



# BUILDING

ON OUR MOMENTUM





# BUILDING

## ON OUR MOMENTUM

Over the years, we placed great emphasis on building and enhancing our manufacturing and warehousing capacities. This positioned us favourably to respond swiftly in an agile manner to the fast-changing market dynamics of the FY 2020/21. The Company was thus able to move ahead progressively gaining momentum in all performance parameters.

We expanded the breadth of our product range by introducing innovative products to the market. This enabled us to gain inroads to new markets and diversify our product range. Propelled by robust performance we are geared to move ahead to the 'new normal' phase responding with agility to the evolving path ahead.

# CONTENTS



## CHAIRMAN'S REVIEW

(Page 12)



## MANAGING DIRECTOR'S MESSAGE

(Page 14)



### STRATEGY

(Page 20)



### OPERATING ENVIRONMENT

(Page 25)



### CAPITAL MANAGEMENT

(Page 27)



### FINANCIAL STATEMENTS

(Page 64)



ABOUT THIS REPORT	▶ 4
PROFILE OF THE GROUP	▶ 6
THE JOURNEY SO FAR	▶ 8
PERFORMANCE HIGHLIGHTS 2020/21	▶ 10
CHAIRMAN'S REVIEW	▶ 12
MANAGING DIRECTOR'S MESSAGE	▶ 14
BOARD OF DIRECTORS	▶ 16
SENIOR MANAGEMENT TEAM	▶ 18
<b>STRATEGY</b>	
OUR VALUE CREATION MODEL	▶ 20
STAKEHOLDER ENGAGEMENT	▶ 22
MATERIAL TOPICS	▶ 23
OUR STRATEGY	▶ 24
OPERATING ENVIRONMENT	▶ 25
<b>CAPITAL MANAGEMENT</b>	
FINANCIAL CAPITAL	▶ 27
MANUFACTURED CAPITAL	▶ 30
HUMAN CAPITAL	▶ 32
SOCIAL AND RELATIONSHIP CAPITAL	▶ 36
INTELLECTUAL CAPITAL	▶ 38
NATURAL CAPITAL	▶ 40
CORPORATE GOVERNANCE	▶ 43
RISK MANAGEMENT	▶ 50
ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY	▶ 55

STATEMENT OF DIRECTORS' RESPONSIBILITIES	▶ 59
CHIEF EXECUTIVE OFFICER'S AND CHIEF OPERATIONS OFFICER'S RESPONSIBILITY STATEMENT	▶ 60
REMUNERATION COMMITTEE REPORT	▶ 61
AUDIT COMMITTEE REPORT	▶ 62
RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT	▶ 63
<b>FINANCIAL STATEMENTS</b>	
INDEPENDENT AUDITOR'S REPORT	▶ 66
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	▶ 70
STATEMENT OF FINANCIAL POSITION	▶ 71
STATEMENT OF CHANGES IN EQUITY	▶ 72
STATEMENT OF CASH FLOWS	▶ 74
NOTES TO THE FINANCIAL STATEMENTS	▶ 75
INVESTOR INFORMATION	▶ 122
FIVE YEAR SUMMARY OF FINANCIAL POSITION	▶ 124
FIVE YEAR SUMMARY OF INCOME STATEMENT	▶ 125
STATEMENT OF VALUE ADDED	▶ 126
GRI CONTEXT INDEX	▶ 127
NOTES	▶ 133
NOTICE OF MEETING	▶ 134
PROXY FORM	▶ 135
CORPORATE INFORMATION	▶ IBC

#### 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 Mission

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



# ABOUT THIS REPORT

Swisstek (Ceylon) PLC and its subsidiaries (herein after referred to as the “Group”) present to you, its Fourth Integrated Annual Report. This Report is the primary publication to the stakeholders of the Group and has been prepared in accordance with the Integrated Reporting Framework published by the International Integrated Reporting Council.

## Reporting Principles

### Financial Reporting

- ◆ Sri Lanka Financial Reporting Standards
- ◆ Companies Act No. 7 of 2007

### Narrative Reporting

- ◆ Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- ◆ A Preparer’s Guide to Integrated Corporate Reporting”-issued by the Institute of Chartered Accountants of Sri Lanka
- ◆ GRI standards-In Accordance (Core)

### Corporate Governance

- ◆ Listing Requirements of the Colombo Stock Exchange
- ◆ Code of Best Practice on Corporate Governance issued by the CA Sri Lanka and SEC

### Feedback

We value your feedback as it enables us to continuously improve our reporting and encourage your comments to :



Chief Operating Officer  
Swisstek ( Ceylon) PLC  
No. 215, Nawala Road,  
Narahenpita, Colombo - 05.



0114526700



[www.swisstekceylon.com](http://www.swisstekceylon.com)

### Available Forms

Swisstek (Ceylon) PLC  
ANNUAL REPORT 2020/21



Print  
Available on  
request



CD-Rom  
Posted to all  
Shareholders



Online  
Available as  
PDF



### Scope and Boundary

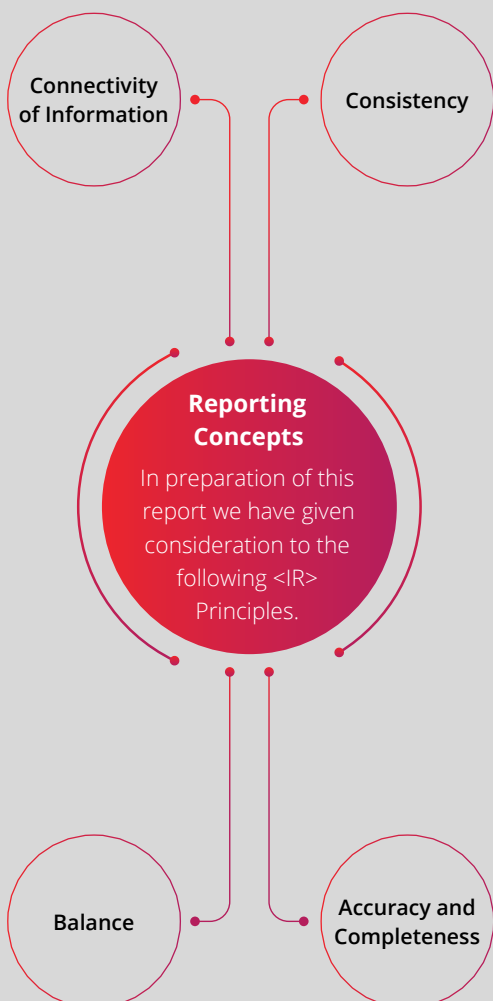
This Report covers the operations of Swisstek (Ceylon) PLC and its subsidiary Swisstek Aluminium for the period 1st April 2020 to 31st March 2021 which is the Group's annual reporting cycle. Our Report focuses on aspects that are deemed to be material and relevant to the Group's operations and to our key stakeholders. The process for determining materiality is described on page 23 of this Report. The financial and non-financial information presented herein represents consolidated figures for the Company and its subsidiaries unless otherwise stated. There were no significant changes to the Company's size, structure, shareholding or supply chain during the year under review and no significant restatement of previously reported economic, social or environmental information.

### External Assurance

The Group has obtained an independent opinion on the Financial Statements from its External Auditors Messrs KPMG which is set out on page 66 of this report.

### Forward looking statements

Our Report includes forward-looking statements, which discusses the possible future financial position and results of the Group's operations. These statements however involve an element of risk and uncertainty. We do not undertake to update or revise these statements publicly in the event of a change of circumstances.



### Directors Responsibility

Swisstek (Ceylon) PLC's Board of Directors is 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

# PROFILE OF THE GROUP

## Strong Relationships



**433**  
Strong Team



**464**  
Suppliers and  
Business Partners



**347**  
Strong Distributor  
Network

## Manufacturing Capabilities

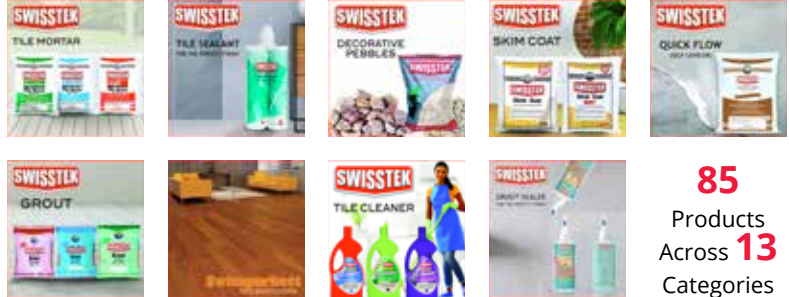
**Swisstek Ceylon**  
**Belummahara**  
Mortar, Grout Skim-coat and  
Pebbles

Production Capacity  
**56,000 MT**

**Swisstek Aluminium**  
**Dompe**  
Aluminium Extrusions

Production Capacity  
**8,400 MT**

## Extensive Product Portfolio



**85**  
Products  
Across **13**  
Categories

**Swisstek (Ceylon) PLC is one of Sri Lanka's leading suppliers of tile related accessories such as tile grout, tile mortar and tile sealant with a growing presence in the timber flooring segment. Subsidiary company Swisstek Aluminium Ltd meanwhile is a leading player in the Aluminium extrusion market.**

### Ownership

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.

## Financial Position

### Assets

Rs. 6,576 million  
**(+8%)**

### Equity

Rs. 2,881 million  
**(+27%)**

### Revenue

Rs. 5,393 million  
**(+16%)**

### PAT

Rs. 640 million  
**(+282%)**

### EPS

Rs. 4.36  
**(+246%)**

## Socio-Economic Impact

Tax  
Contribution  
**225 Mn**


Export Revenue  
**10.2 Mn**

Direct  
Employment  
**433**

Indirect  
Employment  
**200**

Supplier  
Payments  
**3,272 Mn**

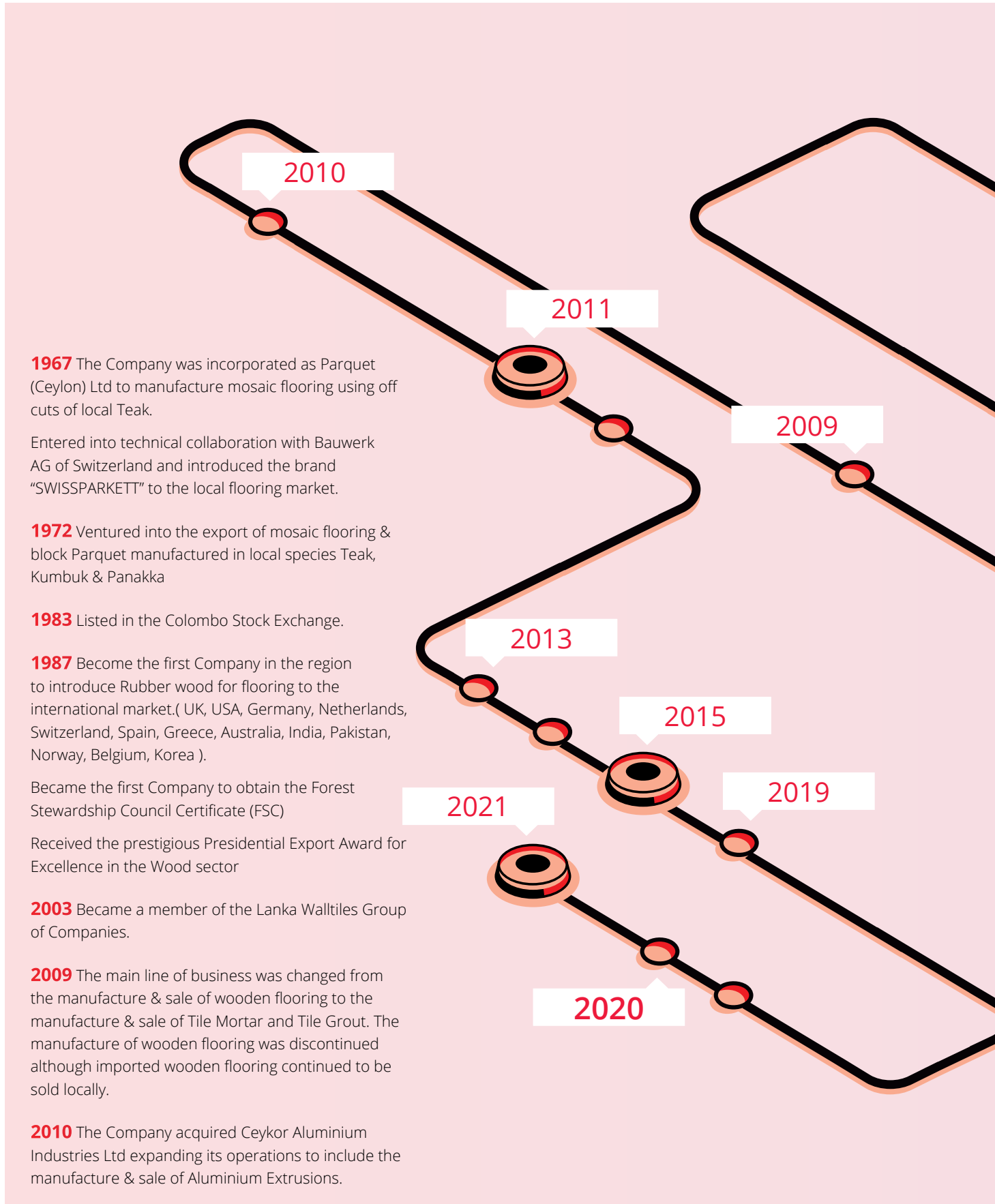


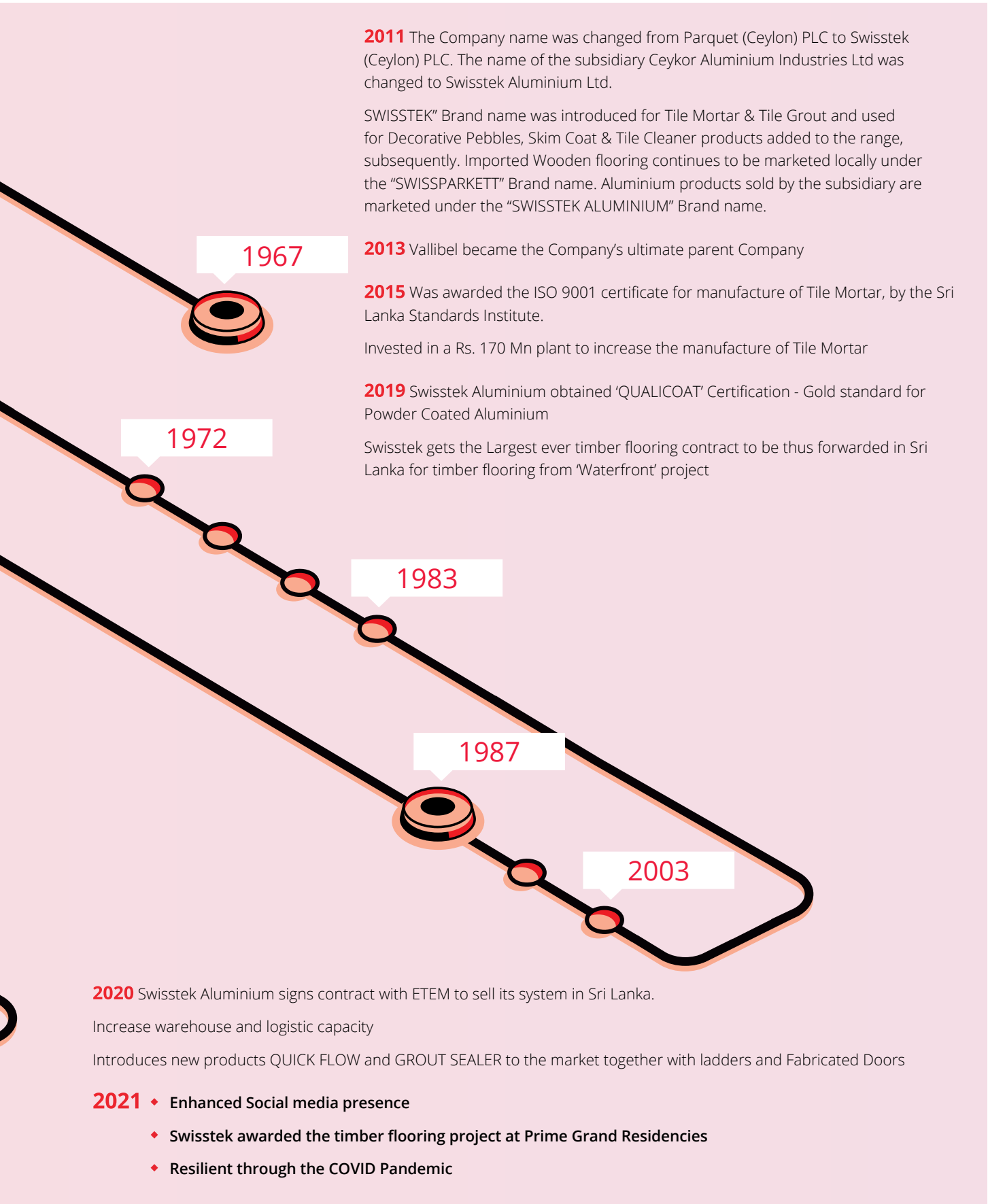


**By remaining agile and proactive we were able to respond to the dynamic business environment. We successfully navigated the challenges ahead by serving our stakeholders.**



## THE JOURNEY SO FAR










## PERFORMANCE HIGHLIGHTS 2020/21

### Financial Highlights

		Group		Company	
		2020/21	2019/20	2020/21	2019/20
<b>Financial Performance</b>					
Revenue	Rs. Million	<b>5,393</b>	4,635	<b>1,553</b>	1,419
Gross profit	Rs. Million	<b>1,519</b>	974	<b>433</b>	398
Operating expenses	Rs. Million	<b>635</b>	462	<b>158</b>	130
Operating profit	Rs. Million	<b>975</b>	610	<b>417</b>	357
Pre-tax profit	Rs. Million	<b>753</b>	233	<b>367</b>	287
Taxation	Rs. Million	<b>113</b>	65	<b>6</b>	79
Profit for the year	Rs. Million	<b>640</b>	168	<b>361</b>	208
GP margin	%	<b>28%</b>	21%	<b>28%</b>	28%
OP margin	%	<b>18%</b>	13%	<b>27%</b>	25%
Net profit margin	%	<b>12%</b>	4%	<b>23%</b>	15%
Return on equity	%	<b>22.1%</b>	7.4%	<b>21.6%</b>	15.7%
<b>Financial Position</b>					
Total assets	Rs. Million	<b>6,576</b>	6,116	<b>2,790</b>	2,473
Non-current assets	Rs. Million	<b>3,149</b>	2,852	<b>1,768</b>	1,635
Current assets	Rs. Million	<b>3,427</b>	3,264	<b>1,022</b>	838
Shareholders' funds	Rs. Million	<b>2,699</b>	2,119	<b>1,668</b>	1,325
Borrowings	Rs. Million	<b>2,246</b>	2,913	<b>556</b>	661
Gearing ratio	Times	<b>0.24</b>	0.39	<b>0.20</b>	0.37
Interest cover	Times	<b>4.31</b>	1.62	<b>1.04</b>	5.13
Current ratio	Times	<b>1.13</b>	1.08	<b>1.30</b>	1.28
Quick asset ratio	Times	<b>0.60</b>	0.48	<b>0.99</b>	0.95
<b>Investor Information</b>					
Earnings per share*	Rs.	<b>4.36</b>	1.26	<b>2.64</b>	1.52
Dividend per share*	Rs.	<b>1.35</b>	-	<b>1.35</b>	-
Net Asset Value per share*	Rs.	<b>19.72</b>	15.48	<b>12.19</b>	9.68
Market capitalisation as at 31st March	Rs. Million	<b>2,956</b>	739	<b>2,956</b>	739
P/E ratio	Times	<b>4.95</b>	4.28	<b>8.19</b>	3.55
Dividend pay out	%	<b>29%</b>	-	<b>51%</b>	-
Dividend cover	Times	<b>3.23</b>	-	<b>1.95</b>	-

\* Net assets, Earnings and Dividends per share for the year 2019/20 is calculated by using the number of shares in issue adjusted for the sub-division of five shares for each ordinary share held.

## Non- Financial Highlights

		2020/21	2019/20	
<b>Human Capital</b>				
	Total employees	No.	<b>433</b>	365
	Payments to employees	Rs. Million	<b>389</b>	333
	Employee retention rate	%	<b>80</b>	85
	Female representation	%	<b>11</b>	13
	New recruits	No.	<b>178</b>	100
	Investment in training	Rs. Million	<b>1.6</b>	1.9
	Total training hours	Hours	<b>2,300</b>	910
	Average training hours/employee	Hours	<b>5.31</b>	2.49
	Workplace injuries	No.	<b>26</b>	10
	Union representation	%	<b>29</b>	32
<b>Manufactured Capital</b>				
	Property, plant and equipment	Rs. Million	<b>2,765</b>	2,690
	Investment in capex	Rs. Million	<b>265</b>	172
	Production volume (Aluminium + Cement)	MT	<b>48,820</b>	40,019
<b>Intellectual Capital</b>				
	R&D Investment	Rs. Million	<b>1.00</b>	2.15
	New products launched	No.	<b>10</b>	14
	Average length of employee service	Years	<b>6</b>	6
<b>Social and Relationship Capital</b>				
	Payments to suppliers	Rs. Million	<b>3,272</b>	2,650
	Proportional spending to local suppliers	%	<b>54</b>	34
	Beneficiaries	No.	<b>300</b>	300
	Investment in CSR	Rs. Million	<b>0.75</b>	0.50
<b>Natural Capital</b>				
	Raw material Consumption	MT	<b>51,549</b>	42,225
	Energy consumption	GJ	<b>23,011</b>	19,643
	Energy intensity	GJ per unit	<b>5.01</b>	5.08
	Water consumption	M3	<b>37,400</b>	34,958
	Solid waste generation	MT	<b>45</b>	55

## CHAIRMAN'S REVIEW

“  
The Group will also place continued emphasis on consolidating its market position in its existing businesses, by leveraging its unique domain knowledge, brand value and synergies with group companies to offer superior services to customers.  
”



Dear Shareholder,

As we come to the close of what has been one of the most challenging and uncertain years in living memory, I am pleased to report that Swisstek (Ceylon) PLC delivered a remarkable improvement in operational and financial performance driven by the spirit and agility of its valuable team. Timely management interventions enabled the Group to capitalise on emerging opportunities, which in turn resulted in revenue growth of 16% while profit-after-tax nearly quadrupled to Rs.640 million. Against this backdrop, it gives me great pleasure to present our Integrated Annual Report and Financial Statements for the year ending 31st March 2021.

### Context to performance

The economic, social and human toll of COVID-19 has been devastating, with intolerable harm to nations, communities and organisations around the world. The virus emerged in China towards the latter part of 2019 and rapidly spread across borders to quickly engulf all regions. As nations grappled with containing rising infections, lock downs, restrictions on mobility and significant weakening of investor sentiments, resulted in a sharp fall in economic activity. Resultantly, the global economy entered a recession, contracting by 3.3% during the year. Meanwhile, as a country reliant on tourism earnings and remittances for foreign exchange generation, Sri Lanka's economy recorded considerable weakening, with the country's GDP contracting by 3.2% in 2020. All 3 sub-sectors of the economy recorded deceleration while the external sector experienced considerable pressure during the year.

The Government took immediate and proactive measures to support pandemic-affected businesses, introducing debt moratoriums, concessionary funding schemes and implementing unprecedented measures to relax the monetary and fiscal policy. Multiple downward revisions in the policy rate and Statutory Reserve Ratio of banks resulted in market interest rates trending downwards for most part of the year. Meanwhile, in addressing significant pressure on the Sri Lankan Rupee, the government imposed a range of restrictions on non-essential imports in a bid to preserve the country's external position and defend the exchange rate.

With infections largely being controlled during the first outbreak, the economy recorded a gradual improvement in ensuing quarters supported by improved consumer and investor sentiments as well as policy support, which focused on strengthening local manufacturing and export sectors. Accordingly, Sri Lanka's GDP grew by a respective 1.5% and 1.3% during the 3rd and 4th quarters of 2020. Meanwhile the country's construction sector decelerated by 13.2% during the year, mainly reflecting the drastic downturn in both residential and commercial construction activity during the first half of the calendar year. However, construction activity also recorded a gradual pick-up towards the latter part of the year, as low interest rates and improving sentiments led to increased activity in the residential segment.

At the time of writing this message, Sri Lanka is experiencing the 3rd wave of the pandemic, with a surge in infections across the country mainly due to the emergence of a highly transmissible variant. While this outbreak has tempered hopes of a short-term revival of the economy, we are confident that economic activity will recover over the medium to long-term, given the government's commitment to ensure that

economic activity continues despite the restrictions imposed. Organisations have also embraced new ways of working and their adaptability is expected to support better resilience than during the 1st and 2nd waves of the pandemic.

### Implications of COVID-19

Notwithstanding its innumerable challenges the pandemic also presented several opportunities for the Group. The Government imposed restrictions on imported tiles, which in turn buoyed demand for local manufacturers. Given our parent entity's market dominance in the tile segment, Swisstek directly benefitted from the surge in demand for local tiles as increasing customer footfall to these outlets led to a parallel increase in demand for tile accessories. Meanwhile, restrictions in the import of finished aluminium products also augured well for Swisstek Aluminium, which saw a sharp increase in demand. Meanwhile, global aluminium prices recorded a decline during the first half of 2020, which supported profitability margins, although the 2nd half of the year saw a considerable strengthening of prices due to the faster-than-anticipated recovery of global industrial activity.

Internally, our immediate and foremost priority was ensuring the safety of our employees and the Group implemented an array of hygiene and safety protocols in line with government guidelines. In addition to provision of relevant PPE and a clearly defined procedure to isolate infected persons, the Group conducted regular PCR testing in the factory, thereby minimising the risk of cross infection. The Board of Directors strengthened engagement with the Group's leadership team, pro-actively monitoring emerging developments to assess impact on the Group's operations and financial performance. Despite the challenges that prevailed, I am extremely happy to note that manufacturing activities continued relatively uninterrupted, attesting to the spirit and agility of the Swisstek Team.

### Corporate Governance

As a listed entity and part of a diversified group, Swisstek benefits from the evolved corporate governance and risk management practices of its parent entity. The Board provided effective leadership to the Group during the year, with Board activities continuing uninterrupted despite the prevalent restrictions. Accordingly, the Board maintained a high level of engagement with the business through digital platforms ensuring they remained updated on emerging risks and opportunities that could potentially impact the Group's ability to generate value. In addition, key areas of board focus included ensuring employee safety, addressing liquidity pressure, the competitive environment and supply chain implications, among others. Despite the conditions that prevailed, the Group continued to drive innovation introducing several new aluminium products and tile accessories during the year.

### Value to Shareholders

The Group's strategy was refined and adapted to effectively address the challenges and capture opportunities stemming from the operating environment. As discussed in the Managing Director's Review in further detail, key strategies included driving innovation, maximizing capacity utilisation through efficiencies and process upgrades as well as customer acquisition in the wood flooring solutions segment. The Group's ability to effectively capitalise on market opportunities and

serve the surge in demand, resulted in strong profitability generation-in turn delivering on shareholder commitments. Accordingly profit-after-tax increased over three-fold to Rs. 640.49 million during the year, whilst basic earnings per share increased to Rs. 4.36 from Rs. 1.26 the previous year. The share price of Swisstek (Ceylon) PLC increased from Rs. 27.00 per share to Rs. 108.00 providing shareholders a return of 300% for the financial year from capital appreciation.

Swisstek (Ceylon) PLC also paid out two cash dividends of Rs. 2.65 per share and Rs. 4.10 per share on October 2020 and March 2021 which is a return of a further 25% for shareholders based on the share price at the beginning of the year, creating 325% for shareholders for the financial year from both dividends and capital gains.

During the year, the Group also engaged in a sub-division of shares, with each ordinary share split to 5 shares thereby resulting in the number of shares increasing to 136.86 million from 27.372 million, thereby significantly enhancing the liquidity of the share.

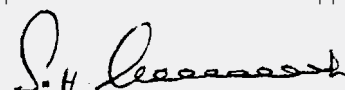
Your Board recommends a dividend of Rs. 1.05 per share taking in to account the performance which amounts to Rs. 143.7 Mn as the 3rd interim dividend for the year ended 31st March 2021 giving shareholders a dividend payout of 51% for the financial year.

### Looking Ahead

Although the short-term outlook is dimmed by the resurgence of infections in recent weeks, as a Group we remain confident regarding the future of our industry and organisation. We expect the Government's policy stimulus towards local manufacturers to remain, thereby providing opportunities to expand our manufacturing footprint. We are currently exploring avenues of both inorganic and organic growth, with emphasis placed on scalable businesses which can provide a platform for strong earnings growth. Over the medium term we will seek to leverage the Swisstek brand to drive penetration in new product verticals, achieving increased diversity of our earnings profile. The Group will also place continued emphasis on consolidating its market position in its existing businesses, by leveraging its unique domain knowledge, brand value and synergies with group companies to offer superior services to customers. The Group has also embraced the new norms of a post-pandemic world, enabling it to emerge from the crisis as a more unified and agile organisation.

### Appreciation

As we come to the end of what has undoubtedly been one of the most difficult years of this generation, I would like to express my gratitude to the colleagues on the Board for their continued support and counsel in these trying times. On behalf of the Board, I congratulate the Swisstek team, ably led by Managing Director- Mr. Mahendra Jayasekera and acknowledge their untiring efforts which has enabled delivery of the results set out in this Report. Finally, I take this opportunity to thank all our valuable stakeholders, including shareholders, customers, suppliers, distributors and other partners for their continued support.



**S H Amarasekera**  
Chairman

## MANAGING DIRECTOR'S MESSAGE



**We continued to focus on driving production efficiencies to increase production capacity in growth segments while achieving cost and operational excellence. Production capacity of Swisstek (Ceylon) PLC increased by 22% as a result of productivity and process improvements implemented during the year.**



Dear Shareholder,

In a year characterised by unprecedented volatility and disruptions to normal ways of working, the Group's agility and adaptability in seizing emerging opportunities enabled it to deliver remarkable growth performance, ensuring continued value creation to stakeholders. Accordingly, Company revenue increased by 9%, while profit for the year amounted to Rs. 361 million, an increase of 73% compared to the previous year. The subsidiary company Swisstek Aluminium Ltd also posted a revenue growth of 19% and a profit growth of 210% for the year. Recent capacity expansions in manufacturing and warehousing as well as synergies in local tile manufacturing and distribution through its Group companies, had aptly positioned the Group to capitalise on the vacuum created by import restrictions on tiles, aluminium and related products.

### Operating Environment

The Sri Lankan economy contracted by 3.6% in 2020 reflecting the widespread economic fallout of COVID-19 which adversely affected almost every sector. Reflecting the slowdown in economic activity the construction industry too recorded an overall decline of 13.2% during the year.

Meanwhile, the exchange rate depreciated by 2.6% against the US Dollar as at the end of 2020 with increased volatility towards the end of the year. Pressure on the exchange rate has continued throughout the first and second quarters of 2021 with the Rupee depreciating sharply by 6.3% during the three months ending March 2021. In its efforts to contain the

outflow of foreign exchange and defend the exchange rate, the Government introduced import restrictions on several non-essential products, including tiles. These policy measures enabled domestic tile manufacturers to regain market share from importers, offering growth opportunities for local manufacturers of tile related products such as grout and mortar.

Global aluminium prices remained subdued throughout much of 2020 due to weaker global demand conditions and excess supply. Prices, however, surged from the 3rd quarter of 2020 given the faster than anticipated recovery in global industrial activity.

### A Robust Performance

Despite a subdued first half stemming from pandemic-induced moderation, the Group recorded strong rebound from the 3rd quarter of the year, with consolidated revenue increasing by 16% to Rs. 5.4 Bn. The growth was supported by strong volume expansion across key product segments including tile mortar and tile grout resulting from increased footfall to Rocell and Lanka Tiles outlets that carry our products. Rocell and Lanka Tiles witnessed a surge in demand following restrictions on tile imports, which in turn increased demand for complementary products such as tile mortar and grout. Meanwhile lower global aluminium prices and a greater focus on cost efficiencies positively impacted margins in the subsidiary, Swisstek Aluminium Limited which in turn positively impacted group profitability. Overall the Group's gross profit and operating profit margins widened considerably, reflecting increased



capacity utilisation, scale efficiencies and improved product profitability margins. Resultantly, the Group's operating profit surged by 60% to Rs. 975Mn in FY 2020/21 while profit after tax increased nearly 4-fold to Rs.640. Mn during the year. In addition to core performance, profitability was also supported by the a reduction in net finance costs reflecting the sustained decline in market interest rates during the year.

The Group's funding profile remains strong supported by a healthy equity base and relatively low gearing levels. Total equity increased by 27% supported by strong profit generation, and funded 44% of the Group's total assets. Total borrowings declined by 23% as the Group sought to rationalise borrowings, resulting in the Group's debt to equity declining to 0.78 times from 1.28 times the previous year.

### Enhancing Our Manufacturing Capabilities

We continued to focus on driving production efficiencies to increase production capacity in growth segments while achieving cost and operational excellence. Production capacity of Swisstek (Ceylon) PLC increased by 22% as a result of productivity and process improvements implemented during the year. Meanwhile over 19 "SOEP- Swisstek Operating excellence Projects" were implemented at Swisstek Aluminium Ltd resulting in more efficient capacity utilisation.

### Driving Innovation

Innovation remains a hallmark of our brand and a key element of our customer value proposition. Recent product innovations by Swisstek (Ceylon) PLC such as 'Quick Flow' for wooden floors, sealer and the easy to lay Grout continued to gain traction in the market due to its superior quality and convenience. Meanwhile innovative aluminium product solutions such as multi-purpose ladders, modular pantry cupboards, aluminium furniture range and the Swisstek Allura product range have enabled us to penetrate new markets and diversify our product portfolio

### Ensuring the Health and Safety of our People

Ensuring the health and safety of our employees was and continues to be a key priority. Factory operations commenced in May 2020 after a month-long closure due to the island-wide lock down and continued uninterrupted thereafter with stringent health and safety protocols in place. Health and safety measures including weekly PCR testing, provision of PPE and social distancing arrangements were put in place at all our locations with a safety committee overseeing all health and safety procedures. We also continued to engage closely with employees to ensure their concerns were addressed and all necessary support was provided to navigate the challenging period. Meanwhile we remained focused on our training and development activities with over 224 hours of online and on site training opportunities.

### A Socially Responsible Operation

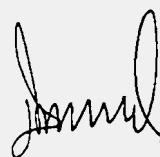
We are committed to incorporating environmentally friendly manufacturing processes and ensuring responsible consumption of resources to reduce our environmental footprint. During the year we invested Rs 6 Mn on a dust extraction system at the Swisstek (Ceylon) factory to reduce dust emissions. The dust suctioned through the system is recycled and re-used in the production process. At Swisstek Aluminium too we focused on increasing the percentage of recycled material used in production. Accordingly, the amount of aluminium scrap used increased two fold to 40% during the year. Meanwhile we continued with our efforts to create a greener factory spaces by planting a green fence around our Belummahara factory premises.

### Looking Ahead

We remain cautiously optimistic of our prospects for FY 2021/22 given the conducive policy environment for domestic manufacturers and the expected recovery of the construction industry amidst a gradual resumption of economic activities in the country. The sharp depreciation of the exchange rate and escalating commodity prices will however, insert pressure on profitability margins while the current escalation in infections with the emergence of the 3rd wave and resultant mobility restrictions is likely to impact demand in the immediate term. Despite these challenges we are confident that we are better prepared to deal with these disruptions due to insights gained from 2020. We recognize that remaining agile and pro-actively responding to these evolving conditions will be critical in navigating the challenges ahead and will continue to strengthen our operating model by driving greater efficiencies, strengthening our distribution channels while exploring new growth opportunities in the new normal.

### Acknowledgements

I take this opportunity to extend my sincere gratitude to the Chairman and Board of Directors for their continued guidance. To our employees, your commitment and dedication during these challenging times is exemplary and much appreciated. Last but not least, to our customers, shareholders, suppliers and business partners, I wish to place on record my deep appreciation for continuing to place your faith in us.



**J A P M Jayasekera**  
Managing Director

31 May 2021

## BOARD OF DIRECTORS



**Mr. S H Amarasekera**  
*Chairman*



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



**Mr. A M Weerasinghe**  
*Director*



**Mr. J K A Sirinatha**  
*Director*



**Dr. S Selliah**  
*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's Counsel is a leading luminary 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 listed companies in the Colombo Stock Exchange including Sampath Bank PLC, CIC Holding PLC, Swisstek Aluminium Ltd as Chairman and of Vallible Power Erathna PLC as Deputy Chairman. He is also an Independent Non-Executive Director of Vallibel One PLC, Expolanka Holdings PLC, Royal Ceramics PLC, Ambeon Capital PLC and Amaya Leisure PLC. He is also the Chairman of CIC Agri Businesses (Private) Ltd.

**MR. J A P M JAYASEKERA**

*Managing Director*

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

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

**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 37 years involved in Real Estate, Construction, Transportation and Hospital Industry and a Landed Proprietor. He is the Chairman of Lanka Ceramic PLC, Singhe Hospitals PLC, Weerasinghe Property Development (Pvt) Ltd., Weerasinghe Gems (Pvt) Ltd., and serves as a Director of Swisstek (Ceylon) PLC and Swisstek Aluminium Ltd.

**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. SIVAKUMAR SELLIAH (MB BS, M.Phil)**

*Director*

Dr. Selliah holds an MBBS Degree and a Master's Degree (M Phill), and has over two decades of experience in diverse fields including Manufacturing, Healthcare, Insurance, Logistics and Packaging, Renewable Power , Plantation, Retail etc.

Dr. Selliah is currently the Deputy Chairman of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospitals Private Ltd.

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

He is a Director of Lanka Tiles PLC, HNB Assurance PLC, Softlogic Holdings PLC, Odel PLC, Lanka Walltiles PLC, Lanka Ceramic PLC, ACL Cables PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium (Pvt) Ltd.

He has also served as a Senior Lecturer in the Medical Faculty for many years in the past. Currently he serves as a Council Member of the University of Colombo.

Dr. Selliah 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 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 34 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.

**MR. K D G GUNARATNE**

*Director*

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

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

**MR. C U WEERAWARDENA**

*Director*

Mr. Chethiya Umagiliya Weerawardena is an entrepreneur with 15 years' experience in the Gem Industry and has business interests in Real Estate. He holds a Diploma in Business Management from the University of Macquarie Sydney, Australia.

## SENIOR MANAGEMENT TEAM



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



**Mr. Shirley Mahendra**  
*General Manager Marketing*



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



**Ms. Wajira Nanayakkara**  
*Asst. General Manager - Plant and Technical*



**Mr. Prasad Keerthirathne**  
*Head of IT*



**Ms. Sajeewani Amarasinghe**  
*Group Finance Manager*



**Ms. Kaushalya Sudasinghe**  
*Group Manager - Sales Administration*



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



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



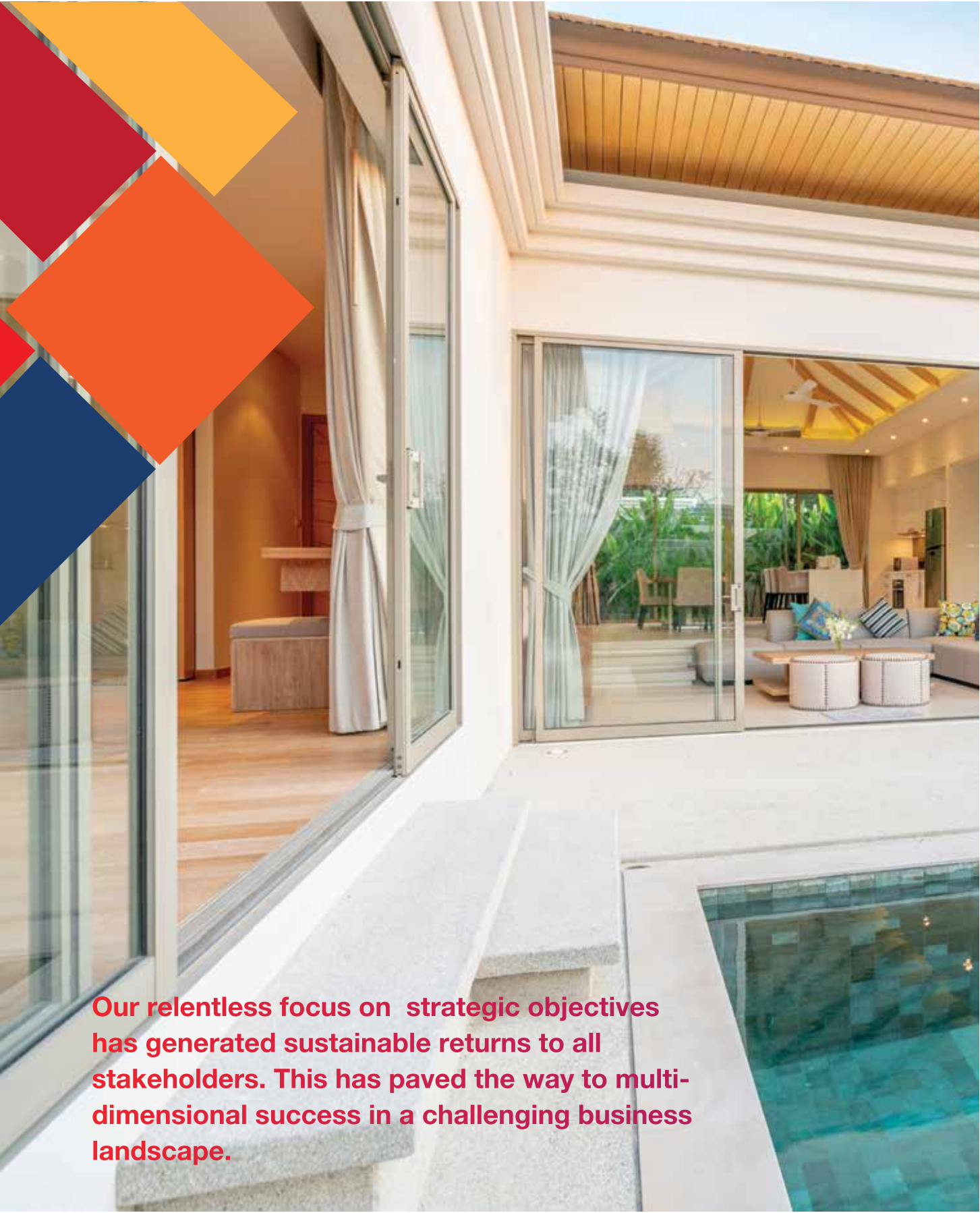
**Mr. Athula Hewapathirana**  
*Group Human Resource Manager*



**Mr. Kapila Ranatunga**  
*Commercial Manager*



**Mr. Wijayananda Dissanayake**  
*Sales Manager*



**Our relentless focus on strategic objectives has generated sustainable returns to all stakeholders. This has paved the way to multi-dimensional success in a challenging business landscape.**

# STRATEGY

## Our Value Creation Model

### Value Drivers

#### Capital Inputs

##### Financial Capital



Shareholders Funds **Rs. 2,698 Mn**  
Debt **Rs. 2,245 Mn**

##### Manufactured Capital



Manufacturing Plants **2**

##### Human Capital



Employees **433**

##### Social and Relationship Capital



Supplier Relationships: **464**  
Distributors: **25**  
Dealer Outlets: **297**  
Franchisees: **25**

##### Intellectual Capital



Tacit knowledge  
Systems, Processes and Standards  
R & D Capabilities and Brands

##### Natural Capital



Raw Materials: **36,942 MT**  
Water use: **37,400 M<sup>3</sup>**  
Energy Consumption: **23,011 GJ**

### 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.

##### Raw Material Sourcing

Payments to employees  
**389 Mn**

##### Manufacturing Process

Manufacture of a range of products including Tile mortar, Grout, pebbles aluminium extrusions

##### Operational Excellence (Page 20)



#### Strategic Priorities



##### Product and Geographical Diversification (Page 30)

##### Governance and Risk Management

Page 43 & 50

Value Delivered

Outputs

Revenue :  
**Rs. 5,393 Mn**

Profit after tax :  
**Rs. 640 Mn**

Earnings per share :  
**Rs. 4.36**

Dividend paid per share :  
**Rs. 6.75**

Payments to employees  
**Rs. 389 Mn**

Investment in training  
and development :  
**Rs. 1.6 Mn**

Payments to suppliers :  
**Rs. 3,272 Mn**

Investments in  
community engagement :  
**Rs. 0.75 Mn**

Impacts

Effluent discharge :  
**14,300 M<sup>3</sup>**

Outcomes

Sustainable Returns

Generation of sustainable  
returns to shareholders

*(Refer Financial Capital  
on page 27)*

Innovative customer  
solutions

High quality innovative  
products

*(Refer Social and Relationship  
Capital on page 36)*

Empowered Workforce

Create a motivated  
empowered and high  
performing workforce

*(Refer Human Capital Report  
on page 32)*

Stronger Supply Chains

Creating stronger mutually  
beneficial relationships

*(Refer Social and Relationship  
Capital Report on page 36)*

Community Development

Positive impact on community  
through meaningful  
community engagement

*(Refer Social and Relationship  
Capital Report on page 36)*

Distribution of  
Products

Distribution of  
products through  
extensive dealer  
network

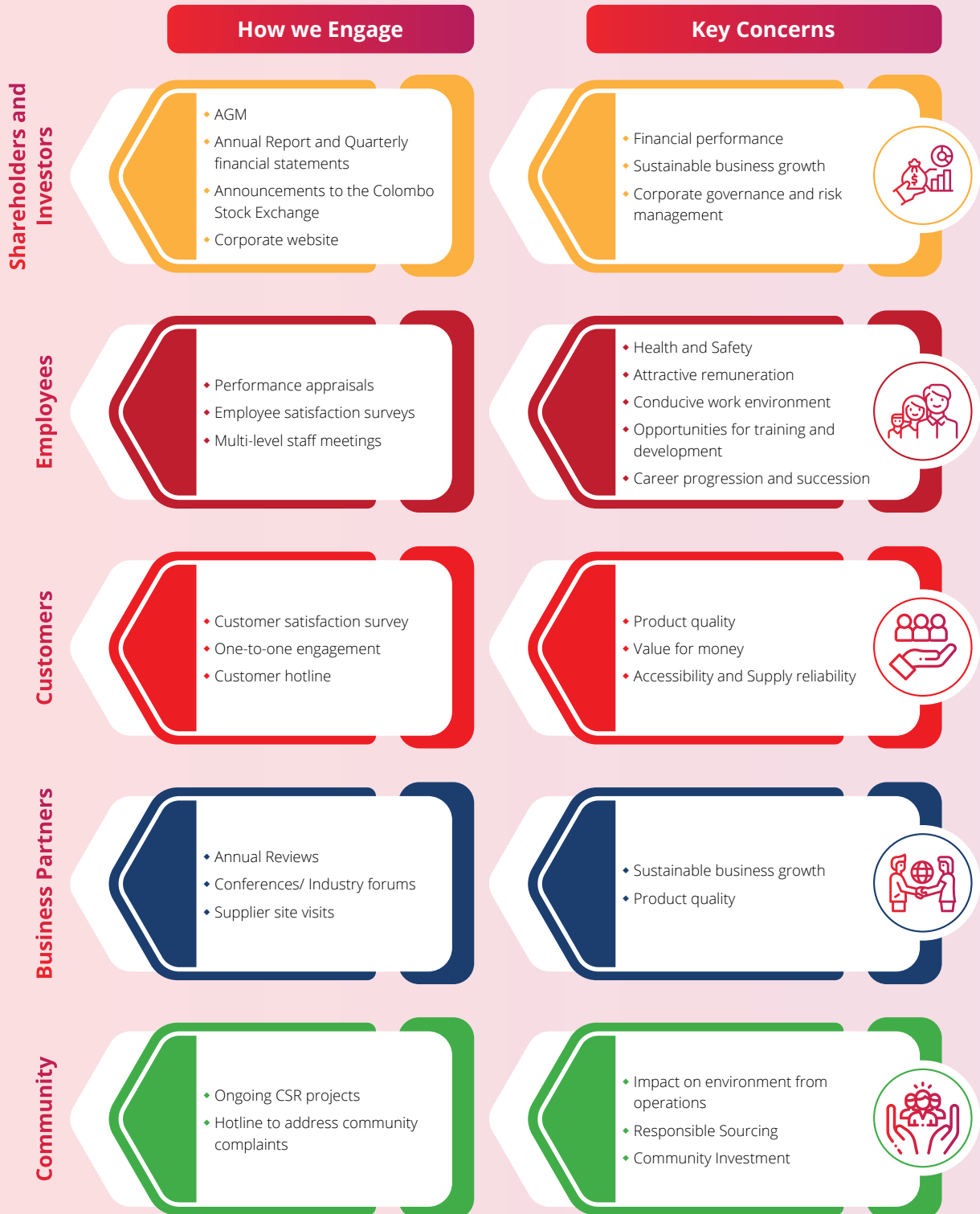
People  
Development  
*(Page 32)*

Sustainability  
*(Page 36)*

## STRATEGY

### Stakeholder Engagement

Continuously engaging with our stakeholders has enabled us to understand the evolving requirements of our stakeholders and pro-actively respond to their requirements. Stakeholder engagement is an ongoing process and is incorporated into the normal course of business through both formal and informal channels. Stakeholders for engagement s based on the relative impact on our value creation process. The issues, concerns and suggestions raised through our engagement activities feed into our materiality assessment and form the basis of our overall strategic direction.

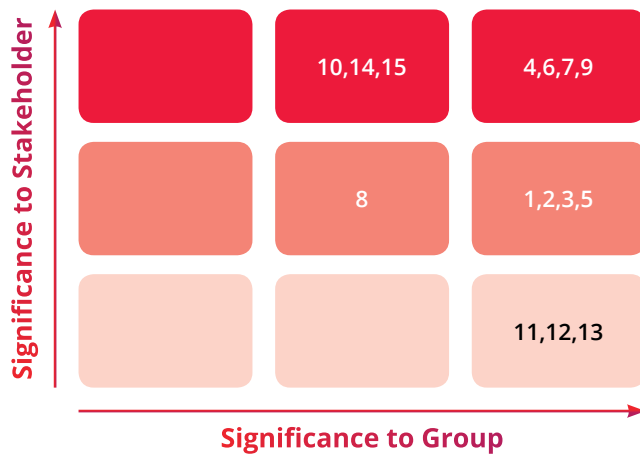




## Material Topics

Material matters are the matters we have identified that have the most impact on our operations and stakeholders. Materiality assessment is an ongoing process that involves stakeholder engagement, risk assessment and a detailed assessment of our operating environment. The material issues thus identified and prioritized form the basis of our strategy, risk management practices and reporting practices. Material matters identified for the year are as follows,

The Group's material matrix for 2020/21 is given below;







Overall Impact Level	Material topic	Movement from last year	Corresponding GRI Topic
	1	Construction sector performance	-
	2	Fluctuations in raw material prices	▲
	3	Supply chain management	▲
	4	Employee Health and Safety	▲
	5	Employee Productivity	▲
	6	Distribution channel Efficiency	▲
	7	Manufacturing capabilities and efficiency	-
	8	Raw material availability	▲
	9	Product development	-
	10	Employee training and development	-
	11	Exposure to exchange rate fluctuations	▲
	12	Competitive pressures	-
	13	Government policy	-
	14	Managing our environmental impacts	-
	15	Community engagement	-

## STRATEGY

### Our Strategy

FY 2020/21 was complex year amidst the unprecedented challenges posed by the COVID-19 pandemic. Whilst closely monitoring the evolving operating environment and pro-actively responding to the opportunities and challenges posed by the pandemic, we remained focused on our long term strategic objectives of Operational Excellence, Product and Geographical Diversification, People Development and Sustainability.

	Key initiatives FY 2020/21	Impact
<b>Operational Excellence</b>	<ul style="list-style-type: none"> <li>Implemented over 19 TPM initiatives</li> <li>Leveraged Group Synergies to strengthen distribution channels</li> <li>Increased dry sand storage capacity.</li> </ul>	<p><b>Production capacity increased by 24%</b></p> 
<b>Diversification</b>	<ul style="list-style-type: none"> <li>New Product Development (Quick flow, Tile Sealant, Grout Sealer, Swisstek Alura)</li> </ul>	<p><b>Greater market penetration in local market</b></p> 
<b>People Development</b>	<ul style="list-style-type: none"> <li>Over 2,300 hours of training and development</li> <li>People empowerment to create a leadership pipeline</li> <li>Implementation of health and safety protocol</li> </ul>	<p><b>Greater Employee satisfaction</b></p> 
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>Increased use of recycled material in production process</li> <li>Invested in dust extraction system</li> <li>Invested in a green fence around factory</li> </ul>	<p><b>Reduction in emissions</b></p> <p><b>More efficient use of raw materials</b></p> 

## Operating Environment

Despite FY 2020/21 being a year of unprecedented challenges, the year also presented several opportunities stemming from policy measures taken to revive the economy.

### Economic Growth

The Sri Lankan economy recorded its deepest recession post-independence; contracting by 3.6% in 2020 due to the widespread economic fallout from the COVID-19 pandemic. Mobility and other containment measures imposed to contain the spread of the virus hampered economic activity across all sectors; with the industrial sector contracting by 6.9% due to a significant slowdown in construction and manufacturing activities.

The economy showed signs of recovery towards the second half of 2020, recording a growth of 1.3% despite the disruptions caused during October and November with the second wave of the pandemic. The re-emergence of a third wave in April 2021 however is likely to hamper this growth momentum and further delay a full recovery.

### Exchange Rate

The Exchange rate which depreciated by 2.6% as at the end of 2020, came under significant pressure in March – April 2020, and again towards the latter part of 2020. To ease the pressure on exchange rates, the Government implemented measures to curtail non-essential imports and other outflows from mid-March 2020 while also actively intervening in the domestic foreign exchange market by supplying foreign exchange and engaging in interbank sell-buy swap arrangements during periods of excess volatility. Pressure on the exchange rate has continued throughout the first and second quarters of 2021 with the Rupee depreciating by 6.7% up to 31 May 2021.

### Interest Rates

Market interest rates declined notably in 2020 responding to monetary easing measures adopted by the Central Bank to support the revival of the economy. Policy rates were reduced five times by a total of 250 basis points while bank rates were reduced by 650 basis points during the year prompting an overall downward adjustment of the interest rates with certain market interest rates reaching historical lows and remaining in the single digit range.

#### Economic Tailwinds

Low Interest Rate Environment

Single Digit Inflation

Import Restrictions on selected Building Materials

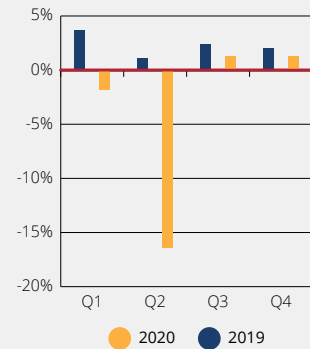
#### Economic Headwinds

Economy Contracted by 3.6%

Construction Industry Contracted by 13.2%

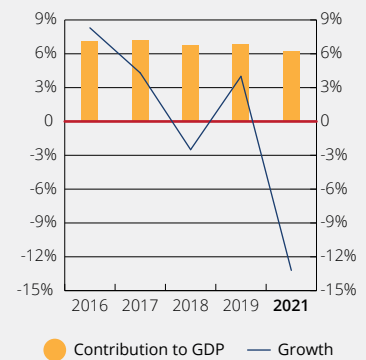
Exchange Rate Depreciated by 2.6%

### GDP Growth



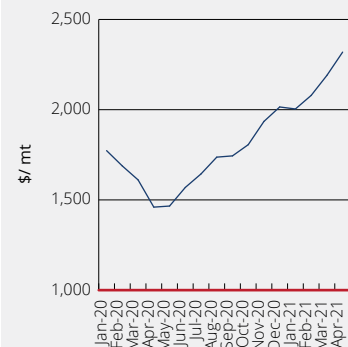
Source: Central Bank of Sri Lanka

### Construction Sector Growth



Source: Central Bank of Sri Lanka

### Movement of Aluminium Prices



Source: Central Bank of Sri Lanka

## STRATEGY

### *Operating Environment*

#### **Inflation**

Inflationary pressures remained muted amidst subdued demand for non-essential goods and services and downward revisions to administered food prices. Headline inflation remained broadly within the desired range of 4-6 per cent during 2020, while core inflation remained low throughout the year.

#### **Construction sector**

The construction sector contracted by 13.2% in 2020 with health-related concerns and mobility restrictions severely impacting the sector particularly during the first half of the year. Meanwhile mining and quarrying activities also contracted by 12.5% impacting the availability of raw materials such as sand.

In March 2020 the government imposed restrictions on building material imports as part of its efforts to manage the outflow of foreign exchange and encourage import substitution industries. The domestic tile manufacturing industry benefited significantly from these policy measures due to increased demand for locally manufactured products.

Following the subdued conditions during the first half of the year, a recovery in construction activities was observed towards the latter part of the year. The easing of mobility restrictions and a gradual improvement in consumer confidence saw a normalization of the construction industry towards the end of 2020. The recovery was also supported by a low interest environment which saw credit to the private sector granted by Licensed Commercial Banks (LCBs) for construction activities, including personal housing construction activities, record a considerable growth towards the end of 2020.

#### **Aluminium Prices**

Global aluminium prices remained subdued throughout much of 2020 due to weaker demand conditions and excess supply. Prices however started picking up towards the last quarter of 2020 and have continued to increase in 2021 reflecting a strong rebound in global industrial activity.

#### **Outlook**

The current escalation in infections with the emergence of the 3rd wave of the pandemic in the country and the resultant mobility restrictions is expected to impact the economy in the short run. However considering the gradual recovery witnessed towards the latter half of 2020, we are optimistic of the resilience of the economy. Meanwhile we are confident of the prospects for the construction sector in particular, given the conducive policy environment for domestic manufactures and the low interest rate environment that is expected to galvanize the construction industry.

# CAPITAL MANAGEMENT



## Financial Capital



The Group delivered a remarkable improvement in growth and profitability during the year, reflecting robust volume expansion and margin growth in key product segments. The Group's Financial Position also strengthened supported by consistent asset growth and a rationalisation of borrowings during the year. The performance for the year reflects the Group's ability to swiftly capitalise on emerging opportunities despite the unprecedented challenges that prevailed in 2020/21.

Strategic Priorities in FY 2020/21	
Priorities	Action
Improve Margins	Timely pricing decisions
Drive Efficient Working Capital Management	Negotiated better payment terms with creditors
Rationalise Borrowings	Settled high cost borrowings and better managed working capital to reduce short term borrowings

## Way Forward

Continue to focus on pricing strategy to improve margins

Improve working capital management through better inventory and debtor control

## CAPITAL MANAGEMENT

### Financial Capital

#### Financial Performance

##### Revenue

Consolidated revenue recorded a robust growth of 16% to Rs. 5,393.2 Mn in FY 2020/21 compared to the growth of 8% recorded in FY 2019/20. The growth was supported by strong performance by both Swisstek Ceylon PLC and Swisstek Aluminium Ltd. Swisstek Aluminium Ltd which accounted for 72% of Group revenue recorded a revenue growth of 20% due to improved demand conditions amidst import restrictions on aluminium finished products. Swisstek Ceylon PLC meanwhile also enjoyed a strong volume expansion for key product segments including tile mortar and tile grout due to increased footfall to Rocell and Lanka Tiles outlets that carry our products. The tile related product segment which includes products such as grout and mortar grew by 27% while the tile trading segment too witnesses a growth of 12% due to increased demand for locally manufactured tiles.

##### Cost of Sales

Cost of sales during the year increased by 6% in absolute terms but declined as a percentage of revenue. The cost escalation reflects increased commodity prices as well as disruptions to supply chains due to the prevalent conditions. Cost of sales amounted to 72% of revenue in FY 2020/21 compared to 79% during the corresponding period last year.

##### Gross Profits

The Consolidated Gross Margin widened from 21% in FY 2019/20 to 28% in FY 2020/21 with almost all segments witnessing improved margins during the year. Swisstek Ceylon PLC enjoyed higher margins in all segments except the wooden floor segment. Higher margins in the tile related products segment were supported by higher volume growth and production efficiencies. Swisstek

Aluminium Ltd too benefited from lower global aluminium prices and import restrictions on aluminium finished goods. Consequently the Aluminium segment witnessed margins improve significantly from 14% in FY 2019/20 to 23% in FY 2020/21.

##### Operating Expenses

Total operating expenses increased by 35% during the year and amounted to Rs. 623.3 Mn. Administration expenses increased by 53% as a result of additional expenses incurred to implement the required safety protocols while selling and distribution expenses also increased by 31% due to higher transportation and distribution expenses caused by pandemic situation.

##### Operating Profits

Operating profits during the year amounted to Rs. 974.9 Mn a 60% increase compared to FY 2019/20. Consequently, operating profit margins improved to 18% in FY 2020/21 compared to 13% during the previous year.

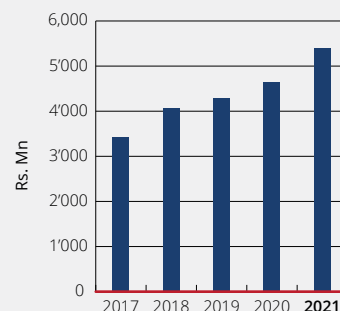
##### Finance Expenses

Net finance expenses decreased by almost 41% to Rs. 221.8 Mn. The significant decrease was due to strategic efforts to rationalise borrowings as well as the low interest environment that prevailed during the year.

##### Net Profits

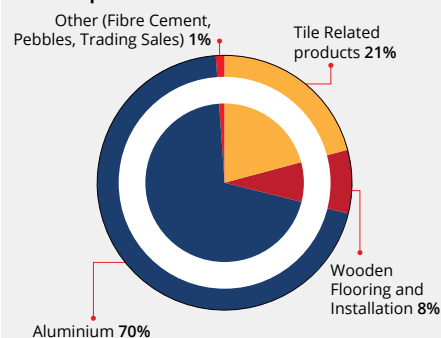
Benefiting from the increase in gross margins and operating margins as well as lower finance expenses, Group Profit before Tax increased by 224% to Rs. 753.1 Mn. Tax expense during the period amounted to Rs. 112.7 Mn compared to Rs. 64.9 Mn in FY 2019/20 resulting in a Profit After Tax of Rs. 640.5 Mn compared to Rs. 167.8 Mn in FY 2019/20.

#### Total Revenue



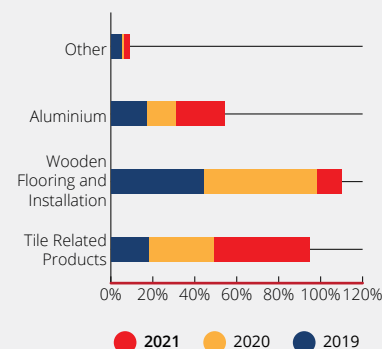
Source: Central Bank of Sri Lanka

#### Composition of Revenue



Source: Central Bank of Sri Lanka

#### Segmental GP Margins



Source: Central Bank of Sri Lanka

## Financial Position

### Non- Current Assets

Total non-current assets of the Group as at end-March 2021 amounted to Rs. 3,148.8 Mn a 10% increase compared to the previous year. The increase was mainly due to an increase in Capital work-in-progress amounting to Rs. 175 Mn. Additions to property plant and equipment amounting to Rs. 75.9 Mn and a long-term equity investment of Rs. 56.6 Mn also contributed to the increase in non- current assets.

### Working Capital

Total current assets increased by 5% to Rs. 3,427.1 Mn as at end of March 2021 due to a higher level of trade debtors and a higher cash position as at 31.03.2021. Debtor levels increased by 25% reflecting increased operational activity while cash and equivalents increased by 40% as at 31.03.2021 due to higher cash generation during the year. Inventory levels however decreased by almost 11% due to the company being able to dispose of excess stock due to higher sales volumes. Current liabilities meanwhile increased by a marginal 1% to Rs. 3,044.6 Mn as at 31.03.2021. The group negotiated better payment terms with creditors which resulted in an increase to the creditor position as at 31.03.2021. This also enabled the Group to reduce utilisation of working capital facilities.

### Equity

Total equity amounted to Rs. 2,881 Mn as at 31.03.2021 a 27% increase compared to last year due to an increase in retained earnings (Rs. 407 Mn) and a revaluation surplus (Rs. 172 Mn) on land and buildings revalued during the year. Share capital remained unchanged during the year.

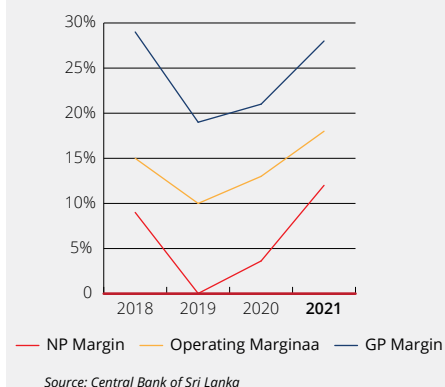
## Borrowings

Total borrowings of the Group amounted to Rs. 2,245.8 Mn a 23% decrease compared to the borrowings position as at 31.03.2020. Almost 88% of borrowings consists of short term borrowings (including current portion of LT loans). Borrowings continued to decline during the year due to a decrease in both short and long term borrowings during the year. A sustained growth in equity together with decline in total borrowings resulted in the gearing ratio (defined as debt/debt+equity) decreasing to 44% as at 31.03.2021 compared to the previous year.

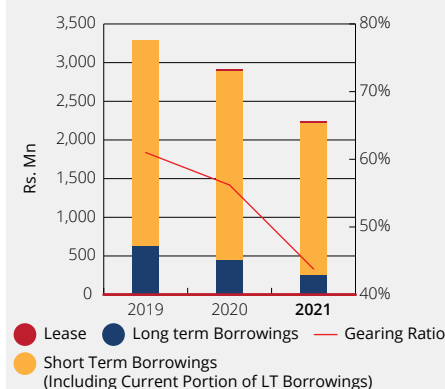
## Cash Flow

Cash and cash equivalents increased by Rs. 274.9 Mn during the period under review. The increase was mainly due to a net cash inflow from operating activities amounting to Rs. 1,239 Mn due to improved level of sales and lower interest expense during the year. Additions to construction Work-in-Progress resulted in a net cash outflow of Rs. 321.6 Mn during the year while repayment of borrowings amounting to Rs. 7,823 Mn during the year resulted in a net cash outflow of Rs. 643.2 Mn during the year.

### Movement in Margins



### Borrowings



**CAPITAL MANAGEMENT**



**Manufactured Capital**



**Highlights**

<b>Property Plant and Equipment</b> <b>Rs. 2,765 Mn</b> (+3%)	<b>Capital Expenditure</b> <b>Rs. 265 Mn</b> (+51%)	<b>Capacity Utilisation</b> <b>Rate 76%</b> (+22%)
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**Our manufacturing and distribution capabilities are a vital element of our value creation process and are supported by our physical infrastructure that include state-of the art production facilities and an efficient warehousing network. We continue to enhance our physical infrastructure through ongoing investments aimed at increasing capacity and improving efficiencies.**

Strategic Priorities in FY 2020/21	
Priorities	Action
Increase Capacity Utilisation	Implemented 19 TPM initiatives to drive process efficiencies
Increase Warehousing Capacity	Invested in additional storage bins for Silica sand and dry sand and new warehouse for finished goods.
Minimise Environmental Impact of Manufacturing Operations	Invested in a new dust extraction system to reduce dust emissions and re-use cement dust extracted in the production process.

**Way Forward**

Increase production capacity in growth segments

Drive production efficiencies and agility by investing in cutting-edge technology

Invest in sustainable technology



### Our Manufacturing Capabilities

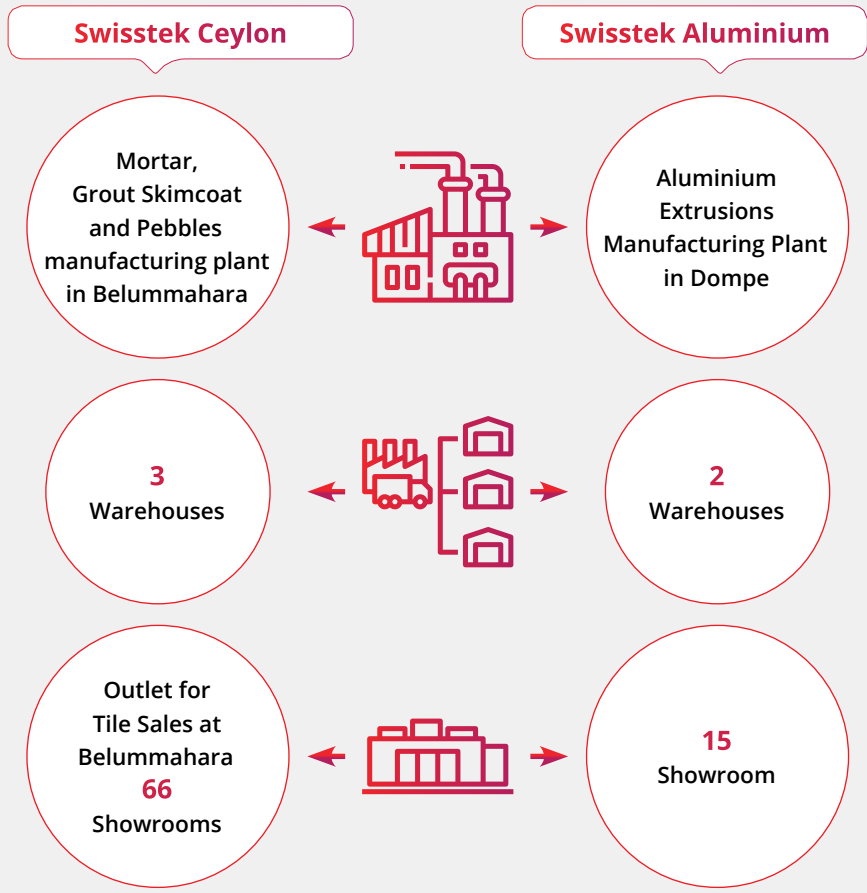
Our manufacturing capital include two state-of the art production facilities located at Belummahara and Dompe. The Group also owns five warehousing facilities and operates two showrooms and sales outlets for its products. Property plant and equipment had an aggregate net book value of Rs. 2,765 Mn as at end March 2021.

### Value additions in FY 2020/21

We make regular investments in upgrading our manufactured capital to enhance capacity, product quality, productivity and sustainability throughout our operations. Total capital expenditure during the year amounted to Rs. 265 Mn.

During the year several investments were made to increase storage capacity of raw materials and finished goods. Swisstek (Ceylon) PLC increased its Red Silica and dry Silica sand storage capacity with additional storage bins while also increasing its warehousing capacity with a new 6,000 sq.ft. finished goods warehouse in Belummahara. As part of our ongoing focus on investing in environmentally friendly technology Swisstek (Ceylon) PLC also invested Rs. 6 Mn in a new dust extraction system to reduce dust emissions.

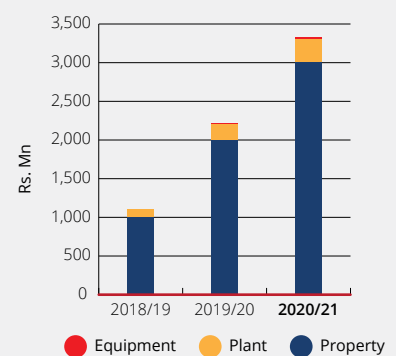
Meanwhile we continued to focus on improving process efficiencies; implementing over 19 TPM initiatives across our factories.



**Way Forward**

We will continue to strategically expand production capacity in key growth segments such as tile mortar. Meanwhile we will continue to invest in sustainable technology to improve production quality and efficiency.

Capex Investment



Source: Central Bank of Sri Lanka

CAPITAL MANAGEMENT



Human Capital



**Highlights**

- Payments to Employees  
**Rs. 389 Mn**
- Training Investment  
**Rs. 1.6 Mn**
- Retention Rate  
**80%**

Whilst ensuring a safe and supportive environment for our employees and their families amidst the pandemic situation, we remained focused on creating a resilient, future-ready team by continuing with our training and development activities despite the disruptions.

Strategic Priorities in FY 2020/21	
Priorities	Action
Employee Health and Safety	Implementation of stringent health and safety protocols across all locations
Employee Development	Continued with training and development activities through online mediums
Employee Engagement	Introduced multiple forums for open communication including pocket meetings and awareness sessions.

Way Forward

Create a future fit team with the required knowledge and skills to thrive in the new normal

Create an empowered leadership pipeline

Ensure a safe work environment

### HR Governance

Our HR practices are aimed at providing all our employees an equitable, empowering, and enriching work environment. HR practices are governed by a strong governance framework and robust policies and operationalised by dedicated teams of HR professionals at each company. The HR managers who oversee the HR function for each of the group companies report to the respective Chief Operating Officers who in turn report to the Managing Director.

We ensure strict compliance with all regulatory requirements including regulations pertaining to child labour and forced/ compulsory labour. There were no instances of child labour or forced labour during the year. Meanwhile Strong policies ensure that no form of discrimination is tolerated and the right to freedom of association and collective bargaining is maintained. There were no instances of discrimination or non-compliance with labour laws during the year.

### Our Team Profile

Our team consists of 433 employees out of which 84 are employed by Swisstek (Ceylon) PLC and 349 are employed by Swisstek Aluminium. 11% of our employees are female and as an equal opportunity employer we strive to increase this percentage through female friendly HR policies and practices that promote greater gender diversity.

### Recruitment and Turnover

Recruitment activities were put on hold due to the disruptions caused by the pandemic. However 19 of our temporary employees were absorbed into the permanent cadre to support the increased operations during the year. We continue to maintain a high level of employee retention with employee turnover averaging at just 20% during the last three years.



	Male	Female
<b>By Employment Category</b>		
Senior Management and Above	2	1
Executive Staff	44	9
Non Executive Staff	309	36
Other	31	1
<b>By Age</b>		
18-30	169	15
30-55	193	31
Over 55	24	1
<b>By Employment contract</b>		
Permanent	328	43
Temporary	58	4
<b>By Employment Type</b>		
Full time	386	47
Part time	-	-

	New Recruits		Exits	
	No.	Rate	No.	Rate
Male	170	96%	105	95%
Female	8	4%	6	5%
18-30	147	83%	90	81%
30-55	29	16%	13	13%
Over 55	2	1%	6	6%

## CAPITAL MANAGEMENT

### Human Capital

#### Freedom of Association

40% of our employees from Swisstek Aluminium Ltd belong to the Inter Company Employee Union (ICEU) and are covered by collective bargaining agreements.

#### Caring for our Team

#### Employee Health and Safety

Ensuring the health and safety of our employees has always been a priority and even more so during the COVID-19 pandemic. Strict health and safety protocols were put in place across all our locations with a dedicated safety committee overseeing all health and safety procedures and ensuring compliance with global and local guidelines. Stringent health and safety measures including weekly PCR testing for 1% of factory staff, provision of PPE, social distancing arrangements and roster-based attendance was implemented to minimize the risk of infection. Apart from these COVID-19 specific measures we ensure all safety standards are according to the factory ordinance and are in the process of obtaining OSHAS certification as part of our efforts to continuously improve health and safety standards.

In-house first-aid professionals are available at all factory locations. As part of our COVID-19 safety protocols separate isolation rooms with all required facilities were arranged at all locations with specific protocols on how to respond in the event COVID-19 positive cases are identified. Meanwhile a comprehensive health insurance plan is extended to all employees.

Injuries are monitored on a weekly basis with risk assessments carried out periodically to identify hazards and take required preventive measures.

#### Employee Engagement

Awareness creation is an important aspect of ensuring the physical and mental wellbeing of our employees.

Awareness sessions on a wide range of topics including safety on the factory floor, work life balance and spiritual healing are conducted on an ongoing basis. Meanwhile we also continued to engage closely with employees and trade unions to ensure their concerns were addressed and all necessary support was provided. Positive labour relations were maintained during the year with no reported incidents of industrial disputes during the year.

#### Remuneration and Benefits

Caring for our employees also includes guaranteeing the economic wellbeing of our employees. Remuneration is made up of guaranteed pay and performance-based variable pay while all permanent employees are also entitled to 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. 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. We are proud to note that we were able to support our employees during the year with improved bonuses and salary increments.

#### Developing our Team

#### Training and Development

Training and development activities continued unabated despite the disruptions caused by the COVID-19 pandemic. Over 2,300 hours of online and on site training were conducted during the year with a total of 285 employees receiving training opportunities. Training provided during the year focused on productivity enhancement and lean initiatives, technical training and health and safety aspects. During the year we



#### Total Work-Related Injuries

**No. 26**

Rate  
(per 100 workers)

**6**

#### Total Work-Related Fatalities

**No. 0**

Rate  
(per 100 workers)

**0**

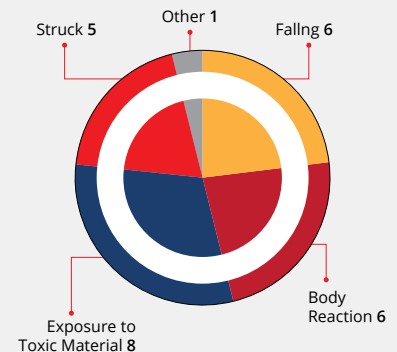
#### Lost Working Days

**No. 9**

Rate  
(per 100 workers)

**2**

#### Type of Injury



also introduced a special program to empower junior employees to bring fresh thinking and new perspectives to our operations. The program was launched with the objective of creating an empowered leadership pipeline.

**Performance Management**

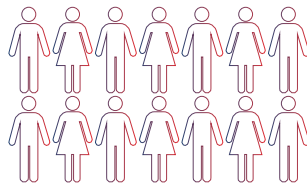
Competency gaps and training needs are identified at annual performance appraisals which are carried out for all permanent and contract employees.

Average Training Hours	
	2020/21
<b>By Gender</b>	
Male	2,100
Female	200
<b>By Employment Category</b>	
Executive Staff	50
Non-Executive Staff	2,250

**Way Forward**

The new normal post COVID-19 will require employees to acquire new skills and competencies that enable them to be more flexible, agile and innovative. We will focus on training and development activities to strengthen these competencies. Meanwhile we will continue to improve our employee engagement mechanisms to better understand and address our employees needs in an evolving environment .

**Training and Development**

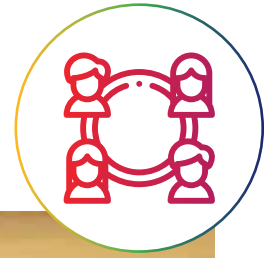


**Training Investment**  
Rs. 1.6 Mn

**Training Hours**  
2,300

**Employees Trained**  
285

CAPITAL MANAGEMENT



Social and Relationship Capital



**Highlights**

- Investment in New Product Development **Rs. 1 Mn**
- Payments to Suppliers **Rs. 3,272 Mn**
- CSR Investment **Rs. 0.75 Mn**

Despite the disruptions during the year, we continued to engage closely with our customers, suppliers, business partners and communities which enabled us to further strengthen our relationships and collaboratively find solutions to the unprecedented challenges posed by the COVID-19 pandemic.

Strategic Priorities in FY 2020/21	
Priorities	Action
Drive customer satisfaction through innovative product offerings and greater availability of products	Improvements to grout, mortar and Swisstek Allura range
Leverage group synergies to strengthen distribution network	Made products available through Rocell Distribution channel in addition to Lanka Tiles and Lanka Wall Tiles channels.
Strengthen relationships with suppliers to ensure reliable supply chain	Engaged closely with suppliers to address challenges during the pandemic

Way Forward

Focus on product innovation and diversification

Improve supply chain agility through stronger partnerships

Contribute to socio economic development of the communities we operate in

### Product Innovation

Our ongoing efforts to offer our customers innovative products has enabled us to stay relevant amidst constantly evolving attitudes, perceptions and socio-economic trends. Product innovations by Swisstek (Ceylon) PLC such as “Quick Flow for wooden floors”, tile sealant and the Easy to lay Grout continue to gain traction in the market due to its superior quality and convenience. Meanwhile innovative aluminium product solutions such as multi-purpose ladders, modular pantry cupboards, the aluminium furniture range and the Swisstek Allura product range continue to add value to customers in terms of cost and quality.

### Product responsibility

Ensuring the highest quality and safety standards is a promise we have made to our customers. We comply with a range of quality certifications and accreditations, ensuring that products meet the highest quality standards. (Full list of standards and certifications available on page 38). We also ensure that raw materials used for our products have no hazardous impact on the health and safety of our customers. 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, product labelling or marketing communications.

### Product availability

Our products are available island wide through an extensive distribution network that includes both our own dealers as well as the Lanka tiles and Lanka Walltiles distribution networks. During the year we started marketing our products through Rocell showrooms as well. Meanwhile we continued to strengthen our on-line sales channels by upgrading our website and making our products available through e-commerce sites such as Daraz.

### Customer Engagement

Customer feedback is obtained on an ongoing basis through customer hot lines, a formalised customer complaints mechanism and periodic customer

surveys. Meanwhile we also engage with specific customer groups such as architects, engineers, tilers etc through targeted awareness and capacity building programs and one-on-one engagement.

### Suppliers and Business Partners

Our business partners include local and overseas raw material suppliers as well as a network of distributors, dealers and franchisees. Managing our supply chain was of critical importance amidst the pandemic situation and we worked closely with our suppliers and other business partners to ensure minimal disruptions to our supply chain whilst ensuring the health and safety of our supply chain partners.

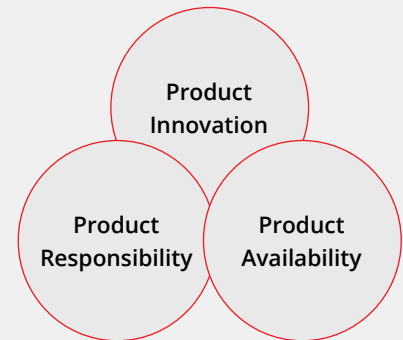
We ensure that our suppliers and business partners adhere to all social and environmental regulations of the country and screen all new suppliers using environmental and social criteria. During the year a total of 46 new suppliers and business partners were onboarded after screening for social and environmental criteria. There were no identified negative social or environmental impacts in the supply chain.

### Community

A significant proportion of our suppliers and business partners are SME's and individuals from disadvantaged economic backgrounds. We support the development of these small businesses and individuals by actively supporting their growth through capacity building programs and tiler club activities. Our tilers club had nearly 4,000 small time tilers as at the end of March 2021 and continues to empower small scale tilers across the country. We also contribute to the socio economic upliftment of the communities surrounding our factories through CSR initiatives. Our CSR spend during the year amounted to Rs. 0.75 Mn.

Meanwhile we ensure the strictest compliance to all laws and regulations; ensuring that our operations co-exist harmoniously in the communities we operate in. There were no instances of non-compliance with laws and regulations in the social and economic area during the year.

### Customer Value proposition



Our customer value proposition revolves around the core elements of product Innovation, Product Responsibility and Product Availability.

### Supporting Local Suppliers

No. of local SME suppliers	256
Payments to local suppliers	1760 Mn

### Way Forward

We will continue to meet the evolving requirements of our customers by driving product innovation and diversification whilst making our supply chain more agile to pro-actively respond to these changes. Meanwhile we will continue to support the socio economic development of the communities we operate in; directly through our business operations and through meaningful CSR initiatives.

CAPITAL MANAGEMENT



Intellectual Capital



**Highlights**

Investment in Research and Development <b>Rs. 1 Mn</b>	Product Improvements/ new products <b>10</b>	TPM Process Improvements <b>19</b>
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We continue to harness our intellectual capital to drive innovation and excellence throughout our operations. Deep product, customer and market insights give us a unique perspective to customer requirements while strong brand recognition enable us to penetrate new markets.

Strategic Priorities in FY 2020/21	
Priorities	Action
Product innovation	Rs. 1 Mn spent on new product development
Drive process efficiencies	Implementation of TPM Initiatives

Way Forward

Ongoing focus on research and development to enhance and diversify product offering

Enhance brand visibility



### Brand Building

Our key brands Swisstek, Allura and Swiss Parkett are established brands in the local construction industry. We continue to nurture our brand value by focusing on product range, product design, innovation, excellent customer service and widespread customer access. The strong brand value associated with our products has enabled us to secure several iconic projects including the installation of our wooden floors at the Kandy Municipality Sports Complex, La Fortress Hotel, Empire City Apartments, Royal Park Apartments, Cinnamon Lodge Habarana, Royal College Sports Complex and most recently for the John Keells Holdings' Cinnamon Life project.

### Research and development

Product innovation and quality are the cornerstones of our brand value and we dedicate significant resources towards research and development. Dedicated research teams at both companies headed by factory managers spearhead research and development activities. During the year the group invested a total of Rs. 01 Mn on research and development activities. Meanwhile we continue to implement TPM initiatives to drive process improvements.

### Certifications

Our expanding list of local and international product certifications and standards are an indication of our ongoing commitment to adopting industry best practices to all aspects of our operation and ensuring the highest product quality.

Product Certifications	
Swisstek (Ceylon) PLC	Swisstek Aluminium
ISO 9001:2015 for tile mortar, tile grout and skim coat	QUALICOAT Certification
	ISO 9001:2015 Certification
	SLS1410:2011 Certification

### Organisational Tacit Knowledge

The Group has over the years amassed a wealth of product and industry knowledge which enables us to continue to enhance our systems, standards and processes in response to evolving market dynamics. These insights drive our research and development activities and are an important contributor to our competitive advantage. A culture of knowledge-sharing and mentoring supported by ongoing training programmes ensure the knowledge and insights are shared among all employees.



SWISSTEK (CEYLON) PLC



ALUMINIUM



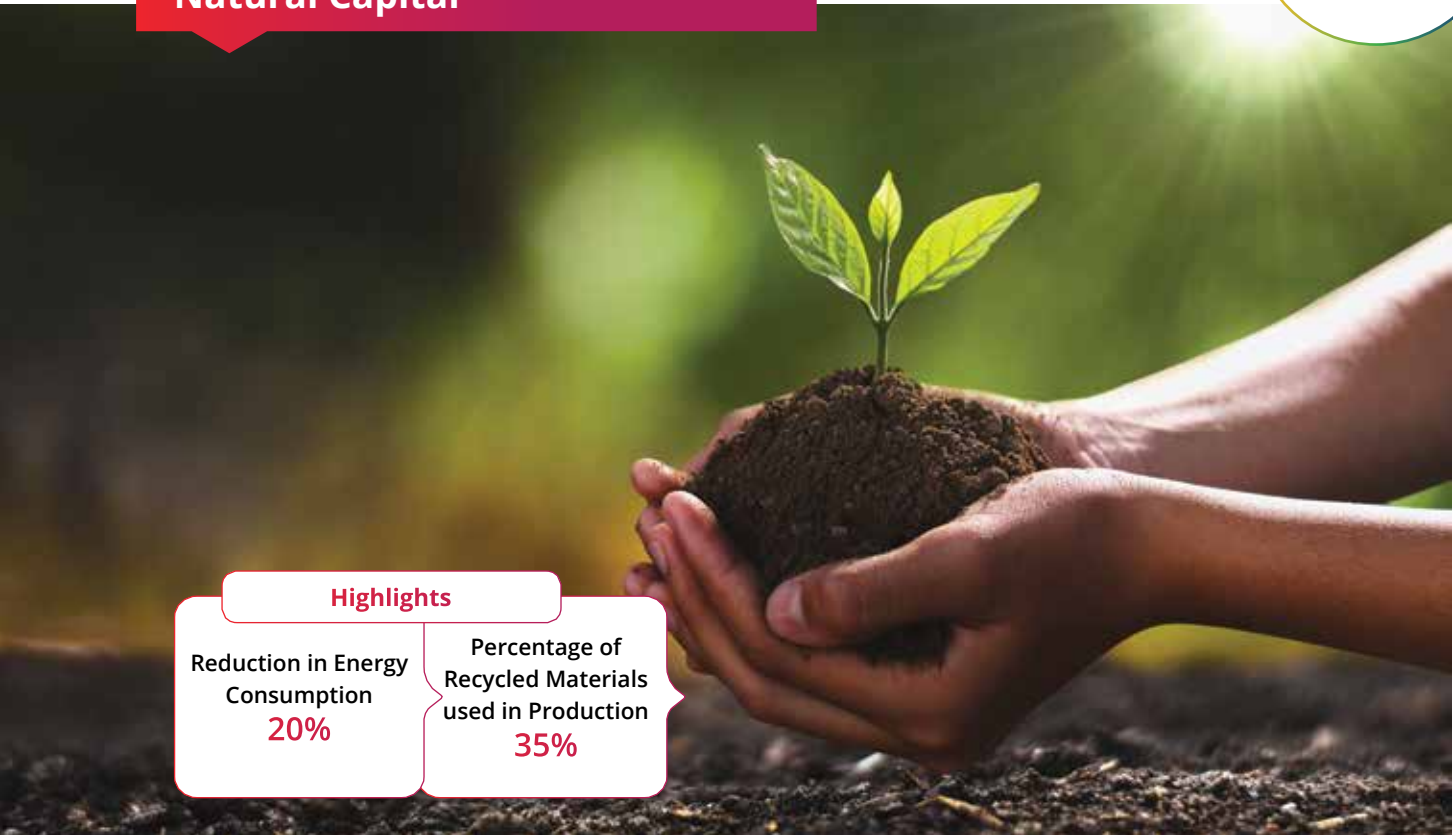
### Way Forward

We will continue to focus on research and development to enhance and diversify our product offering while leveraging group synergies to enhance our brand visibility.

CAPITAL MANAGEMENT



Natural Capital



**Highlights**

- Reduction in Energy Consumption **20%**
- Percentage of Recycled Materials used in Production **35%**

We are committed to reducing our environmental footprint by adopting efficient manufacturing processes that ensure responsible consumption of resources while minimizing the impact of externalities arising from our operations.

Strategic Priorities in FY 2020/21	
Priorities	Action
Driving circularity of operations and reduce landfill waste	Increased use of recycled aluminium in production of extrusions.
Optimise use of resources	19 TPM initiatives were carried out during the year
Gradual reduction in emissions	Invested Rs. 6 Mn in a dust extraction system which re-uses extracted dust in the production process

Way Forward

Increase percentage of recycled material in production processes

Reduce wastage through process improvements and more efficient technology

### Management Approach

Our approach to managing our environmental impact revolves around the responsible consumption of resources and minimizing the impact of our outputs. A clearly defined policy framework together with specified targets and responsibilities ensure our environmental objectives are met. Meanwhile we strictly comply with all local regulations while continuously striving to introduce environmental best practices to our operation. There were no instances of environmental non-compliance during the year.

### Responsible Raw Material Consumption

Key raw materials used in our production process include Silica Sand, Cement and Aluminium billets. Conscious that a significant percentage of our base raw materials are non-renewable, we strive to ensure responsible consumption of resources by incorporating efficient production processes and by closely monitoring raw material usage and wastage. During the year we doubled the percentage of recycled aluminium used in the production of aluminium extrusions. Accordingly, the percentage of recycled aluminium used in the production process increased from 20% to 40%. While contributing to a relative reduction in costs, this is also

expected to contribute to the overall reduction in the Group's waste-to-landfill ratio. We also work closely with our Silica Sand suppliers to ensure that their mining operations adhere to all required environmental standards and regulations.

### Responsible Energy Consumption

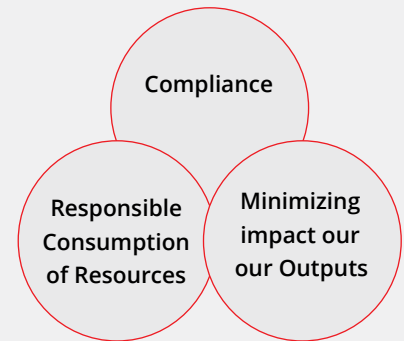
Total energy consumption during the year amounted to 23,011 GJ and consists mainly of electricity from the national grid. Other energy sources include LPG and diesel. We continue to explore ways to improve energy efficiency at our factory premises by investing in more energy efficient technology and process efficiencies.

### Responsible Water Consumption

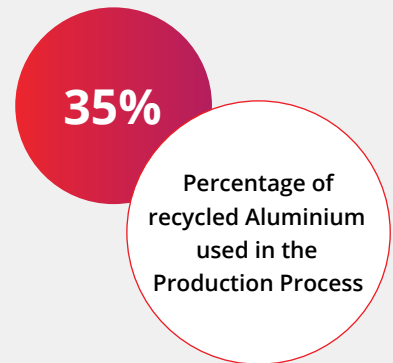
Total water consumption during the year amounted to 37,400 M<sup>3</sup>. We have incorporated water recycling and purification mechanisms into our operations where ever possible to increase water efficiency across the group and continue to closely monitor water usage at all locations to ensure efficient consumption.

### Effluent and Waste Management

Solid waste consists primarily of sludge from our Aluminium extrusions operation and cement dust from our mortar and grout operation. Meanwhile 14.3 Mn litres of effluents



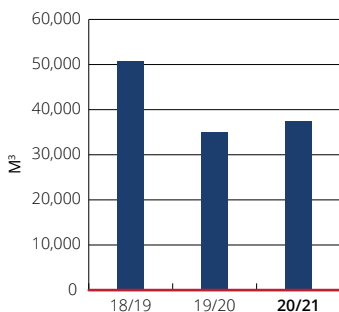
Raw Material Consumption FY 2020/21	
Non- Renewable	MT
Aluminium	5,995
Cement and Other	31,110
Renewable	
Silica Sand	14,444



**Way Forward**

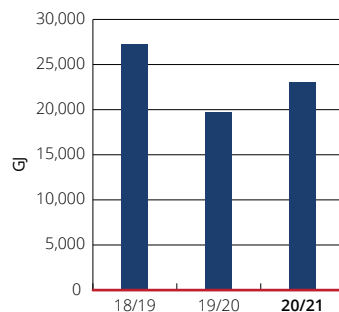
We will continue to focus on ensuring responsible consumption of resources by driving production efficiencies and better monitoring systems through ongoing TPM initiatives. Recycling will also increasingly be at the forefront of our sustainability efforts as we see tangible benefits in terms of cost efficiencies and environmental impact.

Water Consumption



Source: Central Bank of Sri Lanka

Total Energy Consumption



Source: Central Bank of Sri Lanka

## CAPITAL MANAGEMENT

### Natural Capital

was generated during the year. 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. An on-site wastewater treatment plant at Swisstek Aluminium Limited ensures that all effluents from the factory are treated before being released into the environment. Meanwhile sludge from our Aluminium extrusions operation is released to a third party through a fully equipped sludge yard. We have also invested in a dust extraction system at the Swisstek Ceylon factory to reduce dust emissions. The dust suctioned through the system is recycled and re-used in the production process.

### Emission Management

We continue to strive to reduce our carbon emissions by investing in more energy efficient production technology and by pro-actively exploring ways in which we can reduce consumption of fossil fuels.

#### Way Forward

**We will continue to focus on ensuring responsible consumption of resources by driving production efficiencies and better monitoring systems through ongoing TPM initiatives. Recycling will also increasingly be at the forefront of our sustainability efforts as we see tangible benefits in terms of cost efficiencies and environmental impact.**

#### Water Withdrawal ( by Destination)

	Litres	%
Ground Water	6.3 Mn	17
Municipal Water	31.1 Mn	83

#### Water Discharge ( by Destination)

	Litres	%
Ground water	1.9 Mn	5
Municipal Water	8.7 Mn	35
<b>Treated Through ETP</b>	14.3 Mn	60

#### Disposal of Waste (Type)

Recycling/ Reuse	1473 MT
Landfill	-
Incineration	-

# CORPORATE GOVERNANCE

The Group’s resilience during the year is partly attributed to the sound corporate governance practices it has established which ensures integrity, transparency and management accountability. The organisation’s policy and governance frameworks are broadly aligned to that of its Parent Group, Lanka Walltiles PLC, and provides a solid foundation for driving performance while ensuring compliance with regulatory requirements and corporate values.

### Framework and structure

The Board of Directors hold apex responsibility in ensuring that Swisstek applies sound corporate governance principles, safeguards its reputation and balances often-conflicting stakeholder needs when driving its strategic aspirations.

Internal Mechanisms	External Mechanisms
Articles of Association	Companies Act No 7 of 2007
Board and Sub-Committee Charters	Continuing listing requirements of the Colombo Stock Exchange
Comprehensive suite of policies and procedures	Code of Best Practice on Corporate Governance 2017 issues by CA Sri Lanka
Risk Management	Integrated Reporting Framework of the International Integrated Reporting Committee
	GRI Standards published by the Global Reporting Initiative

The Board delegates functions warranting greater attention to the Remuneration Committee and is assisted in the discharge of duties by the Audit Committee and Related Party Transactions Review Committee of the Parent Group, Lanka Walltiles PLC. Daily management of Swisstek Group and implementation of the Group’s strategic plan has been delegated to the Managing Director who leads the Executive management. Regular reporting on key matters enables effective oversight by the Board.

### Implications of COVID-19

Following the outbreak of the pandemic, the Board of Directors strengthened engagement with the Group’s leadership team and pro-actively assessed emerging risks and opportunities to ensure risks were identified, monitored and mitigated. Despite the conditions that prevailed, Board activities continued uninterrupted as Board shifted to digital platforms to conduct meetings. Ensuring employee health and safety was also a key priority and the Board provided guidance on the

implementation of safety protocols in line with the requirements of the Health Authorities.

### Competent Leadership

**Board composition:** The Board comprises of 8 Directors, half of whom are deemed independent. The Board combines a diverse mix of corporate management, legal and entrepreneurial perspectives, generating productive discussion and debate on key aspects.

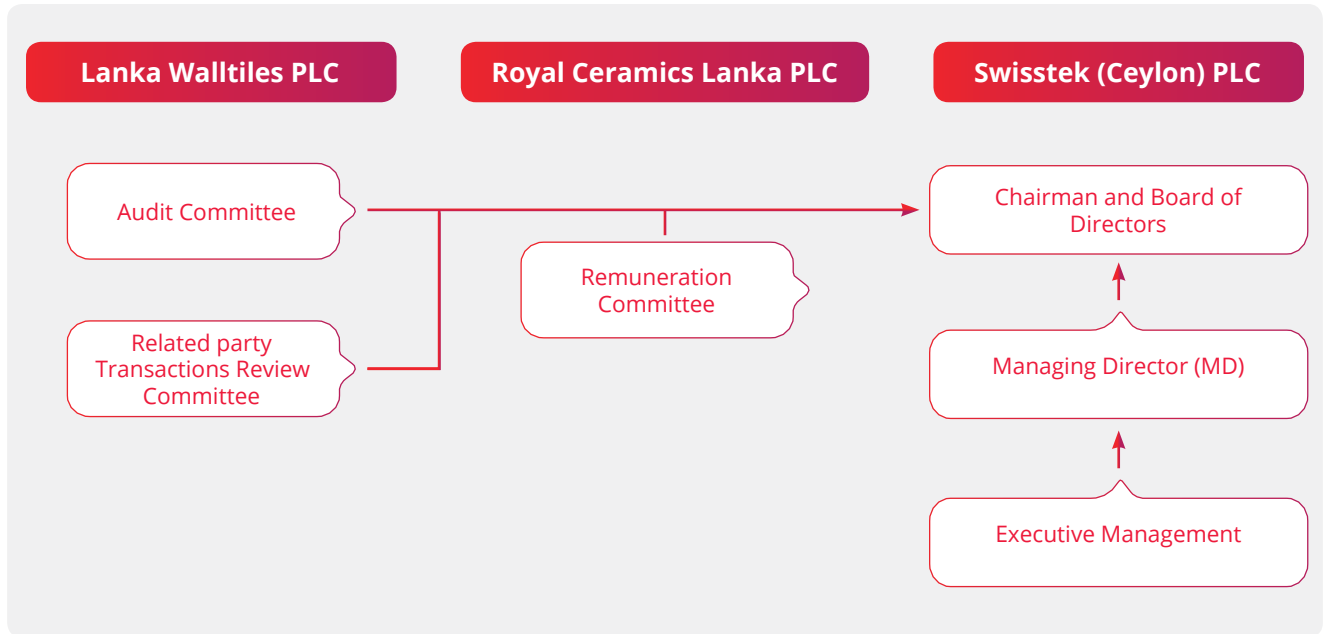
Directors possess financial acumen and knowledge gained through experience from leading large enterprises and/or professional backgrounds. The profiles of the Board of Directors are set out on page 16 of the Annual Report. The Managing Director is a Chartered Accountant.

### Board Composition



## CORPORATE GOVERNANCE

### Governance Structure



### Director Independence

Definition	Assessment	Outcome
Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with schedule K of the Code.	Independent assessment of directors is conducted annually by the Board, based on annual declaration and other information submitted by Non Executive Directors	Dr. S Selliah and Mr. K D G Gunaratne are Independent Non Executive Directors of Lanka Walltiles PLC. However, considering the fact that they are not actively involved in the management of Lanka Walltiles PLC and they do not directly hold a significant percentage of shares in Swisstek (Ceylon) PLC, the Board is of 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

### Board Responsibilities

The Board provides ethical and effective leadership to the organization and bears ultimate responsibility for the performance of the Company. The Board determines overall strategy and oversees implementation of the same. Key responsibilities are summarized alongside.

The Directors and Key Management Personnel are indemnified by the Company in respect of liabilities incurred as a result of their office, in terms of Section 218 of the Companies Act.

### Key Responsibilities of the Board of Directors

- ◆ Provide strategic direction
- ◆ Monitor implementation of strategy
- ◆ Set corporate values and promote ethical behaviour
- ◆ Establish systems of risk management, internal control and compliance
- ◆ Be responsive to the needs of society
- ◆ Meet shareholders, employees and other stakeholders' obligations, balancing their interests in a fair manner
- ◆ Present a balanced and understandable assessment of the Company's position and prospects
- ◆ Safeguard assets and ensure legitimate use
- ◆ Ensure succession planning and the continued ability of Swisstek (Ceylon) PLC to operate without any disruption

### Board Sub-committees

Board Sub-Committee	Areas of Oversight	Composition	Further Information
Audit Committee	Financial Reporting Internal Controls Internal Audit External Audit	The Audit Committee of parent company Lanka Walltiles PLC acts as the Audit Committee of Swisstek (Ceylon) PLC, in compliance with section 7.10.6 of the listing rules of the Colombo Stock Exchange.	Report of the Audit Committee on page 62
Remuneration Committee	Remuneration policy for Directors and Key Management Personnel Remuneration structure Performance evaluation Succession planning	The Remuneration Committee of the Royal Ceramics Lanka PLC acts as the Remuneration Committee of Swisstek (Ceylon) PLC, in compliance with Sect 7.10.5 of the listing rules of the Colombo Stock Exchange.	Report of the Remuneration Committee on page 61
Related Party Transactions Review Committee	Review of related party transactions	The Related Party Transactions Review Committee of parent company Lanka Walltiles PLC acts as the Related Party Transactions Review Committee of Swisstek (Ceylon) PLC, in compliance with section 9.2.3 of the listing rules of the Colombo Stock Exchange.	Report of the Related Party Transactions Review Committee on page 63

### Roles of Chairman and MD

The role of the Chairman and MD are segregated in line with best practice in governance and ensuring that no one director has unfettered powers in the decision-making process. The Chairman leads the Board, preserving good corporate governance. The MD is an Executive Director appointed by the Board and is accountable for implementation of the strategic plan and driving performance. The role of Chairman is separate from that of the MD.

## CORPORATE GOVERNANCE

Chairman's Responsibilities include	MD's Responsibilities include
Setting the ethical tone for the Board and organization	Appointing the executive management team, and assessing their performance;
Setting the Board's agendas, in consultation with the Company Secretary and the MD.	Developing organization strategy for consideration and approval by the Board;
Building and maintaining stakeholder trust and confidence;	Developing and recommending to the Board Organisation's budget supporting long-term strategy;
Ensuring effective participation of all Board members during Board meetings.	Monitoring and reporting to the Board on organization performance
Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained within the Board.	Establishing an organizational structure appropriate for the execution of strategy;
Monitoring the effectiveness of the Board.	Ensuring a culture based on organization's values

### Company Secretary

Secretarial services to the Board are provided by P W Corporate Secretarial (Pvt) Ltd. All Directors have access to the advice and services of the Company Secretaries. The Secretaries and Management keep the Board informed of new laws and revisions, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

### Appointment, re-election and resignation

New Directors and Directors eligible for re-election, are appointed by the shareholders at the Annual General Meeting, based on recommendations made by the Board. Pursuant to the Articles of Association of the Company, one third of the Directors will retire from office each year and are eligible for re-election. The Board, assesses the combined knowledge and skills of the Board and the strategic input required when evaluating nominees.

A Director appointed by the Board to fill a casual vacancy during the year, will be proposed for election by the shareholders at the next AGM. Appointments and resignations of Directors are communicated to the CSE and shareholders through press releases. Notification of appointments includes a brief resume of the director.

### Meetings & Minutes

Board meetings are held monthly, and Audit Committee and Related Party Transactions Review Committee meetings held on a quarterly basis, with the flexibility to arrange ad-hoc meetings to supplement these when required. The Chairman holds informal meetings with Non-Executive Directors whenever necessary.

Given the conditions that prevailed during the year, Board meetings were shifted to digital platforms, ensuring that Board activities continued uninterrupted. Agenda and Board papers are sent 7 days prior to the meeting, allowing members sufficient time to review the documents. Chairman sets the Board agenda, assisted by the Company Secretaries and MD.

Resolutions concerning business matters may be passed by circulation, within regulations. However, if a single Director deems it necessary that such resolution must be decided at a Board meeting not by circulation, the Chairman shall put the resolution to be decided in a meeting.

Minutes are circulated to Directors and formally approved at the subsequent Board meeting. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.



## Attendance at Meetings

Directors	Status	Board	Audit **	Related Party Transactions Review **	Remuneration Committee
Mr. S H Amarasekera (Director of Royal Ceramics Lanka PLC)	INED	12/12	-	-	1/1
Mr. J A P M Jayasekera	ED	12/12	-	-	-
Mr. J A K Sirinatha	NED	12/12	-	-	-
Dr. S Selliah	INED	12/12	5/5	4/4	-
Mr. A M Weerasinghe	NED	12/12	-	-	-
Mr. A S Mahendra	NED	12/12	-	-	-
Mr. K D G Gunaratne	INED	12/12	-	-	-
Mr. C U Weerawardena	INED	12/12	-	-	-
Mr. J D N Kekulawala (Parent company Board member)	INED	-	5/5	4/4	-
Mr. T G Thoradeniya (Parent company Board member)	NED	-	4/5	4/4	-
Mr. R N Asirwatham (Director of Royal Ceramics Lanka PLC)	INED	-	-	-	1/1
Mr. L N De S Wijeyeratne (Director of Royal Ceramics Lanka PLC)	INED	-	-	-	1/1

## Other Business Commitments / Related Party Transactions / Conflicts of Interests

The Board is aware of other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their duties and responsibilities.

Directors declare their business interests at appointment and quarterly thereafter. Details are maintained in a Register by the Company Secretary and tabled at the next Board meeting. The Register is available for inspection in terms of the Companies Act. Key appointments of the directors are included in their profiles on page 16. Board members are required to refrain from matters of self-interest and to bring independent judgement to the decision-making process.

The Related Party Transactions Review Committee (RPTRC) of the listed Parent Company, Lanka Walltiles PLC functions as the RPTRC of Swisstek (Ceylon) PLC and considers all transactions that require approval, in line with the Group's Related Party Transactions Policy and in compliance with regulations. Related party transactions are disclosed in Note 31.2 to the Financial Statements on pages 119. Refer RPTRC report on page 63.

## Induction and Training for Directors

On appointment, directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of the factory premises. Relevant training opportunities are made available to all Directors to further their knowledge and expertise. They also undertake training and professional development in their personal capacity as they consider necessary in assisting them to carry out their duties as Directors.

## Board access to information and resources

Directors have unrestricted access to management and organisation information, as well as the resources required to discharge their duties and responsibilities effectively. Regular presentations by the MD and Executive Management on relevant matters ensure that the Board is apprised of developments impacting Swisstek.

Access to independent professional advice, co-ordinated through the Company Secretaries, is available to Directors at the company expense.

## Board Appraisal

An annual evaluation is conducted to assess the effectiveness of the Board as a whole. Led by the Board Chairman and administered by the Company Secretaries, Directors assess their collective performance against key drivers of effectiveness including achievement of corporate objectives, implementation of strategy, risk management, internal controls, compliance with laws and balancing stakeholder requirements. Collated results are made available to the Remuneration Committee who make recommendations to the Board on areas for improvement.

## CORPORATE GOVERNANCE

### Appraisal of MD

The Board assesses the performance of the MD annually using criteria aligned to the short, medium and long-term objectives of Swisstek which are agreed with the MD at the beginning of the year. Performance is reviewed at the end of the financial year against the backdrop of the operating environment and remuneration revised based on performance.

### Responsible and Fair Remuneration

#### Remuneration Policy

The Group Remuneration Policy seeks to attract, retain and motivate high quality employees while meeting regulatory requirements and market expectations. Remuneration Committee (RC) is responsible for making recommendations to the Board regarding the remuneration of the Executive Director, Non-Executive Directors (including Independent Directors) and Key Management Personnel (KMP) within agreed terms of reference and in accordance with the remuneration policy.

#### Level and Make Up of Remuneration

Remuneration of Executive Directors and KMP is structured taking into consideration performance and risk factors entailed in the job and aligned to corporate and individual performance. It comprises two components, fixed remuneration and variable remuneration consisting of an annual performance bonus. Remuneration of Non-executive and Independent Directors is fixed, reviewed annually and determined based on market practices.

The aggregate remuneration paid to Directors in for FY 2020/21 is Rs. 13.7 Mn.

### Accountability

The Board is accountable for Swisstek's activities and presenting a fair, balanced and understandable assessment of the organisation's position and prospects to stakeholders. The Board ensures accountability to stakeholders through various means as explained below.

### Code of Business Conduct and Ethics

Swisstek is committed to conducting its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders. The company is bound by the Code of Business Conduct and Ethics developed by Lanka Walltiles PLC (Parent Company) for the Group. It applies to all Directors and employees. The Board is not aware of any material violations of any of the provisions of the Code by any Director or employee of Swisstek.

### Compliance

Directors are conscious of their duty to comply with relevant laws, regulations, internal controls and approved policies. Swisstek is compliant with all relevant legal and statutory requirements.

### Major or Material Transactions

During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company.

### Risk Management and Internal control

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Company. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the Board. The Lanka Walltiles Group Audit Committee is supported by the Internal Audit function, in the discharge of duties, which function has been outsourced to M/s. BDO Partners. The Committee reviews the monthly internal audit reports submitted concerning the adequacy and effectiveness of the risk management and internal control systems in place.

### Financial and business reporting

The Board has sought to present a balanced and understandable assessment of Swisstek's financial position, performance and prospects through the annual report, combining narrative and visual elements to facilitate readability and comprehension. Interim Quarterly Reports have also been published on a timely basis. All statutory requirements have been complied with and the reports reviewed and recommended by the Audit Committee and approved by the Board of Directors, prior to publication.

Apart from the Annual Report, the following reports set out further information required by the Code:

- ◆ The Directors' Report on pages 16
- ◆ The Statement of Directors' Responsibility on page 59
- ◆ Report of the Auditors on page 66

### External Auditor

The External auditor provides reasonable assurance that the financial statements are free from material misstatements and prepared according to an accounting framework. The Lanka Walltiles Group Audit Committee makes recommendations to the Board for the appointment, re-appointment or removal of

the External Auditor subject to the provision of the Companies Act and in-line with professional & ethical standards. The Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process considering relevant professional and regulatory requirements. The Auditors submit a statement annually confirming their independence in relation to the external audit.

In assignment of non-audit services to External Auditors, the Committee ensures that the external auditor has the necessary skills and experience for the assignment and ascertains that independence and objectivity of the External Auditor in carrying out his duties and responsibilities will not be impaired.

### **Relations with Shareholders**

#### **Communication with shareholders**

Shareholders are informed through multiple channels of communication, including the Annual General Meeting (AGM) (detailed below), regulatory reports (refer Financial and business reporting) and through announcements in the CSE. The Board is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided.

Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Company Secretaries whose contact details are provided on inner back cover page of this Report.

#### **Constructive use of Annual General Meeting (AGM)**

The AGM is the main mechanism for the Board to interact with and account to shareholders and provides an opportunity for shareholders' views to be heard. All Shareholders are encouraged to participate at the AGMs and exercise their voting rights. Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 days prior to the AGM allowing for all the shareholders to attend the AGM. A separate resolution for each item of business, ensures shareholders vote on each issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance.

The Chairman, Board members and External Auditors are present at the AGM and available to answer any queries.

### **Sustainability Reporting**

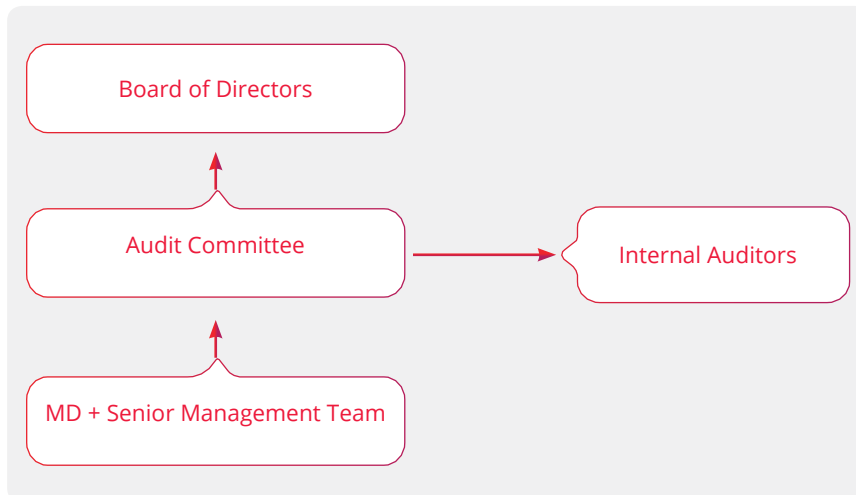
The Group has adopted the Integrated Reporting Framework of the International Integrated Reporting Council and also the GRI guidelines on Sustainability Reporting which covers disclosures on Economic Sustainability (pg. 27), Environment (pg. 40), Labour practices (pg. 32), Society (pg. 36) and Product responsibility (pg. 30)

## RISK MANAGEMENT

“The unprecedented operating landscape that prevailed during the year, necessitated proactive monitoring of emerging risk dynamics. The Group’s robust risk management framework and reporting practices served it well during this period, driving resilience and ensuring the creation of sustainable value:

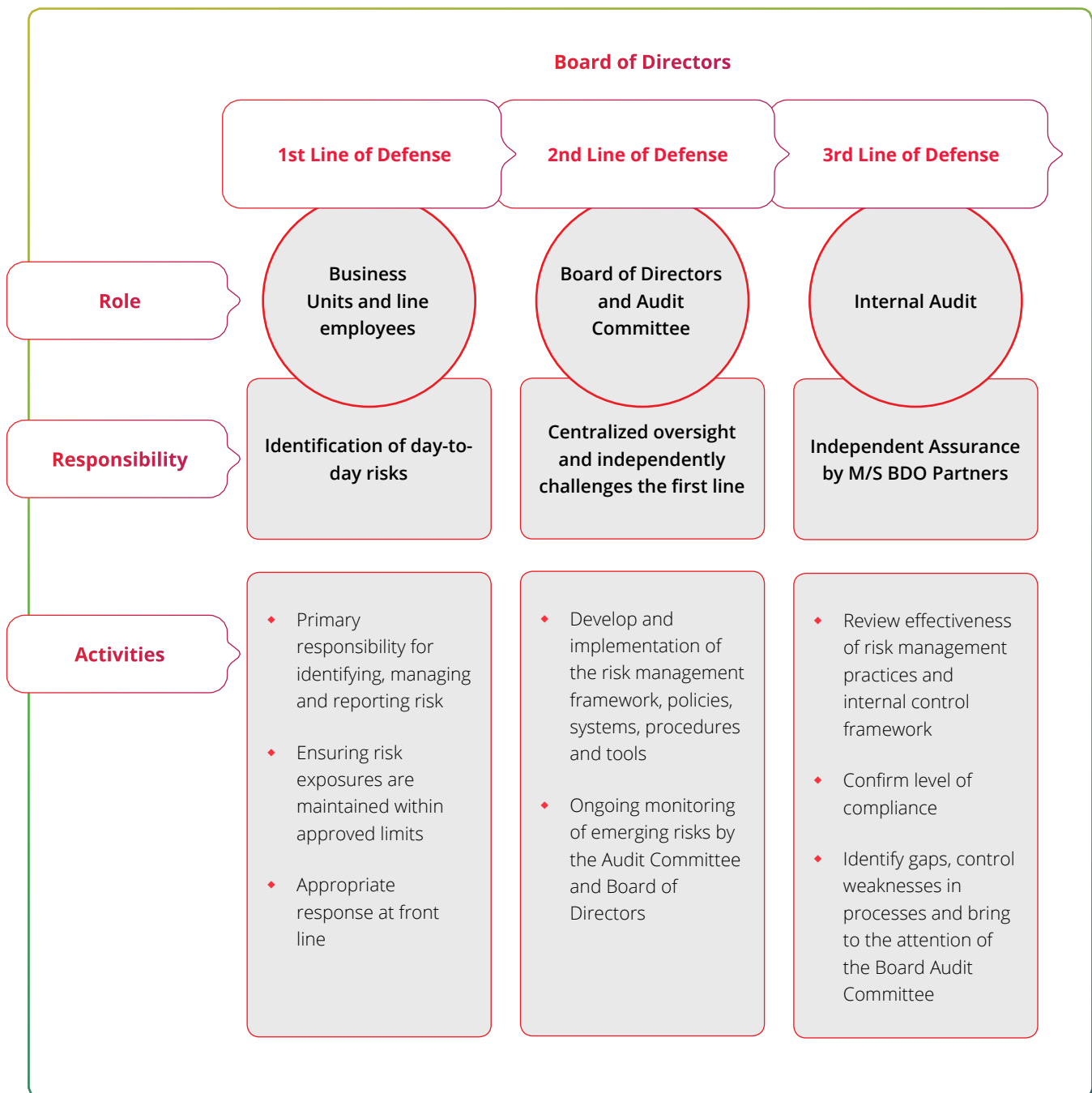
### Risk Governance

The Board of Directors holds ultimate responsibility for managing the Group’s risks in an efficient and effective manner. The (Lanka Walltiles Group) Audit Committee assists the Board in the discharge of duties and has oversight responsibility for matters relating to risk and internal control. The Internal Audit function carried out by M/s. BDO Partners, supports the Audit Committee in performing its assurance role through regular reviews and recommendations on the robustness of the internal control systems in place. The Senior Management provides regular reports to the Board to ensure that potential threats are identified, measured, monitored and managed.



### Our approach to Risk Management

The Group’s approach to risk management is aligned to its parent entity and is based on the globally accepted three-lines of defence model which drives accountability of risk identification and management across the organisation.



## RISK MANAGEMENT

### Principal Risks in 2020/21

The Group's risk landscape changed dramatically during the year, given the unprecedented operating conditions that prevailed. The following discussion provides an overview of the Group's top risks in terms of impact and likelihood.

Risk Exposure	Description	Potential Impact	Mitigating Factors	Net Risk Assessment
Pandemic-induced disruptions	<p>With the resurgence of infections following the 3rd wave of the pandemic, government restrictions on mobility could once again result in a deceleration of demand as economic activity slows.</p> <p>Infections within the Group's own operations could impact continuity of production, while affecting staff morale and the Group's reputation</p>	<p>Slowdown in construction activity, both in the residential and industrial sectors could lead to a drop in demand for our products, thereby impacting revenue and profit growth.</p>	<p>Diversification of product range with the launch of several new products</p> <p>Implementation of stringent health and safety guidelines</p> <p>Ongoing initiatives to raise employee awareness on the importance of health and safety</p>	High
Macro-economic vulnerabilities	<p>The macro-economic environment both globally and locally, has been significantly impacted since the outbreak of the Covid-19 pandemic. However, economic activity has posted recovery from the 2nd half of 2020, supported by pent-up demand,</p> <p>Exchange rate volatilities are a key risk factor given the sharp depreciation of the Sri Lankan Rupee in recent months</p>	<p>A weakening economy will invariably impact disposable income, adversely affecting residential and commercial construction activity and reflecting in a decline in demand for Swisstek products.</p> <p>Depreciation of the Sri Lankan Rupee will result in an escalation of costs of the Group's imported raw materials, thereby pressurizing profit margins</p>	<p>Monitoring economic trends and outlook on an ongoing basis, giving due consideration when formulating Strategic Corporate plans</p> <p>Pursuit of growth opportunities in exports markets, where possible to allow a natural hedge</p> <p>Placing forward exchange rate contracts</p>	High
Global aluminium prices	<p>Following the rebound in economic activity in the 2nd half of 2020 and the strengthening of industrial activity global aluminium prices have surged in recent months.</p>	<p>Given the intense competition in the aluminium profile industry, we are challenged to pass on cost escalations to customers. Therefore, increases in aluminium prices result in price pressure.</p>	<p>Continued monitoring of global prices trends and effectively managing working capital cycles to reduce implications on profit margins.</p>	

Risk Exposure	Description	Potential Impact	Mitigating Factors	Net Risk Assessment
Competition	Intensified competition due to oversupply of (aluminium) and competition from cheaper alternatives (tile related products). However, restrictions on the imports of tiles and aluminium products, have augured well for local manufacturers such as ourselves offering opportunities for growth.	Pressure on volumes and margins through price competition	<p>Development of a range of value-added products which command a higher margin</p> <p>Leverage on the network of Group companies to pursue increased penetration</p> <p>Expansion of distribution channels to increase accessibility to market.</p> <p>Pursuit of growth opportunities in exports markets through new customers acquisitions and increased penetration</p>	Moderate
Employee health and safety	Increased vulnerability health and safety risks stemming from the outbreak of the pandemic and the emergence of highly transmissible variants. In addition to risks stemming from the pandemic, employees are also exposed to the risk of injuries and hazards arising from our manufacturing operations.	<p>Given Covid-19 is highly contagious, contraction of the disease by a large number of employees could lead to employee quarantine and disruption to factory operations, affecting</p> <p>Capacity utilization</p> <p>Employee productivity</p> <p>Profitability</p> <p>Motivation</p>	<p>Following latest guidance and recommendations by public health officials on implementation of appropriate health and safety measures for employees, to curb the spread of disease at factories and offices</p> <p>Adherence to latest protocols on hygiene and cleaning at factories and offices</p> <p>Provision of adequate protective gear</p> <p>Conducting monthly worker-management health and safety meetings to ensure their views are understood and addressed</p>	High
Innovation	Ability to innovate and create value added products that appeal to consumer trends	Continuous product development is key to differentiation, driving growth and profitability, particularly in the Aluminium sector	<p>Ability to attract and retain qualified and experienced talent to operate R&amp;D center</p> <p>Enhancement of employee product knowledge and R&amp;D skills through training and increased exposure</p>	Medium

## RISK MANAGEMENT

Risk Exposure	Description	Potential Impact	Mitigating Factors	Net Risk Assessment
Product Quality	Maintain consistent and high product quality	Decline in product quality will impact  Reputation  Profitability and Growth	Conforms to certifications  Stringent product testing at own laboratories  Quality control processes throughout value chain  Monitoring of customer complaints	Low
Skills retention	Difficulties in attracting and retaining skilled labour	Delay in achieving Group's strategic aspirations	Strong employee value proposition based on good union relationships, attractive remuneration, opportunities for progression and a conducive work environment	Low
Machine breakdowns	Breakdowns in machinery and equipment could lead to disruptions in production	Affects continuity of operations, profitability.	All plant and machinery are purchased from reliable suppliers.  Regular upkeep and maintenance of plant and machinery on an ongoing basis	Low

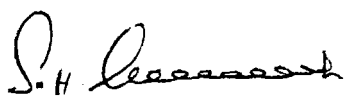
### Statement of Risk Management and Internal Control Adequacy

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.



**S H Amarasekera**  
Chairman



**J A P M Jayasekera**  
Managing Director



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

The Directors of Swisstek (Ceylon) PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2021.

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

## General

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

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

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

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

## Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 66 to 121.

Summarised Financial Results

Year ended 31st March	Group		Company	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	5,393,229	4,634,962	1,552,534	1,418,975
Profit for the year	640,490	167,773	360,904	208,469

## Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 66.

## Accounting Policies

The Accounting Policies adopted by the Company in the preparation of the Financial Statements are given on pages 75 to 91 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 16 to 17.

## Executive Directors

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

## Non - Executive Directors

\*Mr. S H Amarasekera - *Chairman*

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

\* *Independent Non-Executive Directors*

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

## 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

Mr. S M Liyanage

### Swisstek Development Ltd

Mr. K D A Perera

Mr. J A P M Jayasekera

Mr. A M Weerasinghe

### Swisstek Investment (Pvt) Ltd

Mr. J A P M Jayasekera

Mr. A M Weerasinghe

## 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 31st March 2020 as recorded in the Interests Register are given in this Report under Directors' shareholding.

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

### Directors' Remuneration

The Directors' remuneration is disclosed in Note 31.3 to the Financial Statements on page 120.

### Directors' Interests in Contracts

The Directors' interests in contracts are included with the related party disclosures in Note 31.1 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. 537,075/- (2020 Rs. 511,500/-)

A fee of Rs. 200,104/- (2020 Rs. 190,575/-) 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 17th May 2021 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

### Independence of Auditors

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

### Stated Capital

The Stated Capital of the Company as at 31st March 2021 was Rs. 368,256,000/- represented by 136,860,000 Ordinary Shares. There were no changes in the Stated Capital of the Company during the year.

On 26th March 2021 the Shareholders approved the sub-division of every one (1) Ordinary Share held by a Shareholder in to five (05) Ordinary Shares thereby increasing the total number of issued shares of the Company from 27,372,000 to 136,860,000.

### Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2021 and 31st March 2020 are as follows.

	Shareholding as at 31/03/2021	Shareholding as at 31/03/2020
Mr. S H Amarasekera	-	-
Mr. A M Weerasinghe	-	220,340
Mr. J A P M Jayasekera	75,000	-
Dr. S Selliah	-	-
Mr. T G Thoradeniya	-	-
Mr. A S Mahendra	-	-
Mr. K D G Gunaratne	-	-
Mr. C U Weerawardena	-	-

### Shareholders

There were 1,951 shareholders registered as at 31st March 2021 (1,194 shareholders as at 31st March 2020).

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 122 to 123 under Investor Information.

### Reserves

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

### Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 1,390 Mn (2020 – Rs.1,203 Mn)

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

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

Location	No. of buildings	Land in Extent (perches)	Valuation Rs. '000
Factory Complex, Belummahara, Belummahara, Imbulgoda	18	984.50	905,628.00
No:334/5, Colombo Road, Belummahara, Imbulgoda	1	20.00	12,000.00
No: 288/26, Colombo Road, Belummahara, Imbulgoda	-	81.60	51,000.00
No: 177/6, New Kandy Rd., Weliveriya	1	84.50	124,194.00
<b>Total</b>	<b>20</b>	<b>1170.60</b>	<b>1,092,822.00</b>

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 99 to 100.

### Capital Expenditure

The total capital expenditure during the year amounted to Rs. 54 Mn compared to Rs. 95 Mn incurred in the previous year. Details of movement in property, plant and equipment and capital work-in-progress are given under Note 13.1 to the financial statements.

### Donations

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

### Dividends

The Board declared an Interim dividend of Rs. 2.65 per share on 27th October 2020 and a second interim dividend of Rs. 4.10 on 17th March 2021.

On 25th May 2021, a third interim dividend of Rs.1.05 was declared and will be paid on 25th June 2021.

### Corporate Governance

Corporate Governance practices and principles with respect to the Management and Operations of the Company are set out on pages 43 to 49.

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

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

### Audit Committee

Mr. J D N Kekulawala - *Chairman*

Dr. S Selliah

Mr. T G Thoradeniya

### Remuneration Committee

Mr. S H Amarasekera - *Chairman*

Mr. R N Asiriwatham

Mr. L N De S Wijeyeratne

### Related Party Transaction Review Committee

Dr. S Selliah - *Chairman*

Mr. J D N Kekulawala

Mr. T G Thoradeniya

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2021

The Report on Corporate Governance I given on pages 43 to 49 of the Annual Report.

### Events Occurring After the Reporting Date

As disclosed in Note 35 to the financial statements there are no other material events as at the date of the auditor's report which require adjustment to or disclosure in the financial statements.

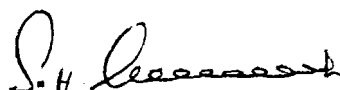
### Annual General Meeting

The Annual General Meeting will be held by way of electronic means on 30th June 2021 at 8.30 a.m.

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

By Order of the Board

**Swisstek (Ceylon) PLC**



**S H Amarasekera**

Chairman



**J A P M Jayasekera**

Managing Director



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

Secretaries

31 May 2021

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 2020/2021 including Cash Flows and borrowing facilities and consider

the Company has adequate resources to continue in operation.

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



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

31 May 2021

## CHIEF EXECUTIVE OFFICER'S AND CHIEF OPERATIONS 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*

31 May 2021

# REMUNERATION COMMITTEE REPORT

## Role of the Remuneration Committee

The Remuneration Committee is a sub - committee of Royal Ceramics Lanka PLC Board, to which it is accountable. The Committee evaluates the performance of the respective Group Company Boards, its Chief Executive Officers, Key Management Personal and executive staff against the set objectives and goals, and determines the remuneration policy of the Group 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

Remuneration Committee comprises of the following three independent non-executive Directors of Royal Ceramics Lanka PLC

Mr. S H Amarasekera	Chairman
Mr. R N Asirwatham	Committee Member - Independent Non-Executive
Mr. L N De S Wijeyeratne	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. The attendance of the members at the meeting is as follows.

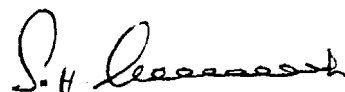
Mr. S H Amarasekera	1/1
Mr. R N Asirwatham	1/1
Mr. L N De S Wijeyeratne	1/1

## Functions Performed by the Remuneration Committee

- 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 61 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.



**S H Amarasekera**  
Chairman - Remuneration Committee

31 May 2021

# AUDIT COMMITTEE REPORT

## Role of the Audit Committee

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

## Composition of the Audit Committee

The Audit Committee comprised of the following three Non-Executive Directors of Lanka Walltiles 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 General Manager – Finance attend the meetings at the invitation of the Audit Committee.

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

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

## Meetings

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

Mr. J D N Kekulawala	5/5
Dr. S Selliah	5/5
Mr. T G Thoradeniya	4/5

## Functions performed by the Audit Committee

- The Committee reviewed the provisional financial statements that were published for financial year 2020/21 and the audited financial statements of financial year 2020/21. It reviewed the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- 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 related to this charter as requested by the Board of Directors.

Oversaw special investigations as needed. Reviewed and assessed the adequacy of the committee charter annually and requested board approval for proposed changes, and ensured appropriate disclosure as may be required by law or regulations.

## 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

31 May 2021



## 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;

- Ensure that the Company complies with the rules set out in the Listing Rules
- Subject to the exceptions given in the Listing Rules review, in advance all proposed related party transactions
- Perform other activities related to the Charter as requested by the Board
- Have meetings every fiscal quarter and report to the Board on the Committee's activities
- 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.
- 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 the Parent Company Lanka Walltiles PLC who is the parent Company of Swisstek (Ceylon) PLC.

Dr. S Selliah	Chairman - Independent Non-Executive
Mr. J D N Kekulawala	Independent Non-Executive
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 four meetings during the year. The attendance of the members at the meeting as follows;

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

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

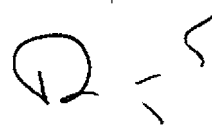
### Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2020/21. 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 2021, 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 page 123 of this Annual Report.

### Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to Related Party Transactions appears on the report of the Board of Directors on page 123 of this Annual Report.



**Dr. S Selliah**  
Chairman - Related Party Transactions Review Committee

31 May 2021

**Responding to the market opportunities  
and serving the local demand consistently  
bolstered our profitability generating healthy  
returns to shareholders.**



**FINANCIAL STATEMENTS**

# INDEPENDENT AUDITOR'S REPORT



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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Swisstek (Ceylon) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2021, 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 31 March 2021, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

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

#### Key Audit Matters

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



1. Valuation of Land and Buildings (PPE and Investment Property)	
Refer to accounting policies 3.4, 3.6 and note 13, 16 to the financial statements	
Risk Description	Our Response
<p>As at 31st March 2021, the Group's Land and Buildings carried at fair value, classified as Property, Plant and Equipment and Investment Properties amounting to Rs. 1,885 Mn and Rs. 147.2 Mn respectively. The management has engaged an independent professional Valuer with appropriate expertise to determine the fair value of these properties in accordance with recognized industry standards.</p> <p>The Group has incorporated a Covid-19 risk adjustment for property valuation to reflect the associated risks in the valuation model based on reasonable and supportable information available to management at the reporting date.</p> <p>We identified this as a key audit matter because of the significance of these properties and net change in fair value of these properties to the financial statements. Further, the valuation process involves significant judgment and estimation in determining the appropriate valuation methodology and estimating the key assumptions, such as capitalization rate, per perch price, market comparable used, value per square foot and tenure, which are subject to management bias.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> <li>♦ Assessing the objectivity, independence, competence and qualifications of the external Valuer.</li> <li>♦ With the assistance of valuation specialists assessing the key assumptions applied and conclusions made in deriving the fair value of the Land and Building. In addition to that, we have assessed the valuation methodologies with reference to recognized industry standards.</li> <li>♦ 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 assessing them based on our Knowledge of the business and industry.</li> <li>♦ Assessing the adequacy of disclosures in relation to fair value of land and buildings in the financial statements in accordance with the relevant accounting standards.</li> </ul>
2. Carrying Value of Inventories	
Refer to accounting policy 3.7 and note 17 to the financial statements	
<p>The Group carried inventories of Rs. 1,597 Mn as at 31 March 2021 at the lower of cost or net realisable value.</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.</p> <p>The COVID 19 outbreak resulted in interruption in business activities and resulted in loss of income for some of the corporates and individuals, which would adversely affect the ability to sell its inventories with a reasonable margin which would potentially impact the Net realizable value adjustments.</p> <p>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"> <li>♦ Testing the design, implementation and operating effectiveness of the key controls, management has established in arriving at criteria used for provision computations and to ensure the accuracy of the impairment provision.</li> <li>♦ Evaluating the net realizable value used for provision computation for the selected sample covering significant inventory categories.</li> <li>♦ 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.</li> <li>♦ 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.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT



### 3. Recoverability of Trade Receivable

#### Refer to accounting policy 3.8 and note 18 to the financial statements

The Group has trade receivables amounting to Rs. 1,403 Mn as at 31 March 2021.

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. The recoverability of trade receivables is dependent on the credit worthiness of customers and their ability to settle the amounts due.

Receivable impairment remains one of the most significant judgements made by management particularly in light of the uncertain economic outlook in the Country and, at the reporting date the potential impact of the global Covid-19 outbreak.

Given the level of judgments and estimates involved this is considered to be a key audit risk

Our Audit procedures included,

- ♦ 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

31 May 2021

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	Group		Company	
		2021	2020	2021	2020
		Rs.000	Rs.000	Rs.000	Rs.000
Revenue	6	<b>5,393,229</b>	4,634,962	<b>1,552,534</b>	1,418,975
Cost of sales		<b>(3,874,454)</b>	(3,661,346)	<b>(1,120,012)</b>	(1,021,078)
Gross profit		<b>1,518,775</b>	973,616	<b>432,522</b>	397,897
Other income	7	<b>91,336</b>	99,339	<b>142,975</b>	88,299
Administrative expenses		<b>(190,494)</b>	(124,151)	<b>(58,626)</b>	(49,457)
Selling and distribution expenses		<b>(410,451)</b>	(321,571)	<b>(87,333)</b>	(76,974)
Other expenses	8	<b>(34,173)</b>	(16,740)	<b>(12,373)</b>	(3,242)
Results from operating activities		<b>974,993</b>	610,493	<b>417,165</b>	356,523
Finance income	9.1	<b>4,046</b>	7,040	<b>12,490</b>	18,940
Finance cost	9.2	<b>(225,883)</b>	(384,823)	<b>(63,093)</b>	(88,486)
Net Finance cost		<b>(221,837)</b>	(377,783)	<b>(50,603)</b>	(69,546)
<b>Profit before tax</b>	10	<b>753,156</b>	232,710	<b>366,562</b>	286,977
Income tax expense	11	<b>(112,666)</b>	(64,937)	<b>(5,658)</b>	(78,508)
Profit for the year		<b>640,490</b>	167,773	<b>360,904</b>	208,469
<b>Other comprehensive income :</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Gain on revaluation of land and buildings		<b>128,005</b>	-	<b>125,199</b>	-
Re-measurements of defined benefit liability		<b>(6,555)</b>	(2,173)	<b>(3,407)</b>	(627)
Deferred tax on other comprehensive income	11.1	<b>45,190</b>	485	<b>45,121</b>	176
Other comprehensive income for the year		<b>166,640</b>	(1,688)	<b>166,913</b>	(451)
<b>Total comprehensive income for the year</b>		<b>807,130</b>	166,085	<b>527,817</b>	208,018
<b>Profit Attributable to;</b>					
Owners of the company		<b>597,352</b>	172,807	<b>360,904</b>	208,469
Non controlling interest		<b>43,138</b>	(5,034)	-	-
Profit for the year		<b>640,490</b>	167,773	<b>360,904</b>	208,469
<b>Total comprehensive income attributable to:</b>					
Owners of the company		<b>764,027</b>	171,275	<b>527,817</b>	208,018
Non controlling interest		<b>43,103</b>	(5,190)	-	-
<b>Total comprehensive income for the year</b>		<b>807,130</b>	166,085	<b>527,817</b>	208,018
Adjusted Basic Earning per Share	12	<b>4.36</b>	1.26	<b>2.64</b>	1.52

The notes on pages 75 to 121 are an integral part of the financial statements.

Figures in brackets indicate deductions




## STATEMENT OF FINANCIAL POSITION


As at 31 March,	Note	Group		Company	
		2021	2020	2021	2020
		Rs.000	Rs.000	Rs.000	Rs.000
<b>Assets</b>					
Property, plant and equipment	13	2,765,897	2,689,946	1,390,044	1,257,304
Capital work-in-progress	13.1	174,846	13,850	943	6,301
Intangible Assets	13.2	4,199	6,312	-	-
Investment in subsidiary	14	-	-	229,784	229,784
Other long term Investments	15	56,667	93	-	93
Investment property	16	147,200	142,000	147,200	142,000
<b>Non current assets</b>		<b>3,148,809</b>	<b>2,852,201</b>	<b>1,767,971</b>	<b>1,635,482</b>
Inventories	17	1,597,285	1,802,539	242,253	211,748
Trade and other receivables	18	1,553,544	1,244,606	474,056	429,857
Contract Assets	19.1	40,165	38,079	40,165	38,079
Tax Receivables		4,294	4,294	-	-
Amounts due from related parties	20	14,675	19,314	67,680	19,645
Cash and cash equivalents	21.1	217,164	155,342	197,518	138,237
<b>Current assets</b>		<b>3,427,127</b>	<b>3,264,174</b>	<b>1,021,672</b>	<b>837,566</b>
<b>Total assets</b>		<b>6,575,936</b>	<b>6,116,375</b>	<b>2,789,643</b>	<b>2,473,048</b>
<b>Equity</b>					
Stated capital	22	368,256	368,256	368,256	368,256
Reserves	23	796,941	624,735	694,623	524,929
Retained Earnings /(Losses)		1,533,341	1,126,282	604,873	431,511
<b>Equity attributable to owners of the company</b>		<b>2,698,538</b>	<b>2,119,273</b>	<b>1,667,752</b>	<b>1,324,696</b>
Non controlling interest		182,392	148,123	-	-
<b>Total equity</b>		<b>2,880,930</b>	<b>2,267,396</b>	<b>1,667,752</b>	<b>1,324,696</b>
<b>Liabilities</b>					
Retirement benefits Obligation	24	45,509	31,952	13,070	8,697
Lease liability	25.4	23,623	25,870	-	-
Deferred tax liability	11.2	331,816	316,383	207,077	281,956
Loans and borrowings	25.2	249,469	447,924	116,134	201,946
<b>Non current liabilities</b>		<b>650,417</b>	<b>822,129</b>	<b>336,281</b>	<b>492,599</b>
Trade and other payables	26	1,015,086	466,653	288,680	148,642
Contract liabilities	19.2	28,033	14,843	28,033	14,843
Loans & borrowings	25.1	184,558	206,131	71,915	50,250
Short term loans	27	1,455,136	1,686,885	218,918	277,611
Amounts due to related parties	28	2,705	75,680	2,705	2,099
Lease liability	25.4	2,247	1,907	-	-
Tax payable		26,043	30,876	26,045	30,876
Bank overdrafts	21.2	330,781	543,875	149,314	131,432
<b>Current liabilities</b>		<b>3,044,589</b>	<b>3,026,850</b>	<b>785,610</b>	<b>655,753</b>
<b>Total liabilities</b>		<b>3,695,006</b>	<b>3,848,979</b>	<b>1,121,891</b>	<b>1,148,352</b>
<b>Total equity and liabilities</b>		<b>6,575,936</b>	<b>6,116,375</b>	<b>2,789,643</b>	<b>2,473,048</b>


The notes on pages 75 to 121 are an integral part of the financial statements.  
Figures in brackets indicate deductions

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

  
**B T T 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

  
**A P M Jayasekara**  
Managing Director

31 May 2021  
Colombo

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021 <b>Group</b>	Stated capital	Revaluation reserve	Capital redemption reserve	General reserve	Retained earnings / (losses)	Total	Non-controlling interest	Total equity
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Balance as at 1st April 2019</b>	368,256	604,772	121	19,842	955,007	1,947,998	153,313	2,101,311
- Profit for the year	-	-	-	-	172,807	172,807	(5,034)	167,773
<b>Other comprehensive income</b>								
- Defined benefit plan actuarial gains/(losses)	-	-	-	-	(1,978)	(1,978)	(195)	(2,173)
- Deferred tax on other comprehensive income	-	-	-	-	446	446	39	485
	-	-	-	-	(1,532)	(1,532)	(156)	(1,688)
<b>Balance as at 31 March 2020</b>	368,256	604,772	121	19,842	1,126,282	2,119,273	148,123	2,267,396
- Profit for the year	-	-	-	-	597,352	597,352	43,138	640,490
<b>Other comprehensive income</b>								
- Defined benefit plan actuarial gains/(losses)	-	-	-	-	(6,158)	(6,158)	(397)	(6,555)
- Gain on revaluation of land	-	127,651	-	-	-	127,651	354	128,005
- Deferred tax on other comprehensive income	-	44,555	-	-	626	45,181	9	45,190
	-	172,206	-	-	(5,532)	166,674	(34)	166,640
<b>Transactions with owners of the Company</b>								
- Dividend paid	-	-	-	-	(184,761)	(184,761)	(8,835)	(193,596)
<b>Balance as at 31 March 2021</b>	368,256	776,978	121	19,842	1,533,341	2,698,538	182,392	2,880,930

For the year ended 31 March 2021		Retained earnings/ (losses)	General reserve	Capital redemption reserve	Revaluation reserve	Stated capital	Revaluation reserve	Capital redemption reserve	General reserve	Retained earnings/ (losses)	Total equity
<b>Company</b>		Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Balance as at 1st April 2019</b>			19,842	121	504,966	368,256			19,842	223,493	1,116,678
- Profit for the year			-	-	-	-	-	-	-	208,469	208,469
<b>Other comprehensive income</b>											
- Defined benefit plan actuarial gains/(losses)			-	-	-	-	-	-	-	(627)	(627)
- Deferred tax on other comprehensive income			-	-	-	-	-	-	-	176	176
			-	-	-	-	-	-	-	(451)	(451)
<b>Balance as at 31 March 2020</b>			19,842	121	504,966	368,256			19,842	431,511	1,324,696
- Profit for the year			-	-	-	-	-	-	-	360,904	360,904
<b>Other comprehensive income</b>											
- Defined benefit plan actuarial gains/(losses)			-	-	-	-	-	-	-	(3,407)	(3,407)
- Gain on revaluation of land and buildings			-	-	125,199	-	125,199	-	-	-	125,199
- Deferred tax on other comprehensive income			-	-	44,495	-	44,495	-	-	626	45,121
			-	-	169,694	-	169,694	-	-	(2,781)	166,913
<b>Transactions with owners of the Company</b>											
- Dividend paid (Note 22.1)			-	-	-	-	-	-	-	(184,761)	(184,761)
<b>Balance as at 31 March 2021</b>			19,842	121	674,660	368,256	674,660	121	19,842	604,873	1,667,752

The notes on pages 75 to 121 are an integral part of the financial statements.

Figures in brackets indicate deductions.

## STATEMENT OF CASH FLOWS

For the year ended 31 March,	Note	Group		Company	
		2021	2020	2021	2020
		Rs.000	Rs.000	Rs.000	Rs.000
<b>Profit before taxation</b>		<b>753,156</b>	232,710	<b>366,562</b>	286,977
<b>Adjustments For;</b>					
Depreciation of Property Plant and Equipment	13	<b>156,061</b>	147,531	<b>46,385</b>	40,812
Amortization	13.2	<b>2,113</b>	2,113	-	-
Inventory provision	17.1	<b>18,347</b>	4,999	<b>6,532</b>	2,065
Interest income	9.1	<b>(4,046)</b>	(1,322)	<b>(4,046)</b>	(1,322)
Provision on retirement benefit obligation	24.1	<b>9,619</b>	7,314	<b>2,338</b>	1,719
Dividend Income	7	-	-	<b>(61,170)</b>	-
Interest expense		<b>208,708</b>	384,823	<b>63,093</b>	88,486
(Profit)/Loss on sale of property, plant & equipment	7	-	9	-	(3)
Gain on revaluation of investment property	16	<b>(5,200)</b>	-	<b>(5,200)</b>	-
Provision for impairment of trade receivables	18	<b>15,825</b>	11,741	<b>5,841</b>	1,177
Exchange loss/ (gain)	9	<b>17,175</b>	(5,718)	<b>(8,444)</b>	(17,618)
<b>Changes in;</b>					
- Trade and other payables	26	<b>548,431</b>	(174,694)	<b>137,153</b>	16,721
- Amounts due to related parties	28	<b>(72,975)</b>	68,460	<b>606</b>	(5,120)
- Inventories	17	<b>186,906</b>	331,359	<b>(37,037)</b>	7,389
- Trade and other receivables	18	<b>(358,566)</b>	98,959	<b>(50,040)</b>	(27,585)
- Amounts due from related parties	20	<b>4,639</b>	(13,351)	<b>(47,943)</b>	(13,351)
- Contract Asset	19.1	<b>(2,086)</b>	20,190	<b>(2,086)</b>	20,190
- Contract Liability	19.2	<b>13,190</b>	(64,334)	<b>13,190</b>	(64,334)
<b>Cash generated from operating activities</b>		<b>1,491,297</b>	1,050,788	<b>425,735</b>	318,585
Interest paid		<b>(208,708)</b>	(384,823)	<b>(53,589)</b>	(88,486)
Income tax paid		<b>(40,247)</b>	(34,512)	<b>(40,247)</b>	(34,512)
Gratuity payment	24	<b>(2,617)</b>	(720)	<b>(1,373)</b>	(454)
<b>Net cash generated from operating activities</b>		<b>1,239,725</b>	630,733	<b>330,525</b>	212,751
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	13	<b>(81,465)</b>	(144,427)	<b>(48,568)</b>	(94,868)
Addition to Construction Work In Progress	13.1	<b>(183,538)</b>	(31,692)	-	(5,358)
Proceeds on disposal of property, plant & equipment		-	73	-	10
Other long Term Investment	15	<b>(56,574)</b>	(3)	-	(3)
Dividend Income	7	-	-	<b>61,170</b>	-
<b>Net cash generated from/(used in) investing activities</b>		<b>(321,577)</b>	(176,049)	<b>12,602</b>	(100,219)
<b>Cash flows from financing activities</b>					
Dividend paid		<b>(193,596)</b>	(53,593)	<b>(182,935)</b>	(53,593)
Interest income	9.1	<b>4,046</b>	1,322	<b>4,046</b>	1,322
Loan Obtained		<b>7,373,377</b>	5,893,394	<b>745,134</b>	525,305
Repayment of borrowings		<b>(7,827,059)</b>	(6,335,635)	<b>(867,974)</b>	(594,879)
<b>Net cash used in financing activities</b>		<b>(643,232)</b>	(494,512)	<b>(301,729)</b>	(121,845)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>274,916</b>	(39,828)	<b>41,399</b>	(9,313)
Cash & cash equivalents at the beginning of the year		<b>(388,533)</b>	(348,706)	<b>6,805</b>	16,118
<b>Cash &amp; cash equivalents at the end of the year</b>	21	<b>(113,617)</b>	(388,533)	<b>48,204</b>	6,805

The notes on pages 75 to 121 are an integral part of the financial statements.

Figures in brackets indicate deductions

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Reporting entity

Swisstek (Ceylon) PLC (the "Group") is a public limited liability Group incorporated and domiciled in Sri Lanka. The ordinary shares of the Group are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Group'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 31st March 2021 encompass the Group and its subsidiaries (together referred to as the "Group").

Descriptions of the nature of the operations and principal activities of the Group, and its Subsidiaries are given on note 3.1.

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 Consolidated Financial Statements of the Group and the separate Financial Statements of the Companies have been prepared and presented in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), and with the requirements of the Companies Act No. 7 of 2007.

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Group and its Subsidiaries as per provisions of Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards (SLFRSs/LKASs).

The Board of Directors acknowledges this responsibility as set out in the 'Statement of Directors' Responsibility for Financial Statements', 'Annual Report of the Board of Directors' and in the statement appearing with the Statement of Financial Position of this Annual Report.

The financial statements were authorized for issue by the directors on 31 May 2021.

### 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 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 11.2** – Deferred tax

**Note 13** – Property Plant and Equipment

**Note 24** – Retirement benefits obligation

**Note 33 & 34** – Commitment and contingencies

**Note 16** – Investment Property

**Note 18** – Impairment of Trade Receivables

**Note 6** – Revenue Recognition

**Note 36** – Impact of Covid 19

## NOTES TO THE FINANCIAL STATEMENTS

### 2.5. Measurement of Fair Value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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 transaction 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 transaction between market participants at the measurement date which takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 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.

## 2.7. Going Concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future and confirms that they do not intend either to liquidate or to cease operations of the Group. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

## 3. Significant accounting policies

The Group has initially adopted Definition of a Business (Amendments to IFRS 3) from 1 April 2020. A number of other new standards are also effective from 1 April 2020 but they do not have a material effect on the Group's financial statements.

The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 April 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in Note 3.1.

The accounting policies set out below have been applied consistently to all the periods presented in these Financial Statements and have been applied consistently by the Group, unless otherwise stated.

### 3.1 Basis of Consolidation

The consolidated financial statements (referred to as the "Group") Comprise the financial statements of the Group and its subsidiaries prepared in terms of Sri Lanka Accounting Standard (SLFRS-10) Consolidated Financial Statement and share of profit or loss.

Swisstek Aluminium Limited manufactures and sells aluminium extrusions and allied products through a network of dealers and distributors.

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

### 3.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see 3.1.2). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 3.8). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure

## NOTES TO THE FINANCIAL STATEMENTS

of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

### 3.1.2. Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

### 3.1.3. Non-controlling interest

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

### 3.1.4. Transactions eliminated on consolidation

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

#### Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

## 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 Group 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

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 Group 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



- 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 Group 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 Group 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.

#### Financial assets - Business model assessment:

The Group 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 de recognition are not considered sales for this purpose, consistent with the Group'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

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 Group 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 Group 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

## NOTES TO THE FINANCIAL STATEMENTS

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

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.

### 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 Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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 Group 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

#### (i) Non-derivative financial assets

##### Financial instruments and contract assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

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

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 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 Group 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 Group expects to receive).

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

##### Credit-impaired financial assets

At each reporting date, the Group 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 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

### Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group 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 Group 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 Group 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 Group's procedures to recovery of amounts due.

### Non-financial assets

The carrying amounts of the Group'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. 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.

### 3.4.3. 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.

### 3.4.4. 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 Group 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 lifetime
Buildings	5 - 50 Years
Plant & machinery	5 - 20 Years
Factory Electrification	5 - 20 Years
Furniture & fittings	5 -10 Years
Motor vehicles	5 - 10 Years
Office Equipment	4 - 5 Years
Road way	25 Years
Tools & Equipment	2 - 5 Years

### 3.4.5. Intangible assets

An intangible asset is an identifiable non monetary asset without physical substance held for use in the production or supply of goods or services, or for administrative purpose.

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.

#### 3.4.5.1. Computer Software

Computer software are amortised over their estimated useful economic life on a straight-line basis. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful lives for the current and comparative periods is 5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date.

#### De-recognition

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and subsequent disposal.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.5. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

#### As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot

be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- ♦ fixed payments, including in-substance fixed payments;
- ♦ variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- ♦ amounts expected to be payable under a residual value guarantee; and
- ♦ the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

#### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 3.6. 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.

### 3.7. 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.

### 3.8. Trade and other receivables

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

### 3.9. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

### 3.10. 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.

#### 3.10.1. 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.

#### 3.10.2. Employee benefits

##### 3.10.2.1. 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

## NOTES TO THE FINANCIAL STATEMENTS

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 Group 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.

### 3.10.2.2. 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.

The Group and employees contribute 12% and 8% respectively of the salary of each employee to the Employees' Provident Fund managed by the Central Bank of Sri Lanka. The Company contribute 3% of the salary of each employee to the Employees' Trust Fund managed by Central Bank of Sri Lanka.

### 3.10.2.3. Short-Term benefits

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

A liability is recognised for the amount expected to be paid 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.

### 3.11. Commitments and contingencies

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

### 3.12. Trade and other payables

Trade and other payables are stated at their cost.

### 3.13. Stated Capital

As per the Companies Act No. 07 of 2007, section 58 (1), stated capital in relation to a Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of call in arrears. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

### 3.14. 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 Group performance.

### 3.15.1. Revenue recognition

#### 3.15.1.1. Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

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.



Type of product / service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
1) Sale of Manufacturing and Trading Goods.	The Group engaged in varieties of sale of goods in Tile related products, Decorative pebbles and Trading sales of Aluminium 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.
2) Sale of Timber with installation services	The Group supply Timber to customers with installation services embedded in the contract.	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.  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.

### 3.15.2. Other Income

#### 3.15.2.1. Rental income

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

#### 3.15.2.2. Commission income

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

#### 3.15.2.3. 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.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset

are recognized in profit or loss using the effective interest method. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the asset.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance

income or finance cost depending on whether foreign currency movement are in a net gain or net loss position.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying

## NOTES TO THE FINANCIAL STATEMENTS

amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### 3.15.3. 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.

Provision have also been made for impairment of financial assets, all known liabilities and depreciation on property, plant and equipment.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to the income statement in the year in which the expenditure is incurred. The profit earned by the Group is before income tax expense and after making provision for all known liabilities and for the depreciation of property, plant & equipment.

### 3.16. Taxation

#### 3.16.1. Income Tax

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

#### 3.16.2. 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.

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.

The provision for income tax on the Group's operation is based on the elements of income and expenditures reported in the Financial Statements and computed with in accordance with the provisions of the Inland Revenue Act No.24 of 2007.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

#### 3.16.3. Deferred Taxation

Deferred tax is recognised using the reporting method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a

transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized based on the level of future taxable profit forecasts and tax planning strategy.

### 3.17. Events after the reporting period

The materiality of the events after the reporting date has been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements wherever necessary.

### 3.18. 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 Group by the weighted average number of ordinary shares outstanding during the period.

### 3.19. 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.

### 3.20. 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 Group's headquarters), head office expenses, and tax assets and liabilities. Inter-segment transfers are based on fair market prices. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

The Group comprises the following main business segments;

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

### 3.21. Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other,

irrespective of whether a price is being charged. The relevant details are disclosed in the respective notes to the Financial Statements.

### 3.22. Statement of cash flows

The cash flow statement has been prepared using the 'indirect method' in accordance with Sri Lanka Accounting Standard - LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalent comprise cash in hand and cash at bank that are readily convertible to known amount of cash and subject to an insignificant risk of change in value.

Interest received and dividends received are classified as investing cash flows, while dividend paid is classified as financing cash flows and interest paid is classified under the operating cash flows for the purpose of presentation of Cash Flow Statement. Bank overdrafts that are repayable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purpose of the Statement of Cash Flows.

### 3.23. New Accounting Standards issued but not effective as at the Reporting date.

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

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

- Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16)
- Other standards
  - ◆ Covid-19 Related Rent Concessions (Amendments to IFRS 16)
  - ◆ Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
  - ◆ Reference to Conceptual Framework (Amendments to IFRS 3)
  - ◆ Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Financial risk management

#### Overview

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

- ♦ Credit risk – See Note 29.1.1
- ♦ Liquidity risk - See Note 29.1.2
- ♦ Market risk (currency risk & interest rate risk) - See Note 29.1.3

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group'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 Group, 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.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

#### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Segment Information

Information about reportable segments for the year ended 31 March 2021;

	Tile related products Rs.000	Wooden flooring and installation Rs.000	Aluminium Rs.000	Other Rs.000	Total Rs.000
Total segment revenue	1,266,207	190,157	3,899,476	37,389	5,393,229
Total segment cost of sales	(682,481)	(167,278)	(2,988,319)	(36,376)	(3,874,454)
Segment gross profits	583,726	22,879	911,157	1,013	1,518,775
Other income					91,336
Administration expenses					(190,494)
Distribution expenses					(410,451)
Other expenses					(34,173)
Net Finance cost					(221,837)
Income tax expense					(112,666)

Information about reportable segments for the year ended 31 March 2020;

	Tile related products Rs.000	Wooden flooring and installation Rs.000	Aluminium Rs.000	Other Rs.000	Total Rs.000
Total segment revenue	993,460	361,438	3,244,074	35,990	4,634,962
Total segment cost of sales	(682,480)	(167,278)	(2,775,212)	(36,376)	(3,661,346)
Segment gross profits	310,980	194,160	468,862	(386)	973,616
Other income					99,339
Administration expenses					(124,151)
Distribution expenses					(321,571)
Other expenses					(16,740)
Net Finance cost					(377,783)
PBT					232,710
Income tax expense					(64,937)

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

	Tile related products	Wooden flooring and installation	Aluminium	Other	Total
<b>As at 31 March 2021</b>					
<b>Assets</b>	2,364,691	355,126	3,786,293	69,826	6,575,936
<b>Liabilities</b>	950,991	142,819	2,573,115	28,081	3,695,006
<b>Capital expenditure</b>	48,401	167	32,897	-	81,465

	Tile related products	Wooden flooring and installation	Aluminium	Other	Total
<b>As at 31 March 2020</b>					
Assets	1,766,407	642,649	3,643,327	63,991	6,116,375
Liabilities	820,228	298,412	2,700,626	29,714	3,848,980
Capital expenditure	91,390	3,478	49,559	-	144,427

	Group		Company	
	2021	2020	2021	2020
For the year ended 31 March,	Rs.000	Rs.000	Rs.000	Rs.000
<b>6. Revenue</b>				
Tile related products	<b>1,266,207</b>	993,460	<b>1,266,207</b>	993,460
Wooden flooring & installation	<b>190,157</b>	361,438	<b>190,157</b>	361,438
Decorative pebbles	<b>16,055</b>	15,243	<b>16,055</b>	15,243
Trading sales	<b>20,314</b>	18,065	<b>20,314</b>	18,065
Fibre Cement	<b>1,020</b>	2,682	<b>1,020</b>	2,682
Aluminium	<b>3,899,476</b>	3,244,074	<b>58,781</b>	28,087
	<b>5,393,229</b>	4,634,962	<b>1,552,534</b>	1,418,975
<b>6.1. Disaggregation of revenue based on timing</b>				
Revenue recognized in pointing time	<b>5,203,072</b>	4,273,524	<b>1,362,377</b>	1,057,537
Revenue recognized in over time	<b>190,157</b>	361,438	<b>190,157</b>	361,438
	<b>5,393,229</b>	4,634,962	<b>1,552,534</b>	1,418,975
<b>7. Other income</b>				
Gain/(Loss) on disposal of property, plant & equipment	-	(9)	-	3
Increase in fair value of investment property	<b>5,200</b>	-	<b>5,200</b>	-
Rent income	<b>23,488</b>	25,104	<b>18,317</b>	20,298
Sales commission	<b>53,792</b>	64,803	<b>53,792</b>	64,803
Dividend Income	-	-	<b>61,170</b>	-
Sundry income	<b>8,856</b>	9,441	<b>4,496</b>	3,195
	<b>91,336</b>	99,339	<b>142,975</b>	88,299
<b>8. Other expenses</b>				
Provision for obsolete and slow moving inventory	<b>18,348</b>	4,999	<b>6,532</b>	2,065
Debtors provision	<b>15,825</b>	11,741	<b>5,841</b>	1,177
	<b>34,173</b>	16,740	<b>12,373</b>	3,242

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>9. Net finance cost</b>				
<b>9.1 Finance income</b>				
Interest income	4,046	1,322	4,046	1,322
Foreign exchange gain	-	5,718	8,444	17,618
	<b>4,046</b>	7,040	<b>12,490</b>	18,940
<b>9.2 Finance cost</b>				
Interest expenses on short term borrowings	174,691	329,607	48,366	70,923
Bank overdraft interest & charges	34,017	55,216	14,727	17,563
Foreign exchange loss	17,175	-	-	-
	<b>225,883</b>	384,823	<b>63,093</b>	88,486
Net finance cost recognized in profit or loss	<b>(221,837)</b>	(377,783)	<b>(50,603)</b>	(69,546)
<b>10. Profit before taxation</b>				
Is stated after charging all expenses including the following;				
Directors' emoluments	12,164	11,697	2,360	2,451
Auditors' remuneration - Statutory audit	637	512	537	512
- Non audit services	492	507	380	395
- Other Auditors	299	269	-	-
Salaries, wages and other related cost	388,697	307,064	84,227	73,241
Defined benefit plan cost - Retirement gratuity	9,619	7,314	2,338	1,719
Defined contribution plan cost - EPF & ETF	24,055	18,456	5,321	4,935
Depreciation on property plant and equipment	156,061	147,531	46,385	40,812
Provision for Obsolete Inventory	18,347	4,999	6,532	2,065
Provision for Impairment of Trade Receivables	15,825	11,741	5,841	1,177
Amortization of Intangible Assets	2,113	2,113	-	-
For the year ended 31 March,	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>11. Income tax expense</b>				
<b>Current Tax Expenses</b>				
Current tax expense	67,696	64,621	66,455	64,621
Deferred tax (reversal) / charge for the year (Note 11.1)	60,624	569	(29,758)	14,140
ESC Write Off	15,385	-	-	-
(Over) / under provision in respect of prior year	(31,039)	(253)	(31,039)	(253)
	<b>112,666</b>	64,937	<b>5,658</b>	78,508

As explained in Note 11.2, the new tax rates of 14%, 18% and 24% (2020 - 28%) has been used for the computation of Current Tax and 18.37 % (2020- 28%) for the computation of Deferred tax in these financial statements.



For the year ended 31 March,	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>Reconciliation of the accounting profit and the income tax expense</b>				
Profit before taxation	<b>753,156</b>	232,710	<b>366,562</b>	286,977
Non business income	-	10	-	10
Aggregate disallowed expenses and income	<b>219,948</b>	182,423	<b>74,173</b>	57,219
Aggregate allowed Items	<b>(173,669)</b>	(288,982)	<b>(79,016)</b>	(113,417)
Current year tax losses utilized	<b>(432,545)</b>	-	-	-
Current year tax losses not utilized	-	104,629	-	-
<b>Taxable Income</b>	<b>366,890</b>	230,789	<b>361,719</b>	230,789
Income tax at 14% - Dividend Income	<b>8,564</b>	-	<b>8,564</b>	-
Income tax at 14% - Export Turnover	<b>263</b>	-	<b>263</b>	-
Income tax at 18% - Manufacturing Income	<b>42,159</b>	-	<b>42,159</b>	-
Income tax at 24% - Service & Other	<b>16,710</b>	-	<b>15,469</b>	-
Income tax at 28%	-	64,621	-	64,621
<b>Total Income Tax Expense for the year</b>	<b>67,696</b>	64,621	<b>66,455</b>	64,621
<b>11.1. Movement in deferred tax balance during the year</b>				
Balance at the beginning of the year	<b>316,383</b>	316,298	<b>281,956</b>	267,991
(Reversed)/originated during the year	<b>110,473</b>	569	<b>20,092</b>	14,140
Effect of change in tax rates - Recognized in Profit or Loss	<b>(49,850)</b>	-	<b>(49,850)</b>	-
- Recognized in other comprehensive income	<b>(67,494)</b>	-	<b>(67,494)</b>	-
Originated/(reversal) during the year - Recognized in other comprehensive income	<b>22,304</b>	(485)	<b>22,373</b>	(176)
Balance at the end of the year	<b>331,816</b>	316,383	<b>207,077</b>	281,956

## NOTES TO THE FINANCIAL STATEMENTS

## 11.2. Deferred tax provision / reversal for the year

Deferred tax assets and liabilities are attributable to the following:

	Group				Company			
	2021		2020		2021		2020	
	Temporary Difference	Deferred Tax	Temporary Difference	Deferred Tax	Temporary Difference	Deferred Tax	Temporary Difference	Deferred Tax
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Deferred tax assets</b>								
Employee benefits	45,509	8,889	31,953	7,086	13,070	2,401	8,697	2,435
Inventory provision	15,688	2,882	9,156	2,564	15,688	2,882	9,156	2,564
Provision for impairment receivable of trade receivables-Collective	41,055	8,076	2,435	682	8,276	1,520	2,435	681
Tax losses	75,724	15,145	577,486	115,497	-	-	-	-
	177,978	34,992	621,030	125,829	37,034	6,803	20,288	5,680
<b>Deferred tax liabilities</b>								
Property, plant and equipment - Other than Land	(1,029,357)	(201,123)	(1,048,574)	(231,771)	(291,323)	(53,516)	(275,697)	(77,195)
Investment Property	(110,139)	(20,233)	(104,940)	(29,383)	(110,139)	(20,233)	(104,940)	(29,383)
Land carried at Revaluation	(789,436)	(145,453)	(646,636)	(181,058)	(762,825)	(140,131)	(646,636)	(181,058)
	(1,928,932)	(366,809)	(1,800,150)	(442,212)	(1,164,287)	(213,880)	(1,027,273)	(287,636)
<b>Net deferred tax asset/ (liability)</b>	<b>(1,750,954)</b>	<b>331,816</b>	<b>(1,179,120)</b>	<b>(316,383)</b>	<b>(1,127,253)</b>	<b>(207,077)</b>	<b>(1,006,985)</b>	<b>(281,956)</b>

## 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	
	2021	2020	2021	2020
Profit attributable to ordinary shareholders (Rs. 000)	<b>597,352</b>	172,807	<b>360,904</b>	208,469
Weighted average number of ordinary shares*	<b>136,860,000</b>	136,860,000	<b>136,860,000</b>	136,860,000
<b>Earnings per share (Rs.)</b>	<b>4.36</b>	1.26	<b>2.64</b>	1.52
<b>Weighted average number of ordinary shares</b>				
Issued ordinary shares*	<b>136,860,000</b>	136,860,000	<b>136,860,000</b>	136,860,000
<b>Weighted average number of ordinary shares in issue during the year*</b>	<b>136,860,000</b>	136,860,000	<b>136,860,000</b>	136,860,000

\* Adjusted for Sub-division of shares (2020 actual was 27,372,000 shares)

## 13 Property, plant & equipment

- (a) The lands and buildings have been revalued by an Independent Chartered valuer, Mr. D.G. Newton, on 31 March 2021 on contractor's method as follows. The said valuation has been incorporated in the financial statements and the surplus arising from the revaluation was recognized under OCI.
- (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.
- (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 31.03.2021 Rs. '000	Carrying value as at 31.03.2020 Rs. '000
<b>Swisstek (Ceylon) PLC</b>				
Factory Complex, Belummahara, Imbulgoda	985	1,381	<b>1,381</b>	1,381
No:334/5, Colombo Road, Belummahara, Imbulgoda	20	5,753	<b>5,753</b>	5,753
No: 288/26, Colombo Road, Belummahara, Imbulgoda	81.6	38,080	<b>38,080</b>	38,080
No: 177/6, New Kandy Rd., Weliweriya	85.0	37,961	<b>37,961</b>	37,961
	1,171.5	83,175	<b>83,175</b>	83,175
<b>Swisstek Aluminium Ltd</b>				
Land at Pahala Dompe, Dompe Lot 01	R02-P17.7	8,780	<b>8,780</b>	8,780
Land at Pahala Dompe, Dompe Lot 02	A9-R1-P15.9	173,000	<b>173,000</b>	173,000
Land at Pahala Dompe, Dompe Lot 03	A0-R2-P5.	3,425	<b>3,425</b>	3,425
		185,205	<b>185,205</b>	185,205

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

	Extent/floor Area sq.ft	No. of buildings	Cost Rs. '000	Accumulated depreciation Rs. '000	Carrying value as at 31.03.2021 Rs. '000	Carrying value as at 31.03.2020 Rs. '000
<b>Swisstek (Ceylon) PLC</b>						
Factory Complex, Belummahara	62,530	17	72,030	21,555	<b>50,475</b>	42,143
No: 334/5, Belummahara	1,384	1	288	31	<b>257</b>	262
Factory Complex, Belummahara, Crushing Plant 2	7,000	1	56,309	7,581	<b>48,728</b>	51,112
No: 177/6, Weliweriya	27,170	1	80,563	7,357	<b>73,206</b>	76,530
			209,190	36,524	<b>172,666</b>	170,047
<b>Swisstek Aluminium Ltd</b>						
Building at Pahala Dompe	171,861	2	573,305	13,907	<b>559,398</b>	519,801
			573,305	13,907	<b>559,398</b>	519,801

## NOTES TO THE FINANCIAL STATEMENTS

(e) Land and Building carried at Revalued amounts

## Swisstek (Ceylon) PLC

Address	Type of property	No. of buildings	Extent	Valuation Technique	Significant unobservable input : price/ acre/range	Carrying Amount 31.03.2021	Revaluation Surplus	Fair Value 31.03.2021
Factory Complex, Belummahara, Imbulgoda	Land	-	985 Perches	Market based evidence	Rs. 750,000/- per perch	633,500	104,875	738,375
No: 288/26, Colombo Road, Belummahara, Imbulgoda	Land	-	81.6 perches	Market based evidence	Rs. 625,000/- per perch	47,000	4,000	51,000
No: 334/5, Colombo Road, Belummahara, Imbulgoda	Land	-	20 Perches	Market based evidence	Rs. 600,000/- per perch	11,350	650	12,000
No: 177/6, New Kandy Rd., Welliwariya	Land	-	85 Perches	Market based evidence	Rs. 525,000/- per perch	37,961	6,664	44,625
Factory Complex, Belummahara, Imbulgoda	Buildings	18	69,530 sq.ft	Contractors Method	Rs. 500/- to 4,000/- per sq.ft.	165,668	1,585	167,253
No: 334/5, Colombo Road, Belummahara, Imbulgoda	Buildings	1	1,384 sq.ft	Depreciated Replacement cost		327	(327)	-
No: 177/6, New Kandy Rd., Welliwariya	Buildings	1	27,170 sq.ft	Contractors Method	Rs. 2,750/- to 3,250/- per sq.ft.	71,817	7,752	79,569
						967,623	125,199	1,092,822

## Swisstek Aluminium Ltd

Address	Type of property	No. of buildings	Extent	Valuation Technique	Significant unobservable input: price/ acre/ range	Carrying Amount 31.03.2021	Revaluation Surplus	Fair Value 2021
Land at Pahala Dompe, Dompe Lot 01	Land	-	R02-P17.7	Market based Evidence	Rs. 20 Mn per acre	10,728	1,484	12,213
Land at Pahala Dompe, Dompe Lot 02	Land	-	A9-R1-P15.9	Market based Evidence	Rs. 24 Mn per acre	195,280	6,559	201,839
Land at Pahala Dompe, Dompe Lot 03	Land	-	A0-R2-P5.2	Market based Evidence	Rs. 8 Mn per acre	4,000	260	4,260
Building at Pahala Dompe, Dompe	Buildings	2	171,861 Sq.ft	Contractor's method	Rs. 40,000/- to Rs. 175,000/- per perch	579,850	(5,497)	574,353
						789,858	2,806	792,665

Group

Description	Freehold Land	Buildings	Plant & Machinery	Machinery under Lease	Factory Electrification	Furniture & Fittings	Motor Vehicles	Office Equipments	Road Way	Tools & Equipments	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Cost/ Revaluation</b>											
As at 1st April 2020	939,819	868,516	1,325,648	8,853	23,607	13,185	68,243	24,220	3,418	21,006	3,296,515
Additions during the year	-	7,794	78,022	31,265	2,355	2,086	8,873	5,952	2,419	5,662	144,427
Transfers from CWIP	-	25,711	3,013	-	-	-	-	-	-	-	28,724
Disposals/transfers	-	-	8,853	(8,853)	-	-	(604)	(61)	-	-	(665)
<b>As at 31 March 2020</b>	939,819	902,021	1,415,535	31,265	25,962	15,271	76,512	30,111	5,837	26,668	3,469,001
Additions during the year	-	12,137	45,500	-	1,362	3,007	-	12,086	904	6,469	81,465
Transfers from CWIP	-	20,785	1,758	-	-	-	-	-	-	-	22,542
Revaluation reversal of Cost	-	(117,279)	-	-	-	-	-	-	-	-	(117,279)
Revaluation Gain/(Loss)	124,491	3,514	-	-	-	-	-	-	-	-	128,005
<b>As at 31 March 2021</b>	1,064,310	821,177	1,462,793	31,265	27,324	18,278	76,512	42,197	6,741	33,137	3,583,734
<b>Accumulated depreciation</b>											
As at 1st April 2020	-	71,010	490,034	5,754	5,417	7,942	23,660	14,553	208	13,529	632,107
Charge for the Year	-	22,642	94,988	4,033	2,789	1,975	11,678	5,014	0	4,411	147,531
Disposals/Transfers	-	-	5,754	(5,754)	-	-	(529)	(54)	-	-	(583)
<b>As at 31 March 2020</b>	-	93,652	590,776	4,033	8,206	9,917	34,809	19,513	208	17,940	779,055
Charge for the Year	-	23,627	98,370	4,633	3,059	2,127	12,488	5,644	-	6,114	156,061
Disposals/Transfers	-	-	-	-	-	-	-	-	-	-	-
Revaluation reversal of depreciation	-	(117,279)	-	-	-	-	-	-	-	-	(117,279)
<b>As at 31 March 2021</b>	-	-	689,146	8,666	11,265	12,044	47,297	25,157	208	24,054	817,837
As at 31 March 2020	939,819	808,368	824,759	27,232	17,755	5,354	41,703	10,598	5,629	8,728	2,689,946
<b>As at 31 March 2021</b>	1,064,310	821,177	773,647	22,599	16,059	6,234	29,215	17,040	6,533	9,084	2,765,897

Property, plant and equipment of the group consists of fully depreciated assets with a value of Rs. 63,535,466/- (2020 - Rs. 39,422,226/-) as at the year end.

## NOTES TO THE FINANCIAL STATEMENTS

## Company

Description	Freehold Land Rs.000	Buildings Rs.000	Plant & Machinery Rs.000	Machinery under Lease Rs.000	Factory Electrification Rs.000	Furniture & Fittings Rs.000	Motor Vehicles Rs.000	Office Equipments Rs.000	Road Way Rs.000	Tools & Equipments Rs.000	Total Rs.000
<b>Cost/ Revaluation</b>											
As at 1st April 2020	729,811	249,935	231,794	8,853	23,606	4,899	26,182	10,234	3,418	6,518	1,295,252
Additions during the year	-	7,794	67,121	-	2,355	140	8,873	2,350	2,419	3,817	94,868
Disposals/transfers			8,853	(8,853)				(61)			(61)
<b>As at 31 March 2020</b>	729,811	257,729	307,768	-	25,961	5,039	35,055	12,523	5,837	10,335	1,390,059
Additions during the year	-	11,248	29,832	-	1,362	222	-	3,260	904	1,741	48,568
Transfers from CWIP		5,358									5,358
Revaluation reversal of Cost	-	(36,524)	-	-	-	-	-	-	-	-	(36,524)
Revaluation Gain/(Loss)	116,189	9,011	-	-	-	-	-	-	-	-	125,199
<b>As at 31 March 2021</b>	846,000	246,822	337,600	-	27,323	5,261	35,055	15,783	6,741	12,076	1,532,660
<b>Accumulated depreciation</b>											
As at 31 March 2019	-	18,794	40,342	5,754	5,416	2,439	8,828	6,353	207	3,864	91,996
Charge for the Year	-	8,640	19,497	-	2,789	843	5,487	1,558	-	1,997	40,812
<b>Disposals/Transfers</b>	-	-	5,754	(5,754)	-	-	-	(54)	-	-	(54)
<b>As at 31 March 2020</b>	-	27,434	65,593	-	8,206	3,281	14,315	7,857	207	5,860	132,755
Charge for the Year	-	9,090	22,086	-	3,059	765	6,297	1,710	-	3,379	46,385
Disposals/Transfers	-	-	-	-	-	-	-	-	-	-	-
Revaluation reversal of depreciation	-	(36,524)	-	-	-	-	-	-	-	-	(36,524)
<b>As at 31 March 2021</b>	-	-	87,679	-	11,265	4,046	20,612	9,568	207	9,239	142,616
As at 31 March 2020	729,811	230,294	242,174	-	17,755	1,758	20,740	4,666	5,630	4,475	1,257,304
<b>As at 31 March 2021</b>	846,000	246,822	249,921	-	16,058	1,215	14,443	6,215	6,534	2,837	1,390,044

Property, plant and equipment of the company consists of fully depreciated assets with a value of Rs. 17,775,813/- (2020- Rs. 11,605,968/-) as at the year end.

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date other than the ones disclosed in Note 25.3 of these financial statements.

There were no restrictions existed on title of property, plant and equipment of the Company and Group as at the reporting date.

There was no temporary idle property, plant and equipment as at the reporting date.

The amount or expenditures recognized in the carrying amount of property, plant and equipment in course of Construction is disclosed in Note 13.1 in these financial statements.

There was no compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

There were no property, plant and equipment retired from active use at the reporting date.

	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>13.1 Capital work - in - progress</b>				
<b>Balance as at the beginning of the year</b>	<b>13,850</b>	10,882	<b>6,301</b>	943
Cost incurred during the year	<b>183,538</b>	31,692	-	5,358
During the year transferred to PPE	<b>(22,542)</b>	(28,724)	<b>(5,358)</b>	-
<b>Balance as at 31 March</b>	<b>174,846</b>	13,850	<b>943</b>	6,301

Capital working progress includes Rs. 157 Mn for Solar project, Rs. 16 Mn for New factory building & Rs. 0.9 Mn for Nawala office modification of Swisstek Aluminium Limited and Rs. 0.9 Mn for New warehouse of Swisstek (Ceylon) PLC.

	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>13.2 Intangible Assets</b>				
<b>Cost</b>				
As at 01 April	<b>13,751</b>	13,751	-	-
Additions during the year	-	-	-	-
Disposals/transfers	-	-	-	-
<b>As at 31 March</b>	<b>13,751</b>	13,751	-	-
<b>Accumulated amortization</b>				
As at 01 April	<b>7,439</b>	5,326	-	-
Amortization for the Year	<b>2,113</b>	2,113	-	-
<b>As at 31 March</b>	<b>9,552</b>	7,439	-	-
Net book value	<b>4,199</b>	6,312	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Investment in subsidiary

	No of shares As at 31-03-2021	Holding %	Cost As at 31-03-2021 Rs.000	No of shares As at 31-03-2020	Holding %	Cost As at 31-03-2020 Rs.000
Swisstek Aluminium Ltd	<b>122,340,570</b>	87.38%	<b>229,784</b>	122,340,570	87.38%	229,784
Swisstek Development (Pvt) Limited	<b>1</b>	100%	<b>0.01</b>	-	-	-
			<b>229,784</b>			229,784

In respect of COVID-19, there was no any impairment indication identified for the Investment in Subsidiary above.

### 15. Other Long Term Investments

	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
CP Holding (Pvt) Limited	<b>56,667</b>	-	-	-
Swisstek Development (Pvt) Limited	-	93	-	93
	<b>56,667</b>	93	-	93

During the year the Group invested in 16.67% (Number of shares - 5,666,667) shareholding in CP Holdings (Pvt) Ltd.

### 16. Investment Property

	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>Cost/ Revaluation</b>				
<b>Balance as at 1 April</b>	<b>142,000</b>	142,000	<b>142,000</b>	142,000
Change in fair value	<b>5,200</b>	-	<b>5,200</b>	-
<b>Balance as at 31 March</b>	<b>147,200</b>	142,000	<b>147,200</b>	142,000

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 Ceramics Lanka PLC (RCL).

The carrying amount of Investment Property is the fair value of the property as determined by a registered independent valuer Mr. D.G. Newton on 31 March 2021.

Address	Type of property	Occupying party	No. of buildings	Extent	Cost	Date of Valuation	Fair Value 2021	Fair Value 2020
Factory Complex, Belummahara, Imbulgoda	Tile Stores	LT /LW	1	27,285 sq.ft	5,663	31-Mar-21	<b>87,067</b>	83,991
Factory Complex, Belummahara, Imbulgoda	Sales center	LT /LW/ RCL	1	4,944 sq.ft	14,053	31-Mar-21	<b>30,473</b>	29,397
Factory Complex, Belummahara, Imbulgoda	Open Shed	LW	1	3,524 sq.ft	6,277	31-Mar-21	<b>8,133</b>	7,845
Factory Complex, Belummahara, Imbulgoda	Warehouse	RCL	1	4,950 sq.ft	11,067	31-Mar-21	<b>21,527</b>	20,767
					37,060		<b>147,200</b>	142,000



	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>17. Inventories</b>				
Spares and consumables	161,142	137,196	17,099	15,374
Raw material	558,939	604,815	173,784	151,217
Work in progress	170,254	182,440	7,630	10,735
Finished goods	683,739	675,560	33,279	30,395
Goods in transit	53,648	214,618	26,149	13,183
Less: Provision for obsolete and slow moving items - (Note 17.1)	(30,437)	(12,090)	(15,688)	(9,156)
	1,597,285	1,802,539	242,253	211,748
<b>Note 17.1 - Provision for obsolete and slow moving items</b>				
Balance as at 1 April	12,090	7,091	9,156	7,091
Provision made during the year	18,347	4,999	6,532	2,065
Balance as at 31 March	30,437	12,090	15,688	9,156

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

	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>18 Trade and other receivables</b>				
Trade receivables - Others	1,133,933	954,354	192,731	232,538
- Related parties (Note 18.1)	309,748	229,351	265,461	188,298
	1,443,681	1,183,705	458,192	420,836
Less : Provision for impairment of trade debtors	(41,055)	(25,230)	(8,276)	(2,435)
Deposits, advances, prepayments & other recoverables	138,137	56,703	24,140	11,456
Tax recoverables	12,781	29,428	-	-
	1,553,544	1,244,606	474,056	429,857
<b>18.1 - Trade receivables - Related parties</b>				
Lanka Tiles PLC	275,903	202,136	243,240	167,007
Lanka Walltiles PLC	6,587	-	-	-
Royal Ceramics Lanka PLC	25,048	26,381	22,221	21,291
Lanka Ceramic	2,210	834	-	-
	309,748	229,351	265,461	188,298

## NOTES TO THE FINANCIAL STATEMENTS

### 19. Contract Asset and Liabilities

#### 19.1. Contract Assets

Year ended 31 March,	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
As at 1st April	<b>38,079</b>	58,269	<b>38,079</b>	58,269
Exchange conversion effect/ (During the year recognized)	<b>2,086</b>	(20,190)	<b>2,086</b>	(20,190)
As at 31st March	<b>40,165</b>	38,079	<b>40,165</b>	38,079

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

#### 19.2. Contract Liabilities

	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
As at 1st April	<b>14,843</b>	79,177	<b>14,843</b>	79,177
Advance received	<b>28,033</b>	-	<b>28,033</b>	-
During the year recognized	<b>(14,843)</b>	(64,334)	<b>(14,843)</b>	(64,334)
As at 31st March	<b>28,033</b>	14,843	<b>28,033</b>	14,843

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.

### 20. Amount due from related parties

	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
Swisstek Aluminium Limited	-	-	<b>331</b>	331
Lanka Walltiles PLC	<b>692</b>	5,411	<b>692</b>	5,411
Royal Ceramics PLC	<b>13,240</b>	2,368	<b>13,240</b>	2,368
Royal Porcelain Ltd	-	2,695	-	2,695
Rocell Bathware Ltd	<b>743</b>	608	<b>743</b>	608
Lanka Tiles PLC	-	8,232	-	8,232
Swisstek Development (Pvt) Limited	-	-	<b>52,674</b>	-
	<b>14,675</b>	19,314	<b>67,680</b>	19,645

## 21. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>21.1. Favourable Balances</b>				
Cash in hand	521	514	250	214
Cash at banks	216,643	154,828	197,268	138,023
Cash and cash equivalents	217,164	155,342	197,518	138,237
<b>21.2. Unfavourable Balance</b>				
Bank overdrafts	(330,781)	(543,875)	(149,314)	(131,432)
Cash & cash equivalents for the purpose of cash flow statement	(113,617)	(388,533)	48,204	6,805

## 22. Stated capital - Group/Company

	2021		2020	
	Number	Rs.000	Number	Rs.000
Balance as at 1 April	27,372,000	368,256	27,372,000	368,256
Share Split	109,488,000	-	-	-
Balance as at 31st March	136,860,000	368,256	27,372,000	368,256

On 26 March 2021, the Company effected the sub-division of Ordinary Shares on the basis of a sub-division of every one (01) Ordinary Shares into five (05) Ordinary Shares, thus increasing the existing 27,372,000 issued Ordinary Shares of the Company to 136,860,000 Ordinary Shares.

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

### 22.1. Dividend paid/ Dividend per share

	2021	2020
	Rs.000	Rs.000
Rs. 2/65- per 27,372,000 ordinary shares	72,536	-
Rs. 4/10- per 27,372,000 ordinary shares	112,225	-
Gross dividend	184,761	-
Number of shares (prior to sub division)	27,372,000	27,372,000
Dividend per share (Rs.)	6.75	-

## 23. Reserves

	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>a) Revaluation reserve (23.1)</b>				
As at 1 April	604,772	604,772	504,966	504,966
Revaluation surplus on land and building	172,206	-	169,694	-
As at 31 March	776,978	604,772	674,660	504,966
<b>b) Capital redemption reserve (23.2)</b>	121	121	121	121
<b>c) General reserve (23.3)</b>	19,842	19,842	19,842	19,842
<b>Total</b>	<b>796,941</b>	<b>624,735</b>	<b>694,623</b>	<b>524,929</b>

**23.1.** The revaluation reserve relates to property, plant and equipment which has been revalued by the Group.

**23.2.** The capital redemption reserve is created for the purpose of repurchasing shares back from shareholders. This fund is not used to distribute dividend or any other Purpose.

**23.3.** The general reserves relates to retained earnings set aside by the group.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March,	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>24. Employee benefits</b>				
Movement in present value of the defined benefit obligation				
Defined benefit obligation at 1 April	<b>31,952</b>	23,185	<b>8,697</b>	6,805
Current service cost and interest (24.1)	<b>9,619</b>	7,314	<b>2,338</b>	1,719
Actuarial (gain)/ losses in other comprehensive income (24.2)	<b>6,555</b>	2,173	<b>3,407</b>	627
Payment during the year	<b>(2,617)</b>	(720)	<b>(1,373)</b>	(454)
Defined benefit obligation at 31 March	<b>45,509</b>	31,952	<b>13,070</b>	8,697
<b>24.1. Expenses recognized in profit or loss</b>				
Current service cost	<b>6,425</b>	4,763	<b>1,469</b>	970
Interest cost	<b>3,194</b>	2,551	<b>869</b>	749
	<b>9,619</b>	7,314	<b>2,338</b>	1,719
<b>24.2. Actuarial (gain)/ loss recognized in other comprehensive income</b>				
Actuarial (gain)/ loss	<b>6,555</b>	2,173	<b>3,407</b>	627
	<b>6,555</b>	2,173	<b>3,407</b>	627

Gratuity liability is recognized based on the actuarial valuation carried out by Actuarial and Management Consultants (Pvt) Ltd on 31 March 2021. The followings are the principle assumptions used by the valuer as at year end.

	2021	2020
<b>Swisstek (Ceylon) PLC</b>		
1. Discount rate (the rate used to discount the future cash flows in order to determine the present value)	<b>7.0%</b>	10.0%
2. Future salary increase	<b>8.0%</b>	11.0%
3. Staff turnover	<b>5%-6%</b>	7%
4. Weighted average duration of defined benefit obligation (years)	<b>8.59</b>	7.55
<b>Swisstek Aluminium Limited</b>		
1. Discount rate (the rate used to discount the future cash flows in order to determine the present value)	<b>7.0%</b>	10.0%
2. Future salary increase	<b>10.0%</b>	10.0%
3. Staff turnover	<b>15%</b>	15%
4. Weighted average duration of defined benefit obligation (years)	<b>6.31</b>	5.78

	Swisstek Aluminium Limited		Swisstek (Ceylon) PLC	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>Retirement Age</b>				
Male	<b>55</b>	55	<b>55</b>	55
Female	<b>50</b>	50	<b>50</b>	50
No of Employees	<b>295</b>	282	<b>68</b>	83

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

## Distribution of Present Value of Defined Benefit Obligation In Future Years

	Swisstek Aluminium Limited		Swisstek (Ceylon) PLC	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
Within the next 12 months	<b>3,376</b>	3,055	<b>1,540</b>	1,378
Between 2 and 5 years	<b>14,489</b>	10,465	<b>2,890</b>	1,638
Beyond 5 years	<b>14,574</b>	9,735	<b>8,640</b>	5,681
	<b>32,439</b>	23,255	<b>13,070</b>	8,697

### 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

		2021		2020	
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%	*	989	(989)	567	(567)
-1%	*	(1,131)	1,131	(639)	639
*	1%	(1,153)	1,153	(667)	667
*	-1%	1,028	(1,028)	602	(602)

#### Subsidiary

		2021		2020	
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%	*	1,818	(1,818)	1,167	(1,167)
-1%	*	(2,035)	2,035	(1,292)	1,292
*	1%	(2,122)	2,122	(1,383)	1,383
*	-1%	1,933	(1,933)	1,271	(1,271)

	Group		Company	
	2021	2020	2021	2020
Year ended 31 March,	Rs.000	Rs.000	Rs.000	Rs.000
<b>25. Loans &amp; borrowings</b>				
<b>Movement in interest bearing loans &amp; borrowings</b>				
Balance at the beginning of the year	654,054	843,675	252,196	261,480
Loans obtained during the year	30,000	37,939	30,000	37,939
Exchange loss/(gain)	-	-	-	-
Effect of fair valuation of loans	-	-	-	-
Repayments made during the year	(250,027)	(227,559)	(94,147)	(47,223)
<b>Balance at the end of the year</b>	<b>434,027</b>	<b>654,055</b>	<b>188,049</b>	<b>252,196</b>
<b>25.1. Amount falling due within one year</b>	<b>184,558</b>	<b>206,131</b>	<b>71,915</b>	<b>50,250</b>
<b>25.2. Amount falling due after one year</b>	<b>249,469</b>	<b>447,924</b>	<b>116,134</b>	<b>201,946</b>



Year ended 31 March,	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>26. Trade and other payables</b>				
Trade payables ' - Others	<b>694,299</b>	355,857	<b>143,659</b>	93,420
' - Related parties (Note 26.1)	<b>18,777</b>	893	<b>21,666</b>	10,382
	<b>713,076</b>	356,750	<b>165,325</b>	103,802
EPF / ETF payable	<b>3,608</b>	2,491	<b>734</b>	1,464
Bank loan interest payable	<b>18,989</b>	16,745	<b>3,611</b>	2,551
Accruals & other payables	<b>264,412</b>	89,556	<b>113,908</b>	39,714
VAT/NBT payable	<b>15,001</b>	1,111	<b>5,102</b>	1,111
	<b>1,015,086</b>	466,653	<b>288,680</b>	148,642
<b>26.1. Trade Payables - Related parties</b>				
Lanka Tiles PLC	<b>16,980</b>	-	-	-
Swisstek Aluminium	-	-	<b>20,097</b>	9,489
Uni-Dil Packaging Ltd.	<b>1,569</b>	893	<b>1,569</b>	893
Lanka Walltiles PLC	<b>228</b>	-	-	-
	<b>18,777</b>	893	<b>21,666</b>	10,382
<b>27. Short term loans</b>				
Balance at the beginning of the year	<b>1,686,885</b>	1,967,282	<b>277,611</b>	337,900
Loans obtained during the year	<b>7,340,273</b>	5,820,889	<b>715,134</b>	487,367
Repayments made during the year	<b>(7,572,022)</b>	(6,101,286)	<b>(773,827)</b>	(547,656)
Balance at the end of the year	<b>1,455,136</b>	1,686,885	<b>218,918</b>	277,611

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

**28. Amounts due to related parties**

Year ended 31 March,	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
Lanka Tiles PLC	<b>605</b>	26,666	<b>605</b>	-
Delmege Forsyth & Co. Ltd.	<b>2,100</b>	47,156	<b>2,100</b>	2,099
Swisstek Aluminium	-	1,858	-	-
	<b>2,705</b>	75,680	<b>2,705</b>	2,099

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March,	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>29. Financial Instrument</b>				
Financial Assets				
Other Long Term Investment	15	56,667	93	-
Trade Receivables	18	1,402,626	1,158,475	449,916
Contract Assets	19	40,165	38,079	40,165
Amount Due from Related Parties	20	14,675	19,314	67,680
		1,514,133	1,215,961	557,761
				476,219
Cash and Cash Equivalent	21.1	217,164	155,342	197,518
Total		1,731,297	1,371,303	755,279
				614,456
<b>Financial Liabilities</b>				
Loans and Borrowings	25	434,027	654,055	188,049
Short Term Loans	27	1,455,136	1,686,885	218,918
Lease Liability	25.4	25,870	27,777	-
Trade and Other Payable	26	732,065	373,495	168,936
Amount Due to Related Party	28	2,705	75,680	2,705
Bank Overdraft	21.2	330,781	543,875	149,314
Total		2,980,583	3,361,767	727,922
				769,691

### 29.1. Financial Risk Management

#### Overview

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.

#### 29.1.1. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual 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;

Year ended 31 March,	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>Carrying value</b>				
Trade Receivable	<b>1,402,626</b>	1,158,476	<b>449,915</b>	418,402
Contract Assets	<b>40,165</b>	38,079	<b>40,165</b>	38,079
Amounts due from related parties	<b>14,675</b>	19,314	<b>67,680</b>	19,645
Cash & cash equivalents	<b>216,643</b>	154,828	<b>197,268</b>	138,023

### Management of Credit Risk

#### Trade & Other Receivables

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

#### Impairment losses

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

Year ended 31 March,	Group		Company	
	2021	2020	2021	2020
	Rs.000	Rs.000	Rs.000	Rs.000
<b>Carrying value</b>				
Below 30 days	<b>652,613</b>	258,889	<b>207,196</b>	94,586
30 - 45 days	<b>314,000</b>	257,838	<b>124,640</b>	168,631
46 - 60 days	<b>116,209</b>	132,107	<b>11,567</b>	45,900
Over 61 days	<b>360,859</b>	534,872	<b>114,789</b>	111,720
Less: provision made	<b>(41,055)</b>	(25,230)	<b>(8,276)</b>	(2,435)
	<b>1,402,626</b>	1,158,476	<b>449,916</b>	418,402

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

	Impairment	
	Group	Company
<b>Balance at 1 April 2019</b>	13,489	1,257
Impairment loss recognised	11,741	1,178
Amounts written off	-	-
<b>Balance at 31 March 2020</b>	25,230	2,435
Impairment loss recognised	15,826	5,842
Amounts written off	-	-
<b>Balance at 31 March 2021</b>	41,055	8,276

## NOTES TO THE FINANCIAL STATEMENTS

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.

### 29.1.2. 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.

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

#### The maturity analysis of Liabilities - Group

<b>As at 31 March 2021</b>	Carrying value	Contractual cash flows	Current Upto 1 year	Non Current Upto 2 years	Upto 5 years	Above 5 years
Bank overdrafts	330,781	330,781	330,781	-	-	-
Bank borrowings	1,889,163	1,889,163	1,639,695	163,405	52,728	-
Lease Liability	25,870	37,279	3,238	5,081	16,544	12,416
Trade and Other Payable	732,064	732,064	732,064	-	-	-
Amounts due to related parties	2,705	2,705	2,705	-	-	-

<b>As at 31 March 2020</b>	Carrying value	Contractual cash flows	Current Upto 1 year	Non Current Upto 2 years	Upto 5 years	Above 5 years
Bank overdrafts	543,875	543,875	543,875	-	-	-
Bank borrowings	2,340,940	2,340,940	1,904,681	174,561	261,698	-
Lease Liability	27,777	42,289	2,904	3,422	16,452	19,511
Trade and Other Payable	373,495	373,495	373,495	-	-	-
Amounts due to related parties	75,680	75,680	75,680	-	-	-

#### The maturity analysis of Liabilities - Company

<b>AS at 31st March 2021</b>	Carrying value	Contractual cash flows	Current Upto 1 year	Non Current Upto 2 years	Upto 5 years	Above 5 years
Bank overdrafts	149,314	149,314	149,314	-	-	-
Bank borrowings	406,967	406,967	290,833	63,405	52,728	-
Trade and Other Payable	168,936	168,936	168,936	-	-	-
Amounts due to related parties	2,705	2,705	2,705	-	-	-

<b>AS at 31st March 2020</b>	Carrying value	Contractual cash flows	Current Upto 1 year	Non Current Upto 2 years	Upto 5 years	Above 5 years
Bank overdrafts	131,432	131,432	131,432	-	-	-
Bank borrowings	529,807	529,807	339,526	61,915	128,365	-
Trade and Other Payable	106,353	106,353	106,353	-	-	-
Amounts due to related parties	2,099	2,099	2,099	-	-	-

### 29.1.3. 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	199.8300	202.0400	197.6200

#### Sensitivity Analysis

A strengthening or weakening of Sri Lankan Rupees as indicated below, against the major foreign currencies as at 31st March 2021 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)
<b>As at 31.03.2021</b>		
U. S. Dollar	9,547	(9,547)
<b>As at 31.03.2020</b>		
U. S. Dollar	7,659	(7,659)

#### (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's/company's interest-bearing financial instruments as reported to the management of the company was as follows;

	Group		Company	
	Nominal amount		Nominal amount	
	2021	2020	2021	2020
Rs.'000				
<b>Variable rate instruments</b>				
Financial liabilities	(2,219,943)	(2,884,813)	(556,280)	(661,238)
	(2,219,943)	(2,884,813)	(556,280)	(661,238)

## NOTES TO THE FINANCIAL STATEMENTS

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	
	2021	2020	2021	2020
Variable rate instruments				
<b>100 bp increase</b>	<b>(22,199)</b>	(28,848)	<b>(5,563)</b>	(6,612)
<b>100 bp decrease</b>	<b>22,199</b>	28,848	<b>5,563</b>	6,612

### Capital management

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

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

	Group		Company	
	2021	2020	2021	2020
Total liabilities	<b>3,695,006</b>	3,848,979	<b>1,121,891</b>	1,148,352
Less: cash and cash equivalents	<b>217,164</b>	155,342	<b>197,518</b>	138,237
<b>Net debt</b>	<b>3,477,842</b>	3,693,637	<b>924,373</b>	1,010,115
<b>Total equity</b>	<b>2,880,930</b>	2,267,396	<b>1,667,752</b>	1,324,696
Net debt to equity ratio at 31 March	<b>1.21</b>	1.63	<b>0.55</b>	0.76

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

The Group is not subject to externally imposed capital requirements.

### 30. Carrying amount and Fair Value of Financial Instrument

#### 30.1. Carrying amount of Financial Instrument

The Carrying amount of financial assets and liabilities, shown in the Statement of Financial Position, are as follows.

#### Group

2021	Note	Fair value through profit or loss	Fair value through OCI-equity	Fair value through OCI- debt	Amortised Cost*	Other financial liabilities *	Total
<b>Financial Assets</b>							
Other long term investments	15	-	<b>56,667</b>	-	-	-	<b>56,667</b>
Trade receivables	18	-	-	-	<b>1,402,626</b>	-	<b>1,402,626</b>
Amounts due from related parties	20	-	-	-	<b>14,675</b>	-	<b>14,675</b>
Contract assets	19.1	-	-	-	<b>40,165</b>	-	<b>40,165</b>
		-	<b>56,667</b>	-	<b>1,457,466</b>	-	<b>1,514,133</b>
<b>Cash and cash equivalents</b>							
Cash and cash equivalents	21.1	-	-	-	<b>217,164</b>	-	<b>217,164</b>
		-	<b>56,667</b>	-	<b>1,674,630</b>	-	<b>1,731,297</b>

2021	Note	Fair value through profit or loss	Fair value through OCI-equity	Fair value through OCI- debt	Amortised Cost*	Other financial liabilities *	Total
<b>Financial Liabilities</b>							
Loans and borrowings	25	-	-	-	-	434,027	434,027
Short term loans	27	-	-	-	-	1,455,136	1,455,136
Trade and other payables	26	-	-	-	-	732,064	732,064
Amounts due to related parties	28	-	-	-	-	2,705	2,705
Lease Liability	25.4	-	-	-	-	25,870	25,870
Bank overdraft	21.2	-	-	-	-	330,781	330,781
		-	-	-	-	2,980,583	2,980,583

2020	Note	Fair value through profit or loss	Fair value through OCI-equity	Fair value through OCI- debt	Amortised Cost*	Other financial liabilities *	Total
<b>Financial Assets</b>							
Other long term investments	15	-	93	-	-	-	93
Trade receivables	18	-	-	-	1,158,476	-	1,158,476
Amounts due from related parties	20	-	-	-	19,314	-	19,314
Contract Asset	19.1	-	-	-	38,079	-	38,079
		-	93	-	1,215,869	-	1,215,962
Cash and cash equivalents	21	-	-	-	155,342	-	155,342
		-	93	-	1,371,211	-	1,371,304
<b>Financial Liabilities</b>							
Loans and borrowings	25	-	-	-	-	654,055	654,055
Short term loans	27	-	-	-	-	1,686,885	1,686,885
Trade and other payables	26	-	-	-	-	373,495	373,495
Amounts due to related parties	28	-	-	-	-	75,680	75,680
Lease Liability	25.4	-	-	-	-	27,777	27,777
Bank overdraft	21	-	-	-	-	543,875	543,875
		-	-	-	-	3,361,767	3,361,767

## NOTES TO THE FINANCIAL STATEMENTS

## Company

2021	Note	Fair value through profit or loss	Fair value through OCI	Fair value through OCI- debt	Amortised Cost*	Other financial liabilities *	Total
<b>Financial Assets</b>							
Trade receivables	18	-	-	-	449,916	-	449,916
Amounts due from related parties	20	-	-	-	67,680	-	67,680
Contract Asset	19.1	-	-	-	40,165	-	40,165
		-	-	-	557,761	-	557,761
Cash and cash equivalents	21.1	-	-	-	197,518	-	197,518
		-	-	-	755,279	-	755,279
<b>Financial Liabilities</b>							
Loans and borrowings	25	-	-	-	-	188,049	188,049
Short term loans	27	-	-	-	-	218,918	218,918
Trade and other payables	26	-	-	-	-	168,936	168,936
Amounts due to related parties	28	-	-	-	-	2,705	2,705
Bank overdraft	21.2	-	-	-	-	149,314	149,314
		-	-	-	-	727,922	727,922

2020	Note	Fair value through profit or loss	Fair value through OCI	Fair value through OCI- debt	Amortised Cost*	Other financial liabilities *	Total
<b>Financial Assets</b>							
Other long term investments	15	-	93	-	-	-	93
Trade receivables	18	-	-	-	418,402	-	418,402
Amounts due from related parties	20	-	-	-	19,645	-	19,645
Contract Asset	19.1	-	-	-	38,079	-	38,079
		-	93	-	476,126	-	476,219
Cash and cash equivalents	21	-	-	-	138,237	-	138,237
		-	93	-	614,363	-	614,456
<b>Financial Liabilities</b>							
Loans and borrowings	25	-	-	-	-	252,196	252,196
Short term loans	27	-	-	-	-	277,611	277,611
Trade and other payables	26	-	-	-	-	106,354	106,354
Amounts due to related parties	28	-	-	-	-	2,099	2,099
Bank overdraft	21	-	-	-	-	131,432	131,432
		-	-	-	-	769,692	769,692

The group 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.

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

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

Further for current year the fair value disclosure of lease liability is also not required.

#### Group

	Note	Level 1	Level 2	Level 3	Total
<b>2021</b>					
Investment property	16	-	-	<b>147,200</b>	<b>147,200</b>
Freehold land and building	13	-	-	<b>1,885,487</b>	<b>1,885,487</b>
<b>2020</b>					
Investment property	16	-	-	142,000	142,000
Freehold land and building	13	-	-	1,841,840	1,841,840

#### Company

	Note	Level 1	Level 2	Level 3	Total
<b>2021</b>					
Investment property	16	-	-	<b>147,200</b>	<b>147,200</b>
Freehold land and building	13	-	-	<b>1,092,822</b>	<b>1,092,822</b>
<b>2020</b>					
Investment property	16	-	-	142,000	142,000
Freehold land and building	13	-	-	987,539	987,539

## NOTES TO THE FINANCIAL STATEMENTS

### Valuation techniques and significant unobservable inputs

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

	Location	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Swisstek (Ceylon) PLC Investment property</b>				
Factory Complex	Belummahara	Investment method	A reasonable rent that the property could fetch in its existing use is estimated on the basis of rent paid to comparable properties.  The net income deliverable worked out taking away the usual "outgoings" that have to be met from such gross income at 25%  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%.	The estimated fair value would increase/decrease if expected market rentals get high/low.
<b>Property plant and equipment</b>				
Land and building	Belummahara	Contractor's method	Considering the location, extent and site characteristics the land value is determined by adopting rates from Rs. 525,000 to Rs. 750,000 per perch. The building value is determined by adopting rates from Rs. 500 to Rs. 4,000 per sq.ft.	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	-	-	-	X
Lanka Walltiles PLC	X	X	X	X	-	-	X	-
Uni-Dil Packaging Ltd	-	X	-	-	-	-	-	-
Swisstek Aluminium Ltd	X	X	X	X	X	X	-	X
Royal Ceramics Lanka PLC	X	-	-	X	-	-	-	-
Rocell Bathware Ltd.	X	-	-	X	-	-	-	-
Lanka Ceramic PLC		-	-	X	-	-	-	-

"X" denotes directorate



### 31.2. Transactions with related companies

Name of the Company	Relationship	Nature of the Transaction	Group		Company	
			2021	2020	2021	2020
			Rs.000	Rs.000	Rs.000	Rs.000
a. Lanka Walltiles PLC	Parent company	Sales commission income	9,376	8,423	9,376	8,423
		Security charges reimbursement	(1,058)	-	(1,058)	-
		Warehouse rental income	5,893	6,366	5,893	6,366
		Management fee reimbursement	1,595	(2,814)	1,595	1,740
		Reimbursement of sales expenses	376	1,453	376	1,453
		Office maintainance	(127)	(194)	(127)	(194)
		Microsoft licence fees	(1,324)	(182)	(168)	(182)
		Sale of goods - Aluminium	1,497	-	-	-
b. Lanka Tiles PLC	Related company	Tile mortar sales	509,022	317,525	509,022	317,525
		Tile grout Sales	52,435	52,667	52,435	52,667
		Decorative pebbles, Skim coat & Tile Cleaner	53,514	36,859	53,514	36,859
		Purchase of Goods	(1,981)	(39)	(1,956)	(39)
		Receipts of funds	(605,048)	(365,761)	(605,048)	(365,761)
		Operational & administration expenses	(11,259)	(8,768)	(5,913)	(6,192)
		Reimb on SLT rental	(361)	(353)	(361)	(353)
		Reimbursement of operational expense	5,495	7,014	5,495	7,014
		Warehouse rental income	9,391	11,958	9,391	11,958
		Loan repayment during the year	-	-	-	-
		Sales commission income	36,608	57,619	36,608	57,619
		Sale of goods - Aluminium	89,937	89,937	-	-
		c. Royal Ceramics Lanka PLC	Related company	Sale of Goods	76,645	66,566
Sales commission income	11,177			1,768	11,177	1,768
Reimbursement of Security Expences	908			992	908	992
Warehouse rental income	4,498			4,758	4,498	4,758
Administration expenses	(91,391)			(66,415)	(37)	243
d. Royal Porcelain (Pvt) Ltd	Related company	Commission on Sales	-	5,408	-	5,408
e. Rocell Bathware Ltd.	Related company	Commission on Sales	935	962	935	962
f. Uni-Dil Packaging Ltd	Related company	Purchase of corrugated boxes	(6,779)	(6,266)	(6,779)	(6,129)
g. Swisstek Aluminium Ltd	Subsidiary	Administration expenses	(81)	(100)	(81)	(100)
h. Lanka Ceramic PLC	Related company	Purchase of goods	(56,548)	(22,751)	(56,548)	(22,751)
		Purchase of goods	(747)	(342)	(747)	(342)
		Administration expenses	1,872	2,082	-	-

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

## NOTES TO THE 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	
	2021	2020	2021	2020
Director fees	11,606	11,697	2,360	2,451
Salary and allowances	2,085	-	2,085	-
	13,691	11,697	4,445	2,451

This note should be read in conjunction with Notes 18, 20, 26 and 28 to these Financial Statements.

### 32 Non controlling interest

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

31st March	Swisstek Aluminium Ltd	
	2021	2020
<b>NCI percentage</b>	12.62%	12.62%
Non current assets	1,553,957	1,446,505
Current assets	2,480,493	2,437,642
Non current liabilities	(314,138)	(329,531)
Current liabilities	(2,275,041)	(2,380,888)
<b>Net assets</b>	1,445,271	1,173,728
Carrying amount of NCI	182,392	148,123
Revenue	3,893,821	3,234,945
Profit	341,821	(39,887)
OCI	(274)	(1,237)
<b>Total comprehensive income</b>	341,547	(41,124)
Profit allocated to NCI	43,138	(5,034)
OCI allocated to NCI	(35)	(156)
Cash flows from operating activities	107,371	52,749
Cash flows from investing activities	(27,314)	(5,624)
Cash flows from financing activities	(50,587)	(50,976)
<b>Net increase (decrease) in cash and cash equivalents</b>	29,470	(3,851)

**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. 62,620,000/-.

**35. Events after the reporting date**

On 25th May 2021, the Board of Directors has declared a dividend of Rs. 143,703,000/- and will be paid on 25th June 2021, for the year ended 31st March 2021.

Other than the above there have been no material events occurring after the reporting date that require adjustment or disclosure in the financial statements.

**36. Group impact of COVID -19**

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

## 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 2021

From	To	No of Holders	No of Shares	%
1	1,000	880	249,225	0.18
1,001	10,000	628	2,768,650	2.02
10,001	100,000	358	12,244,405	8.95
100,001	1,000,000	78	24,669,020	18.03
Over 1,000,000		7	96,928,700	70.82
		1,951	136,860,000	100.00

### Categories of Shareholders

Local Individuals	1,774	21,749,705	15.89
Local Institutions	159	111,479,805	81.46
Foreign Individuals	12	319,365	0.23
Foreign Institutions	6	3,311,125	2.42
	1,951	136,860,000	100.00

### 20 Major Shareholders of the Company

Name	31-03-2021		31-03-2020	
	No of Shares	(%)	No of Shares	(%)
1 LANKA TILES PLC	65,425,900	47.805	13,085,180	47.805
2 LANKA WALLTILES PLC	15,706,250	11.476	3,141,250	11.476
3 ROYAL CERAMICS LANKA PLC	9,413,065	6.878	1,882,613	6.878
4 HOTEL INTERNATIONAL (PVT) LTD	1,936,795	1.415	0	0.000
5 SANDWAVE LIMITED	1,736,130	1.269	367,858	1.344
6 MRS V SARASWATHI	1,700,000	1.242	260,000	0.950
7 SEYLAN BANK PLC / ARRC CAPITAL (PVT) LTD	1,010,560	0.738	0	0.000
8 ARUNODHAYA (PRIVATE) LIMITED	1,000,000	0.731	250,000	0.913
9 ARUNODHAYA INDUSTRIES (PRIVATE) LIMITED	1,000,000	0.731	250,000	0.913
10 ANDYSEL PRIVATE LIMITED	1,000,000	0.731	250,000	0.913
11 CAPITAL ALLIANCE HOLDINGS LTD	936,200	0.684	0	0.000
12 DFCC BANK PLC/MR W G D C RANAWEERA	791,140	0.578	0	0.000
13 COMMERCIAL BANK OF CEYLON PLC / M R H GALAPPATTI	766,780	0.560	153,356	0.560
14 ROSEWOOD (PVT) LIMITED - ACCOUNT NO 1	750,000	0.548	0	0.000
15 ARUNODHAYA INVESTMENTS (PRIVATE) LIMITED	750,000	0.548	170,000	0.621
16 HATTON NATIONAL BANK PLC/MR GERAD SHAMIL NIRANJAN PERIS	743,820	0.543	0	0.000
17 ELGIN INVESTMENTS LTD	699,995	0.511	139,999	0.511
18 MR A A PAGE	625,000	0.457	125,000	0.457
19 SRI LANKA INSURANCE CORPORATION LTD - LIFE FUND	610,335	0.446	628,044	2.294
20 HATTON NATIONAL BANK PLC/RIZMY AHAMED RISHAD	606,955	0.443	0	0.000
<b>Total</b>	<b>107,208,925</b>	<b>78.335</b>	<b>20,703,300</b>	<b>75.637</b>
<b>Others</b>	<b>29,651,075</b>	<b>21.665</b>	<b>6,668,700</b>	<b>24.363</b>
<b>Issued Capital</b>	<b>136,860,000</b>	<b>100.00</b>	<b>27,372,000</b>	<b>100.00</b>

### Directors' and CEO's Shareholding as at 31 March 2021

Names of Directors	No of Shares	%
01 Mr. S H Amarasekera	-	-
02 Mr. A M Weerasinghe	-	-
03 Mr. J A P M Jayasekara	75,000	0.055
04 Dr S Selliah	-	-
05 Mr. J K A Sirinatha	-	-
06 Mr A S Mahendra	-	-
07 Mr K D G Gunaratne	-	-
08 Mr C U Weerawardena	-	-

### Share Prices for the Year

	As at 31/03/2021	As at 31/03/2020
Highest during the year	Rs.176.00 (27-01-2021)	Rs. 55.50 (04-12-2019)
Lowest during the year	Rs. 22.00 (12-05-2020)	Rs. 25.00 (25-06-2019)
Last traded price per share	Rs. 21.60*(26-03-2021)	Rs. 27.00

\*Closing share price was arrived at by dividing the closing price as at 26th March 2021 by 5 to reflect the closing price of a sub divided share.

Number of Transactions during the year	28,952
Number of Shares traded during the year	36,246,990
Value of shares traded during the year (Rs.)	3,224,876,169.65

### Public Holding

The Percentage of shares held by the Public as at 31 March 2021 – 30.923%

No of public shareholders representing the above percentage - 1,942

The float adjusted market capitalization as at 31 March 2021 is Rs. 914,145,588.00 \*\*

\*\*The last day of trading during the quarter was 26th March 2021, on which day shares were traded prior to being sub divided. The closing price of the share on that day was Rs.108.00, which should therefore be taken as the closing price of the share. If the said price is applied to calculate the market capitalization based on the number of shares post sub division, it will not be an accurate reflection of the Market Capitalization. Therefore the said price of Rs.108.00 was divided by 5 to reflect the closing price of a sub divided share.

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

## FIVE YEAR SUMMARY OF FINANCIAL POSITION

As at 31st March,	Group				
	2021	2020	2019	2018	2017
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Assets</b>					
Property, plant and equipment	2,940,743	2,710,109	2,683,715	2,452,724	1,768,311
Intangible Assets	4,199	-	-	-	-
Other Long Term Investment	56,667	93	90	79	-
Investment property	147,200	142,000	142,000	134,000	117,483
<b>Non current assets</b>	<b>3,148,809</b>	<b>2,852,201</b>	<b>2,825,805</b>	<b>2,586,803</b>	<b>1,885,794</b>
Inventories	1,597,285	1,802,539	2,138,897	1,605,099	812,332
Trade and other receivables	1,553,544	1,244,606	1,349,589	1,163,618	1,092,619
Contract Assets	40,165	38,079	58,269	-	-
Tax Receivables	4,294	4,294	4,294	95	-
Amounts due from related parties	14,675	19,313	5,962	9,160	4,828
Cash and cash equivalents	217,164	155,342	130,086	65,632	75,202
<b>Current assets</b>	<b>3,427,127</b>	<b>3,264,174</b>	<b>3,687,097</b>	<b>2,843,605</b>	<b>1,984,981</b>
<b>Total assets</b>	<b>6,575,936</b>	<b>6,116,375</b>	<b>6,512,902</b>	<b>5,430,408</b>	<b>3,870,775</b>
<b>Equity</b>					
Stated capital	368,256	368,256	368,256	368,256	368,256
Reserves	796,941	624,735	624,735	616,134	760,262
Accumulated losses	1,533,341	1,126,282	955,007	991,577	741,511
<b>Equity attributable to owners of the company</b>	<b>2,698,538</b>	<b>2,119,273</b>	<b>1,947,998</b>	<b>1,975,967</b>	<b>1,870,029</b>
Non controlling interest	182,392	148,123	153,313	167,647	144,320
<b>Total equity</b>	<b>2,880,930</b>	<b>2,267,396</b>	<b>2,101,311</b>	<b>2,143,614</b>	<b>2,014,349</b>
<b>Liabilities</b>					
Retirement benefits Obligation	45,509	31,952	23,185	20,647	17,170
Borrowings - Lanka Floortiles plc	-	-	-	-	21,797
Lease liability - Lanka Floortiles plc	23,623	25,870	-	-	-
Deferred tax liability	331,816	316,383	316,298	309,877	46,828
Loans and borrowings	249,469	447,924	621,421	590,260	301,553
<b>Non current liabilities</b>	<b>650,417</b>	<b>822,129</b>	<b>960,904</b>	<b>920,784</b>	<b>387,348</b>
Trade and other payables	1,015,086	466,653	694,941	959,761	431,583
Contract liabilities	28,033	14,843	79,177	-	-
Loans & borrowings	184,558	206,131	222,253	183,832	79,764
Short term loans	1,455,136	1,686,885	1,967,282	1,027,766	772,496
Amounts due to related parties	2,705	75,680	7,220	4,620	4,958
Borrowings - Related party	-	-	-	21,797	30,835
Lease liability	2,247	1,907	-	-	-
Tax payable	26,043	30,876	1,022	2,700	27,575
Bank overdrafts	330,781	543,875	478,792	165,534	121,867
<b>Current liabilities</b>	<b>3,044,589</b>	<b>3,026,850</b>	<b>3,450,687</b>	<b>2,366,010</b>	<b>1,469,078</b>
<b>Total liabilities</b>	<b>3,695,006</b>	<b>3,848,980</b>	<b>4,411,591</b>	<b>3,286,794</b>	<b>1,856,425</b>
<b>Total equity and liabilities</b>	<b>6,575,936</b>	<b>6,116,375</b>	<b>6,512,902</b>	<b>5,430,408</b>	<b>3,870,775</b>
Shares in issue at end of the year*	136,860,000	136,860,000	136,860,000	136,860,000	136,860,000
Shares in issue at end of the year (before sub-division)	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*	19.72	15.48	14.23	14.44	13.66
Market price per share at the end of the year (before sub-division)	108.00	27.00	38.40	59.30	65.60
Market capitalization at the end of the year	2,956.18	739.04	1,051.08	1,623.16	1,795.60

\* Adjusted for Sub-division of shares

## FIVE YEAR SUMMARY OF INCOME STATEMENT

For the year ended 31 March,	Group				
	2021	2020	2019	2018	2017
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Revenue	<b>5,393,229</b>	4,634,962	4,294,027	4,077,367	3,433,741
Cost of Sales	<b>(3,874,454)</b>	(3,661,346)	(3,472,085)	(2,888,763)	(2,334,629)
Gross Profit	<b>1,518,775</b>	973,616	821,942	1,188,604	1,099,112
Other Income	<b>91,336</b>	99,339	95,663	92,421	78,186
Administration Expenses	<b>(190,494)</b>	(124,151)	(229,117)	(199,289)	(185,351)
Distribution Expenses	<b>(410,451)</b>	(321,571)	(262,591)	(446,650)	(382,600)
Other Expenses	<b>(34,173)</b>	(16,740)	(5,568)	(5,036)	(1,001)
Results from operating activities	<b>974,993</b>	610,493	420,329	630,050	608,346
Finance Cost	<b>(225,883)</b>	377,783	(403,600)	(145,262)	(106,821)
Profit/(Loss) before Tax	<b>753,156</b>	232,710	16,729	484,788	501,525
Tax expense	<b>(112,666)</b>	(64,937)	(15,979)	(106,718)	(72,803)
Profit/(Loss) for the year	<b>640,490</b>	167,773	750	378,069	428,722
<b>Other comprehensive income :</b>					
Gain on revaluation of land and buildings	<b>128,005</b>	-	12,304	56,289	-
Defined benefit plan actuarial gains/ (losses)	<b>(6,555)</b>	(2,173)	2,374	(156)	4,184
Deferred tax on other comprehensive income	<b>45,190</b>	485	(2,987)	(200,300)	(883)
Other comprehensive income for the period	<b>166,640</b>	(1,688)	11,691	(144,168)	3,301
<b>Total comprehensive income for the period</b>	<b>807,130</b>	166,085	12,441	233,902	432,023

## STATEMENT OF VALUE ADDED

For the year ended 31st March	2021	2020	2019	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Sales	<b>5,393,229</b>	4,634,962	4,294,027	4,077,367	3,432,356
Other Income	<b>91,336</b>	99,339	95,663	92,421	113,554
<b>Less:</b>					
Cost of materials & services bought in	<b>(3,680,856)</b>	(3,606,829)	(3,460,780)	(3,027,634)	(2,462,560)
<b>Value added</b>	<b>1,803,709</b>	1,127,472	928,910	1,142,154	1,083,350
<b>Distribution of Value Added</b>					
Employees as remuneration	<b>460,151</b>	373,918	334,484	285,382	270,463
Government as taxes	<b>35,416</b>	64,369	12,544	49,890	41,199
Lenders of capital as interest	<b>221,837</b>	377,783	403,600	145,262	106,821
Shareholders as dividends	<b>193,596</b>	-	54,744	165,807	93,632
<b>Retained in the business as</b>					
- Depreciation/deferred tax	<b>232,219</b>	143,630	122,788	93,060	102,270
- Profits	<b>660,490</b>	167,773	750	402,753	468,964
<b>Total</b>	<b>1,803,709</b>	1,127,473	928,910	1,142,154	1,083,349



## GRI CONTEXT INDEX

GRI Standard	Disclosure	Page Number
<b>GRI 101: Foundation 2016 (does not include any disclosures)</b>		
<b>General Disclosures</b>		
GRI 102: General Disclosures 2016	102-1 Name of Organisation	4
	102-2 Activities, brands, products and services	6
	102-3 Location of headquarters	6
	102-4 Location of operations	6
	102-5 Ownership and legal form	6
	102-6 Markets served	6
	102-7 Scale of the organisation	6
	102-8 Information on employees and other workers	33
	102-9 Supply chain	37
	102-10 Significant Changes to the organization and its supply chain	5
	102-11 Precautionary principle	39
	102-12 External initiatives	-
	102-13 Membership of associations	-
	102-14 Statement from senior decision maker	12
	102-16 Values, principles, norms and standards of behaviour	20
	102-18 Governance Structure	44
	102-40 List of stakeholder groups	22
	102-41 Collective bargaining agreements	34
	102-42 Identifying and selecting stakeholders	22
	102-43 Approach to stakeholder engagement	22
	102-44 Key topics and concerns raised	22
	102-45 Entities included in the consolidated financial statements	5
	102-46 Defining report content and topic boundary	5
	102-47 Material topics	23
	102-48 Restatement of Information	5
	102-49 Changes in reporting	5
	102-50 Reporting period	5
	102-51 Date of most recent report	5
	102-52 Reporting cycle	5
	102-53 Contact point for questions regarding Report	4
	102-54 Claims of reporting in accordance with GRI Standards	4
	102-55 GRI context index	127
	102-56 External assurance	66

## GRI CONTEXT INDEX

GRI Standard	Disclosure	Page Number
<b>Material topics</b>		
<b>Economic Performance</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	86/126
	103-2 The Management Approach and its components	86/126
	103-3 Evaluation of the Management Approach	86/126
GRI 201: Economic Performance	201-1- Direct economic value generated and distributed	126
	201-3 Defined benefit plan obligations and other retirement plans	86
<b>Indirect Economic impact</b>		
	103-1 Explanation of material topics and its boundaries	6
	103-2 The Management Approach and its components	6
	103-3 Evaluation of the Management Approach	6
203: Indirect Economic Impacts	203-2 Significant indirect economic impacts	6
<b>Procurement practices</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	37
	103-2 The Management Approach and its components	37
	103-3 Evaluation of the Management Approach	37
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	37
<b>Materials</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	41
	103-2 The Management Approach and its components	41
	103-3 Evaluation of the Management Approach	41
GRI 301: Materials	301-1 Materials used by weight or volume	41
	301-2 Recycled input materials used	41
<b>Energy</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	41
	103-2 The Management Approach and its components	41
	103-3 Evaluation of the Management Approach	41
GRI 302: Energy	302-1 Energy consumption within the organization	41
	302-4 Reduction of energy consumption	41

GRI Standard	Disclosure	Page Number
<b>Water</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	41
	103-2 The Management Approach and its components	41
	103-3 Evaluation of the Management Approach	41
GRI 303: Water 2016	303-3 Water withdrawal	42
	303-4 Water Discharge	42
	303-5 Water Consumption	41
<b>Emissions</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	42
	103-2 The Management Approach and its components	42
	103-3 Evaluation of the Management Approach	42
GRI 305 Emissions	305-5 Reduction of GHG emissions	42
<b>Effluents and Waste</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	41
	103-2 The Management Approach and its components	41
	103-3 Evaluation of the Management Approach	41
GRI 306 : Effluents and Waste	306-1 Waste generation and significant waste-related impacts	42
	GRI 306-2 Management of significant waste related impacts	42
	306-3 waste generated	42
	306-4 Waste diverted from disposal	42
	306-5 Waste directed to disposal	42
<b>Environment Compliance</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	41
	103-2 The Management Approach and its components	41
	103-3 Evaluation of the Management Approach	41
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	41
<b>Supplier Environmental Assessment</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	37
	103-2 The Management Approach and its components	37
	103-3 Evaluation of the Management Approach	37
GRI 308 Supplier Environmental Assessment		

## GRI CONTEXT INDEX

GRI Standard	Disclosure	Page Number
	308-1 New suppliers that were screened using environmental criteria	37
	308-2 Negative environmental impacts in the supply chain and actions taken	37
<b>Employment</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	33
	103-2 The Management Approach and its components	33
	103-3 Evaluation of the Management Approach	33
GRI 401: Employment 2016	401-1 New Employee hires and turnover	33
	401-2 Benefits Provided to fulltime employees that are not provided to temporary or part time employees	34
<b>Occupational Health and Safety</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	34
	103-2 The Management Approach and its components	34
	103-3 Evaluation of the Management Approach	34
GRI 403: Health and Safety 2016	403-1 Occupational Health and safety management system	34
	403-2 Hazard identification, risk assessment and incident investigation	34
	403-3 Occupational Health Services	34
	403-4 Worker participation, consultation, and communication on occupational health and safety	34
	403-5 Worker training on occupational health and safety	34
	403-6 Promotion of worker health	34
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	34
	403-9 Work-related injuries	34
	<b>Training and Education</b>	
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	34
	103-2 The Management Approach and its components	34
	103-3 Evaluation of the Management Approach	34
GRI 404: Training and education	404-1 Average hours of training per year per employee	35
	404-2 Programs for upgrading skills and transition assistance programmes	34/35
	404-3 Percentage of employees receiving regular performance and career development reviews	35

GRI Standard	Disclosure	Page Number
<b>Diversity and Equal Opportunity</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	33
	103-2 The Management Approach and its components	33
	103-3 Evaluation of the Management Approach	33
GRI 405- Diversity and equal Opportunity	405-1 Diversity of governance bodies and employees	33
<b>Non-Discrimination</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	33
	103-2 The Management Approach and its components	33
	103-3 Evaluation of the Management Approach	33
GRI Non- Discrimination	406-1 Incidents of discrimination and corrective actions taken	33
<b>Freedom of Association and Collective Bargaining</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	34
	103-2 The Management Approach and its components	34
	103-3 Evaluation of the Management Approach	34
GRI 407 Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	34
<b>Child Labour</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	33
	103-2 The Management Approach and its components	33
	103-3 Evaluation of the Management Approach	33
GRI 408: Child Labour	408-1 Operations and suppliers at significant risk for incidents of child labour	33
<b>Forced or Compulsory Labor</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	33
	103-2 The Management Approach and its components	33
	103-3 Evaluation of the Management Approach	33
409: Forced or Compulsory Labour	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	33
<b>Local communities</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	37

## GRI CONTEXT INDEX

GRI Standard	Disclosure	Page Number
	103-2 The Management Approach and its components	37
	103-3 Evaluation of the Management Approach	37
GRI 413: Local communities		
	413-1 Operations with local community engagement, impact assessments and development programmes	37
Supplier Social Assessment		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	37
	103-2 The Management Approach and its components	37
	103-3 Evaluation of the Management Approach	37
GRI 414 : Supplier Social Assessment		
	414-1 New suppliers that were screened using social criteria	37
	414-2 Negative social impacts in the supply chain and actions taken	37
<b>Customer Health and Safety</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	37
	103-2 The Management Approach and its components	37
	103-3 Evaluation of the Management Approach	37
GRI 416 Customer Health and Safety		
	416-2 Incidents of non -compliance concerning the health and safety impacts of products and services	37
<b>Marketing and Labelling</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	37
	103-2 The Management Approach and its components	37
	103-3 Evaluation of the Management Approach	37
GRI 417: Marketing and Labelling		
	417-2 Incidents of non-compliance concerning product and service information and labelling	37
	417-3 Incidents of non- compliance concerning marketing communications	37
<b>Socio economic Compliance</b>		
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	37
	103-2 The Management Approach and its components	37
	103-3 Evaluation of the Management Approach	37
GRI 419: Socio economic compliance		
	419-1 Non-compliance with laws and regulations in the social and economic area	37



## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fifty Fourth Annual General Meeting of Swisstek (Ceylon) PLC will be held by way of electronic means on 30th June 2021 at 8.30 a.m. Centered at the Board Room of Royal Ceramics Lanka PLC. No. 20, R A De Mel Mawatha Colombo - 03:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st March 2021 and the Report of the Auditors thereon.
2. To re-elect Mr. A S Mahendra, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
3. To re-elect Mr. K D G Gunaratne, who retires by rotation in terms of Articles 103 and 104 of the Articles of Association, as a Director of the Company.
4. To authorise the Directors to determine donations for the ensuing year.
5. 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**

31 May 2021  
Colombo.

**Note:** A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The completed form of Proxy should be deposited at the Registered Office of the Company, No. 215, Nawala Road, Narahenpita, Colombo 5, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting.



# PROXY FORM

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

..... being a member/s\* of Swisstek (Ceylon) PLC hereby appoint:

of .....

Mr. Shiran Harsha Amarasekera	or failing him*
Mr. Amarakone Mudiyansele Weerasinghe	or failing him*
Mr. Jayasekera Arachchige Panduka Mahendra Jayasekera	or failing him*
Mr. Jayawardena Kankanange Aravinda Sirinatha	or failing him*
Dr. Sivakumar Selliah	or failing him*
Mr. Anthonyge Shirley Mahendra	or failing him*
Mr. Kalupathiranalage Don Gamini Gunaratne	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 Fourth Annual General Meeting of the Company to be held on 30th June 2021 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

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

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

.....  
*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. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall –
  - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
  - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).<sup>3</sup> Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to [parq.pwcs@gmail.com](mailto:parq.pwcs@gmail.com) 48 hours before the time fixed for the meeting

# CORPORATE INFORMATION

## Name of the Company

SWISSTEK (CEYLON) PLC

## Legal Form

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

## Directors

**Mr. S H Amarasekera**  
(Chairman)

**Mr. J A P M Jayasekera**  
(Managing Director)

**Mr. J K A 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

Facsimile : +94 11 4740588

Email : pwcs@pwcs.lk

## Registered Office

215 Nawala Road, Narahenpita,

Colombo 5

Telephone : +94 11 4734391

Facsimile : +94 11 2805885

Email : swisstek@lankatiles.com

Website : www.swisstekceylon.com

## Factory

### Swisstek (Ceylon) PLC

Factory Complex, Belummahara, Imbulgoda

Telephone : + 94 - 33 - 4930590

Facsimile : + 94 - 33 - 5701371

Email : swisstek@lankatiles.com

## Bankers

Bank of Ceylon

DFCC Bank PLC

Seylan Bank PLC

Commercial Bank of Ceylon PLC

Union Bank of Colombo PLC

## Auditors

### KPMG

Chartered Accountants

32 A Sir Mohammed Macan Markar Mawatha, Colombo - 3

Telephone : + 94 11 5426 304

Facsimile : + 94 11 2541 249

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