



SWISSTEK (CEYLON) PLC

REALMS OF SCALE

INTEGRATED ANNUAL REPORT 2018/19





REALMS OF SCALE

Our enhanced manufacturing platform with state-of-the-art technology has propelled us towards new paradigms of scale. Driven by dynamism, to move ahead with innovative products we are poised to push beyond conventional boundaries to scale greater heights of success. Harnessing the power of realms of scale we seek to explore new horizons of opportunity and charter new business avenues creating value to all our stakeholders.

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“Swisstek continued to take a long-term view delivering stakeholder value based on the its deep understanding of the industry.”



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“As a responsible corporate citizen, we are cognisant of the environmental impacts of our operations and are committed to reducing our environmental footprint by driving increased efficiencies in the use of natural resources.”

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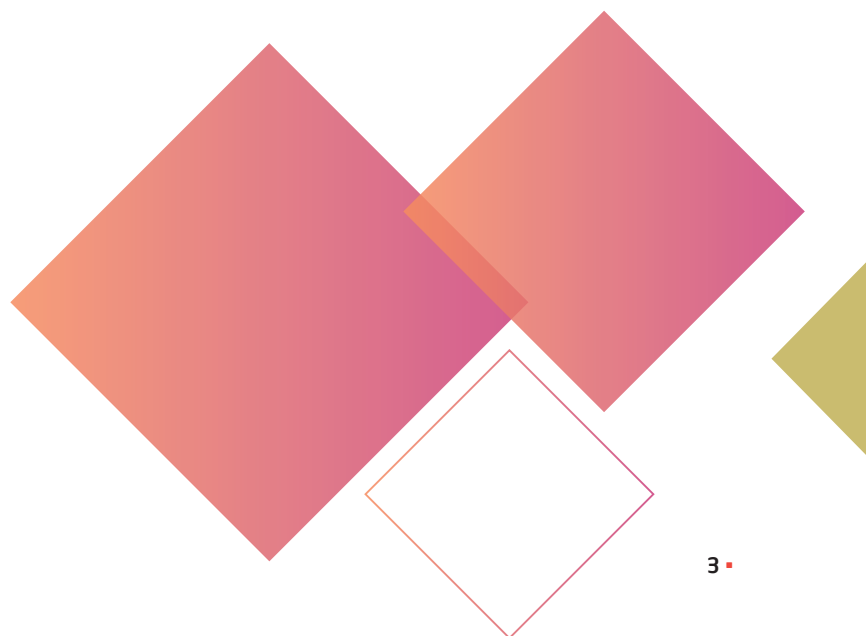
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Vision

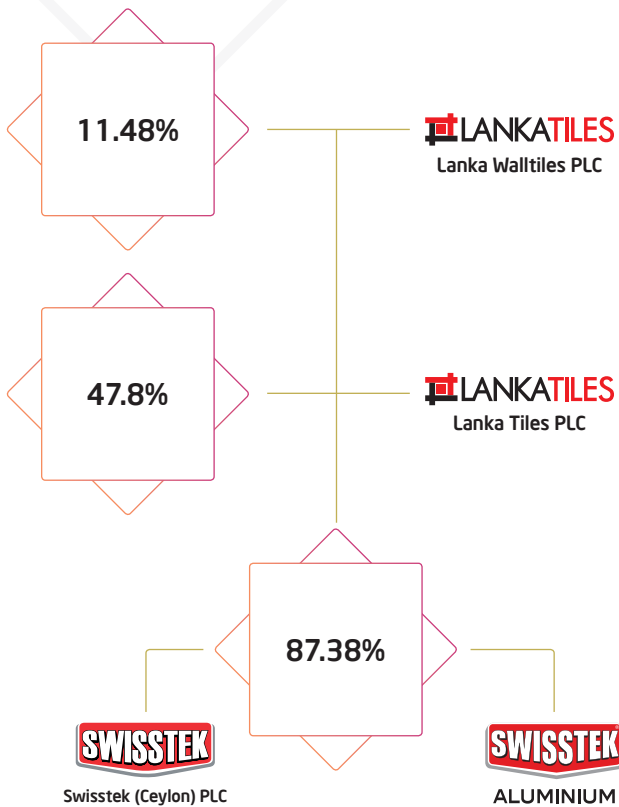
To be the leading manufacturer of Tile Grout, Tile Mortar and Decorative Pebbles in Sri Lanka whilst supplying wooden flooring to enhance the range of flooring products available through other group Companies.

Mission

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



Who We Are



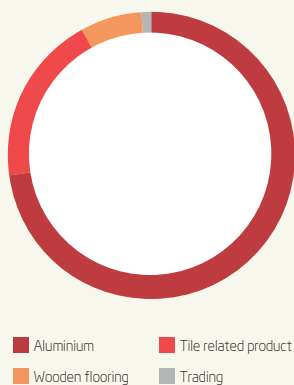
Swisstek (Ceylon) PLC (SCP) is one of Sri Lanka’s leading suppliers of tile grout and tile mortar with an established track record of quality, variety and innovation. It is also Sri Lanka’s pioneer wood flooring supplier, offering a range of solutions to the residential and commercial segments under the well-known SWISSPARKET brand. Our timber flooring solutions are also exported to over 5 markets across the world, attesting to its world-class quality. The Company also manufactures a range of decorative pebbles, fibre cement roofing, ceiling sheets and skim coat among others.

The Company’s 87.38% - owned subsidiary Swisstek Aluminium Ltd is engaged in the manufacture of aluminium extrusions, supplying pre-fabricated windows under the Swisstek brand.

Swisstek is part of the Lanka Walltiles Group, one of Sri Lanka’s leading tile manufacturers. It is a public quoted Company listed in the Colombo Stock Exchange.

Our Products

Revenue by Product Category



Our Certifications

- ❑ ISO 9001: 2008 for Tile Mortar and Tile Grout
- ❑ ISO 9001:2015 for Tile Mortar, Tile Grout and Skim Coat
- ❑ QUALICOAT certification
- ❑ ISO 9000 certification
- ❑ ISO 9001:2015 certification
- ❑ SLS1410:2011 certification
- ❑ In the process of obtaining ISO 14000 certification

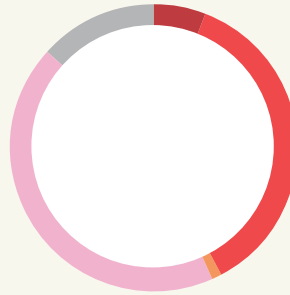
Our People



Our dynamic team of **582** employees is a key factor driving our success

Our Value Distribution

During the year we distributed our value as follows:



- To Shareholders as dividends
- To Employees as remuneration
- To Government as taxes
- To lenders of capital
- Retained in the business

Our Economic Impact



Rs. **165** Mn
in government taxes



Direct and indirect
employment to
582



Rs. **8.87** Mn invested
in CSR initiatives



Payments across our
supply chain
Rs. **4,450** Mn

Milestones and Key Events

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.

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.

2013

- Vallibel became the Company's ultimate parent Company

1987

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

1983

- The Company was listed in the Colombo Stock Exchange.

2003

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

- 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.

2015

- 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) 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

2019

- Swisstek is the market leader for Tile Mortar & Grout
- Swisstek Aluminium gets 'QUALICOAT' Certification - Gold standard for Powder Coated Aluminium
- Swisstek timber flooring gets biggest contract in Sri Lanka for timber flooring from 'Waterfront' project
- Swisstek develops new products to expand market position further.

Swisstek Ceylon PLC

Annual Report 2018/19

About our Report

We are pleased to present our second Integrated Annual Report, which sets out a balanced and concise assessment of the Group’s financial, social and environmental performance, demonstrating how we drive sustainable growth balancing stakeholder interests. This Report is the primary publication to the shareholders of Swisstek (Ceylon) PLC and has been prepared in accordance with the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).

Scope and Boundary

The Report covers the operations of Swisstek (Ceylon) PLC and its subsidiary Swisstek Aluminium Ltd for the period from 1 April 2018 to 31 March 2019 which is the Group’s annual reporting cycle.

The narrative Report is structured to present aspects that are material and relevant to the Group’s operations and to our key stakeholders. The process for determining material content to be included in this Report is described on page 35. There were no significant changes to the size, structure, shareholding or supply chain during the year under review and no significant restatements of previously reported social or environmental information. The most recent previous report covers the 12 months ending March 2018 and is available for download at www.cse.lk.

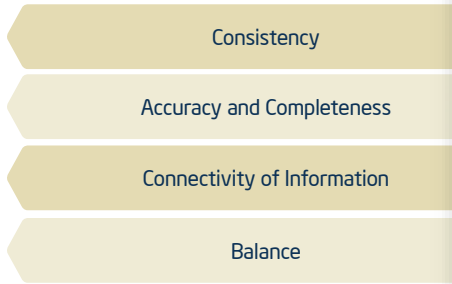
Materiality

In determining the content to be included in this Integrated Report, we have adopted the principle of materiality. Material matters are defined as the issues which could potentially impact the Group’s ability to create value over the short, medium and long-term and form the anchor of the narrative report. The process for determining material issues is detailed on page 35 of this Report, along with the material topics on page 35.



Reporting Concepts

In preparing this Report, we have given due consideration to the following principles as prescribed by the <IR> Framework



Navigating our Report

We have used the following icons across the Report to demonstrate connectivity between information;

Capitals defined by the <IR Framework>



External Assurance

External assurance on the financial statements have been provided by Messrs KPMG. Apart from this engagement as independent assurance providers, the Group, board of directors and leadership team does not have any other relationship with the external assurance providers. We have not sought external assurance on our sustainability reporting.

Reporting Improvements

We are committed towards consistently enhancing the readability and relevance of our Report. Key improvements/ reporting innovations introduced in this year's annual report include the following;

- Adoption of the GRI standards for sustainability reporting
- Disclosure of comprehensive quantitative information for social and environmental performance for sectors and at Group level
- Increased strategic orientation with connectivity across the Report through navigation icons
- Enhanced the readability of the Report through presenting information in a structured manner
- Expansion of our material topics beyond those prescribed by GRI

Director's Responsibility

Swisstek (Ceylon) PLC's Board of Directors are ultimately responsible for ensuring the integrity of this Report. We hereby confirm that this Report addresses all relevant material matters and fairly represents the Group's integrated performance. The Report is approved and authorised for publication.

Signed on behalf of the Board,
S H Amarasekera - *Chairman*
J A P M Jayasekera - *Managing Director*

Feedback

We understand Integrated Reporting is an evolving principle and a continuous journey of improvement. We welcome your comments, suggestions and queries on this Report; please direct your feedback to:

Chief Financial Officer
Swisstek (Ceylon) PLC
215, Nawala Road, Narahenpita,
Colombo - 05.

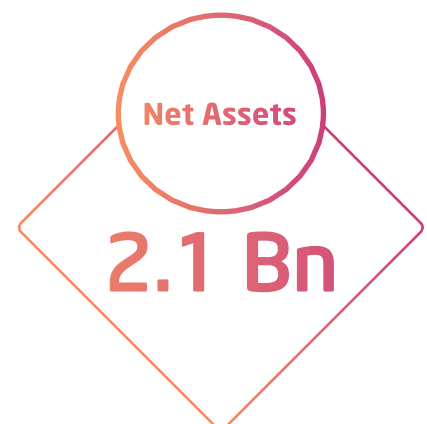
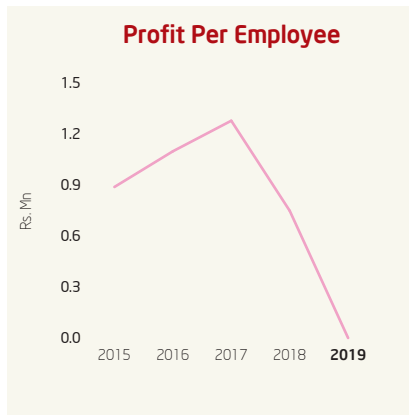
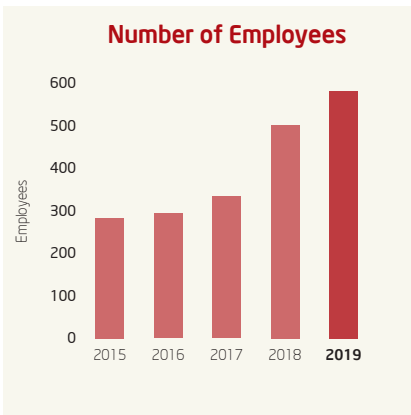
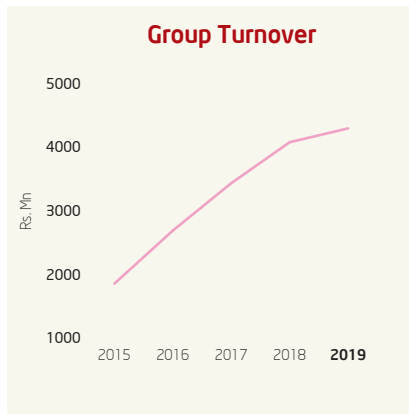
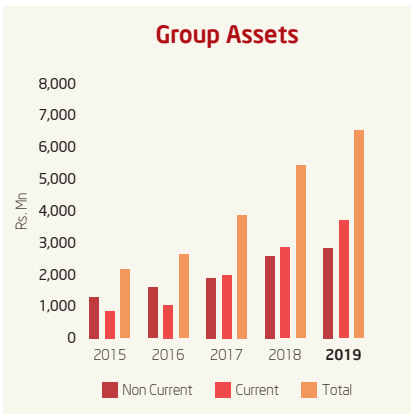
How We Performed

Financial Performance



		Group		Company	
		2018/19	2017/18	2018/19	2017/18
Financial Performance					
Revenue	Rs. Mn	4,294	4,077	1,175	737
Gross profit	Rs. Mn	823	1,189	289	175
Operating expenses	Rs. Mn	497	650	111	88
Operating profit	Rs. Mn	420	630	265	229
Pre-tax profit	Rs. Mn	17	485	196	201
Taxation	Rs. Mn	16	107	64	22
Profit for the year	Rs. Mn	1	378	132	179
GP margin	%	19	29	25	24
OP margin	%	10	15	23	31
Net profit margin	%	-	9	11	24
Return on average equity	%	0.80	17.50	11.80	17.20
Financial Position					
Total assets	Rs. Mn	6,513	5,430	2,331	1,732
Non-current assets	Rs. Mn	2,826	2,587	1,576	1,421
Current assets	Rs. Mn	3,687	2,844	755	310
Shareholders' funds	Rs. Mn	1,948	1,976	1,117	1,039
Borrowings	Rs. Mn	3,289	1,990	666	377
Gearing ratio	Times	0.49	0.47	0.44	0.35
Interest cover	Times	1.04	4.34	3.85	8.01
Current ratio	Times	1.07	1.20	1.04	0.95
Quick asset ratio	Times	0.45	0.52	0.73	0.62
Investor information					
Earnings per share	Rs.	0.60	12.64	4.83	6.54
Dividend per share	Rs.	2.00	3.50	2.00	3.50
Net Asset Value per share	Rs.	71.17	72.19	40.80	37.95
Market value per share at 31 March	Rs.	34.80	59.30	34.80	59.30
Market capitalisation as at 31 March	Rs. Mn	952.55	1,623.16	952.55	1,623.16
P/E ratio	Times	57.73	4.69	7.21	9.07
Dividend pay out	%	332	28	41	54
Dividend cover	Times	0.30	3.61	2.41	1.87

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



How We Performed

Non-Financial Performance

Human Capital



		Group	
		2018/19	2017/18
Total employees	No.	582	502
Payments to employees	Rs. Mn	328	247
Employee retention rate	%	92	90
Female representation	%	9	7
New recruits	No.	242	236
Investment in training	Rs. Mn	3.60	1.15
Total training hours	Hours	1,381	398
Average training hours/employee	Hours	2.37	0.80
Workplace injuries	No.	25	49
Union representation	%	40	-

Manufactured Capital



		Swisstek Aluminium Ltd		Swisstek (Ceylon) PLC	
		2018/19	2017/18	2018/19	2017/18
Property, plant and equipment	Rs. Mn	1,469	1,339	1,203	1,057
Investment in capex	Rs. Mn	220	533	176	256
Production volume	MT	5,099	4,799	32,340	24,308

Intellectual Capital



		Group	
		2018/19	2017/18
R&D Investment	Rs. Mn	4.1	2.7
New products launched	No.	10	5



Social and Relationship Capital

		Group	
		2018/19	2017/18
Payments to suppliers	Rs. Mn	4,450	2,924
Proportional spending to local suppliers	%	39	35
Beneficiaries	No.	300	300
Investment in CSR	Rs. Mn	8.87	1.40



Natural Capital

		Swisstek Aluminium Ltd		Swisstek (Ceylon) PLC	
		2018/19	2017/18	2018/19	2017/18
Raw material consumption	MT	5,998	6,510	34,404	26,137
Energy consumption	GJ	23,826	20,640	3,433	2,269
Energy intensity	GJ per unit	4.67	4.30	0.10	0.09
Water consumption	M3	40,610	32,513	10,345	7,775
Solid waste generation	MT	64	60	-	-





Our Leadership

Our visionary leadership team charts our way forward by setting our strategic direction in a competitive landscape to move ahead with focus and dynamism.

Chairman's Review



S H Amarasekera
Chairman

“Swisstek continued to take a long-term view towards delivering stakeholder value based on the its deep understanding of the industry.”

Dear Shareholder,

Your Group has delivered a turnover growth of 5% and a profit-after-tax of Rs. 0.75 Mn for the financial year ended 31 March 2019, in a year of extraordinary challenges for the construction sector. The sharp depreciation of the Sri Lankan Rupee against the US Dollar, rising interest rates and political instability towards the latter part of 2018 had crippling effects on the country's construction sector. The Group's foresight in driving diversification of our earnings profile and geographical markets enabled a level of resilience, testimony to the relevance and timeliness of our strategy. The results presented also indicate a necessity to explore further options for moving up the value chain, particularly in the Aluminium Sector and pursuing opportunities in overseas markets.

The Operating landscape

Sri Lanka's economic growth moderated to 3.2% in 2018 from 3.4% the previous year reflecting cascading effects of global conditions as well as domestic challenges. While the Agriculture Sector posted recovery following a bumper paddy harvest, the growth in Industry activities slowed to 0.9% due to a subdued construction sector and moderation in manufacturing activities. The construction sector contracted by 2.1% in 2018 reflecting a slowdown in large scale infrastructure projects, policy uncertainty that prevailed for most part of the year and political instability towards the latter part of the year which resulted in investors adopting a wait-and-see approach. The Services Sector continued to perform commendably growing by 4.7% during the year.

The sharp depreciation of the exchange rate during the year had crippling effects on industries relying on imported raw material. The Sri Lankan Rupee depreciated by 19% in 2018 reflecting the broad-based strengthening of the US Dollar against regional currencies and capital outflows during the latter part of the year. For the Group's Aluminium Sector, the impacts were compounded as market conditions rendered it challenging to pass on cost increases, resulting in a considerable narrowing of profitability margins.

Shortage of labour and rising cost of production is a key challenge for the country's manufacturing sector and a factor which is likely to affect the sector's growth potential in the short-to-medium term. Difficulties in attracting and retaining labour, particularly at factory level is likely to prevent the Sector from achieving its true potential and compelling organisations to set up manufacturing facilities outside the country.

Performance

Swisstek continued to take a long-term view towards delivering stakeholder value based on the its deep understanding of the industry. This philosophy served the Group well as we sought to diversify our product portfolio and geographical reach. In Aluminium we pursued a strategy of driving increased contributions from value-added products and exports thereby broad basing our sources of income. Group revenues grew by 5% during the year, supported by strong growth at Company level which saw increased contributions from tile mortar, warehousing and the timber flooring segments. The Company also maintained market share in the tile mortar segment a commendable achievement given intensifying competition from cheaper alternatives. Profitability was however affected by the weak performance of the Aluminium sector and rising interest costs resulting in the Group's profit for the year declining to Rs. 0.75 Mn during the year, from Rs. 378.07 Mn the year before. Net assets per share declined marginally to Rs. 71/- from Rs. 72/- the year before.

Based on the performance, your board recommended and paid a dividend of Rs. 2/- per share for the year ended 31 March 2019.

Governance

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

information has also increased the objectivity of decision making which has become more focused on data and application of principles in a consistent manner.

Sustainability

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

Investing in the future

The devastating attacks in Sri Lanka on the 21 of April will undoubtedly insert some short-term pressure on growth prospects, impacting consumer sentiments and overall economic growth. Medium to long-term potential remains, although policy consistency and political stability will be vital in creating a conducive environment to achieve this potential. As an organisation, our ambitions are lofty as we seek to establish overseas manufacturing plants, develop exciting new products and pursue penetration in export markets. Investments in warehousing facilities and physical infrastructure has positioned the Company well with options for growth which are being considered by the Board.

Acknowledgements

I commend the efforts of a professional and committed team, led ably by Managing Director Mahendra Jayasekara for their hard work in these challenging times. I am also appreciative of the dept of discussions witnessed at Board meetings and thank my colleagues on the Board for their valuable counsel. We also wish thank our customers, suppliers, business partners and shareholders who have supported us over the years.



S H Amarasekera

Chairman

6 June 2019

Managing Director's Review



J A P M Jayasekera
Managing Director

“As a responsible corporate citizen, we are cognisant of the environmental impacts of our operations and are committed to reducing our environmental footprint through driving increased efficiencies in the use of natural resources.”

Dear Stakeholder,

The operating landscape presented numerous challenges for the Group during the year under review, resulting in our overall performance falling below expectations in 2018/19. Consolidated earnings were affected by the weak performance of the Aluminium Sector, the losses of which offset the commendable performance of Swisstek (Ceylon) PLC. The sharp depreciation of the Sri Lankan Rupee together with intense price competition between players and a subdued construction sector affected the Aluminium Sector's performance during the year. While revenue growth was moderate at 5%, the Group's profit for the year declined sharply to Rs. 0.75 Mn from Rs. 378.07 Mn the previous year. In these trying conditions,

the Group revisited its strategic agenda, refining its strategic priorities with a view to driving long-term growth and value creation.

Strategic priorities

In responding to the intense price competition in the Aluminium sector, we pursued a strategy of diversifying from generic products to value-added, pre-fabricated products. Products launched during the year include a range of ladders, tile related aluminium accessories, a furniture range and solar mount kit among others. We invested in enhancing the product knowledge and R&D skills of our employees in order to facilitate more robust product development over the medium term. Pursuing growth outside Sri Lanka continued to be a key priority during the year as we sought to acquire new

customers and deepen relationships with existing customers in export markets. Superior product quality is a vital part of our ethos and a source of competitive edge and during the year we sought to further enhance our product proposition by obtaining the prestigious "QUALICOAT" certification-widely considered the gold standard in aluminium extrusion powder coating.

The dwindling supply of local silica resources is likely to have a considerable impact on industries such as tile mortar which rely on silica as a raw material; given that our tile mortar production facility is running at capacity. We are also pursuing the option of setting up a manufacturing plant in India. This will also facilitate our export aspirations providing an accessible route to market. Swisstek (Ceylon) provides warehousing facilities for several of its sister companies and during the year and we focused on further expanding our warehousing capacity in order to support their growth and diversify our earnings profile.

Performance in 2018/19

Swisstek (Ceylon) PLC

The Company delivered a year of resilient performance during the year, supported by the broad-based growth across all 3 business sectors. Revenue grew by 59% during the year, as the Company leveraged on its market leadership position and maintained its market leadership position in the tile accessory manufacturing segment. Timber flooring segment also performed exceptionally well during the year, upheld by the awarding of the contract for the supply and installation of solid wood flooring for the prestigious Waterfront Project (Cinnamon Life), which is the single largest ever timber flooring project to be awarded in the country. In effectively diversifying and enhancing its revenue sources, the Company provides warehousing and sales outlet facilities to the parent entity. The Company performed commendably at operating profit level, recording a growth of 16% to Rs. 265.43 Mn; however higher finance costs arising from increased exposure to short term borrowings resulted in the Company's profit for the year declining by 26% to Rs.132.11 Mn during the year. The Company placed emphasis on strengthening relationships with suppliers and distributors during the year. We deployed increased resources towards material sourcing in order to build a secure and sustainable supply chain. We also continued to develop our distribution channels, increasing accessibility to market.



Swisstek Aluminium Limited

Capacity expansions by leading players in the industry have led to a scenario of over capacity in the industry, which impacted the performance of Swisstek Aluminium during the year. This was further compounded by the sharp depreciation in the exchange rate which resulted in an escalation of imported raw material costs, which could not easily be passed on to customers. Resultantly, the subsidiary's revenue declined by 7% during the year while profitability margins narrowed considerably. Despite the weaker performance stemming from the external landscape, Swisstek Aluminium is positioned for strong growth following the enhancement of its production capacity last year. A widening product portfolio, reputation for quality and strong brand name is expected to support growth while the anticipated recovery of the apartment and infrastructure projects over the medium to long-term is expected to drive demand for aluminium profiles.

On a consolidated level, Group revenue increased by 5% to Rs. 4.29 Billion supported by the strong growth at Swisstek (Ceylon) level. Despite the top line growth, the Group's gross profit declined by 31% reflecting narrower margins in the Aluminium sector which saw an escalation in imported raw material costs against the backdrop of a depreciating Rupee. Overall profitability was also impacted by a sharp increase in interest expenses to Rs. 403.60 Mn (from Rs.145.26 Mn) as the Group was compelled to increase its

Managing Director's Review

exposure to borrowings to fund working capital requirements in the Aluminium Sector. Overall the Group's profit after tax for the period recorded a decline to Rs. 0.75 Mn, compared to Rs. 378.07 Mn the year before.



“The Swisstek team is a driving factor behind our success and during the year we invested in upskilling staff to drive increased efficiency and productivity. Our medium to long-term focus is to complement employee skills with increased emphasis on technology and automation thereby facilitating an optimisation of the workforce.”

Strengthening relationships

Despite the weaker performance during the year, the Group continued to invest in strengthening its relationships across the value chain. We continue to combine efforts with Lanka Tiles Tilers Club to provide training to tilers on technical aspects relating to laying grout, mortar and other tiling materials. A similar proposition is offered through the Aluminium Fabricators Club, whereby we provide capacity building and training opportunities to an island-wide network of fabricators.

The Swisstek team is a driving factor behind our success and during the year we invested in upskilling staff to drive increased efficiency and productivity. Our medium to long-term focus is to complement employee skills with increased emphasis on technology and automation thereby facilitating an optimisation of the workforce. We are also keen to bring down the average age of our employee base through attracting and retaining a younger demographic employees.

A Sustainable Business

As a responsible corporate citizen, we are cognisant of the environmental impacts of our operations and are committed to reducing our environmental footprint through driving increased efficiencies in the use of natural resources. During the year, we improved the waste management framework in the factory through establishing a much-needed Effluent Treatment Plant. We also invested in nurturing meaningful relationships with the communities adjacent to our operations, maintaining peaceful and cordial relationships during the year.

The Group is committed to transparent and responsible corporate reporting and this year's Integrated Report is testament to our continued efforts to present relevant information in a balanced and readable manner. We will continue to progress on the journey of Integrated Reporting, evolving our processes and reporting practices in line with domestic and international best practice.

Way Forward

Despite the prevalent conditions in the country, we remain optimistic regarding the growth prospects of the construction industry. Swisstek (Ceylon) is aptly positioned for long-term growth, as we drive concerted efforts towards widening our market share in tile mortar. The timber flooring segment also has strong upside potential supported by the pipeline of apartment projects in the city. While the short-term outlook for Swisstek Aluminium is subdued,



given the prevalent scenario of over-supply, I believe the long-term outlook remains positive driven by the anticipated upturn in the construction industry. Our strategic emphasis on increasing contributions from value-added products and pursuing growth opportunities in regional markets is expected to counter the under performance of the Sri Lankan sector in the short-term.

Acknowledgements

I would like to take this opportunity to extend my gratitude to the Chairman and Board of Directors for their vision and valuable counsel. The Swisstek team is a driving force behind the Company's resilience and I thank each and every one of you for your continued support. Finally, I extend my appreciation to all our stakeholders including customers, shareholders, suppliers and business partners who have partnered us in our journey.

J A P M Jayasekera
Managing Director

6 June 2019

Board of Directors



Mr. S H Amarasekera
Chairman



Mr. J A P M Jayasekera
Managing Director



Mr. J K A Sirinatha
Director



Dr. S Selliah
Director



Mr. A M Weerasinghe
Director



Mr. A S Mahendra
Director



Mr. K D Gamini Gunaratne
Director



Mr. C U Weerawardena
Director

Mr. S H Amarasekera

Chairman

Mr. Harsha Amarasekera, President Counsel is a leading light in the legal profession in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

He also serves as an Independent Director in several leading listed companies in the Colombo Stock Exchange including CIC Holdings PLC (Chairman), Vallibel One PLC, Royal Ceramics Lanka PLC, Expolanka Holdings PLC, Chevron Lubricants Lanka PLC, Amana Bank PLC, Ambeon Capital PLC, and Amaya Leisure PLC and Vallibel Power Erathna PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

Mr. J A P M Jayasekera

Managing Director

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

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

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 varied fields.

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

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

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

Mr. A M Weerasinghe

Director

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

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 has 30 years of working experience in the field of Sales and Marketing.

He holds 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.

Board of Directors

Mr. K D G Gunaratne

Director

Mr. Gunaratne studied at St. Thomas' College Mt. Lavinia and was a member of the Western Province Council during the period 1989 to 2009.

He currently holds the position of Chairman Lanka Hotels & Residences (Pvt) Ltd and Urban Investments & Development Company (Pvt) Ltd. He also serves as a Director of Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, Dipped Products PLC, Swisstek (Ceylon) PLC, Singer Industries Ceylon PLC and Regnis Lanka PLC and as an Alternate Director at Horana Plantations PLC.

Mr. C U Weerawardena

Director

Mr. Chethiya Umagiliya Weerawardena is an entrepreneur with 14 years' experience in the Gem Industry and has business interests in Real Estate. He holds a Diploma of Commerce from Deakin University, Sydney, Australia.

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





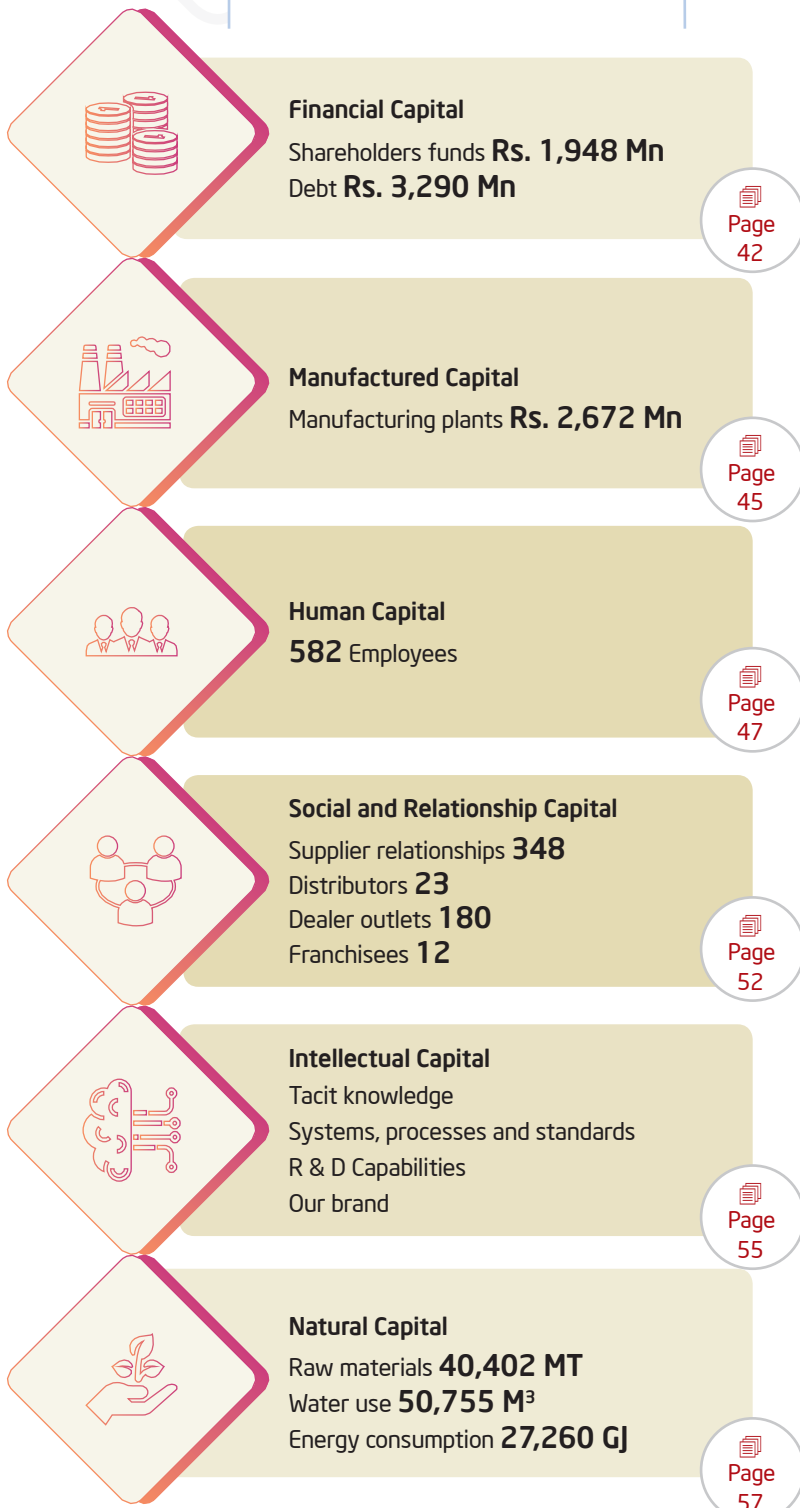
How We Generate Value

Our strategy centres on creating value and delivering a sustainable value proposition to all our stakeholders.

Strategy

Value Creation Model

Resources we rely on Capital Inputs



Value Creation Process

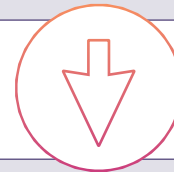
Transforming our Capital Inputs

Our Vision

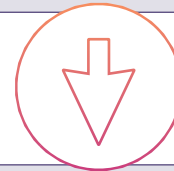
To be the leading manufacturer of Tile Grout, Tile Mortar, and decorative pebbles in Sri Lanka whilst supplying wooden flooring to enhance the range of flooring products available through other group Companies.

Our Supply Chain

Procurement of raw materials



Manufacture of
 Tile Grout
 Tile Mortar
 Tile Cleaner
 Skim Coat
 Decorative pebbles
 Wooden Flooring
 Aluminum profiles



Distribution Network

Risk Management

Page 74



Governance and Risk Management

Page 62

Value Delivered

Outputs and Impacts

Profit after tax
Rs. 0.75 Mn

Earnings per share
Rs. 0.60

Dividend per share
Rs. 2.00

Payments to employees
Rs. 328 Mn

Investment in training and development
Rs. 3.6 Mn

Payments to suppliers
Rs. 4,450 Mn

Payment to local suppliers
Rs. 1,736 Mn

Investments in community engagement
Rs. 8.87 Mn

Number of Beneficiaries
300

Impacts
 Effluent discharge
20,111 M³
 Intensity ratio **5.34**
 (2017 - **5.06**)

Outcomes

Shareholders

Sustainable returns commensurate with the risk undertaken

Page 74

Customers

Increased customer convenience and customer satisfaction

Page 52

Employees

Opportunities for career progression and skill development in a dynamic environment

Page 47

Suppliers

Stronger partnerships

Page 52

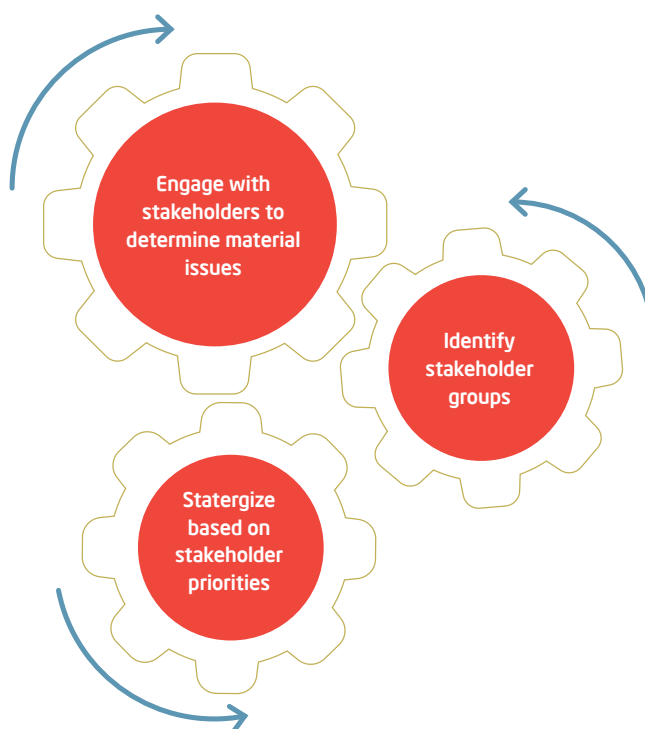
Community

Mutually beneficial relationships with the communities we operate in

Page 52

Stakeholder Engagement

Stakeholder engagement is a key determinant of our strategic direction. Formal and informal mechanisms are in place for engaging with each group of stakeholders on an ongoing basis to understand our stakeholder requirements and concerns. Our stakeholder mechanisms are reviewed regularly to ensure the most effective mechanisms are in place to engage with different stakeholder groups. Our approach to engaging with our stakeholders is graphically illustrated below.



Shareholders

Engagement Mechanism

- ❑ AGM and Annual Report
- ❑ Quarterly financial statements
- ❑ Announcements to the Colombo Stock Exchange (continuous basis)
- ❑ Corporate website (continuous basis)
- ❑ Press releases (continuous basis)

Key Concerns

- ❑ Financial performance
- ❑ Sustainable business growth
- ❑ Corporate governance and risk management

Our Response

- ❑ Performance is guided by a clear business strategy developed in response to market trends
- ❑ Refer Page 34 (Opportunities and Risks) for more information

Regulatory Authorities



Engagement Mechanism	<ul style="list-style-type: none">Monthly reporting frameworkAnnual Reporting structureOngoing monitoring and audits
Key Concerns	<ul style="list-style-type: none">Sustainable business growthTimely tax paymentsRegulatory compliance
Our Response	<ul style="list-style-type: none">Compliance to all relevant regulatory requirements and timely payments of taxes

Employees



Engagement Mechanism	<ul style="list-style-type: none">Performance appraisals (annual)Employee satisfaction surveysMulti-level staff meetings (ongoing)Recreational activities (continuous)
Key Concerns	<ul style="list-style-type: none">Attractive remunerationConducive work environmentOpportunities for training and developmentCareer progression and successionSafe workplace
Our Response	<ul style="list-style-type: none">We continue to invest in developing our people and creating a conducive work environment.Refer Page 47 (Human Capital) for more information

Stakeholder Engagement



Customers

- | | |
|-----------------------------|--|
| Engagement Mechanism | <ul style="list-style-type: none"> ▣ One-to-one engagement through retail outlets(continuous) ▣ Customer hotline (continuous) ▣ Website ▣ Marketing communications (continuous) |
| Key Concerns | <ul style="list-style-type: none"> ▣ Product quality ▣ Value for money ▣ Accessibility ▣ Customer service ▣ Supply reliability |
| Our Response | <ul style="list-style-type: none"> ▣ We strive to enhance our customer value proposition through continuous innovation and product development. ▣ Refer Page 52 (Social and Relationship Network) for more information |



Distributors

- | | |
|-----------------------------|--|
| Engagement Mechanism | <ul style="list-style-type: none"> ▣ Annual Reviews ▣ Conferences ▣ Regular structured engagement at multiple levels |
| Key Concerns | <ul style="list-style-type: none"> ▣ Sustainable business growth ▣ Product quality ▣ Availability of product |
| Our Response | <ul style="list-style-type: none"> ▣ We continue to invest in our supply chain network to improve efficiencies across our distribution channel. ▣ Refer Page 52 (Social and Relationship Network) for more information |

Suppliers



Engagement Mechanism	<ul style="list-style-type: none">Supplier site visitsOne to one meetingsIndustry forums
Key Concerns	<ul style="list-style-type: none">Sustainable business growthTimely settlement of duesGuidance on local regulations
Our Response	<ul style="list-style-type: none">Refer Page 52 (Social and Relationship Network) for more information

Communities



Engagement Mechanism	<ul style="list-style-type: none">Ongoing CSR projectsSponsorshipsHotline to address community complaints
Key Concerns	<ul style="list-style-type: none">Impact on environment from operationsResponsible SourcingCommunity Investment
Our Response	<ul style="list-style-type: none">We incorporate environmentally friendly practices into our operations while actively supporting our communities through ongoing CSR initiatives.Refer Page 52 (Social and Relationship Network) for more information

Opportunities and Risks in FY 2018/19

In an increasingly dynamic industry environment, supply and demand conditions continue to be impacted by developments in the economic, industry and competitive landscape. We closely monitor these developments in order to respond effectively through strategy formulation, risk management and product development. Major opportunities and risks that had an impact on the Group during the year are listed below;

Key Development

Recent capacity expansions by major players in the Aluminium segment

Sluggish construction sector due to a slow down in government led infrastructure projects and residential housing demand

Depreciation of the Rupee by almost 18% in 2018 impacted prices of imported raw materials significantly.

Geo political developments such as rising trade tensions between the US and China

Impact on Operation

Excess production capacity in the Aluminium extrusions market

Lower demand for construction materials

Rising cost of production continued to squeeze margins amidst growing competition from cheaper imports from China and India.

Significant potential for growth in demand from US and Europe

Our Response

Diversification into new product lines including value added products

Pursuing export opportunities

Improved distribution channels to increase market reach

Product diversification

Diversification into export markets.

Investment in a new Sand Grinding plant.

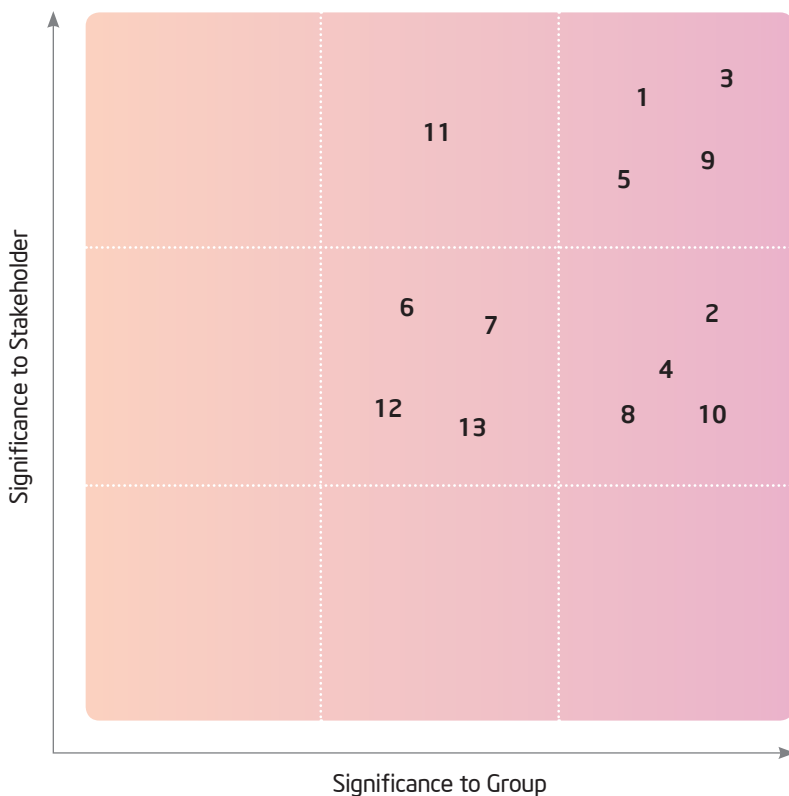
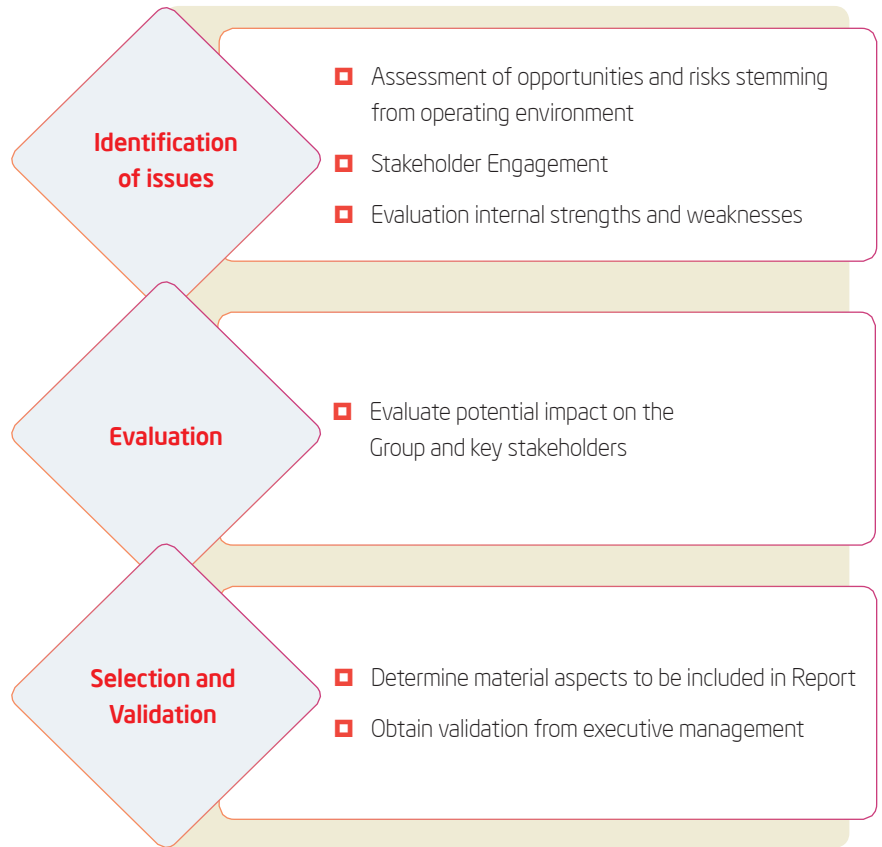
Invested in a mortar manufacturing plant in India to shift manufacturing capacity overseas.

Greater focus on export markets

Determining our Material Topics

The content to be included in this Report has been selected following an analysis of our material topics, which reflect the issues that could potentially have the most significant impact on the Group's ability to create value over the short, medium and long-term. The topics presented here are a combination of those prescribed by the GRI guidelines and factors specific to our operating environment, value creation model and strategy. The process for determining material topics is presented alongside;

The Group's material matrix for 2018/19 is given below;



Determining our Material Topics

No.	Material topic	Corresponding GRI topic
1	Manufacturing capabilities	
2	Product development	
3	Employee management	GRI 401: Employment GRI 402: Labour Management Relations GRI 403: Occupational health and safety GRI 404: Training and education
4	Exposure to exchange rate fluctuations	
5	Competitive pressures	
6	Government policy	
7	Raw material availability	GRI 301: Raw materials
8	Construction sector performance	
9	Distribution channels	
10	Fluctuations in raw material prices	
11	Supply chain management	GRI 204: Procurement practices
12	Managing our environmental impacts	GRI 302: Energy GRI 303: Water GRI 305: Emissions GRI 306: Effluents and waste GRI 306: Environmental compliance
13	Community engagement	GRI 413: Local communities GRI 203: Indirect economic impacts

Our strategic focus revolved around product development, Geographical diversification, operational excellence people development and sustainability. Whilst evolving in response to the dynamic and complex business environment we operate in, our overall strategy has the singular vision of achieving our fundamental objective of delivering long-term value to stakeholders.

Product Development

Strategic actions 2018/19

- ▣ Rs. 4.1 Mn invested in Research and Development relating to new product development
- ▣ Introduced dedicated R & D team at each factory headed by factory manager
- ▣ Rs. 18 Mn spent on new machinery for Multi-purpose ladder manufacturing line, Power press machine and Bending machine

KPIs

10 new products introduced to the market during the year

Outlook for 2019/20

Continue to focus on research and development to drive product diversification particularly in Aluminium sector.

Geographical Diversification

Strategic actions 2018/19

- ❑ Pursuing growth in 3 export markets
- ❑ Capacity expansion by establishing manufacturing facilities in regional economies

KPIs

Growth in export sales



Outlook for 2019/20

Leverage on geo-political developments such as rising trade tensions between China and US to penetrate large export markets

People Development

Strategic actions 2018/19

- ❑ Rs. 3.6 Mn spent on training and development
- ❑ Maintaining cordial union relationships
- ❑ Implementation of more dynamic recruitment drives to attract a younger employee base

KPIs

2.37 average training hours per employee

242 new recruits during the year

Consistently high employee satisfaction score of 88%

Outlook for 2019/20

Focus on talent development of existing employees whilst actively driving talent recruitment strategies to attract new talent into the company.

Operational Excellence

Strategic actions 2018/19

- ❑ Trained 50 employees in Total Productivity Maintenance
- ❑ Leverage group synergies for better channel management
- ❑ Technology improvements

KPIs

Improvement in capacity utilization in both production facilities

Outlook for 2019/20

Continue to roll-out TPM initiatives across the group to drive operational and cost efficiencies.

Sustainability

Strategic actions 2018/19

- ❑ Installation of Capacitor bank to reduce energy consumption
- ❑ Installation of Waste water treatment plant
- ❑ Investment in community engagement amounting to Rs. 8.87 Mn


KPIs

Rs. 0.85 Mn saving from reduction in energy consumption

Outlook for 2019/20

Continue to explore more environmental friendly technology and drive TPM initiatives to increase efficiency of resource utilisation.





Management Discussion and Analysis

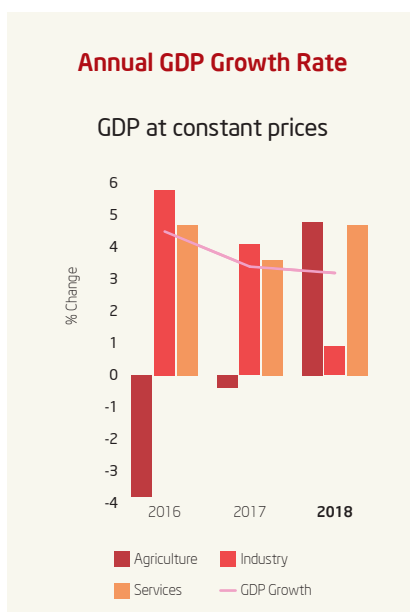
We keep evolving and building new strategic capabilities that enable us to be relevant and competitive as we move into the future.

Operating Environment

FY 2018/19 proved to be a challenging year with demand conditions being impacted by a slow down in the construction industry and pressure on margins due to rising raw material prices and increasing competition from cheaper imports.

Economic Growth

Economic growth slowed down during the year, recording a growth of 3.2% in 2018 compared to a growth of 3.4% last year. The slow down was mainly due to the subdued performance of the industrial sector which recorded a growth of only 0.9% in 2018 compared to a growth of 4.1% in 2017 due to the slowing down of the construction sector, increasing interest rates and an uncertain political landscape. Notwithstanding this, growth in the economy was driven by the services sector which grew by 4.7% and the recovery of the Agriculture sector which recorded a growth of 4.8% during the year.



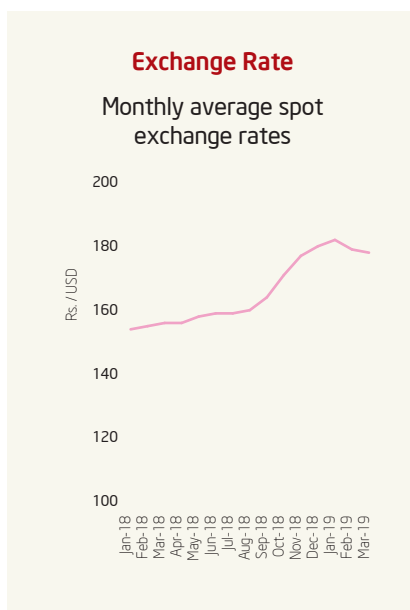
from 7.6 % in January 2018 to 2.1% in December 2018

Interest Rates

With inflationary pressures easing off, the Central Bank adopted a neutral monetary policy stance since April 2018. Interest rate reduced to 8.5% in April 2018 after hikes for two consecutive years. Persisting liquidity constraints in money markets however resulted in market interest rates continuing to be on the high side. Bank-wise average weighted lending rates were in the range of 10.96-17.25 per cent at end 2018 compared to the range of 10.22-16.23 per cent observed at end 2017.

Exchange Rate

The Rupee depreciated sharply against the US dollar, depreciating by almost 18% during the 12 month period ending December 2018. A widening trade deficit, heavy foreign investment outflows due to the broad-based strengthening of the US Dollar and political uncertainty that prevailed towards the latter part of the year contributed to this sharp decline. The first quarter of 2019 however saw the Rupee strengthening somewhat, in response to government efforts to curtail import expenditure.



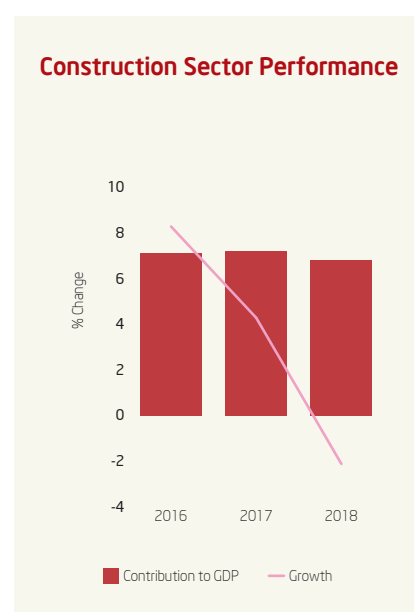
Construction Sector

The construction sector slowed down considerably during the year, directly impacting demand for building related products. Fiscal consolidation efforts by the Government resulted in a slow down

Inflation

Inflationary pressures remained low during 2018 with headline and core inflation remaining in the low single digit region. Subdued aggregate demand conditions, improved domestic supply conditions due to the recovery of the agriculture sector and the Government's attempts to contain

monetary expansion and credit growth within a desired level contributed to favourable trend. The NCPI based annual average inflation declined continuously





in government led infrastructure projects while labour shortages and rising raw material costs due to the depreciation of the Rupee continued to impact private sector projects. Meanwhile higher market interest rates and reduced spending power had a negative impact of the residential construction market as well. As a result, the value added of construction activities recorded 2.1 per cent contraction in 2018, against 4.3 per cent growth in 2017.

Meanwhile depreciation of the Rupee and rising cost of production continued to impact the local construction material sector, squeezing margins amidst growing competition from cheaper imports from China and India.

Aluminium Sector

The slowdown in the construction sector impacted demand conditions for the Aluminium profiles market as well. Meanwhile excess production capacity in the market due to recent capacity enhancements by major players led to severe price competition between players.

Aluminium Prices

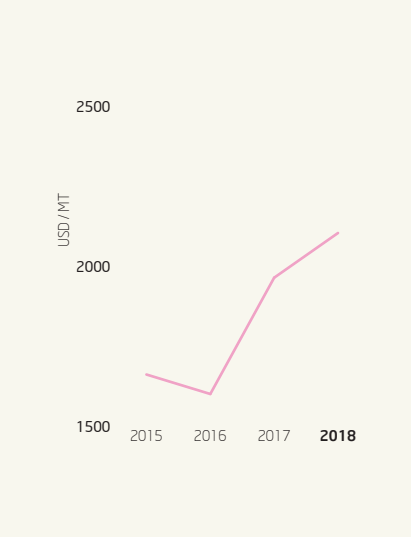
Global Aluminium prices continued to rise during the first half of the year, as a result of simmering trade tensions between the US and China. Although global aluminium prices stabilized towards the latter part of

the year, the depreciation of the Rupee continued to have severe impact on the industry margins.

Outlook

The recent terror attacks in the country and prevailing security conditions will no doubt impact the economy in the short run with a cascading impact on the construction and building materials sectors. Despite this short term impact, we are confident about the long term prospects for the economy, considering the Government's ongoing fiscal consolidation efforts aimed at achieving stronger macro-economic fundamentals.

Aluminum Prices (Annual Average)



Capital Management



Financial Capital

Effective utilization of our financial resources is essential in driving our strategic aspirations towards achieving long term shareholder value.

Highlights

(Rs. Million unless stated otherwise)	2019	2018
Revenue	4294.0	4,077.4
Gross Profit	821.9	1,188.6
Operating Profit	420.3	630.1
Net Finance Cost	403.6	145.3
Profit before tax	16.7	484.8
Tax	16.0	106.7
Profit after tax	0.75	378.1
EPS (Rs./ share)	0.60	12.64
Assets	6,512.9	5,430.4
Liabilities	4,411.6	3,286.8
Equity	2,101.3	2,143.6

Strategic Priorities FY 2018/19

Strategic Action	Relevance to Overall Strategy
Effective cost management	Operational Excellence

How we created value in 2018/19

- Expanded product portfolio to drive top line growth
- Effective cost management through focus on process efficiencies and productivity enhancements

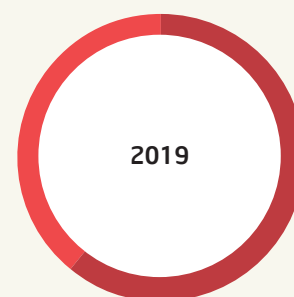
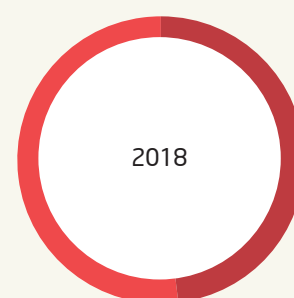
Offer a more differentiated product range at different price points

Improve working capital management through better inventory and debtor control

WAY FORWARD



Our Financial Capital Resources



■ Debt ■ Equity

Financial Performance

Revenue

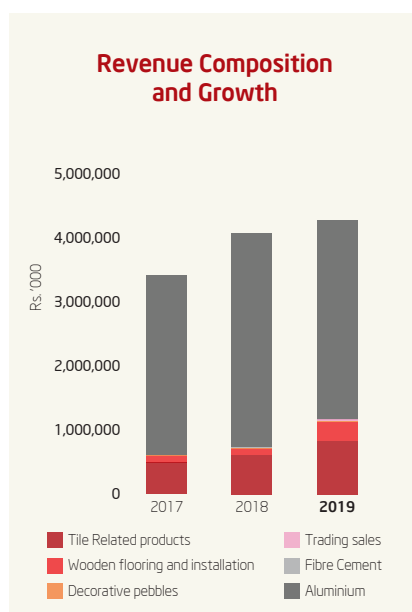
Consolidated Revenue increased by 5% to Rs. 4,294 Mn in FY 2018/19, moderating in comparison to the growth of 19% recorded last year. The Aluminium sector which accounts for almost 73% of group revenue witnessed a decrease of 6%, countering the relatively strong 59% revenue growth recorded at Company level. A subdued construction sector, coupled with intense price competition in the aluminium extrusions segment impacted Swisstek Aluminium's growth. Swisstek Ceylon achieved commendable top line growth during the year supported by expansion in the wooden flooring and installation segment and tile related products segment.

Cost of Sales

Cost of sales increased sharply by 20% to Rs. 3,472 Mn during the year. Contributing to this cost escalation was the significant increase in global aluminum prices which recorded an increase of almost 8% during the year. Although aluminium prices stabilized towards the latter part of the year the sharp depreciation of the Sri Lankan Rupee impacted the cost of imported raw materials including Aluminium.

Gross profit

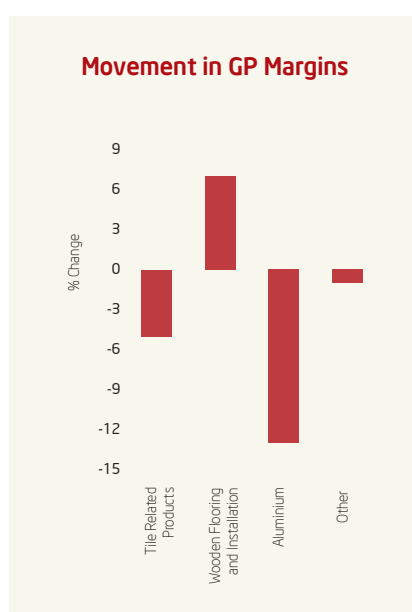
Gross margins continued to be pressured during the year with the group witnessing a narrowing of GP margins from 29% in FY 2018/19 to 19% to FY 2019/20. The margin contraction was mainly on account of the decline in margins in the Aluminium sector which witnessed GP margins decrease from 30% in FY 2017/18 to 17% in FY 2018/19. Intense price competition in the Aluminum market stemming from excess production capacity due to recent capacity expansions by major players and subdued demand conditions resulted in much of the cost increases being absorbed by the company. Meanwhile GP margins



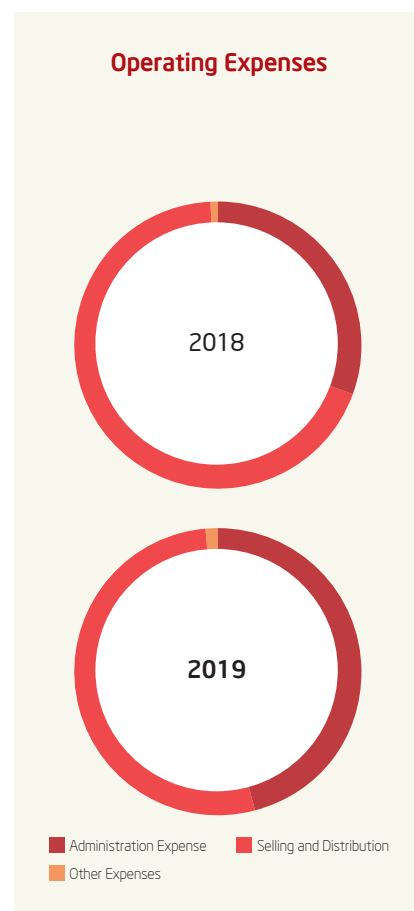
in the tile related products segment too contracted during the year, decreasing from 23% to 18%.

Operating Expenses

Total operating expenses during FY 2018/19 amounted to Rs. 497.2 Mn a decline of almost 24% compared to the previous year, reflecting the Group's ongoing commitment towards driving process efficiencies. During the year selling and distribution expenses decreased by



almost 41% due to re-clarification of special discount as a revenue, to comply with IFRS 15, contributing to the decrease in operating expenses. Administration expenses increased by 15% during the period reflecting increases in wage cost and gift and donation.



Operating profits

Despite the decrease in operating expenses, Group operating profits decreased by almost 33% to Rs. 420.8 Mn during FY 2018/19, reflecting the moderation in top line growth and narrower GP margins.

Borrowing and finance costs

Net finance expenses during the year amounted to Rs. 403.6 Mn compared to Rs. 145.3 Mn in FY 2017/18. The escalation reflects the Group's

Capital Management

Financial Capital

increased exposure to short-term borrowings which were utilised to fund the increase in working capital requirements, particularly at Swisstek Aluminium level as inventory was built up following subdued demand conditions.

Profitability

Profitability at Group level was impacted by the combined impact of lower GP margins and higher interest expenses during the year. Consequently Profit Before Tax at group level declined from Rs. 484.8 Mn in FY 2017/18 to Rs. 17.2 Mn in FY 2018/19. Tax expense during the period amounted to Rs. 15.9 Mn compared to Rs. 106.7 Mn in FY 2017/18 resulting in Profit After Tax declining from 378.1 Mn to 0.75 Mn in FY 2018/19.

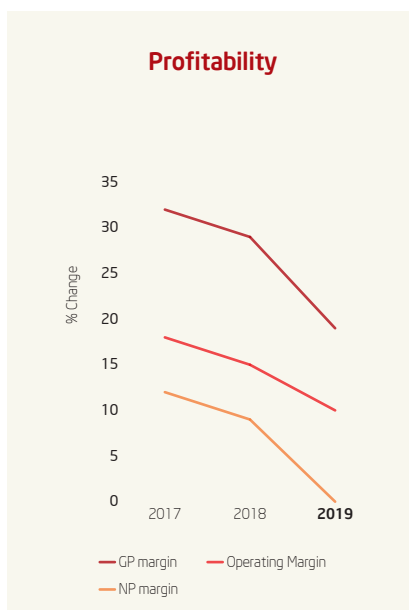
Financial Position

Non- Current Assets

Total Non- Current assets of the Group increased by 9% to Rs. 2,826 Mn by the end of March 2019. The increase was on account of additions to property plant and Equipment amounting to Rs. 396.9 Mn which included a new Silica processing plant for Swisstek Ceylon and machinery additions to our Aluminium plant.

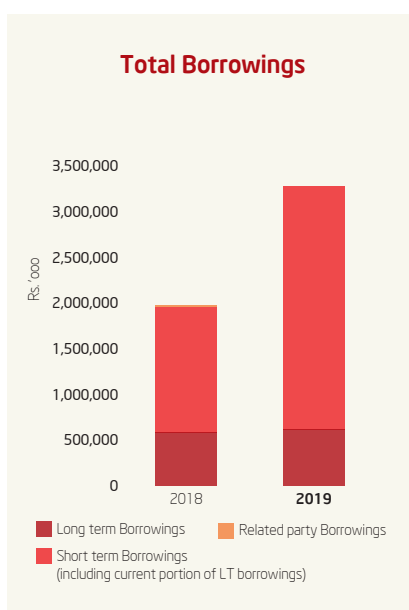
Working Capital

Total Current assets increased by 3-% to Rs. 3,687 Mn as at end-March 2019 mainly due to higher working capital requirements. Accordingly, inventory and debtor levels grew by 33% and 16% due to inventory build-up as well as higher operational activity in the wooden flooring and installation and tile related products segments. Meanwhile current liabilities too increased by 46% to Rs. 3,450 Mn as at 31.03.2019 mainly on account of a higher level of short-term borrowings obtained for working capital requirements.



Borrowings

Total borrowings of the group amounted to Rs. 3,289.7 Mn as at end-March 2019 compared to Rs. 1,989.2 Mn the year before. The increase was mainly on account of the increase in short term borrowings which account for almost 81% of total borrowings as at 31.03.2019. During the period short term borrowings (excluding current portion of LT loans) increased by almost 105% due to increased working capital requirements. The Group's gearing



ratio (defined as debt/debt+equity) increased to 61% from 48% during the previous year.

Equity

Total Equity of amounted to Rs. 2,108 Mn by the end of the year marginally decreasing from Rs. 2,143 Mn as at 31.03.2018 due to a decrease in profit generation during the year. The revaluation reserve increased by Rs. 8.6 Mn due to a revaluation surplus on land and buildings, while share capital remained unchanged during the year.

Cash Flow

Cash and cash equivalents decreased by Rs. 221.9 Mn during the period under review. The decrease was mainly due to net cash outflow from operating activities amounting to Rs. 855.6 Mn due to increased investments in working capital and a significant increase in interest expenses. During the year the group invested in the acquisition of property, plant and equipment and capex amounting to Rs. 352 Mn which resulted in a net cash outflow of Rs. 353.7 Mn from investing activities. Net cashflow from financing activities however improved to Rs. 987.3 Mn from Rs. 517.7 Mn due to borrowings amounting to Rs. 4,119 Mn obtained during the year.

Manufactured Capital



Our Manufactured Capital consisting of our physical infrastructure such as buildings, plant, machinery and equipment is a vital component of our value creation process and has been instrumental in achieving the manufacturing and operational excellence we are renowned for.

Highlights

		2019	2018
Total PPE	Rs. Mn	2,673	2397
Capex	Rs. Mn	396	789
Capacity Utilisation Rate	%	74	82

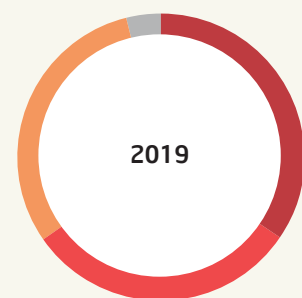
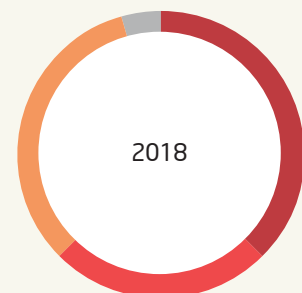
Strategic Priorities FY 2018/19

Strategic Action	Relevance to Overall Strategy
Invest in Capex to enhance agility	Product Development
Improve production and process efficiencies through TPM	Operational Excellence
Minimise environmental impact of manufacturing operations	Sustainability

How we created value in 2018/19

- Rs. 134.9 Mn capital investments in in new Plant and machinery
- 3 TPM initiatives implemented across the group
- Investment in a waste water plant at Swisstek Aluminium factory
- Installation of capacitor bank

Group Property Plant and Equipment by Asset Category



Freehold Land Plant and Machinery
Buildings Other

Expand overseas production capacity in growth segments such as tile mortar

WAY
FORWARD

Capital Management

Manufactured Capital

Manufacturing Capabilities

The Group's Manufactured Capital consists of its property, plant and equipment, which had a net book value of Rs. 2.67 billion as at end-March 2019. The table below lists the Group's key manufacturing facilities and the current aggregate net book value of these assets by sector.

	Manufacturing Facilities	Warehousing Facilities	Showrooms / Distribution Network	Total N.B.V of PPE as at 31.03.2019
Swisstek Ceylon	Motar, Grout Skimcoat and Pebbles manufacturing plant in Belum Mahara	3 warehouses	Outlet for tile sales at Belummahara 1 showrooms	1.20
Swisstek Aluminum	Aluminum Extrusions manufacturing plant in Dompe	2 warehouses	1 showrooms	1.47

Value addition in 2018/19

We make regular investments in upgrading our manufactured capital in order to enhance capacity, product quality, productivity and sustainability throughout our operations. Total capital expenditure during the year amounted to Rs. 396 Mn.

Plant and machinery

We continue to invest in plant and machinery to strategically increase capacity in growth areas and improve efficiencies in our manufacturing process. During the year Swisstek (Ceylon) PLC invested Rs. 170 Mn in a Silica Sand plant to dry and process silica sand required for its manufacturing process. The Company also invested Rs. 10 Mn in new skim coat machinery, enabling it to manufacture a high-quality skim coat product and further expand its product offering. Swisstek Aluminium too invested Rs. 18 Mn in new machinery such as a Multi-purpose ladder manufacturing line, Power press machine and bending machine as part of its strategy to diversify its product range and move away from standard Aluminium profiles.

TPM initiatives

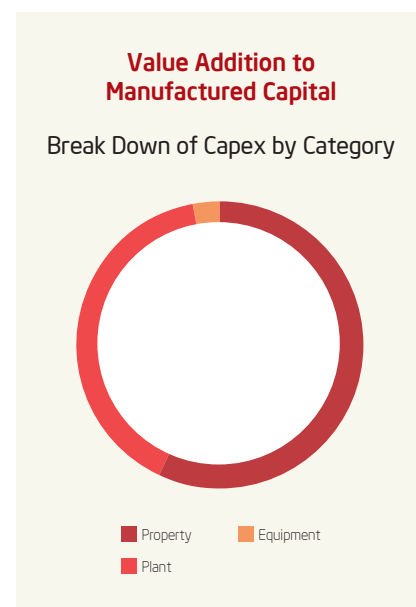
3 TPM initiatives were implemented across the group with a focus on minimising waste, identifying and addressing process bottlenecks and driving improvements

in labour efficiency. Key TPM initiatives implemented during the year include ;

Description of initiative	Location	Impact
Reduction of percentage of time losses of 7" extrusion line from 26% to 18% by the end of F/Y 2018/2019	Dompe	Cost saving of Rs. 2.67 Mn
Reduction of percentage of time losses of 5" Extrusion line from 29.6% to 18.0% at the end of F/Y 2018/2019	Dompe	Cost saving of Rs. 0.22 Mn

Sustainable Manufacturing Processes

We continue to invest in sustainable manufacturing practices throughout our operations. During the year Swisstek (Ceylon) Plc invested in a capacitor band to reduce energy consumption. The Group also invested in a waste water plant at its Dompe plant at a total investment of Rs. 1.1 Mn.



We will continue to strategically expand production capacity in key growth areas such as tile mortar, however with domestic manufacturing costs steadily increasing, we are actively exploring options of overseas production through OEM factories. We also plan to increase our warehousing facilities during the year FY 2019/20 to further strengthen our distribution network while also providing warehousing facilities to other group companies.

WAY FORWARD

Human Capital



Our team of 582 employees is one of our most valuable assets and a source of competitive edge. We continue to create value for our employees by providing above average remuneration and benefits in a conducive work environment that provide opportunities for both personal and career development. The success of our HR practices is reflected in consistently high employee satisfaction scores.

Highlights

		2019	2018
Employees	No.	582	502
Payments to employees	Rs. Mn	328	247
Retention rate	%	92	90
Promotions	No.	4	14
Investment in training	Rs. Mn	3.60	1.15
Total training hours	Hours	1,381	398
Average training hours	Hours	2.34	0.80
Workplace injuries	No	25	49
Union representation	%	40	-

Our Human Capital



Employees by Employment Category

Senior Management and Above	1	1
Executive Staff	40	9
Non Executive Staff	241	32
Other	256	2
Total	538	44

Strategic Priorities FY 2018/19

Strategic Action	Relevance to Overall Strategy
Attracting new talent	People Development
Training and development of existing employees	
Retaining skilled employees	Operational Excellence

How we created value in 2018/19

- ▣ 242 new recruits during the year
- ▣ Rs. 3.6 Mn invested training and development
- ▣ Rs. 328 Mn in payments to employees

Targeted training opportunities

Enhance employee engagement levels

WAY FORWARD

Capital Management

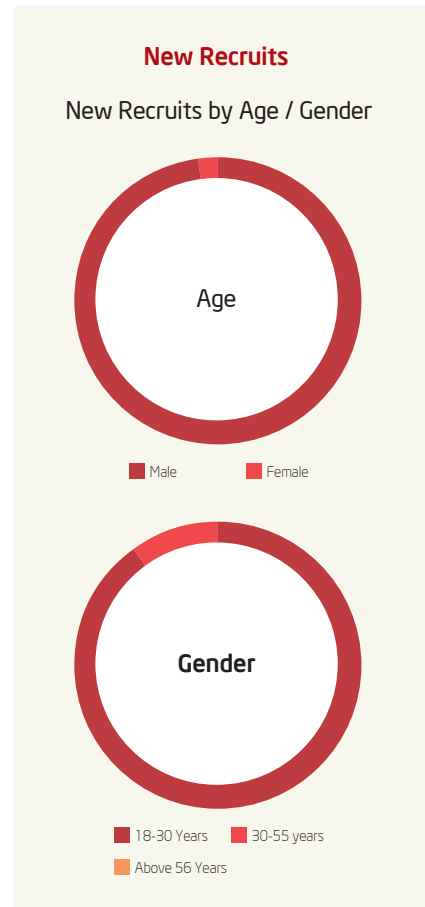
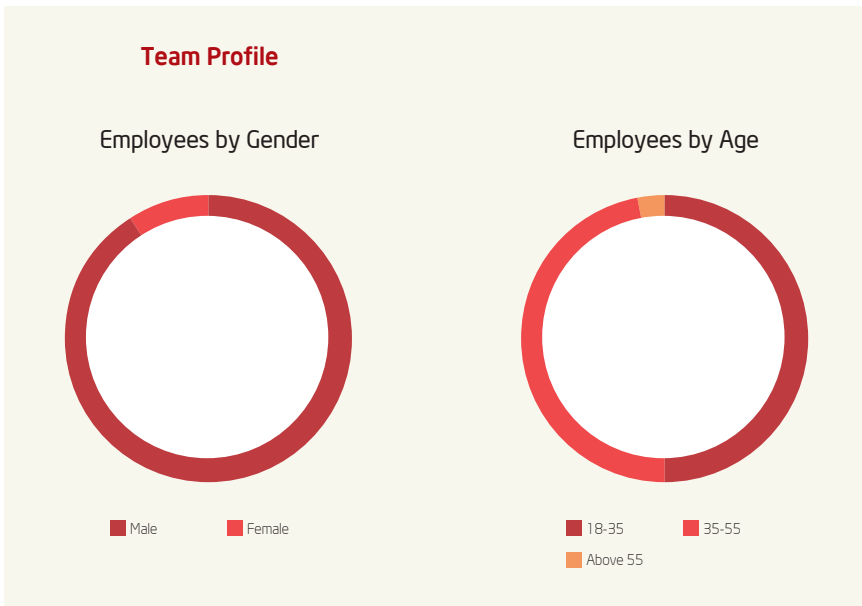
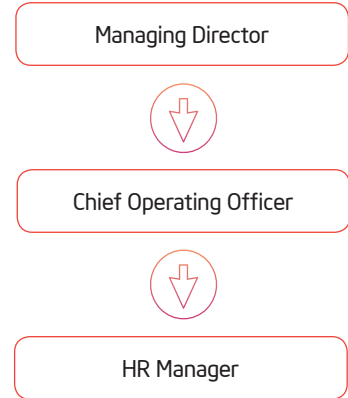
Human Capital

Our Approach to Managing Our Human Capital

The Group's HR policies and procedures are based on a strong governance framework to ensure compliance with all regulatory requirements and industry best practices. The HR team consisting of 7 members is responsible for managing our human capital and reports to Chief Operating Officer. As part of the Vallibel One PLC group, our HR practices are broadly aligned to that of the overall Vallibel One Group.

Our Team Profile

The Group employs a total of 582 employees out of which 134 are employed by Swisstek (Ceylon) PLC and 448 are employed by Swisstek Aluminium. Due to the nature of our operations a higher percentage of our employees are male; however we are an equal opportunity employer and do not discriminate among employees in recruitment, promotions or determining remuneration. 9% of our employees are female while almost 47% of our employees are between the ages of 35 to 55. Out of our total employee base 321 employees are permanent staff while 35 are on fixed contract basis. We also have an outsourced employee base of 226 employees involved mainly in maintenance and other ancillary functions.



Talent Acquisition

Our recruitment policies are aimed at on boarding the right people with the right skill set to our team. With a significant percentage of our current employee base in the 18-35 and 35-55 category, we are actively focusing on recruitment of a younger employee demographic in order to create a sustainable pipeline of talent. To this end both companies undertook

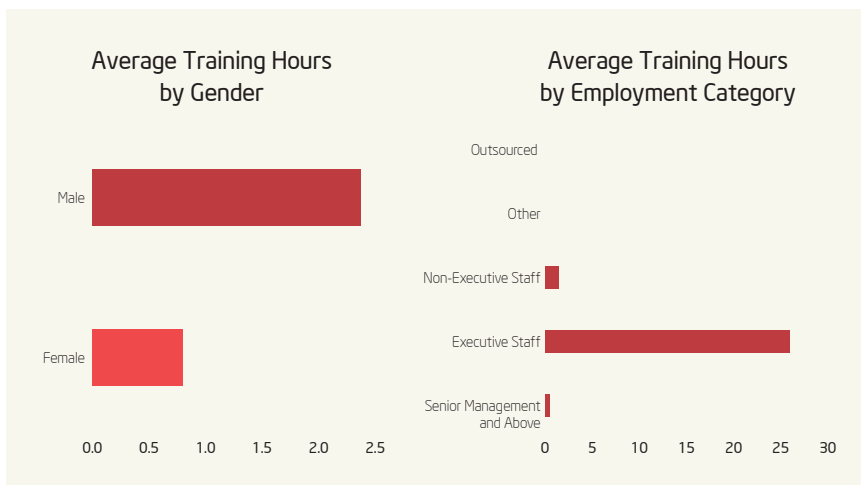
recruitment initiatives during the year recruiting a total of 242 new employees to our cadre out of which 50% were between the ages 18 to 35. 2% of our new recruits during the year were women

Talent Development

Providing continuous learning and career development opportunities for our employees is the basis of our talent development strategy. We take a holistic approach to talent development, ensuring that employees across all levels receive technical, vocational and leadership training through a multi-dimensional approach of structured training sessions, on-the-job training and international exposure. Competency gaps and training needs are identified at annual performance appraisals which are carried out for all permanent and contract employees. During the year the total investment in training amounted to Rs. 3.6 Mn. A total of 582 employees underwent 1,381 hours of training translating to an average of 2.37 training hours per employee

Training

Training Program	Participants
Total productivity maintain program	50 employees
Health and safety program	21 employees
Aluminium fabricating training program	2 employees
ISO - training program	4 employees



Performance Management

Remuneration is made up of guaranteed pay and performance-based variable pay to encourage productivity. Remuneration for factory level staff at Swisstek Aluminium is determined through a collective agreement which is negotiated with trade union representatives and renewed every three years. For all other employees remuneration is based on market rates and is based on semi-annual performance appraisals. The group offers a range of benefits including EPF/ETF, medical insurance, uniforms, personal accident cover, gift parcels, funeral assistance for individual and immediate family through welfare societies, annual bonus, production bonus, annual trips etc.

Employee Engagement

We continue to engage with our employees through formal and informal channels. Opportunities for team buildings and fellowship are provided throughout the year through events such as annual trips, celebrations of religious and cultural events and sporting events. Employees are also provided subsidized meals and transport facilities as part of our employee welfare schemes. Meanwhile the annual "Great Place to Work" survey has been conducted for 2 consecutive years at Swisstek (Ceylon) PLC to gauge the level of employee satisfaction and take necessary steps to further improve our employee value proposition. Swisstek Aluminium Ltd too is currently in the process of conducting an internal employment satisfaction survey.



88% average satisfaction score on employee satisfaction survey conducted by Swisstek (Ceylon) PLC

Capital Management

Human Capital



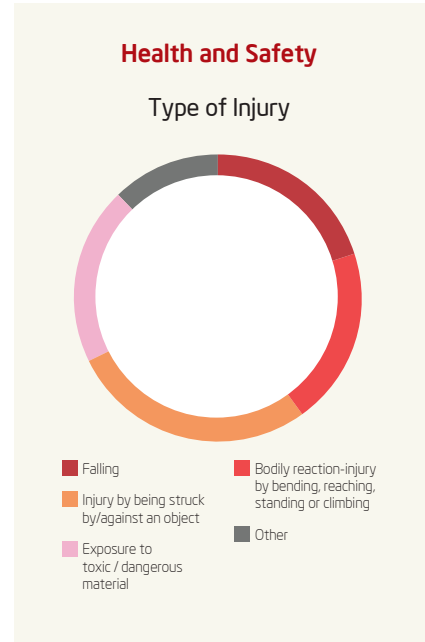
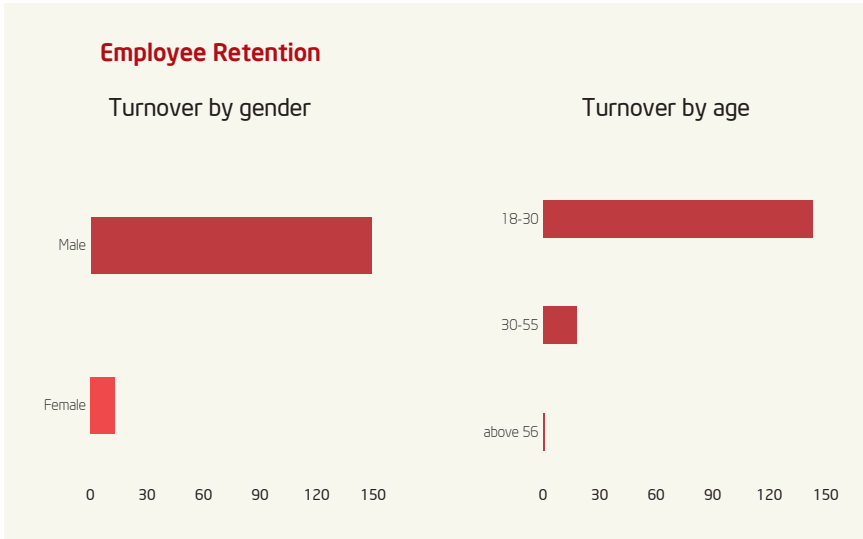
Health and Safety

As a manufacturing operation, ensuring the health and safety of our employees through appropriate safety measures on the factory floor is of paramount importance. We ensure all safety standards are according to the factory ordinance. We are also in the process of obtaining OSHAS certification. Injury rates are monitored and recorded on a X basis and health and safety training is provided to employees on an ongoing basis. Meanwhile a comprehensive health insurance plan is extended to all employees.



Health and Safety

Total Work related Injuries	25
Injury rate (per 100 workers)	4.2
Total work related fatalities	13
Lost Working Days	85



Labour Relations

Employees of Swisstek (Ceylon) Ltd are not unionised, however 40% of employees at Swisstek Aluminium Ltd are represented through the Inter Company Employee Union (ICEU) and are covered by collective agreements. Collective Agreements are renewed every three years. Positive labour relations were maintained during the year with no reported incidents of industrial disputes during the year.

Retention

Retaining people with the right skills is a critical component of our human capital strategy and we continuously strive to improve our employee value proposition. During the year we maintained an average retention rate of 92% across the group. Profiles of exit employees are given below;

In FY 2019/20 we will continue to focus on attracting new talent into our operations while developing our existing employees with the right skill sets required for a changing business landscape. Meanwhile we will continue to improve our employee engagement mechanisms to better understand and address our employees needs.

WAY FORWARD

Capital Management



Social and Relationship Capital

Our Social and Relationship Capital consists of our relationships with our customers, suppliers, business partners and community. We continue to nurture these relationships by ensuring mutually beneficial partnerships that are sustainable in the long run.

Highlights

		2019	2018
Payments to suppliers	Rs. Mn	4,450	2,924
SME suppliers	No.	319	291
Investment in CSR	Rs. Mn	8.87	1.40

How we created value in 2018/19

- ▣ 10 new products introduced during the year
- ▣ RS. 4,450 Mn in payments to suppliers
- ▣ Ongoing investment in supplier development initiatives

Strategic Priorities FY 2018/19

Strategic Priorities	Relevance to Overall Strategy
Drive customer satisfaction through innovative product offerings and greater availability of products	Product development
Strengthen relationships with dealers and distributors to ensure greater visibility for products	Geographical diversification

Our Social and Relationship Capital

Customers

- ▣ Contractors
- ▣ Fabricators
- ▣ Retail Customers

Supplier and Business Partners

- ▣ Raw Material Suppliers
- ▣ Dealers
- ▣ Distributors
- ▣ Franchisees

Community

- ▣ Communities surrounding our factories
- ▣ Wider society

Continue to drive customer satisfaction through innovation

Continue to strengthen relationships with our suppliers and business partners through greater engagement.

Contribute meaningfully to our communities through meaningful CSR engagements

WAY
FORWARD



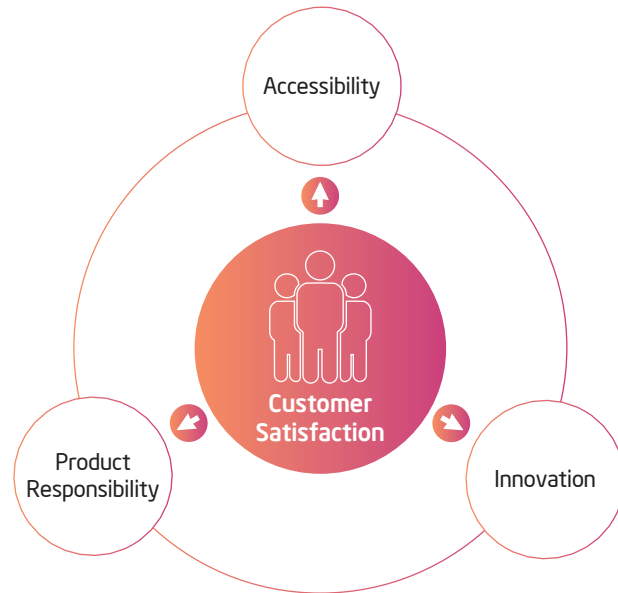
Customers

Customer Profile

As a manufacturer of building products our customers base include contractors, fabricators in addition to retail customers. Further, due to our expansive distribution network that spans across the island, our customers are located across all nine provinces of the country.

Customer Engagement

We engage with our customers through multiple platforms in order to ensure our products meet customer expectations. Formal mechanisms such as a customer hotline, a formalised customer complaints mechanism and monthly customer surveys are in place in tandem with informal mechanisms such as face to face interactions and social media interactions. Apart from this targeted awareness sessions are conducted for customer groups such as contractors, fabricators and architects to provide information about our products. During the year we also commenced a fabricators club which currently has approximately 600 members; through this initiative, member fabricators will be awarded incentives based on the sales generated.



Our Customer Value Proposition

Our customer value proposition which aims to ensure customer satisfaction by continuously striving for innovation, product responsibility, accessibility and service quality has enabled us to stay relevant amidst constantly evolving attitudes, perceptions and socio-economic trends.

Accessibility

Our strong distributor and dealer network spread out across the country ensures that our products are easily accessible to all parts of the country. Swisstek (Ceylon) PLC currently distributes its products through 20 dealers and 18 distributors across the country. Meanwhile our online sales system connects all distribution locations to a centralised system further improving our sale channels by reducing the response time and streamlining the



Capital Management

Social and Relationship Capital

distribution process. Swisstek Aluminium Ltd makes its products available through a network of 165 dealers and distributors and 12 franchisees. While continuously enhancing our dealer and distributor network we continue to leverage our group company distribution channels to make our products more easily accessible to our customers.

Product Responsibility

We are committed to ensuring that our products meet the highest of quality and safety standards. We comply with several quality certifications and accreditations, ensuring that products meet the highest quality standards. (Please refer page 55 for full list of standards and certifications). All our products are labelled with safety instructions and other relevant information clearly indicated on the packaging. During the year, there were no instances of non-compliance pertaining to regulations or standards relating to customer safety or product labelling.

Innovation

Identifying emerging customer needs and pro-actively responding to these requirements through innovative solutions is critical in maintaining our competitive edge in an increasingly competitive market environment. During the year Swisstek (Ceylon) PLC added several new products to its product range such as grout sealer and Epoxy grout sealant which have proved to be very successful additions. Meanwhile Swisstek Aluminium also ventured into a number of new value-added products and new product categories to enhance its product offering. (Please refer page 55, Intellectual Capital for list of new products introduced during the year)

Our Business Partners



Distributors
23



Dealers
180

Suppliers and Business Partners

Our suppliers and business partners including our distributors, dealers and franchisees are an integral part of our value chain, as they have a direct impact on the quality and reach of our products. Our relationships with our suppliers and business partners are based on the philosophy of creating mutually beneficial long-term partnerships.

Supplier and business partner engagement

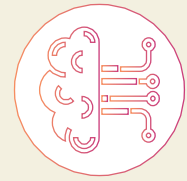
We engage with our suppliers, distributors, dealers and franchisees on a regular basis through pocket meetings, one-to one meetings and training workshops.

Capacity development

With almost 36% of our raw material suppliers for Swisstek (Ceylon) Ltd belonging to the SME category, we take pride in being a part of their growth journey.



Intellectual Capital



Our Intellectual Capital consisting of our collective knowledge and quality standards is a key source of competitive advantage and is reflected in our brand value. We continue to nurture our intellectual capital by emphasizing on a culture of innovation and ongoing focus on research and development.

Highlights

		2019	2018
New products launched	No.	10	5
Investment in R & D	Rs. Mn	4.10	2.70

Strategic Priorities FY 2018/19

Strategic Priorities	Relevance to Overall Strategy
Greater focus on Research and Development	Product Development
Greater Brand visibility	Geographical Diversification

How we created value in 2018/19

- Rs. 4.1 Mn spent on R & D during the year
- Introduction of a dedicated R & D team at Swisstek Aluminium Ltd factory
- Greater engagement with dealers, distributors and franchisees to increase visibility of products

Our Intellectual Capital



Continue to build brand value through innovative product and marketing strategies

WAY
FORWARD



Capital Management

Intellectual Capital

Brands

The Swisstek brand is a respected brand in the country, which has over the years come to be associated with a level of quality and reliability that differentiates us from our competitors. The Swiss Parkett Brand, under which the group's wooden flooring solutions are marketed is a five time winner of the prestigious Presidential Export Award for excellence in the wood sector. During the year we focused on emphasizing our brand image through greater visibility of our products at customer touch points.

Innovation

Driving innovation to upgrade and expand our product offering is a key strategic thrust of the group. To this end we continue to strengthen our research and development capabilities across the group. During the year the group invested Rs. 18 Mn in new product development resulting in the introduction of over 10 new products to the market during the year. A dedicated Research and Development team headed by a factory manager was also introduced at the Swisstek Aluminium Ltd factory, to spearhead research and development projects in the factory.

Certifications

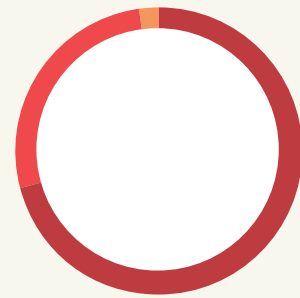
We continue to introduce industry best practices to all aspects of our operations by complying with an expanding list of local and international quality and safety certifications and standards. During the year Swisstek Aluminium Ltd was awarded the QUALICOAT certification for its powder coated aluminum products. Swisstek Aluminium is the first and only aluminum manufacturer in Sri Lanka to receive this international certification.

	Swisstek (Ceylon) PLC		Swisstek Aluminium Ltd
ISO 9001: 2008 for Tile Mortar and Tile Grout		QUALICOAT certification	
ISO 9001:2015 for Tile Mortar, Tile Grout and Skim Coat		ISO 9000 certification	
		ISO 9001:2015 certification	
		SLS1410:2011 certification	
		In the process of obtaining ISO 14000 certification	

Tacit Knowledge

A significant percentage of our employees have been with the organization for over 10 years and possess a vast amount unparalleled tacit knowledge which has proved to be invaluable. A culture of knowledge-sharing and mentoring is nurtured in our companies to ensure this knowledge is passed down and nurtured as organisation capital.

Employees by length of service



■ Less than 5 years ■ 5-15 years
■ Over 15 years

Enhancing our brand value will continue to be of strategic importance as we seek to increase our market share in an increasing competitive environment. We will continue to leverage our wealth of skills and experience to drive innovation throughout our operation to increase our brand equity.

WAY FORWARD



Natural Capital



As a manufacturing organization we have a significant impact on our environment, both in terms of resource consumption as well as in terms of the outputs we release into the environment. We strive to reduce our environmental footprint by putting in place a comprehensive environmental framework that revolves around responsible consumption, minimizing negative impacts and ensuring compliance.

Highlights

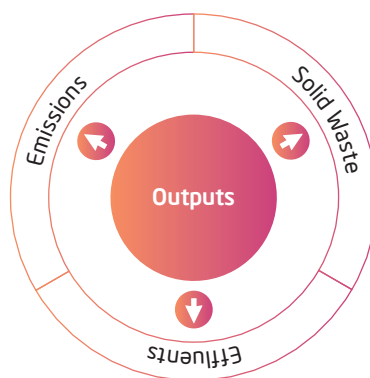
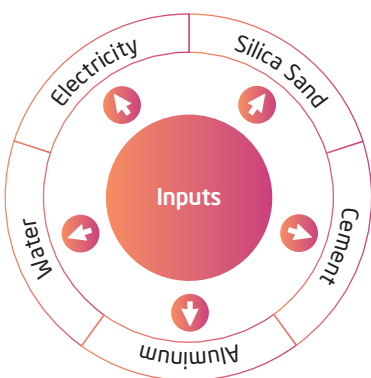
		2019	2018
Raw Material Consumption			
- Silica sand	MT	15,774	10,987
- Alluminum billets	MT	6,169	5,990
Energy consumption	Units	7,572,257	6,750,027
Water consumption	Liters	50,755,166	40,288,539
Solid waste generated	MT	64	60
Recycled materials	MT	1,002	624

Strategic Priorities FY 2018/19

Strategic Priorities	Relevance to Overall Strategy
Reduce wastage through TPM	Operational Efficiency
Increase efficiency of resource consumption	Sustainability

How we created value in 2018/19

- ▣ 3 TPM initiatives across the group
- ▣ 1 energy saving initiatives



Continue to drive
TPM initiatives

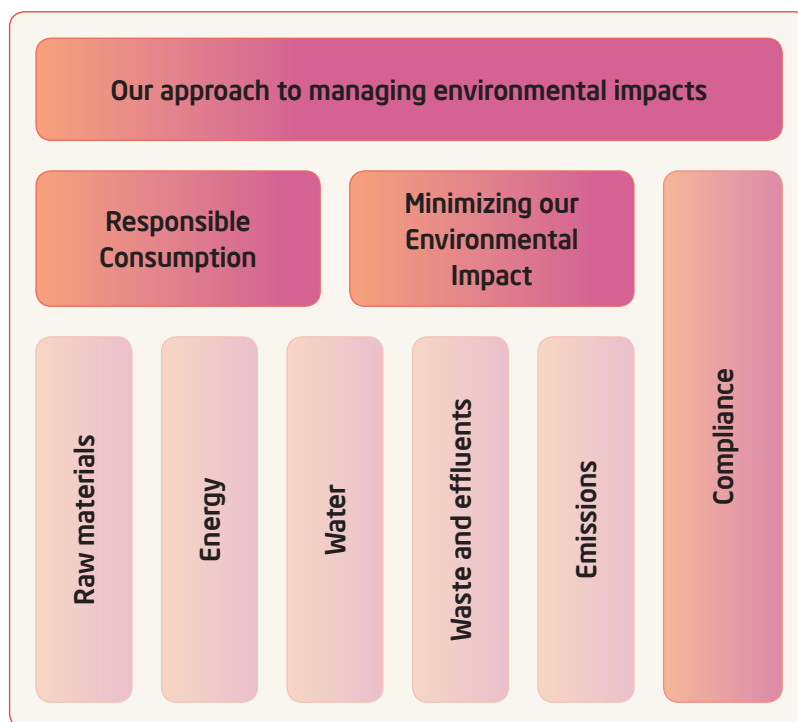
**WAY
FORWARD**

Capital Management

Natural Capital

Our Approach to managing environmental impacts

We follow a comprehensive environmental management framework that clearly defines a policy framework, targets and responsibilities in relation to managing the impact of our operation on the environment. We ensure compliance to all local regulations and continuously strive to introduce environmental best practices to our operation. Our environmental policy is communicated to all employees through training programs, signposts and written communication.



Raw materials Consumption

The main raw materials used by Swisstek (Ceylon) PLC include Silica Sand and Cement while the primary raw material used by Swisstek Aluminium Ltd is Aluminium billets. We continue to incorporate environmentally sustainable practices into our operations to ensure greater responsibility in resource consumption. Aluminum Billet scraps from Swisstek Aluminum are recycled in house and re-used in the production process. We also work closely with our Silica Sand suppliers to ensure that their mining operations adhere to all required environmental standards and regulations. Meanwhile TPM initiatives continued to improve efficiency and waste management across the group.

Consumption of Raw material

Raw material		FY 2018/19	FY 2017/18
Silica Sand	MT	15,774	10,987
Cement	MT	12,013	9,966
Aluminium Billets	MT	6,169	5,990

Energy Consumption

Our main source of energy is purchased electricity from the national grid. Total electricity consumption during the year amounted to 7,577,257 Units compared to 6,750,027 units the previous year. Other energy sources include LPG and diesel. During the year we implemented several initiatives to improve energy efficiency in our operations and factory premises.

Energy Saving Initiative	Location	Total saving from initiatives
Installation of Capacitor bank	Dompe factory	Rs. 0.85 Mn

Water Consumption

Total water consumption during the year amounted to 48,855,166 litres. 17% of the water we consumed was withdrawn from ground water sources while 83% was from municipal lines. We have incorporated water recycling and purification mechanisms into our operations where ever possible to increase water efficiency across the group.

Effluent and Waste Management

Whilst we strive to minimize waste through more efficient production processes and re-cycling mechanisms, any waste or effluents released into the environment is done so in a responsible manner in full compliance with regulatory requirements and industry best practices. During the year Swisstek Aluminium Limited invested Rs. 1.1 Mn in a waste water treatment plant for waste water Anodizing plant. Solid waste from our operations mainly include sludge from our Aluminium extrusions operation. This sludge is released to a third party through a fully equipped sludge yard.

Emissions Management

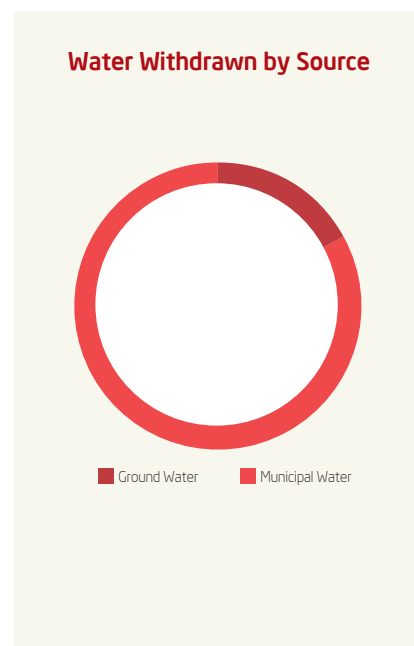
Dust emissions is one of the main pollutants arising from our grout and mortar manufacturing plant. To minimise the impact of dust pollution dust suction units have been installed in our factory. Meanwhile sand dust is collected and re-used in our production process further reducing the negative impact of dust emissions. Emissions from our aluminum extrusions plant is safely discharged through a 100 foot chimney.

Management of Sound Pollution

Since our factories are located amidst residential communities we adopt stringent policies to control sound pollution at our factory sites. A 200 meter buffer zone is maintained around our factory premises while the crushing process is outsourced and carried out at a third-party location.

Compliance

We ensure that we comply with all applicable environmental regulations including those required by the Central Environmental Authority. Our Environmental Protection License (EPL) is renewed annually and there were no issues of non-compliance, fines or penalties imposed upon the Group for contravention of any environmental regulations.







Stewardship

We are committed to maintain the highest standards of integrity and ethical conduct by adopting the right governance practices.

Corporate Governance

The Group's value creation is founded upon robust and effective corporate governance practices which are underpinned on the highest standards of integrity, transparency and accountability. The Group's policy and governance frameworks are broadly aligned to that of its parent entity, Lanka Tiles PLC and have been designed to comply with all relevant statutory requirements while embracing industry and international best practices. The framework is based on several external and internal steering instruments as illustrated below:

Internal Steering Instruments

External instruments

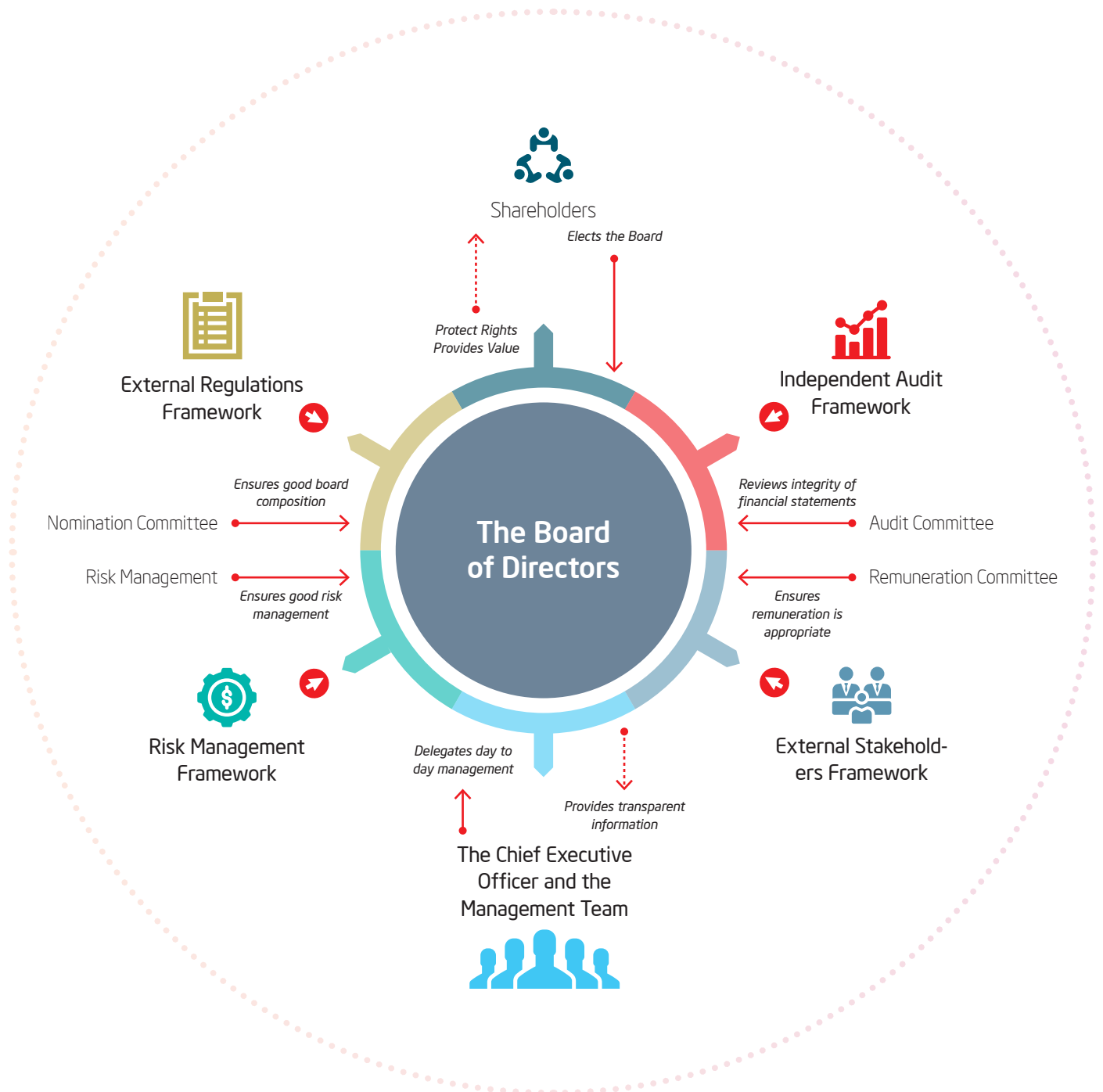
- Companies Act No. 7 of 2007
- Continuing listing requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka
- Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)
- GRI Standards for Sustainability reporting issued by the Global Reporting Initiative

Internal instruments

- Articles of Association
- Board and Sub-Committees Charter
- Comprehensive policy framework
- Risk Management Framework

Governance Structure

The Group's governance structure is clearly defined and comprises of multi-level governance bodies, specific roles and responsibilities and clear reporting lines ensure accountability across the organisation. The Board of Directors is the apex governing body and is supported by several sub-committees in discharging its duties, as illustrated below. In addition to the Board level committees, several executive committees are in place to manage the daily operations of the Group.



Corporate Governance

Board of Directors

The Board is ultimately responsible for delivering sustainable shareholder value and combines diverse experience and skills. As at end-March 2019, the Board comprised of eight (8) Directors the composition of which is presented alongside. The profiles of all directors are given on page 22 of this Report. The Board combines a diverse mix of corporate management, legal and entrepreneurial perspectives, generating productive discussion and debate on key aspects.

	1 Executive Director
	3 Non-Executive Directors
	4 Independent Non-Executive Directors

Board Changes

During the year, 2 new directors were appointed to the Board including an Independent, Non-Executive Chairman. Appointments of new directors are promptly communicated to the CSE and shareholders through press releases. This communication would typically include a brief profile of the Director, relevant skills and industry experience and directorships in other entities. Directors appointed during the year were;

- Mr. Shiran Harsha Amarasekera- Independent Non-Executive Chairman
- Mr. Chethiya Umagiliya- Independent Non-Executive Director

Board Activities

The Board of Directors convened 11 times during the year, while Board sub-committees held five meetings. Attendance at Board meetings is given below;

Director	Board Meeting	Audit Committee	Related party transactions Committee	Remuneration Committee
Mr. S H Amarasekera	6/6	-	-	-
Mr. J A P M Jayasekera	11/11	-	-	-
Mr. J A K Sirinatha	11/11	-	-	-
Dr. S Selliah	11/11	5/5	5/5	1/1
Mr. A M Weerasinghe	11/11	-	-	1/1
Mr. A S Mahendra	10/11	-	-	-
Mr. K D G Gunaratne	9/11	-	-	1/1
Mr. C U Weerawardena	6/6	-	-	-
Mr. J D N Kekulawala (Parent Company Board Member)	-	5/5	5/5	-
Mr. T G Thoradeniya (Parent Company Board Member)	-	3/5	3/5	-

Key areas of Board focus during the year under review is listed below;



Detailed information on the Group's corporate governance activities is disclosed on pages 62 to 73 of this Report which demonstrated the level of compliance to the Code of Best Practice on Corporate Governance and Section 7.10 of the Continuing Listing Requirements of the Colombo Stock Exchange.

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
A. Directors		
A.1 - The Board		
Frequency of Board Meetings	The Board met on a monthly basis in the year under review. The Board's sub committees met on five occasions.	Compliant
Role and responsibility of the Board	<p>The Board is responsible for:</p> <ul style="list-style-type: none"> a. The formulation and implementation of a sound business strategy. b. Monitoring compliance of governance, laws and regulations. c. Overseeing systems of internal control and risk management. d. Approving annual budgets and strategic plans. e. Appointing and reviewing the performance of the Managing Director. f. Approving any change in the Group's business portfolio and sanctioning major investments and disinvestments in accordance with parameters set. g. Ensuring that effective remuneration, reward and recognition policies are in place to motivate employees to meet Company objectives. h. Submitting themselves for re-election at regular intervals and at least once in every three years. 	Compliant

Corporate Governance

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
Compliance with applicable law	The Board ensured in the year under review that the Company adhered to all applicable laws, rules and regulations.	Compliant
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
A.2 - Chairman and CEO		
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
A.3 - Chairman's Role		
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
A.4 - Financial Acumen		
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
A.5 - Board Balance		
The Board should have an adequate number of Directors with a balance of executive and non-executive Directors of sufficient calibre along with independent Directors.	<p>The Board comprises of 08 executive and non-executive Directors. Directors' status is as follows:</p> <p>Executive Director</p> <p>Mr. J A P M Jayasekera</p> <p>Non - Executive Directors</p> <p>*Mr. S H Amarasekera - (Chairman) - (Appointed w.e.f. 01/09/2018)</p> <p>Mr. A M Weerasinghe</p> <p>Mr. J K A Sirinatha</p> <p>*Dr. S Selliah</p> <p>Mr. A S Mahendra</p> <p>*Mr. K D G Gunaratne</p> <p>*Mr. C U Weerawardana - (Appointed w.e.f. 01/10/2018)</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, Mr. K D G Gunaratne, Mr. S H Amarasekera and Mr. C U Weerawardana are 'independent' Directors as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.</p>	Compliant
A.6 - Supply of Information		
Relevant information and agenda to be circulated in a timely manner to the Board.	The Board papers are circulated a week prior to Board meetings with an adequate briefing on relevant information.	Compliant
A.7 - Appointments to the Board		
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
A.8 - Re-election		
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

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 22 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	
Composition and disclosure of the members of the Remuneration Committee	The Remuneration Report which is in Page 82 of the report addresses all related matters.	Compliant
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 143 of this Report.	Compliant

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
C. Relations with Shareholders		
C.1 - Constructive use of the Annual General Meeting and conduct of General Meetings		
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
C.2 - Communication with shareholders		
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.	
C.3 - Major and Material Transactions		
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 84.	Compliant
D. Accountability and Audit		
D.1 - Financial and Business Reporting		
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
D.2 - Risk Management and Internal Control		
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
D.3 - Audit Committee		
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 83 of the report addresses this section in full.	Compliant

Corporate Governance

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
D.4 - Related Party Transactions Review Committee		
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 84 of this report.	Compliant
D.5 - Code of Business Conduct and Ethics		
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
D.6 - Corporate Governance Disclosures		
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 62.	Compliant
E. Shareholders - Institutional Investors		
E.1 - Shareholder Voting		
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
E.2 - Evaluation of Governance Disclosures		
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
F. Other Investors		
F.1 - Investing / Divesting Decision		
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
F.2 - Shareholder participation in meetings		
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. AGMs are noticed in advance as per Companies Act and held on accessible area to ensure shareholders can participate effectively.	Compliant
G. Internet of Things and Cyber security		
G.1 - Internet of Things and Cyber security		
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 74 of this report under the risk management and internal control report.	Compliant
H. Environment and Social Governance (ESG)		
H.1 - ESG Reporting		
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 77 in the Annual Report for information pertaining to this and the capital reports in pages 42 to 59.	Compliant
H.2 - Environmental and Social Factors Governance		
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. 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.	Refer page 77 in the Annual Report for information pertaining to this and the capital reports in pages 42 to 59.	Compliant

Corporate Governance

Governance Principle	Swisstek (Ceylon) PLC Adherence	Compliance Status
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		

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.

a. Non-Executive Directors		
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 seven non- executive Directors out of eight as given in item A5 in the ICASL adherence table, which is above the minimum requirement.	Compliant
b. Independent Directors		
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 four independent Directors out of seven as given in item A5 in ICASL adherence table, which is above the minimum level.	Compliant
c. Disclosure relating to Directors		
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
d. Criteria for Defining 'Independence'		
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
e. Remuneration Committee		
i. Composition of Remuneration Committee		
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 on page 82 the Remuneration Committee of Lanka Walltiles PLC act as the Remuneration Committee of the Company.	Compliant

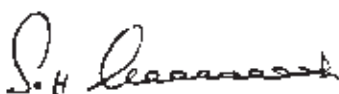
ii. Functions of Remuneration Committee		
The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity to the board of the Listed Entity among other defined functions.	The remuneration committee met once for the year and have recommended the remuneration of the CEO and the Senior management of the Company to the board and there report is published in page 82.	Compliant
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 82 as sets out the names of the directors in the remuneration committee report and aggregate remuneration paid to all directors is given in page 143.	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 of Lanka Walltiles PLC act as the Audit Committee of this Company.	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 83 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 83 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.



Mr. S H Amarasekera
Chairman



J A P M Jayasekera
Managing Director

6 June 2019

Risk Management

Proactive risk management practices are vital in preserving shareholder value in an increasingly dynamic environment. The Board of Directors holds ultimate responsibility for ensuring the effectiveness and adequacy of the Group’s risk management practices. The Board is supported by the Audit Committee in the discharge of risk-related duties. Risk management is an organisation-wide imperative with all line employees and operational managers contributing to the identification, measurement and reporting of risks. The Group’s risk management framework has been structured following the guidance issued by the Committee of Sponsoring Organisations of the Trade-way Commissions (COSO) Enterprise Risk Management Framework (ERM).

The Risk Management Governance Structure is presented below;



The Group’s Risk Management Framework is based on the globally accepted three-lines of defense model as described below;



Group’s Risk Management Framework

First Line of Defense

- Day to day identification of risk exposures by line employees
- Ensuring risk exposures are maintained within approved limits
- Appropriate response at front line

Second Line of Defense

- Regular risk reporting to the Board of Directors
- Ongoing monitoring of emerging risks by the Executive Committee and Board of Directors

Independent Assurance

- Assurance and oversight by the Internal Audit Division

Principal Risks in 2018/19

Risk exposure	Potential impact	Mitigating measures	Risk rating in 2018/19
Fluctuations in raw material prices	Given that approximately 60% of the Group's cost of sales consists of raw material costs, fluctuations in prices have a significant impact on profitability. This is more pronounced in the aluminium sector where cost increases can not easily be passed on to consumers due to industry competition.	<ul style="list-style-type: none"> ▣ Effective material planning ▣ Broad-basing supplier base ▣ Expansion of product portfolio to include high value-added items 	High (Reflecting the sharp increase in LME aluminium prices during the year)
Macro-economic conditions and construction sector growth	The Group's products are inputs in residential and commercial construction projects, therefore the performance of the construction sector has a direct impact on our growth.	<ul style="list-style-type: none"> ▣ Continued monitoring of macro-economic trends ▣ Pursuing geographical expansion opportunities 	High (The slowdown in the country's construction sector affected us sharply during the year)
Competition	The Aluminium Sector has seen intensified competitive pressures with the two largest players (including Swissteck) expanding capacity over the last few years. This has led to an oversupply in the industry, leading to a sharp decline in margins.	<ul style="list-style-type: none"> ▣ Developing a range of value-added products which command a higher margin 	High (Reflecting the recent capacity increases of the 2 largest players)
Consumer preferences	Rapidly changing consumer preferences will have an impact on the Group, particularly if it is unable to respond to these changes through innovation and new product development	<ul style="list-style-type: none"> ▣ Ongoing monitoring of customer satisfaction through close engagement ▣ New product development on an ongoing basis 	Low
Exchange rate impacts	Since the bulk of raw materials are imported, fluctuations in the exchange rate have a considerable impact on the Group's profitability margins	<ul style="list-style-type: none"> ▣ Broad-basing of supplier base ▣ Forward exchange rate contracts 	High (The sharp depreciation of the Sri Lankan Rupee during the year resulted in an escalation in import costs)

Risk Management

Risk exposure	Potential impact	Mitigating measures	Risk rating in 2018/19
People related risks	Difficulties in attracting and retaining skilled labour could delay the achievement of the Group's strategic aspirations	<ul style="list-style-type: none"> Strong employee value proposition based on good union relationships, attractive remuneration, opportunities for progression and a conducive work environment 	Low (Maintained relatively good employee retention levels during the year)
Machine breakdowns	As a Group engaged in manufacturing, breakdowns in machinery and equipment could affect the continuity of operations.	<ul style="list-style-type: none"> Regular upkeep and maintenance of manufactured capital Total Productivity Maintenance 	Low (Regular maintenance is conducted on an ongoing basis)
Supply chain related risks	Interruptions to the Group's supply chain could affect the continuity of operations	<ul style="list-style-type: none"> Maintaining good relationships with suppliers Support local suppliers through capacity development programmes 	Low (Strong supplier relationships)
Government policy and regulatory risks	This risk can arise through the contravention of labour, environmental and other applicable laws causing disruption to operations.	<ul style="list-style-type: none"> Compliance reporting Persistent monitoring of environmental performance and related parameters 	Low (Compliance to all relevant regulations during the year)

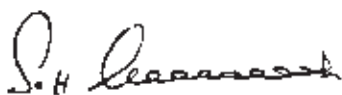
Statement of Risk Management and Internal Control adequacy

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.



Mr. S H Amarasekera
Chairman



J A P M Jayasekera
Managing Director

6 June 2019

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 31 March 2019.

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

General

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 12 day of July 1967. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 6 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 88 to 144.

Summarised Financial Results

Year ended 31 March	GROUP		COMPANY	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Revenue	4,294,027	4,077,367	1,175,154	736,784
Profit for the year	750	378,070	132,107	178,915

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 88.

Accounting Policies

The Accounting Policies adopted by the Company in the preparation of the Financial Statements are given on pages 88 to 144 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 22 to 24.

Executive Directors

Mr. J A P M Jayasekera - Managing Director

Non - Executive Directors

*Mr. S H Amarasekera - Chairman
Appointed w.e.f. 1 September 2018

Mr. A M Weerasinghe

Mr. J K A Sirinatha

*Dr. S Selliah

Mr. A S Mahendra

*Mr. K D G Gunaratne

*Mr. C U Weerawardena - Appointed w.e.f. 1 October 2018

* Independent Non-Executive Directors

Mr. S H Amarasekera was appointed to the Board as an Independent Non-Executive Director and as the Chairman on 1 September 2018.

Mr. C U Weerawardena was appointed an Independent Non-Executive Director on 1 October 2018.

Dr. S Selliah 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. S H Amarasekera and Mr. C U Weerawardena who were appointed Directors during the year, 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. S H Amarasekera

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

Mr. C U Weerawardena

Swisstek Development (Pvt) Limited

Mr. K D A Perera

Mr. J A P M Jayasekera

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

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 31 March 2019 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 31 March 2019.

Directors' Remuneration

The Directors' remuneration is disclosed in Note 31.3 to the Financial Statements on page 143.

Directors' Interests in Contracts

The Directors' interests in contracts are included with the related party disclosures in Note 31.3 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. 465,000/- (2018 - Rs. 445,000/-).

A fee of Rs. 360,000/- (2018 - 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 2019 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company is Rs. 368,256,000/-.

The number of shares issued by the Company stood at 27,372,000 fully paid ordinary shares as at 31 March 2019. (same as 31/03/2018)

Directors' Shareholding

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

	Shareholding as at 31/03/2019	Shareholding as at 31/03/2018
Mr. S H Amarasekera	-	-
Mr. A M Weerasinghe	220,340	20,340
Mr. J A P M Jayasekera	25,557	25,557
Mr. J A K Sirinatha	-	-
Dr. S Selliah	-	-
Mr. A S Mahendra	-	-
Mr. K D G Gunaratne	-	-
Mr. C U Weerawardena	-	-

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 page 145 to 146 under Investor Information.

Reserves

The movement of reserves during the year are given under the Statement of Changes in Equity on page 94 (Statement of Changes in Equity).

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 1,203 Mn (2018 - Rs.1,057 Mn).

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

Location	No. of buildings	Land in Extent (perches)	Valuation Rs. '000
Factory Complex, Belummahara, Imbulgoda	14	980.0	791,259
No:334/5, Colombo Road, Belummahara, Imbulgoda	1	20.0	11,850
No: 288/26, Colombo Road, Belummahara, Imbulgoda		82.0	47,000
No: 177/6, New Kandy Rd., Weliveriya	1	84.5	116,824
		1,166.5	966,933

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 page 88 to 144.

Capital Expenditure

The total capital expenditure during the year amounted to Rs. 176 Mn compared to Rs. 256 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. 2/- per share for the year ending 31 March 2019 was paid on 11 April 2019.

Corporate Governance

Corporate Governance practices and principles with respect to the Management and Operations of the Company are set out on pages 62 to 73.

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

Audit Committee

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

Remuneration Committee

Mr. A M Weerasinghe - Chairman
Mr. K D G Gunaratne
Dr. S Selliah

Related Party Transaction Review Committee

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

The Report on Corporate Governance is given on pages 62 to 73 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 5 July 2019 at the Winchester Hall, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01.

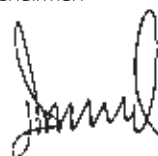
The Notice of the Annual General Meeting appears on page 154.

By Order of the Board
Swisstek (Ceylon) PLC



Mr. S H Amarasekera

Chairman



J A P M Jayasekera

Managing Director



P W Corporate Secretarial (Pvt) Ltd

Secretaries

6 June 2019
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 2018/2019 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

6 June 2019

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

The financial statements are prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007 and any other applicable 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.

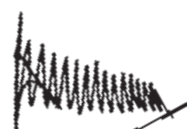
Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal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

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



B T T Roche
Chief Operating Officer



J A P M Jayasekera
Managing Director

6 June 2019

Remuneration Committee Report

Role of the Remuneration Committee

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

Composition of the Remuneration Committee

The Remuneration Committee comprises of the following three Non-Executive Directors of Lanka Walltiles PLC, two of whom are Independent.

Mr. A M Weerasinghe	-	Chairman of the Remuneration Committee - Non-Executive
Mr. K D G Gunaratne	-	Committee Member - Independent Non-Executive
Dr. S Selliah	-	Committee Member - Independent Non-Executive

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

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

Meetings

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

Functions performed by the Remuneration Committee

- 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 143 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

6 June 2019

Audit Committee Report

Role of the Audit Committee

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

Composition of the Audit Committee

The Audit Committee comprised of the following Directors of Lanka Walltiles 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

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	-	5/5
Dr. S Selliah	-	5/5
Mr. T G Thoradeniya	-	3/5

Functions performed by the Audit Committee

- The Committee reviewed the provisional financial statements that were published for financial year 2018/19 and the Annual Report of 2018/19. It reviewed the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards and SLFRS. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- The Committee reviewed the monthly internal audit reports. The internal audit function is carried out by M/s. BDO Partners. The

Internal audits are done on a process based audit framework to improve process performance and control.

- 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.
- 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.
- 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.
- 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.
- 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

6 June 2019

Related Party Transactions Review Committee Report

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

Purpose of the Committee

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

Responsibilities of the Related Party Transactions Review Committee

The following are 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 Listing Rules
- b) Subject to the exceptions given in the Listing Rules review, in advance all proposed related party transactions
- c) Perform other activities related to the Charter as requested by the Board
- d) Have meetings every fiscal quarter and report to the Board on the Committee's activities
- e) Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.

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

Composition of the Committee

The Related Party Transactions Review Committee comprises of the following Directors of Lanka Walltiles PLC who is the parent Company of Swisstek (Ceylon) PLC.

1. Dr. S Selliah - Chairman - Independent Non-Executive
2. Mr. J D N Kekulawala - Independent Non-Executive
3. Mr. T G Thoradeniya - Non-Executive

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 five meetings during the year. The attendance of the members at the meeting as follows;

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

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

Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2018/19. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no one-recurrent related party transactions entered into during the course of the financial year 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 31 March 2019, the aggregate value of which exceeded 10% of the revenue.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 31.2 to the Financial Statements, on pages 88 to 144 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 142 and 143 of this Annual Report.



Dr. S Selliah

Chairman - Related Party Transactions Review Committee

6 June 2019





Financial Reports

Deriving strength from our financial performance and business growth we are well positioned to scale greater heights of success.

Independent Auditor's Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of 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 FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA



1. Valuation of Investment Properties	
Risk Description	Our Response
<p>As described in Note 3.4.7. (accounting policies) and Note 16 Financial statement disclosures, the fair value of investment properties amounted to Rs. 142 Mn as at 31 March 2019 (2018: Rs. 134Mn)</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 comparable 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>Our Audit procedures included,</p> <ul style="list-style-type: none"> ▣ Assessing the objectivity, independence, competence and qualifications of the external valuer. ▣ Assessing the appropriateness of the valuation techniques used by the external valuer, taking into account the profile of the investment properties. ▣ Discussions with management and the external valuer and compare the key assumptions applied and conclusions made in deriving the fair value and comparing the same with evidence of current market practice where applicable, and challenging them based on our Knowledge of the business and industry. ▣ 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.
2. Carrying Value of Inventories	
Risk Description	Our Response
<p>As described in Note 3.4.8. (accounting policies) and Note 17 Financial statement disclosures, the carrying value of inventories amount to Rs. 2,138 Mn as at 31 March 2019 (2018: Rs. 1,605 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>Our Audit procedures included,</p> <ul style="list-style-type: none"> ▣ Testing the design, implementation and operating effectiveness of the controls, management has established in arriving at criteria used for provision computations and to ensure the accuracy of the impairment provision. ▣ Evaluating the net realizable value used for provision computation for the selected sample covering significant inventory categories. ▣ Assessing the adequacy of inventory provisions held for slow moving and/or obsolete inventory by recalculating items included within the provision to ensure the accuracy of provision. ▣ Assessing whether the Group policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimates made in respect of inventory provisioning.

Independent Auditor's Report



3. Recoverability of Trade Receivable	
Risk Description	Our Response
<p>As described in Note 3.4.10. (accounting policies) and Note 18 Financial statement disclosures ,the group recorded Trade and other receivable amounting to Rs. 1,349 as at 31 March 2019 (2018: Rs. 1,163Mn)</p> <p>The Group has significant levels of trade receivable and judgment is exercised with regard to calculation of the Impairment provision requires a significant level of judgment as it 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>Our Audit procedures included,</p> <ul style="list-style-type: none"> ▣ Testing Key controls within the credit control and approval processes. ▣ Testing the adequacy of the provisions for impairment recorded against trade receivable balances, based on 'Expected Credit loss' model as per 'SLFRS 09', as well as the reasonability of the model methodology. ▣ Assessing whether the group's policies had been consistently applied and the adequacy of the Group's disclosures in respect of Credit risk.

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.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional 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.

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

6 June 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March,	Note	Group		Company	
		2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Revenue	6.	4,294,027	4,077,367	1,175,154	736,784
Cost of sales		(3,472,085)	(2,888,763)	(886,135)	(561,592)
Gross profit		821,942	1,188,604	289,019	175,192
Other income	7.	95,663	92,421	87,268	141,905
Administrative expenses		(229,117)	(199,289)	(40,955)	(34,571)
Selling and distribution expenses		(262,591)	(446,650)	(67,312)	(48,194)
Other expenses	8.	(5,568)	(5,036)	(2,586)	(5,036)
Results from operating activities		420,329	630,050	265,434	229,296
Net finance cost	9.	(403,600)	(145,262)	(68,970)	(28,641)
Profit before tax	10.	16,729	484,788	196,464	200,655
Income tax expense	11.	(15,979)	(106,718)	(64,357)	(21,740)
Profit for the year		750	378,070	132,107	178,915
Other comprehensive income :					
Items that will not be reclassified to profit or loss					
Gain on revaluation of land and buildings		12,304	56,289	-	51,285
Remeasurements of defined benefit liability		2,374	(156)	648	(534)
Deferred tax on other comprehensive income		(2,987)	(200,300)	(181)	(195,562)
Other comprehensive income for the year		11,691	(144,168)	467	(144,811)
Total comprehensive income for the year		12,441	233,902	132,574	34,104
Profit Attributable to;					
Owners of the company		16,501	345,989	132,107	178,915
Non controlling interest		(15,751)	32,081	-	-
Profit for the year		750	378,070	132,107	178,915
Total comprehensive income attributable to:					
Owners of the company		26,775	201,740	132,574	34,104
Non controlling interest		(14,334)	32,162	-	-
Total comprehensive income for the year		12,441	233,902	132,574	34,104
Basic earnings per share	12.	0.60	12.64	4.83	6.54

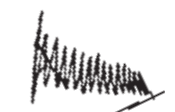
The notes on pages 97 to 144 are an integral part of these financial statements.

Statement of Financial Position

As at 31 March,	Note	Group		Company	
		2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Assets					
Property, plant and equipment	13	2,672,833	2,397,303	1,203,256	1,057,488
Capital work-in-progress	13.1	10,882	55,421	943	-
Investment in subsidiary	14	-	-	229,784	229,784
Other long term Investments	15	90	79	90	79
Investment property	16	142,000	134,000	142,000	134,000
Non current assets		2,825,805	2,586,803	1,576,073	1,421,351
Inventories	17.	2,138,897	1,605,100	221,202	107,775
Trade and other receivables	18	1,349,589	1,163,618	385,833	190,104
Contract Assets	19.1	58,269	-	58,269	-
Tax Receivables		4,294	95	-	95
Amounts due from related parties	20	5,962	9,160	6,293	9,491
Cash and cash equivalents	21	130,086	65,632	83,400	2,817
Current assets		3,687,097	2,843,605	754,996	310,282
Total assets		6,512,902	5,430,408	2,331,070	1,731,633
Equity					
Stated capital	22	368,256	368,256	368,256	368,256
Reserves	23	624,735	616,134	524,929	524,929
Retained Earnings /(Losses)		955,007	991,577	223,493	145,663
Equity attributable to owners of the company		1,947,998	1,975,967	1,116,678	1,038,848
Non controlling interest		153,313	167,647	-	-
Total equity		2,101,311	2,143,614	1,116,678	1,038,848
Liabilities					
Retirement benefits Obligation	24	23,185	20,647	6,805	6,342
Deferred tax liability	11.2	316,298	309,877	267,992	208,252
Loans and borrowings	25.2	621,421	590,260	211,230	150,490
Non current liabilities		960,904	920,784	486,027	365,084
Trade and other payables	26	694,941	959,761	185,514	96,833
Contract liabilities	19.2	79,177	-	79,177	-
Loans & borrowings	25.1	222,253	183,832	50,250	37,500
Short term loans	27	1,967,282	1,027,766	337,900	121,659
Amounts due to related parties	28.1	7,220	4,620	7,220	4,620
Borrowings - Related party	28.2	-	21,797	-	21,797
Tax payable		1,022	2,700	1,022	-
Bank overdrafts	21	478,792	165,534	67,282	45,292
Current liabilities		3,450,687	2,366,010	728,365	327,701
Total liabilities		4,411,591	3,286,794	1,214,392	692,785
Total equity and liabilities		6,512,902	5,430,408	2,331,070	1,731,633

The notes on pages 97 to 144 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 :



S H Amarasekera

Chairman



J A P M Jayasekara

Managing Director

6 June 2019
Colombo

Statement of Changes in Equity

For the year ended 31 March 2019

Group	Stated capital		Capital redemption reserve		General reserve		Retained earnings		Total		Non-controlling interest		Total equity	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 1 April 2017	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						
Other comprehensive income														
- 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)	81	(144,167)						
- Dividend paid	-	-	-	-	(95,802)	(95,802)	(8,836)	(104,638)						
Balance as at 31 March 2018	368,256	596,171	121	19,842	991,577	1,975,967	167,647	2,143,614						
- Profit for the year	-	-	-	-	16,501	16,501	(15,751)	750						
Other comprehensive income														
- Defined benefit plan actuarial gains	-	-	-	-	2,156	2,156	218	2,374						
- Gain on revaluation of land	-	10,751	-	-	-	10,751	1,553	12,304						
- Deferred tax on other comprehensive income	-	(2,150)	-	-	(483)	(2,633)	(354)	(2,987)						
	-	8,601	-	-	1,673	10,274	1,417	11,691						
- Dividend paid	-	-	-	-	(54,744)	(54,744)	-	(54,744)						
Balance as at 31 March 2019	368,256	604,772	121	19,842	955,007	1,947,998	153,313	2,101,311						

For the year ended 31 March 2019
Company

	Capital					Total equity
	Stated capital	Revaluation reserve	redemption reserve	General reserve	Retained earnings	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 1 April 2017	368,256	649,392	121	19,842	62,933	1,100,545
- Profit for the year	-	-	-	-	178,915	178,915
Other comprehensive income						
- Defined benefit plan actuarial 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)
Balance as at 31 March 2018	368,256	504,966	121	19,842	145,663	1,038,848
- Profit for the year	-	-	-	-	132,107	132,107
Other comprehensive income						
- Defined benefit plan actuarial gains	-	-	-	-	648	648
- Gain on revaluation of land and buildings	-	-	-	-	-	-
- Deferred tax on other comprehensive income	-	-	-	-	(181)	(181)
	-	-	-	-	467	467
- Dividend paid	-	-	-	-	(54,744)	(54,744)
Balance as at 31 March 2019	368,256	504,966	121	19,842	223,493	1,116,678

The notes on pages 97 to 144 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March,	Note	Group		Company	
		2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Profit before tax		16,729	484,788	196,465	200,655
Adjustments For;					
Depreciation	13	129,696	79,494	30,233	17,026
Inventory provision	17.1	2,058	3,007	2,058	3,007
Interest income		-	(5,138)	-	(5,138)
Provision on retirement benefit obligation	24	5,727	5,305	1,378	1,305
Dividend Income		-	-	-	(55,053)
Interest expense	9	367,392	149,407	68,511	33,779
(Profit)/Loss on sale of property, plant & equipment		(234)	-	-	-
(Gain)/ Loss on revaluation of investment property		(6,785)	(16,517)	(6,785)	(16,517)
Provision for impairment of trade receivables		3,510	(2,539)	528	152
Exchange loss		36,208	993	459	-
Changes in:					
- Trade and other payables		(319,564)	527,185	33,938	9,042
- Amounts due to related parties		2,600	(339)	2,600	(339)
- Inventories		(535,857)	(795,775)	(115,486)	(9,805)
- Trade and other receivables		(229,374)	(50,188)	(200,398)	(56,642)
- Amounts due from related parties		3,197	(22,605)	3,197	(22,615)
- Contract Asset		(58,269)	-	(58,269)	-
- Contract Liability		79,177	-	79,177	-
Cash generated from/(used in) operating activities		(503,790)	357,078	37,604	98,857
Interest paid		(367,392)	(149,407)	(68,511)	(33,779)
Income tax paid		(14,735)	(68,937)	-	(22,754)
Gratuity payment	24	(815)	(1,984)	(267)	(998)
Net cash generated from/(used in) operating activities		(886,732)	136,752	(31,174)	41,328
Cash flows from investing activities					
Acquisition of property, plant and equipment	13	(275,231)	(198,921)	(176,000)	(71,675)
Addition to Construction Work In Progress	13.1	(77,199)	(508,697)	(943)	(146,217)
Proceeds on disposal of property, plant & equipment		4,281	-	-	-
Other long Term Investment		(11)	(79)	(11)	(79)
Dividend Income		-	-	-	55,053
Construction of investment property	16	(1,215)	-	(1,215)	-
Net cash generated used in investing activities		(349,375)	(707,697)	(178,168)	(162,918)
Cash flows from financing activities					
Dividend paid		-	(95,802)	-	(95,802)
Dividend paid to NCI		-	(8,836)	-	-
Interest income		-	5,138	-	5,138
Loan repayment to related party	28	(21,797)	(30,835)	(21,797)	(30,835)
Term Loan Obtained		4,119,960	2,965,113	707,312	398,612
Repayment of borrowings		(3,110,861)	(2,317,069)	(417,581)	(188,764)
Net cash generated from financing activities		987,302	517,710	267,933	88,349
Net increase/(decrease) in cash and cash equivalents		(248,805)	(53,237)	58,590	(33,243)
Cash & cash equivalents at the beginning of the year		(99,902)	(46,665)	(42,474)	(9,232)
Cash & cash equivalents at the end of the year	21	(348,706)	(99,902)	16,118	(42,475)

The notes on pages 97 to 144 are an integral part of these financial statements.

Notes to the Financial Statements

1. Reporting entity

Swisstek (Ceylon) PLC 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 Consolidated Financial Statements of Swisstek (Ceylon) PLC as at and for the year ended 31 March 2019 encompass the Company and its subsidiaries (together referred to as the "Group").

Descriptions of the nature of the operations and principal activities of the Company, and its Subsidiaries are given on note 3.1.2.

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 Board of Directors is responsible for the preparation and presentation of the financial statements of the company and its subsidiaries as per provisions of companies Act No.07 Of 2007 and Sri Lanka Accounting standards (SLFRSs/LKASs)

The financial statements of Swisstek (Ceylon) PLC for the year ended 31 March 2019 were authorized for issue by the Board of Directors on 6 June 2019.

2.2 Basis of measurement

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

- Fair Value through Other Comprehensive Income (FVOCI) 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 Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Group'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 24 – Employee benefits

2.5 Measurement of Fair Value

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

Notes to the Financial Statements

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 fulfill 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).

2.5.1 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).

2.6 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately, unless they are immaterial.

3. Significant accounting policies

Except for the changes mentioned in note 3.1.1 – changes in accounting policies, the group has consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements and deviations if any, have been disclosed accordingly.

3.1.1 Changes in accounting policies

The following changes in accounting policies are reflected in the Group's Financial Statements as at and for the year ended 31 March 2019.

The Group has adopted SLFRS 15-Revenue from Contracts with Customers and SLFRS 9-Financial Instruments with effect from 1 April 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributable to the followings:

- ▣ Impairment losses recognized on financial assets. (Refer Note 3.3 (C))
- ▣ Revenue recognition. (Refer Note 3.6.1)

3.1.2 Basis of Consolidation

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

Subsidiaries are disclosed in note 14 to the consolidated financial statements.

3.1.3 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.

3.1.4 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.

3.1.5 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 instruments

(a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

Financial assets - Policy applicable from 1 April 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ▣ it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▣ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount of outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- ▣ it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

Notes to the Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may

irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Classification Changes in Financial Assets and Liabilities

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company and Group's financial assets and financial liabilities as at 01 April 2018.

	Original classification under LKAS 39	New classification under SLFRS 09	Original carrying amount under LKAS 39 Rs.000	New carrying amount under SLFRS 9 Rs.000
Financial Assets				
Trade and Other receivables	Loans and receivable	Amortized Cost	190,104	190,104
Amounts due from related parties	Loans and receivable	Amortized Cost	9,491	9,491
Financial Liabilities				
Trade and other payables	Other financial liabilities	Other financial liabilities	96,833	96,833
Loans and borrowings	Other financial liabilities	Other financial liabilities	331,445	331,445
Amounts due to Related Parties	Other financial liabilities	Other financial liabilities	4,620	4,620
Income Tax payable	Other financial liabilities	Other financial liabilities	-	-

Financial assets - Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 April 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- ▣ contingent events that would change the amount or timing of cash flows;
- ▣ terms that may adjust the contractual coupon rate, including variable-rate features;
- ▣ prepayment and extension features; and
- ▣ terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 April 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes to the Financial Statements

Financial assets - Policy applicable prior to 1 April 2018

The Company classified its financial assets into one of the following categories:

- ▣ loans and receivables;
- ▣ held to maturity;
- ▣ available for sale; and
- ▣ at FVTPL, and within this category as:
 - + held for trading
 - + derivative hedging instruments; or
 - + designated as at FVTPL

Financial assets - Subsequent measurement and gains and losses: Policy applicable prior to 1 April 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective

interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(c) Impairment policy: applicable from 1 April 2018

Non-derivative financial assets

Transition from "Incurred Loss model" to "Expected loss model"

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

The Group has decided to apply SLFRS 9 using the cumulative effect method - i.e. by recognising the cumulative effect of initially applying SLFRS 9 as an adjustment to the opening balance of equity at 01 April 2018. Therefore the comparative information have not been restated and continue to be reported under LKAS 39.

Management has decided not to recognize the provision of impairment arising from "Expected Credit Loss" model on comparative period information, since they are in the opinion that it does not have any material impact to the financial statements.

Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 45 days past due.

The Company considers a financial asset to be in default when:

- ▣ the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- ▣ the financial asset is more than 145 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls

(i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- ▣ significant financial difficulty of the borrower or issuer;
- ▣ a breach of contract such as a default or being more than 145 days past due;
- ▣ the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- ▣ it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- ▣ the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

Notes to the Financial Statements

Impairment Policy: applicable prior to 1 April 2018

Financial assets (including receivables)

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 asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are 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 that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company 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 causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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 pro rata 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 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 derecognized. The costs of the day-to-day servicing of property, plant & equipment are recognized in profit and loss as incurred.

3.4.4 Derecognition

The carrying amount of an item of property, plant and equipment is derecognized 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.

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 derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

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 derecognized. 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. Estimates in respect of certain item of property, plant and equipment were revised with effect from 1 April 2014.

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

Notes to the Financial Statements

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 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 realisable 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.

3.4.9 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 24 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 undiscounted 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 (EPF) and Employees Trust Fund (ETF) 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 undiscounted 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 Revenue from contracts with customers - Applicable from 1 April 2018

The company has initially applied SLFRS 15 from 1 April 2018. As there was no significant impact on adoption of this standards comparative information have not been re-stated. The effect of initially applying SLFRS 15 is described in Note 3.6.1.2

SLFRS 15 established a comprehensive framework for determining whether, how much and when revenue recognised. Under SLFRS 15, revenue is recognize when a customer obtain control of the goods or services – Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

Under SLFRS 15, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognition will not occur.

3.6.1.2 Performance obligations and revenue recognition policies

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Notes to the Financial Statements

Type of product / service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15 (applicable from 1 April 2018)	Revenue recognition under LKAS 18 (applicable before 1 April 2018)
1) Sale of Manufacturing and Trading Goods.	The Company engaged in varieties of sale of goods in Tile related products, Decorative pebbles and Trading sales of Aluminum and Fiber Cement.	The revenue is recognized based on the identified performance obligation. The transaction price is allocated to performance obligations and recognized the revenue in point in time upon analysis of each sale of goods.	The revenue is recognized at the point of risk and reward of the goods has been transferred to customer which is the point of dispatch / collection by the customer on local sales
2) Sale of Timber with installation services	The Company supply Timber to customers with installation services embedded in the contract.	<p>The supply of Timber is recognized at the point of deliver the goods to the customer and the revenue for installation services is recognized over installation period for the transactions that consumes a significant time period for installation.</p> <p>The revenue is recognized at a point in a time either for the transactions which consumes an insignificant installation period or for the transactions where the installation services provided on the same day of delivery of goods.</p>	The revenue recognized on the supply of Timber and installation services on the date of invoice is raised.

The following tables summarise the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 March 2019 and its statement of profit or loss and OCI for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 31 March 2019.

Impact on Consolidated statement of Financial Position.

This note should be read in conjunction with Note 19 to the Financial Statements.

31 March 2019	As Reported Rs.000	Adjustments Rs.000	Amounts with out Adoption of IFRS 15 Rs.000
Assets			
Inventories	2,138,898	41,621	2,180,519
Other Financial Assets – Current Asset	-	16,648	16,648
Contract Assets	58,269	(58,269)	-
Liabilities			
Trade and other payables	694,941	79,177	774,118
Contract Liabilities	79,177	(79,177)	-

Impact on Consolidated statement of Profits or Loss and OCI

For the Year 31 March 2019	As Reported	Adjustments	Amounts with out Adoption of
	Rs.000	Rs.000	IFRS 15 Rs.000
Revenue	4,294,028	(41,621)	4,252,407
Cost of Sales	3,472,085	(41,621)	3,430,464

3.6.1.1 Sale of goods and services - Applicable prior to 1 April 2018

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.

3.6.2 Other Income

3.6.2.1 Rental income

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

3.6.2.2 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.

3.6.2.3 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.

3.6.3 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.

3.6.3.1 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.

3.7 Income tax expense

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.

3.7.1 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.

3.7.2 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

Notes to the Financial Statements

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

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

A number of new standards and amendments to standards which have been issued but not yet effective as at the Reporting date have not been applied in preparing these Financial Statements. Accordingly, these Accounting Standards have not been applied in preparing these financial statements. The Group intends to adopt those standards when they become effective.

A. SLFRS 16 - Leases

SFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognised a right-of-use asset representing its right to use the underlying assets and lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16, replace existing leasing guidance, including LKAS 17 lease, IFRIC 4 Determining whether an arrangement contains a lease, SIC -15 Operating leases – Incentives and SIC-27 Evaluating the Substance of transactions involving the legal form of a lease.

According to Financial Statements, there are no operating leases hence the Company will not have any impact.

B. Other standards

The following amended standards and the interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

Effective Date - 1 January 2019

- ▣ IFRIC 23 Uncertainty over Tax Treatments.
- ▣ Prepayment features with negative compensation (Amendments to SLFRS 9).
- ▣ Long- term interests in Associates and Joint Ventures (Amendments to LKAS 28).

- ❑ Plan Amendment, Curtailment or settlement (Amendment to LKAS 19).
- ❑ Annual Improvements to SLFRS Standards 2015-2017 Cycle-various standards.
- ❑ Annual Improvements to SLFRS 3-Business combinations, SLFRS 11 – Joint Arrangements, LKAS 12 Income Taxes.

Effective Date -1 January 2020

- ❑ Amendments to References to Conceptual Framework in SLFRS standards
- ❑ Amendments to LKAS 1 and LKAS 8
- ❑ Amendments to SLFRS 3

Effective Date -1 January 2022

- ❑ IFRS 17 Insurance Contracts

4. Financial risk management

Overview

In the course of its business, the Group is exposed to a number risks arising from its use of financial instruments, including:

- ❑ Credit risk
- ❑ Liquidity risk
- ❑ Market risk (currency risk & interest rate 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 analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor 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 counterparty 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 behavior. Operational risks arise from all of the Group's operations.

Notes to the Financial Statements

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 2019;

For the year ended 31 March,

	Tile related products Rs.000	Wooden flooring and installation Rs.000	Aluminium Rs.000	Other Rs.000	Total Rs.000
Total segment revenue	835,476	296,245	3,124,101	38,205	4,294,027
Total segment cost of sales	(682,481)	(167,278)	(2,585,950)	(36,376)	(3,472,085)
Segment gross profits	152,996	128,967	538,151	1,829	821,942
Other income					95,663
Administration expenses					(229,117)
Distribution expenses					(262,591)
Other expenses					(5,568)
Finance cost					(403,600)
PBT					16,729

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

For the year ended 31 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

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

For the year ended 31 March,

	Tile related products	Wooden flooring and installation	Aluminium	Other	Total
As at 31 March 2019					
Assets	1,664,679	590,266	4,181,834	76,123	6,512,901
Liabilities	867,087	307,454	3,197,200	39,650	4,411,591
Capital expenditure	168,144	167	220,969	-	396,969
As at 31 March 2018					
Assets	1,281,646	175,233	3,928,987	44,544	5,430,408
Liabilities	564,722	77,212	2,600,455	19,627	3,286,794
Capital expenditure	246,870	141	533,318	8,580	788,909

Notes to the Financial Statements

For the year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
6. Revenue				
Tile related products	835,476	615,190	835,476	615,190
Wooden flooring & installation	296,245	85,991	296,245	85,991
Decorative pebbles	14,693	13,744	14,693	13,744
Trading sales	15,985	4,591	15,985	4,591
Fibre Cement	7,527	17,268	7,527	17,268
Aluminium	3,124,101	3,340,583	5,228	-
	4,294,027	4,077,367	1,175,154	736,784
7. Other income				
Increase in fair value of investment property	6,785	16,517	6,785	16,517
Rent income	22,604	16,488	17,932	14,988
Sales commission	61,855	53,925	61,855	53,925
Gain on disposal of property, plant & equipment	234	-	-	-
Dividend Income	-	-	-	55,053
Sundry income	4,185	5,491	696	1,422
	95,663	92,421	87,268	141,905
8. Other expenses				
Provision for obsolete and slow moving inventory	2,058	3,007	2,058	3,007
Loss of Inventory	-	1,877	-	1,877
Debtors provision	3,510	152	528	152
	5,568	5,036	2,586	5,036
9. Net finance cost				
Finance income				
Interest income from Road Development Authority	-	(5,138)	-	(5,138)
Interest income from Swisstek Aluminium Limited	-	-	-	-
	-	(5,138)	-	(5,138)
Finance cost				
Interest expenses on short term borrowings	316,758	120,675	51,132	21,249
Interest expenses on borrowings - Lanka Tiles PLC	1,904	4,865	1,904	4,865
Bank overdraft interest & charges	48,730	23,867	15,475	7,665
	367,392	149,407	68,511	33,779
Foreign exchange loss/(gain)	36,208	993	459	-
Net Finance cost	403,600	145,262	68,970	28,641

10. Profit before tax

Is stated after charging all expenses including the following;

For the year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Directors' emoluments	10,582	8,540	2,130	1,713
Auditors' remuneration - Statutory audit	465	445	465	445
- Non audit services	472	255	360	255
- Subsidiary Auditors	269	347	-	-
Salaries, wages and other related cost	304,844	225,948	68,637	53,290
Defined benefit plan cost - Retirement gratuity	5,727	5,305	1,378	1,305
Defined contribution plan cost - EPF and ETF	16,955	15,958	4,797	4,172
Depreciation on property plant and equipment	129,696	79,494	30,233	17,026
Provision/ (Reversal) Obsolete and slow moving Inventory	2,058	3,007	2,058	3,007
Provision/ (Reversal) Debtor	3,510	(2,539)	528	152

For the year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000

11. Income tax expense

Current tax expense	4,132	45,575	4,132	13,470
Deferred tax (reversal)/ charge for the year (Note 11.2)	3,434	62,748	59,558	6,146
Under/(over) provision in respect of prior year	8,413	(1,605)	667	2,124
Income tax for the year	15,979	106,718	64,357	21,740

Tax reconciliation statement

Profit before tax	16,729	484,788	196,464	200,655
Non business income (Interest income)	(4,716)	(5,138)	-	(5,138)
Dividend Income	-	(55,053)	-	(55,053)
Aggregate disallowed expenses and income	176,993	113,728	53,006	40,955
Aggregate allowed Items	(320,796)	(315,241)	(104,840)	(102,267)
Statutory profit from business	(131,790)	223,084	144,630	79,151
Exempt profit	(432)	55,053	-	-
Tax (loss)/ profit incurred during the year	(131,358)	278,137	144,630	79,151

Adjustment:

Interest income	-	(5,138)	-	(5,138)
Tax losses claimed during the year (Note 11.1)	(134,590)	(95,549)	(129,874)	(25,905)
Assessable income	(265,948)	177,451	14,756	48,108
Taxable income	14,756	177,451	14,756	48,108
Taxable loss incurred	(280,704)	-	-	-

Dividend 10%	-	6,117	-	-
Income tax at 20%	-	25,568	-	-
Income tax at 28%	4,132	13,890	4,132	13,470
	4,132	45,575	4,132	13,470

Notes to the Financial Statements

For the year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
11.1. Reconciliation of Tax Loss				
Tax losses brought forward	189,089	346,517	131,842	157,747
Adjustment of opening tax brought forward	119,702	(61,879)	(1,968)	-
Tax losses claimed during the year	(134,590)	(95,549)	(129,874)	(25,905)
Tax losses incurred during the year (Note a)	280,704	-	-	-
Tax losses carried forward	454,905	189,089	-	131,842

Note a - Tax loss incurred by Swisstek Aluminium Ltd during the year.

11.2 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% Swisstek Aluminium Ltd.

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

For the year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Net deferred tax asset/(liability)- Swisstek Ceylon PLC	(267,991)	(208,252)	(267,991)	(208,252)
Net deferred tax Asset/(liability)- Swisstek Aluminium PLC	(48,307)	(101,625)	-	-
	(316,298)	(309,877)	(267,991)	(208,252)

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	
	2019	2018	2019	2018
Profit/(Loss) attributable to ordinary shareholders (Rs. 000)	16,501	345,989	132,107	178,915
Weighted average number of ordinary shares	27,372,000	27,372,000	27,372,000	27,372,000
Earnings per share (Rs.)	0.60	12.64	4.83	6.54
Weighted average number of ordinary shares				
Issued ordinary shares	27,372,000	27,372,000	27,372,000	27,372,000
Weighted average number of ordinary shares in issue during the year	27,372,000	27,372,000	27,372,000	27,372,000

13. Property, plant & equipment

Swisstek (Ceylon) PLC

(a). Lands & buildings of the company were last revalued as at 31 March 2018, and the management of in the opinion that it has not significantly changed thereon.

(b). 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 2019	Fair Value 2018
Factory Complex, Belummahara, Imbulgoda	Land	980 Perches	633,500	633,500
No: 288/26, Colombo Road, Belummahara, Imbulgoda	Land	82 perches	47,000	47,000
No:334/5, Colombo Road, Belummahara, Imbulgoda	Land	20 Perches	11,350	11,350
No: 177/6, New Kandy Rd., Weliveriya	Land	84.5 Perches	37,961	-
Factory Complex, Belummahara, Imbulgoda	Buildings	54,647 sq.ft	122,759	112,500
Factory Complex, Belummahara, Imbulgoda- Crushing Plant 2	Buildings	7,000 sq.ft	35,000	35,000
No:334/5, Colombo Road, Belummahara, Imbulgoda	Building	1,384 sq.ft	500	500
No: 177/6, New Kandy Rd., Weliveriya	Building	26,398 Sq.ft.	78,863	-
			966,933	839,850

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

	Land in Extent (perches)	Cost Rs. '000	Carrying value as at 31.03.2019 Rs. '000	Carrying value as at 31.03.2018 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	38,080
No: 177/6, New Kandy Rd., Weliweriya	84.5 Perches	37,961	37,961	-
		83,175	83,175	45,214

(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 31.03.2019	Carrying value as at 31.03.2018
Factory Complex, Belummahara, Imbulgoda	54,647 Sq.ft.	13	49,330	12,220	37,110	27,786
No:334/5, Colombo Road, Belummahara, Imbulgoda	1,384 sq.ft	1	288	20	268	274
Factory Complex, Belummahara, Imbulgoda - Crushing Plant 2 and other additions	7,000 sq.ft	1	56,309	2,944	53,365	55,617
No: 177/6, New Kandy Rd., Weliweriya	26,398 Sq.ft.	1	78,863	738	78,125	-
			184,790	15,922	168,868	83,677

Notes to the Financial Statements

Group Description	Machinery under										Tools & Equipments	2018/19 Total
	Freehold Land	Buildings	Machinery	Plant & Machinery	Finance Lease	Factory Electrification & Fittings	Furniture	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	Rs.000	Rs.000
Cost/ Revaluation												
As at 1 April 2018	901,858	664,048	1,202,221	8,853	21,907	11,338	53,787	29,203	3,418	17,017	2,913,650	
Additions during the year	37,961	192,164	134,942	-	1,700	1,847	14,456	8,768	-	5,131	275,231	
Transfers from CWIP (Note 13.1)	-	103,042	18,422	-	-	-	-	274	-	-	121,738	
Disposals/transfers	-	-	(11,515)	-	-	-	-	-	-	(1,142)	(12,657)	
Revaluation Gain/(Loss)	-	12,304	-	-	-	-	-	-	-	-	12,304	
As at 31 March 2019	939,819	868,516	1,325,648	8,853	23,606	13,185	68,243	37,971	3,418	21,006	3,310,266	
Accumulated depreciation												
As at 1 April 2018	-	51,518	409,899	5,165	3,081	6,222	13,937	14,431	139	11,955	516,347	
Charge for the Year	-	19,492	87,603	589	2,336	1,720	9,723	5,448	69	2,716	129,696	
Disposals/Transfers	-	-	(7,468)	-	-	-	-	-	-	(1,142)	(8,610)	
As at 31 March 2019	-	71,010	490,034	5,754	5,417	7,942	23,660	19,879	208	13,529	637,433	
As at 31 March 2018	901,858	612,530	792,322	3,687	18,826	5,116	39,850	14,772	3,280	5,062	2,397,303	
As at 31 March 2019	939,819	797,506	835,614	3,099	18,190	5,243	44,583	18,092	3,211	7,477	2,672,833	

Property, plant and equipment of the group consists of fully depreciated assets with a value of Rs. 34,827,014/- (2018 - Rs. 31,358,675/-) as at the year end.

Company Description	Machinery under										Tools & Equipments	2018/19 Total
	Freehold Land	Buildings	Machinery	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	Rs.000	Rs.000
Cost/ Revaluation												
As at 01 April 2018	691,850	160,813	203,836	203,836	8,853	21,907	4,188	11,726	8,058	3,418	4,602	1,119,252
Additions during the year	37,961	89,122	27,958	27,958	-	1,700	711	14,456	2,176	-	1,916	176,000
As at 31 March 2019	729,811	249,935	231,794	231,794	8,853	23,606	4,899	26,182	10,234	3,418	6,518	1,295,252
Accumulated depreciation												
As at 01 April 2018	-	12,813	25,418	25,418	5,165	3,081	1,688	5,331	5,010	139	3,118	61,763
Charge for the Year	-	5,981	14,924	14,924	589	2,336	750	3,497	1,342	69	745	30,233
As at 31 March 2019	-	18,794	40,342	40,342	5,754	5,417	2,438	8,828	6,352	208	3,864	91,996
As at 31 March 2018	691,850	148,000	178,420	178,420	3,688	18,826	2,500	6,395	3,048	3,279	1,484	1,057,488
As at 31 March 2019	729,811	231,140	191,452	191,452	3,099	18,190	2,461	17,354	3,881	3,211	2,655	1,203,256

Property, plant and equipment of the company consists of fully depreciated assets with a value of Rs. 9,417,776/- (2018- Rs. 8,136,025) as at the year end.

Notes to the Financial Statements

13.1. Capital work - in - progress

	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Balance as at the beginning of the year	55,421	136,711	-	37,699
Cost incurred during the year	77,199	508,697	943	146,217
During the year transferred to PPE	(121,738)	(589,987)	-	(183,916)
Balance as at 31 March	10,882	55,421	943	-

14. Investment in subsidiary

	No of shares As at 31-03-2019	Holding %	Cost As at 31-03-2019 Rs.000	No of shares As at 31-03-2018	Holding %	Cost As at 31-03-2018 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	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Swisstek Development Limited	90	79	90	79
Other Long Term Investments	90	79	90	79

During the year, the company paid Rs. 11,000/- as professional fee for swisstek development limited.

16. Investment property

	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Cost/ Revaluation				
Balance as at 1 April	134,000	117,483	134,000	117,483
Investment property completed during the year	1,215	-	1,215	-
Change in fair value	6,785	16,517	6,785	16,517
Balance as at 31 March	142,000	134,000	142,000	134,000

Investment property consists of a retail tiles sales centre and three stores/warehouses. These are leased to Lanka Tiles PLC (LT), Lanka Walltiles PLC (LW) and Royal Ceramic Lanka PLC (RCL).

The carrying amount of Investment Property is the fair value of the property as determined by a registered independent valuer Mr. Ranjan J Samarasinghe on 31 March 2019.

Address	Type of property	Occupying party	Extent	Cost	Date of Valuation	Fair Value 2019	Fair Value 2018
Factory Complex, Belummahara, Imbulgoda	Tile Stores	LT /LW	26,000 sq.ft	5,663	31-Mar-19	83,991	79,543
Factory Complex, Belummahara, Imbulgoda	Sales center	LT /LW/RCL	4900 sq.ft	14,053	31-Mar-19	29,397	29,982
Factory Complex, Belummahara, Imbulgoda	Open Shed	LW	3400 sq.ft	6,277	31-Mar-19	7,845	4,079
Factory Complex, Belummahara, Imbulgoda	Warehouse	RCL	5,000 sq.ft	11,067	31-Mar-19	20,767	20,396
				37,060		142,000	134,000

17. Inventories

	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Spares and consumables	127,221	72,980	10,562	6,177
Raw material	995,075	1,012,731	154,755	57,554
Work in progress	171,451	91,751	3,565	7,955
Finished goods	806,071	351,680	31,576	36,052
Goods in transit	46,170	80,991	27,835	5,070
Less: Provision for obsolete and slow moving items - (Note 17.1)	(7,091)	(5,033)	(7,091)	(5,033)
	2,138,897	1,605,099	221,202	107,775

Notes to the Financial Statements

Note 17.1. - Provision for obsolete and slow moving items

	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Balance as at 1 April	5,033	2,026	5,033	2,026
Goods written off	-	(575)	-	(575)
Provision made/(reversal) during the year	2,058	3,582	2,058	3,582
Balance as at 31 March	7,091	5,033	7,091	5,033

Stocks of Swisstek Aluminium Ltd amounting to Rs. 1,700 Mn. together with an insurance policy over stocks have been pledged as collateral over the bank borrowings

18. Trade and other receivables

	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Trade receivables - Others	1,112,561	952,091	220,582	101,588
- Related parties (Note 18.1)	184,985	79,086	151,940	78,049
	1,297,546	1,031,177	372,523	179,637
Less : Provision for impairment of trade debtors (Note 29)	(13,489)	(9,979)	(1,257)	(729)
Deposits, advances, prepayments & other recoverables	53,995	138,736	14,567	7,512
Tax recoverables	11,537	3,684	-	3,684
	1,349,589	1,163,618	385,833	190,104

18.1. - Trade receivables - Related parties

Lanka Tiles PLC	162,276	60,813	133,523	59,776
Royal Ceremics Lanka PLC	21,555	18,273	18,417	18,273
Lanka Ceramics PLC	1,154	-	-	-
	184,985	79,086	151,940	78,049

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000

19. Contract Assets and Liabilities

19.1. Contract Assets

As at 1 April	-	-	-	-
During the year recognized	58,269	-	58,269	-
As at 31 March	58,269	-	58,269	-

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

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000

19.2. Contract Liabilities

As at 1 April	-	-	-	-
Advance received	108,256	-	108,256	-
During the year revenue recognized	(29,079)	-	(29,079)	-
As at 31 March	79,177	-	79,177	-

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

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000

20. Amount due from related parties

Swisstek Aluminium Limited	-	-	331	331
Lanka Walltiles PLC	3,380	4,799	3,380	4,799
Royal Ceremics PLC	1,560	2,673	1,560	2,673
Royal Porcelain Limited	864	1,581	864	1,581
Rocel Bathware Limited	158	106	158	106
	5,962	9,160	6,293	9,491

Notes to the Financial Statements

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000

21. Cash and cash equivalents

21.1. Favourable Balances

Cash in hand	1,986	241	225	104
Cash at banks	128,100	65,391	83,175	2,713
Cash and cash equivalents in the statement of financial position	130,086	65,632	83,400	2,817

21.2. Unfavourable Balance

Bank overdrafts	(478,792)	(165,534)	(67,282)	(45,292)
Cash & cash equivalents in the statement of cash flows	(348,706)	(99,902)	16,118	(42,474)

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000

22. Stated capital

27,372,000 Ordinary Shares in issue (2018-27,372,000)	368,256	368,256	368,256	368,256
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23. Reserves

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000

a). Revaluation reserve

As at 1 April	596,171	740,299	504,966	649,393
Revaluation surplus on land and building	8,601	(144,128)	-	(144,427)
As at 31 March	604,772	596,171	504,966	504,966
b). Capital redemption reserve	121	121	121	121
c). General reserve	19,842	19,842	19,842	19,842
Total	624,735	616,134	524,929	524,929

24. Employee benefits

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Movement in present value of the defined benefit obligation				
Defined benefit obligation at 1 April	20,647	17,170	6,342	5,501
Current service cost and interest (24.1)	5,727	5,305	1,378	1,305
Actuarial (gain)/ losses in other comprehensive income (24.2)	(2,374)	156	(648)	534
Payment during the year	(815)	(1,984)	(267)	(998)
Defined benefit obligation at 31 March	23,185	20,647	6,805	6,342

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000

24.1. Expenses recognized in profit or loss

Current service cost	3,662	3,116	744	645
Interest cost	2,065	2,189	634	660
	5,727	5,305	1,378	1,305

24.2. Actuarial (gain)/loss recognized in other comprehensive income

Actuarial (gain) or loss	(2,374)	156	(648)	534
	(2,374)	156	(648)	534

Gratuity liability is recognized based on the actuarial valuation carried out by Actuarial and Management Consultants (Pvt) Ltd on 31 March 2019. The followings are the principle assumptions used by the valuer as at year end.

Swisstek (Ceylon) PLC

	2019	2018
1. Discount rate (the rate used to discount the future cash flows in order to determine the present value)	11.0%	10.0%
2. Future salary increase	12.0%	12.5%

Swisstek Aluminium Limited

1. Discount rate (the rate used to discount the future cash flows in order to determine the present value)	11.0%	10.0%
2. Future salary increase	10.0%	10.0%

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

Notes to the Financial Statements

24.3. 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		2019		2018	
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	Effect on employee benefit obligation	Effect on charge to the Statement of profit or loss and other comprehensive income	Effect on employee benefit obligation
1%	*	(366)	(366)	(318)	(318)
-1%	*	406	406	350	350
*	1%	429	429	366	366
*	-1%	(393)	(393)	(339)	(339)

Subsidiary		2019		2018	
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	Effect on Employee Benefit Obligation	Effect on charge to the Statement of profit or loss and other comprehensive income	Effect on employee benefit obligation
1%	*	(804)	(804)	(736)	(736)
-1%	*	888	888	814	814
*	1%	960	960	872	872
*	-1%	(884)	(884)	(802)	(802)

25. Loans & borrowings

Year ended 31 March,

	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Movement in interest bearing loans & borrowings				
Balance at the beginning of the year	774,092	535,369	187,990	33,938
Loans obtained during the year	266,659	370,512	111,000	173,255
Repayments made during the year	(197,076)	(131,789)	(37,510)	(19,203)
Balance at the end of the year	843,675	774,092	261,480	187,990
25.1. Amount falling due within one year	222,253	183,832	50,250	37,500
25.2. Amount falling due after one year	621,421	590,260	211,230	150,490

25.3. Bank loans

Lender	Interest rate	Security	Group 2019		Group 2018		Company 2019		Company 2018	
			Amount payable within one year Rs. 000	Amount payable after one year Rs. 000	Amount payable within one year Rs. 000	Amount payable after one year Rs. 000	Amount payable within one year Rs. 000	Amount payable after one year Rs. 000	Amount payable within one year Rs. 000	Amount payable after one year Rs. 000
Bank of Ceylon	AwPLR + 1.5%	Mortgage over immovable property at Belummahara, Imbulgoda.	34,000	84,990	34,000	118,990	34,000	84,990	34,000	118,990
Commercial bank	AwPLR + 1.5%	Mortgage over immovable property at Belummahara, Imbulgoda.	7,000	24,490	3,500	31,500	7,000	24,490	3,500	31,500
DFCC Bank	AwPLR	Mortgage over Land, Building, Plant & Machinery, Stocks and Book debts owned by Swisstek Aluminium Ltd.	181,253	511,941	146,332	439,770	9,250	101,750	-	-
			222,253	621,421	183,832	590,260	50,250	211,230	37,500	150,490

Notes to the Financial Statements

26. Trade and other payables

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Trade payables - Others	413,825	809,833	69,126	60,249
- Related parties (Note 26.1)	63,010	12,788	11,894	598
	476,835	822,621	81,020	60,847
EPF / ETF payable	2,122	1,410	999	579
Bank loan interest payable	38,847	15,476	2,775	858
Accruals & other payables	155,920	115,444	93,892	29,688
VAT/NBT payable	21,217	4,810	6,828	4,861
	694,941	959,761	185,514	96,833

26.1. Trade Payables - Related parties

Lanka Tiles PLC	-	25	-	-
Swisstek Aluminium Limited	-	-	11,400	-
Unidil Packaging Limited	631	598	494	598
Lanka Walltile PLC	40,538	6,561	-	-
Vallibel One PLC	21,841	5,604	-	-
	63,010	12,788	11,894	598

27. Short term loans

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
Balance at the beginning of the year	1,027,766	772,496	121,659	65,863
Loans obtained during the year	3,853,301	2,440,550	596,312	225,357
Repayments made during the year	(2,913,785)	(2,185,280)	(380,071)	(169,561)
Balance at the end of the year	1,967,282	1,027,766	337,900	121,659

Short Term loans have been obtained for Working capital financing from COC, UB & DFCC banks and are repayable within 3 to 6 months.

28. Borrowings and amounts due to related companies

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000

28.1. Amount due to related companies

Lanka Tiles PLC	5,884	4,620	5,884	4,620
Delmage Forsyth & Co. Ltd.	1,336	-	1,336	-
	7,220	4,620	7,220	4,620

Year ended 31 March,	Group		Company	
	2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000

28.2. Borrowings - Related parties

Balance as at beginning of the year	21,797	52,632	21,797	52,632
Repayment during the year	(21,797)	(30,835)	(21,797)	(30,835)
Balance as at end of the year	-	21,797	-	21,797
Amount payable within 12 months	-	21,797	-	21,797
Amount payable after 12 months	-	-	-	-
	-	21,797	-	21,797

Notes to the Financial Statements

29. 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	
	2019	2018	2019	2018
Trade Receivable	1,284,058	1,001,888	371,266	178,908
Cash & cash equivalents	128,100	65,391	83,175	2,713

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 group 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 receivables, related parties (trade) as at the reporting date was as follows;

Carrying value

	Group		Company	
	2019	2018	2019	2018
Below 30 days	563,290	290,042	222,149	107,947
30 - 45 days	198,578	192,171	21,165	34,174
46 - 60 days	262,383	161,972	67,739	10,546
Over 61 days	273,296	367,682	61,471	26,970
Less: provision made	(13,489)	(9,979)	(1,257)	(729)
	1,284,058	1,001,888	371,266	178,908

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

	Impairment	
	Group	Company
Balance at 1 April 2014	271	103
Impairment loss recognised	7,487	216
Amounts written off	-	-
Balance at 31 March 2015	7,758	319
Impairment loss recognised	4,769	267
Amounts written off	(198)	(198)
Balance at 31 March 2016	12,329	388
Impairment loss recognised	189	189
Amounts written off	-	-
Balance at 31 March 2017	12,518	577
Impairment loss recognised	1,423	152
Amounts written off	(3,962)	-
Balance at 31 March 2018	9,979	729
Impairment loss recognised	3,510	528
Amounts written off	-	-
Balance at 31 March 2019	13,489	1,257

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.

Notes to the Financial Statements

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

As at 31 March 2019	Carrying value	Current	Non Current		
		Upto 1 year	Upto 2 years	Upto 5 years	Above 5 years
Bank overdrafts	478,792	478,792	-	-	-
Bank borrowings	2,810,956	2,189,535	126,051	485,140	10,230

As at 31 March 2018	Carrying value	Current	Non Current		
		Upto 1 year	Upto 2 years	Upto 5 years	Above 5 years
Bank overdrafts	165,534	165,534	-	-	-
Bank borrowings	1,801,858	1,211,599	171,893	391,446	26,921
RPT loans	21,797	21,797	-	-	-

The maturity analysis of Liabilities - Company

AS at 31 March 2019	Carrying value	Current	Non Current		
		Upto 1 year	Upto 2 years	Upto 5 years	Above 5 years
Bank overdrafts	67,282	67,282	-	-	-
Bank borrowings	599,380	388,150	50,250	150,750	10,230
RPT loans	-	-	-	-	-

AS at 31 March 2018	Carrying value	Current	Non Current		
		Upto 1 year	Upto 2 years	Upto 5 years	Above 5 years
Bank overdrafts	45,292	45,292	-	-	-
Bank borrowings	309,649	159,159	41,000	105,990	3,500
RPT loans	21,797	21,797	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc.; will effect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns.

(i). Currency Risk

The risk that the fair value or future cash flows of a financial instrument fluctuation due to changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases, borrowings and investments that are denominated in a currency other than the functional currency which is Sri Lankan Rupees (LKR).

The risk is minimized by hedging the currency either by hedge Internally by a matching sales and purchases or matching assets and liabilities of the same currency and amounts.

The principal exchange rates used by the Group for conversion of foreign currency balances and transactions, for the year as follows :

Currency	Average rate	Closing rate	
		Selling	Buying
U. S. Dollar	176.09	178.02	174.17

Sensitivity Analysis

A strengthening or weakening of Sri Lankan Rupees as indicated below, against the major foreign currencies as at 31 March 2019 would have increased/(decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Increase/(Decrease) in Principal Exchange rates (5% movement)	Effect on Profit before Tax	
	Strengthen (Rs. '000)	Weakening (Rs. '000)
As at 31.03.2019		
U. S. Dollar	398	(398)

Notes to the Financial Statements

(ii). 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 Group/ company's interest-bearing financial instruments as reported to the management of the Group/ company was as follows;

Rs.'000	Group		Company	
	Nominal amount		Nominal amount	
	2019	2018	2019	2018
Variable rate instruments				
Financial liabilities	(3,289,747)	(1,989,188)	(666,661)	(376,737)
	(3,289,747)	(1,989,188)	(666,661)	(376,737)

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.

	Group		Company	
	2019	2018	2019	2018
Variable rate instruments				
100 bp increase	(32,897)	(19,892)	(6,667)	(3,767)
100 bp decrease	32,897	19,892	6,667	3,767

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 Group defines as result from operating activities divided by total shareholders' equity. The Group also monitors the level of dividends to ordinary shareholders.

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

	Group		Company	
	2019	2018	2019	2018
Total liabilities	4,411,591	3,286,794	1,214,392	692,785
Less: cash and cash equivalents	130,086	65,632	83,400	2,817
Net debt	4,281,506	3,221,162	1,130,992	689,968
Total equity	2,101,311	2,143,614	1,116,678	1,038,848
Net debt to equity ratio at 31 March	2.04	1.50	1.01	0.66

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

The Group is not subject to externally imposed capital requirements.

30. 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

2019	Note	Fair value through profit or loss	Fair value through OCI	Amortised cost	Financial liabilities at FVTPL	Other financial liabilities *	Total
Financial Assets							
Trade and other receivables	18	-	-	1,349,590	-	-	1,349,590
Amounts due from related parties	20	-	-	5,963	-	-	5,963
Cash and cash equivalents	21	-	-	130,085	-	-	130,085
		-	-	1,485,637	-	-	1,485,637
Financial Liabilities							
Loans and borrowings	25	-	-	-	-	843,674	843,674
Short term loans	27	-	-	-	-	1,967,282	1,967,282
Trade and other payables	26	-	-	-	-	694,941	694,941
Amounts due to related parties	28.1	-	-	-	-	7,219	7,219
Bank overdraft	21	-	-	-	-	478,792	478,792
		-	-	-	-	3,991,909	3,991,909

2018	Note	Fair value through profit or loss	Available for sale	Loans and receivables*	Held to maturity	Other financial liabilities *	Total
Financial Assets							
Trade and other receivables	18	-	-	1,163,618	-	-	1,163,618
Amounts due from related parties	20	-	-	9,160	-	-	9,160
Cash and cash equivalents	21	-	-	65,632	-	-	65,632
		-	-	1,238,410	-	-	1,238,410
Financial Liabilities							
Loans and borrowings	25	-	-	-	-	774,092	774,092
Borrowings - Related party	28.2	-	-	-	-	21,797	21,797
Short term loans	27	-	-	-	-	1,027,766	1,027,766
Trade and other payables	26	-	-	-	-	959,761	959,761
Amounts due to related parties	28.1	-	-	-	-	4,620	4,620
Bank overdraft	21	-	-	-	-	165,534	165,534
		-	-	-	-	2,953,569	2,953,569

Notes to the Financial Statements

Company

2019	Note	Fair value through profit or loss	Fair value through OCI	Amortised cost	Financial liabilities at FVTPL	Other financial liabilities *	Total
Financial Assets							
Trade and other receivables	18	-	-	385,833	-	-	385,833
Amounts due from related parties	20	-	-	6,294	-	-	6,294
Cash and cash equivalents	21	-	-	83,399	-	-	83,399
		-	-	475,526	-	-	475,526
Financial Liabilities							
Loans and borrowings	25	-	-	-	-	261,480	261,480
Short term loans	27	-	-	-	-	337,900	337,900
Trade and other payables	26	-	-	-	-	185,514	185,514
Amounts due to related parties	28.1	-	-	-	-	7,219	7,219
Bank overdraft	21	-	-	-	-	67,282	67,282
		-	-	-	-	859,396	859,396

2018	Note	Fair value through profit or loss	Available for sale	Loans and receivables*	Held to maturity	Other financial liabilities *	Total
Financial Assets							
Trade and other receivables	18	-	-	190,104	-	-	190,104
Amounts due from related parties	20	-	-	9,491	-	-	9,491
Cash and cash equivalents	21	-	-	2,817	-	-	2,817
		-	-	202,412	-	-	202,412
Financial Liabilities							
Loans and borrowings	25	-	-	-	-	187,990	187,990
Borrowings - Related party	28.2	-	-	-	-	21,797	21,797
Short term loans	27	-	-	-	-	121,659	121,659
Trade and other payables	26	-	-	-	-	96,833	96,833
Amounts due to related parties	28.1	-	-	-	-	4,620	4,620
Bank overdraft	21	-	-	-	-	45,292	45,292
		-	-	-	-	478,191	478,191

* The group/ 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.

Group

2019	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Investment property	16	-	-	142,000	142,000
Freehold land and building	13	-	-	1,756,817	1,756,817
2018					
Investment property	16	-	-	134,000	134,000
Freehold land and building	13	-	-	1,098,856	1,098,856

Company

2019	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Investment property	16	-	-	142,000	142,000
Freehold land and building	13	-	-	966,933	966,933
2018					
Investment property	16	-	-	134,000	134,000
Freehold land and building	13	-	-	839,850	839,850

The board of directors of the company is of the view that the fair value of land and building which was bought / construct during the year would not be less than its purchase/ construct price of Rs. 127,083,000/- as at 31 March 2019 and management is in the opinion that it has not significantly charged thereon.

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
Swisstek (Ceylon) PLC				
Investment property				
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.
Property plant and equipment				
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. 350,000 to Rs. 650,000 per perch.</p> <p>The building value is determined by adopting rates from Rs. 250 to Rs. 2500 per sq.ft.</p>	The estimated fair value would increase/decrease if the market value of the land or building gets high/low.

31. Related parties

31.1 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. H S Amarasekara (Chairman) (*)	Mr. J A P M Jayasekara (Managing Director)	Dr. S Selliah	Mr. A M Weerasinghe	Mr. J K A Sirinatha	Mr. A S Mahendra	Mr. K D G Gunaratne	Mr. C U Weerawardene (**)
Lanka Tiles PLC	-	X	X	X	-	-	X	-
Lanka Walltiles PLC	X	X	X	X	-	-	X	-
Uni Dill Packaging Ltd	-	X	-	-	-	-	-	X
Swisstek Aluminium Ltd	X	X	X	X	-	X	-	X
Royal Ceramic Lanka PLC	X	-	-	X	-	-	-	-
Royal Porcelain (pvt) Ltd	-	-	-	X	-	-	-	-
Rocell Bathware Ltd.	-	-	-	X	-	-	-	-
Delmage Forsyth & Co. Ltd.	-	-	-	-	-	-	-	-

"X" denotes directorate

(*) Appointed as a Chairman on 1 September 2018

(**) Appointed as a Director on 1 October 2018

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

Notes to the Financial Statements

31.2. Transactions with related companies

Name of the Company	Relationship	Nature of the Transaction	Group		Company	
			2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
a). Lanka Walltiles PLC	Parent company	Sales commission reimbursed	11,859	9,147	9,594	9,147
		Security charges reimbursement	829	989	829	989
		Warehouse rental income	6,294	5,283	6,294	5,283
		Management fee reimbursement	(49,002)	42,950	621	360
		Reimb. of sales expenses	1,132	2,768	1,132	1,249
		Office maintainance	(1,521)	(141)	(141)	(141)
		Microsoft licence fees	(187)	(187)	(187)	(187)
		Administration expenses	-	-	-	-
b). Lanka Tiles PLC	Related company	Tile mortar sales	267,922	207,399	267,922	207,399
		Tile grout Sales	51,250	49,498	51,250	49,498
		-	-	-	-	
		Decorative pebbles, Skim coat & Tile Cleaner	32,012	16,695	32,012	16,695
		Grout & Mortar RM purchases	-	(174)	-	(174)
		Receipts of funds	(277,437)	(242,698)	(277,437)	(242,698)
		Operational & administration expenses	(4,254)	(1,878)	(3,722)	(2,394)
		Lease rental expense on machinery	(395)	(310)	(395)	(310)
		Financial expenses to Lanka Tiles PLC	(1,904)	(4,865)	(1,904)	(4,865)
		Reimbursement of operational expense	4,775	4,361	4,775	4,361
		Warehouse rental income	9,945	7,831	9,945	7,831
		Loan repayment during the year	21,797	30,834	21,797	30,834
		Commission on Sales	54,565	45,693	54,565	45,693
		Aluminium sales	46,560	-	-	-
c). Royal Ceramic Lanka PLC	Related company	Sale of Goods	73,381	30,714	73,381	30,714
		Sales Commission	2,143	1,125	2,143	1,125
		Reimbursement of Security Expenses	989	989	989	989
		Warehouse rental income	5,133	4,473	5,133	4,473
		Purchase of goods	-	169	-	-
		Administration expenses	(71,129)	64,431	563	-
		Technical fees	-	17,642	-	-
d). Royal Porcelain (Pvt) Ltd	Related company	Commission on Sales	5,467	6,845	5,467	6,845
e). Rocell Bathware Ltd.	Related company	Commission on Sales	2,912	481	816	481
f). Unidil Packaging Ltd	Related company	Purchase of corrugated boxes	6,898	3,918	4,460	3,918

Name of the Company	Relationship	Nature of the Transaction	Group		Company	
			2019 Rs.000	2018 Rs.000	2019 Rs.000	2018 Rs.000
g). Swisstek Aluminium Ltd	Subsidiary	Administration expenses	(44)	-	(44)	-
		Loan granted/(repayment)	-	-	-	-
		Returned of goods	-	-	-	-
		Purchase of goods	15,514		15,514	-
h). Horana plantation	Related company	Purchase of goods	-	150	-	-
i). Lanka Ceramic PLC			-	1,344	-	1,344
j). Vallibel One Plc	Related company		(49,817)	(42,061)	-	0
k). M N Propertise (Pvt) Ltd.	Related company	Sale of Goods	-	2,902	-	2,902
l). Delmage Forsyth & Co. Ltd.	Related company	Sale Commission	7,710	-	7,710	-

All the transactions entered with these related parties are priced on arm's length basis under normal commercial terms & conditions.

This note should be read in conjunction with Notes 18, 20, 28 and 28.2 to these Financial Statements.

31.3. 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	
	2019	2018	2019	2018
Director fees	10,582	8,267	2130	1705
	10,582	8,267	2130	1705

Notes to the Financial Statements

32. Non controlling interest

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

31 March	Swisstek Aluminium Ltd	
	2019	2018
NCI percentage	12.62%	12.62%
Non current assets	1,479,519	1,395,237
Current assets	2,945,293	2,533,654
Non current liabilities	(474,879)	(555,701)
Current liabilities	(2,735,081)	(2,044,755)
Net assets	1,214,852	1,328,435
Carrying amount of NCI	153,313	167,647
Revenue	3,133,622	3,340,583
Profit	(124,807)	254,208
OCI	11,224	644
Total comprehensive income	(113,583)	254,852
Profit allocated to NCI	(15,751)	32,081
OCI allocated to NCI	1,416	81
Cash flows from operating activities	(107,948)	12,814
Cash flows from investing activities	(21,629)	(61,804)
Cash flows from financing activities	90,784	46,466
Net increase (decrease) in cash and cash equivalents	(38,794)	(2,524)

33. Capital expenditure commitments

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

34. Commitments and contingencies

There are no commitments and contingencies except the following;

- ▣ The letter of credits opened by Swisstek Aluminium Limited amounting to Rs. 111,467,864/-
- ▣ Bank Guaranty amount in Rs. 2,300,000/- has been given to suppliers

35. 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 2019

From	To	No of Holders	No of Shares	%
1	1,000	752	161,138	0.59
1,001	10,000	193	717,408	2.62
10,001	100,000	81	2,570,975	9.39
100,001	1,000,000	24	5,813,436	21.24
Over 1,000,000		3	18,109,043	66.16
		1,053	27,372,000	100.00

Categories of Shareholders

Local Individuals	940	3,646,545	13.32
Local Institutions	98	23,111,817	84.44
Foreign Individuals	9	52,572	0.19
Foreign Institutions	6	561,066	2.05
	1,053	27,372,000	100.00

20 Major Shareholders of the Company

Name	31-03-2019		31-03-2018	
	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 Hatton National Bank PLC-Candor Opportunities Fund	600,000	2.192	-	0.000
5 Citizens Development Business Finance PLC	482,121	1.761	390,726	1.427
6 Seylan Bank PLC / Rizmy Ahamed Rishard	410,410	1.499	410,410	1.499
7 Sri Lanka Insurance Corporation Ltd-Life Fund	368,132	1.345	368,132	1.345
8 Mr. A S Ratnayake	290,526	1.061	178,426	0.652
9 Elgin Investments Limited	287,458	1.050	200,094	0.731
10 Rubber Investment Trust Limited - A/C No. 01	260,000	0.950	260,000	0.950
11 Arunodhaya (Pvt) Limited	250,000	0.913	250,000	0.913
12 Arunodhaya Industries (Private) Limited	250,000	0.913	250,000	0.913
13 Andysel Private Limited	250,000	0.913	250,000	0.913
14 Mr. A M M Risvi	250,000	0.913	-	0.000
15 Mr. A M Weerasinghe	220,340	0.805	20,340	0.074
16 Mr. M M Fuad	199,728	0.730	243,804	0.891
17 Hatton National Bank PLC - Candor Growth Fund	190,356	0.695	-	0.000
18 Guardian Fund Management Limited/The Aitken Spence and Associated Companies Executive Staff Provident Fund	185,000	0.676	185,000	0.676
19 Central Finance Company PLC - Account No. 05	178,319	0.651	178,319	0.651
20 Arunodhaya Investments (Private) Limited	170,000	0.621	170,000	0.621
TOTAL	22,951,433	83.850	21,464,294	78.417
OTHERS	4,420,567	16.150	5,907,706	21.583
ISSUED CAPITAL	27,372,000	100.000	27,372,000	100.000

Investor Information

Directors' and CEO's Shareholding as at 31 March 2019

Names of Directors	No of Shares	%
Mr. S H Amarasekera	-	-
Mr. J A P M Jayasekera	25,557	0.093
Mr. A M Weerasinghe	220,340	0.805
Dr. S Selliah	-	-
Mr. J K A Sirinatha	-	-
Mr. A S Mahendra	-	-
Mr. K D G Gunaratne	-	-
Mr. C U Weerawardena	-	-

Share Prices for the Year

	As at 31/03/2019	As at 31/03/2018
Highest during the year	Rs. 61.90 (12-04-2018)	Rs. 80.00 (25-07-2017)
Lowest during the year	Rs. 31.80 (22-03-2019)	Rs. 55.00 (22-04-2018)
Closing Price	Rs. 34.80	Rs. 59.30

Number of transactions during the year - 1,634

Number of shares traded during the year - 1,987,494

Value of shares traded during the year (Rs.) - 90,809,833.50

Public Holding

The Percentage of shares held by the Public - 29.116%

No of shareholders representing the above percentage - 1,042

The float adjustment market capitalization as at 31 March 2019 - Rs. 277,347,648/-

The float adjustment market capitalization of the Company falls under Option 5 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

Five Year Summary of Financial Position

As at 31 March,	Group				
	2019 Rs.000	2018 Rs.000	2017 Rs.000	2016 Rs.000	2015 Rs.000
Assets					
Property, plant and equipment	2,683,715	2,452,724	1,768,311	1,483,040	1,182,590
Deferred tax assets	-	-	-	1,992	39,099
Other Long Term Investment	90	79	-	-	-
Investment property	142,000	134,000	117,483	103,824	70,934
Non current assets	2,825,805	2,586,803	1,885,794	1,588,856	1,292,623
Inventories	2,138,897	1,605,100	812,332	400,865	345,383
Trade and other receivables	1,349,589	1,163,618	1,092,619	623,153	495,606
Contract Assets	58,269	-	-	-	-
Tax Receivables	4,294	95	-	-	-
Amounts due from related parties	5,962	9,160	4,828	3,030	7,113
Cash and cash equivalents	130,086	65,632	75,202	12,950	8,532
Current assets	3,687,097	2,843,605	1,984,981	1,039,998	856,634
Total assets	6,512,902	5,430,408	3,870,775	2,628,854	2,149,257
Equity					
Stated capital	368,256	368,256	368,256	368,256	368,256
Reserves	624,735	616,134	760,262	760,262	551,917
Retained Earnings /(Losses)	955,007	991,577	741,511	419,381	146,516
Equity attributable to owners of the company	1,947,998	1,975,967	1,870,029	1,547,899	1,066,689
Non controlling interest	153,313	167,647	144,320	108,688	68,437
Total equity	2,101,311	2,143,614	2,014,349	1,656,587	1,135,126
Liabilities					
Retirement benefits Obligation	23,185	20,647	17,170	18,987	13,308
Borrowings - Lanka Floortiles PLC	-	-	21,797	46,536	83,466
Deferred tax liability	316,298	309,877	46,828	21,093	9,392
Loans and borrowings	621,421	590,260	301,553	91,492	150,988
Non current liabilities	960,904	920,784	387,348	178,108	257,154
Trade and other payables	694,941	959,761	431,583	227,449	371,810
Contract liabilities	79,177	-	-	-	-
Loans & borrowings	222,253	183,832	79,764	59,472	59,449
Short term loans	1,967,282	1,027,766	772,496	414,726	152,477
Amounts due to related parties	7,220	4,620	4,958	14,597	61,709
Borrowings - Related party	-	21,797	30,835	36,930	36,930
Lease liability	-	-	-	-	551
Tax payable	1,022	2,700	27,575	12,665	7,582
Bank overdrafts	478,792	165,534	121,867	28,320	66,469
Current liabilities	3,450,687	2,366,010	1,469,078	794,159	756,977
Total liabilities	4,411,591	3,286,794	1,856,425	972,267	1,014,131
Total equity and liabilities	6,512,902	5,430,408	3,870,775	2,628,854	2,149,257
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	71.17	72.19	68.32	56.55	38.97
Market price per share at the end of the year	34.80	59.30	65.60	55.00	41.90
Market capitalization at the end of the year	1,795.60	1,795.60	1,795.60	1,505.46	1,146.89

Five Year Summary of Income Statement

For the year ended 31 March,	Group				
	2019 Rs.000	2018 Rs.000	2017 Rs.000	2016 Rs.000	2015 Rs.000
Revenue	4,294,028	4,077,367	3,433,741	2,689,529	1,857,199
Cost of Sales	(3,472,085)	(2,888,763)	(2,334,629)	(1,881,509)	(1,456,170)
Gross Profit	821,942	1,188,604	1,099,112	808,020	401,029
Other Income	95,663	92,421	78,186	84,987	87,315
Administration Expenses	(229,117)	(199,289)	(185,351)	(188,508)	(122,400)
Distribution Expenses	(262,591)	(446,650)	(382,600)	(266,090)	(48,185)
Other Expenses	(5,568)	(5,036)	(1,001)	(3,826)	(1,814)
Results from operating activities	420,328	630,050	608,346	434,583	315,945
Finance Cost	(403,600)	(145,262)	(106,821)	(61,913)	(57,870)
Profit/(Loss) before Tax	16,729	484,788	501,525	372,670	258,075
Tax expense	(15,979)	(106,718)	(72,803)	(49,386)	(6,550)
Profit/(Loss) for the year	750	378,069	428,722	323,284	251,525
Other comprehensive income :					
Gain on revaluation of land and buildings	12,304	56,289	-	234,464	155,075
Defined benefit plan actuarial gains / (losses)	2,374	(156)	4,184	(1,726)	(1,327)
Deferred tax on other comprehensive income	(2,987)	(200,300)	(883)	(17,246)	(68)
Other comprehensive income for the period	11,691	(144,168)	3,301	215,492	153,680
Total comprehensive income for the period	12,441	233,902	432,023	538,776	405,205

Statement of Value Added

For the year ended 31 March	2019 Rs'000	2018 Rs'000	2017 Rs'000	2016 Rs'000	2015 Rs'000
Sales	4,294,027	4,077,367	3,432,356	2,689,529	1,857,199
Other Income	95,663	92,421	113,554	84,987	87,315
Less:					
Cost of materials & services bought in	(3,460,780)	(3,027,634)	(2,462,560)	(2,072,010)	(1,426,414)
Value added	928,910	1,142,154	1,083,350	702,506	518,100
Distribution of Value Added					
Employees as remuneration	334,484	285,382	270,463	203,150	146,248
Government as taxes	12,544	49,890	41,199	50,568	(2,842)
Lenders of capital as interest	403,600	145,262	106,821	61,913	60,338
Shareholders as dividends	54,744	165,807	93,632	-	-
Retained in the business as					
- Depreciation/deferred tax	122,788	93,060	102,270	63,645	65,099
- Profits	750	402,753	468,964	323,231	249,257
Total	928,910	1,142,154	1,083,349	702,506	518,100

GRI Context Index

GRI Standard	Disclosure	Page number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	Page 4	-
	102-2 Activities, brands, products and services	Page 4	-
	102-4 Location of operations	Page 46	-
	102-5 Ownership and legal form	Page 4	-
	102-6 Markets served	Page 4	-
	102-7 Scale of the organisation	Page 5	-
	102-8 Information on employees and other workers	Page 12, 47	-
	102-9 Supply chain	Page 28	-
	102-14 Statement from senior decision maker	Page 16	-
	102-15 Key Impacts, risks and opportunities	Page 34	-
	102-16 Values, principles, norms and standards of behaviour	Page 28	-
	102-18 Governance Structure	Page 62	-
	102-40 List of stakeholder groups	Page 30	-
	102-41 Collective bargaining agreements	Page 51	-
	102-42 Identifying and selecting stakeholders	Page 30	-
	102-43 Approach to stakeholder engagement	Page 30	-
	102-44 Key topics and concerns raised	Page 30-33	-
	102-45 Entities included in the consolidated financial statements	Page 8	-
	102-46 Defining report content and topic boundary	Page 8	-
	102-47 Material topics	Page 35	-
	102-49 Changes in reporting	Page 9	-
	102-50 Reporting period	Page 8	-
	102-51 Date of most recent report	Page 8	-
	102-52 Reporting cycle	Page 8	-
	102-53 Contact point for questions regarding Report	Page 9	-
	102-54 Claims of reporting in accordance with GRI Standards	Page 9	-
	102-55 GRI context index	Page 150	-
	102-56 External assurance	Page 9	-

GRI Standard	Disclosure	Page number	Omission
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 42	-
	103-2 The Management Approach and its components	Page 42	-
	103-2 Evaluation of the Management Approach	Page 42	-
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	Page 5	-
Procurement practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 54	-
	103-2 The Management Approach and its components	Page 54	-
	103-2 Evaluation of the Management Approach	Page 54	-
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	Page 52	-
Materials			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 58	-
	103-2 The Management Approach and its components	Page 58	-
	103-2 Evaluation of the Management Approach	Page 58	-
GRI 301: Raw materials	301-1: Raw materials used by weight or volume	Page 58	-
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 58	-
	103-2 The Management Approach and its components	Page 58	-
	103-2 Evaluation of the Management Approach	Page 58	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 58	-
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 59	-
	103-2 The Management Approach and its components	Page 59	-
	103-2 Evaluation of the Management Approach	Page 59	-
GRI 303: Water 2016	303-1 Water withdrawal by source	Page 59	-
Effluents			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 59	
	103-2 The Management Approach and its components	Page 59	
	103-2 Evaluation of the Management Approach	Page 59	
GRI 306 : Effluents and Waste	GRI 306-1 Water discharge by quality and destination	Page 59	Quality of water discharge

GRI Context Index

GRI Standard	Disclosure	Page number	Omission
Environment Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 59	-
	103-2 The Management Approach and its components	Page 59	-
	103-2 Evaluation of the Management Approach	Page 59	-
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	Page 59	-
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 48	-
	103-2 The Management Approach and its components	Page 48	-
	103-2 Evaluation of the Management Approach	Page 48	-
GRI 401: Employment 2016	401-1 Employee hires and turnover	Page 48	-
	401-2 Benefits Provided to fulltime employees that are not provided to temporary or part time employees	Page 49	-
Occupational Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 50	-
	103-2 The Management Approach and its components	Page 50	-
	103-2 Evaluation of the Management Approach	Page 50	-
GRI 403: Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	Page 50	lost days and absenteeism
Training and Education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 49	-
	103-2 The Management Approach and its components	Page 49	-
	103-2 Evaluation of the Management Approach	Page 49	-
GRI 404: Training and education	404-1 Average hours of training per year per employee	Page 49	-
	404-2 Programs for upgrading skills and transition assistance programmes	Page 49	-
	404-3 Percentage of employees receiving regular performance and career development reviews	Page 49	-
Diversity and Equal Opportunity			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 47	
	103-2 The Management Approach and its components	Page 47	
	103-2 Evaluation of the Management Approach	Page 47	
	405-1 Diversity of governance bodies and employees	Page 47	

GRI Standard	Disclosure	Page number	Omission
Local communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 52	-
	103-2 The Management Approach and its components	Page 52	-
	103-2 Evaluation of the Management Approach	Page 52	-
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programmes	Page 5	-
Customer Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 54	-
	103-2 The Management Approach and its components	Page 54	-
	103-2 Evaluation of the Management Approach	Page 54	-
GRI 416 Customer Health and Safety	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Page 54	-
Marketing and Labelling			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	Page 54	-
	103-2 The Management Approach and its components	Page 54	-
	103-2 Evaluation of the Management Approach	Page 54	-
GRI 417: Marketing and Labelling	417-2 Incidents of non-compliance concerning product and service information and labelling	Page 54	-
	417-3 Incidents of non-compliance concerning marketing communications	Page 54	-

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Fifty Second Annual General Meeting of Swisstek (Ceylon) PLC will be held at the Winchester Hall, The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01 on the 5 day of July 2019 at 11.00 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 31 March 2019 and the Report of the Auditors thereon.
2. To re-elect Dr. S Selliah, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
3. To elect Mr. S H Amarasekera, who retires in terms of Articles 110 of the Articles of Association, as a Director of the Company.
4. To elect Mr. C U Weerawardena, who retires 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

At Colombo

6 June 2019

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. Shiran Harsha Amarasekera | 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. Amarakone Mudiyansele Weerasinghe | or failing him* |
| Mr. Anthonyge Shirley Mahendra | or failing him* |
| Mr. Kalupathiranalage Don Gamini Gunaratne | or failing him* |
| Mr. Chethiya Umagiliya Weerawardena | or failing him |

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

	For	Against
Resolution 1 To re-elect Dr. S Selliah who retires in terms of Article No.103 and 104 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 To elect Mr. S H Amarasekara who retires in terms of Article No.110 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 To elect Mr. C U Weerawardena who retires in terms of Article No.110 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 To authorize the Directors to determine donations for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 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 Nineteen.

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

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 PLC
Cargills Bank Limited

Auditors

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

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SWISSTEK (CEYLON) PLC

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