for the year ended 31 March 2018;

For the year ended 31st March,	Tile related products Rs.000	Wooden flooring and installation Rs.000	Aluminium Rs.000	Other Rs.000	Total Rs.000
Total segment revenue	628,934	85,991	3,340,583	21,859	4,077,367
Total segment cost of sales	(487,000)	(54,050)	(2,327,171)	(20,542)	(2,888,763)
Segment gross profits	141,934	31,941	1,013,412	1,317	1,188,604
Other income					92,421
Administration expenses					(199,289)
Distribution expenses					(446,650)
Other expenses					(5,036)
Finance cost					(145,262)
PBT					484,788

Information about reportable segments for the year ended 31 March 2017;

	Tile related products Rs.000	Wooden flooring and installation Rs.000	Aluminium Rs.000	Other Rs.000	Total Rs.000
Total segment revenue	507,568	95,906	2,825,793	4,474	3,433,741
Total segment cost of sales	(392,132)	(55,914)	(1,883,567)	(3,016)	(2,334,629)
Segment gross profits	115,436	39,992	942,226	1,458	1,099,112
Other income					78,186
Administration expenses					(185,351)
Distribution expenses					(382,600)
Other expenses					(1,001)
Finance cost					(106,821)
PBT					501,525

The segment assets and liabilities and capital expenditure for the year ended are as follows.

	Tile related products	Wooden flooring and installation	Aluminium	Other	Total
<b>As at 31 March 2018</b>					
Assets	1,281,646	175,233	3,928,891	44,544	5,430,314
Liabilities	564,722	77,212	2,600,455	19,627	3,262,016
Capital expenditure	246,870	141	533,318	8,580	788,909
<b>As at 31 March 2017</b>					
Assets	966,756	182,670	2,712,827	8,522	3,870,775
Liabilities	239,767	45,304	1,569,241	2,113	1,856,425
Capital expenditure	119,408	167	242,000	1,052	362,627

## Notes to the Financial Statements

For the year ended 31 March,	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
<b>6. Revenue</b>				
Tile related products	615,190	497,215	615,190	497,215
Wooden flooring & installation	85,991	95,905	85,991	95,905
Decorative pebbles	13,744	10,353	13,744	10,353
Trading sales	4,591	1,614	4,591	1,614
Fibre cement sheets	17,268	2,861	17,268	2,861
Aluminium	3,340,583	2,825,793	-	-
	4,077,367	3,433,741	736,784	607,948
<b>7. Other income</b>				
Increase in fair value of investment property	16,517	13,659	16,517	13,659
Rent income	16,488	14,876	14,988	11,883
Sales commission	53,925	46,265	53,925	46,265
Dividend Income	-	-	55,053	36,335
Sundry income	5,491	3,386	1,422	2,011
	92,421	78,186	141,905	110,153
<b>8. Other expenses</b>				
Loss on disposal of property, plant & equipment	-	967	-	987
Provision/ (reversal) for obsolete and slow moving inventory	3,007	(155)	3,007	(155)
Loss of Inventory	1,877	-	1,877	-
Debtors provision	152	189	152	189
	5,036	1,001	5,036	1,021
<b>9. Net finance cost</b>				
Finance income				
Interest income from Road Development Authority	(5,138)	-	(5,138)	-
Interest income from Swisstek Aluminium Limited	-	-	-	(1,184)
	(5,138)	-	(5,138)	(1,184)
Finance cost				
Interest expenses on short term borrowings	120,675	81,203	21,249	8,338
Interest expenses on borrowings - Lanka Tiles PLC	4,865	9,484	4,865	8,300
Bank overdraft interest & charges	23,867	14,752	7,665	3,359
	149,407	105,439	33,779	19,997
Foreign exchange loss/(gain)	993	1,382	-	-
<b>Net Finance cost</b>	145,262	106,821	28,641	18,813
<b>10. Profit before taxation</b>				
Is stated after charging all expenses including the following;				
Directors' emoluments	8,540	3,015	1,713	1,245
Auditors' remuneration - Statutory audit	445	385	445	385
- Non audit services	255	255	255	255
- Subsidiary Auditors	347	324	-	-
Salaries, wages and other related cost	225,948	237,999	53,290	38,207
Defined benefit plan cost - Retirement gratuity	5,305	4,793	1,305	1,270
Defined contribution plan cost - EPF & ETF	15,958	13,899	4,172	3,637
Depreciation on property plant and equipment	79,494	74,822	17,026	10,633
Provision/ (Reversal) Obsolete Inventory	2,990	(155)	3,007	(155)
Provision/ (Reversal) Debtor	(2,539)	189	152	189

For the year ended 31 March,	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
<b>11. Taxation</b>				
Current tax expense	45,575	47,080	13,470	22,531
Deferred tax (reversal)/ charge for the year (Note 11.1)	62,748	26,844	6,146	8,375
Under/(over) provision in respect of prior year	(1,605)	(1,121)	2,124	(1,121)
Income tax for the year	106,718	72,803	21,740	29,785
<b>Tax reconciliation statement</b>				
Profit before taxation	484,788	501,525	200,655	173,070
Non business income (Interest income)	(5,138)	(2,059)	(5,138)	(1,184)
Dividend Income	(55,053)	(36,335)	(55,053)	(36,335)
Aggregate disallowed expenses and income	113,728	75,088	40,955	32,189
Aggregate allowed Items	(315,241)	(184,483)	(102,267)	(46,404)
Statutory profit from business	223,084	353,735	79,152	121,337
Exempt profit	55,053	(131,068)	-	-
Tax profit incurred during the year	278,137	222,667	79,152	121,337
<b>Adjustment:</b>				
Interest income	(5,138)	2,059	(5,138)	1,184
Tax losses claimed during the year	(95,549)	(42,053)	(25,905)	(42,053)
<b>Assessable income</b>	177,451	182,673	48,108	80,468
<b>Taxable income</b>	177,451	182,673	48,108	80,468
Dividend 10%	6,117	4,037	-	-
Income tax at 20%	25,568	20,264	-	-
Income tax at 28%	13,890	22,779	13,470	22,531
	45,575	47,080	13,470	22,531
Tax losses brought forward	346,517	388,270	157,747	199,500
Adjustment of opening tax brought forward	61,879	(300)	-	(300)
Tax losses claimed during the year	(95,549)	(42,053)	(25,905)	(42,053)
Tax losses carried forward	189,089	346,517	131,842	157,747

## Notes to the Financial Statements

### 11.1 Deferred Tax

#### Recognized deferred tax assets/(liabilities)

Deferred tax assets and (liabilities) are calculated on all taxable and deductible temporary differences arising from differences between accounting bases and tax bases of assets and liabilities.

The deferred tax liability is arrived by applying the income tax rates of 28% for Swisstek (Ceylon) PLC and 20% for Swisstek Aluminium Ltd.

The amount shown in the statement of financial position represents the following.

	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Net deferred tax asset/(liability)- Swisstek (Ceylon) PLC	(208,252)	(6,544)	(208,252)	(6,544)
Net deferred tax Asset/(liability)- Swisstek Aluminium PLC	(101,625)	(40,284)	-	-
	(309,877)	(46,828)	(208,252)	(6,544)

## Deferred tax provision / reversal for the year

Deferred tax assets/ (liabilities) are attributable to the following:

	Group				Company			
	2018		2017		2018		2017	
	Temporary Difference	Deferred Tax	Temporary Difference	Deferred Tax	Temporary Difference	Deferred Tax	Temporary Difference	Deferred Tax
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Deferred tax assets</b>								
Employee benefits	20,647	4,637	17,170	3,874	6,342	1,776	5,501	1,540
Inventory provision	5,033	1,409	2,043	567	5,033	1,409	2,026	567
Provision for impairment receivable of trade receivables - Collective	-	-	190	53	-	-	190	53
Tax losses	189,089	48,365	346,517	81,923	131,842	36,916	157,747	44,169
<b>Deferred tax liabilities</b>								
Property, plant and equipment - Other than Land	(669,528)	(141,093)	(280,848)	(114,256)	(89,851)	(25,158)	(121,014)	(33,884)
Investment Property	(98,154)	(27,483)	-	-	(98,154)	(27,483)	-	-
Revaluation reserve - Building	(52,333)	(14,653)	-	-	(52,333)	(14,653)	(67,820)	(18,990)
Revaluation reserve - Land	(646,636)	(181,058)	(67,820)	(18,990)	(646,636)	(181,058)	-	-
<b>Net deferred tax asset/ (liability)</b>	<b>(1,251,880)</b>	<b>(309,877)</b>	<b>17,253</b>	<b>(46,828)</b>	<b>(743,756)</b>	<b>(208,252)</b>	<b>(23,369)</b>	<b>(6,544)</b>

For the year ended 31st March 2018, the net deferred tax asset has been recognised in full, as it is probable that sufficient future taxable profits will be available.

## Movement in deferred tax balance during the year

	Group				Company			
	Balance	Recognized	Recognized	Balance	Balance	Charge to	Charge to	
	31-Mar 2017	in profit or loss	in OCI	31-Mar 2018	31-Mar 2017	profit or loss	OCI	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Net deferred tax asset/ (liability)	(46,828)	(62,748)	(200,300)	(309,877)	(6,544)	(6,146)	(195,562)	
							(208,252)	

A deferred tax asset has been recognized in respect of the unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be used.

## Notes to the Financial Statements

### 12. Earnings per share

The calculation of the earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number ordinary shares in issue during the year.

Year ended 31 March,	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Profit/(Loss) attributable to ordinary shareholders (Rs. 000)	345,989	387,624	178,915	143,285
Weighted average number of ordinary shares	27,372,000	27,372,000	27,372,000	27,372,000
<b>Earnings per share (Rs.)</b>	<b>12.64</b>	14.16	<b>6.54</b>	5.23
<b>Weighted average number of ordinary shares</b>				
Issued ordinary shares	27,372,000	27,372,000	27,372,000	27,372,000
<b>Weighted average number of ordinary shares in issue during the year</b>	<b>27,372,000</b>	27,372,000	<b>27,372,000</b>	27,372,000

### 13 Property, plant & equipment

#### Swisstek (Ceylon) PLC

- The lands and buildings have been revalued by an independent chartered valuer, Mr. Ranjan J Samarakone, on 31 March 2018 on contractor's method as follows. The said valuation has been incorporated in the financial statements and the surplus arising from the revaluation was recognized under reserves.
- The entire land is classified as property plant and equipment since the portion of the land held for company's use and the land on which investment property is situated is not clearly demarcated and cannot be sold separately.

Address	Type of property	Extent	Fair Value	Fair Value
			2018 Rs. 000	2017 Rs. 000
Factory Complex, Belummahara, Imbulgoda	Land	980 Perches	633,500	600,000
No: 288/26, Colombo Road, Belummahara, Imbulgoda	Land	82 perches	47,000	-
No:334/5, Colombo Road, Belummahara, Imbulgoda	Land	20 Perches	11,350	6,700
Factory Complex, Belummahara, Imbulgoda	Buildings	54,647 sq.ft	112,500	75,000
Factory Complex, Belummahara, Imbulgoda - Crushing Plant 2	Buildings	7,000 sq.ft	35,000	-
No:334/5, Colombo Road, Belummahara, Imbulgoda	Building	1,384 sq.ft	500	301
			<b>839,850</b>	682,001



(c) The carrying amount of the lands if carried at cost is as follows.

	Extent/ covered floor Area	Cost Rs. '000	Carrying value as at 31.03.2018 Rs. '000	Carrying value as at 31.03.2017 Rs. '000
Factory Complex, Belummahara, Imbulgoda	980 Perches	1,381	1,381	1,381
No:334/5, Colombo Road, Belummahara, Imbulgoda	20 Perches	5,753	5,753	5,753
No: 288/26, Colombo Road, Belummahara, Imbulgoda	82 Perches	38,080	38,080	-
		45,214	45,214	7,134

(d) The carrying amount of the buildings if carried at cost is as follows.

	Extent/floor Area	No. of buildings	Cost Rs. '000	Accumulated depreciation Rs. '000	Carrying value as at 31.03.2018 Rs. '000	Carrying value as at 31.03.2017 Rs. '000
Factory Complex, Belummahara, Imbulgoda	54,647 Sq.ft.	13	39,071	11,285	27,786	28,567
No:334/5, Colombo Road, Belummahara, Imbulgoda	1,384 sq.ft	1	288	14	274	279
No: 288/26, Colombo Road, Belummahara, Imbulgoda	7,000 sq.ft	1	56,309	692	55,617	-
			95,668	11,991	83,677	28,847

## Notes to the Financial Statements

Group	Machinery under									
	Freehold		Plant & Machinery		Finance Lease		Factory Electrification		Furniture & Fittings	
	Land	Buildings	Machinery							
Description	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cost/ Revaluation										
As at 01 April 2017	797,427	414,791	772,696	8,853	6,415	9,763	23,394	17,698	3,418	13,998
Additions during the year	57,361	240,038	429,525	-	15,492	1,575	30,393	11,505	-	3,019
Revaluation Gain/(Loss)	47,070	9,219	-	-	-	-	-	-	-	-
<b>As at 31 March 2018</b>	<b>901,858</b>	<b>664,048</b>	<b>1,202,221</b>	<b>8,853</b>	<b>21,907</b>	<b>11,338</b>	<b>53,787</b>	<b>29,203</b>	<b>3,418</b>	<b>17,017</b>
Accumulated depreciation										
As at 01 April 2017	-	40,065	352,162	4,575	2,002	4,771	11,334	12,118	70	9,756
Charge for the Year	-	11,453	57,737	590	1,079	1,451	2,603	2,313	69	2,199
<b>As at 31 March 2018</b>	<b>-</b>	<b>51,518</b>	<b>409,899</b>	<b>5,165</b>	<b>3,081</b>	<b>6,222</b>	<b>13,937</b>	<b>14,431</b>	<b>139</b>	<b>11,955</b>
As at 31 March 2017	797,427	374,726	420,534	4,278	4,413	4,992	12,060	5,580	3,348	4,242
<b>As at 31 March 2018</b>	<b>901,858</b>	<b>612,530</b>	<b>792,322</b>	<b>3,687</b>	<b>18,826</b>	<b>5,116</b>	<b>39,850</b>	<b>14,772</b>	<b>3,280</b>	<b>5,062</b>

Property, plant and equipment of the group consists of fully depreciated assets with a value of Rs. 31,358,675/- (2017 - Rs. 26,434,858) as at the year end.

Company

Description	Machinery under												Tools & Equipments		Total						
	Freehold Land		Buildings		Plant & Machinery		Finance Lease		Factory Electrification		Furniture & Fittings					Motor Vehicles		Office Equipments		Road Way	
	Rs. 000		Rs. 000		Rs. 000		Rs. 000		Rs. 000		Rs. 000		Rs. 000		Rs. 000		Rs. 000		Rs. 000		
Cost/ Revaluation																					
As at 01 April 2017		606,700		100,289		64,480		8,853		6,415		3,673		8,171		6,050		3,418		4,326	812,375
Additions during the year		38,080		56,309		139,356		-		15,492		515		3,555		2,008		-		276	255,591
Revaluation Gain/(Loss)		47,070		4,215		-		-		-		-		-		-		-		-	51,285
As at 31 March 2018		691,850		160,813		203,836		8,853		21,907		4,188		11,726		8,058		3,418		4,602	1,119,251
Accumulated depreciation																					
As at 01 April 2017		-		9,454		17,070		4,575		2,002		1,035		3,982		4,014		70		2,535	44,737
Charge for the Year		-		3,359		8,348		590		1,079		653		1,349		996		69		583	17,026
As at 31 March 2018		-		12,813		25,418		5,165		3,081		1,688		5,331		5,010		139		3,118	61,763
As at 31 March 2017																					
As at 31 March 2017		606,700		90,835		47,412		4,277		4,413		2,638		4,189		2,036		3,348		1,790	767,638
As at 31 March 2018																					
As at 31 March 2018		691,850		148,000		178,418		3,688		18,826		2,500		6,395		3,048		3,279		1,484	1,057,488

Property, plant and equipment of the company consists of fully depreciated assets with a value of Rs. 8,136,025/- (2017 - Rs. 6,234,730) as at the year end.

## Notes to the Financial Statements

### 13.1 Capital work - in - progress

	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Balance as at the beginning of the year	136,711	51,526	37,699	-
Cost incurred during the year	508,697	292,889	146,217	37,699
During the year transferred to PPE	(589,987)	(207,704)	(183,916)	-
Balance as at 31 March	55,421	136,711	-	37,699

During The year, the Company transfer Rs. 39.3 Mn to Building, 129.1 Mn to Plant & Machinery & 15.5 Mn to factory electrification from CWIP. Subsidiary Transfer Rs. 183.7 Mn to Building & 222.3 to Plant & Machinery from CWIP.

### 14. Investment in subsidiary

	No of shares As at 31-03-2018	Holding %	Cost As at 31-03-2018 Rs. 000	No of shares As at 31-03-2017	Holding %	Cost As at 31-03-2017 Rs. 000
Swisstek Aluminium Ltd	122,340,570	87.38%	229,784	122,340,570	87.38%	229,784
	-	-	229,784	-	-	229,784

### 15. Other Long Term Investments

	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Swisstek Development Limited	79	-	79	-

During The year, the Company paid Rs. 79,000/- as registration fee for Swisstek Development Limited.

	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
<b>16. Investment property</b>				
<b>Cost/ Revaluation</b>				
<b>Balance as at 1 April</b>	<b>117,483</b>	103,824	<b>117,483</b>	103,824
Change in fair value	<b>16,517</b>	13,659	<b>16,517</b>	13,659
<b>Balance as at 31 March</b>	<b>134,000</b>	117,483	<b>134,000</b>	117,483

Investment property consists of a retail tiles sales centre and three warehouses. These are leased to Lanka Tiles PLC, Lanka Walltiles PLC and Royal Ceramic Lanka PLC.

The carrying amount of Investment Property is the fair value of the property as determined by a registered independent valuer Mr. Ranjan J Samarasakone on 31 March 2018.

Address	Type of property	Occupying party	Extent	Cost Rs. 000	Date of Valuation	Fair Value 2018 Rs. 000	Fair Value 2017 Rs. 000
Factory Complex, Belummahara, Imbulgoda	Tile Stores	LT /LW	26,000 sq.ft	5,663	31-Mar-18	<b>79,543</b>	71,685
Factory Complex, Belummahara, Imbulgoda	Sales center	LT /LW/RCL	4900 sq.ft	14,053	31-Mar-18	<b>29,982</b>	23,901
Factory Complex, Belummahara, Imbulgoda	Open Shed	LW	1600 sq.ft	5,062	31-Mar-18	<b>4,079</b>	2,346
Factory Complex, Belummahara, Imbulgoda	Warehouse	RCL	5,000 sq.ft	11,067	31-Mar-18	<b>20,396</b>	19,551
				<b>35,846</b>		<b>134,000</b>	117,483

	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
<b>17. Inventories</b>				
Spares and consumables	<b>72,980</b>	45,222	<b>6,177</b>	5,702
Raw material	<b>1,012,731</b>	400,942	<b>57,554</b>	37,175
Work in progress	<b>91,751</b>	86,182	<b>7,955</b>	2,414
Finished goods	<b>351,680</b>	263,912	<b>36,052</b>	43,413
Goods in transit	<b>80,991</b>	18,117	<b>5,070</b>	14,299
Less: Provision for obsolete and slow moving items	<b>(5,033)</b>	(2,043)	<b>(5,033)</b>	(2,026)
	<b>1,605,100</b>	812,332	<b>107,775</b>	100,977

Stocks of Swisstek Aluminium Ltd amounting to Rs. 160 Mn. together with an insurance policy over stocks have been pledged as collateral over the bank borrowings.

## Notes to the Financial Statements

### 18 Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Trade receivables - Others	952,091	819,099	101,588	74,797
- Related parties (Note 18.1)	60,813	28,897	59,776	29,760
	1,012,904	847,996	161,364	104,557
Less : Provision for impairment of trade debtors	(9,979)	(12,518)	(729)	(577)
Deposits, advances, prepayments & other recoverables	138,736	234,357	7,512	11,018
Tax recoverables	3,684	22,783	3,684	342
	1,145,345	1,092,619	171,831	115,340
<b>Note 18.1 Trade receivables - Related parties</b>				
Lanka Tiles PLC	60,813	28,897	59,776	28,882
Vallibel One PLC	-	-	-	878
	60,813	28,897	59,776	29,760

### 19 Amount due from related parties

Swisstek Aluminium Limited	-	-	331	322
Lanka Walltiles PLC	4,799	700	4,799	700
Royal Ceremics PLC	20,947	3,227	20,947	3,227
Royal Porcelain Ltd	1,581	833	1,581	833
Rocel Bathware Ltd	106	68	106	68
	27,433	4,828	27,764	5,150

### 20 Cash and cash equivalents

Cash in hand	241	159	104	104
Cash at banks	65,391	75,042	2,713	14,755
<b>Cash and cash equivalents</b>	<b>65,632</b>	<b>75,202</b>	<b>2,817</b>	<b>14,860</b>
Bank overdrafts	(165,534)	(121,867)	(45,292)	(24,091)
<b>Cash &amp; cash equivalents for the purpose of cash flow statement</b>	<b>(99,902)</b>	<b>(46,665)</b>	<b>(42,475)</b>	<b>(9,231)</b>



Year ended 31 March,	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
<b>21 Stated capital</b>				
Ordinary Share in Issue 27,372,000	368,256	368,256	368,256	368,256
<b>22 Reserves</b>				
a) <b>Revaluation reserve</b>				
As at 1 April	740,299	740,299	649,393	649,393
Revaluation surplus on land and building net of tax	(144,128)	-	(144,427)	-
As at 31 March	596,171	740,299	504,966	649,393
b) <b>Capital redemption reserve</b>	121	121	121	121
c) <b>General reserve</b>	19,842	19,842	19,842	19,842
<b>Total</b>	<b>616,134</b>	<b>760,262</b>	<b>524,929</b>	<b>669,356</b>
<b>23 Employee benefits</b>				
<b>Movement in present value of the defined benefit obligation</b>				
Defined benefit obligation at 1 April	17,170	18,987	5,501	6,846
Current service cost and interest (23.1)	5,305	4,793	1,305	1,270
Actuarial (gain)/ losses in other comprehensive income (23.2)	156	(4,184)	534	(575)
Payment during the year	(1,984)	(2,425)	(998)	(2,040)
<b>Defined benefit obligation at 31 March</b>	<b>20,647</b>	<b>17,170</b>	<b>6,342</b>	<b>5,501</b>
<b>23.1 Expenses recognized in profit or loss</b>				
Current service cost	3,116	2,651	645	551
Interest cost	2,189	2,142	660	719
	<b>5,305</b>	<b>4,793</b>	<b>1,305</b>	<b>1,270</b>
<b>23.2 Actuarial (gain)/loss recognized in other comprehensive income</b>				
Actuarial (gain) or loss	156	(4,184)	534	(575)
	<b>156</b>	<b>(4,184)</b>	<b>534</b>	<b>(575)</b>

Gratuity liability is recognized based on the actuarial valuation carried out by Actuarial and Management Consultants (Pvt) Ltd on 31 March 2018. The followings are the principle assumptions used by the valuer as at year end.

#### Swisstek (Ceylon) PLC

1. Discount rate (the rate used to discount the future cash flows in order to determine the present value)	10.0%	12.0%
2. Future salary increase	12.5%	12.5%

#### Swisstek Aluminium Limited

1. Discount rate (the rate used to discount the future cash flows in order to determine the present value)	10.0%	13.1%
2. Future salary increase	10.0%	13.0%

In addition to above, assumptions regarding future mortality are based on published statistics and mortality tables.

## Notes to the Financial Statements

### 23.3 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of profit or loss and other comprehensive income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Company		2018		2017	
Increase/ (Decrease) in discount rate	Increase/ (Decrease) in salary increment rate	Effect on charge to the Statement of profit or loss and other comprehensive income Rs. 000	Effect on employee benefit obligation Rs. 000	Effect on charge to the Statement of profit or loss and other comprehensive income Rs. 000	Effect on employee benefit obligation Rs. 000
1%	*	(318)	(318)	(284)	(284)
-1%	*	350	350	314	314
*	1%	366	366	334	334
*	-1%	(339)	(339)	(307)	(307)

Subsidiary		2018		2017	
Increase/ (Decrease) in discount rate	Increase/ (Decrease) in salary increment rate	Effect on charge to the Statement of profit or loss and other comprehensive income Rs. 000	Effect on employee benefit obligation Rs. 000	Effect on charge to the Statement of profit or loss and other comprehensive income Rs. 000	Effect on employee benefit obligation Rs. 000
1%	*	(13,570)	(13,570)	(11,088)	(11,088)
-1%	*	15,120	15,120	12,312	12,312
*	1%	15,178	15,178	12,362	12,362
*	-1%	(13,504)	(13,504)	(11,033)	(11,033)

## 24 Loans & borrowings

	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
<b>Movement in interest bearing loans &amp; borrowings</b>				
Balance at the beginning of the year	381,317	150,963	33,938	5,203
Loans obtained during the year	524,564	304,767	173,255	31,735
Repayments made during the year	(131,789)	(74,413)	(19,203)	(3,000)
<b>Balance at the end of the year</b>	<b>774,092</b>	<b>381,317</b>	<b>187,990</b>	<b>33,938</b>
<b>24.1 Amount falling due within one year</b>	<b>183,832</b>	<b>79,764</b>	<b>37,500</b>	<b>5,376</b>
<b>24.2 Amount falling due after one year</b>	<b>590,260</b>	<b>301,553</b>	<b>150,490</b>	<b>28,562</b>

### 24.3 Bank loans

Lender	Interest rate	Security	Group		2017		Company	
			2018 Amount payable within one year Rs. 000	2018 Amount payable after one year Rs. 000	2017 Amount payable within one year Rs. 000	2017 Amount payable after one year Rs. 000	2018 Amount payable within one year Rs. 000	2017 Amount payable within one year Rs. 000
<b>Bank of Ceylon</b>	AWPLR + 1.5%	Mortgage over immovable property at Belummahara, Imbulgoda.	34,000	118,990	5,376	28,562	34,000	118,990
<b>Commercial Bank</b>	AWPLR + 1.5%	Mortgage over immovable property at Belummahara, Imbulgoda.	3,500	31,500	-	-	3,500	31,500
<b>DFCC Bank</b>	AWPLR	Mortgage over Land, Building, Plant & Machinery, Stocks and Book debts owned by Swisstek Aluminium Ltd.	146,332	439,770	74,388	272,991	-	-
			183,832	590,260	79,764	301,553	37,500	150,490
							5,376	28,562

## Notes to the Financial Statements

Year ended 31 March,		Group		Company	
		2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
<b>25</b>	<b>Trade and other payables</b>				
	Trade payables - Others	809,833	286,984	60,249	52,479
	- Related parties (Note 25.1)	12,788	20,531	598	-
		822,621	307,515	60,847	52,479
	EPF / ETF payable	1,410	2,025	579	683
	Bank loan interest payable	15,476	8,884	858	446
	Accruals & other payables	115,444	113,106	29,688	33,215
	VAT/NBT payable	4,810	53	4,861	968
		959,761	431,583	96,833	87,791
<b>25.1</b>	<b>Trade Payables - Related parties</b>				
	Lanka Tiles PLC	25	20	-	-
	Horana Plantation PLC	-	60	-	-
	Unidil Packaging Ltd.	598	-	598	-
	Lanka Walltile PLC	6,561	48	-	-
	Royal Ceramic PLC	-	20,403	-	-
	Vallibel One PLC	5,604	-	-	-
		12,788	20,531	598	-
<b>26</b>	<b>Short term loans</b>				
	Balance at the beginning of the year	772,496	414,726	65,863	30,000
	Loans obtained during the year	2,440,550	1,881,649	225,357	156,682
	Repayments made during the year	(2,185,280)	(1,523,879)	(169,561)	(120,819)
	Balance at the end of the year	1,027,766	772,496	121,659	65,863
<b>27</b>	<b>Borrowings and amounts due to related companies</b>				
<b>27.1</b>	<b>Amount due to related companies</b>				
	Lanka Tiles PLC	4,620	4,958	4,620	4,958
		4,620	4,958	4,620	4,958
<b>27.2</b>	<b>Borrowings - Related parties</b>				
	Balance as at beginning of the year	52,632	83,466	52,632	83,466
	Repayment during the year	(30,835)	(30,834)	(30,835)	(30,834)
	Balance as at end of the year	21,797	52,632	21,797	52,632
	Amount payable within 12 months	21,797	30,835	21,797	30,835
	Amount payable after 12 months	-	21,797	-	21,797
		21,797	52,632	21,797	52,632

The company's borrowings from related parties include the loan obtained from Lanka Tiles PLC at the rate of AWPLR + 1%

## 28 Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arise principally from the Group's receivables from customers.

Carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was as follows;

#### Carrying value

	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Trade Receivable	1,012,904	847,996	161,364	104,557
Cash & cash equivalents	65,632	75,202	2,817	14,860

### Management of Credit Risk

#### Trade & Other Receivables

The group has a well-established credit control policy & process to minimize credit risk. Customers are categorized according to the segments and credits limit have been fixed as per the bank guarantees given by the respective customer. Transactions will be started only when the company receives the bank guarantees from the customers and further invoicing will be done only for the customers whose outstanding balance do not exceed the credit limit.

### Impairment losses

The aging of trade and other receivables at the reporting date that were not impaired was as follows;

#### Carrying value

	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Below 30 days	290,042	423,860	101,226	55,687
30 - 45 days	192,171	187,904	32,675	24,931
46 - 60 days	161,972	85,939	9,372	6,885
Over 61 days	367,682	150,293	18,091	17,055
Less: provision made	(9,979)	(12,518)	(729)	(577)
	1,001,888	835,478	160,635	103,981

## Notes to the Financial Statements

The movement in the provision for impairment in respect of trade and other receivables during the year was as follows.

	Impairment	
	Group	Company
	Rs. 000	Rs. 000
<b>Balance at 1 April 2014</b>	271	103
Impairment loss recognised	7,487	216
Amounts written off	-	-
<b>Balance at 31 March 2015</b>	7,758	319
Impairment loss recognised	4,769	267
Amounts written off	(198)	(198)
<b>Balance at 31 March 2016</b>	12,329	388
Impairment loss recognised	189	189
Amounts written off	-	-
<b>Balance at 31 March 2017</b>	12,518	577
Impairment loss recognised	1,423	152
Amounts written off	(3,962)	-
<b>Balance at 31 March 2018</b>	<b>9,979</b>	<b>729</b>

The Group believes that the unimpaired amounts that are past due by more than 45 days are still to be collected in full, based on historic payment behaviour and extensive analysis of customer credit risk. Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

### Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest:

### The maturity analysis of Liabilities - Group

	Carrying value	Current		Non Current	
	Rs. 000	Upto 1 year	Upto 2 years	Upto 5 years	Above 5 years
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>As at 31 March 2018</b>					
Bank overdrafts	165,534	165,534	-	-	-
Bank borrowings	1,801,858	1,211,598	171,893	391,446	26,921
RPT loans	21,797	21,797	-	-	-



	Carrying value Rs. 000	Current Upto 1 year Rs. 000	Upto 2 years Rs. 000	Non Current Upto 5 years Rs. 000	Above 5 years Rs. 000
<b>As at 31 March 2017</b>					
Bank overdrafts	121,867	121,867	-	-	-
Bank borrowings	1,153,813	883,220	96,186	171,233	3,174
RPT loans	52,632	30,835	21,797	-	-

#### The maturity analysis of Liabilities - Company

	Carrying value Rs. 000	Current Upto 1 year Rs. 000	Upto 2 years Rs. 000	Non Current Upto 5 years Rs. 000	Above 5 years Rs. 000
<b>AS at 31st March 2018</b>					
Bank overdrafts	45,292	45,292	-	-	-
Bank borrowings	309,649	159,159	41,000	105,990	3,500
RPT loans	21,797	21,797	-	-	-
<b>AS at 31st March 2017</b>					
Bank overdrafts	24,091	24,091	-	-	-
Bank borrowings	99,801	71,239	28,562	-	-
RPT loans	83,466	36,930	36,930	9,606	-

#### Market Risk

##### Interest Rate Risk

The principal risk to which non-trading portfolios are exposed is the loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

At the end of the reporting period the interest rate profile of the company's interest-bearing financial instruments as reported to the management of the company was as follows;

	Group Nominal amount		Company Nominal amount	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
<b>Variable rate instruments</b>				
Financial liabilities	(1,989,188)	(1,328,311)	(376,737)	(176,523)

A reasonable possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency exchange rates, remain constant.

## Notes to the Financial Statements

	Group		Company	
	2018	2017	2018	2017
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Variable rate instruments				
100 bp increase	(19,892)	(13,283)	(3,767)	(1,765)
100 bp decrease	19,892	13,283	3,767	1,765

### Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital, which the company defines as result from operating activities divided by total shareholders' equity. The Group also monitors the level of dividends to ordinary shareholders.

The company's debt to adjusted capital ratio at the end of the reporting period was as follows.

	Group		Company	
	2018	2017	2018	2017
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Total liabilities	3,286,794	1,856,425	692,785	288,385
Less: cash and cash equivalents	65,632	75,202	2,817	14,860
Net debt	3,221,162	1,781,223	689,968	273,525
Total equity	2,143,614	2,014,350	1,038,848	1,100,545
Net debt to equity ratio at 31 March	1.50	0.88	0.66	0.25

There were no changes in the company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

## 29 Analysis of financial instruments by measurement basis

The fair values of financial assets and liabilities, together with carrying amounts shown in the Statement of Financial Position, are as follows.

### Group

2018	Note	Fair value through profit or loss Rs. 000	Available for sale Rs. 000	Loans and receivables* Rs. 000	Held to maturity Rs. 000	Other financial liabilities * Rs. 000	Total Rs. 000
<b>Financial Assets</b>							
Trade and other receivables	18	-	-	1,145,345	-	-	1,145,345
Amounts due from related parties	19	-	-	27,433	-	-	27,433
Cash and cash equivalents	20	-	-	65,632	-	-	65,632
		-	-	1,238,410	-	-	1,238,410
<b>Financial Liabilities</b>							
Loans and borrowings	24	-	-	-	-	774,092	774,092
Borrowings - Related party	27.2	-	-	-	-	21,797	21,797
Short term loans	26	-	-	-	-	1,027,766	1,027,766
Trade and other payables	25	-	-	-	-	959,761	959,761
Amounts due to related parties	27	-	-	-	-	4,620	4,620
Bank overdraft	20	-	-	-	-	165,534	165,534
		-	-	-	-	2,953,570	2,953,570

2017	Note	Fair value through profit or loss Rs. 000	Available for sale Rs. 000	Loans and receivables* Rs. 000	Held to maturity Rs. 000	Other financial liabilities * Rs. 000	Total Rs. 000
<b>Financial Assets</b>							
Trade and other receivables	18	-	-	1,092,619	-	-	1,092,619
Amounts due from related parties	19	-	-	4,828	-	-	4,828
Cash and cash equivalents	20	-	-	75,202	-	-	75,202
		-	-	1,172,649	-	-	1,172,649
<b>Financial Liabilities</b>							
Loans and borrowings	24	-	-	-	-	381,317	381,317
Borrowings - Related party	27.2	-	-	-	-	52,632	52,632
Short term loans	26	-	-	-	-	772,496	772,496
Trade and other payables	25	-	-	-	-	431,583	431,583
Amounts due to related parties	27	-	-	-	-	4,958	4,958
Bank overdraft	20	-	-	-	-	121,867	121,867
		-	-	-	-	1,764,853	1,764,853

## Notes to the Financial Statements

### Company

#### 2018

	Note	Fair value through profit or loss Rs. 000	Available for sale Rs. 000	Loans and receivables* Rs. 000	Held to maturity Rs. 000	Other financial liabilities * Rs. 000	Total Rs. 000
<b>Financial Assets</b>							
Trade and other receivables	18	-	-	171,831	-	-	171,831
Cash and cash equivalents	20	-	-	2,817	-	-	2,817
		-	-	174,648	-	-	174,648
<b>Financial Liabilities</b>							
Loans and borrowings	24	-	-	-	-	187,990	187,990
Borrowings - Related party	27.2	-	-	-	-	21,797	21,797
Short term loans	26	-	-	-	-	121,659	121,659
Trade and other payables	25	-	-	-	-	96,833	96,833
Amounts due to related parties	27	-	-	-	-	4,620	4,620
Bank overdraft	20	-	-	-	-	45,292	45,292
		-	-	-	-	478,191	478,191

#### 2017

	Note	Fair value through profit or loss Rs. 000	Available for sale Rs. 000	Loans and receivables* Rs. 000	Held to maturity Rs. 000	Other financial liabilities * Rs. 000	Total Rs. 000
<b>Financial Assets</b>							
Trade and other receivables	18	-	-	115,340	-	-	115,340
Cash and cash equivalents	20	-	-	14,860	-	-	14,860
		-	-	130,200	-	-	130,200
<b>Financial Liabilities</b>							
Loans and borrowings	24	-	-	-	-	33,938	33,938
Borrowings - Related party	27.2	-	-	-	-	52,632	52,632
Short term loans	26	-	-	-	-	65,863	65,863
Trade and other payables	25	-	-	-	-	87,791	87,791
Amounts due to related parties	27	-	-	-	-	4,958	4,958
Bank overdraft	20	-	-	-	-	24,091	24,091
		-	-	-	-	269,273	269,273

\*The company does not anticipate the fair value of the above to be significantly different to their carrying values and considers the impact as not material for the disclosure.

### Fair value Hierarchy for Assets Carried at fair value

The table below analyses financial instruments and non financial assets measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

<b>Group</b>						
<b>2018</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	
		<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	
Investment property	16	-	-	134,000	134,000	
Freehold land and building	13	-	-	1,565,906	1,565,906	
<b>2017</b>						
Investment property	16	-	-	117,483	117,483	
Freehold land and building	13	-	-	1,098,856	1,098,856	
<b>Company</b>						
<b>2018</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	
		<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	
Investment property	16	-	-	134,000	134,000	
Freehold land and building	13	-	-	852,663	852,663	
<b>2017</b>						
Investment property	16	-	-	117,483	117,483	
Freehold land and building	13	-	-	706,989	706,989	

## Notes to the Financial Statements

### Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of Land and investment property, as well as the significant unobservable inputs used.

	Location	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Swisstek (Ceylon) PLC</b>				
<b>Investment property</b>				
Factory Complex	Belummahara	Investment method	<p>A reasonable rent that the property could fetch in its existing use is estimated on the basis of rent paid to comparable properties.</p> <p>The net income deliverable worked out taking away the usual "outgoings" that have to be met from such gross income at 20%</p> <p>The net income determined is capitalized at an "years purchase" estimated based on the type of property, its existing use and the rate of return on investment expected from the type of property is 22.</p>	The estimated fair value would increase/decrease if expected market rentals get high/low.
<b>Property plant and equipment</b>				
Land and building	Belummahara	Contractor's method	<p>"Considering the location, extent and site characteristics the land value is determined by adopting rates from Rs. 575,000 to Rs. 675,000 per perch.</p> <p>The building value is determined by adopting rates from Rs. 250 to Rs. 5,000 per sq.ft."</p>	The estimated fair value would increase/decrease if the market value of the land or building gets high/low.



	Location	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Swisstek Aluminium Limited</b>				
<b>Property plant and equipment</b>				
Land and building	Dompe	Market approach	<p>Considering the location, extent and site characteristics the land value is determined by adopting rates from Rs. 50,000 to Rs. 150,000 per perch.</p> <p>The building value is determined by adopting rates from Rs. 2,000 to Rs. 4,000 per sq.ft."</p>	The estimated fair value would increase/decrease if the market value of the land or building gets high/low.

## 30.1 Directorates of directors in related companies

The Directors of the company are also directors of the following related Companies which Swisstek (Ceylon) PLC has had business transactions, in the ordinary course of business.

	Mr. A M Weerasinghe (Chairman)	Mr. J A P M Jayasekara (Managing Director)	Mr. J K A Sirinatha	Dr. S Selliah	Mr. K Y Choi (*)	Mr. T D Soysa (**)	Mr. A S Mahendra (***)	Mr. K D G Gunaratne (***)
Lanka Tiles PLC	X	X	-	X	-	-	-	X
Lanka Walltiles PLC	X	X	-	X	-	X	-	X
Uni Dil Packaging Ltd	-	X	-	-	-	-	-	-
Swisstek Aluminium Ltd	X	X	-	X	X	-	X	-
Horana Plantations PLC	-	-	-	-	-	-	-	X
Lanka Ceramic Ltd.	X	X	-	-	-	-	-	X
Royal Ceremics Lanka PLC	X	-	-	-	-	-	-	-
Royal Porcelain (pvt) Ltd	X	-	-	-	-	-	-	-
Rocell Bathware Ltd.	X	-	-	-	-	-	-	-
M N Propertise (Pvt) Ltd.	-	X	-	-	-	-	-	-

"X" denotes directorate

(\*) Resigned on 26th July 2017

(\*\*) Retired on 29th June 2017

(\*\*\*) Appointed as Director on 30th August 2017

Details of transactions with related parties in the ordinary course of business are set out below:-

### 30.2 Transactions with related companies

Name of the Company	Relationship	Nature of the Transaction	Group		Company	
			2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
a. Lanka Walltiles PLC	Parent company	Sales commission reimbursed	9,147	7,228	9,147	7,228
		Security charges reimbursement	989	1,024	989	1,024
		Warehouse rental income	5,283	4,210	5,283	4,210
		Technical fee expenses	42,950	360	360	360
		Reimb. of sales expenses	2,768	1,192	1,249	1,192
		Office maintenance	(141)	(139)	(141)	(139)
		Microsoft licence fees reimb.	(187)	(184)	(187)	(184)
b. Lanka Tiles PLC	Related company	Tile mortar sales	207,399	131,937	207,399	131,937
		Tile grout Sales	49,498	46,731	49,498	46,731
		Decorative pebbles, Skim coat & Tile Cleaner	16,695	9,865	16,695	9,865
		Grout & Mortar RM purchases	(174)	(196)	(174)	(196)
		Receipts of funds	(242,698)	(215,493)	(242,698)	(215,493)
		Operational & administration expenses	(1,878)	(3,031)	(2,394)	(3,031)
		Lease rental expense on machinery	(310)	(254)	(310)	(254)
		Financial expenses to Lanka Tiles PLC	(4,865)	(8,300)	(4,865)	(8,300)
		Reimbursement of operational expense	4,361	4,417	4,361	4,417
		Warehouse rental income	7,831	5,789	7,831	5,789
		Loan repayment during the year	30,834	30,834	30,834	30,834
		Commission on Sales	45,693	38,713	45,693	38,713
c. Royal Ceremics Lanka PLC	Related company	Sale of Goods	30,714	7,081	30,714	7,081
		Sales Commission	1,125	1,601	1,125	1,601
		Reimbursement of Security Expenses	989	1,026	989	1,026
		Warehouse rental income	4,473	3,759	4,473	3,759
		Purchase of goods	169	2,964	-	-
		Administration expenses	64,431	59,411	-	-
		Technical fees	17,642	84,774	-	-

## Notes to the Financial Statements

Name of the Company	Relationship	Nature of the Transaction	Group		Company	
			2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
d. Royal Porcelain (Pvt) Ltd	Related company	Commission on Sales	6,845	5,904	6,845	5,904
e. Rocell Bathware Ltd.	Related company	Commission on Sales	481	68	481	68
f. Unidil Packaging Ltd	Related company	Purchase of corrugated boxes	3,918	3,345	3,918	3,345
g. Swisstek Aluminium Ltd	Subsidiary	Interest received on loans	-	1,184	-	1,184
		Loan granted/(repayment)	-	(22,430)	-	(22,430)
		Return of goods	-	(1,568)	-	(1,568)
h. Horana plantation	Related company	Purchase of goods	150	369	-	-
i. Lanka Ceramic PLC	Related company		1,344	-	1,344	-
j. Vallibel One PLC	Ultimate parent		42,061	-	-	-
k. M N Properties (Pvt) Ltd.	Common Director	Sale of Goods	2,902	-	2,902	-

### 30.3 Transactions with key management personnel

According to LKAS 24 "Related Party Disclosure", Key Management Personnel, are those having authority and responsibility for planning. Directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors) have been classified as Key Management Personnel of the Company and the Group. Following transactions have been occurred with the key Management Personnel during the period.

#### (i) Loans given to directors

No loans have been given to the directors of the group.

#### (ii) Key management personnel compensation

	Group		Company	
	2018 Rs. 000	2017 Rs. 000	2018 Rs. 000	2017 Rs. 000
Director fees	8,267	900	1,705	1,245
Salary and allowances	-	1,057	-	-
	8,267	1,957	1,705	1,245

This note should be read in conjunction with Notes 18, 19, 25 and 27 to these Financial Statements.

### 31 Non controlling interest

The following table summarises the information relating to subsidiary that has material Non Controlling Interest (NCI).

31st March	Swisstek Aluminium Ltd	
	2018 Rs. 000	2017 Rs. 000
<b>NCI percentage</b>	<b>12.62%</b>	12.62%
Non current assets	<b>1,395,237</b>	962,974
Current assets	<b>2,533,654</b>	1,752,910
Non current liabilities	<b>(555,701)</b>	(293,986)
Current liabilities	<b>(2,044,755)</b>	(1,278,311)
<b>Net assets</b>	<b>1,328,435</b>	1,143,587
Carrying amount of NCI	<b>167,647</b>	144,321
Revenue	<b>3,340,583</b>	2,824,409
Profit	<b>254,208</b>	325,661
OCI	<b>644</b>	2,887
<b>Total comprehensive income</b>	<b>254,852</b>	328,548
Profit allocated to NCI	<b>32,081</b>	41,098
OCI allocated to NCI	<b>81</b>	364
Cash flows from operating activities	<b>12,814</b>	(25,173)
Cash flows from investing activities	<b>(61,804)</b>	(36,528)
Cash flows from financing activities	<b>46,466</b>	57,408
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,524)</b>	(4,293)

### 32 Capital expenditure commitments

There were no material capital commitments as at the reporting date.

### 33 Commitments and contingencies

There are no commitments and contingencies except the following;

- The letter of credits opened by Swisstek Aluminium Limited amounting to Rs. 80,000,355/-

### 34 Events after the reporting date

There were no material events after the reporting date which would require adjustments to or disclosure in the financial statements.

# Investor Information

## Stock Exchange Listing

The issued Ordinary Shares of Swisstek (Ceylon) PLC are listed with the Colombo Stock Exchange.

## Share Distribution as at 31 March 2018

From	To	No of Holders	No of Shares	%
1	1,000	694	153,519	0.56
1,001	10,000	182	691,003	2.53
10,001	100,000	76	2,496,002	9.12
100,001	1,000,000	25	5,922,433	21.63
Over 1,000,000		3	18,109,043	66.16
		980	27,372,000	100.00

## Categories of Shareholders

Local Individuals	870	2,987,348	10.92
Local Institutions	94	23,192,959	84.73
Foreign Individuals	9	57,954	0.21
Foreign Institutions	7	1,133,739	4.14
	980	27,372,000	100.00

## 20 Major Shareholders of the Company

Name	31-03-2018		31-03-2017	
	No of Shares	(%)	No of Shares	(%)
1 Lanka Tiles PLC	13,085,180	47.805	13,085,180	47.805
2 Lanka Walltiles PLC	3,141,250	11.476	3,141,250	11.476
3 Royal Ceramics Lanka PLC	1,882,613	6.878	1,882,613	6.878
4 Deutsche Bank as Trustee To Candor Opportunities	600,000	2.192	300,000	1.096
5 Seylan Bank PLC/ Rizmy Ahamed Rishard	410,410	1.499	-	-
Rizmy Ahamed Rishard	-	-	528,556	1.931
6 National Industries Group (Holdings) (S.A.K)	392,107	1.433	214,920	0.785
7 Citizen Development Business Finance PLC	390,726	1.427	30,000	0.110
8 Sri Lanka Insurance Corporation Ltd – Life Fund	368,132	1.345	-	-
9 Mellon Bank N.A.-Common Wealth of Massachusetts	321,539	1.175	321,539	1.175
10 Rubber Investment Trust Limited A/C # 01	260,000	0.950	240,000	0.877
11 Andysel Private Limited	250,000	0.913	250,000	0.913
12 Arunodhaya Industries (Private) Limited	250,000	0.913	250,000	0.913
13 Arunodhaya (Private) Limited	250,000	0.913	250,000	0.913
14 Mr M M Fuad	243,804	0.891	445,112	1.626
15 Elgin Investments Ltd	200,094	0.731	-	-
16 Deutsche Bank Ag As Trustee To Amana Candor Shariah Balanced Fund	190,356	0.695	235,400	0.860
17 Guardian Fund Management Ltd/ The Aitken Spence and Associated Companies Executive Staff Provident Fund	185,000	0.676	-	-
18 Mr. A S Ratnayake	178,426	0.652	-	-
19 Central Finance Company PLC Account No. 05	178,319	0.651	-	-
20 Arunodhaya Investments (Private) Limited	170,000	0.621	170,000	0.621
<b>TOTAL</b>	<b>22,947,956</b>	<b>83.837</b>	<b>21,344,570</b>	<b>77.980</b>
<b>OTHERS</b>	<b>4,424,044</b>	<b>16.163</b>	<b>6,027,430</b>	<b>22.020</b>
<b>ISSUED CAPITAL</b>	<b>27,372,000</b>	<b>100.00</b>	<b>27,372,000</b>	<b>100.00</b>

### Directors' and CEO's Shareholding as at 31 March 2018

Names of Directors	No of Shares	%
Mr. A M Weerasinghe	20,340	0.074
Mr. J A P M Jayasekara	25,557	0.093
Mr. J K A Sirinatha	-	-
Dr. S Selliah	-	-
Mr. A S Mahendra	-	-
Mr. K D G Gunaratne	-	-

### Share Prices for the Year

	As at 31/03/2018	As at 31/03/2017
Highest during the year	Rs. 80.00 (25-07-2017)	Rs. 76.00 (04-10-2016)
Lowest during the year	Rs. 55.00 (22-03-2018)	Rs. 55.00 (01-04-2016)
Closing Price	Rs. 59.30	Rs. 65.60

### Public Holding

The Percentage of shares held by the Public - 29.858%

No of shareholders representing the above percentage - 969



## Five Year Summery of Income Statement

For the year ended 31 March,	Group				
	2018 Rs. 000	2017 Rs. 000	2016 Rs. 000	2015 Rs. 000	2014 Rs. 000
Revenue	4,077,367	3,433,741	2,689,529	1,857,199	1,487,095
Cost of Sales	(2,888,763)	(2,334,629)	(1,881,509)	(1,456,170)	(1,187,757)
Gross Profit	1,188,604	1,099,112	808,020	401,029	299,338
Other Income	92,421	78,186	84,987	87,315	65,038
Administration Expenses	(199,289)	(185,351)	(188,508)	(122,400)	(72,117)
Distribution Expenses	(446,650)	(382,600)	(266,090)	(48,185)	(56,748)
Other Expenses	(5,036)	(1,001)	(3,826)	(1,814)	(647)
Results from operating activities	630,050	608,346	434,583	315,945	234,864
Finance Cost	(145,262)	(106,821)	(61,913)	(57,870)	(113,209)
Profit/(Loss) before Tax	484,788	501,525	372,670	258,075	121,655
Tax expense	(106,718)	(72,803)	(49,386)	(6,550)	(3,738)
Profit/(Loss) for the year	378,070	428,722	323,284	251,525	117,917
<b>Other comprehensive income :</b>					
Gain on revaluation of land and buildings	56,289	-	234,464	155,075	-
Defined benefit plan actuarial gains / (losses)	(156)	4,184	(1,726)	(1,327)	(2,976)
Deferred tax on other comprehensive income	(200,300)	(883)	(17,246)	(68)	-
Other comprehensive income for the period	(144,168)	3,301	215,492	153,680	(2,976)
<b>Total comprehensive income for the period</b>	<b>233,902</b>	<b>432,023</b>	<b>538,776</b>	<b>405,205</b>	<b>114,941</b>

# Statement of Value Added

For the year ended 31st March	Group				
	2018 Rs. 000	2017 Rs. 000	2016 Rs. 000	2015 Rs. 000	2014 Rs. 000
Sales	4,077,367	3,432,356	2,689,529	1,857,199	1,487,095
Other Income	92,421	113,554	84,987	87,315	65,038
Less:					
Cost of materials & services bought in	(3,027,634)	(2,462,560)	(2,072,010)	(1,426,414)	(1,154,164)
<b>Value added</b>	<b>1,142,154</b>	1,083,350	702,506	518,100	397,969
<b>Distribution of Value Added</b>					
Employees as remuneration	285,382	270,463	203,150	146,248	107,171
Government as taxes	49,890	41,199	50,568	(2,842)	3,738
Lenders of capital as interest	145,262	106,821	61,913	60,338	110,741
Shareholders as dividends	165,807	93,632	-	-	-
<b>Retained in the business as</b>					
- Depreciation/deferred tax	93,060	102,270	63,645	65,099	55,935
- Profits	402,753	468,964	323,231	249,257	120,385
<b>Total</b>	<b>1,142,154</b>	1,083,349	702,506	518,100	397,969

# Five Year Summery of Financial Position

As at 31st March,	Group				
	2018 Rs. 000	2017 Rs. 000	2016 Rs. 000	2015 Rs. 000	2014 Rs. 000
<b>Assets</b>					
Property, plant and equipment	2,452,724	1,768,311	1,483,040	1,182,590	1,072,028
Deferred tax assets	-	-	1,992	39,099	22,728
Other Long Term Investment	79	-	-	-	-
Investment property	134,000	117,483	103,824	70,934	56,983
<b>Non current assets</b>	<b>2,586,803</b>	<b>1,885,794</b>	<b>1,588,856</b>	<b>1,292,623</b>	<b>1,151,739</b>
Inventories	1,605,100	812,332	400,865	345,383	260,527
Trade and other receivables	1,145,345	1,092,619	623,153	495,606	375,841
Tax Receivables	95	-	-	-	-
Amounts due from related parties	27,433	4,828	3,030	7,113	-
Cash and cash equivalents	65,632	75,202	12,950	8,532	9,291
<b>Current assets</b>	<b>2,843,605</b>	<b>1,984,981</b>	<b>1,039,998</b>	<b>856,634</b>	<b>645,659</b>
<b>Total assets</b>	<b>5,430,408</b>	<b>3,870,775</b>	<b>2,628,854</b>	<b>2,149,257</b>	<b>1,797,398</b>
<b>Equity</b>					
Stated capital	368,256	368,256	368,256	368,256	368,256
Reserves	616,134	760,262	760,262	551,917	411,795
Accumulated losses	991,576	741,511	419,381	146,516	(85,220)
<b>Equity attributable to owners of the company</b>	<b>1,975,967</b>	<b>1,870,029</b>	<b>1,547,899</b>	<b>1,066,689</b>	<b>694,831</b>
Non controlling interest	167,647	144,320	108,688	68,437	48,776
<b>Total equity</b>	<b>2,143,614</b>	<b>2,014,349</b>	<b>1,656,587</b>	<b>1,135,126</b>	<b>743,607</b>
<b>Liabilities</b>					
Retirement benefits Obligation	20,647	17,170	18,987	13,308	9,293
Borrowings - Lanka Tiles PLC	-	21,797	46,536	83,466	119,808
Lease liability - Lanka Tiles PLC	-	-	-	-	979
Deferred tax liability	309,877	46,828	21,093	9,392	-
Loans and borrowings	590,260	301,553	91,492	150,988	204,562
<b>Non current liabilities</b>	<b>920,784</b>	<b>387,348</b>	<b>178,108</b>	<b>257,154</b>	<b>334,642</b>
Trade and other payables	959,761	431,583	227,449	371,810	223,558
Loans & borrowings	183,832	79,764	59,472	59,449	60,256
Short term loans	1,027,766	772,496	414,726	152,477	213,673
Amounts due to related parties	4,620	4,958	14,597	61,709	59,934
Borrowings - Related party	21,797	30,835	36,930	36,930	49,185
Lease liability	-	-	-	551	1,806
Tax payable	2,700	27,575	12,665	7,582	3,177
Bank overdrafts	165,534	121,867	28,320	66,469	107,560
<b>Current liabilities</b>	<b>2,366,010</b>	<b>1,469,078</b>	<b>794,159</b>	<b>756,977</b>	<b>719,149</b>
<b>Total liabilities</b>	<b>3,286,794</b>	<b>1,856,425</b>	<b>972,267</b>	<b>1,014,131</b>	<b>1,053,791</b>
<b>Total equity and liabilities</b>	<b>5,430,408</b>	<b>3,870,775</b>	<b>2,628,854</b>	<b>2,149,257</b>	<b>1,797,398</b>
Shares in issue at end of the year	27,372,000	27,372,000	27,372,000	27,372,000	27,372,000
Net Assets per share at the end of the year	72.19	68.32	56.55	38.97	25.38
Market price per share at the end of the year	59.30	65.60	55.00	41.90	20.40
Market capitalization at the end of the year	1,623.16	1,795.60	1,505.46	1,146.89	558.39

[illegible]

# Notice of Meeting

**NOTICE IS HEREBY GIVEN** that the Fifty First Annual General Meeting of Swisstek (Ceylon) PLC will be held at The Kingsbury Hotel, Winchester Hall, No. 48, Janadhipathi Mawatha, Colombo 01, on 28 June 2018 at 10.00 a.m. and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2018 and the Report of the Auditors thereon.
2. To re-elect Mr. J K A Sirinatha, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
3. To elect Mr. A S Mahendra, who retires by rotation in terms of Articles 110 of the Articles of Association, as a Director of the Company.
4. To elect Mr. K D G Gunaratne, who retires by rotation in terms of Articles 110 of the Articles of Association, as a Director of the Company.
5. To authorise the Directors to determine donations for the ensuing year.
6. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD

**Swisstek (Ceylon) PLC**



**P W Corporate Secretarial (Pvt) Ltd**

DIRECTOR/SECRETARIES

25 May 2018

Colombo.

**Note:** A member entitled to attend and vote at the meeting is entitled to appoint a Proxy 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. The completed form of Proxy should be deposited at the Registered Office of the Company, No. 215, Nawala Road, Narahenpita, Colombo 5, 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 Swisstek (Ceylon) PLC hereby  
appoint: ..... of  
.....

Mr. Amarakone Mudiyansele Weerasinghe	or failing him*
Mr. Jayasekera Arachchige Panduka Mahendra Jayasekera	or failing him*
Mr. Jayawardena Kankanange Aravinda Sirinatha	or failing him*
Dr. Sivakumar Selliah	or failing him*
Mr. Anthonyge Shirley Mahendra	or failing him*
Mr. Kalupathiranalage Don Gamini Gunaratne	

my/our \* Proxy to vote and speak as indicated hereunder for me/us\* and on my/our\* behalf at the Fifty First Annual General Meeting of the Company to be held on 28 June 2018 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

	For	Against
<b>Resolution 1</b> To re-elect Mr. J K A Sirinatha who retires in terms of Article No.103 and 104 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b> To elect Mr. A S Mahendra who retires in terms of Article No.110 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> To elect Mr. K D G Gunaratne who retires in terms of Article No.110 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b> To authorize the Directors to determine donations for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5</b> To re-appoint Messrs. KPMG Chartered Accountants as Auditors of the Company and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
Signature of Shareholder/s

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



## *Proxy Form*

### **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.



# Corporate Information

## Directors

Mr. A M Weerasinghe (Chairman)  
Mr. J A P M Jayasekera (Managing Director)  
Mr. J K A Sirinatha  
Dr. S Selliah  
Mr. K D G Gunaratne  
Mr. A S Mahendra

## Secretaries

PW Corporate Secretarial (Pvt) Ltd  
3/17 Kynsey Road, Colombo 08  
Telephone : +94 11 4640360-3  
Fax : +94 11 4740588  
Email : pwcs@pwcs.lk

## Registered Office

215 Nawala Road, Narahenpita, Colombo 5  
Telephone : +94 11 4734391 – 3  
Fax : +94 11 2805885  
Email : swisstek@lankatiles.com  
WEBSITE : www.swisstekceylon.com

## Bankers

Bank of Ceylon  
Commercial Bank of Ceylon PLC  
Union Bank of Colombo PLC  
DFCC Bank  
Cargills Bank

## Auditors

Messrs KPMG  
Chartered Accountants  
32 A Sir Mohammed Macan Markar Mawatha,  
Colombo 3

