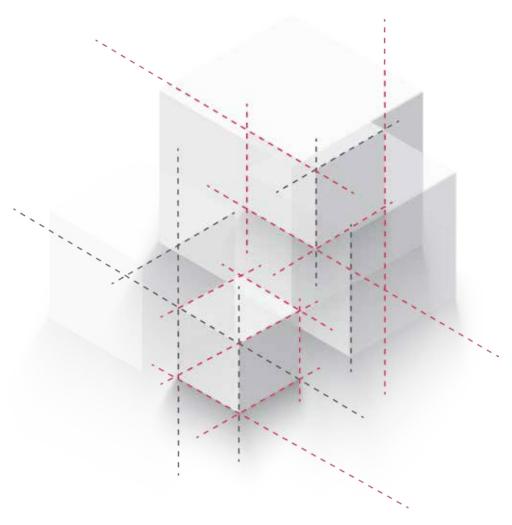


INTEGRATED ANNUAL REPORT 2019/20

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·	ick Cover



Growing to a New Dimension

Moving ahead with product development and diversification strategies, our expansive range of products cater to a wide repertoire of requirements within the construction industry. Leveraging on enhanced scale of operations, harnessed by state-of-the-art technology we have innovated to create revolutionary products. Our innovative mindset has enabled us to evolve to new realms while growing to a new dimension of growth.

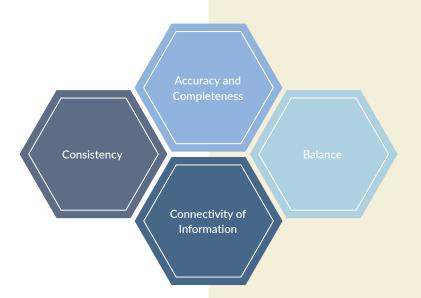
We, Swisstek (Ceylon) PLC and its subsidiaries (herein after referred to as the "Group") present to you, our Third Integrated Annual Report. This Report is the primary publication to the stakeholders of the Group and has been prepared in accordance with the Integrated Reporting Framework published by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

Scope and Boundary

This Report covers the operations of Swisstek (Ceylon) PLC and its subsidiary Swisstek Aluminium Ltd for the period 1 April 2019 to 31 March 2020 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 19 of this Report. The financial and nonfinancial information presented herein represents consolidated figures for the Company and its subsidiaries unless otherwise stated.

Reporting Concepts

In preparation of this report we have given consideration to the following <IR> Principles.



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

Corporate Governance

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

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

Feedback

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

B T T Roche Chief Operations Officer Swisstek (Ceylon) PLC

215, Nawala Road, Narahenpita, Colombo - 05.

Tel.: 0777376575



Vision

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

Mission

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

Us at a Glance

A part of the Lanka Walltiles Group, 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 an established track record of quality, variety and innovation. In addition to the growing presence in the timber flooring segment, the Group also enjoys a strong position in the Aluminium extrusion market through subsidiary company Swisstek Aluminium Ltd.

Our skilled and committed team

365 Employee



✓ • ■ Male : Female Ratio

..... and state-of the art manufacturing facilities



Swisstek Ceylon

Mortar, Grout Skim-coat and Pebbles manufacturing plant in Belummahara

Swisstek Aluminium

Aluminium Extrusions manufacturing plant in Dompe

.... enable us to manufacture an expanding range of products

Tile Grout (3 Varieties)

Tile Mortar (3 Varieties)

Tile Cleaner (3 Varieties)

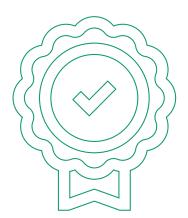
Aluminium Profiles (480 Varieties)

Skim Coat (3 Varieties)

Decorative Pebbles

Wooden
Flooring
(10 Varieties)

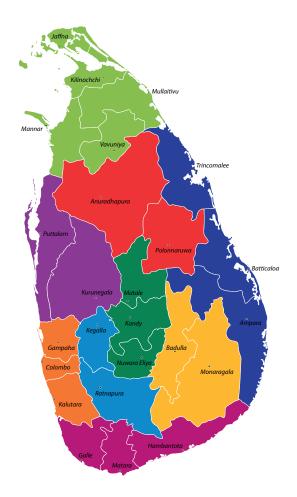
Pebbles (5 Varieties)



..... to the highest quality standards

ISO 9001: 2008 for tile mortar and tile Grout	ISO 9001:2015 Certification
ISO 9001:2015 for tile mortar, tile grout and skim coat	SLS1410:2011 Certification
QUALICOAT Certification	ISO 14000 Certification
ISO 9000 Certification	-

.... and distribute them to our customers through an expansive distribution network.



Our Board of Directors

MR. S H AMARASEKERA

CHAIRMAN

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

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

MR. J A P M JAYASEKERA

MANAGING DIRECTOR

Mr. Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC, Lanka Ceramic PLC and Swisstek Aluminium Limited. He is also a Director of HNB Assurance PLC, Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited. Mr. Jayasekera holds a BSc Special (Hons) degree in Business Administration from the University of Sri Jayawardenapura and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

MR. A M WEERASINGHE DIRECTOR

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

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.

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.

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

MR. A S MAHENDRA

DIRECTOR

Mr. A S Mahendra is the General Manager - Marketing of Lanka Walltiles PLC and Lanka Tiles PLC both companies quoted on the Colombo Stock Exchange. He is a Director of Swisstek (Ceylon) PLC and Swisstek Aluminium Limited. He has 30 years of working experience in the field of Sales and Marketing. He holds MBA in Marketing from University of Colombo, Post Graduate Diploma from Chartered Institute of Marketing. Also, a Chartered Marketer and a member of the Chartered Institute of Marketing - UK.

DR. S SELLIAH

DIRECTOR

Dr. Selliah holds a MBBS degree and a Master's Degree (M.Phil). He has over two decades of diverse experience in varied fields. Currently he is the Deputy Chairman of Asiri Hospitals Holdings PLC and the Deputy Chairman of Asiri Surgical Hospital PLC. He is a Director of HNB Assurance PLC, Lanka Tiles PLC, Softlogic Holdings PLC, ODEL PLC, Lanka Walltiles PLC, ACL Cables PLC, Lanka Ceramic PLC, Swisstek (Ceylon) PLC and Swisstek Aluminium Ltd. He is also the Deputy Chairman of Central Hospital (Pvt) Ltd.

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

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

MR. 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. J A P M JAYASEKERA

MANAGING DIRECTOR

MR. B T TYRELL ROCHE

CHIEF OPERATIONS OFFICER

MR. A SHIRLEY MAHENDRA

GENERAL MANAGER MARKETING

MR. DAYAL DE SILVA

GENERAL MANAGER TIMBER OPERATIONS

MS. WAJIRA NANAYAKKARA

ASST. GENERAL MANAGER PLANT/ TECHNICAL

MR. PRASAD KEERTHIRATHNE

HEAD OF IT

MS. SAJEEWANI AMARASINGHE

GROUP FINANCE MANAGER

MR. ANURA RATNAYAKE

GROUP BUSINESS DEVELOPMENT MANAGER

MS. S P H KAUSHALYA

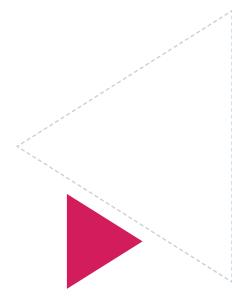
GROUP MANAGER - SALES ADMINISTRATION

MR. B A M THILAKASIRI

GROUP STORES MANAGER

MR. ATHULA HEWAPATHIRANA

GROUP HR MANAGER



FY 2019/20 **Year in Review**

Financial Highlights

		Group		Company	
		2019/20	2018/19	2019/20	2018/19
Financial Performance					
Revenue	Rs. Mn	4,635	4,294	1,419	1175
Gross profit	Rs. Mn	974	823	398	289
Operating expenses	Rs. Mn	462	497	130	11:
Operating profit	Rs. Mn	610	420	357	265
Pre-tax profit	Rs. Mn	233	17	287	190
Taxation	Rs. Mn	65	16	79	64
Profit for the year	Rs. Mn	168	1	208	132
GP margin	%	21%	19	28%	25
OP margin	%	13%	10	25%	23
Net profit margin	%	4%	0	15%	1:
Return on average equity	%	8.2%	0.8%	15.7%	11.89
Financial Position					
Total assets	Rs. Mn	6,116	6,513	2,473	2,331
Non-current assets	Rs. Mn	2,852	2,826	1,635	1,57
Current assets	Rs. Mn	3,264	3,687	838	75
Shareholders' funds	Rs. Mn	2,119	1,948	1,325	1,11
Borrowings	Rs. Mn	2,913	3,289	661	660
Gearing ratio	Times	0.39	0.49	0.37	0.44
Interest cover	Times	1.62	1.04	5.13	3.85
Current ratio	Times	1.08	1.07	1.28	1.04
Quick asset ratio	Times	0.48	0.45	0.95	0.73
Investor information					
Earnings per share	Rs.	6.31	0.60	7.62	4.83
Dividend per share	Rs.	-	2.00	-	2.00
Net Asset Value per share	Rs.	77.42	71.17	48.40	40.80
Market value per share at 31 March	Rs.	27.00	34.8	27	34.8
Market capitalisation as at 31 March	Rs. Mn	739.044	952.5456	739.044	952.545
P/E ratio	Times	4.28	57.73	3.55	7.2
Dividend pay out	%	0%	332%	26%	419
Dividend cover	Times	-	0.30	-	2.4



Rs. 4,635 Mn Rs. 168 Mn





Rs. 2,268 Mn

Non-Financial Highlights



		2019/20	2018/19
Human Capital			
Total employees	No.	365	385
Payments to employees	Rs. Mn	333	328
Employee retention rate	%	85	92
Female representation	%	13	8
New recruits	No.	100	242
Investment in training	Rs. Mn	1.89	3.6
Total training hours	Hours	910	1381
Average training hours/employee	Hours	2.49	0.28
Workplace injuries	No.	10	25
Union representation	%	117	124



		2019/20	2018/19
Manufactured Capital			
Property, plant and equipment	Rs. Mn	2,696	2,673
Investment in capex	Rs. Mn	172	397
Production volume	MT	3,869	5,099



		2019/20	2018/19
Intellectual Capital			
R&D Investment	Rs. Mn	2.15	4.1
New products launched	No.	14	10
Average length of employee service	Years	7.5	6.2



		2019/20	2018/19
Social and Relationship Capital			
Payments to suppliers	Rs. Mn	2,650	4,450
Proportional spending to local suppliers	%	34	39
Beneficiaries	No.	300	300
Investment in CSR	Rs. Mn	0.50	8.87



		2019/20	2018/19
Natural Capital			
Raw material Consumption	MT	37,298	21,702
Energy consumption	GJ	19,643	27,260
Energy intensity	GJ per unit	5.08	5.34
Water consumption	M3	34,958	50,755
Solid waste generation	MT	55	64



1967

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

2003

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

flooring marketed locally.

▶ The Company was listed in the

Colombo Stock Exchange.

1972

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



1987

1983

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

2009

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

2010

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

2013

 Vallibel became the Company's ultimate parent Company

2018

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

2020

- Swisstek Aluminium signs contract with ETEM to sell its system in Sri Lanka.
- Increase warehouse and logistic capacity to enhance service.
- Swisstek Ceylon Introduces new products QUICK FLOW and GROUT SEALER to the market.
- Swisstek Aluminium Introduces Ladders & Fabricated Doors to the market.

2011

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

2015

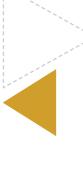
Was awarded the ISO 9001 certificate for manufacture of Tile Mortar, by the Sri Lanka Standards Institute.

& Key Events

- Empire City Apartments, Royal Park Apartments, Cinnamon Lodge Habarana, Royal College Sports Complex, Laugfs Holdings Office Complex, National School of Business Management (NSBM) are some of the many locations "SWISSPARKET" wooden flooring have been installed, across the country, over the years.
- The Company has recorded unprecedented growth in both turnover and profit over the past few years.
- Continuity of growth is expected in the coming years with the investment of Rs. 170 Mn in a plant to in-crease the manufacture of Tile Mortar, to meet the market demand.

2019

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



Chairman's Message

"The construction sector rebounded during the year, recording a growth of 4% compared to the contraction of 2.5% in 2018. The growth was driven mainly by the large-scale statesector led construction projects and condominium development projects which saw a revival during the year"

Dear Shareholder,

The Group did well during the year, recording both topline and bottom-line growth. Group revenue increased by 8% during the year while Profit after Tax amounted to Rs. 167.8 Mn compared to a profit of Rs. 0.75 Mn during the previous year. The significant improvement in performance is a validation of the strategic direction the Group has embarked upon.

Operating Context

The sluggish economic conditions of 2018 were exacerbated in 2019, with GDP growth slowing down to 2.3% compared to the growth of 3.3% in 2018. Both the agriculture and services sectors witnessed decelerated growth rates. The Agriculture sector recorded a modest growth of just 0.6% in 2019 compared to the growth of 6.5% in 2018 due to extreme weather conditions that prevailed during the year. Meanwhile the services sector decelerated sharply to record a growth of just 2.3% due to the significant impact of the Easter Sunday attack on the leisure sector. A glimmer of light though in an otherwise dismal year, the industry sector showed some recovery, recording a growth of 2.7% compared to the growth of 1.2% in 2018 due to improved performance of manufacturing activities and a revival of the construction sector.

The construction sector rebounded during the year, recording a growth of 4% compared to the contraction of 2.5% in 2018. The growth was driven mainly by the large-scale state-sector led construction projects and condominium development projects which saw a revival during the year. The residential construction market however remained somewhat subdued due to the

sluggish economic conditions. On the supply side, a relatively stable Rupee, single digit level inflation and lower global aluminium prices contributed positively to margins.

Strategic Priorities

The Group continues to pursue a strategy of product and market diversification as it navigates an increasingly competitive market landscape. On-going product development in the tile related product segment has enabled us to offer a full range of products through our extensive distribution network of our own showrooms as well as Lanka Tiles showrooms. The timber flooring segment continues to show impressive growth and successfully secured the contract for the supply and installation of flooring for one of Sri Lanka's iconic development projects, the Cinnamon Life Waterfront project. Meanwhile in the Aluminium sector, we continue to expand our product range with value added finished products such as multi-purpose ladders, furniture and accessories that generate higher margins while also expanding further downstream to drive volume growth. We also continue to expand our geographical reach by strengthening our warehousing capabilities and expanding our online distribution channels. Meanwhile export markets particularly in the UK, EU and USA regions continue to be a focus while notable inroads have also been made into emerging markets such as the Maldives.

Governance

We remain committed to ensuring good governance in all aspects of our operation and continue to review and benchmark our Corporate Governance mechanisms to ensure that the highest standards are met.

Sustainability

A clear strategy that revolves around responsible consumption of resources and minimizing our environmental footprint drives our approach to sustainability. We

"The timber flooring segment continues to show impressive growth and successfully secured the contract for the supply and installation of flooring for one of Sri Lanka's iconic development projects, the Cinnamon Life Waterfront project"

continue to drive process improvements and invest in more environmentally friendly technology to optimise efficiency of resource utilisation and minimise wastage. Meanwhile we continue to carefully monitor our outputs and have in place stringent measures to ensure that the highest environmental standards are consistently met. Driving sustainability will continue to be a focus as the implications of climate change are increasingly felt in key aspects of our operation including changing customer preferences and supply chain management.

Navigating the "New Normal"

The potential impact from COVID-19 is unlike any other the country has faced, and the economy is likely to face a contraction in 2020 due to both internal and external factors. We expect the construction sector to be negatively impacted due to the slowing down of large scale construction projects as well as lower customer confidence which will impact the residential construction market as well. Government measures to curtail imports including of tiles and tile accessory imports however is a positive move which will help reduce the impact of COVID-19 in the short to medium term. We remain positive about our long term prospects however; and will

continue to strengthen our distribution channels and product offering to meet the requirements of a "new normal" post COVID-19.

Acknowledgements

I extend my sincere appreciation to my colleagues on the Board for their continued support and commitment . I also take this opportunity to commend the management team led by Mr.

Mahendra Jayasekera for their foresight, fortitude and well thought out strategy and commend all our highly motivated employees for successfully delivering on this strategy. To our customers, suppliers, business partners and shareholders, my sincere appreciation for their continued support.

S H Amarasekera Chairman

1 July 2020



Managing Director's Message

"Swisstek (Ceylon) PLC recorded a revenue growth of 21% supported by growth in all three business segments. The tile accessory manufacturing segment continued to perform well maintaining its market leadership position"

Dear Shareholder,

FY 2019/20 was an encouraging year, with several strategic initiatives we commenced during the previous year starting to show results. Several of the new products introduced as part of our product diversification efforts, gained traction during the year while export volumes continued to grow in response to efforts to expand our geographical reach. Meanwhile our efforts to drive operational excellence through efficiency and cost management initiatives yielded results in terms of lower operating expenses and quality gains.

Performance in 2019/20

The Group recorded a commendable performance, with performance of both Swisstek (Ceylon) PLC the company and its subsidiary Swisstek Aluminium Ltd improving during the year. Consolidated revenue increased by 8% during the year to Rs. 4,635 Mn compared to the growth of 5% recorded in FY 2018/19. Profits After Tax at Group level increased from Rs. 0.7 Mn in FY 2018/19 to Rs. 167.8 Mn in FY 2019/20 supported by a particularly strong performance by Swisstek (Ceylon) PLC.

Swisstek (Ceylon) PLC

Swisstek (Ceylon) PLC recorded a revenue growth of 21% supported by growth in all three business segments. The tile accessory manufacturing segment continued to perform well maintaining its market leadership position. Efforts to strengthen our e-commerce channels through partnerships with Amazon and Daraz also contributed to volume growth in this segment. The timber flooring segment too continued to perform well; buoyed by the ongoing contract to supply and install timber flooring for the Cinnamon Life Water Front project. The trading segment which involves providing warehousing and sales outlet facilities for our parent company, Lanka Tiles also

performed well during the year due to our efforts to strengthen our warehousing capacity and capabilities.

Swisstek Aluminium LTD

Revenue of Swisstek Aluminium Ltd grew by 3% to Rs. 3,233 Mn during the year compared to the 7% decline recorded during FY 2018/19. The growth was achieved by strategically diversifying the company's product range to include value added products such as multi-purpose ladders, modular pantry cupboards and aluminium furniture range while also driving volume growth by expanding further downstream. Although global Aluminium prices declined during the year, margins in the Aluminium segment continued to decline due to heavy price competition in the market stemming from excess production capacity in the market. Despite the continued pressure on margins, a greater focus on efficiency gains and cost management as well as a decline in finance expenses during the year resulted in the company being able to reduce its losses during the year.

Operational and product excellence

In an environment of intense competition and pressured margins, we continued to focus on achieving operational excellence by further streamlining our processes, introducing process improvements and driving product excellence. We increased our tile mortar local production capacity by a further 15% during the year in response to increased demand in this category while continuing to explore third-party offshore production to drive further efficiencies. We also enhanced our warehousing capabilities during the year, investing almost Rs. 30 Mn in expanding our warehousing space and improving its facilities. Meanwhile we continued forward in our journey towards product excellence; obtaining Sri Lanka Standards (SLS) certification for our Grout, motor and skim product range following successfully obtaining the prestigious "QUALICOAT" certification for aluminium extrusion powder coating last year.

Product innovation

Product innovation remains a focus area and we continue to invest in research

and staff training to drive innovation throughout our operations. During the year two new products, an enhanced Grout sealer and "Quick Flow", a self levelling compound were introduced to the market by Swisstek (Ceylon) PLC while Swisstek Aluminum continued with its product diversification strategy with further improvements to its multi-purpose ladders, modular pantry cupboards and aluminium furniture range. Swisstek Aluminium also introduced a new timber coated solid Aluminium door, while exploring downstream capabilities within the company.

Geographical diversification

We continue to explore new markets to expand our geographical footprint. Exports sales increased during FY 2019/20, as a result of our targeted efforts to penetrate into new global markets. During the year we significantly strengthened our e-commerce channels; upgrading our website for online sales and making our products available on world renowned online sales platforms such as Amazon and Daraz. We also established a distribution centre in Dallas, Texas as we see significant potential to grow sales in the USA.

Sustainability

We remain committed to creating a sustainable operation that is conscious of the impacts on our environment and communities. As part of our efforts to adopt more environmentally friendly manufacturing processes we invested Rs. 10 Mn to improve the dust suction units installed at our factory premises. Meanwhile we continue to engage closely with the communities surrounding our operations by engaging in activities that promote community upliftment.

COVID-19 Impact and response

Since all our manufacturing units and offices are located in the Western Province, the extended lockdown in the wake of the COVID-19 pandemic resulted in a significant drop in production and sales during the period. With the lifting of the curfew in non-risk areas, we gradually commenced operations on a limited scale after

ensuring that stringent health and safety measures were in place to ensure the safety of our employees, suppliers and customers. We commenced servicing customers in non-curfew areas and obtained approval from Government authorities to operate factories to meet export orders. Meanwhile in order to address the negative impact on cash flow and profitability we immediately put in place a cash management strategy which included temporarily deferring and restructuring debt repayments, deferring supplier payments and reducing and controlling non-priority costs to better manage cash flow.

Way forward

As we brace ourselves for a challenging year characterized by subdued demand conditions, tighter margins and possible supply chain disruptions, we remain confident that we have the resources and capabilities to withstand these challenging times. We see a significant benefit to our business from the ban imposed on importing tiles and tile accessories and remain committed to our strategy of product and market diversification. We will continue to explore new markets, drive greater efficiencies and strengthen our distribution channels including our e-commerce channels while increasing the contributions from value-added products

Acknowledgements

I take this opportunity to extend my gratitude to the Chairman and Board of Directors for their continued support. To our employees, thank you for your ongoing commitment and dedication to achieve excellence. To our customers, shareholders, suppliers and business partners, my deep appreciation for continuing to support us and for driving us to achieve new heights.

J A P M Jayasekera Managing Director

1 July 2020

Strategy

Our Value Creation Model

Value Drivers

Value Creation Process

Capital Inputs



Financial Capital

Shareholders funds Debt

(For more details refer Page 22



Manufactured Capital

Manufacturing plants (For more details refer Page 25)



Human Capital

Employees (For more details refer Page 27)



Social and Relationship Capital

Supplier relationships Distributors

Dealer outlets

Franchisees

(For more details refer Page 29)



Intellectual Capital

Tacit knowledge Systems, processes and standards R & D Capabilities

Our brands

(For more details refer Page 34)



Natural Capital

Raw materials Water use Energy consumption (For more details refer Page 32)

Transforming our

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 avaiable through other group Companies.

Our Value Chain

Raw Material Sourcing

Manufacturing Process

Our Strategic Priorities

Operational Excellence

(For more details refer Page 51

Risk Management

Product Diversification Geographical Diversification

Value Delivered

Capital Inputs

Distribution of Products

People Development Sustainability

Governance and Risk Management For more details refer Pages 38 to 53)

Outputs and Impacts

Profit after tax: Rs. 168 Mn

Earnings per share: 6.31

Payments to employees Rs. 333 Mn

Investment in training and development: Rs. 1.89

Payments to suppliers : Rs. 2,650 Mn

Payment to local suppliers : Rs. 906 Mn

Investments in community engagement: Rs. 0.5 Mn

Number of Beneficiaries : 300

Outcomes

Shareholders

Sustainable returns

(Refer Financial capital on page 22)

Customers

Increased customer convenience and customer satisfaction

(Refer Social and Relationship Capital Report on page 29)

Employees

Opportunities for career progression and skill development in a dynamic environment

(Refer Human Capital Report on page 27)

Suppliers

Stronger partnerships

(Refer Social and Relationship Capital Report on page 29)

Community

Mutually beneficial relationships with the communities we operate in

(Refer Social and Relationship Capital Report on page 29)

Strategy

Stakeholder Engagement

Community

Stakeholder engagement is a key element of our value creating process as it ensures that our priorities are aligned to those of our stakeholders. Our stakeholder engagement process involves four key steps as depicted below;



What is Material to Us

Material matters are defined as the issues that can materially impact our value creation process in the short, medium and long term. We have a systematic process for identifying our material matters that involves assessing our risks, opportunities and stakeholder concerns. 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,

	Material topic	Movement from last year
Critical	Construction sector performance	A
	Fluctuations in raw material prices	A
	Supply chain management	A
	Manufacturing capabilities	-
High Impact	Raw material availability	A
	Product development	-
	Employee management	-
	Exposure to exchange rate fluctuations	A
	Competitive pressures	-
	Government policy	-
	Distribution channels	^
Significant	Managing our environmental impacts	-
	Community engagement	_

Strategy

Our Strategy

Strategic Priority	Operational Excellence	Product Diversification	Geographical Diversification	People Development	Sustainability
What we did during the year	Invested Rs. 20 Mn to enhance tile mortar production capacity. Rs. 60 Mn invested in strengthening warehousing capabilities Applied for SLS product certification for Tile Mortar product range	Rs. 2.15 Mn invested in research and development and new product development	Partnered with e-commerce platforms such as Daraz and Amazon to expand geographical reach. Established a new distribution center in Dallas Texas, to penetrate the US Market. Continued to explore new markets such as the Maldives while strengthening our presence in the UK and EU region.	Rs. 1.89 Mn spent on training and development Additional facilities to staff including new canteen facilities	Rs. 10 Mn invested in improving dust suction units Rs. 0.5 Mn spent of CSR initiatives
What we achieved (KPIs)	25% increase in tile mortar manufacturing capacity. 6000 sqft of additional warehousing space	Two new products introduced to the market during the year by Swisstek (Ceylon) PLC and enhancements to value added product range by Swisstek Aluminium Ltd.	Growth in export sales	Maintained retention levels of 85% across the group.	Reduced dust pollution levels

Operating Environment

Sri Lankan Economy

GDP growth slowed down further in 2019, recording a growth of 2.3% compared to 3.3% in 2018. The agriculture sector recorded a growth of 0.6% in 2019 compared to the growth of 6.5% in 2018 due to extreme weather conditions impacting all major crops. The services sector decelerated sharply due to the leisure sector being impacted by the Easter Sunday attacks. The industry sector however recorded an acceleration compared to 2018, growing by 2.7% compared to the growth of 1.2% in 2018 as a result of a pick up in the apparel, food and construction sectors. After the sharp depreciation witnessed in 2018, the Sri Lankan Rupee remained broadly stable in 2019. Despite experiencing some pressure in the immediate aftermath of the Easter Attacks, the Rupee recorded an appreciation of 0.6 per cent against the US dollar by end 2019. Inflation levels although showing an increasing trend in 2019 remained at single digit levels for the most part of the year reflecting weaker demand as economic activity moderated. Policy rates too continued on a downward trend during the year.

Construction Sector

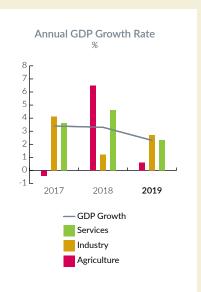
Construction sector rebounded during the year, growing by 4.0 per cent in value added terms, against the contraction of 2.5 per cent, in 2018. Acceleration of large scale state-led construction projects as well a growth in construction work related to condominium development projects contributed to this growth. The residential construction market however remained somewhat subdued as reflected in a slower growth in credit granted for personal housing construction activities by LCBs.

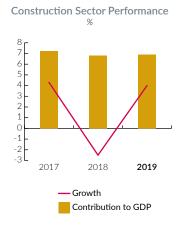
Aluminium Prices

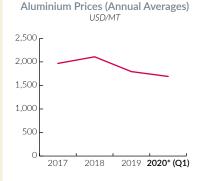
Aluminium prices showed a downward trend during the year. Prices were impacted by slowing factory production in major industrial nations and a downturn in the global automotive sector. Meanwhile ongoing trade tensions between China and the US continued to negatively impact prices as well.

COVID-19

The outbreak of the COVID-19 pandemic and the resultant containment measures brought the economy to a complete standstill. Most large scale construction projects witnessed a delay in procurement of materials from China and a complete stoppage of work due to the curfew. Even with the gradual resumption of economic activities, the government has put a halt of major construction projects until a formal budget is announced in second half of 2020. Meanwhile the residential construction sector is expected to feel the impact of an economic downturn and depressed investor sentiment. On the supply side, the depreciation of the Rupee is expected to drive input costs up while supply chain disruptions could also be expected until travel restrictions are removed completely.







Capital Management

Financial Capital

We continue to generate long term shareholder value through careful management of our financial resources.



Highlights

FY2019/20

Rs. 4,635 Mn

Revenue

(Rs. 4,294 Mn - FY2018/19)

FY2019/20

Rs. 167 Mn

PAT

(Rs. 0.75 Mn - FY2018/19)

FY2019/20

Rs. 6,116 Mn

Asset

(Rs. 6,512 Mn - FY2018/19)

FY2019/20

Rs. 3,848 Mn

Liabilities

(Rs. 4,411 Mn - FY2018/19)

FY2019/20

Rs. 6.31 Mn

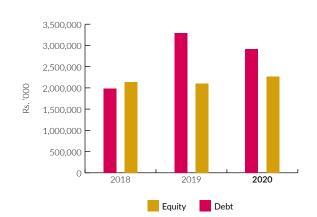
EPS

(Rs. 0.60 Mn - FY2018/19)









Revenue

Consolidated revenue increased by 8% during the year to Rs. 4,635 Mn compared to the growth of 5% recorded in FY 2018/19. All product segments witnessed a growth during the year except for fibre cement sales. The Aluminium sector which accounted for 70% of Group revenue grew by 4% as a result of several new products gaining traction during the year. The wooden flooring and installation segment, benefiting from a contract to supply and install timber flooring for the Cinnamon Life Water Front project grew by almost 22% during FY 2019/20. Meanwhile tile related products grew by 19% during the year and accounted for 21% of group sales.

Gross Margins

Gross Margins at group level improved during the year, increasing from 19% in FY 2018/19 to 21% in FY 2019/20. The improvement was on account of margins in both the wooden floor segment and tile related products segments improving during the year. Despite a decline in global Aluminium prices margins in the Aluminium segment continued to decline due to heavy price competition in the market stemming from excess capacity in the market.

Operating Expenses

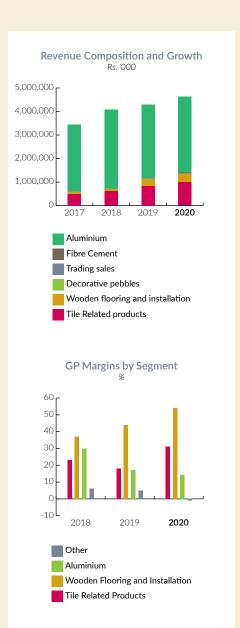
Total operating expenses declined by 7% during the year and amounted to Rs. 462 Mn. Concerted efforts to bring cost efficiencies brought down administration costs down by almost 40% compared to the previous year. Selling as distribution expenses increased by 22% due to increased marketing efforts.

Operating Profits

The improvement in gross margins together with better control of operating expenses during the year resulted in operating profits increasing by almost 45% to Rs. 610 m in FY 2019/20. Consequently operating profit margins improved to 13% in FY 2019/20 compared to 10% during the previous year.

Finance Costs

Net finance expenses during the year decreased by 6% and amounted to Rs. 377.8 m during the year due to a lower level of borrowings during the year. Meanwhile the Group also benefited from an exchange gain during the year compared to a significant exchange loss last year which also contributed a lower net finance cost during the year under review.



Capital Management

Financial Capital

Profitability

Profitability at Group level improved significantly during the year as a result of the combined effect top line growth, better margins, better control of operating expenses and a lower finance cost. Profit Before Tax at Group level amounted to Rs. 232.7 Mn in FY 2019/20 compared to Rs. 16.7 Mn in FY 2018/19. The Group recorded a Net Profit of Rs. 167.8 Mn after a tax expense of Rs. 64.9 Mn during the year compared to the Net Profit of Rs. 0.75 Mn in FY 2018/19.

Financial Position

Non-Current Assets

Non-Current Assets as at 31.03.2020 amounted to Rs. 2,852 Mn. Property Plant and Equipment account for almost 95% of non current assets. Additions to PPE amounted to Rs. 144.4 Mn during the year. This included mainly plant and machinery additions to the tile mortar production line and improvements to new warehousing space at the factory premises.

Working Capital

Total current assets declined by 11% to Rs. 3,264 Mn as at end March 2020 due to better inventory and debtor management. Inventory decreased by almost Rs. 336 Mn while trade receivables also reduced by Rs. 105 Mn due to better control. Meanwhile current liabilities also deceased by 12% to Rs. 3,027 Mn as at 31.03.2020 due to a lower level of short term borrowings and trade and other payables compared to 31.02.2019. The Group has maintained a current ratio above 1.0 during the last two years.

Borrowings

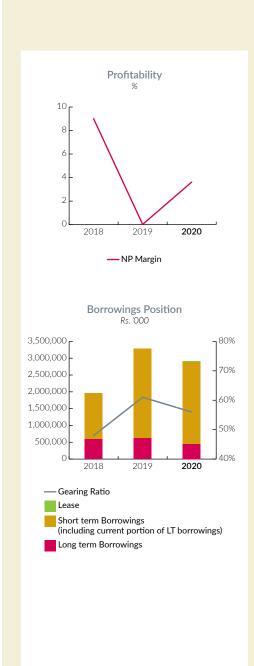
Total borrowings of the group declined from Rs. 3,289.7 Mn as at 31.03.2019 to Rs. 2,912.6 Mn as at 31.03.2020. Almost 84% (Rs. 2,436.9 Mn) of total borrowings consist of short-term borrowings. The Group's gearing ratio (defined as debt/debt+equity) decreased from 61% last year to 56% as at 31.03.2020.

Equity

Total Equity increased to Rs. 2,267 Mn as at 31.03.2020 compared to Rs. 2,101.3 Mn as at 31.03.2019 due to a higher level of retained earnings during the year. There was no changes to share capital or reserves during the period under review.

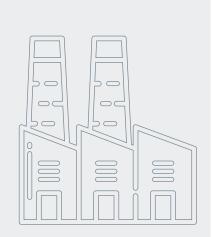
Cash Flow

Net cash in-flow from operating activities amounted to Rs. 577.1 Mn compared to a net outflow of Rs. 886 Mn during the previous year due to the improved performance and better working capital management during the year. The cash outflow from investing activities amounted to Rs. 176 Mn due to investments in production and warehousing capacity. Net outflow from financing activities amounted Rs. 440.9 Mn. Consequently, net cash outflow during the year under review amounted to Rs. 39.8 Mn compared to the cash outflow of Rs. 248.8 Mn during the previous year.



Manufactured Capital

Our Manufactured Capital include our state of the art manufacturing facilities, equipment, plant and machinery as well as warehousing facilities and showroom network. As at end-March 2020, the Group's property, plant and equipment amounted to Rs. 2,696.3 Mn amounting to 44% of its total assets



Highlights

Rs. 172 Mn

Capex Spend

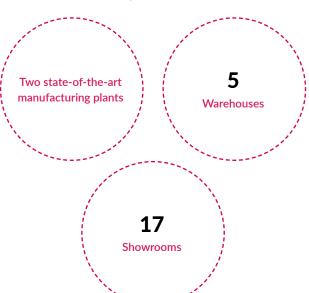
25%

Growth in Manufacturing Capacity

6000 sqft

Growth in Warehousing Capacity





Capital Management

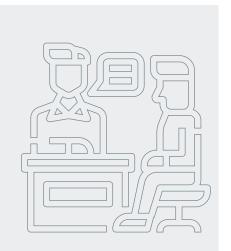
Manufactured Capital

How we added value during the year

Focus Area	Key Initiatives during the year	Indicator/ KPI
Investments in plant and machinery	During the year Swisstek (Ceylon) PLC invested Rs. 20 Mn to further enhance is tile mortar production capacity. This follows an investment of Rs. 170 Mn in FY 2018/19 in a Silica Sand plant to dry and process silica sand required for its manufacturing process.	
		25% Increase in tile mortar manufacturing capacity
Investments in warehousing capacity	Increasing our warehousing capabilities was a key area of focus during the year. To this end, Swisstek (Ceylon) PLC invested Rs. 20 Mn in expanding its warehousing space at its factory premises. Meanwhile a further Rs. 40 Mn was invested a new racking system which further enhanced our warehousing capabilities.	
		6000 Sqft of additional warehousing space.
Investments in sustainable manufacturing	We continue to invest in environmentally friendly manufacturing processes and invested Rs. 10 Mn to improve dust suction units installed at our factory premises.	Reduction in dust pollution by 50%

Human Capital

Our committed team of 365 individuals are the driving force behind our operation. We continue to nurture our human capital by providing our employees opportunities for growth, offering a safe and healthy work environment, and motivating them to reach their full potential.



Highlights

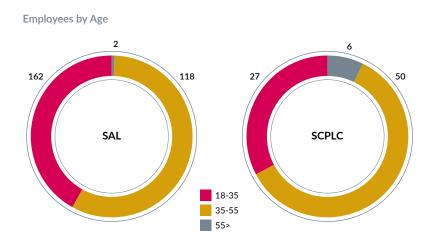
Rs. 12.6 Mn

Productivity

85% Retention

Our Human Capital





Capital Management

Human Capital

How we added value during the year

Focus Area	Key Initiatives during the year	Indicator/ KPI
Talent Acquisition	During the year we onboarded a total of 111 new recruits. With a significant percentage of our current employee base in the 18-35 and 35-55 category, we are actively focusing on recruitment of a younger employee demographic to create a sustainable pipeline of talent. Accordingly, 90% of new employees were between the ages of 18-35.	New Recruits 111 111 103 8
Talent Development	The total investment in training amounted to Rs. 1.89 Mn during the year. A total of 365 employees underwent 910 hours of training translating to an average of 2.49 training hours per employee. Employees participated in several external training programs for technical skills while inhouse training focused on soft skills, safety training and spiritual training. Meanwhile performance appraisals are carried out on an annual basis for all employees based on which bonus payments are determined.	Avg. Training Hours per Employment Category 2.49
Remuneration and Benefits	In addition to remuneration consisting of guaranteed pay and performance based pay, employees are offered a wide 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.	Total payments to Employees Rs. 333 Mn
Employee Engagement	We promote a culture of open communication by providing employees to voices their opinions, concerns and ideas. Meanwhile ongoing engagement activities such as staff trips, religious ceremonies, sports events and family events are carried out throughout the year.	Employee Satisfaction Score 85%
Health and Safety	We ensure all safety standards are according to the factory ordinance. We are also in the process of obtaining OSHAS certification. A comprehensive health insurance plan is extended to all employees. During the year we implemented several safety measures to address concerns raised in the employee safety survey conducted during the previous year. We have also now put in place strict health and safety guidelines in all our premises including hand washing units in order to comply with recommendations on COVID-19 safety	Work Related Injuries during the year
Labour Relations	Employees of Swisstek (Ceylon) Ltd are not unionised, however 40% of employees at Swisstek Aluminium Ltd are represented through the Inter Company Employee Union (ICEU) and are covered by collective agreements. Collective Agreements are renewed every three years. We maintained cordial industrial relations during the year through ongoing dialog between management and unions.	No. of Industrial disputes during the year None

Social and Relationship Capital

Our strong relationships with our customers, business partners and communities enable us to carry out our operations in an effective and sustainable manner. We continue to nurture these relationships through ongoing engagement and by continuously finding ways to improve the value propositions we offer.



Highlights

14

New Products Introduced During the Year

Rs. 2,650 Mn

Payments to Suppliers

Rs. 0.5 Mn

CSR Spend

Our Social and Relationship Capital



Capital Management

Social and Relationship Capital

How we added value during the year

	Focus Area	Key Initiatives during the year	Indicator/ KPI
CUSTOMERS	Product Innovation	We continue to expand our product range in response to our customers evolving needs. During the year Swisstek (Ceylon) PLC introduced two new products to the market; an enhanced Grout sealer and "Quick Flow", a self levelling compound. Swisstek Aluminum continued to expand beyond standard aluminum profiles, with the introduction of several new products including Aluminium solid doors. Meanwhile further improvements to its multi-purpose ladders, modular pantry cupboards and aluminium furniture range were carried out during the year.	Revenue from New products Rs. 4 Mn
	Product Availability	Our products are made available through our extensive distribution network that includes both our own dealers as well as the Lanka tiles distribution network. During the year we focused on enhancing our on-line sales channels by upgrading our website and making our products available through e-commerce sites such Daraz. We also added a distribution center in Dallas, Texas in order to penetrate the US Market.	Start in on-line Sales
	Product Responsibility	Ensuring the quality of our products is a critical factor in an increasingly competitive market. We comply with several quality certifications and accreditations, ensuring that products meet the highest quality standards. During the year we applied for SLS product specification for Tile Mortar.	Customer Satisfaction score
	Customer Engagement	We continue to engage with our customers through both formal and informal channels. Awareness programs and training sessions are conducted for tilers, dealers and distributors while we also participated in several exhibitions during the year. Meanwhile a customer hotline, a formalised customer complaints mechanism and monthly customer surveys are in place to ensure that we obtain customer feedback on an ongoing basis. During the year we upgraded our customer website and increased our presence on social media providing further opportunities for customer engagement.	Our Online Presence Corporate website Facebook Instagram Youtube Daraz
SUPPLIERS	Supplier development	Almost 36% of our raw material suppliers for Swisstek (Ceylon) Ltd belong to the SME category. We continue to conduct supplier development programs aimed at building capacity.	No. of supplier development programs carried out during the year

	Focus Area	Key Initiatives during the year	Indicator/ KPI
DEALERS/ DISTRIBUTORS/ FRANCHISEES	Engagement	While continuously engaging with our dealers, distributors and franchisees through multiple forums such as dealer conventions, pocket meetings and training workshops we continue to improve our online sale system in order to further streamline the ordering process and drive further efficiencies.	Reduction in order lead time
COMMUNITIES	Community Development	We remain committed to engendering mutually beneficial relationships with the communities we operate in and continue to invest in uplifting these communities.	CSR Spend Rs. 0.5 Mn

Natural Capital

We remain committed to reducing the negative environmental impact from our operation by ensuring responsible consumption of natural resources and by continuously exploring way in which we can increase energy, water and raw material efficiency.



Highlights

4.5%

Reject Rate

1000 Gj **Energy Saving**

700 M3

Water Saving

Our Natural Capital

Raw Materials

Silica Sand - 16,874 MT

Cement - 13,713 MT Aluminium

Billets - 4,691 MT

Energy

19,643 Gj

Water 34,958 M3

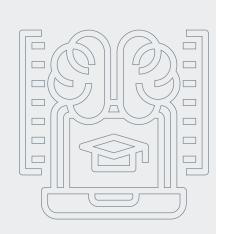
How we added value during the year

	Focus Area	Key Initiatives During the Year	Indicator/ KPI
	Raw Material Consumption	We ensure responsible consumption of raw materials through continuous process improvements aimed at reducing wastage. We also adopt recycling mechanisms to reduce our consumption of raw material. Aluminum Billet scraps from Swisstek Aluminum are recycled in house and re-used in the production process. Meanwhile we continue to work closely with our Silica Sand suppliers to ensure that their mining operations adhere to all required environmental standards and regulations.	Reject Rate
			18/19 19/20
			SCPLC 8.25 4.87
			SAL 4.50 4.00
Raw Material			3
			Percentage of recycled material used in production process 25%
	Solid Waste	Solid waste from pebbles production is a nonhazardous	Solid Waste Generated
	management	environmental friendly waste which can be used as land filling and fertilizer.	18/19 19/20
		Solid waste from our operations consist mainly of sludge from our Aluminium extrusions operation. This sludge is released to a third party through a fully equipped sludge yard.	SCPLC 165 205
			SAL 64 55
	Control of Dust Emissions	Dust emissions is one of the main pollutants arising from our grout and mortar manufacturing plant. During the year we invested Rs. 10 m to improve dust suction units installed at our factory premises.	
Energy	Energy Consumption	We continue to closely monitor our energy consumption to identify areas where we can reduce energy consumption or improve energy efficiency.	*20
iii			Total Saving from Energy saving initiatives Rs. 3 Mn
Water	Water Consumption	Whilst closely monitoring and controlling our water consumption in our manufacturing processes we initiated a water recycling project at our Swisstek Ceylon PLC Plant.	
			Percentage of water recycled and reused
	Effluent Management	Effluents arising from our operations are safely released into the environment after being treated in our on-site waste water treatment plant at Swisstek Aluminium.	Volume of treated effluents 12,500 M3

Capital Management

Intellectual Capital

We remain committed to reducing the negative environmental impact from our operation by ensuring responsible consumption of natural resources and by continuously exploring way in which we can increase energy, water and raw material efficiency.



Highlights

Rs. 2.1 Mn

R & D Investment During the Year

14

New Products Launched During the Year

Product Certifications

Swisstek (Ceylon) PLC

ISO 9001: 2008 for tile mortar and tile Grout

ISO 9001:2015 for tile mortar, tile grout and skim coat

Swisstek Aluminum

QUALICOAT Certification

ISO 9000 Certification

ISO 9001:2015 Certification

SLS1410:2011 Certification

Our Intellectual Capital

Brand Swisstek

> Allura Parkett

Cetifications

A total of 6 product certifications

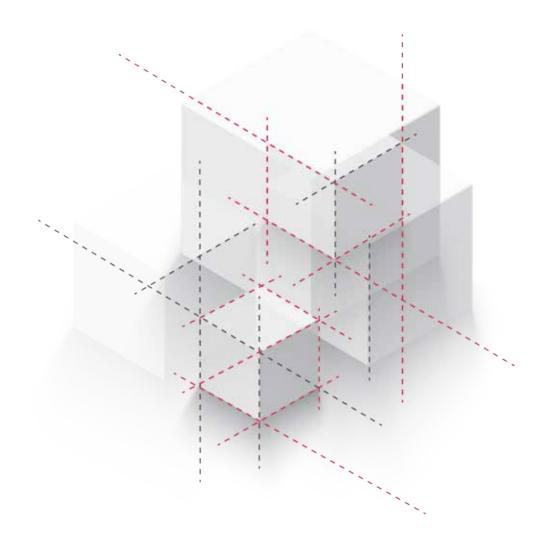
Research and Development **Capabilities**

Dedicated R & D teams with a total staff strength of 4

How we added value during the year

Focus Area	Key Initiatives During the Year	Indicator/ KPI
Brand Building	Our key brands Swisstek and Swiss Parkett are established brands renowned for its quality and reliability. During the year we focused on building brand value by increasing our presence on social media and by stepping up our marketing efforts.	Total Marketing spend Rs. 10 Mn
Research and development capabilities	We continue to strengthen our research and development capabilities across the group. Each company has its own dedicated Research and Development team headed by a factory manager to drive research and development initiatives.	Research and development Spend Rs. 2.1 Mn
Certifications	We remain committed to ensuring the quality of our products and have obtained a wide range of product and process certifications. During the year we applied for Sri Lanka Standards (SLS) certification for Grout, motor and skim product range.	Percentage of product portfolio that is certified 75%





Demonstrating a strong commitment to maintaining good corporate governance and corporate values paves the way for performance.

Stewardship

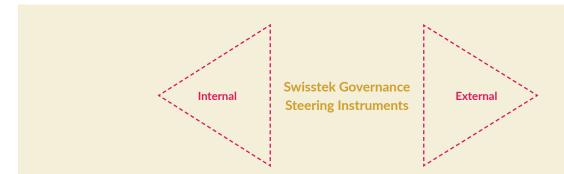
Corporate Governance

Swisstek is committed to sound corporate governance balancing interests of stakeholders and strengthening Board 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 bears responsibility to ensure Swisstek pursues its strategic goals in accordance with sound corporate governance principles, safeguarding its reputation, values and assets while balancing stakeholder interests.

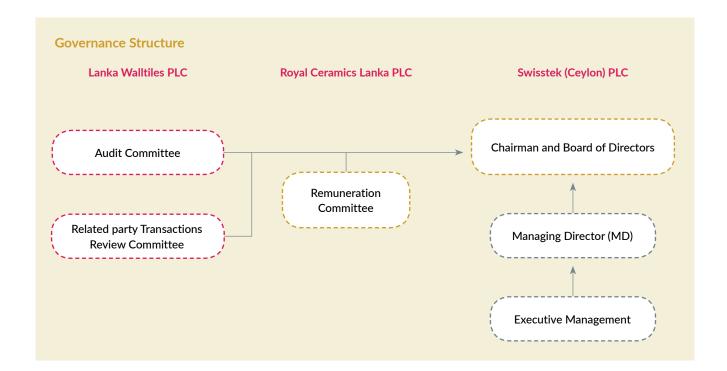
The Governance framework is bound by several external and internal steering instruments.



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

- Companies Act No. 7 of 2007
- Continued listing requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance (2017) issued Jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka
- Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)
- GRI Standards for Sustainability reporting issued 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. Committee composition and roles are summarized on page 41. 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.



Effective Board

A key driver to good governance is the establishment of an effective board.

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 6 of the Annual Report. The Managing Director is a Chartered Accountant.

Board Composition

Independent Directors including Chairman



Non - Independent Non-Executive Directors



Executive



Corporate Governance

Governance Structure

Definition

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.

Assessment

Independent assessment of directors is conducted annually by the Board, based on annual declaration and other information submitted by Non Executive Directors

Outcome

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	5		
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, in compliance with section 7.10.6 of the listing rules of the Colombo Stock Exchange.	Report of the Audit Committee on page 60
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, in compliance with Sect 7.10.5 of the listing rules of the Colombo Stock Exchange.	Report of the Remuneration Committee on page 59
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, 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 62

Roles of Chairman and MD

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. A clear division of responsibilities ensures no one director has unfettered powers in the decision-making process.

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

Corporate Governance

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.

Mr. A M Weerasinghe and Mr. J K A Sirinatha retire by rotation at the conclusion of the Annual General Meeting in terms of the Articles of Association and being eligible, are recommended for reelection by the Board.

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.

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	INED	9/10	-	-	1/1
(Director of Royal Ceramics Lanka PLC)					
Mr. J A P M Jayasekera	ED	10/10	-	-	-
Mr. J A K Sirinatha	NED	10/10	-	-	-
Dr. S Selliah	INED	9/10	4/4	4/4	-
Mr. A M Weerasinghe	NED	10/10	-	-	-
Mr. A S Mahendra	NED	9/10	-	-	-
Mr. K D G Gunaratne	INED	7/10	-	-	-
Mr. C U Weerawardena	INED	10/10	-	-	-
Mr. J D N Kekulawala (Parent company Board member)	INED	-	4/4	4/4	-
Mr. T G Thoradeniya (Parent company Board member)	NED	-	3/4	3/4	-
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

ED - Executive Director

NED - Non-Executive Director

INED – Independent NED

^{**} The Audit Committee and Related Party Transaction Review Committee of listed parent entity, Lanka Walltiles PLC and the Remuneration Committee of parent entity, Royal Ceramics Lanka PLC functions as the respective Committees of Swisstek in compliance with the listing rules of the Colombo Stock Exchange. Dr Selliah is an INED of Lanka Walltiles PLC.

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 6. 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 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 122 to 124. Refer RPTRC report on page 62.

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. Lead 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.

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. Report of the Remuneration Committee is given on page 59.

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 FY 2019/20 is LKR 11.7 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 accountabilty 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.

Corporate Governance

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 54 to 56

- The Statement of Directors' Responsibility on page 57
- 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 inline 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 pages 54 to 56of 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

Sustainable reporting is part of the established annual reporting process of the Lanka Walltiles Group and Swisstek has presented the relevant information within this report as follows:

- ► Economic sustainability page 22
- The Environment Natural Capital on page 32
- Labour Practice Human Capital on page 27
- Society Social & Network Capital on page 29
- Product Responsibility Social & Network Capital on page 29
- Shareholder identification, engagement and effective communication - Investor Relations

Appendix I - Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

Rule No.	Subject	Requirement	Complied	Action / Reference (within the Report)	Page
7.10.(a-c)	Compliance	Compliance with Corporate Governance Rules			
7.10.1.(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs	Yes	Board Composition	39
7.10.2.(a)	Independent Directors (ID)	2 or1/3 of NEDs, whichever is higher, should be independent	Yes	Board Composition	39
7.10.2.(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence	Yes	Board Composition / Independence	39
7.10.3.(a)	Disclosure relating to Directors	➤ The Board shall annually determine the independence or otherwise of the NEDs, and	Yes	Board Composition / Independence Board Profiles	39
		 Names of each IDs should be disclosed in the Annual Report (AR) 			
7.10.3.(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	Yes	Board Composition / Independence	39
7.10.3.(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Yes	Board Profiles	6
7.10.3.(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Yes	Board Profiles	6
7.10.4.(a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director	Yes	Board Composition / Independence	39
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee	Yes	Remuneration Committee Report	59
7.10.5(a)	Composition of Remuneration Committee	Consists of three Independent Non-Executive Directors	Yes	Remuneration Committee Report	59
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors	Yes	Remuneration Committee Report	59

Corporate Governance

Rule No.	Subject	Requirement	Complied	Action / Reference (within the Report)	Page
7.10.5.(c)	Disclosure in the Annual Report	Names of Directors comprising the RCStatement of Remuneration Policy	Yes	Remuneration Committee Report	59
	relating to Remuneration Committee	 Aggregated remuneration paid to Executive and NEDs 		Note 31.3 to the Financial Statements	124
		► Should be included in the Annual Report			
7.10.6	Audit Committee (AC)	The Company shall have an AC	Yes	Audit Committee Report	60-61
7.10.6.(a)	Composition of Audit Committee	The AC of the listed parent company may function as the AC	Yes	The AC of the listed Parent Company, Lanka Walltiles PLC functions as the AC of Swisstek	41
7.10.6(b)	Audit Committee Functions	 Overseeing of the - Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) Compliance with financial reporting requirements, of the Companies Act and related regulations and requirements Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards (SLFRS/LKAS) Assessment of the independence and performance of the External Auditors Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of 	Yes	Audit Committee Report	60-61

Rule No.	Subject	Requirement	Complied	Action / Reference (within the Report)	Page
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	 The Annual Report shall contain Names of Directors comprising the AC The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination Report of the AC setting out the manner of compliance with their functions 	Yes	Audit Committee Report	60-61

Appendix II: Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

Rule	Requirement	Complied	Reference (within the Report)	Page Ref
(a)	Details pertaining to Non-Recurrent Related Party Transactions (RPT)	Yes	Report of the Related Party Transactions Review Committee	62-63
(b)	Details pertaining to Recurrent RPTs	Yes	Notes to the Financial Statements	62-63
(c)	Report of the Related Party Transactions Review Committee	Yes	The RPTRC of the listed Parent Company, Lanka Walltiles PLC functions as the RPTRC of Swisstek	31
(d)	Declaration by the Board of Directors in the Annual Report as an affirmative statement of compliance with the rules pertaining to RPT, or a negative statement otherwise	Yes	Annual Report of the Board of Directors	54-56

Appendix III: Statement of Compliance pertaining to Companies Act No. 7 of 2007

Rule	Requirement	Complied	Reference (within the Report)	Page
168 (1) (a)	The nature of the business together with any change thereof	Yes	About Us	4-5
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Financial Statements	70-127
168 (1) (c)	Auditors' Report on financial statements	Yes	Independent Auditor's Report	66-69
168 (1) (d)	Accounting policies and any changes therein	Yes	Notes to the Financial Statements	75-127
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors	54-56
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements	31
168 (1) (g)	Corporate donations made by the Company	Yes	Notes to the Financial Statements	75-127
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Board Profiles	6

Corporate Governance

Rule	Requirement	Complied	Reference (within the Report)	Page
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements	75-127
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit Committee/ Financial Statements	60-61
168 (1) (k)	Acknowledgment of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements/ Annual report of the Board of Directors	54-56

Appendix IV: Compliance with The Code Of Best Practice On Corporate Governance Issued Jointly by the Institute of Chartered Accountants Of Sri Lanka and The Securities and Exchange Commission of Sri Lanka, 2013

Code Ref.	Requirement	Complied	Reference within the Report	Page
A.1	An effective Board should direct, lead and control the company			
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	Yes	Meetings & Minutes	42
A.1.2	Role and Responsibilities of the Board	Yes	Board Responsibilities	40
A.1.3	Act in accordance with laws of the Country	Yes	Compliance	43
A.1.4	Access to advise and services of the Company Secretary	Yes	Company Secretary	42
A.1.5	Independent judgement	Yes	Other Business Commitments / Related Party Transactions / Conflicts of Interests	43
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Other Business Commitments / Related Party Transactions / Conflicts of Interests	43
A.1.7	Board induction and Training	Yes	Induction and training for Directors	41
A.2	Chairman and CEO	Yes	Roles of Chairman and MD	41
A.3	Chairman's role in preserving good corporate governance	Yes	Roles of Chairman and MD	41
A.4	Availability of financial acumen	Yes	Board Composition	39
A.5	Board Balance	Yes	Board Composition	39
A.5.1	The Board should include sufficient number of NEDs	Yes	Board Composition	39
A.5.2	If the Board include only 2 NEDs, both should be independent	N/A		
A.5.3	Independence of Directors	Yes	Board Composition / Director Independence	39
A.5.4	Annual declaration of independence by Directors	Yes	Board Composition / Director Independence	39

Code Ref.	Requirement	Complied	Reference within the Report	Page
A.5.5	Annual determination of independence of NEDs	Yes	Board Composition / Director Independence	39
A.5.6	Alternate Directors	N/A	(No Alternate Directors appointed)	
A.5.7 & A.5.8	Senior Independent Directors	N/A	(Chairman and MD are separate)	
A.5.9	Annual meeting by the Chairman with NED	Yes	Meetings and minutes	42
A.5.10	Recording of dissent in minutes	Yes	Meetings and minutes	42
A.6	Supply of Information	Yes	Board access to information and resources	43
A.7	Appointments to the Board and Re-election	Yes	Appointment, Re-election and Resignation	42
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference	No		
A.7.2	Annual assessment of Board composition for appointment of Directors/ Re-Election	Yes	Appointment, Re-election and Resignation	42
A.7.3	Disclosures on appointment of new directors	Yes	Appointment, Re-election and Resignation	42
A.8	Directors to submit themselves for re- election	Yes	Appointment, Re-election and Resignation	42
A.9	Appraisal of Board and sub-Committee Performances	Yes	Board Appraisal	43
A.10	Annual Report to disclose specified	Yes	Board Profiles	6
	information regarding Directors		Meeting Attendance	42
			Directorships in Other Companies	6
			Annual Report of the Board of Directors	54-56
A.11	Appraisal of the CEO	Yes	Appraisal of MD	43
B.1	Establish procedure for developing policy on executive remuneration and fix director's remuneration packages	Yes	Responsible and Fair Remuneration	43
B.1.1.	Remuneration Committee	Yes	Remuneration Committee Report	59
B.1.2	Committee to comprise exclusively of Non- Executive Directors	Yes	Remuneration Committee Report	59
B.1.3.	Disclosure of Remuneration Committee members in the Annual Report	Yes	Remuneration Committee Report	59
B.1.4	Non-Executive Director Remuneration	Yes	Responsible and Fair Remuneration	59
B.1.5	Consult Chairman and MD on proposals on remuneration	Yes	Remuneration Committee Report	59
B.2	Level and Make Up of Remuneration	Yes	Responsible and Fair Remuneration	43

Corporate Governance

Code Ref.	Requirement	Complied	Reference within the Report	Page
B.3	Disclosures related to remuneration in Annual Report	Yes	Responsible and Fair Remuneration / Remuneration Committee report	59
C.1.	Constructive use of the AGM & Other General Meetings	Yes	Constructive use of the Annual General Meeting (AGM)	44
C.2.	Communication with shareholders	Yes	Communication with Shareholders	44
C.3	Disclosure of major and material transactions	Yes	Major or Material Transactions	44
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	Yes	Financial and business reporting	44
D.2.	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Yes	Risk Management and Internal control	51-53
D.3.	Audit Committee	Yes	Audit Committee Report	60-61
D.4	Code of Business Conduct and Ethics	Yes	Code of Business Conduct & Ethics	43
D.5	Corporate Governance Disclosures	Yes	Corporate Governance Report	38-44
E&F	Institutional and other investors, encourage voting at AGM	Yes	Relations with Shareholder	44
G	Principals of Sustainability Reporting	Yes	Sustainability Reporting	44

Mr. S H Amarasekera

Chairman

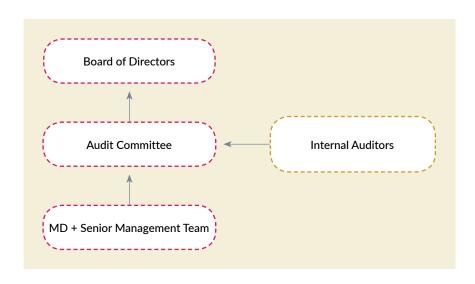
J A P M Jayasekera Managing Director

Risk Management

In an increasingly challenging business landscape, we constantly monitor, manage and mitigate emerging and potential risks to ensure a stable path towards growth.

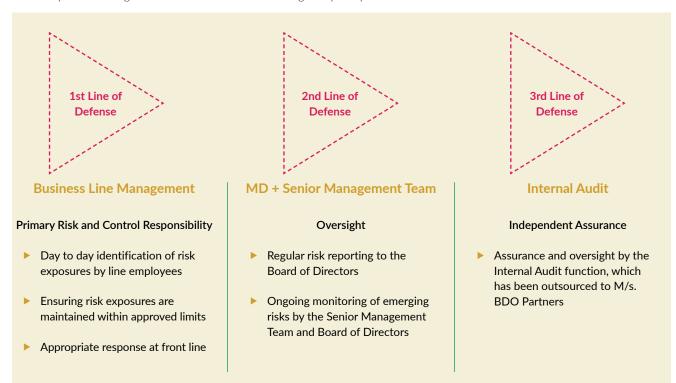
Risk Governance

The Board holds ultimate responsibility for risk management. 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.



Risk Management Framework

The Group's Risk Management Framework is based on the globally accepted three-lines of defense model.



Risk Management

Principal Risks in 2019/20

Risk Exposure	Description	Potential Impact	Mitigating Factors	Net Risk Assessment
Macro- economic conditions and construction sector growth	The macro-economic environment both globally and locally, has been significantly impacted since the outbreak of the Covid- 19 pandemic. The effectiveness and efficiency of measures taken by the Government will be a key consideration on how fast the Sri Lankan economy recovers. Prior to the Covid-19 outbreak, the local economy recorded sluggish growth throughout 2019.	A weakening economy and rising interest rates negatively impacts disposable income, adversely affecting residential and commercial construction activity and reflecting in a decline in demand for Swisstek products. Fluctuations in interest rates, exchange rates, and inflation directly impacts profitability	 Monitoring economic trends and outlook on an ongoing basis, giving due consideration when formulating Strategic Corporate plans Pursuit of growth opportunities in exports markets, where possible Placing forward exchange rate contracts 	High
Competition	Intensified competition due to oversupply (aluminum) and competition from cheaper alternatives (tile related products)	Pressure on margins, profitability	 Development of a range of value-added products which command a higher margin Expansion of distribution channels to increase accessibility to market. Pursuit of growth opportunities in exports markets through new customers acquisitions and increased penetration 	High
Covid'19 - Health and Safety standards	To prevent and control the spread of COVID-19 infection.	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 Capacity utilization Employee productivity Profitability	 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 Adherance to latest protocols on hygiene and cleaning at factories and offices 	Medium
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 Aluminum sector	 Ability to attract and retain qualified and experienced talent to operate R&D center Enhancement of employee product knowledge and R&D skills through training and increased exposure 	Medium

Risk Exposure	Description	Potential Impact	Mitigating Factors	Net Risk Assessment
Occupational Health and Safety standards	To promote the health and safety of employees	We recognize our responsibility to provide a safe working environment. We also understand that specific aspects of our processes present higher levels of risk to employees' health and safety.	 Provision of adequate protective gear Conducting monthly worker management health and safety meetings to ensure their views are understood and addressed Establishing safety procedures for all operations Employee training in equipment handling 	Low
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.

Mr. 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 31 March 2020.

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

General

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

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

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

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

Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors are given on pages 66 to 126.

Summarised Financial Results

	GRC)UP	COMPANY		
Year ended 31 March	2020	2019	2020	2019	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Revenue	4,634,962	4,294,027	1,418,975	1,175,154	
Profit for the year	167,773	750	208,469	132,107	

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 page 6.

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 M Weerasinghe and Mr. J K A Sirinatha 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 (Pvt) Ltd

Mr. K D A Perera Mr. J A P M Jayasekera

Interests Register

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

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

The relevant interests of Directors in the shares of the Company as at 31 March 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 31 March 2020.

Directors' Remuneration

The Directors' remuneration is disclosed in Note 31.3 to the Financial Statements on page 124.

Directors' Interests in Contracts

The Directors' interests in contracts are included with the related party disclosures in Note 31.2 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. 511,500/-(2019 – Rs. 465,000/-)

A fee of Rs. 395,000/- (2019 Rs. 360,000/-) is also payable to the Auditors for tax compliance services provided during the year.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 26 June 2020 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Independence of Auditors

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

Stated Capital

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

The number of shares issued by the Company stood at 27,372,000 fully paid ordinary shares as at 31 March 2020.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31 March 2020 and 31 March 2019 are as follows.

	CL LIP	CL LII
	Shareholding	Shareholding
	as at	as at
	31/03/2020	31/03/2019
Mr. S H Amarasekera	-	-
Mr. A M Weerasinghe	220,340	220,340
Mr. J A P M Jayasekera	-	25,557
Dr. S Selliah	-	-
Mr. T G Thoradeniya	-	-
Mr. A S Mahendra	-	-
Mr. K D G Gunaratne	-	-
Mr. C U Weerawardena	-	-

Major Shareholders, Distribution Schedule and other information

Information on the twenty largest shareholders of the Company distribution schedule of the number of shareholders, percentage of shares held by the public, market values per share as per the Listing Rules of the Colombo Stock Exchange are given on page 127 to 128 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. 1,203 Mn (2019 - Rs.1,257 Mn)

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

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

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

	No. of	Land in		
Location	buildings	Extent	Valuation	
		(perches)	Rs. '000	
Factory Complex, Belummahara,				
Imbulgoda	14	980.0	799,053	
No:334/5, Colombo Road,				
Belummahara, Imbulgoda	1	20.0	11,850	
No: 288/26, Colombo Road,				
Belummahara, Imbulgoda		82.0	47,000	
No: 177/6, New Kandy Rd., Weliweriya	1	84.5	116,824	
·		1,166.5	974,727	

Property, Plant and Equipment

Details and movements of property, plant and equipment are given under Note 13 to the Financial Statements on page 97 to 102.

Capital Expenditure

The total capital expenditure during the year amounted to Rs. 95 Mn compared to Rs. 176 Mn incurred in the previous year. Details of movement in property, plant and equipment and capital work-in-progress are given under Note 13 to the financial statements.

Donations

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

Dividends

There were no dividends declared during the year

Corporate Governance

Corporate Governance practices and principles with respect to the Management and Operations of the Company are set out on pages 38 to 50.

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 (Lanka Wallties PLC)

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

Remuneration Committee (Royal Ceramics Lanka PLC)

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

Related Party Transaction Review Committee (Lanka Wallties PLC)

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 31 March 2020

The Report on Corporate Governance I given on pages 38 to 50 of the Annual Report.

Events Occurring After the Reporting Date

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

Annual General Meeting

The Annual General Meeting will be held by way of electronic means on the 30 July 2020 at 08.30 a.m.

The Notice of the Annual General Meeting appears on page 132

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

1 July 2020 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 2019/2020 including Cash Flows and borrowing facilities and consider the Company has adequate resources to continue in operation.

By Order of the Boards Swisstek (Ceylon) PLC

P W Corporate Secretarial (Pvt) Ltd

Secretaries Secretarial (PVt) Ltd

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 statues to the extent applicable to the Company. There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, except where otherwise stated in the notes accompanying the financial statements.

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably 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.

Chief Operations Officer

J A P M Jayasekera Managing Director

Remuneration Committee Report

Role of the Remuneration Committee

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

Composition of the Remuneration Committee

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

- a. Evaluating and recommending the remuneration payable to the Board, Managing Director and the Key Management Personal of the Company to the Board to make the final determination. Based on that, the aggregate remuneration paid to Executive and Non-Executive Directors for last financial year is given on Page 124 of the Annual Report under key management remuneration.
- b. Ensuring that the Board complies with the Companies Act in relation to Directors remunerations, especially the requirements of section 216. And it also ensures that employees are adequately compensated based on their performance and contribution for the period under review and future potential.
- c. Constructing a specific remuneration policy and remuneration framework that enables the Company to attract and retain a high quality and representative staff in

- its operations and do this inter alia with reference to appropriate market rates where these are relevant, and benchmarking specific categories where required.
- d. Ensuring internal equity and fairness in and between the various pay categories and building incentives in the cost of employment structure to encourage and reward excellent performance, on objectively defined criteria.
- e. Ensuring that staff costs are within the budget set by the Board, and are sustainable over time.

Conclusion

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

S H Amarasekera

Chairman - Remuneration Committee

Audit Committee Report

Role of the Audit Committee

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

Composition of the Audit Committee

The Audit Committee comprised of the following Directors of Lanka Walltiles PLC who is the parent Company of Swisstek (Ceylon) PLC.

Mr. J D N Kekulawala -		Chairman - Independent Non-Executive
Dr. S Selliah	-	Committee Member - Independent Non-Executive
Mr. T G Thoradeniya	-	Committee Member - Non-Executive

The Managing Director and the Chief Operating Officer attend the meetings at the invitation of the Audit Committee.

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

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

Meetings

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

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

Functions Performed by the Audit Committee

- a. The Committee reviewed the provisional financial statements that were published for financial year 2019/20 and the Annual Report of 2019/20. It reviewed the preparation, presentation and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards and SLFRS. It also reviewed the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- b. The Committee reviewed the quarterly 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.

- c. The Committee reviewed the external auditors' report and management letter for the last year. All recommendations proposed by the external auditors were discussed with the senior partner and recommendations proposed were duly carried out by the management. In addition the Audit Committee reviewed external auditors and the engagement partner's relationships with the Company, and assessed that the external auditors are independent.
- d. The Audit Committee in conjunction with the Managing Director of the Company reviewed the Company's disclosure controls and procedures and internal control over financial reporting.
- e. The Audit Committee reviewed the Company's framework and practices with respect to risk assessment and risk management, including discussing with management the Company's major financial risk exposures and the steps that have been taken to monitor and control such exposures.
- f. The Audit Committee reviewed the company's arrangement for the confidential receipt, retention and treatment of complaints alleging fraud, received from any sources and pertaining to accounting, internal controls or other such matters and assured the confidentiality to whistle-blowing employees. It also reviewed the company's procedures for detecting and preventing fraud and bribery and receiving reports on non-compliance and reviewed the procedure for receiving and dealing with "Non-Compliance with Laws and Regulations (NOCLAR) referred by Professional Accountants.

g. Performed other activities relate to this charter as requested by the Board of Directors Oversee special investigations as needed. Reviewed and assessed the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

Conclusion

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

J D N Kekulawala Chairman - Audit Committee

Related Party Transactions Review Committee Report

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

Purpose of the Committee

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

Responsibilities of the Related Party **Transactions Review Committee**

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

- a) Ensure that the Company complies with the rules set out in the Listing Rules
- b) Subject to the exceptions given in the Listing Rules review, in advance all proposed related party transactions
- Perform other activities related to the Charter as requested by the Board

- d) Have meetings every fiscal quarter and report to the Board on the Committee's activities
- e) Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.
- Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

Composition of the Committee

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

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	-	3/4

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 2019/20. In terms of Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, there were no one-recurrent related party transactions entered into during the course of the financial year 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 2020, the aggregate value of which exceeded 10% of the revenue.

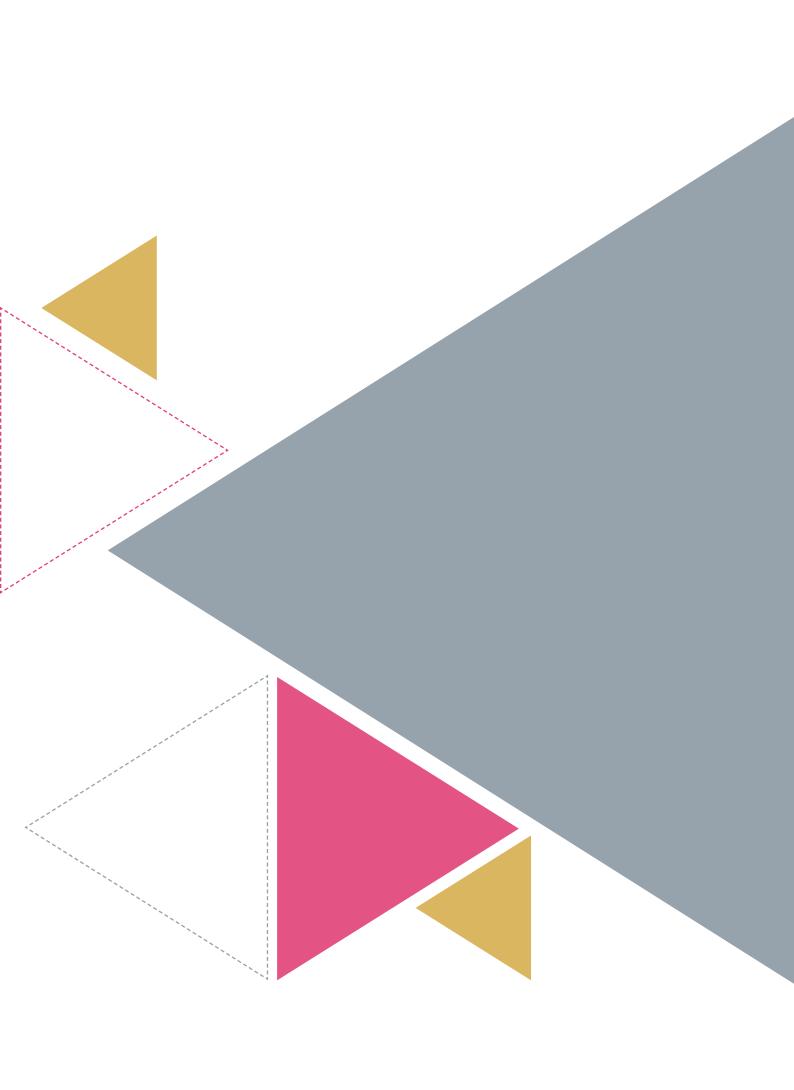
In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 31.2 to the Financial Statements, on page 123 of this 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.

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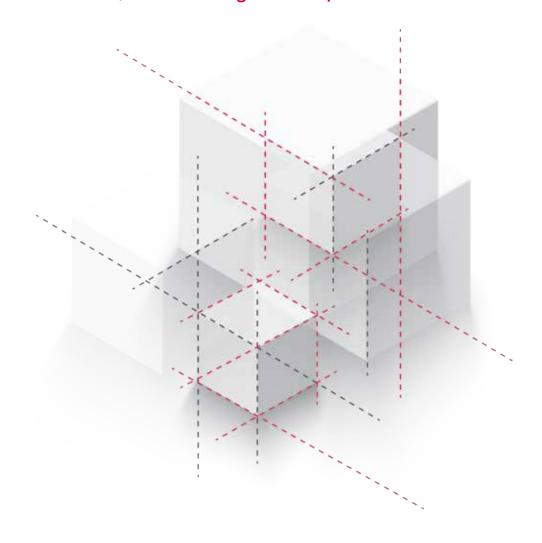
Dr. S Selliah Chairman - Related Party Transactions Review Committee



Olli Olli results

FINANCIAL INFORMATION

Revenue growth and strong financial performance drive the business forward with greater impetus.



Independent Auditor's Report



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

Tel : +94 - 11 542 6426 Fax : +94 - 11 244 5872 +94 - 11 244 6058

Internet : www.kpmg.com/lk

To the Shareholders of Swisstek (Ceylon) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Swisstek (Ceylon) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2020, 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 and other explanatory information as set out on pages 70 to 126 of this Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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



1. Carrying Value of Inventories

Risk Description

As described in Note 3.8 (accounting policies) and Note 17 Financial statement disclosures, the carrying value of inventories amount to Rs. 1,803 Mn as at 31 March 2020 (2019: Rs. 2,139 Mn).

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

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.

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

Our Response

Our Audit procedures included,

- ► Testing the design, implementation and operating effectiveness of the controls, management has established in arriving at criteria used for provision computations and to ensure the accuracy of the impairment provision.
- ► Evaluating the net realizable value used for provision computation for the selected sample covering significant inventory categories.
- Assessing the adequacy of inventory provisions held for slow moving and/or obsolete inventory by recalculating items included within the provision to ensure the accuracy of provision.
- Assessing whether the Group policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimates made in respect of inventory provisioning.

2. Recoverability of Trade Receivable

Risk Description

As described in Note 3.9 (accounting policies) and Note 18 Financial statement disclosures, the group recorded Trade receivable amounting to Rs. 1,158 Mn as at 31 March 2020 (2019: Rs. 1,284 Mn).

The Group has significant levels of trade receivable and judgment is exercised with regard to calculation of the Impairment provision 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.

This area is a key audit matter due to the inherent subjectivity that is involved in the consolidated entity making judgments in relation to credit risk exposures to determine the recoverability of trade receivables.

Our Response

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.

Independent Auditor's Report



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:

- ldentify 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.

KPMG

- ▶ 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.
- Dobtain 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

Statement of Profit or Loss and Other Comprehensive Income

		Gro	un	Company		
For the year ended 31 March,		2020	2019	2020	2019	
,	Note	Rs.000	Rs.000	Rs.000	Rs.000	
Revenue	6.	4,634,962	4,294,027	1,418,975	1,175,154	
Cost of sales		(3,661,346)	(3,472,085)	(1,021,078)	(886,135)	
Gross profit		973,616	821,942	397,897	289,019	
Other income	7.	99,339	95,663	88,299	87,268	
Administrative expenses		(124,151)	(229,117)	(49,457)	(40,955)	
Selling and distribution expenses		(321,571)	(262,591)	(76,974)	(67,312)	
Other expenses	8.	(16,740)	(5,568)	(3,242)	(2,586)	
Results from operating activities		610,493	420,329	356,523	265,434	
Finance income	9.1	1,322	_	1,322		
Finance cost	9.2	(379,105)	(403,600)	(70,868)	(68,970)	
Net Finance cost	7.2	(377,783)	(403,600)	(69,546)	(68,970)	
Net i manee cost		(377,703)	(400,000)	(07,540)	(00,770)	
Profit before tax	10.	232,710	16,729	286,977	196,464	
Income tax expense	11.	(64,937)	(15,979)	(78,508)	(64,357)	
Profit for the year		167,773	750	208,469	132,107	
Other comprehensive income :						
Items that will not be reclassified to profit or loss						
Gain on revaluation of land and buildings		-	12,304	-		
Remeasurements of defined benefit liability		(2,173)	2,374	(627)	648	
Deferred tax on other comprehensive income		485	(2,987)	176	(181)	
Other comprehensive income for the period, net of tax		(1,688)	11,691	(451)	467	
Total comprehensive income for the period		166,085	12,441	208,018	132,574	
Due Sik Aktuila skala ka						
Profit Attributable to; Owners of the company		172,807	16,501	208,469	132,107	
Non controlling interest		(5,034)	(15,751)	200,407	132,107	
Profit for the year		167,773	750	208,469	132,107	
. Total of the year		107,770	, 50	200, 107	102,107	
Total comprehensive income attributable to:						
Owners of the company		171,275	26,775	208,017	132,574	
Non controlling interest		(5,190)	(14,334)	-	-	
Total comprehensive income for the year		166,085	12,441	208,017	132,574	
Basic earnings per share	12.	6.31	0.60	7.62	4.83	

The notes on pages 75 to 126 are an integral part of these financial statements.

Statement of Financial Position

		Grou	ıpqı	Comp	any
As at 31 March,		2020	2019	2020	2019
	Note	Rs.000	Rs.000	Rs.000	Rs.000
Assets					
Property, plant and equipment	13	2,689,946	2,664,408	1,257,304	1,203,256
Capital work-in-progress	13.1	13,850	10,882	6,301	943
Intangible Assets	13.2	6,312	8,425	-	-
Investment in subsidiary	14	-	-	229,784	229,784
Other long term Investments	15	93	90	93	90
Investment property	16	142,000	142,000	142,000	142,000
Non current assets		2,852,201	2,825,805	1,635,482	1,576,073
Inventories	17.	1,802,539	2,138,897	211,748	221,202
Trade and other receivables	18	1,244,606	1,349,589	429.857	385.833
Contract Assets	19.1	38.079	58.269	38.079	58,269
Tax Receivables	17.1	4,294	4.294	-	30,207
Amounts due from related parties	20	19,314	5.962	19,645	6.293
Cash and cash equivalents	21.1	155,342	130.086	138,237	83.400
Current assets	21.1	3,264,174	3.687.097	837,566	754,996
Total assets		6,116,375	6,512,902	2,473,048	2,331,070
Equity Stated capital	22	368,256	368,256	368,256	368,256
Reserves	23	624,735	624,735	524,929	524,929
Retained Earnings /(Losses)	20	1,126,282	955.007	431.511	223,493
Equity attributable to owners of the company		2,119,273	1,947,998	1,324,696	1,116,678
Non controlling interest		148,123	153,313		
Total equity		2,267,396	2,101,311	1,324,696	1,116,678
Liabilities					
Retirement benefits Obligation	24	31,952	23,185	8,697	6,805
Borrowings - Related party	28.2	-	-	-	-
Lease liability	28.3	25,870	-	-	-
Deferred tax liability	11.5	316,383	316,298	281,956	267,992
Loans and borrowings	25.2	447,924	621,421	201,946	211,230
Non current liabilities		822,129	960,904	492,599	486,027
Trade and other payables	26	466,653	694,941	148,642	185,514
Contract liabilities	19.2	14,843	79,177	14,843	79,177
Loans & borrowings	25.1	206,131	222,253	50,250	50,250
Short term loans	27	1,686,885	1,967,282	277,611	337,900
Amounts due to related parties	28.1	75,680	7,220	2,099	7,220
Borrowings - Related party	28.2	, -	-	, -	,
_ease liability	28.3	1,907	-	-	-
Tax payable		30,876	1,022	30,876	1,022
Bank overdrafts	21.2	543,875	478,792	131,432	67,282
Current liabilities		3,026,850	3,450,687	655,753	728,365
Total liabilities		3,848,980	4,411,591	1,148,352	1,214,392
		6,116,375	6,512,902	2,473,048	2,331,070

The notes on pages 75 to 126 are an integral part of these financial statements.

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

Chief Operations 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:

Chairman

A P M Jayasekara Managing Director

1 July 2020 Colombo

Statement of Changes in Equity

Group	Stated	Revaluation	Capital	General	Retained earnings/	Total	Non- controlling	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 1 April 2018	368,256	596,171	121	19,842	991,577	1,975,967	167,647	2,143,614
- Profit for the year	1	1	1	ı	16,501	16,501	(15,751)	750
Other comprehensive income								
- Defined benefit plan actuarial gains/(losses)		1	1	1	2,156	2,156	218	2,374
- Gain on revaluation of land		10,751	1	ı	ı	10,751	1,553	12,304
- Deferred tax on other comprehensive income	1	(2,150)		1	(483)	(2,633)	(354)	(2,987)
	1	8,601	•	•	1,673	10,274	1,417	11,691
Transactions with owners of the Company								
- Dividend paid (Note 22.1)	ı	ı	1	ı	(54,744)	(54,744)	ı	(54,744)
Balance as at 31 March 2019	368,256	604,772	121	19,842	955,007	1,947,998	153,313	2,101,311
- Profit for the year				1	172,807	172,807	(5,034)	167,773
Other comprehensive income								
- Defined benefit plan actuarial gains/(losses)	1	1	1	1	(1,978)	(1,978)	(195)	(2,173)
- Deferred tax on other comprehensive income	1	1	ı	1	446	446	39	485
	1	1	1	,	(1,532)	(1,532)	(156)	(1,688)

2,267,396

148,123

2,119,273

19,842

121

604,772

- Dividend paid (Note 22.1)

Balance as at 31 March 2020

For the year ended 31 March						
Company			Capital		Retained	
	Stated	Revaluation	redemption	General	earnings/	Total
	capital	reserve	reserve	reserve	(losses)	equity
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 1 April 2018	368,256	504,966	121	19,842	145,663	145,663 1,038,848

132,107

132,107

- Profit for the year

Other comprehensive income						
- Defined benefit plan actuarial gains/(losses)	ı	1	1	ı	648	648
- Deferred tax on other comprehensive income	1	1	ı	ı	(181)	(181)
	1	1		1	467	467
Transactions with owners of the Company						
- Dividend paid (Note 22.1)	1	ı	1	1	(54,744)	(54,744)
Balance as at 31 March 2019	348 054	501 966	101	10 8/12	203 403	1116 678
בממוכר מסמר כדו וימוכון בכדי	0.000	00.4,500	1771	710,71	27,170	1,11,0,0
- Profit for the year	1	1	1	1	208,469	208,469
Other comprehensive income						
- Defined benefit plan actuarial gains/(losses)	1	1	ı	1	(627)	(627)
- Deferred tax on other comprehensive income	1	ı	1	ı	176	176
	1	1	-	-	(451)	(451)
Transactions with owners of the Company						
- Dividend paid (Note 22.1)	ı	1	ı	1	1	ı
Balance as at 31 March 2020	368,256	504,966	121	19,842	431,511	1,324,696
						ı

The notes on pages 75 to 126 are an integral part of these financial statements.

Statement of Cash Flows

	Gro	un	Comp	anv
For the year ended 31 March,	2020	2019	2020	2019
Tor the year chaed of March,	Rs.000	Rs.000	Rs.000	Rs.000
Profit before tax	232,710	16,729	286,977	196,464
Profit before tax	232,710	10,729	200,777	190,404
Adjustments For;				
Depreciation	147,531	127,786	40,812	30,233
Amortization	2,113	1,910	, <u>-</u>	-
Inventory provision	4,999	2,058	2,065	2,058
Interest income	(1,322)	-	(1,322)	-
Provision on retirement benefit obligation	7,314	5,727	1,719	1,378
Interest expense	384,823	367,392	88,486	68,511
(Gain)/Loss on sale of property, plant & equipment	9	(234)	(3)	-
(Gain)/Loss on revaluation of investment property	-	(6,785)	-	(6,785)
Provision for impairment of trade receivables	11,741	3,510	1,177	528
Exchange loss/(gain)	(5,718)	36,208	(17,618)	459
Changes in;				
- Trade and other payables	(174,694)	(319,564)	16,721	33,938
- Amounts due to related parties	68,460	2,600	(5,120)	2,600
- Inventories	331,359	(535,857)	7,389	(115,486)
- Trade and other receivables	98,959	(229,374)	(27,585)	(200,398)
- Amounts due from related parties	(13,351)	3,197	(13,351)	3,197
- Contract Asset	20,190	(58,269)	20,190	(58,269)
- Contract Liability	(64,334)	79,177	(64,334)	79,177
Cash generated from/(used in) operating activities	1,050,788	(503,790)	318,585	37,604
	(00.4.000)	(0.47.000)	(00.40.()	((0.544)
Interest paid	(384,823)	(367,392)	(88,486)	(68,511)
Income tax paid	(34,512)	(14,735)	(34,512)	- (0.7)
Gratuity payment	(720)	(815)	(454)	(267)
Net cash generated from/(used in) operating activities	630,733	(886,732)	212,751	(31,174)
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangible assets	(144,427)	(275,231)	(94,868)	(176,000)
Addition to Construction Work In Progress	(31,692)	(77,199)	(5,358)	(943)
Proceeds on disposal of property, plant & equipment	73	4,281	10	- (7 10)
Other long Term Investment	(3)	(11)	(3)	(11)
Construction of investment property	-	(1,215)	-	(1,215)
Net cash generated from/(used in) investing activities	(176,049)	(349,375)	(100,219)	(178,168)
	, ,	, , ,	, ,	, , ,
Cash flows from financing activities				
Dividend paid	(53,593)	-	(53,593)	-
Interest income	1,322	-	1,322	-
Loan repayment to related party	-	(21,797)	-	(21,797)
Loan and leases obtained	5,893,394	4,119,960	525,305	707,312
Repayment of loans and leases	(6,335,635)	(3,110,861)	(594,879)	(417,581)
Net cash generated from/(used in) financing activities	(494,512)	987,302	(121,845)	267,933
Net increase/(decrease) in cash and cash equivalents	(39,828)	(248,805)	(9,313)	58,590
Cash & cash equivalents at the beginning of the year	(348,706)	(99,902)	16,118	(42,474)
Cash & cash equivalents at the end of the year (Note 21)	(388,533)	(348,706)	6,805	16,118

The notes on pages 75 to 126 are an integral part of these financial statements.

1. Reporting entity

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

The Consolidated Financial Statements of Swisstek (Ceylon) PLC as at and for the year ended 31 March 2020 encompass the Company and its subsidiaries (together referred to as the "Group").

Descriptions of the nature of the operations and principal activities of the Company, and its Subsidiaries are given on note 3.2.

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

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

2. Basis of preparation

2.1 Statement of compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company 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 Company 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 1 July 2020.

This is the first set of Financial statements in which SLFRS 16 has been applied. The related changes to significant accounting policies are described in Note 3.1.1.

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 recognized based on actuarial valuation.
- Land and building measured at cost at the time of acquisition and subsequently at revaluation.
- Investment property is measured at fair value.

2.3 Functional and presentation currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Group's functional currency. All financial information presented in Sri Lankan Rupees have been rounded to the nearest thousand, unless stated otherwise.

2.4 Use of estimates and judgments

The preparation of the consolidated 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 34 - Commitments and Contingencies

Note 11.2 - Deferred tax

Note 13 – Property Plant and Equipment

Note 16 - Investment Property

Note 18 - Impairment of Trade Receivables

Note 24 - Employee benefits

Note 6 - Revenue Recognition

Note 35.2 - Impact of COVID-19 on Financial Statements.

2.5 Measurement of Fair Value

A number of Group's accounting policy 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 transactions between market participants at the measurement date.

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

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

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

would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

Fair value is a market-based measurement, not an entityspecific 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 maximise the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a marketbased 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 guoted 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 categorised 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 recognises 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 has assessed the existing and anticipated effects of COVID-19 on the Group, and is not aware of any material uncertainties that may cast significant doubt upon the Company'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

Except for the changes mentioned in note 3.1 – changes in accounting policies, the group has consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements and deviations if any, have been disclosed accordingly.

3.1 Changes in accounting policies

3.1.1 Leases (assuming that lease has an impact on the company)

The Group initially applied SLFRS 16 Leases from 1 April 2019.

Information about transitional impact on the application of SLFRS 16 is disclosed in Note 28.3 to the financial statements. A number of other new standards are also effective from 1 April 2019 but they do not have a material effect on the Group's financial statements.

The Group applied SLFRS 16 using the modified retrospective approach, under which no cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated - i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

3.1.2 Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to SLFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLRFS 16. Therefore, the definition of a lease under SLRFS 16 was applied

only to contracts entered into or changed on or after 1 April 2019.

3.1.3 As a lessee

As a lessee, the Group has leased a building for use as office premises. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SLFRS 16, the Group recognises right-ofuse assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

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 price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

3.1.4 Leases classified as operating leases under LKAS 17

Previously, the Group classified property leases as operating leases under LKAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its rightof-use assets for impairment

on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particular, the Group:

- ▶ Did not recognises rightof-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- ▶ Did not recognises right-ofuse assets and liabilities for leases of low value asset;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term.

3.1.5 Leases classified as finance leases under LKAS 17

For the finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 were determined at the carrying amount of the lease asset and lease liability under LKAS 17 immediately before that date.

There were no any impact on transition since the lease liability recognized did not exist in the previous year. Hence no effect of transition is applied.

3.2 **Basis of Consolidation**

The consolidated financial statements (referred to as the "Group") Comprise the financial statements of the Company 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

3.2.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

As per the requirements of Sri Lanka Accounting Standard (SLFRS 3) - Business Combinations when the Group acquires a business it assesses the financial assets and liabilities assumed under classifications or designations on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions exist at the acquisition date as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable and other contractual arrangements.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the recognized amount of any non-controlling

interests in the acquire plus if the business combination achieved in stages, the fair value of the pre-existing interest in the acquire less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired exceed the cost of the acquisition of the entity, the surplus, which is a gain on bargain purchase is recognised immediately in the consolidated income statement.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

3.2.2 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.

3.2.3 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.

3.2.4 Transactions eliminated on consolidation

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

3.3 Foreign currency

3.3.1 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. Nonmonetary 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. Nonmonetary items that are measured based on historical cost in a foreign currency are not translated.

3.4 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
- It is 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. nonrecourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that

substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

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

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

- Significant financial difficulty of the borrower or issuer:
- A breach of contract such as a default or being more than 135 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 tor a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

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.

(ii) 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 "cashgenerating 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.

3.5 Property, plant & equipment

3.5.1 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.

3.5.2 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.

3.5.3 Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from it's use or 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.

3.5.4 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. Right of use 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 current and comparative period are as follows.

Description of the asset	Estimated useful life time			
Buildings	25 to 50 years			
Plant & machinery	5 to 20 years			
Factory Electrification	5 to 20 years			
Furniture & fittings	5 years			
Motor vehicles	5 to 10 years			
Office Equipment	5 years			
Road way	50 years			
Tools & Equipment	2 to 5 years			

3.5.5 Intangible assets

An intangible asset is an identifiable non monitory 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.

3.5.5.1 Computer Software

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

Amortisation

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.

3.6 Lease

The Group has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 April 2019

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.

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

3.6.1 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 rightof-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 insubstance 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 Company 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-ofuse assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liability' 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 lowvalue assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straightline basis over the lease term.

Policy applicable before 1 April 2019

For contracts entered into before 1 April 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- ► Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- ► The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

- The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

3.6.2 As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make. excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

3.7 **Investment property**

Investment property is property held either to earn rental income

or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of selfconstructed 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.

3.8 **Inventories**

Inventories are measured at the lower of cost and net realisable value, after making the due

allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less than estimated cost of completion and the estimated cost necessary to make the sale.

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

3.9 Trade and other receivables

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

3.10 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.

3.11 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.

3.11.1 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.

3.11.2 Employee benefits

3.11.2.1 Defined benefit plan

Defined Benefit Plan is a postemployment benefit plan other than Defined Contribution Plan. The liability recognized in the statement of financial position in respect of Defined Benefit Plan is the present value of the defined benefit obligation at the statement of financial position date. The defined benefit obligation is calculated annually by independent actuaries, using projected unit credit method, as recommended by LKAS 19, "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The assumptions based on which the results of the actuarial valuation. were determined are included in the note 24 to the Financial Statements. This liability is not externally funded and the item is grouped under non-current

liabilities in the statement of financial position. However, under the Payment of Gratuity Act No. 12 of 1983 the liability to an employee arises only on completion of five years of continued service.

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

The 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.

3.11.2.2 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.

3.11.2.3 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.

3.12 **Commitments and contingencies**

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

3.13 Trade and other payables

Trade and other payables are stated at their cost.

Stated Capital 3.14

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.

3.15 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/Company 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 Policies
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 Aluminum and Fiber Cement.	The revenue is recognized based on the identified performance obligation. The transaction price is allocated to performance obligations and recognized the revenue in point in time upon analysis of each sale of goods.
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.

3.6.2.2 Commission income

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

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.

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 realised 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 Company 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

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

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

The Group comprises the following main business segments;

- a) Tile related products
- b) Wooden flooring & installation
- 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 reporting date

A number of new standards are effective for annual periods beginning after 1 April 2019 and earlier application is permitted; however, the Group 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 Group's financial statements.

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

4. Financial risk management

Overview

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

- ► Credit risk See Note 29.1.1
- Liquidity risk See Note 29.1.2
- Market risk (currency risk & interest rate risk) - See Note 29 1 3
- Operational risk See Note 4.2

4.1 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 maintain 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.

4.2 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.

5. **Segment Information**

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

For the year ended 31 March,		Wooden			
	Tile related	flooring and			
	products	installation	Aluminium	Other	Total
	Rs.000	Rs.000	Rs.000	Rs.000	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)
Finance income					1,322
Finance cost					(379,105)
Income tax expense					(64,937)

Information about reportable segments for the year ended 31 March 2019;

For the year ended 31 March,		Wooden			
	Tile related	flooring and			
	products	installation	Aluminium	Other	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Total segment revenue	835,476	296,245	3,124,101	38,205	4,294,027
Total segment cost of sales	(682,481)	(167,278)	(2,585,950)	(36,376)	(3,472,085)
Segment gross profits	152,996	128,967	538,151	1,829	821,942
Other income					95,663
Administration expenses					(229,117)
Distribution expenses					(262,591)
Other expenses					(5,568)
Finance income					-
Finance cost					(403,600)
Income tax expense					(15,979)

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

For the year ended 31 March,		Wooden			
	Tile related	flooring and			
	products	installation	Aluminium	Other	Total
As at 31 March 2020					
Assets	1,766,408	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	167	49,559	-	144,427
As at 31 March 2019					
Assets	1,664,679	590,266	4,181,834	76,123	6,512,901
Liabilities	867,087	307,454	3,197,200	39,650	4,411,591
Capital expenditure	168,144	167	220,969	-	396,969

	Gro	up	Comp	oany
For the year ended 31 March,	2020	2019	2020	201
	Rs.000	Rs.000	Rs.000	Rs.00
Revenue				
Tile related products	993,460	835,476	993,460	835,47
Wooden flooring & installation	361,438	296,245	361,438	296,24
Decorative pebbles	15,243	14,693	15,243	14,69
Trading sales	18,065	15,985	18,065	15,98
Fibre Cement	2,682	7,527	2,682	7,52
Aluminium	3,244,074	3,124,101	28,087	5,22
	4,634,962	4,294,027	1,418,975	1,175,15
Disaggregation of revenue based on timing				
Revenue recognized in point-in-time	4,273,524	3,997,782	1,057,537	878,90
Revenue recognized in over time	361,438	296,245	361,438	296,24
	4,634,962	4,294,027	1,418,975	1,175,15
Other income				
Gain/(Loss) on disposal of property, plant & ed	quipment (9)	234	3	
Increase in fair value of investment property	-	6,785	-	6,78
Rent income	25,104	22,604	20,298	17,93
Sales commission	64,803	61,855	64,803	61,85
Sundry income	9,441	4,185	3,195	69
	99,339	95,663	88,299	87,20
Other expenses				
Provision for obsolete and slow moving invent	ory 4,999	2,058	2,065	2,05
Debtors provision	11,741	3,510	1,177	52
	16,740	5,568	3,242	2,58
Net finance cost				
Finance income				
Interest income	1,322	-	1,322	
	1,322	-	1,322	
Finance cost				
Interest expenses on short term borrowings	329,607	316,758	70,923	51,13
Interest expenses on borrowings - Lanka Tiles	PLC -	1,904	-	1,90
Bank overdraft interest & charges	55,216	48,730	17,563	15,47
Foreign exchange loss/(gain)	(5,718)	36,208	(17,618)	4.5
	379,105	403,600	70,868	68,97
Net finance cost recognized in profit or loss	(377,783)	(403,600)	(69,546)	(68,97

		Grou	ıp	Compa	ny
	For the year ended 31 March,	2020	2019	2020	2019
		Rs.000	Rs.000	Rs.000	Rs.000
10.	Profit before taxation				
	Is stated after charging all expenses including the following;				
	Directors' emoluments	11,697	10,582	2,451	2,130
	Auditors' remuneration - Statutory audit	512	465	512	465
	- Non audit services	507	472	395	360
	- Subsidiary Auditors	269	269	-	-
	Salaries, wages and other related cost	307,064	304,844	73,241	68,637
	Defined benefit plan cost - Retirement gratuity	7,314	5,727	1,719	1,378
	Defined contribution plan cost - EPF & ETF	18,456	16,955	4,935	4,797
	Depreciation on property, plant and equipment	147,531	127,786	40,812	30,233
	Provision/(Reversal) Obsolete Inventory	4,999	2,058	2,065	2,058
	Provision/(Reversal) of Impairment of Trade Receivables	11,741	3,510	1,177	528
	Amortization of Intangible Assets	2,113	1,910	-	-
11.	Taxation				
11.1	Amounts Recognised in Profit or Loss				
	Current tax expense	64,621	4,132	64,621	4,132
	Deferred tax (reversal)/charge for the year (Note 11.6)	569	3,434	14,140	59,558
	(Over)/under provision in respect of prior year	(253)	8,413	(253)	667
	Income tax for the year	64,937	15,979	78,508	64,357

			2020			2019	
			Tax			Tax	
			(Expense/			(Expense/	
		Before Tax	benefit)	Net of Tax	Before Tax	benefit)	Net of Tax
		Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
11.2	Amounts Recognised in OCI						
	Group						
	Remeasurement of defined	(0.470)	405	(4 (00)	0.074	(50.4)	1.0.10
	benefit liability/(Asset)	(2,173)	485	(1,688)	2,374	(526)	1,848
	Gain on revaluation of land and buildings	-	-	-	12,304	(2,461)	9,843
		(2,173)	485	(1,688)	14,678	(2,987)	11,691
	Company						
	Remeasurement of defined benefit liability/(Asset)	(627)	176	(451)	648	(181)	467
	Gain on revaluation of land and buildings	-	-	-	-	-	_
		(627)	176	(451)	648	(181)	467

		Gro	up	Comp	any
	For the year ended 31 March,	2020	2019	2020	2019
		Rs.000	Rs.000	Rs.000	Rs.000
11.3	Reconciliation between current tax expense and the product				
	of accounting profit				
	Profit before taxation	232,709	16,729	286,977	196,465
	Non business income	10	-	10	-
	Aggregate disallowed expenses and income	182,423	172,277	57,219	53,006
	Aggregate allowed Items	(288,982)	(320,337)	(113,417)	(104,840)
	Tax loss utilized	-	(129,874)	-	(129,874)
	Current yera tax losses not utilized	104,629	275,961	-	-
	Taxable income	230,789	14,756	230,789	14,756
	Income tax at 20%	_		_	
	Income tax at 28%	64,621	4,132	64,621	4,132
		64,621	4,132	64,621	4,132
11.4	Reconciliation of Tax Loss				
	Tax losses brought forward	454,905	189,089	-	131,842
	Adjustment of opening tax brought forward	17,952	119,702	-	(1,968)
	Tax losses claimed during the year	-	(129,847)	-	(129,874)
	Tax losses incurred during the year	104,629	275,961	-	-
	Tax losses carried forward	577,486	454,905	-	-

11.5 Deferred Tax

Recognized deferred tax assets/(liabilities)

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

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

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

	Grou	ıp	Comp	any
For the year ended 31 March,	2020	2019	2020	2019
Net deferred tax asset/(liability) - Swisstek Ceylon PLC	(281,956)	(267,991)	(281,956)	(267,992)
Net deferred tax Asset/(liability) - Swisstek Aluminium Ltd	(34,427)	(48,307)	-	-
	(316,383)	(316,298)	(281,956)	(267,992)

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

Deferred tax provision / reversal for the year

11.6

		Group	dn			Company	pany	
	20	2020	20	2019	20	2020	20	2019
	Temporary		Temporary		Temporary		Temporary	
	Difference	Deferred Tax	Difference	Deferred Tax	Difference	Deferred Tax	Difference	Deferred Tax
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax assets								
Employee benefits	31,953	7,086	23,187	5,182	8,697	2,435	6,806	1,906
Inventory provision	9,156	2,564	7,091	1,986	9,156	2,564	7,091	1,986
Provision for impairment receivable of								
trade receivables - Collective	2,435	682	1,257	352	2,435	681	1,257	351
Tax losses	577,486	115,497	454,905	90,980	r	1	ı	ı
Deferred tax liabilities								
Property, plant and equipment - Other								
than Land	(1,048,574)	(231,771)	(921,206)	(201,896)	(275,697)	(77,195)	(220,691)	(61,794)
Investment Property	(104,940)	(29,383)	(104,940)	(29,383)	(104,940)	(29,383)	(104,940)	(29,383)
Revaluation reserve - Building	1	1	(12,304)	(2,461)	Г	-	ı	1
Land carried at Revaluation	(646,636)	(181,058)	(646,636)	(181,058)	(646,636)	(181,058)	(646,636)	(181,058)
Net deferred tax asset/ (liability)	(1,179,120)	(316,383)	(1,198,645)	(316,298)	(1,006,985)	(281,956)	(957,113)	(267,992)

For the year ended 31 March 2020, the net deferred tax asset has been recognised in full, as it is probable that sufficient future taxable profits will be available.

Movement in deferred tax balance during the year

		Gro	Group			Company	pany	
	Balance	Recognized	Recognized	Balance	Balance	Charge to	Recognized	Balance
	31-Mar	in profit or	in OCI	31-Mar	31-Mar	profit or	in OCI	31-Mar
	2019	loss		2020	2019	loss		2020
Net deferred tax asset/ (liability)	(316,298)	(296)	485	(316,382)	(267,992)	(14,140)	176	176 (281,956)

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

The Board of Directors are of the opinion that the proposed revision of income tax rates published on Circular No. PN/IT/2020-03 (Revised) is not applicable as it is yet to be approved by the parliament, therefore the Management has decided to use the tax rates prevailed as at 31 March 2020 in calculating taxes.

Swisstek Ceylon PLC

The figures shown below are the reasonably possible amounts at the reporting date if the income tax rate is recognized at 24%, holding other criterias constant, would have affected the deferred tax by the amount shown below:

		2020	
			Impact to
	Deferred Tax	Deferred Tax	Financial
	@ 28%	@ 24%	Statements
	Rs.000	Rs.000	Rs.000
Deferred tax Charge to Income Tax expenses	14,140	26,165	(12,025)
Deferred tax Reversal to Other Comprehensive Income	176	151	25
Deferred Tax Liability/(Asset)	281,956	241,676	40,280

Swisstek Aluminium Ltd

Swisstek Aluminium is subject to a concessionary tax rate of 20% provided to them as they operate in BOI zonal area. Hence the Management believes that the proposal of new tax rates will not impact the existing tax rate of the company.

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.

	Gro	oup	Com	pany
Year ended 31 March,	2020	2019	2020	2019
Profit/(Loss) attributable to ordinary shareholders (Rs. 000)	172,807	16,501	208,469	132,107
Weighted average number of ordinary shares	27,372,000	27,372,000	27,372,000	27,372,000
Earnings per share (Rs.)	6.31	0.60	7.62	4.83
Weighted average number of ordinary shares				
Issued ordinary shares	27,372,000	27,372,000	27,372,000	27,372,000
Weighted average number of ordinary shares in issue during				
the year	27,372,000	27,372,000	27,372,000	27,372,000

There were no potentially dilutive ordinary shares as at 31 March 2020 and there have been no transaction involving ordinary shares as at the reporting date which would require restatement of Earnings Per Share (EPS).

13 Property, plant & equipment

(a) Lands & buildings of the Company/Group were last revalued as at 31 March 2018, as a result of COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was performed using external independent valuer (Mr. Ranjan J Samarakone), based on such assessment, no significant changes to the revalued carrying amount as at 31 March 2020.

(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.

				Significant	Swisstek	Swisstek
				unobservable	Aluminium	Ceylon
	Type of		Valuation	input : price/	Fair Value	Fair Value
Address	property	Extent	Technique	acre/range	2020	2020
Factory Complex, Belummahara,	Land	980 Perches	Market	Rs. 646,429/-		
Imbulgoda			based	per perch		
			Evidence		-	633,500
No: 288/26, Colombo Road,	Land	82 perches	Market	Rs. 567,500/-		
Belummahara, Imbulgoda			based	per perch		
			Evidence		-	47,000
No: 334/5, Colombo Road,	Land	20 Perches	Market	Rs. 567,500/-		
Belummahara, Imbulgoda			based	per perch		
			Evidence		-	11,350
No: 177/6, New Kandy Rd.,	Land	84.5 Perches	Market	Rs. 449,190/-		
Weliweriya			based	per perch		
			Evidence		-	37,961
Land at Pahala Dompe, Dompe	Land	R02-P17.7	Market	Rs. 17,567,247/-		
Lot 01			based	per acre		
			Evidence		10,728	-
Land at Pahala Dompe, Dompe	Land	A9-R1-P15.9	Market	Rs. 18,834,861/-		
Lot 02			based	per acre		
			Evidence		195,280	-
Land at Pahala Dompe, Dompe	Land	A0-R2-P5.2	Market	Rs. 7,511,737/-		
Lot 03			based	per acre		
			Evidence		4,000	-
Factory Complex, Belummahara,	Buildings	54,647 sq.ft	Contractor's	Rs. 2,490/-		
Imbulgoda			method	per sq.ft	-	118,908
Factory Complex, Belummahara,	Buildings	7,000 sq.ft	Investment	Rs. 361/-		
Imbulgoda - Crushing Plant 2			Method	per sq.ft	-	33,600
No: 334/5, Colombo Road,	Building	1,384 sq.ft	Depreciated	Rs. 361/-		
Belummahara, Imbulgoda			Replacement	per sq.ft		
			cost		-	500
No: 177/6, New Kandy Rd.,	Building	26,398 sq.ft.	Investment	Rs. 15/- to 40/-		
Weliweriya			Method	per sq.ft	-	77,286
Building at Pahala Dompe, Dompe	Building	142,242 sq.ft	Contractor's	Rs. 40,000/- to		
			method	Rs. 175,000/-		
				per perch	578,074	-
					788,082	960,105

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

Swisstek (Ceylon) PLC

	Land in		Carrying	Carrying
	Extent		value as at	value as at
	(perches)	Cost	31.03.2020	31.03.2019
		Rs. '000	Rs. '000	Rs. '000
Factory Complex, Belummahara, Imbulgoda	980.0	1,381	1,381	1,381
No:334/5, Colombo Road, Belummahara, Imbulgoda	20.0	5,753	5,753	5,753
No: 288/26, Colombo Road, Belummahara, Imbulgoda	82.0	38,080	38,080	38,080
No: 177/6, New Kandy Rd., Weliweriya	84.5	37,961	37,961	37,961
	1,166.5	83,175	83,175	83,175

Swisstek Aluminium Ltd

	Land in		Carrying	Carrying
	Extent		value as at	value as at
	(perches)	Cost	31.03.2020	31.03.2019
		Rs. '000	Rs. '000	Rs. '000
Land at Pahala Dompe, Dompe Lot 01	R02-P17.7	8,780	8,780	8,780
Land at Pahala Dompe, Dompe Lot 02	A9-R1-P15.9	173,000	173,000	173,000
Land at Pahala Dompe, Dompe Lot 03	A0-R2-P5.2	3,425	3,425	3,425
		185,205	185,205	185,205

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

Swisstek (Ceylon) PLC

					Carrying	Carrying
	Extent/floor	No. of		Accumulated	value as at	value as at
	Area	buildings	Cost	depreciation	31.03.2020	31.03.2019
			Rs. '000	Rs. '000		
Factory Complex,						
Belummahara, Imbulgoda	54,647 Sq.ft.	13	55,424	13,280	42,143	37,110
No:334/5, Colombo Road,						
Belummahara, Imbulgoda	1,384 sq.ft	1	288	26	262	268
Factory Complex, Belummahara, Imbulgoda -						
Crushing Plant 2 and other						
additions	7,000 sq.ft	1	56,309	5,197	51,112	53,365
No: 177/6, New Kandy Rd.,						
Weliweriya	26,398 Sq.ft.	1	80,563	4,033	76,530	78,125
			192,584	22,536	170,047	168,868

Swisstek Aluminium Ltd

					Carrying	Carrying
	Extent/floor	No. of		Accumulated	value as at	value as at
	Area	buildings	Cost	depreciation	31.03.2020	31.03.2019
			Rs. '000	Rs. '000		
Building at Pahala Dompe,						
Dompe	142,242 Sq.ft	1	576,535	56,735	519,800	531,147
	-		576,535	56,735	519,800	531,147

Description	Freehold		Right of use	Plant &	Machinery under	Factory	Furniture	Motor	Office		Zools &	
	Land	Buildings	Assets	Machinery	Lease	Electrification	& Fittings	Vehicles	Equipments	Road Way	Equipments	
	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	
Cost/ Revaluation												
As at 1 April 2018	901,858	664,048	1	1,202,221	8,853	21,907	11,338	53,787	17,862	3,418	17,017	2,902,309
Additions during the year	37,961	89,122	1	116,520	1	1,700	1,847	14,456	6,084	1	5,131	272,821
Fransfers from CWIP		103,042		18,422	1	1			274			121,738
Disposals/transfers	,	,	,	(11,515)	,	ı	,	,	1	,	(1,142)	(12,657)
Revaluation Gain/(Loss)		12,304	,	1	1	ı		1	1		1	12,304
As at 31 March 2019	939,819	868,516	1	1,325,648	8,853	23,607	13,185	68,243	24,220	3,418	21,006	3,296,515
Additions during the year	1	7,794	31,265	78,022	1	2,354	2,086	8,873	5,952	2,419	5,662	144,427
Fransfers from CWIP		25,711		3,013	1	ı		,	1		1	28,724
Disposals/transfers				8,853	(8,853)	ı		(604)	(61)		1	
Revaluation Gain/(Loss)						1			1			
As at 31 March 2020	939,819	902,021	31,265	1,415,536		25,962	15,271	76,512	30,111	5,837	26,668	3,469,001
Accumulated depreciation												
As at 1 April 2018		51,518	1	409,899	5,165	3,081	6,222	13,937	11,015	139	11,955	512,931
Charge for the Year		19,492	1	87,603	589	2,336	1,720	9,723	3,538	69	2,716	127,786
Disposals/Transfers	1	1	1	(7,468)	1	1	1	1	1	1	(1,142)	(8,610)
As at 31 March 2019	1	71,010	ı	490,034	5,754	5,417	7,942	23,660	14,553	208	13,529	632,107
Charge for the Year	1	22,642	4,033	94,988	1	2,789	1,975	11,678	5,014	0	4,411	147,531
Disposals/Transfers	,	,	,	5,754	(5,754)	ı	,	(529)	(54)	,	,	
As at 31 March 2020		93,652	4,033	590,776		8,206	9,917	34,809	19,513	208	17,940	779,055
AC 2+ 24 NA2rch 2010	030 010	797 506	1	835 614	3 000	18 190	5 243	44 583	6 667	3 2 1 1	7777	2 664 408

Property, plant and equipment of the group consists of fully depreciated assets with a value of Rs. 39,422,226/- (2019 - Rs. 34,827,014/-) as at the year end.

2,689,946

8,728

10,598

41,703

5,354

824,760

27,232

808,369

939,819

As at 31 March 2020

Right of use assets disclosure in note 28.3.

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Description	Freehold		Plant &	Machinery	Factory	Furniture	Motor	Office		Tools &	
-	Land	Buildings	Machinery	, under Lease	, Electrification	& Fittings	Vehicles	Equipments	Road Way	Equipments	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Cost/ Revaluation											
As at 01 April 2018	691,850	160,813	203,836	8,853	21,907	4,188	11,726	8,058	3,418	4,602	1,119,252
Additions during the year	37,961	89,122	27,958	1	1,700	711	14,456	2,176	1	1,916	176,000
As at 31 March 2019	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	1	7,794	67,121	1	2,355	140	8,873	2,350	2,419	3,817	94,868
Disposals/transfers	ı	,	8,853	(8,853)	1	1	1	(61)		ı	(61)
Revaluation Gain/(Loss)	,	,	1	'			,	,	1	1	
As at 31 March 2020	729,811	257,729	307,768		25,961	5,039	35,055	12,523	5,837	10,335	1,390,059
Accumulated depreciation											
As at 01 April 2018	1	12,813	25,418	5,165	3,081	1,688	5,331	5,010	139	3,118	61,763
Charge for the Year		5,981	14,924	589	2,336	750	3,497	1,342	69	745	30,233
As at 31 March 2019	1	18,794	40,342	5,754	5,416	2,439	8,828	6,353	207	3,864	91,996
Charge for the Year	1	8,640	19,497	1	2,789	843	5,487	1,558	1	1,997	40,812
Disposals/Transfers	1	1	5,754	(5,754)	1	1		(54)	1	ı	(54)
As at 31 March 2020	1	27,434	65,593	1	8,206	3,281	14,315	7,857	207	5,860	132,755
As at 31 March 2019	729,811	231,140	191,452	3,099	18,190	2,461	17,354	3,881	3,211	2,655	1,203,256
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

Property, plant and equipment of the company consists of fully depreciated assets with a value of Rs. 11,605,968/- (2019- Rs. 9,417,776/-) 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 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.

	Grou	up	Compa	ny
	2020	2019	2020	2019
	Rs.000	Rs.000	Rs.000	Rs.000
Capital work - in - progress				
Balance as at the beginning of the year	10,882	55,421	943	-
Cost incurred during the year	31,692	77,199	5,358	943
During the year transferred to PPE	(28,724)	(121,738)	-	-
Balance as at 31 March	13,850	10,882	6,301	943
Intangible Assets				
Cost				
As at 01 April	13,751	11,341	-	
Additions during the year	-	2,410	-	
Disposals/transfers	-	-	-	
As at 31 March	13,751	13,751	-	
Accumulated amortization				
As at 01 April	5,326	3,416	-	
Amortization for the Year	2,113	1,910	-	
Disposals/Transfers		-		
As at 31 March	7,439	5,326	-	
Net book value	6,312	8,425	-	

14. Investment in subsidiary

	No of shares			No of shares		
	as at	Holding	Cost as at	as at	Holding	Cost As at
	31-03-2020	%	31-03-2020	31-03-2019	%	31-03-2019
			Rs.000			Rs.000
Swisstek Aluminium Ltd	122,340,570	87.38%	229,784	122,340,570	87.38%	229,784
			229,784			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

	Gr	oup	Com	pany
	2020	2019	2020	2019
	Rs.000	Rs.000	Rs.000	Rs.000
Swisstek Development Limited	93	90	93	90
	93	90	93	90

16. **Investment property**

	Gr	oup	Com	pany
Cost/ Revaluation	2020	2019	2020	2019
	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 1 April	142,000	134,000	142,000	134,000
Investment property completed during the year	-	1,215	-	1,215
Change in fair value	-	6,785	-	6,785
Balance as at 31 March	142,000	142,000	142,000	142,000

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

Rental income earned from investment properties by the Group/Company amounted to Rs. 20.3 Mn (2018/19 - Rs. 17.9 Mn). Direct operating expenses incurred amounted to Rs. 3.7 Mn (2018/19 - Rs. 3.7 Mn).

same independent professional valuer (Mr. Ranjan J Samarakone) who determined no significant change to the revalued carrying amount of the investment property As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was obtained by the provided as at 31 March 2019.

Address	Type of	Occupying			Date of	Fair Value	Fair Value
	property	party	Extent	Cost	Valuation	2020	2019
Factory Complex, Belummahara, Imbulgoda	Tile Stores	LT /LW	26,000 sq.ft	5,663	31-Mar-20	83,991	83,991
Factory Complex, Belummahara, Imbulgoda	Sales center	LT /LW/RCL	4900 sq.ft	14,053	31-Mar-20	29,397	29,397
Factory Complex, Belummahara, Imbulgoda	Open Shed	N	3400 sq.ft	6,277	31-Mar-20	7,845	7,845
Factory Complex, Belummahara, Imbulgoda	Warehouse	RCL	5,000 sq.ft	11,067	31-Mar-20	20,767	20,767
				37,061		142,000	142,000

Inventories

17.

		Group	dr	Company	any
	Year ended 31 March,	2020	2019	2020	2019
		Rs.000	Rs.000	Rs.000	Rs.000
	Spares and consumables	137,196	127,221	15,374	10,562
	Raw material	604,815	995,075	151,217	154,755
	Work in progress	182,440	171,451	10,735	3,565
	Finished goods	675,560	806,071	30,395	31,576
	Goods in transit	214,618	46,170	13,183	27,835
	Less: Provision for obsolete and slow moving items - (Note17.1)	(12,090)	(7,091)	(9,156)	(7,091)
		1,802,539	2,138,897	211,748	221,202
17.1	Provision for obsolete and slow moving items				
	Balance as at 1 April	7,091	5,033	7,091	5,033
	Provision made/(reversal) during the year	4,999	2,058	2,065	2,058
	Balance as at 31 March	12,090	7,091	9,156	7,091

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.

18. Trade and other receivables

		Gro	up	Compa	any
	Year ended 31 March,	2020	2019	2020	2019
		Rs.000	Rs.000	Rs.000	Rs.000
	Trade receivables - Others	954,354	1,112,561	232,538	220,582
	- Related parties (Note 18.1)	229,351	184,985	188,298	151,940
		1,183,705	1,297,546	420,836	372,523
	Less: Provision for impairment of trade debtors	(25,230)	(13,489)	(2,435)	(1,257)
	Deposits, advances, prepayments & other recoverable	86,131	65,532	11,456	14,567
		1,244,606	1,349,589	429,857	385,833
18.1	Trade receivables - Related parties				
	Lanka Tiles PLC	202,136	162,276	167,007	133,523
	Royal Ceramics Lanka PLC	26,381	21,555	21,291	18,417
	Lanka Ceramics	834	1,154	-	
		229,351	184,985	188,298	151,940
19.	Contract Asset and Liabilities				
19.1	Contract Assets				
	As at 1 April	58,269	-	58,269	
	During the year recognized	(20,190)	58,269	(20,190)	58,269
	As at 31 March	38,079	58,269	38,079	58,269

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

		Gro	oup	Com	oany
	Year ended 31 March,	2020	2019	2020	2019
		Rs.000	Rs.000	Rs.000	Rs.000
19.2	Contract Liabilities				
	As at 1 April	79,177		79,177	-
	Advance received	-	108,256	-	108,256
	During the year recognized	(64,334)	(29,079)	(64,334)	(29,079)
	As at 31 March	14,843	79,177	14,843	79,177

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

		Group		Company	
	Year ended 31 March,	2020	2019	2020	2019
		Rs.000	Rs.000	Rs.000	Rs.000
20.	Amount due from related parties				
	Swisstek Aluminium Limited	-	-	331	331
	Lanka Walltiles PLC	5,411	3,380	5,411	3,380
	Royal Ceramics PLC	2,368	1,560	2,368	1,560
	Royal Porcelain Ltd	2,695	864	2,695	864
	Rocel Bathware Ltd	608	158	608	158
	Lanka Tiles PLC	8,232	-	8,232	-
		19,314	5,962	19,645	6,293
21.	Cash and cash equivalents				
21.1	Favorable Balances				
	Cash in hand	514	1,986	214	225
	Cash at banks	154,828	128,100	138,023	83,175
	Cash and cash equivalents	155,342	130,086	138,237	83,400
21.2	Unfavorable Balance				
	Bank overdrafts	(543,875)	(478,792)	(131,432)	(67,282)
	Cash & cash equivalents for the purpose of cash flow statement	(388,533)	(348,706)	6,805	16,118
22.	Stated capital				
	27,372,000 Ordinary Shares (2019 - 27,372,000)	368,256	368,256	368,256	368,256

The holders of the ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share individual present at meeting of the shareholders or one vote per share in the case of a poll.

		Group		Company	
	Year ended 31 March,	2020	2019	2020	2019
22.1	Dividend per share				
	27,372,000 ordinary shares in issue	-	2	-	2

	Group		oup	Company		
Y	ear ended 31 March,	2020	2019	2020	2019	
		Rs.000	Rs.000	Rs.000	Rs.000	
23. F	Reserves					
а) Revaluation reserve (23.1)					
	As at 1 April	604,772	596,171	504,966	504,966	
	Revaluation surplus on land and building	-	8,601	-	-	
	As at 31 March	604,772	604,772	504,966	504,966	
b) Capital redemption reserve (23.2)	121	121	121	121	
C) General reserve (23.3)	19,842	19,842	19,842	19,842	
	Total	624,735	624.735	524,929	524.929	

- **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.

		_		•	
		Group		Company	
	Year ended 31 March,	2020	2019	2020	2019
		Rs.000	Rs.000	Rs.000	Rs.000
24.	Employee benefits				
	Movement in present value of the defined benefit obligation				
	Defined benefit obligation at 1 April	23,185	20,647	6,805	6,342
	Current service cost and interest (24.1)	7,314	5,727	1,719	1,378
	Actuarial losses/(gain) in other comprehensive income (24.2)	2,173	(2,374)	627	(648)
	Payment during the year	(720)	(815)	(454)	(267)
	Defined benefit obligation at 31 March	31,952	23,185	8,697	6,805
24.1	Expenses recognized in profit or loss				
	Current service cost	4,763	3,662	970	744
	Interest cost	2,551	2,065	749	634
		7,314	5,727	1,719	1,378
24.2	Actuarial (gain)/loss recognized in other comprehensive income				
	Actuarial (gain) or loss	2,173	(2,374)	627	(648)
		2,173	(2,374)	627	(648)

Gratuity liability is recognized based on the actuarial valuation carried out by Actuarial and Management Consultants (Pvt) Ltd on 31 March 2020. The followings are the principle assumptions used by the valuer as at year end.

	2020	2019
Swisstek (Ceylon) PLC		
1. Discount rate (the rate used to discount the future cash flows in order to determine the present value)	10.0%	11.0%
Future salary increase	11.0%	12.0%
3. Staff turnover	7% upto 49	7% upto 49
	thereafter	thereafter
	zero	zero
4. Weighted average duration of defined benefit obligation (years)	7.55	6.23
Swisstek Aluminium Limited		
1. Discount rate (the rate used to discount the future cash flows in order to determine the		
present value)	10.0%	11.0%
2. Future salary increase	10.0%	10.0%
3. Staff turnover	15.0%	15.0%
4. Weighted average duration of defined benefit obligation (years)	5.78	5.70

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

	Swisstek Alun	Swisstek Aluminium Limited		Swisstek (Ceylon) PLC	
	2020	2019	2020	2019	
	Rs.000	Rs.000	Rs.000	Rs.000	
Retirement Age					
Male	55	55	55	55	
Female	50	50	50	50	
No of Employees					
Male	253	262	66	62	
Female	29	38	17	15	
Total	282	300	83	77	

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

		20:	20	2019	
		Effect on charge		Effect on charge	
		to the Statement		to the Statement	
		of profit or		of profit or	
Increase/	Increase/	loss and other	Effect on	loss and other	Effect on
(Decrease) in	(Decrease) in salary	comprehensive	employee benefit	comprehensive	employee benefit
discount rate	increment rate	income	obligation	income	obligation
1%	*	567	(567)	366	(366)
-1%	*	(639)	639	(406)	406
*	1%	(667)	667	(429)	429
*	-1%	602	(602)	393	(393)

Subsidiary

		20.	20	2019	
		Effect on charge		Effect on charge	
		to the Statement		to the Statement	
		of profit or		of profit or	
Increase/	Increase/	loss and other	Effect on	loss and other	Effect on
(Decrease) in	(Decrease) in salary	comprehensive	Employee Benefit	comprehensive	employee benefit
discount rate	increment rate	income	Obligation	income	obligation
1%	*	1,167	(1,167)	804	(804)
-1%	*	(1,292)	1,292	(888)	888
*	1%	(1,383)	1,383	(960)	960
*	-1%	1,271	(1,271)	884	(884)

25. Loans & borrowings

25.1

25.2

	Gro	up	Com	oany
Year ended 31 March,	2020	2019	2020	2019
	Rs.000	Rs.000	Rs.000	Rs.000
Movement in interest bearing loans & borrowings				
Balance at the beginning of the year	843,675	774,092	261,480	187,990
Loans obtained during the year	37,939	266,659	37,939	111,000
Repayments made during the year	(227,559)	(197,076)	(47,223)	(37,510)
Balance at the end of the year	654,055	843,674	252,196	261,480
Amount falling due within one year	206,131	222,253	50,250	50,250
Amount falling due after one year	447,924	621,421	201,946	211,230

				Gre	Group			Company	pany	
Year ended 31 March,	·ch,		20	2020	20	2019	20	2020	20	2019
Lender	Interest rate	Security	Amount	Amount Amount	Amount	Amount Amount	Amount	Amount Amount	Amount	Amount Amount
			payable	payable	payable	payable	payable	payable	payable	payable
			within	after	within	after	within	after	within	after
			one year	one year	one year	one year	one year	one year	one year	one year
			Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Bank of Ceylon	AWPLR + 1.5%	Mortgage over immovable property at Belummahara,								
		Imbulgoda.	34,000	90,990	34,000	84,990	34,000	066'06	34,000	84,990
Commercial bank	AWPLR + 1.5%	Mortgage over immovable								
		property at Belummahara,								
		Imbulgoda.	2,000	17,470	7,000	24,490	7,000	17,470	7,000	24,490
DFCC Bank	AWPLR	Mortgage over Land, Building, Plant & Machinery, Stocks and Book debts owned by Swisstek								
		Aluminium Ltd.	165,131	165,131 339,464	181,253	511,941	9,250	93,486	9,250	101,750
			206,131	447,924	222,253	621,421	50,250	201,946	50,250	211,230

There are no covenants placed by the loan providers for the above mentioned loans.

Bank loans

		Gro	oup	Comp	any
	Year ended 31 March,	2020	2019	2020	2019
		Rs.000	Rs.000	Rs.000	Rs.000
26.	Trade and other payables				
	Trade payables '- Others	355,857	413,825	93,420	69,126
	'- Related parties (Note 26.1)	893	63,010	10,382	11,894
		356,750	476,835	103,802	81,020
	EPF / ETF payable	2,491	2,122	1,464	999
	Bank loan interest payable	16,745	38,847	2,551	2,775
	Accruals & other payables	89,556	155,920	39,715	93,892
	VAT/NBT payable	1,111	21,217	1,111	6,828
		466,653	694,941	148,642	185,514
26.1	Trade Payables - Related parties				
	Swisstek Aluminium	-	-	9,489	11,400
	Unidil Packaging Ltd.	893	631	893	494
	Lanka Walltile PLC	-	40,538	-	
	Vallibel One Plc	-	21,841	-	
		893	63,010	10,382	11,894
27.	Short term loans				
	Balance at the beginning of the year	1,967,282	1,027,766	337,900	121,659
	Loans obtained during the year	5,820,889	3,853,301	487,367	596,312
	Repayments made during the year	(6,101,286)	(2,913,785)	(547,656)	(380,071)
	Balance at the end of the year	1,686,885	1,967,282	277,611	337,900

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.

		Gro	oup	Com	pany
	Year ended 31 March,	2020	2019	2020	2019
		Rs.000	Rs.000	Rs.000	Rs.000
28.	Borrowings and amounts due to related companies				
28.1	Amount due to related companies				
	Lanka Tiles PLC	26,666	5,884	-	5,884
	Delmage Forsyth & Co. Ltd.	47,156	1,336	2,099	1,336
	Royal Ceramic Lanka PLC	1,858	-	-	-
		75,680	7,220	2,099	7,220
28.2	Borrowings - Related parties				
	Balance as at beginning of the year	-	21,797	-	21,797
	Repayment during the year	-	(21,797)	-	(21,797)
	Balance as at end of the year	-	-	-	_
	Balance as at end of the year	-	_	-	_

28.3 Lease

A. Leases as lessee (SLFRS 16)

The Group leases Showroom facility. The leases typically run for a period of 08 years. With an option to renew the lease after that date. Lease payments are renegotiated every three years to reflect market rentals.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of the building and premises, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- ▶ If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 March 2020, potential future cash outflows of all lease liabilities have been included in the lease liability.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Information about leases for which the Group is a lessee is presented below.

I. Right-of-use assets

Right-Of-use assets related to leased properties are presented as property, plant and equipment (see Note 13).

As at 31 March 2020	Building	Total
	Rs.000	Rs.000
Balance at 1 April	-	-
Additions to right-of-use assets	31,265	31,265
Depreciation charge for the year	(4,033)	(4,033)
Balance at 31 March	27,232	27,232

II. Lease Liability

As at 31 March 2020	Building	Total
	Rs.000	Rs.000
Balance at 1 April 2019	-	-
Additions	31,265	31,265
Interest Expense during the year	3,302	3,302
Repayments made during the year	(6,790)	(6,790)
Balance at 31 March 2020	27,777	27,777
Balance due within one year	1,907	1,907
Balance due after one year	25,870	25,870
	27,777	27,777

III. Amounts recognised In profit or loss

	Group
	2020
	Rs.000
2019/2020 - Leases under SLFRS 16	
Interest on lease liabilities	3,302
Depreciation on Right of Use Asset	4,033
	7,335
2018/2019 - Operating leases under LKAS 17	
Lease expense	-
	-

IV. Amounts recognised In statement of cash flows

	2020
	Rs.000
Total cash outflow for leases	6,790

V. Extension options

These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The extension and termination options held are exercisable by both the Company and by the respective lessor.

VI. Maturity Analysis - Contractual undiscounted cash flows

The following table sets out a maturity analysis of lease payments. Showing the undiscounted lease payments to be received after the reporting date.

	Group
	2020
	Rs.000
less than one year	5,010
One to two years	5,117
Two to three years	6,071
Three to four years	6,171
Four to five years	4,904
More than five years	15,015
Total	42,288

B. Leases as lessor

Swisstek Ceylon PLC leases out its investment property consisting of its owned commercial properties (see Note 16). The Company has classified these leases as operating leases. Because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets

Rental income recognised by the Company for the year ended 31 March 2020 was Rs. 20.3 Mn (2019: Rs. 17.9 Mn).

29. **Financial Instrument**

As at 31 March		2020	2019
7.10 4.10 - 2.1 14.1011	Note	Rs.000	Rs.000
Financial Assets			
Other long term investment	15	93	90
Trade Receivables	18	1,158,476	1,284,058
Contract Assets	19.1	38,079	58,269
Amount Due from Related Parties	20	19,314	5,962
		1,215,962	1,348,379
Cash and Cash Equivalent	21	155,342	130,085
Total	21	1,371,3034	1,478,465
Financial Liabilities			
Loans and Borrowings	25	654,054	843.674
Short Term Loans	27	1,686,885	1,967,282
Lease Liability	28.3	27,777	1,707,202
Trade and Other Payable	26.3	373.495	515,682
Amount Due to Related Party	28.1	75,680	7,220
Bank Overdraft	21	543,875	478,792
Total		3,361,766	3,812,650
Company			
As at 31 March		2020	2019
	Note	Rs.000	Rs.000

As at 31 March		2020	2019
	Note	Rs.000	Rs.000
Financial Assets			
Other long term investment	15	93	90
Trade Receivables	18	418,402	385,833
Contract Assets	19.1	38,079	58,269
Amount Due from Related Parties	20	19,645	6,293
		476,219	450,486
Cash and Cash Equivalent	21	138,237	83,399
Total		614,456	533,885
Financial Liabilities			
Loans and Borrowings	25	252,196	261,480
Short Term Loans	27	277,611	337,900
Trade and Other Payable	26	106,354	83,795
Amount Due to Related Party	28.1	2,099	7,220
Bank Overdraft	21	131,432	67,282
Total		769,692	757,677

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
- Operation risk See Note 4.2

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;

Carrying value

	Gro	oup	Company	
As at 31 March	2020	2019	2020	2019
	Rs.000	Rs.000	Rs.000	Rs.000
Trade Receivable	1,158,476	1,284,058	418,402	371,266
Contract Assets	38,079	58,269	38,079	58,269
Amounts due from related parties	19,314	5,962	19,645	6,293
Cash & cash equivalents	155,342	130,086	138,237	83,399

Management of Credit Risk

Trade & Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

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 impaired was as follows;

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., product type, customer type and rating, and coverage by letters of credit etc).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Carrying value

	Gro	oup	Com	pany
As at 31 March	2020	2019	2020	2019
	Rs.000	Rs.000	Rs.000	Rs.000
Below 30 days	258,889	563,290	94,586	222,148
30 - 45 days	257,838	198,578	168,631	21,165
46 - 60 days	132,107	262,383	45,900	67,739
Over 61 days	534,872	273,296	111,720	61,471
Less: provision made	(25,230)	(13,489)	(2,435)	(1,257)
	1,158,476	1,284,058	418,402	371,266

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

	Group Rs.000	Company
	Pc 000	
	KS.000	Rs.000
Balance at 1 April 2018	9,979	729
Impairment loss recognised	3,510	528
Amounts written off	-	-
Balance at 31 March 2019	13,489	1,257
Impairment loss recognised	11,741	1,177
Amounts written off	-	-
Balance at 31 March 2020	25,230	2,435

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 behavior 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.

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:

The maturity analysis of Liabilities - Group

		Current		Non Current	
As at 31 March 2020	Carrying	Upto	Upto	Upto	Above
	value	1 year	2 years	5 years	5 years
Bank overdrafts	543,875	543,875	-	-	-
Bank borrowings	2,340,939	1,904,681	174,561	261,697	-
Lease liability	27,777	1,907	2,247	11,417	12,206

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

The maturity analysis of Liabilities - Company

		Current		Non Current	
As at 31 March 2020	Carrying	Upto	Upto	Upto	Above
	value	1 year	2 years	5 years	5 years
Bank overdrafts	131,432	131,432	-	-	-
Bank borrowings	529,807	339,526	61,915	128,365	-
RPT loans	-	-		-	
Due to Related Party	2,100	2,100	-	-	

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

The estimated interest is not included within the above amount as the interest rates which are applicable to the Group/ Company varies and such rates are disclosed in Note 25.3 of these Financial Statements.

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 Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Further it is noted that there are no hedge ineffectiveness as hedging is performed internally without maintaining a separate financial instrument. Hence, no hedge accounting is relevant for the year ended.

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

		Closing	g rate
Currency	Average rate	Selling	Buying
U. S. Dollar	189.9057	192.4530	187.3584

Sensitivity Analysis

A strengthening or weakening of Sri Lankan Rupees as indicated below, against the major foreign currencies as at 31 March 2020 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 Group 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

	Effect on Prof	fit before Tax
(5% movement)	Strengthen	Weakening
	(Rs. '000)	(Rs. '000)
As at 31.03.2020		
U. S. Dollar	7,659	(7,659)
As at 31.03.2019		
U. S. Dollar	398	(398)

(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 Group was as follows;

	Gro	Group		Company		
Rs.'000	Nominal	Nominal amount		amount		
As at 31 March,	2020	2019	2020	2019		
Variable rate instruments						
Financial liabilities	(2,884,813)	(3,289,747)	(661,238)	(666,661)		
	(2,884,813)	(3,289,747)	(661,238)	(666,661)		

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	
As at 31 March,	2020	2019	2020	2019
Variable rate instruments				
100 bp increase	(28,848)	(32,897)	(6,612)	(6,667)
100 bp decrease	28,848	32,897	6,612	6,667

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

	Gro	oup	Company		
As at 31 March,	2020	2019	2020	2019	
Total liabilities	3,848,980	4,411,591	1,148,352	1,214,392	
Less: cash and cash equivalents	155,342	130,086	138,237	83,400	
Net debt	3,693,638	4,281,505	1,010,115	1,130,992	
Total equity	2,267,396	2,101,311	1,324,696	1,116,678	
Net debt to equity ratio at 31 March	1.63	2.04	0.76	1.01	

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

The Group's is not subject to externally imposed capital requirements.

30. Carrying amount and Fair Value of Financial Instrument

Accounting Classifications and Fair Value 30.1

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

Group

			Carrying	amount			Fair \	/alue	
Rs.000		Fair value		Other					
		through	Amortised	financial					
	Note	OCI - equity	Cost*	liabilities *	Total	Level 1	Level 2	Level 3	Tota
2020	11010	OCI equity		партисэ	10tai	LCVCI I	Level 2	Levelo	1010
Financial Assets									
Other Long Term									
•	15	93			93			93	93
Investment		- 73	4 450 47/		1,158,476			73	7.
Trade receivables	18	-	1,158,476	-	1,158,476		-		
Amounts due from related	0.0		40.044		40.044				
parties	20	-	19,314	=	19,314	-	-	-	
Contract assets	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				
		, 3	_, _,		_,,				
Financial Liabilities									
Loans and borrowings	25	-	-	654,054	654,054	-	654,054	-	654,054
Borrowings - Related party	28.2	-	-	-	-	-	-	-	
Short term loans	27	-	-	1,686,885	1,686,885	-	1,686,885	-	1,686,885
Trade and other payables	26	-	-	373,495	373,495	-	-	-	
Amounts due to related									
parties	28.1	-	-	75,680	75,680	-	-	-	
Lease Liability	28.3	-	-	27,777	27,777	-	_	-	
Bank overdraft	21	-	-	543,875	543,875	-	_	-	
		-	-	3,361,766	3,361,766				
2019									
Financial Assets									
Other Long Term									
Investment	15	90		-	90	-	-	90	90
Trade receivables	18	-	1,284,058	-	1,284,058	-	-	-	
Amounts due from related									
parties	20	-	5,962	-	5,962	-	-	-	
Contract Asset	19.1	-	58,269	-	58,269	-	-	-	
		90	1,348,289	-	1,348,389				
Cash and cash equivalents	21		130,085		130,085				
Casir and Casir Equivalents		90	1,478,374		1,478,464				
			_, 5,0 , 1						
Financial Liabilities									
	25	-	-	843,674	843,674	_	843,674		843,674
Loans and borrowings Short term loans	25 27	-	-	1,967,282	1,967,282	-	843,674 1,967,282	-	843,674 1,967,282
Loans and borrowings Short term loans						-		-	
Financial Liabilities Loans and borrowings Short term loans Trade and other payables Amounts due to related	27			1,967,282	1,967,282			-	
Loans and borrowings Short term loans Trade and other payables Amounts due to related	27			1,967,282	1,967,282			-	
Loans and borrowings Short term loans Trade and other payables Amounts due to related parties	27 26 28.1			1,967,282 515,682	1,967,282 515,682			-	
Loans and borrowings Short term loans Trade and other payables Amounts due to related	27 26	-	-	1,967,282 515,682 7,220	1,967,282 515,682	-		-	

Financial Assets Standard Section Standard Se				Carrying	amount			Fair '	Value	
Note OCI - equity Cost* Iabilities* Total Level 1 Level 2 Level 3 Total Cost* Iabilities* Total Level 1 Level 2 Level 3 Total Cost* Iabilities* Total Iabilities* Iabilities*			Fair value		Other					
Note OCI - equity Cost* Iabilities* Total Level 1 Level 2 Level 3 Total Cost* Iabilities* Total Level 1 Level 2 Level 3 Total Cost* Iabilities* Total Iabilities* Iabiliti	Rs.000		through	Amortised	financial					
Prinancial Assets Section Sect		Note	_			Total	Level 1	Level 2	Level 3	Tota
Financial Assets Section Secti	2020									
Other Long Term Investment 15 93 - 93 - 93 - 93 - 93 - 93 - 93 - 93 - 93 - 93 - - 93 -										
Trade receivables 18										
Amounts due from related parties 20	Investment	15	93	-	-	93	-	-	93	9
Parties 20	Trade receivables	18	-	418,402	-	418,402	-	-	-	
Contract Asset	Amounts due from related									
Page	parties	20	-	19,645	-	19,645	-	-	-	
Cash and cash equivalents 21	Contract Asset	19.1	-	38,079	-	38,079	-	-	-	
Part			93	476,126	-	476,219				
Part	Cash and cash equivalents	21	_	138 237		138 237				
Loans and borrowings 25 - - 252,196 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 -	Castrana castrequivalents		93		-		-			
Loans and borrowings 25 - - 252,196 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 - 252,196 -	Financial Liabilities									
Borrowings - Related party 28.2		25	_	_	252.196	252.196	_	252.196	_	252.19
Short term loans 27 - 277,611 277,611 - 277,611 - 277,61 Trade and other payables 26 - 106,354 106,354			_		-	232,170		232,170		232,17
Trade and other payables 26 - 106,354 106,354			_		277 611	277 611		277 611		277 61
Amounts due to related parties 28.1			_							277,01
Parties 28.1 - - 2,099 2,099 - - - -		20			100,054	100,054				
Bank overdraft 21 - 131,432 131,432		28 1	_	_	2.099	2.099	_	_	_	
Property Property	'		_	_			_	_	-	
Cash and cash equivalents 21			-	-						
Cash and cash equivalents 21	2019									
Investment 15 90 - - 90 - - 90 - - 90 - - 90 - - 90 - - 90 - - 90 -										
Trade receivables 18 - 385,833 - 385,833	Other Long Term									
Amounts due from related parties 20 - 6,293 - 6,293 Contract Asset 19.1 - 58,269 - 58,269	Investment	15	90	-	-	90	-	-	90	9
Parties 20 - 6,293 - 6,293	Trade receivables	18	-	385,833	_	385,833	-	-	-	
Parties 20 - 6,293 - 6,293	Amounts due from related			,		,				
Contract Asset 19.1 - 58,269 - 58,269		20	-	6,293	-	6,293	-	-	-	
Po		191	_		_	· · · · · · · · · · · · · · · · · · ·	_	_	_	
Financial Liabilities Loans and borrowings 25 - - 261,480 - 337,900 - 337,900 - 337,900 - 337,900 - 337,900 - 337,900 - - - - - - - - -	551111451715561	1711	90	-	_					
Financial Liabilities Loans and borrowings 25 - - 261,480 - 337,900 - 337,900 - 337,900 - 337,900 - 337,900 - 337,900 - - - - - - -				<u> </u>		, , , , , , , , , , , , , , , , , , ,				
Financial Liabilities Loans and borrowings 25 - - 261,480 - 337,900 - 337,900 - 337,900 - 337,900 - - - - - - - - - - - - - - - - -	Cash and cash equivalents	21	-	83,400	-	83,400		-	-	
Loans and borrowings 25 - - 261,480 - - 261,480 -			90	533,795	-	533,885				
Loans and borrowings 25 - - 261,480 - 261,480 - 261,480 - 261,480 - 261,480 - 261,480 - 261,480 - 261,480 - 261,480 - 261,480 - 261,480 - 261,480 - 261,480 - 261,480 - 237,900 - 337,900 - <td>Financial Liabilities</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Financial Liabilities									
Short term loans 27 - - 337,900 337,900 - 337,900 - 337,900 - 337,900 - 337,900 - 337,900 - 337,900 -		25	_	_	261 480	261 480	_	261 480	_	261,48
Trade and other payables 26 - - 83,795 - - - Amounts due to related parties 28.1 - - 7,220 7,220 - - - - -			_	_		,				337,90
Amounts due to related parties 28.1 7,220 7,220			_			,				,.
	. ,				23,773	20,773				
Bank overdraft 21 67,282 67,282	parties	28.1	_	-	7,220	7,220	-	-	-	
	Bank overdraft	21	-	-	67,282	67,282	-	-	-	

^{*} 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.

Fair value Hierarchy for Assets Carried at fair value 30.2

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

Rs.'000	Note	Level 1	Level 2	Level 3	Total
2020					
Investment property	16	-	-	142,000	142,000
Freehold land and building	13	-	-	1,841,840	1,841,840
0040					
2019					
Investment property	16	-	-	142,000	142,000
Freehold land and building	13	-	-	1,808,335	1,808,335

Company

	Note	Level 1	Level 2	Level 3	Total
2020					
Investment property	16	-	-	142,000	142,000
Freehold land and building	13	-	-	987,539	987,539
2019					
Investment property	16	-	-	142,000	142,000
Freehold land and building	13	-	-	979,746	979,746

The Board of Directors of the company is of the view that the fair value of land and building which was bought / construct during the year would not be less than it's purchase/ construct price of Rs. 127,083,000/- as at 31 March 2020.

30.3 Financial Assets measured at FVOCI

Swisstek Ceylon PLC has classified the investment in other long-term investment under Financial Asset measured at FVOCI. These investments are held by Swisstek Ceylon PLC as a strategic investment and this was not acquired for trading purpose. Accordingly, this investment was classified under the category of Financial Asset measured at FVOCI.

Further the directors assessed the valuation of the investment and concluded that the value of investment has not significantly increased or impaired.

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 Inter-relationship between key inputs unobservable inputs and fair value measurement Swisstek (Ceylon) PLC Investment property Factory Complex Belummahara Investment Method A reasonable rent that The estimated the property could fetch fair value would The usual method of in its existing use is increase/decrease valuation adopted to estimated on the basis of if expected market determine the open rentals get high/low. rent paid to comparable market value of this properties amounting to type of property is the Rs. 20.3 Mn for the year Investment Method of ended 31 March 2020 Valuation (2018/19 - Rs. 17.9 Mn). The net income amounting to Rs. 16.6 Mn for the year ended 31 March 2020 (2018/19 -Rs. 14.2 Mn) deliverable worked out taking away the usual "outgoings" that have to be met from such gross income at 20% 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%. Property plant and equipment Land and building Belummahara Contractors Method The estimated Considering the location, extent and site fair value would The value of the increase/decrease if characteristics the land property so estimated value is determined by the market value of is checked on the face adopting rates from Rs. the land or building of the value of the 350,000 to Rs. 650,000 gets high/low. land and the buildings per perch. The building standing thereon value is determined by worked out separately adopting rates from by the Contractors Rs. 250 to Rs. 2500 per

Method of Valuation

sq.ft.

	Location	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Swisstek Aluminium Limited				
Property plant and equipment				
Land and buildings	Dompe	Market approach	Considering the	The estimated
		The market approach is a method of determining the value of an asset based on the selling price of similar assets.	location, extent and site characteristics the land value is determined by adopting rates from Rs. 50,000 to Rs. 150,000 per perch. The building value is determined by Rs.1000 per sq.ft to Rs.3000 per sq.ft	fair value would increase/decrease it 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	J K A Sirinatha	Mr. A S Mahendra	Mr. K D G Gunaratne	Mr. C U Weerawardene
Lanka Tiles PLC	~	X	X	X	~	~	X	~
Lanka Walltiles PLC	X	X	X	X	~	~	X	~
Uni-Dil Packaging Ltd	~	X	~	~	~	~	~	X
Swisstek Aluminium Ltd	X	X	X	X	~	X	~	X
Royal Ceramics Lanka PLC	X	~	~	Χ	~	~	~	~
Rocell Bathware Ltd.	~	~	~	Χ	~	~	~	~
Lanka Ceramics PLC	~	~	~	Χ	~	~	~	~

31.2 Transactions with related companies

	Name of the Company	Relationship	Nature of the Transaction	Gro	oup	Com	pany
	Year ended 31 March			2020	2019	2020	2019
				Rs.000	Rs.000	Rs.000	Rs.000
a.	Lanka Walltiles PLC	Parent company	Sales commission income	8,423	11,859	8,423	9,594
			Security charges				
			reimbursement	-	829	-	829
			Warehouse rental income	6,366	6,294	6,366	6,294
			Management fee				
			reimbursement	2,814	(49,002)	1,740	621
			Reimb. of sales expenses	1,453	1,132	1,453	1,132
			Office maintenance	(194)	(1,521)	(194)	(141)
			Microsoft license fees	(182)	(187)	(182)	(187)
b.	Lanka Tiles PLC	Related company	Tile mortar sales	317,525	267,922	317,525	267,922
			Tile grout Sales	52,667	51,250	52,667	51,250
			Decorative pebbles, Skim coat & Tile Cleaner	36,859	32,012	36,859	32,012
			Grout & Mortar RM purchases	(39)	-	(39)	_
			Receipts of funds	365,761	277,437	365,761	277,437
			Operational &				
			administration expenses	(8,768)	(4,254)	(6,192)	(3,722)
			Payment on SLT rental	(353)	(395)	(353)	(395)
			Financial expenses to Lanka Tiles PLC	-	(1,904)	-	(1,904)
			Reimbursement of				
			operational expense	7,014	4,775	7,014	4,775
			Warehouse rental income	11,958	9,945	11,958	9,945
			Loan repayment during				
			the year	-	(21,797)	-	(21,797)
			Sales commission income	57,619	54,565	57,619	54,565
			Sale of goods - Aluminium	89,937	46,560	-	-
c.	Royal Ceramics Lanka PLC	Related company	Sale of Goods	66,566	73,381	66,566	73,381
			Sales commission income	1,768	2,143	1,768	2,143
			Reimbursement of				
			Security Expenses	992	989	992	989
			Warehouse rental income	4,758	5,133	4,758	5,133
			Administration expenses	(66,415)	(71,129)	243	563
d.	Royal Porcelain (Pvt) Ltd	Related company	Sales commission income	5,408	5,467	5,408	5,467
e.	Rocell Bathware Ltd.	Related company	Sales commission income	962	2,912	962	816
f.	Uni-Dil Packaging Ltd	Related company	Purchase of corrugated boxes	(6,266)	(6,898)	(6,129)	(4,460)
g.	Swisstek Aluminium Ltd	Subsidiary	Administration expenses	(100)	(44)	(100)	(44)
			Purchase of goods	(22,751)	(15,514)	(22,751)	(15,514)
h.	Lanka Ceramic PLC	Related company	Purchase of goods	(342)	-	(342)	-
			Administration expenses	(2,082)	-	-	-
i.	Vallibel One PLC	Related company	Technical fees	-	(49,817)	-	-
j.	Delmage Forsyth & Co. Ltd.	Related company	Sale of Goods	-	7,710	-	7,710

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

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

	Gro	oup	Company		
Year ended 31 March	2020	2019	2020	2019	
	Rs.000	Rs.000	Rs.000	Rs.000	
Director fees	11,697	10,582	2,451	2,130	
	11,697	10,582	2,451	2,130	

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

32. Non controlling interest

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

Rs.000	Swisstek Alu	ıminium Ltd
31 March	2020	2019
NCI percentage	12.62%	12.62%
Non current assets	1,446,505	1,479,519
Current assets	2,437,642	2,945,293
Non current liabilities	(329,531)	(474,879)
Current liabilities	(2,380,888)	(2,735,081)
Net assets	1,173,728	1,214,852
Carrying amount of NCI	148,123	153,313
Revenue	3,234,945	3,133,622
Profit	(39,887)	(124,807)
OCI	(1,237)	11,224
Total comprehensive income	(41,124)	(113,583)
Profit allocated to NCI	(5,034)	(15,751)
OCI allocated to NCI	(156)	1,417
Cash flows from operating activities	52,749	(107,948)
Cash flows from investing activities	(5,624)	(21,629)
Cash flows from financing activities	(50,976)	90,784
Net increase (decrease) in cash and cash equivalents	(3,851)	(38,794)

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. 190,120,806/- from DFCC Bank to purchase raw materials.

35. Events after the reporting period & Group impact of COVID-19

35.1 New amendments proposed to Income Tax Law

The amendments to the Inland Revenue Act No. 24 of 2017, which were published by the Department of Inland Revenue on 8 April 2020 are yet to be approved by the parliament. Since these amendments are not substantively enacted at the end of the reporting period, the Company has adopted the tax rates prevailed as at 31 March 2020 in calculating taxes

35.2 Impact of COVID-19 on Financial Statements

On 11 March 2020 the World Health Organization declared the corona virus outbreak a pandemic and the Sri Lankan Government declared a state of emergency on 18 March 2020.

With the spread of the virus on a global scale in mid-March 2020 and rightly the stringent measures taken by the respective Governments including imposing curfew island wide has brought additional uncertainties in the Group's operating environment and compelled to temporary closure of Factory.

The Group was unable to carry out its operations in full force during this lockdown period that resulted negative impact on the cash flow and profitability as this time period is considered to be the peak season for sales.

Nevertheless operations were conducted strictly after the curfew was partially lifted gradually, with arrangements to permit only the staff whose physical presence is required to come to the workplace with others working from home on a roster basis under the guidelines issued by the government with the safety of staff being paramount.

The Group has been closely monitoring the impact of the developments on the Group's businesses as to how the entity will continue its operations in the future in a manner it will continue to operate in its optimum capacity to generate profits and meet its commitments and has put in place contingency measures. These contingency measures include controlling budget, initiating cost savings, deferring and restructuring debt re-payments, deferring payments to business partners, obtaining approval from Government authorities to meet export orders, increasing safety stock levels, maintaining regular contacts with debtors and increasing market responsiveness by adopting new sales strategies.

The global situation is extremely volatile at present and since the impact of the pandemic on the Group's business is closely linked to the suppliers in other countries, an estimate of the long term outlook may not be realistic at this stage as it requires more time to access and quantify the impact of Covid-19 at Company level in consultation with the immediate and ultimate parent companies. However, the Management will continue to monitor developments both locally and globally and take timely action to mitigate any risks to the financial stability of the Group.

As far as the Group's businesses are concerned, this has forced to operate below its normal capacity. However, the Group is confident that it has the adequate resources and capability to withstand the uncertainty this pandemic has created, additionally the Group also has readily available financial support from its Parent Group and availability of banking facilities to continue its operations smoothly, hence the Group is satisfied of the ability of continuing its operations for the foreseeable future.

Except for the above there were no events after the reporting period, which require adjustments as disclosed in the Financial Statements.

36. **Comparative information**

To facilitate comparison, relevant balances pertaining to the previous year have been re-classified to conform to current year's classification as follows;

- With exception for the adoption of new accounting standards and interpretations with effect from 1 April 2019, the Company has consistently applied the accounting policies with those adopted in the previous financial year. The presentation and classification of the financial statement of the previous period, where relevant, for better presentation.
- 36.2 The value of Intangible asset amounting to Rs. 8,425 (in thousands) was removed from the value of Property, plant and equipment in the balance sheet and presented as a separate line item.

	As previously	As previously		
	reported	Adjustments	Reclassified	
	Rs.000	Rs.000	Rs.000	
Property, Plant and Equipment	2,672,833	(8,425)	2,664,408	
Intangible Assets	-	8,425	8,425	

37. **Directors' Responsibilities**

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

38. **Net Assets per Share**

Group

As at 31 March	2020	2019
Net assets attributable to ordinary shareholders (Rs. '000)	2,119,273	1,947,998
Weighted average number of ordinary ('000)	27,372	27,372
Net Assets per share (Rs.)	77.42	71.17

Company

As at 31 March	2020	2019
Net assets attributable to ordinary shareholders (Rs. '000)	1,324,696	1,116,678
Weighted average number of ordinary ('000)	27,372	27,372
Net Assets per share (Rs.)	48.40	40.80

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 2020

From	То	No of Holders	No of Shares	%
1	1,000	827	184,388	0.67
1,001	10,000	246	924,366	3.37
10,001	100,000	96	2,625,916	9.60
100,001	1,000,000	22	5,528,287	20.20
(Over 1,000,000	3	18,109,043	66.16
		1,194	27,372,000	100.00

Categories of Shareholders

Local Individuals	1,072	3,801,356	13.89
Local Institutions	108	22,948,115	83.84
Foreign Individuals	10	54,672	0.20
Foreign Institutions	4	567,857	2.07
	1,194	27,372,000	100.00

20 Major Shareholders of the Company

		31-03-2	020	31-03-2	019
	Name	No of Shares	(%)	No of Shares	(%)
1	Lanka Tiles PLC	13,085,180	47.805	13,085,180	47.805
2	Lanka Walltiles PLC	3,141,250	11.476	3,141,250	11.476
3	Royal Ceramics Lanka PLC	1,882,613	6.878	1,882,613	6.878
4	Sri Lanka Insurance Corporation LTD - Life Fund	628,044	2.294	368,132	1.345
5	Dialog Finance PLC / K E H De Alwis	622,984	2.276	0	0.000
6	Seylan Bank PLC / Rizmy Ahamed Rishard	479,659	1.752	410,410	1.499
7	Sandwave Limited	367,858	1.344	63,608	0.232
8	Mr A S Ratnayake	290,526	1.061	290,526	1.061
9	Rubber Investment Trust Limited A/C # 01	260,000	0.950	260,000	0.950
10	Mrs V Saraswathi	260,000	0.950	61,181	0.224
11	Arunodhaya (Private) Limited	250,000	0.913	250,000	0.913
12	Arunodhaya Industries (Private) Limited	250,000	0.913	250,000	0.913
13	Andysel Private Limited	250,000	0.913	250,000	0.913
14	Mr A M Weerasinghe	220,340	0.805	220,340	0.805
15	Bank of Ceylon No.1 Account	208,986	0.764	161,929	0.592
16	Central Finance Company PLC Account No 05	178,319	0.651	178,319	0.651
17	Guardian Fund Management Limited / The Aitken Spence and				
	Associated Companies Executive Staff Provident Fund	174,109	0.636	185,000	0.676
18	Arunodhaya Investments (Private) Limited	170,000	0.621	170,000	0.621
19	Seylan Bank PLC / A R Investments (PVT) Ltd	160,461	0.586	160,461	0.586
20	Commecial Bank of Ceylon PLC / M R H Galappatti	153,356	0.560	153,356	0.560
	Total	23,033,685	84.151	21,542,305	78.702
	Others	4,338,315	15.849	5,829,695	21.298
	Issued Capital	27,372,000	100.00	27,372,000	100.00

Investor Information

Directors' and CEO's Shareholding as at 31 March 2020

	Names of Directors	No of Shares	%
01	Mr S H Amarasekera	-	-
02	Mr. A M Weerasinghe	220,340	0.805
03	Mr. J A P M Jayasekara	-	-
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 31/03/2020	As at 31/03/2019
Highest during the year	Rs. 55.50 (04-12-2019)	Rs. 61.90 (12-04-2018)
Lowest during the year	Rs. 25.00 (25-06-2019)	Rs. 31.80 (22-03-2019)
Last traded price per share	Rs. 27.00	Rs. 34.80

Number of Transactions during the year	5,424
Number of Shares traded during the year	7,586,084
Value of shares traded during the year (Rs.)	332,793,461.30

Public Holding

- ▶ The Percentage of shares held by the Pubic as at 31 March 2020 29.664%
- No of shareholders representing the above percentage 1,185
- The float adjusted market capitalization as at 31 March 2020 is Rs 219,229,659.00

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 Summery of Financial Position

			Gr	oup		
As at 31 March,	2020	2019	2018	2017	2016	2015
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Assets						
Property, plant and equipment	2,710,109	2,683,715	2,452,723	1,768,311	1,483,040	1,182,590
Deferred tax assets	2,710,107	2,003,713	2,432,723	1,700,311	1,463,040	39,099
Other Long Term Investment	93	90			1,772	37,077
Investment property	142,000	142,000	134,000	117,483	103.824	70,934
Non current assets	2,852,202	2,825,805	2,586,723	1,885,794	1,588,856	1,292,623
Non Current assets	2,032,202	2,023,003	2,300,723	1,003,774	1,300,030	1,272,023
Inventories	1,802,539	2,138,897	1,605,099	812,332	400,865	345,383
Trade and other receivables	1,244,605	1,349,589	1,163,618	1,092,619	623,153	495,606
	38,079	58,269				
Tax Receivables	4,294	4,294	95	-	-	-
Amounts due from related parties	19,313	5,962	9,160	4,828	3,030	7,113
Cash and cash equivalents	155,342	130,086	65,632	75,202	12,950	8,532
Current assets	3,264,173	3,687,097	2,843,605	1,984,981	1,039,998	856,634
Total assets	6,116,375	6,512,902	5,430,327	3,870,775	2,628,854	2,149,257
						
Equity	2/0.05/	2/0.05/	2/0.05/	2/0.05/	2/0.05/	2/0.05/
Stated capital	368,256	368,256	368,256	368,256	368,256	368,256
Reserves	624,735	624,735	616,134	760,262	760,262	551,917
Accumulated losses	1,126,281	955,007	991,577	741,511	419,381	146,516
Equity attributable to owners of the company	2,119,272	1,947,998	1,975,967	1,870,029	1,547,899	1,066,689
Non controlling interest	148,123	153,313	167,647	144,320	108,688	68,437
Total equity	2,267,395	2,101,311	2,143,615	2,014,349	1,656,587	1,135,126
1.196						
Liabilities	04.050	00.405	00 (47	47.470	40.007	40.000
Retirment benefits Obligation	31,952	23,185	20,647	17,170	18,987	13,308
Borrowings - Lanka Floortiles PLC	25.070	-	-	21,797	46,536	83,466
Lease liability - Lanka Floortiles PLC	25,870	217.200	200.077			- 0.202
Deferred tax liability Loans and borrowings	316,383 447,924	316,298	309,877	46,828	21,093	9,392
		621,421	590,260	301,553 387,348	91,492	150,988
Non current liabilities	822,128	960,904	920,784	387,348	178,108	257,154
Trade and other payables	466,654	694,941	959,761	431,583	227,449	371,810
	14,843	79,177				
Loans & borrowings	206,131	222,253	183,832	79,764	59,472	59,449
Short term loans	1,686,885	1,967,282	1,027,766	772,496	414,726	152,477
Amounts due to related parties	75,680	7,220	4,620	4,958	14,597	61,709
Borrowings - Related party	-	-	21,797	30,835	36,930	36,930
Lease liability	1,907	-	-	-	-	551
Tax payable	30,876	1,022	2,698	27,575	12,665	7,582
Bank overdrafts	543,875	478,792	165,534	121,867	28,320	66,469
Current liabilities	3,026,850	3,450,687	2,366,007	1,469,078	794,159	756,977
Total liabilities	3,848,978	4,411,591	3,286,791	1,856,425	972,267	1,014,131
Total equity and liabilities	6,116,374	6,512,903	5,430,407	3,870,775	2,628,854	2,149,257
Characterization of L. C.U.	07.070.000	07.070.000	07.070.000	07.070.000	07.070.000	07.070.000
Shares in issue at end of the year	27,372,000	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	77.42	71.17	72.19	68.32	56.55	38.97
Market price per share at the end of the year	27.00	38.40	59.30	65.60	55.00	41.90
Market capitalization at the end of the year	739.04	1,051.08	1,623.16	1,795.60	1,505.46	1,146.89

Five Year Summery of Income Statement

			Gro	oup		
For the year ended 31 March,	2020	2019	2018	2017	2016	2015
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Revenue	4,634,962	4,294,027	4,077,367	3,433,741	2,689,529	1,857,199
Cost of Sales	(3,661,346)	(3,472,085)	(2,888,763)	(2,334,629)	(1,881,509)	(1,456,170)
Gross Profit	973,616	821,942	1,188,604	1,099,112	808,020	401,029
Other Income	99,339	95,663	92,421	78,186	84,987	87,315
Administration Expenses	(124,151)	(229,117)	(199,289)	(185,351)	(188,508)	(122,400)
Distribution Expenses	(321,571)	(262,591)	(446,650)	(382,600)	(266,090)	(48,185)
Other Expenses	(16,740)	(5,568)	(5,036)	(1,001)	(3,826)	(1,814)
Results from operating activities	610,492	420,329	630,050	608,346	434,583	315,945
Finance Cost	(377,783)	(403,600)	(145,262)	(106,821)	(61,913)	(57,870)
Profit/(Loss) before Tax	232,709	16,729	484,788	501,525	372,670	258,075
Tax expense	(64,937)	(15,979)	(106,718)	(72,803)	(49,386)	(6,550)
Profit/(Loss) for the year	167,773	750	378,069	428,722	323,284	251,525
Other comprehensive income :						
•		12.204	56.289		224.444	155075
Gain on revaluation of land and buildings	(0.470)	12,304		-	234,464	155,075
Defined benefit plan actuarial gains/(losses)	(2,173)	2,374	(156)	4,184	(1,726)	(1,327)
Deferred tax on other comprehensive income	485	(2,987)	(200,300)	(883)	(17,246)	(68)
Other comprehensive income for the period	(1,689)	11,691	(144,168)	3,301	215,492	153,680
Total comprehensive income for the period	166,084	12,441	233,902	432,023	538,776	405,205

Statement of Value Added

For the year ended 31 March	2020	2019	2018	2017	2016	2015
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Sales	4,634,962	4,294,027	4,077,367	3,432,356	2,689,529	1,857,199
Other Income	99,339	95,663	92,421	113,554	84,987	87,315
Less:						
Cost of materials & services bought in	(3,606,829)	(3,460,780)	(3,027,634)	(2,462,560)	(2,072,010)	(1,426,414)
Value added	1,127,472	928,910	1,142,154	1,083,350	702,506	518,100
						_
Distribution of Value Added						
Employees as remuneration	373,918	334,484	285,382	270,463	203,150	146,248
Government as taxes	64,369	12,544	49,890	41,199	50,568	(2,842)
Lenders of capital as interest	377,783	403,600	145,262	106,821	61,913	60,338
Shareholders as dividends	-	54,744	165,807	93,632	-	-
Retained in the business as						
- Depreciation/deferred tax	143,630	122,788	93,060	102,270	63,645	65,099
- Profits	167,773	750	402,753	468,964	323,231	249,257
Total	1,127,473	928,910	1,142,154	1,083,349	702,506	518,100

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Fifty Third Annual General Meeting of Swisstek (Ceylon) PLC will be held by way of electronic means on the 30 day of July 2020 at 08.30 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 31 March 2020 and the Report of the Auditors thereon.
- 2. To re-elect Mr. A M Weerasinghe, 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. J A K Sirinatha, 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

At Colombo 1 July 2020

Note:

- 1. A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
- 2. A proxy need not be a shareholder of the Company.
- 3. Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
- 4. For more information on how to participate by virtual means in the above virtual meeting, please refer Guidelines and Registration Process enclosed herewith.

Notes

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Proxy Form

I/We the undersigned			
NIC No of		being a	member/s*
of Swisstek (Ceylon) PLC hereby appoint:			
_f			
of			
Mr. Shiran Harsha Amarasekera Mr. Amarakone Mudiyanselage Weerasinghe Mr. Jayasekera Arachchige Panduka Mahendra Jayasekera Mr. Jayawardena Kankanange Aravinda Sirinatha Dr. Sivakumar Selliah Mr. Anthonyge Shirley Mahendra	or failing him*		
Mr. Kalupathiranalage Don Gamini Gunaratne Mr. Chethiya Umagiliya Weerawardena	or failing him* or failing him		
as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30 July 2020 at 08.30 a.m and any adjournment thereof and at every poll which may be taken in consequence thereof.			
		For	Against
Resolution 1			
To re-elect Mr. A M Weerasinghe who retires in terms of Article No.103 and 104 of the Articles of Association, as a Director.			
Resolution 2			
To re-elect Mr. J A K Sirinatha who retires in terms of Article No.103 and 104 of the Articles of Association, as a Director.			
Resolution 3			
To authorize the Directors to determine donations for the ensuing year.			
Resolution 4			
To re-appoint Messrs. KPMG Chartered Accountants as Auditors of the Company and authorize the Directors to determine their remuneration.			
In witness my/our* hands this day of Two Thousand and Twenty.			
Signature of Shareholder/s			
* Please delete the inappropriate words. Instructions as to completion appear on the reverse.			

Proxy Form

INSTRUCTIONS AS TO COMPLETION

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

Dr. S Selliah

Mr. A M Weerasinghe

Mr. A S Mahendra

Mr. K D G Gunaratne

Mr. C U Weerawardena

Secretaries

PW Corporate Secretarial (Pvt) Ltd 3/17 Kynsey Road, Colombo 08 Telephone: +94 11 4640360-3 Facsimile: +94 11 4740588

Email: pwcs@pwcs.lk

Registered Office

215 Nawala Road, Narahenpita, Colombo 05

Telephone: +94 11 4734391 - 3
Facsimile: +94 11 2805885
Email: swisstek@lankatiles.com
Website: www.swisstekceylon.com

Factory

Swisstek (Ceylon) PLC Factory Complex, Belummahara, Imbulgoda

Telephone: +94 - 33 - 4930590,

4928994,

Facsimile : + 94 - 33 - 5701371 Email : swisstek@lankatiles.com

Bankers

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

Auditots

KPMG Chartered Accountants 32 A Sir Mohammed Macan Markar Mawatha, Colombo 03

Telephone: + 94 11 5426 304 Facsimile: + 94 11 2541 249

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