AMBITIONS
ALIGNED

AMBEON
HOLDINGS PLC

AMBITIONS ALIGNED

Ambeon Holdings represents a multiplicity of businesses aligned to a common objective. As we step into the future, reinvented and rejuvenated, we strive to work towards a larger ambition of creating a future-centric business. Our transformative journey charting our course is built on creating a sustainable business which is agile and dynamic.

We believe that our strategic intent reflects the alignment of ambitions of diverse stakeholders creating a holistic approach of adding value to the business and supporting the development of our nation.

CONTENTS

"With a wide portfolio of business verticals catering predominantly to export markets we have sharpened our focus by engaging and strengthening our relationships with our overseas principals."

"Revenue at Group level increased by 44.5% to 17.7 billion rupees propelling the Group to be a significant player in the local market."

Sector Performance Reviews

Capital Management Reviews

Financial Statements

OUR PURPOSE AND VALUES

Our Purpose

To take the leap that transforms latent opportunities into lucrative ventures that deliver sustained value.

Our Corporate Values

Moving First

We take the brave steps before anyone else to catalyse, opportunities with our financial prowess, market instinct and utmost discipline.

Actioning Results

Mind, body and soul – we are committed to our investments. We put all our energy into creating the necessary interventions for success.

Channelling Teamwork

The power of our people is what drives transformation, and we harness the collective strength of their diverse minds and competencies to do this.

Seeing Beyond

There's no room for complacency. We constantly challenge ourselves to look beyond today, in search of the next frontier.

ABOUT US

Ambeon Holdings PLC is a leading medium-sized diversified conglomerate. The Group is a well-rooted and well-segmented business power house with manufacturing, real estate, technology and financial services as its core verticals. Ambeon Group's value proposition is defined by partnership, innovation, enterprise and endurance.

Following the restructuring of the organisation both legally and strategically, the Ambeon Group is now well positioned as a sustainable, robust, modern entity which moves ahead with vigour and tenacity.

The Ambeon Group's values determine its actions and directs us to constantly innovate and evolve to remain relevant and stay ahead of competition within the dynamic industries and business sectors within which the Group operates.

Financial Services Sector	Manufacturing Sector	Real Estate Sector	Retail Sector	Technology Sector	Export Market Operations
The Group offers a range of financial services including money and stock broking services through subsidiary companies	The Group operates two porcelain manufacturing facilities, a textile manufacturing operation and a production facility dedicated to leather footwear and accessories	The Group's real estate business deals in the purchase and sale of land, rental properties and is in the process of embarking on commercial property development	The Group has a range of retail outlets for the sale of porcelain products and footwear and accessories across Sri Lanka	The Group offers a wide range of information system solutions and IT solutions to global and local clientele	The Group has developed long term relationships with leading international brands to supply textile and porcelain tableware
Taprobane Capital Plus (Pvt) Ltd	South Asia Textiles Ltd	Colombo City Holdings PLC	Dankotuwa Porcelain PLC	Millennium I.T.E.S.P (Pvt) Ltd	South Asia Textiles Ltd
Taprobane Investments (Pvt) Ltd	Dankotuwa Porcelain PLC	Lexinton Holdings (Pvt) Ltd	Royal Fernwood Porcelain Ltd		Dankotuwa Porcelain PLC
Taprobane Securities (Pvt) Ltd	Royal Fernwood Porcelain Ltd		Ceylon Leather Products Ltd		Royal Fernwood Porcelain Ltd
	Ceylon Leather Products Ltd				

The Group's core verticals are represented by strong home-grown Sri Lankan brands which have captured local and international markets. These brands reflect a truly Sri Lankan identity and ingenuity.

Dankotuwa Porcelain PLC Globally renowned for its luxurious and elegant porcelain, one with a sense of pristine beauty. From superior glazing technologies , personalised designs and endless options, the Company continues to create timeless and modern collection of porcelainware

Millennium I.T.E.S.P. (Pvt) Ltd Sri Lanka's leading information systems solutions providers delivering IT solutions for many industries, including banking and finance, telecommunications, apparel and leading conglomerates.

Royal Fernwood Porcelain Ltd A large-scale manufacturer of high quality white, coloured and decorated porcelain tableware and figurine ornaments that enjoys a global reputation in the porcelain tableware industry as a reliable supplier to many premium brands.

Taprobane Capital Plus (Pvt) Ltd A leading financial services provider with a wealth of experience in capital markets in Sri Lanka

South Asia Textiles Ltd A leading manufacturer of exceptional quality weft knitted fabric. The company also specializes in Knitting, Dyeing, Finishing, Printing, Brushing, Sueding and Preshrunk fabric for leading global brands such as Victoria Secret, Next, Marks & Spencer, Tesco, Calvin Klein, Decathlon and Adidas.

Ceylon Leather Products Ltd One of the oldest manufacturers of high-quality leather footwear and accessories with a history of 80 years.

Colombo City Holdings PLC A rich legacy spanning over 100 years in real estate business in Sri Lanka.

Ambeon Holdings PLC Annual Report 2018/19

WELCOME TO OUR 2ND INTEGRATED ANNUAL REPORT

Strategic Overview

This is our second integrated report while on our journey of integrated reporting. We commenced adopting the principles prescribed by the <IR> framework published by the International Integrated Reporting Council (IIRC) in 2017/18. This year, we sought to further enhance the readability and relevance of the integrated report by providing material qualitative and quantitative information that would be of value to our stakeholders.

We endeavoured to enhance the information provided for the perusal of stakeholders by increasing the transparency in our reporting practices and disclosure mechanisms. We aim to provide a balanced and complete overview of our activities by providing information on strategy, governance, external developments and the risks and opportunities faced by us. This would enable stakeholders of the Ambeon Group assess how we create value in the long- term.

Reporting Standards & Principles

The financial statements included in this Annual Report have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs) and have been duly audited by the external auditors of the Group. In addition, all information disclosed in this Annual Report complies with the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange (CSE).

Corporate Governance related disclosures adhere to the 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.

Scope and Boundary

This Annual Report contains information ranging from quantitative to qualitative information, covering the six capitals (as defined by the Integrated Reporting Framework issued by the IIRC (refer pages 97 to 131)). To provide in-depth understanding of the different operational aspects of the Group, a section is dedicated to the review of segmental and subsidiary operations (refer pages 65 to 95).

The data and information included in the Annual Report is predominantly relating to business operations from 1st April 2018 to 31st March 2019.

Materiality

In determining and prioritising the content to be included in this Report, we have adopted the principles of materiality. Thereby, matters which are of interest for current and prospective investors as well as the stakeholders have been included. These material matters have been identified following an assessment of the industry landscape and feedback received from stakeholder engagement platforms. Please refer pages 58 to 59 for a list of material topics.

Assurance

Assurance on the financial statements have been provided by Messrs. Ernst & Young, Chartered Accountants. The Report of the auditors has been included on pages 143 to 147.

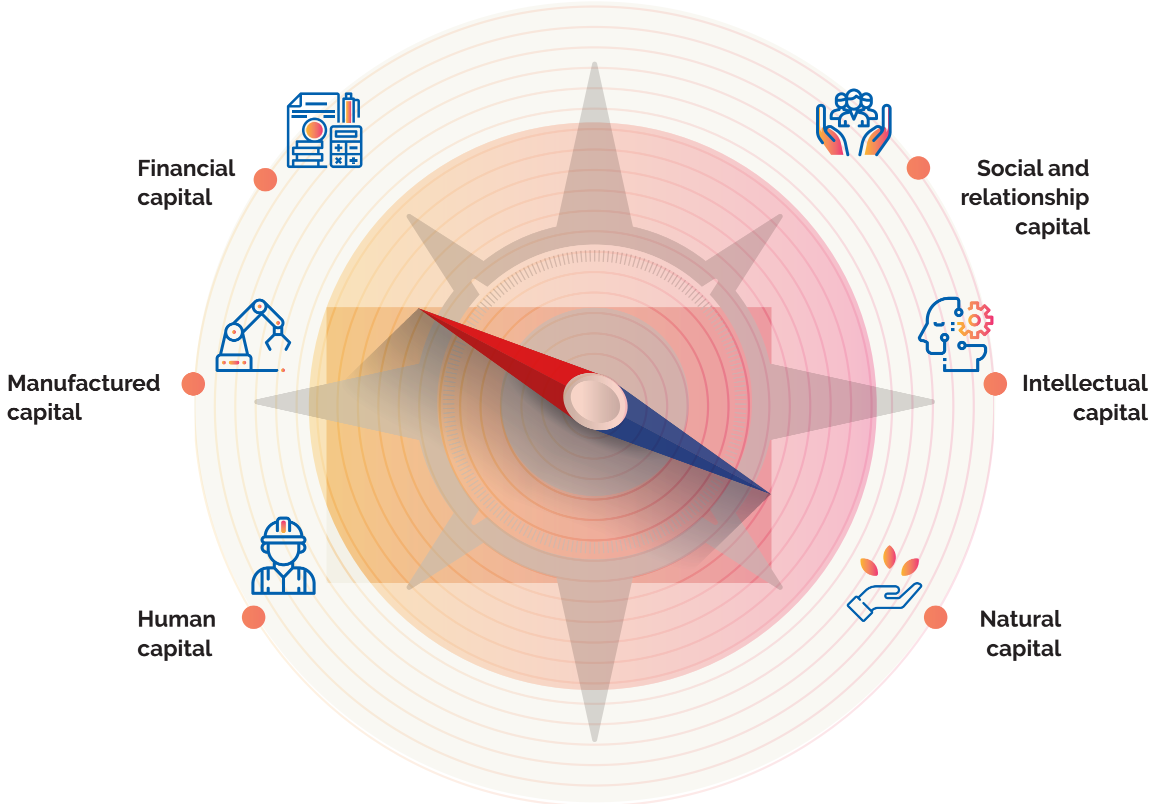
Reporting Cycle

Reporting period is for one year from 01 April 2018 to 31 March 2019 .

Reporting cycle is annual.

Navigation Icons

We have used the following navigation icons throughout the report to show connectivity between information.



Reporting Changes

There have been no reporting changes or re-statement of information pertaining to the financial year 2017/18 included in this Annual Report, apart from those clearly stated in the Financial Statements.

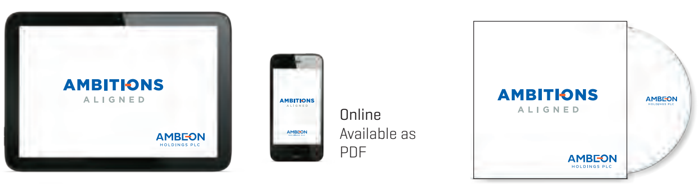
Feedback and Queries

We believe that integrated reporting is a journey of continuous improvement and we welcome your comments, suggestions and queries regarding this Report.

Please email, *info@ambeongroup.com* for any queries on the information provided in this Annual Report or for providing any constructive feedback.

Available Forms

Ambeon Holdings PLC
Annual Report 2018/19



Online
Available as
PDF

CD-Rom
Posted to all
Shareholders

FINANCIAL HIGHLIGHTS

Group	2018/19	2017/18	Change
	Rs.	Rs.	%
Financial Performance (Continuing Operations)			
Revenue	17,734,484,767	12,272,997,840	44.50
Gross Profit	3,928,132,431	2,197,664,454	78.74
Profit/(Loss) Before Interest and Tax	1,884,646,170	975,650,858	93.17
Profit/(Loss) Before Tax	1,247,262,952	571,740,684	118.15
Profit After Tax - Continuing Operations	865,126,891	670,948,331	28.94
Profit/(Loss) After Tax - including Discontinued Operations	864,467,698	680,818,420	26.97
Interest Cover	2.96	2.42	22.41
Return On Equity	9.25%	7.54%	22.60
Return On Capital Employed	12.09%	6.64%	82.14
Financial Position			
Total Assets	22,586,748,823	20,186,503,873	11.89
Total Debts	6,233,817,435	5,803,524,340	7.41
Total Equity	9,353,278,270	8,893,369,763	5.17
No of Shares in Issue	356,869,666	356,869,666	-
Net Assets per Share	21.70	21.96	(1.21)
Debt/Equity	66.65%	65.26%	2.13
Debt/Total Assets	27.60%	28.75%	(4.00)
Current Ratio	1.08	1.34	(19.79)
Quick Asset Ratio	0.56	0.88	(36.64)
Market Price of Share	9.2	10.9	(15.60)
Market Capitalisation	3,283,200,927	3,889,879,359	(15.60)

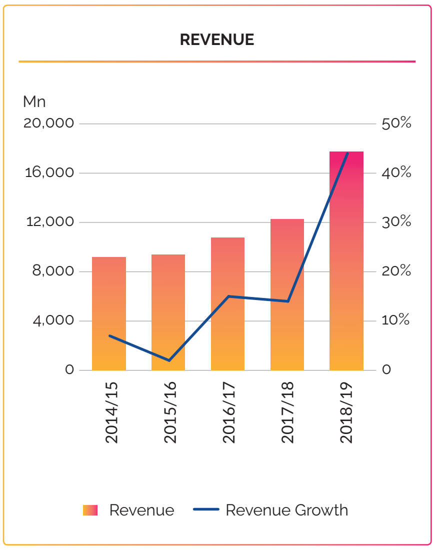
Revenue
Rs. 17,734 Mn
44.5%

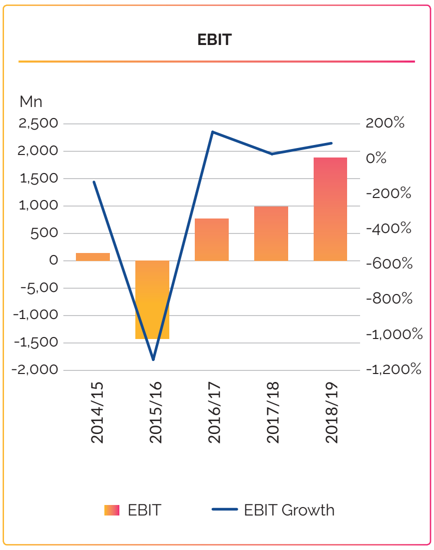
Gross Profit
Rs. 3,928 Mn
78.7%

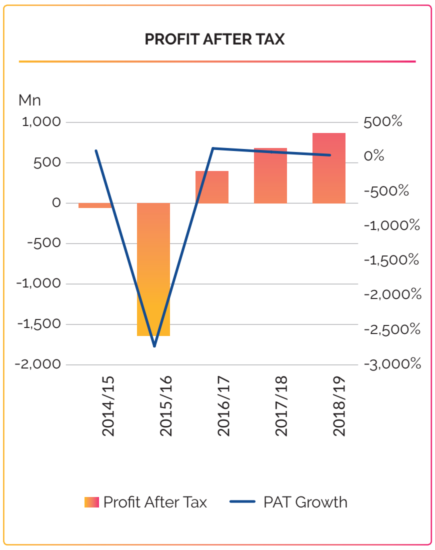
Net Profit
Rs. 864.5 Mn
26.9%

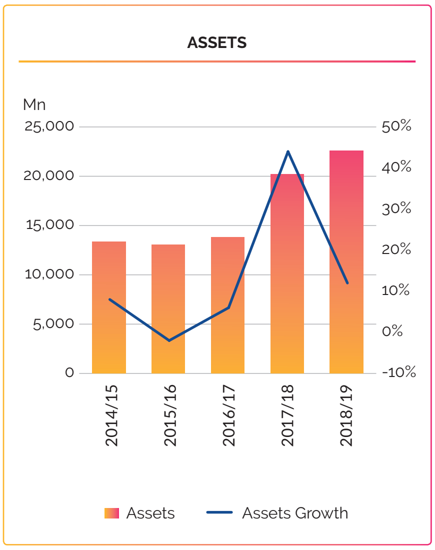
Total Assets
Rs. 22,587 Mn
11.9%

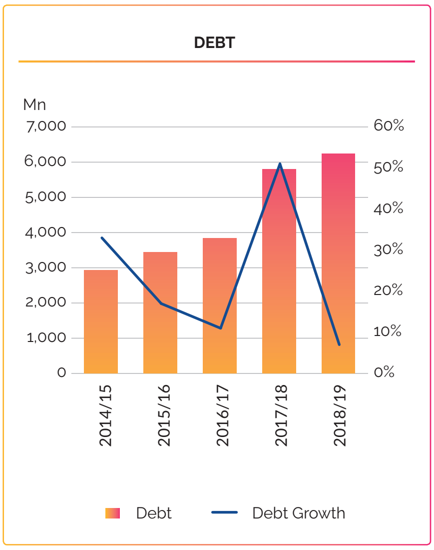
Total Equity
Rs. 9,353 Mn
5.2%

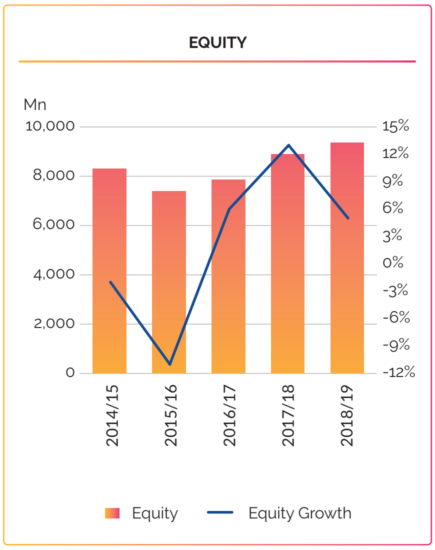

REVENUE
Mn
20,000
16,000
12,000
8,000
4,000
0
50%
40%
30%
20%
10%
0
2014/15
2015/16
2016/17
2017/18
2018/19
Revenue
Revenue Growth


EBIT
Mn
2,500
2,000
1,500
1,000
500
0
-5,00
-1,000
-1,500
-2,000
200%
0%
-200%
-400%
-600%
-800%
-1,000%
-1,200%
2014/15
2015/16
2016/17
2017/18
2018/19
EBIT
EBIT Growth


PROFIT AFTER TAX
Mn
1,000
500
0
-500
-1,000
-1,500
-2,000
500%
0%
-500%
-1,000%
-1,500%
-2,000%
-2,500%
-3,000%
2014/15
2015/16
2016/17
2017/18
2018/19
Profit After Tax
PAT Growth


ASSETS
Mn
25,000
20,000
15,000
10,000
5,000
0
50%
40%
30%
20%
10%
0%
-10%
2014/15
2015/16
2016/17
2017/18
2018/19
Assets
Assets Growth


DEBT
Mn
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
60%
50%
40%
30%
20%
10%
0%
2014/15
2015/16
2016/17
2017/18
2018/19
Debt
Debt Growth


EQUITY
Mn
10,000
8,000
6,000
4,000
2,000
0
15%
12%
9%
6%
3%
0%
-3%
-6%
-9%
-12%
2014/15
2015/16
2016/17
2017/18
2018/19
Equity
Equity Growth

STRATEGIC REFLECTIONS FROM OUR CHAIRMAN

Chairman's Message

On behalf of the Board of Directors it is my privilege to present to you the Annual Report of Ambeon Holdings PLC for the financial year 2018/19. I trust that this report will provide insights on the value creation process and the stakeholder-centric strategies implemented by the Group in managing a diverse array of businesses.

As you are aware, the 'Vision 2020 Corporate Plan' was set in motion in 2016. This has successfully transformed Ambeon Holdings into a resilient and robust conglomerate which is positioned for long term value creation. The commendable performance levels achieved by the Group further attests the success of the strategies implemented.

Your Company performed remarkably during the year under review, recording a profit after tax of Rs. 864 Mn which represents an increase of 26.97% over the previous year. It is commendable to note that these performance levels were achieved against the backdrop of a challenging business environment in the local and global arena.

Context to Performance

Domestic and international headwinds affected the Sri Lankan economy. Sri Lanka's economic growth in 2018 slowed down to 3.2% from 3.4% in 2017. The growth of the industrial sector moderated to 0.9% mainly due to the slowdown of the construction sector by 2.1%.

However, it was encouraging to note that the agriculture sector demonstrated a strong growth of 4.8% due to less volatility in weather. The services sector performed commendably, growing by 4.7% during the year under review. The Sri Lankan Rupee depreciated by 19% against the US Dollar in 2018, which had a direct impact on industries which relied on imported raw materials. This sharp depreciation was due to the strengthening of the US Dollar against regional currencies and the capital outflows from Sri Lanka during the last quarter of 2018 triggered by political instability. Interest rates remained relatively high during 2018.

Transformational Growth

During the previous financial year, Ambeon Holdings PLC restructured its business entities under the Holding Company umbrella to reflect a cohesive and structured business model. Following this restructuring process, each of the Group's subsidiaries were strengthened with their unique business models to ensure that they follow the respective business strategies. The initiation of these growth-driven strategies has now gathered momentum, where we now witness the respective core business verticals moving towards a growth trajectory.

The Group generated a Profit Before Tax (PBT) of Rs. 1.25 Bn in the financial year 2018/19 reflecting a 118% growth compared to the preceding year. The Group recorded a consolidated revenue of Rs. 17.73 Bn compared to Rs. 12.27 Bn in the previous year. The Group witnessed the full financial impact of the acquisition of Millennium I.T.E.S.P. (Pvt) Ltd (Millennium IT ESP), which has been a strong contributor to the overall growth of the Group's revenue.

The shareholder value of the Group has been augmented due to the healthy performance of the Group with profit improving by 26.97% while the EPS clocked in at Rs. 1.48, relatively stable compared to last year. The Return on Equity maintained a steady improvement from 7.54 % to 9.25%. I am sure that these positive returns augur well for shareholders as an investment which delivers steady returns.

With these transformational business plans in force, the subsidiaries are now performing with a greater impetus, fuelled by dynamism and a future-centric and innovative focus. Henceforth, the subsidiaries of the Group are forging ahead in expanding their local and global footprint with the ultimate objective of greater value creation for our stakeholders. This will undoubtedly strengthen the respective brands whilst augmenting the positioning of the Ambeon Group as a recognised conglomerate.

CHAIRMAN'S MESSAGE

"With a wide portfolio of business verticals catering predominantly to export markets, we have sharpened our focus by engaging and strengthening our relationships with our overseas principals."

Strong Governance

We consider good corporate governance as a cornerstone of our corporate policy. We are committed to upholding the highest standards of corporate governance. As a part of this, we have instilled the corporate values of Moving First, Actioning Results, Channelling Teamwork and Seeing Beyond in our employees. We believe that our employees will have the opportunity to fulfil their potential in an environment that encourages the right behaviour.

We have voluntarily complied with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka (The Institute of Chartered Accountants of Sri Lanka) and the Securities and Exchange Commission of Sri Lanka. In keeping with the highest standards of integrity and transparency, our Board of Directors are representative of a diverse array of skills, industry experience and insights, contributing to depth of discussion and quality of decision-making.

In keeping with our continuous quest for quality and process improvements, policy frameworks are reviewed and updated in a regular manner. We continue to promote oversight of the strategic, operational and compliance risks across the organisation in a prudent and cohesive manner across the Group.

Stakeholder Value Creation

As a Group, we continuously strive to adopt a long-term multi-stakeholder approach towards value creation. We are conscious that our employees are the driving force of the Organisation and have sought to enhance the employee value proposition through several people development initiatives which are in place.

With a wide portfolio of business verticals catering predominantly to export markets, we have sharpened our focus by engaging and strengthening our relationships with our overseas principals. Recognising that our products need to adapt to shorter product life cycles along with changing trends and fashions, we endeavour to be ahead of the curve in terms of product innovation, design and latest trends.

Way Forward

As a progressive and agile business entity, we hope to forge ahead with tenacity and vigour by transforming latent opportunities. Having laid the right foundation, the Group is now poised to move to the next level of growth and momentum. As a conglomerate with an array of home-grown brands with global appeal, we hope to expand our markets by exploring emerging market opportunities.

Our products are a symbol and icon of true Sri Lankan ingenuity which have captured the hearts and minds of the global customer. I am confident and optimistic that the core business verticals of financial services, porcelain, textiles, real estate, footwear and ICT solutions would enable the Group to achieve its short- and long-term strategic aspirations. With a mix of business sectors spread across the local and global business frontiers, the Group is well-equipped to explore business opportunities whilst balancing risks across a diversity of markets.

With the advancement of Sri Lankan lifestyle and urbanisation, we also envisage a strong local demand for high quality footwear and porcelain products. With the economy moving ahead in tandem with global developments, the potential for ICT services will be increased. Against these developments, in the local and global platforms, I am sure that our shareholders will be able to anticipate many new innovative products and services from the Group.

Appreciations

I take this opportunity to thank my colleagues on the Board for their strategic guidance and collective wisdom in charting the vision of the Company. I extend my gratitude and sincere appreciation to the corporate management team and the staff who personify the Ambeon spirit and values in realising the aspirations of the Group.

I wish to place on record the support from our bankers, suppliers and business partners who placed their confidence and trust in our journey. Our customers and business partners are the foundation of our strength and I thank them for their loyalty and patronage. The Board joins me in extending our sincere appreciation to the shareholders for their continued support in rejuvenating the Group to its full potential.

I look forward to the future with optimism as Ambeon Holdings PLC progresses as an agile and dynamic business enterprise demonstrating the ingenuity and prowess of its people to explore new opportunities.

Sgd.
A G Weerasinghe
Chairman

25 July 2019

BUSINESS REVIEW FROM OUR GROUP MD/CEO

Group Managing Director/Chief Executive Officer's Review

The Journey Continues Successfully...

This is how I would like to commence penning my review to the valued shareholders for the financial year 2018/19. During the year under review, we have not only posted positive results but have also aligned businesses for greater growth. Financially, the Group has evolved to be much stronger whilst engaging and enlarging the customer and partner connectivity and progress. All transformation initiatives implemented across the various businesses resulted in the Group recording Rs. 1.25 Bn in Profit Before Tax (PBT) and a healthy growth in revenue exceeding 44.5% for the year. During the year under review, we have progressed from last year's theme of 'Beyond Ambition' to arrive at a future destination in aligning the Group. Thus, our theme for this year is 'Aligning Ambitions.'

We continued on our journey from where we left last year to reposition the Group, change the name, acquire new businesses and realign the existing ones. All these along with four pillars of firmly embedded values was mooted. I am pleased to inform you that we concluded this repositioning successfully and today you have this newly positioned Group Ambeon barreling towards new vistas in business. Now that we have concluded the first phase of transformation, this year, we would align our strategies and goals to reflect stakeholder needs, thus progressing into the future.

Macro Conditions

The economic situation of any country could be interpreted in numerous ways. While we believe that there are many areas of improvements that are required for the development of the economy of the country, I will not dwell on broader aspects as it would be addressed in the Chairman's review, but would focus on the action required as we believe in making the best of existing conditions to our advantage.

Broadly, the higher than normal interest rates, increased taxes and somewhat volatile forex rates had a significant impact on the business climate during the year under review. While these indicators placed significant pressure on the P&L, they also had an impact on customer/partner sentiments. The net result was tough growth conditions, even though as a Group, we managed to keep up to expectations to a great degree. The higher cost in the importation of raw materials, business expansions through additional borrowings and higher outflows on taxes were elements that had a negative impact on the final results posted. However, with initiatives taken to strengthen our export drive and improved process management at manufacturing (especially building cost efficiencies), we managed to cushion the impact and post significantly improved results.

Attracting investors was a challenge and hence, broad-basing ownership and expanding business with such collaborations was dampened. Market liquidities were challenged and labour continued to be an issue and challenge from a skill and availability perspective.

The post balance sheet event of 21 April, left further dents in the local markets with many postponing business decisions/purchases and consumer sentiments further eroding; this has resulted in a somewhat diluted first quarter. The Group was largely resilient due to our export base and somewhat stable currency rates. We expect the interest rates to drop significantly in the current year, thereby enabling better results and return on investments.

As a part of the sustainable business initiatives, the Group is looking towards regional expansion. The interest is in both widening beyond traditional export markets as well as business expansions in the technology sector, thus bringing better growth and stability in the years ahead.

Strategic Alignment

As a part of the Group's sustainable business building initiative, the acquisition of Millennium IT ESP proved to be the right decision for both stability and sustainability, and as an expansion of our quest to continuously build stakeholder value. Today, the Group is balanced and has built the ability to metamorphose, respond and pro act faster and more efficiently to the ever-changing market dynamics.

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

"Revenue at Group level increased by 44.5% to 17.7 billion rupees, propelling the Group to be a significant player in the local market."

The revenue and profitability mix has augmented considerably; the contribution is now more equitable and evenly distributed between fabric manufacturing, porcelain cluster, technology cluster and the financial services. This essentially gives balance and stability. It also brings much needed balance between industries, which was previously heavily skewed towards manufacturing.

With the addition of the technology business to the Group, the opportunities have widened considerably. Technology itself has a vast scope and potential not only locally, but regionally and globally. Secondly, this has brought about much needed insight and input to drive the rest of the Group's businesses, there is now a pre-emptive strategy to stay ahead of the curve by deploying tomorrow's technology -enabled transformations - today. We believe that demystifying technology and being pre-emptive to understand and cater to emerging techno-consumerism is the key to stay ahead. Here we are certainly better equipped to do so now than we were a year back.

The restructuring that we completed has enabled us to have clear business verticals, thus giving better focus and control. This is evident by the performance in manufacturing sectors which not only posted better results but are now stronger and steadier with better processes, products and overall service and outlook. The brand 'Ambeon' stands well in the minds of the stakeholders as an ethical, future centric entity that is not only resilient, but which believes in seeing beyond and actioning results through teamwork and being the first to see and move. Incidentally, those were the four value pillars on which we built our new journey and brand and we try to espouse and build on these values every day, year-on-year.

On a broader note, we will continue to expand and explore new positioning for the Group in conquering new vistas, be it geographical expansion, collaborating with like-minded ventures or simply capitalizing on new opportunities. The core strategic intent to build stakeholder value to be the best if not one amongst the best is well in focus and shall continue to drive your Company's future progress.

Results for the Year

The strength and veracity of a strategy lies in the final results! I am pleased to place before you the improved and renewed performance of the Group which grew to stand tall in stature during the year under review.

Revenue at Group level increased by 44.5% to Rs. 17.73 Bn, propelling the Group to be a significant player in the local market. This was aided by the acquisition of Millennium IT ESP, which recorded only three months performance in the prior year due to having being acquired in the final quarter of last year. It is significant to note the large increase of 78.7% in gross profits at Group level as against a 44.5% revenue increase. This was possible due to improvements through efficiency programs at most manufacturing entities and increased contributions via the Millennium IT ESP acquisition. At a Company level, both revenue and margins took a dip due to the reduction in income from inter-company lending and dividend income (which is justified in terms of having utilized excess funds for the purpose of acquisitions that has resulted in giving much better returns than fixed income as experienced previously).

Significantly, the Group (for the first time in many years) crossed the billion-rupee mark to record Rs. 1.25 Bn Profit Before Tax. This is a 118.2% increase over prior year and resulted in a substantial improvement in cash generation for the subsidiaries. The Group however, also resorted to larger borrowings to fund the new acquisitions. This resulted in increased borrowing cost which stood at Rs.

330.75 Mn at a Company level, an increase of 41.2%. At Group level, the increase in costs in selling and distribution, administrative and finance costs increased due to consolidating the Millennium IT ESP accounts which had only 3 months performance in the prior year. The higher than anticipated interest rates however, coupled with additional borrowings to fund expansions had an impact on overall net interest cost resulting in an increase of Rs. 133.13 Mn YOY. Profit after tax (PAT) stood at a healthy Rs. 864.47 Mn against Rs. 680.82 Mn in the prior year. The significant fair value losses due to the investment portfolios dropping in value substantially during the year was compensated with the net fair value gain of Rs. 636.82 Mn recorded in investment properties over prior year. During the prior year the tax was positive due to tax reversals compared to the current year, where a tax expense of Rs. 382 Mn was charged. This resulted in a negative change in income tax of Rs. 481.34 Mn. The additional shareholders at Millennium IT ESP (company level) resulted in the equity of the parent remaining at almost same levels as the previous year.

Given that Millennium IT ESP 's value was weighted towards intangible assets such as human capital, the balance sheet did not reflect any significant change in the hard asset position due to this acquisition. The reclassification of certain properties as investment properties was done to reflect the true picture and subject to gains recorded and appraised in accordance with SLFRS and other standards was recorded in books. Along with increased current assets to accommodate increased trading activities at subsidiary level, this has reflected a positive change of Rs. 2.40 Bn in total assets. This was largely funded through increased bank borrowings and better terms from creditors.

The operating cash flow before working capital adjustment was at a healthy Rs. 1.40 Bn which is significant given that acquisitions are funded primarily through interest bearing borrowings and reflecting the true potential of operations. This, is in-spite of a significant amount getting eroded as cash loss in the leather manufacturing facility-although action has been initiated so that a repetition of this is not experienced next year.

The overall liquidity and key ratios remained healthy. The current asset ratio was however lower against the prior year due to increased funding requirements due to the longer term revenue cycles at Millennium IT ESP and investment costs, albeit remaining at 1.08 times for the group. The quick assets ratio declined to 0.56 times due to the longer and larger funding cycles needed by the technology business. The debt to equity stood at 0.67 times, which was positive and healthy. We also witnessed an improved debtor collection period dropping from 97 days to 84 days, while inventory turnover moved up from 2.68 to 3.26 times. The working capital cycle days however increased from 122 to 136 days due to trading expansions and this shall remain the focus area in the coming year in order to build a robust cycle to optimize the returns.

Segmental Review

Whilst the segmental reviews are analyzed in fair detail elsewhere in this report, it is pertinent to pen a few thoughts for the shareholder review to bring focus onto the summary performance and key initiatives.

Ambeon Holdings reduced its current investments in fixed income instruments significantly to utilize available funds in the acquisition of the financial services arm from the parent company and Millennium IT ESP. Though this had an immediate impact on interest income and revenue, in the long term however, the Company emerged as a healthier entity with a diverse investment portfolio with much greater returns. The timing of the dividend payouts too had an impact on the revenue, as during the year under review dividends reduced by 38.1% over prior year. The company will continue to be an investment management company with a focus on strategic initiatives in order to improve efficiencies across all subsidiaries and will also continue to look for lucrative investment opportunities.

Dankotuwa Porcelain PLC (DPL) and Royal Fernwood Porcelain Limited (RFPL) together produced excellent results during the year for the porcelain cluster. Post a labour dispute in the previous year, DPL emerged stronger with renewed passion for innovation and process-led production. DPL posted not only operational profits through the porcelain business but performed well overall to achieve significant improvements to the bottom line. Gross profits improved significantly, and expense decreased, paving the way for better results. Increased interest by overseas customers (with regained lost orders) together with renewed retail and trade activities locally, provided the impetus for this growth. A competent management team has been put into place after a year of restructuring led by Dr. Sajeeva Narangoda of Ambeon Holdings. The team continues in its quest to expand into new overseas markets. Geographical expansion, brand-led

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

"We've posted great results and will continue to grow. The stakeholder's confidence has grown in stature and we will continue to enhance the image and corporate standing of the entity, thus paving way to becoming one of the best corporates in the country."

retailing in selected markets, product and process innovations will continue to be the focus at DPL in the coming year. Experiments on 3D technology, 3D based web sites (which is a first in Sri Lanka), introduction of the Ivory range, ongoing experiments with terracotta products and community empowered hand painting are some of the creative, innovative and aggressive strategies that are being pursued.

Royal Fernwood Porcelain (RFPL) also continued its forward thrust, leading the porcelain cluster in terms of net results, posting profits over Rs. 128 Mn. This was led by significant improvements in the operating margins of the Company. Continued trust was placed by key overseas customers and this led the way to the development of a healthy export funnel which has continued into the current year thus far. Unlike DPL, RFPL is more focused on color glazing and contemporary products that appeals to younger and faster changing trendy societies and this offers the product variation within the cluster. Ably led by CEO Mr. Yoshan Fernando and a young team, they are looking at moving into technology-based process improvements in the coming years in a bid to minimize cost, enhance efficiency and innovation. They marketed 'Porcelain Diyas' for the first time and are continuing to explore several gift market items and jewelry.

South Asia Textiles Limited (SAT), continued to make inroads as a trusted, reliable and efficient partner in the apparel sector. It is pertinent to mention that over 45% of fabric required to manufacture garments in Sri Lanka are yet imported, despite the apparel industry's continued growth. This scenario has created a renewed interest in the Sri Lanka as a logistically capable, safe and efficient venue for fabric manufacturing; larger players are increasingly motivated to explore expansion in Sri Lanka. At SAT, we continue to push efficiencies and innovation across products and processes. Prewashed fabrics and fast track supplies are new methods employed in the recent past. SAT will continue to invest and focus on modernizing the plant and be future-centric through the deployment of industry 4.0 based strategies, whilst further expanding production capacities. Post balance sheet, the company took under its wing the management of Lumiere textiles in a bid to both resurrect this entity and expand capacity. The Company also changed its reporting currency to US dollars during the year to reflect the true status as 99% of revenue is in dollars. The Company continued to improve operating margins which now stands well over 6.7%. We are confident that SAT will continue to produce healthy bottom-lines under the leadership of MD/CEO, Mr. Prithiv Dorai, along with a committed management and staff.

Ceylon Leather Products Limited (CLPL), continued to be the thorn in the otherwise great portfolio of businesses. The significant business loss was counterbalanced due to a revaluation of investment properties; while this is comforting in terms of results, it does not augur well for the business per say. Our focus is to turn around the company per se during the current year. During the last 6 months, the company managed to significantly improve its gross profits and reduce its expenditure. This together with renewed efforts to expand revenue through better structured sales outfits and expanding into tender sales are expected to bring significant improvements to our investments. We are committed to revitalizing CLPL completely within the current year.

Millennium IT ESP proved to be a wise and astute acquisition. The company produced significantly better results than the previous year and became the second-largest contributor to the Group on an entity-based evaluation. The company surged with renewed vigor after the changeover, ably helped by better financial stability obtained by being a part of the Ambeon umbrella. The Company simply strengthened and expanded its presence in existing markets during the year. Their continued focus and dominance in the Telecommunication, Banking and Key strategic corporate accounts continues. In future year/s, they would look at realigning themselves as a catalyst in future business transformations. We are repositioning the business on these lines along with a rebranding exercise and a new strategic direction and purpose derived with the help of global consultants 'STAX'. This in return will give the entity focus and stability to expand into the Region, which remains the lofty goal to be achieved over the next 2-3 years. Yours truly continued to overlook activities as a means of facilitating transition. After the strategy implementation, a new structure is expected to be in place before the end of the current year.

The financial services sector – Taprobane Capital Plus (Private) Limited, led by Mr. Ruwan Sugathdasa, waded through a difficult year under the cloud of a high interest and a low investment appetite scenario. Despite these conditions, however, they made profits through securities and investments. The depressed sentiments in the stock market did not allow them to produce much but the resolve to stay ahead continued. Their focus into the future is to expand into capital markets and explore the possibilities of FinTech led growth. Their corporate structure buttressed by experienced heads for individual businesses has helped them stay on course and would continue to be the nucleus in proving financial wisdom to the Group.

Colombo City Holdings PLC (CCH), the real estate centric business, did not experience much activity during the year apart from investing its cash surplus obtained through asset divestments. It was, however, a significant contributor to the Group overall success. After having evaluated in detail, the Board has given the green light to explore the possibility of moving into real estate business with a closer look at constructing a high rise building in the existing property at Union Place. The potential of such a project is being explored by both internal and external teams led by Mr. Ashan Dassanayake, the Executive Director of CCH.

What's Next?

As an investment management Group, our future focus shall be on the same lines as those outlined last year (stemming from the larger repositioning that took place). Agility to create value through seeing beyond and moving first into lucrative opportunities will remain our mantra.

Existing businesses shall expand into new products, territories and innovative processes to build revenues and expand efficiencies. The summary above gives an insight into the future focus areas.

A key transformation push shall make all businesses relevant for tomorrow. This means understanding tomorrow's changes and transforming to be pre-emptive and thus demystifying the unknown. This simply means understanding in which direction the techno-centric consumers of each industry is heading and mapping out the future strategy with the aid of the right technology enabling this shift. The right technology and partner is one aspect of this, simple things such as a strong ERP platform (that was rolled out in 2018) was a precursor. A special focus on innovation, R&D and the boldness to experiment with new things such as 3D printing, data science, block chains and creative and useful apps will be vital. Studying seamless front-ends for integrated information flows, evaluating interconnected production systems that would minimize inefficiencies, introducing the latest production based equipment that offers improved efficiencies as well as an industry 4.0 focus will also be explored tirelessly.

The second area of focus will be to push for traditional business expansion with focused key result area based action. Geographical expansion into the Region/global, new products to expand the current segments such as jewelry in porcelain to accessories in leather, optimizing the use of assets such as real estate, boutique fintech financing options and the expansion of production using the JV/acquisition model are some of them.

The third, will be on improving the footprint on sustainable business augmentation. Projects in waste management such as the disposal of residue in factories, exploring alternative energy options are some initiatives that have already commenced.

The fourth area of focus will be to build a future-centric, robust team and a leadership structure that would stand strong into the future. Internal skill building would be pursued to achieve this over the next two years; gaps in

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

management are expected to be filled within the current year. This initiative will be spearheaded by the Group CEO's office along with HR.

The Future

Challenges facing businesses in the future would be very different to what we have seen so far. It is perhaps not traditional business rivals who will pose a threat, but a completely new entrant who brings in an offering which is more relevant to tomorrow's consumer's thoughts and actions. Hence, we believe that shielding and working within traditional boundaries of competitor mapping and action would be counterproductive or at best fail to yield desired results. We will instead strive to create that desirable future outcome through disrupting within. We will need to invest in new age thinking, technology and build a team of people who can demystify technology, pre-empt future changes and be relevant today. That is a focal point we would be striving towards.

Traditional improvements in operations from current assets to cash flows will continue at its best. Being a manufacturing and trading centric conglomerate, balance sheet optimization is a priority and shall be pursued with a renewed effort.

The Group will also continue to restructure as required from legal to structure to strategy, to bring the optimum returns to shareholders and benefits to all other stakeholders.

Conclusion

As I pen these words, you can take comfort that your company is well positioned and continues to be resilient. There are no major negatives or pitfalls known to report and we have complied with the governance, risk and compliance benchmarks as expected of a public quoted enterprise. We have a very robust reporting system for risk and compliance. Statutory requirements and governance protocols are monitored by board sub committees and internal management committees.

We have posted great results and will continue to grow. The Stakeholders' confidence has grown in stature and we will continue to enhance the image and corporate standing of the entity, thus paving the way to becoming one of the best corporates in the country. Let me thank the shareholders for their continued trust and support in our quest for sustainable growth.

The employees need a special appreciation for delivering what was promised and for their continuous collaboration to post better results year on year. The banking and financial institutes take a special place in our appreciation list as their continued support and trust enabled us to expand and grow significantly. It was all about "how we can move together as a business".

Our businesses are firmly anchored by two cogs at each end. One is our partners/suppliers/vendors, who have not only stood by us but assisted us to expand and grow. At the other end are our customers and business partners, who have been a great source of strength. It is them who drive our business!

To all mentioned above and numerous partners and service providers who have assisted us stay ahead of the rest. We appreciate your contributions and thank you!

Finally, to the Chairman and the Board of Directors of Ambeon Holdings PLC and the subsidiary Boards, we thank you for the guidance, advice and support in an ever-changing environment. This support and stability provides much needed confidence for growth.

Sgd.
Murali Prakash
Group Managing Director/ Chief Executive Officer

25 July 2019

BOARD OF DIRECTORS

Mr. A. G. Weerasinghe

Chairman/Non-Independent Non-Executive Director

Mr. Murali Prakash

Group Managing Director/ Chief Executive Officer

Mr. Ruwan Sugathadasa

Non-Independent Non-Executive Director

Mr. Mangala Boyagoda

Independent Non-Executive Director

Mr. Priyantha Maddumage

Independent Non-Executive Director

BOARD OF DIRECTORS

Mr. A. G. Weerasinghe

Chairman/Non-Independent, Non-Executive Director

Mr. A. G. Weerasinghe is a fellow of the Institute of Bankers, Sri Lanka & also holds a B. A. in Economics from the University of Ceylon, Peradeniya, and is an Alumni of the Asian Institute of Management Manila Philippines. He is an experienced Senior Banker who served the Board of Pan Asia Banking Corporation PLC as a Director from 2005 and as Chairman till May 2013. Mr. Weerasinghe served as an Assistant Lecturer in Economics, University of Ceylon Peradeniya.

Mr. Weerasinghe was a former Deputy General Manager Corporate Banking at Bank of Ceylon. He has served as Country Manager of Bank of Ceylon, London & Deputy General Manager International at Seylan Bank. He was also a former President of Sri Lanka FOREX Association. Currently he serves on the Board of Colombo City Holdings PLC, Royal Fernwood Porcelain Limited, South Asia Textiles Limited and Ceylon Leather Products Limited.

Mr. Murali Prakash

Group Managing Director/Chief Executive Officer

Mr. Murali Prakash is currently the Group Managing Director / Chief Executive Officer of Ambeon Capital PLC and Ambeon Holdings PLC. Ambeon Capital PLC is the Investment company and the parent of Ambeon Holdings PLC, the Investment Holding and Management Company of Ceylon Leather Products Limited, Colombo City Holdings PLC, Dankotuwa Porcelain PLC, Millennium I.T.E.S.P. (Pvt) Ltd., Royal Fernwood Porcelain Limited, South Asia Textiles Limited and Taprobane Capital Plus (Pvt) Ltd. Mr Prakash serves as a Director on respective boards of all these private and public quoted subsidiaries within the group.

He also serves as a Non-Executive Director of LAUGFS Holdings Limited, LAUGFS Gas PLC., and several other subsidiaries of the LAUGFS Group.

With over 35 years of experience holding key management positions in the areas of general management, strategic restructuring, investments/credit management, manufacturing, marketing / sales and business consultancy, some of his previous roles include serving as the Group Managing Director/Chief Executive Officer of Browns Group of Companies, a public quoted conglomerate involved in trading, manufacturing, finance, leisure, plantations, healthcare and strategic investments, the Chairman of Galoya Holdings (Private) Limited and the Sales Director of Singer (Sri Lanka) PLC. He has also served on the Boards of Singer (Sri Lanka) PLC., Singer Finance (Lanka) PLC., and Singer Industries (Ceylon) PLC.

Mr. Prakash holds an MBA from University of Southern Queensland and is also a Certified Professional Marketer (Asia Pacific) and a Certified Management Accountant (Aus.). He also holds an Executive Diploma in Business Administration from the University of Colombo and is an Alumnus of the National University of Singapore and the Asian Institute of Management, Manila. He is also a Fellow Member of the Chartered Management Institute (London) and Certified Professional Managers, Sri Lanka.

Mr. Ruwan Sugathadasa

Non-Independent, Non-Executive Director

Mr. Ruwan Sugathadasa possesses over 20 years' experience in Government and Corporate Debt Market including over 11 years in Senior Management capacity in a Central Bank appointed Primary Dealer. He was also involved in Money Brokering, Corporate Debt Placement and Asset Management. Currently he serves as Managing Director/ Chief Executive Officer of Taprobane Capital Plus (Pvt) Ltd. Mr. Sugathadasa holds an MBA from the University of Preston in USA.

Mr. Sugathadasa also serves as a Director of Colombo City Holdings PLC, South Asia Textiles Ltd and Royal Fernwood Porcelain Limited.

Mr. Mangala Boyagoda

Independent, Non-Executive Director

Mr. Boyagoda is a senior banker, possessing over 35 years' experience holding key positions in the field of Financial Services. He is the former CEO of Standard Chartered Bank. He is the present Chairman of Wealth Lanka Management (Pvt) Ltd., Director SAFE Holdings (Pvt) Ltd., Wealth Trust Securities Ltd., Asset Trust Management (Pvt) Ltd., Ceylon Hotels Corporation PLC, Sierra Constructions (Pvt) Ltd., Chemanex PLC, Sri Lanka Gateway Industries (Pvt) Ltd., CA Crushing (Pvt) Ltd., Ceylinco Insurance General (Pvt) Ltd., Royal Fernwood Porcelain Ltd., Faber Capital (Pvt) Ltd., United Hotels Ltd., Cargills Bank Ltd., Ambeon Holdings PLC., Asset Holding Ltd, CIESOT & Dhamma Parami Trust.

He has served as a consultant to the Asian Development Bank (ADB), the World Bank, the Central Bank of Sri Lanka & the Securities and Exchange Commissions of Sri Lanka & Bangladesh. He is a former President of the FOREX Association of Sri Lanka.

He holds a Master's Degree in Business Administration from the Irish International University (European Union).

Mr. Priyantha Maddumage

Independent, Non-Executive Director

Mr. Priyantha Maddumage is the Group Chief Investment Officer of the Galle Face Hotel Group of Companies and counts over 26 years of Finance Management experience. He has a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Member of CPA Australia & Associate Member of the Institute of Certified Management Accountants of Sri Lanka.

Mr. Maddumage is a Director of Ceylon Hotels Corporation PLC, Kandy Hotels Co (1938) PLC, Dankotuwa Porcelain PLC, Ceylon Leather Products Limited, South Asia Textiles Limited and several unlisted entities.

HEADS OF BUSINESS SUBSIDIARIES

Mr. Prithiv Dorai

Managing Director/Chief Executive Officer – South Asia Textiles Limited

Mr. Ruwan Sugathadasa

Managing Director/Chief Executive Officer – Taprobane Capital Plus (Pvt) Ltd

Mr. Ashan Dassanayake

Executive Director – Colombo City Holdings PLC

Mr. Nishantha Jayasooriya

Managing Director/Chief Executive Officer – Taprobane Investments (Pvt) Ltd

Mr. Niranjan Niles

Chief Executive Officer – Taprobane Securities (Pvt) Ltd

Mr. Yoshan Fernando

Chief Executive Officer – Royal Fernwood Porcelain Limited

Mr. Shanaka Rabel

Chief Executive Officer – EON Tec (Pvt) Ltd

Mr. Channa Gunawardena

Chief Executive Officer – Dankotuwa Porcelain PLC

GROUP MANAGEMENT COMMITTEE

Dr. Sajeeva Narangoda
Group Chief Investment and Process Officer

Maj. Gen. (R) Channa Goonetilleke
Group Vice President – Human Relations Management & Commercial Support

Ms. Nadee Wickramasinghe
Group Head – Consumer Brands and Channel Development

Mr. Miyuru Rajapakshe
Group Head – Manufacturing Processes

Ms. Shakila Kamalendiran
Group Head – Corporate Communications

Mr. Nichula Dias
Group Head – Organisational Development

Mr. Milinda Perera
Group Head – Innovation

Mr. Isuru Fernando
Manager Finance

Mr. Charith Hettiarachchi
Manager - Group IT

Ms. Giyanie Fernando
Manager - Corporate Affairs

Ms. Sachini Hulugalle
Group Legal Officer

CORPORATE GOVERNANCE

A sound corporate governance framework facilitates effective entrepreneurial leadership and prudent guidance in managing a large diversified group of companies serving domestic and overseas markets. Corporate governance encompasses balancing of stakeholder interests, transparency, accountability and regulatory compliance to provide effective discharge of The Board's responsibilities and duties.

The Group introduced a strong governance mechanism during the last financial year which is in line with regulatory best practices and international standards. During the financial year under review, the governance mechanism has been strengthened with the objective of enhancing our commitment towards maintaining the interests of all stakeholder groups. We strongly believe that the reputation of our business is built on our commitment to being a responsible, transparent and ethical business entity.

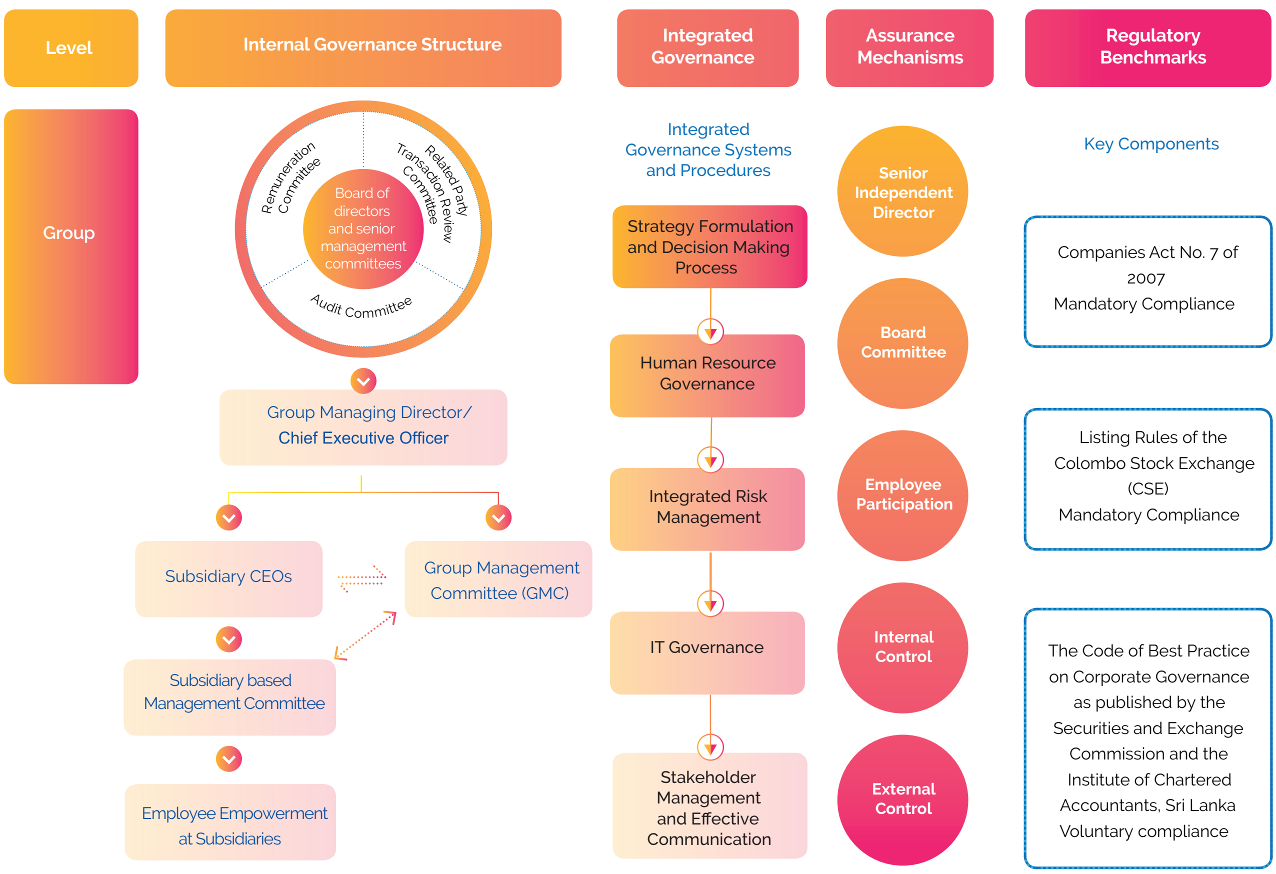
The Group is categorised as a diversified mid-sized conglomerate consisting of nineteen companies that are a mix of listed and non-listed entities each headed by their respective Boards. These nineteen companies are amalgamated into six sectors. Each company is headed by a Chief Executive Officer who is responsible and accountable towards the achievement of its strategic goals. The Group Management Committee (GMC) comprises of the respective CEO's of the subsidiaries. The GMC reports to the Group Managing Director/ Chief Executive Officer.

Integrated Governance Procedures

The Group's corporate governance framework encompasses the following systems and procedures which contribute towards strengthening the overall governance practices within the Organisation.

The internal governance structure encompass the following:

a) The Board of Directors
b) Board Sub-Committees
c) Senior Management Committees
d) Employee Empowerment



As depicted in the governance framework, the above components are strengthened and complemented by internal policies, processes and procedures such as strategy formulation, decision making, human resource governance, integrated risk management, IT governance, stakeholder management and effective communication.

The Group is committed to upholding the highest standards of accountability and ethical conduct across all its operations. The Group's corporate governance framework has therefore been designed to comply with legal requirements as well as voluntary frameworks and industry best practice.

The Group's governance framework is based on the following internal and external steering instruments:

External Instruments	Internal Standards and Principles
Companies Act No. 7 of 2007	Articles of Association
Listing Rules of the Colombo Stock Exchange	Terms of References of Board Sub-Committees
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)	Comprehensive Framework of Board approved policies
Code of Best Practice on Corporate Governance issued by the SEC and ICASL (2013)	Code of Conduct
Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)	Internal control processes and procedures

To provide a comprehensive and concise discussion on how the Company is governed, this Report has been structured in line with the Code of Best Practice on Corporate Governance 2013 issued jointly by SEC and CA Sri Lanka.

Please refer to pages 31 to 45 for detailed information on the Group's level of compliance on the Code of Best Practice.

The Board of Directors

The Board of Directors are responsible for charting the strategic direction of the Company. The Board promotes a culture of openness, constructive dissent and productive dialogue in its board meetings.

Role of the Board of Directors

- Providing direction and guidance to the Company in the formulation of sustainable high-level medium and long-term strategies.
- Reviewing and approving annual plans and strategic plans.
- Approving and monitoring financial and other reporting practices adopted by the Group.
- Reviewing HR processes with emphasis on top management succession planning.
- Appointing and reviewing the performance of CEO.
- Monitoring systems of governance and compliance.
- Overseeing systems of internal control, risk management.
- Determining discretions / authorities delegated from the Board to the executive levels.

CORPORATE GOVERNANCE

Board Composition & Diversity

The Board comprises of five Directors of whom four operate in a Non-Executive capacity and one Executive Director. Of the four Non-Executive Directors, two Directors are Independent. The four Non-Executive Directors are professionals with multi-faceted experience in the corporate sector and contribute to the depth of the Board discussions through their knowledge on the local operating landscape, objectivity and independent insights.

Name of the Board Member	Status
Mr A G Weerasinghe	Non-Independent Non-Executive Director
Mr Murali Prakash	Executive Director
Mr Ruwan Sugathadasa	Non – Independent Non-Executive Director
Mr Mangala Boyagoda	Independent Non – Executive Director
Mr Priyantha Maddumage	Independent Non – Executive Director

The Board combines a mix of entrepreneurial and corporate expertise across multiple disciplines of marketing, economics, business and finance, thereby enhancing the quality of discussions and decisions. Board also has a Chartered Accountant who provides insights and advice on financial accounting matters. The Board is diverse in its experience, age and expertise contributing varied perspectives to boardroom deliberations by exercising independent judgment to bear on matters set before them.

(Please refer to pages 22 to 23 for full profiles of the Board of Directors).

The Board considers the expertise and knowledge of the current Board members as adequate for its present business needs. However, with the evolving needs of the Company it will consider appointing new Directors to bridge the required professional expertise and background to align with future business complexities.

While the Board is for formulating strategy and setting corporate goals, the responsibilities in relation to the daily operations and execution of strategy has been delegated to the Group Managing Director/CEO.

Board Independence

The Board of Directors of Ambeon Holdings accommodate Independent Directors in line with the regulatory requirements. Accordingly, Mr Mangala Boyagoda and Mr Priyantha Maddumage are considered independent directors. The Board considers the other two non-executive directors namely Mr A G Weerasinghe and Mr Ruwan Sugathadasa as non-independent directors as they represent the Board as nominees of Ambeon Capital PLC which is the major shareholder of the Company.

Division of Responsibilities

The roles of the Chairman and the CEO are clearly demarcated with clear distinction of responsibilities between them to ensure balance, accountability and authority between running the Board and the executive responsibility for the running of the Group's business. As the Chairman, Mr A G Weerasinghe provides leadership to the Board to ensure that the Board conducts its duties efficiently and that the Board functions to ensure integrity and effectiveness of relationship between the non-executive and executive directors.

The role of the Group Managing Director/ CEO Mr Murali Prakash is to implement the policies and the strategies approved by the board and to develop and recommend the business plan and budgets that support the Group's long term strategy and vision that would lead to generating shareholder value.

Board Meetings and Attendance

The Board meetings for each financial year are scheduled in advance to enable the directors and the management to plan in advance. The Board annual meeting calendar is prepared with the consensus of all the directors and is tabled at the Board meeting in the final quarter of each preceding year.

To ensure that the Board meetings are conducted in an effective and efficient manner the time allocation for each of the agenda items is pre-determined. The Agenda and Board papers are circulated at least 7 days prior to the Board meeting to allow the Board members sufficient time to review the matters which will be deliberated at the meetings.

Members of the management and external advisors are invited as and when required to attend Board meetings to present proposals and provide further clarity to the Board. The Board meets quarterly with a view to discharging its duties effectively. In addition, special Board meetings are called upon whenever needed to deal with specific matters. A total of five board meetings were held during the financial year.

Attendance of Board members at Board Meetings and other Committee Meetings

The Board held five Board meetings during the year. Attendance of Directors at Board Sub- Committee meetings is summarised below.

Name of the Board Member	Board Meetings	Audit Committee	Related Party Transaction Review Committee
Mr A G Weerasinghe	5/5	4/4	4/4
Mr Murali Prakash	5/5	-	-
Mr Ruwan Sugathadasa	5/5	-	4/4
Mr Mangala Boyagoda	5/5	4/4	4/4
Mr Priyantha Maddumage	2/5	1/4	-

Board Access to Information and Resources

Directors have unrestricted access to management and organisation information, as well as to resources required to carry out their duties and responsibilities, independently and effectively. Executive management makes regular presentations with regard to the business environment and in relation to Group operations. Access to independent professional advice, coordinated through the Company Secretary, is available to Directors at the Company's expense.

Induction and On-going Training for Directors

On appointment, directors are provided with an orientation pack with all relevant external and internal regulation documents. The Directors keep abreast of local and global developments affecting business, including regulatory changes, economic movements and industry trends. They undertake training and professional development by attending seminars/workshops/conferences, participating as speakers at events, using web- based learning resources and reading business updates etc.

Professional Development and Performance Evaluation

The Remuneration Committee is responsible for evaluating the Board's performance. The Committee decides on how the Board's performance may be evaluated and proposes objective criteria.

Re-appointment and Re-election of Directors

In accordance with the Company's Articles of Association, directors who were appointed during the year must submit themselves to the shareholders for re-election at the first AGM following their appointment. Further, 1/3 of the non-executive directors are subject to retirement and reappointment by rotation at every AGM. The directors who retire by rotation are those who have been longest in office since their appointment / reappointment.

CORPORATE GOVERNANCE

Board Committees

The Board has delegated some of its functions to the Board Sub-Committees. Accordingly, proposals from these sub - committees will need to be submitted to the Board for the final decision to be taken at the Board level. Members of theses Sub- committees can focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

All Board Sub- Committees have written Terms of Reference approved by the Board. The Board receives reports of their proceedings and deliberations along with recommendations for approval by the Board. The Chairpersons of each of the Board Committees report on the outcome of the Committee meetings to the Board and the relevant decisions are incorporated into the Minutes of the Board Meetings. M/s PW Corporate Secretarial (Private) Limited acts as the Secretary to all the Board Committees.

Three Board Sub-Committees assist the main Board in the discharge of its duties:

Sub-Committee	Mandate	Composition
Audit Committee	Financial Reporting Statutory compliance Internal controls and Risk Management Internal and External Audit Refer the Report of the Audit Committee on page 132 for more information.	03 Non-Executive Directors
Remuneration Committee	Determines the reward strategy and assists the Board in succession planning. The Remuneration Committee also formulates, review, approves and make recommendations to the Beard in respect of remuneration of the executive and non-executive directors and key positions within the organisation. Refer the Report of the Remuneration Committee on page 134 for more information.	03 Non-Executive Directors
Related Party Transactions Review Committee	Ensures that interests of shareholders as a whole are taken into account when entering into transactions with related parties. Refer the Report of the Related Party Transactions Review Committee on page 135 for more information.	03 Non-Executive Directors

The above-Board Sub- Committees are supported by a comprehensive and effective internal governance structure, consisting of the Group Managing Director / CEO to oversee the overall operations of the Group. Reporting to the Group Managing Director/CEO are the Chief Executive Officers of the subsidiaries that oversee the effective management of the subsidiaries.

Employee Empowerment

The Group has put in place the necessary processes, procedures, systems in place to ensure effective recruitment, development and retention of employees. The Group considers its employees to be a pivotal force which will drive the Organisation towards its objectives. Constant dialogue and facilitation are also maintained ranging from work related issues to matters pertaining to general interest that could affect employee wellbeing. The Group fosters an open-door culture for its employees across all levels.

Relations with Shareholders

The Company strongly believes in engaging with its shareholders in a regular manner. The Annual General Meeting is used as for constructive engagement. Furthermore, the company website – www.ambeonholdings.com/resources provides the latest Annual Reports.

Relations with Investors

Our Group Investor Relations (IR) Team is proactive and engages regularly with investor groups in sharing and disseminating relevant information about the Group in a timely manner. The IR team maintains a close relationship with the investor community through one-on-one meetings, teleconferences, emails etc. to ensure that the Group's strategies, operational activities and financial performance are shared and made available to them.

Major Transactions

There were no major / material transactions during the financial year deemed as a 'major transaction' under the terms of the definition stipulated in the Companies Act No 7 of 2007.

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

This table summarises compliance with the revised Code, providing details where it has not been explained in the Corporate Governance Report.

Code Ref.	Requirement	Reference	Compliance
A	**Directors**		
A.1	**The Board** Every public Company should be headed by an effective Board, which should direct, lead and control the Company.		
A.1.1	Regular meetings, structure and process of submitting information	Board meetings are usually held on a quarterly basis. Special Board meetings are convened whenever necessary. Urgent matters are referred to the Board via circulation. Five Board Meetings were held during the period under review. Please refer page 29 for the attendance of the Directors at Board meetings. The Group's financial performance and business strategies are reviewed and discussed, among other matters, at Board Meetings	✓
A.1.2	Role & Responsibilities of the Board	**Implementation of a sound business strategy** The Board provides strategic direction to the development of a sound business strategy which is aimed at the long-term sustainability of the Company. **Appointing the Chair and the Senior Independent Director if relevant** The Chairman has been appointed by the Board of Directors. The circumstances to appoint a Senior Independent Director have not arisen under the Code. **CEO and the Management team possess the skills, experience and knowledge to implement the strategy** The Board has in place a Senior Management team, led by the Managing Director/Chief Executive Officer, who possess the required skills, experience and knowledge to implement business strategies. **Effective CEO and Key Management Personnel succession strategy** The Company is in the process of formulating a succession strategy. **Approving budgets and major capital expenditure** The CEO presents the budget, including capital expenditure, for approval by the Board annually. **Matters expressly reserved to the Board and those delegated to the Management including limits of authority and financial delegation** Where necessary, the Board has delegated this power to the Management. **Effective systems to secure integrity of information, internal controls, business continuity and risk management.** The Board takes necessary steps to fulfil the duties entrusted to them by securing the integrity of the information, managing risk and implementing an effective internal control system.	✓

CORPORATE GOVERNANCE

Code Ref.	Requirement	Reference	Compliance
		The effectiveness of the internal control system is reviewed on a continuous basis. The Audit Committee has been specifically assigned to carry out this task. In this process, all applicable laws and regulations and adherence to the Company's ethical standards and corporate values are met to ensure that the interests of all stakeholders are taken into consideration in the corporate decision-making process. **Compliance with laws, regulations and ethical standards** A Statutory Compliance Report prepared by the Head of Finance, is submitted to the Board on a quarterly basis for their information. **Stakeholder interests are considered in corporate decisions** The Board of Directors considers the views/impact on all stakeholders of the Company when decisions are made at Board Meetings. **Sustainable business development in Corporate Strategy, decisions and activities and adopting "integrated reporting"** Please refer page 6. **Company's values and standards set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations** The Company's accounting policies are in line with Sri Lanka Accounting Standards. Further, accounting policies are reviewed annually to stay in line with changing business requirements and best practices in the industry. **Process to monitor and evaluate progress on strategy implementation, budgets, plans and other related risks** Processes are in place for monitoring and evaluating the progress on strategy implementation, budgets, plans and related risks. **Process for corporate reporting** The Company ensures that all disclosures are made within the prescribed statutory time limits. **Fulfilling such other Board functions that are vital, given the scale, nature and complexity of the business concerned** The Board makes every endeavour to fulfil its stewardship obligations on behalf of all stakeholders. The Board is committed to fulfilling their functions in line with laws, regulations and good governance practices adopted by the Company.	
A.1.3	Act in Accordance with laws - Independent professional advice	**Compliance with laws and regulations** A comprehensive Statutory Compliance Report prepared by the Head of Finance is presented on a quarterly basis at Board meetings. **Independent professional advice** The Directors have access to independent professional advice in the course of fulfilling their responsibilities, at the expense of the Company. The Board Sub Committees also advise the Board on various matters under their purview, when necessary.	✓

Code Ref.	Requirement	Reference	Compliance
A.1.4	Access to advise and services of Company Secretary Insurance Cover	**Services of Company Secretary** The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. All Directors have access to the services of the Company Secretary. Appointment and removal of the Company Secretary is a matter for the Board as a whole. **Insurance Cover** As per the recommendation of the Group's Nomination Committee a Directors' and Officers' liability insurance cover was obtained.	✓
A.1.5	Independent judgement	All Directors bring independent judgement, and in particular the Independent Non-Executive Directors provide an unbiased, independent, varied and experienced perspective to the Board. They also scrutinize the proposals/suggestions made by the Senior Management led by the Managing Director/CEO on issues of strategy, performance, resource allocation, risk management, compliance and standards of business conduct where necessary.	✓
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	All Directors dedicate adequate time and effort at Board and Sub Committee meetings to fulfil their duties. Further they also spend their time before and after the meetings to ensure that the duties and responsibilities owned to the Company are discharged to higher standards of acceptability. Board/Sub Committee papers are dispatched to the Directors at least 7 days prior to the date of the meeting to provide them with adequate time to review. Any request for additional information is made to the Company Secretary. The relevant member of staff is then informed by the Company Secretary and the relevant information is forwarded. All matters that require follow up are discussed at the succeeding Board meeting under "Matters arising".	✓
A.1.7	Calls for resolutions	Any Director can call for a resolution to be presented to the Board, where necessary. The need did not arise during the year under review.	Not applicable
A.1.8	Board induction and Training	The Directors have recognised the need for the continuous training and expansion of knowledge in carrying out their duties as Directors. The Company Secretary informs the Directors on the training avenues available and on matters that are current and relevant to the Board's effective performance, which also includes matters specific to the industry and the Company. These training programmes may be conducted either by the Company's internal experts in the relevant field or by external agencies. Directors receive induction on joining the Board. During the year under review, there were knowledge sharing initiatives organised to inform the Board on changes in the industry.	✓

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Code Ref.	Requirement	Reference	Compliance
A.2	**Chairman & Chief Executive Officer (CEO)** There are two key tasks at the top of every public Company – conducting the business of the Board and facilitating Executive responsibility for management of the company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.		
A.2.1	Division of responsibilities between Chairman and CEO	The Chairman and CEO positions are held by two separate individuals and the functions of the Chairman and the CEO are clearly defined and separated by the Board, thereby preventing unfettered powers for decision making from being vested with one individual. The Chairman holds office in a Non-Executive capacity and is responsible for leading and ensuring effective functioning of the Board, while CEO is responsible for managing the business with the help of the Senior Management. This ensures balance of power and authority.	
A.3.	**Chairman's Role** The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.		
A.3.1	Chairman's role/functions	The Chairman ensures that the affairs of the Board are conducted in an effective manner. He encourages the Directors to share their views on matters discussed and ensures the participation of both Executive and Non-Executive Directors. The Chairman ensures that all Board Proceedings are conducted in a proper manner. The agenda for each meeting is developed in consultation with the CEO and Company Secretary. If a Director wishes to include a particular matter/proposal in the agenda, that matter should be emailed to the Company Secretary. The Company Secretary will inform the Directors' intention to the Chairman before it is tabled and included in the agenda.	
A.4	**Financial Acumen** The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.		
	Availability of financial acumen	Our Board members have a broad range of expertise and bring skills and experience from a diverse range of backgrounds, comprising a Director who is a fellow member of the Chartered Institute of Management Accountants, the Board possesses adequate financial acumen and knowledge. The expertise, experience and qualifications each of the Board members possess are mentioned in their respective profiles on pages 22 to 23.	
A.5	**Board Balance** It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-making		
A.5.1	Majority of Non-Executive Directors	Four (04) out of Five (05) Directors of the Board are Non-Executive Directors, which is above the minimum prescribed by this Code. This ensures that the views of Non-Executive Directors carry a significant weight and are taken into consideration in Board decisions.	

Code Ref.	Requirement	Reference	Compliance
A.5.2 to A.5.5	Independent Directors	In accordance with the Listing Rules of the CSE Annual Declarations of independence or non-independence have been obtained from the Non-Executive Directors of 2018/19. Based on these declarations, two (02) out of the four (04) Non-Executive Directors are Independent. The following Non-Executive Directors are considered independent as per the Listing Rules of the CSE. Mr. E M M Boyagoda Mr. P P Maddumage No circumstances have arisen for the determination of independence by the Board beyond the criteria set out therein.	
A.5.6	Alternate Directors	No Alternate Directors were appointed during the year under review.	Not applicable
A.5.7 & A.5.8	Senior Independent Directors	The requirement to appoint a Senior Independent Director did not arise as; The Chairman and the CEO are not the same person, The Chairman is not the immediately preceding CEO	Not applicable
A.5.9	Annual meeting with NED	The Chairman discusses matter relevant to the Board with the Non-Executive Directors as and when the need arises. No such meetings took place during the year under review.	
A.5.10	Recording of dissent in minutes	Board Minutes were prepared in order to record any concerns of the Board as a whole or those of individual Directors regarding matters placed for their approval/guidance/action. These minutes were circulated and formally approved at a subsequent Board Meeting. Directors always have access to past Board Papers and Minutes in case of need via the Company Secretary.	

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Code Ref.	Requirement	Reference	Compliance
A.6.	**Supply of Information**		
A.6.1	Quality, timely information; Directors should inquire for further information; Chairman ensures board is adequately briefed	The Management provides comprehensive information including both qualitative and quantitative, for quarterly Board Meetings. The Directors also have free access to Management at all levels to obtain further information or clarify any of their concerns. Any request for additional information can be made to the Company Secretary. The relevant member of the staff is then informed by the Company Secretary and the relevant information is forwarded. As discussed under Principle A.1.3 above, a formulated procedure is also in place for Directors to seek independent professional advice. All Directors are adequately briefed on matters arising at Board meetings through comprehensive Board papers. Additionally, relevant members of the Senior Management are on standby for further clarifications as may be required by the Directors or will make presentations at the Board Meetings. The agenda and "Matters Arising Paper" is prepared by the Company Secretary in consultation with the CEO and the Chairman. The Chairman ensures that all matters the require follow up are discussed at the succeeding Board meeting under "Matters Arising". Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through; • Formally documented Minutes and decisions; • By clarifying matters with the Company Secretary; • Separate discussion at start of meeting regarding matters arising from the previous meeting.	
A.6.2	Timelines -Board pack -Board meeting minutes	All Board Papers/Sub Committee Papers are dispatched to the Directors at least 7 days prior to the date of the meeting, to provide them with adequate time to review the Board papers. There is provision for circulation of urgent Board Papers or papers on highly sensitive matters within a shorter notice, but such instances are the exception and not the rule. Company Secretary ensures that a draft of the minutes is submitted for Chairman's review and approval within 07 days from the date of the meeting.	
A.7	**Appointments to the Board & Re-election** There should be a formal and transparent procedure for the appointment of new Directors to the Board		
A.7.1	Nomination Committee - appointment, terms of reference, members, disclosure,	The Board has a formal and transparent process in place for appointing Directors. While the appointments are a matter for the Board as a whole, the responsibility to oversee the nomination process has been delegated to the Group's Nomination Committee.	

Code Ref.	Requirement	Reference	Compliance
A.7.2	Annual assessment of Board's skill and knowledge composition in meeting Bank's strategic demands	The Group's Nomination Committee annually assesses its composition to ascertain whether the combined knowledge and experience of the Board match the strategic demands faced by the Company and is satisfied that it meets the criteria and has taken steps to satisfy itself on the same.	
A.7.3	Disclosure of Appointments to the Board	The Company ensures that the following details, in case of new appointments are immediately disclosed to the Colombo Stock Exchange (CSE). • Brief resume of the Director; • Nature of his expertise in relevant functional areas; • The names and companies in which the Director holds directorships or memberships in Board Sub Committees; • Whether such Director can be considered "independent"; These details were duly disclosed to the shareholders via the CSE, at the time of appointments of new Directors.	
A.8	**Re-election** All Directors should be required to submit themselves for re-election at regular intervals and at least once in every 03 years.		
A.8.1 & A.8.2	Non-Executive Directors should be appointed for specified terms and re-election not to be automatic	In accordance with the Articles of Association, 1/3 of the Directors (other than the Executive Directors and those who are over 70 years of age) should retire and be subjected to re-election by the Shareholders. The Directors who retire by rotation are those who have been longest in office since their election/re-election. The Directors eligible for re-election at the AGM are recommended by the Board. In terms of the Articles of Association of the Company, a Director appointed by the Board holds office until the next AGM, where he must retire and stand for election by Shareholders at the immediately succeeding AGM.	
A.8.3	Resignation	If a Director resigns over an unresolved issue, the Chairman will bring the same to the attention of the Board. The Director concerned is also required to provide a written statement to the Chairman for circulation to the Board.	Not applicable
A.9	**Appraisal of Board & Committee Performance**		
A.9.1 to A.9.4	Formal annual assessment of Board Performance	There is a formal process for the appraisal of Board performance.	

CORPORATE GOVERNANCE

Code Ref.	Requirement	Reference	Compliance
A.10	**Disclosure of information in respect of Directors**		
A.10.1	Annual Report to disclose specified information regarding Directors	Please refer pages 22 to 23 for "profiles of Directors" which details the name, qualifications, nature of expertise of Directors, whether Executive/Non-Executive, Independence and membership in Board Sub-Committees. Please refer page 29 for attendance at Board and Sub-Committee meetings.	✓
A.11	**Annual appraisal of the CEO**		
A.11.1	Predefined targets	At the beginning of the Financial Year, the Board discusses and set financial and non-financial targets to be achieved by the CEO during the year, in line with the short, medium and long-term objectives of the Company.	✓
A.11.2	Year end appraisal	The Board has delegated to the Group's Nomination Committee to carry out the annual appraisal of the CEO against the pre-agreed performance targets, at the end of each financial year. During the year under review, the performance of the CEO was appraised by the Group's Nomination Committee.	✓
B.	**Directors' Remuneration**		
B.1	**Remuneration Procedure** Companies should establish a formal and transparent procedure for developing policy on Executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
B.1.1	Establishing a Remuneration Committee	The Board has established a Remuneration Committee to develop policies and determine remuneration for the Non-Executive and Executive Directors, CEO and all other executive employees. No Director is involved in determining his own remuneration.	✓
B.1.2 & B.1.3	Composition of Remuneration Committee	The Remuneration Committee comprised of three (03) Non-Executive Directors of whom two (02) are Independent Non-Executive Directors.	✓
B.1.4	Remuneration of NED	Remuneration of Non-Executive Directors are determined by the Remuneration Committee for approval of the Board in line with the market practices. A Board approved policy on Directors' remuneration is in place.	✓
B.1.5	Access to Professional advice	The input of the Chairman and the CEO is obtained, and where necessary external professional advice is sought on a need basis.	✓
B.2	**Level & Make Up of Remuneration**		
B.2.1 & B.2.2	Remuneration of Executive Directors	Remuneration for Executive Directors are designed to attract, retain and encourage enhanced performance and to ensure that they are rewarded for their individual contribution to the long-term success of the company in a fair and responsible manner. The remuneration comprises of salary, bonuses and allowances. The Remuneration Committee takes into account market practices and seeks professional advice when required.	✓

Code Ref.	Requirement	Reference	Compliance
B.2.3 & B.2.4	Positioning company remuneration levels relative to other companies	The remuneration levels of the Company are reviewed from time to time and compared with those of peers in the industry. When recommending annual salary increases, the Remuneration Committee takes into consideration the remuneration and employment conditions of the market. When doing so, the Remuneration Committee will recommend salary surveys to be conducted if necessary.	✓
B.2.5 & B.2.7	Remuneration performance related	During the year, the Company did not offer performance related remuneration for Executive Directors.	✓
B.2.6	ESOP	No Employee Share Option plans were granted during the year.	✓
B.2.8	Compensation commitments on early termination	Not applicable to the Board except to the Managing Director/CEO who is an Executive Director and his terms of employment are governed by his Contract of Employment.	✓
B.2.9	Board discretion on compensation	The Remuneration Committee determines the levels of remuneration for Non-Executive Directors taking into account the time commitment, responsibilities of their role and the market practices. Remuneration for Non-Executive Directors does not include share options.	✓
B.2.10	NED Remuneration	The Remuneration Committee determines the levels of remuneration for Non-Executive Directors taking into account the time commitment, responsibilities of their role and the market practices. Remuneration for Non-Executive Directors does not include share options.	✓
B.3	Disclosures - Remuneration Policy statement - Aggregate Board remuneration paid - Remuneration Committee report	Please refer the "Report of the Remuneration Committee" on page 134 for the Remuneration Policy and the Committee composition. Please refer to note 29 to the Financial Statements on page 228 For the details of aggregate remuneration paid to Non-Executive Directors.	✓
C.	**Relations with Shareholders**		
C.1	**Constructive use of the AGM & Other General Meetings** Boards should use the AGM to communicate with shareholders and should encourage their participation.		
C.1.1	Notice of AGM	The Annual Report together with the Notice of Meeting and related documents, if any, are circulated to the shareholders at least fifteen (15) working days prior to the date of the AGM.	✓
C.1.2	Separate Resolutions	The Company proposes separate resolutions on each substantially separate issue giving Shareholders the opportunity to vote on each issue separately. The adoption of the Annual Report of the Board of Directors, the Financial Statements of the Company and the Report of the Auditors thereon are laid before the Shareholders as a separate agenda item at the AGM.	✓

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Code Ref.	Requirement	Reference	Compliance
C.1.3	Count and record of votes	The Company has an effective mechanism to record all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes cast for and against each resolution. As a matter of practice, proxy votes, together with the votes of Shareholders present at the AGM, are considered for each resolution and duly recorded in the Minutes.	✓
C.1.4	Availability of Committee Chairpersons at AGM	The Company ensures the presence of the Chairman of the Sub-Committees to answer questions at the AGM. Additionally, as a good practice, the Company ensures the presence of the CEO's of the subsidiaries, at the AGM.	✓
C.1.5	Advice voting procedures	A summary of procedures governing voting at the AGM is provided in the Proxy Form which is circulated to shareholders together with the Notice of Meeting.	✓
C.2	**Communication with shareholders**		
C.2.1	Communication Channels	The Company has many channels to reach all shareholders of the Company in order to disseminate timely information of which the primary channels are the Annual Report and the AGM. Additionally, the Company makes disclosures on material and price sensitive matters from time to time to the CSE for dissemination to the public. Copies of the Annual Report and Interim Financials are published on the Company's website.	✓
C.2.2 & C.2.3	Policy and methodology for Communication	The Company focuses on open communication and fair disclosures with emphasis on the integrity, timeliness and relevance of the information provided.	✓
C.2.4 to C.2.7	Company to disclose the contact person for communications with shareholders	Shareholders may contact the Company Secretary or in her absence the Chairman, on matters related to their shareholding and the Company at any time. The Company Secretary maintains records of all correspondence received and will deliver, as soon as is practicable, such correspondence to the Board or individual Director as applicable. The Board or the individual Director will direct the Company Secretary to send responses to the Shareholder.	✓
C3	**Major and Material Transactions** Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which is entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated Group net asset base.		
C.3.1 & C.3.2	Disclosure of Major Transactions	During the year the Company did not engage in or commit any "Major Transaction" which materially affected its Net Asset base. In the event the Company enters into a Major Transaction, the same would be duly disclosed, as required by the regulators and shareholder approval would be sought.	Not applicable

Code Ref.	Requirement	Reference	Compliance
D.	**Accountability and Audit**		
D.1	**Financial & Business Reporting (The Annual Report)** The Board should present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.		
D.1.1 & D.1.2	Board's responsibility for statutory and regulatory reporting	Interim Financial Statements were published within 45 days of end of each quarter (other than the last quarter which was submitted within the permitted two months period) which included information to assist the shareholders gain an understanding of the state of affairs of the Company. Price sensitive information were disclosed in a comprehensive but concise manner to the CSE on a timely basis. All reports required by the regulators including the Department of Inland Revenue, Registrar of Companies, CSE were filed in a timely manner in compliance with the relevant requirements.	✓
D.1.3	Declaration from the CEO and CFO	The Audit Committee is provided with a declaration from the Chief Executive Officer and the Head of Finance before the Financial Statements are approved and recommended to the Board. This declaration provided an assurance on; • Proper maintenance of financial records; • Compliance with appropriate accounting standards and that the Financial Statements give a true and fair view of the financial position of the Company; • Effectiveness of the internal control system and risk management	✓
D.1.4	Declarations by Directors in the Directors' Report	Please refer "The Annual Report of the Board of Directors on the affairs of the Company" on page 139 which contains the declarations required by the Code.	✓
D.1.5	Statements by Directors' and Auditors' on responsibility for financial reporting	Please refer "The Statement of Directors' Responsibility on Financial Reporting" on page 141. Please refer page 143 for the Independent Auditor's Report.	✓
D.1.6	Management Discussion & Analysis –	Please refer pages 97 to 126 for "Management Review".	✓
D.1.7	Notify Shareholders in case the Net Assets of the Company fall below 50%	This situation did not arise during the year under review. Had the situation arisen, the Company would have duly notified the Shareholders.	Not Applicable
D.1.8	Related Party Transactions	Please refer the Related Party Transactions Review Committee Report on page 135 for relevant disclosures under the Code. All Related Party Transactions as defined in the Sri Lanka Accounting Standards – LKAS 24 (Related Party Transactions) are disclosed on note 34 to the Financial Statements on page 232.	✓

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Code Ref.	Requirement	Reference	Compliance
D.2	**Risk Management & Internal Control** The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets. Broadly, risk management and internal control is a process, effected by a Company's Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives.		
D.2.1	Monitor, review and report risk and internal control systems	The Board is responsible for formulating and implementing appropriate internal control systems. The Audit Committee has the responsibility to the Board to ensure that the system of internal controls is sufficient and effective.	
D.2.2	Confirm assessment and risks identified and mitigated	Please refer "Audit Committee Report" on page 132.	
D.2.3	Internal audit function	The Company has outsourced the Internal Audit function.	
D.2.4	Board responsibilities for disclosure	Please refer "Audit Committee Report" on page 132.	
D.2.5	Directors responsibility internal control system	Please refer the "Audit Committee Report" on page 132.	
D.3	**Audit Committee** The Board should establish formal and transparent arrangements for considering how they should; select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management principles and for maintaining an appropriate relationship with the Company's Auditors.		
D.3.1	Composition of the Audit Committee	The Audit Committee comprised of three (03) Non-Executive Directors, out of whom, as required by the Listing Rules of the CSE two (02) Directors are independent.	
D.3.2	Terms of Reference	The Terms of Reference of the Audit Committee is clearly defined and approved by the Board of Directors. This clearly explains the duties and responsibilities and the scope and functions of the Committee.	
D.3.3.	Disclosures in the Annual Report	Please refer the Report of the Audit Committee on page 132.	
D.4	**Related Party Transactions Review Committee** The Company follows LKAS 24, the Listing Rules and the Code of Best Practice on Related Party Transactions in identifying Related Parties of the Company and the Related Party Transactions.		
D.4.1	Related Party and Related Party Transactions	The Company follows LKAS 24, the Listing Rules and the Code of Best Practice on Related Party Transactions in identifying Related Parties of the Company and the Related Party Transactions.	
D.4.2	Composition of the Related Party Review Committee	The Committee consists of three (03) members with a combination of Independent Non-Executive Directors and Non-Independent Non-Executive Directors.	
D.4.3	Terms of Reference of the Related Party transactions Review Committee	The Committee has in place a written Terms of Reference, approved by the Board.	

Code Ref.	Requirement	Reference	Compliance
D.5	**Code of Business Conduct and Ethics** Companies must adopt a Code of Business Conduct and Ethics for Directors, KMPs and all other employees' including but not limited to: dealing with shares of the Company; compliance with listing rules, bribery and corruption, confidentiality, encouraging that any illegal, fraudulent and unethical behaviour be promptly reported to those charged with governance. The Company must disclose waivers of the Code for Directors, if any.		
D.5.1	Code of Business Conduct and Ethics for Directors and KMPs	The Company has in place a Code of Ethical Business Conduct for its Directors, which cover the areas indicated in the Code. Further, "Code of Ethical Business Conduct" is available for all employees including the Senior Management covering areas such as confidentiality, bribery corruption etc.	✓
D.5.2	Disclosure of material and price sensitive information	The Company ensures that immediate disclosures are made to the CSE on any price sensitive information.	✓
D.5.3	Monitor Share purchase by Directors/ KMPs	The Directors are aware of their responsibility to immediately disclose to the Board any share dealings carried out by them in the Company's shares. Any disclosure by a Director or a close family member will be immediately notified to the CSE for dissemination to the public. Employees are prohibited from involvement in share trading on price sensitive information of the Company.	✓
D.5.4	Affirmative declaration by Chairman of compliance with Code of Business Conduct and Ethics	Please refer Chairman's Message on page 12 for affirmative declaration on Corporate Governance.	✓
D.6	Disclosure on Corporate Governance practices	The Corporate Governance Report on page 26 to 45 provide information regarding Corporate Governance practices in the Company which is in compliance with the Code of Best Practice on Corporate Governance 2017.	✓
E.	**Institutional and other Investors**		
E.1	**Shareholder voting** Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.		
E.1.1	Regular and structured dialogues with Shareholders	The AGM is used as a forum to have a structured and objective dialogue with shareholders on matters that are relevant to the general membership. Form the Company's perspective, the AGM provides a forum for the Board to inform the shareholders about the activities of the company and its performance during the year. For investors, the AGM provides a forum to learn more about the business, ask questions from the Directors and use their votes responsibly.	✓
E.2	**Evaluation of Governance Disclosures** When evaluating company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.		
E.2	Evaluation of Governance initiatives of the Company	Institutional investors are encouraged to provide feedback on governance related issues.	✓

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Code Ref.	Requirement	Reference	Compliance
F.	**Other investors**		
F.1	**Investing /divesting decision** Individual shareholders investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.		
	Individual shareholders encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	The Annual Report contains sufficient information for a potential investor to carry out his/her own analysis. The following reports aim to provide a balanced overall assessment of the Company's activities, performance and prospects. Chairman's message on page 10. Managing Director/CEO's message on page 14. Management Review on page 97 to 126. Financial Statements on pages 143 to 249. Further, Interim Financial Statements published in each quarter provide sufficient information to enable retail investors to make informed judgements regarding the performance of the Company, which are also published on the Company website.	✓
F.2	**Shareholder Voting** Individual Shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.		
F.2	Encourage voting by individual shareholders	Notice of Meeting is sent to all Shareholders on time to encourage their participation at the AGM and exercise their voting rights. In the event of appointing a proxy, the proxy form and instructions are indicated in the Annual Report.	✓
G.	**Internet of Things & Cybersecurity**		
G.1 to G.5	Internet of things and Cybersecurity	The Board has identified the need for management of IT and cyber risks, the responsibility of which is vested with the Group Manager IT. Group has successfully implemented the IT Policy, across the Group. This Policy covers inter alia cybersecurity risk management, disaster recovery etc. As and when required Group Manager IT briefs the Board on potential cybersecurity risk to the Group's business models as well as the mechanisms adopted to overcome such threats. Pursuant to the Independent Annual IT Audit, an IT Steering Committee headed by the Group Managing Director is in place. The purpose of this Committee would include inter alia the formulation of the IT Strategic Plan. IT audits are carried out on an on-going basis by an outsourced party and the findings and recommendations are submitted to the Audit Committee.	✓

Code Ref.	Requirement	Reference	Compliance
H.	**Environment, Society & Governance**		
H.1	**ESG Reporting**		✓
	Principle 1 - Reporting of Economic Sustainability	Financial Capital - page 97	
	Principle 2 - Reporting on the Environment (Impact on Environment)	Impact on Environment - page 126	
	Principle 3 - Reporting on Labour Practices (Human Capital)	Human Capital - page 112	
	Principle 4 - Reporting on Society (Social Impact)	Social Impact - page 106	
	Principle 5 - Reporting on Product Responsibility (Social and Network Capital)	Social and Network Capital - page 106	
	Principle 6 - Reporting on Stakeholder identification, engagement and effective communication (Stakeholder Engagement)	Stakeholder Engagement - page 56	
	Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly (About this Report)	About this Report - page 6	

RISK MANAGEMENT

The Group's risk strategy aims to instil a conscious approach to risk throughout the Organisation as it forges ahead in pursuing opportunities of growth and expansion. A robust risk management framework along with a clearly defined risk appetite is in place to identify, manage and mitigate risks in a structured manner.

The Group invested in a fully - fledged ERM (Enterprise Risk Management) solution, CAMMS ERM during the last financial year. This ERM system supports the Group in its strategic decision-making process. CAMMS ERM solution possesses pre-configured risk, incident, hazard management templates, matrices, registers, controls and risk indicators.

The system facilitates implementation of best practices of ERM by deploying frameworks that comply with the COSCO Enterprise Risk Management Framework. The system also ensures compliance with ISO 1000:2009 international risk management standards.

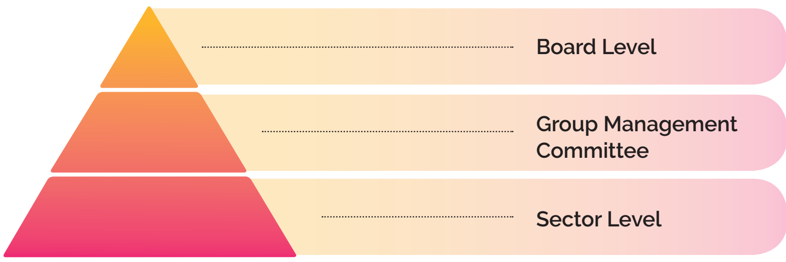
Risk Governance

The Board of Directors is responsible for the ultimate management of risks. As the apex, the Board is responsible to set in place policies and procedures to manage risks effectively and efficiently. The respective sectors, Group Management Committee members and the Audit Committee play a critical role in identifying, monitoring and managing risk. The Company hopes to further strengthen the risk function by setting up a dedicated risk function headed by a Group Head of Risk.

CAMMS allows risks to be identified as strategic risks and operational risks. Mitigation plans for strategic risks are determined by The Board as they concern the objectives and direction of the Organisation. Examples include corporate governance risks, merger & acquisition risks, change management risks, market stagnation risks and financial risks. The strategic risks are identified by the Board of Directors and the CEO of the respective SBU is held responsible for:

a) Developing a mitigation plan for the risk
b) Identifying the resources required to mitigate it
c) Developing and monitoring a timeline to mitigate the risk

Operational risks emanate from day-to-day operations of the business. Sources of operational risks include but are not limited to internal resources, system, procedures and internal customers (employees) of the organisation. Loss of data, production disruption due to malfunctioning machinery and staff turnover due to lack of engagement levels are some of the examples of operational risks. The senior management of the SBU's are responsible for outlining the operational risks of the organisation and is held responsible to mitigate the risks within acceptable timelines.



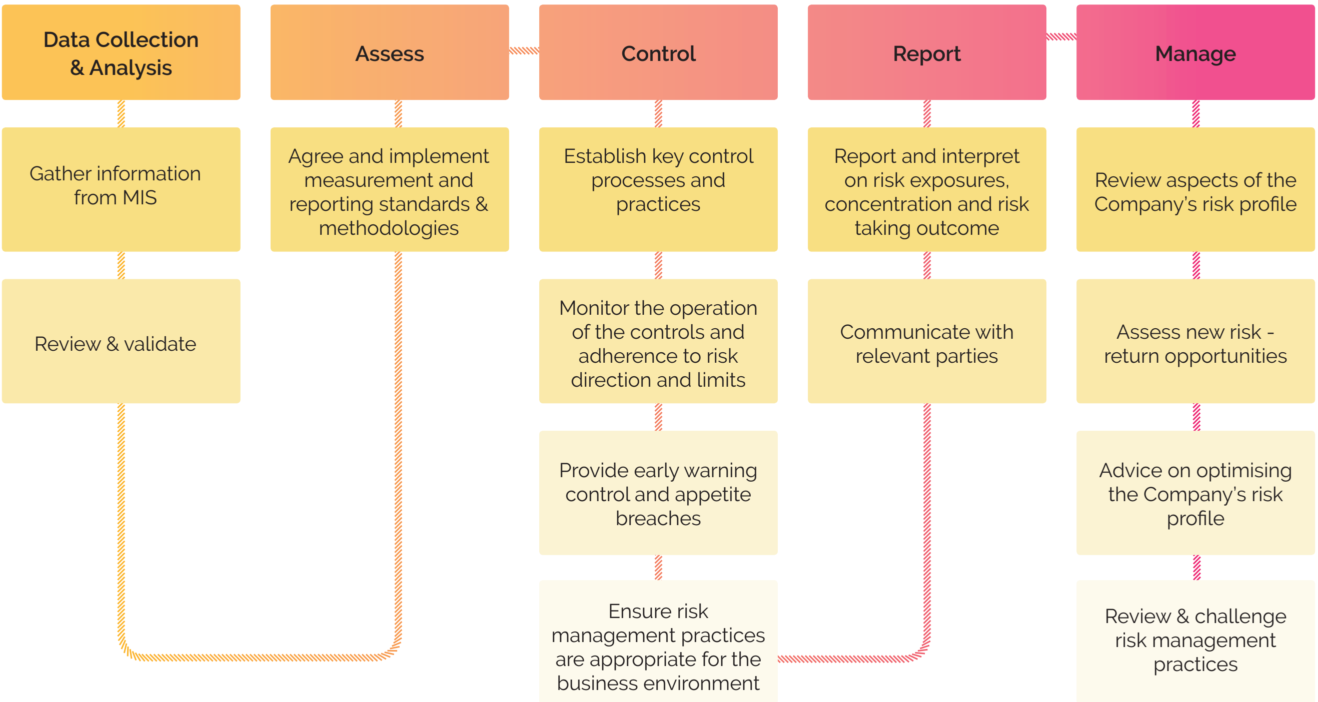
Approach to Risk Management

A three-lines of defence model is adopted in identifying and managing risks. This allows for greater segregation of duties and responsibilities across individual businesses, sector and group level.

First Line of Defence →	Second Line of Defence →	Third Line of Defence
Individual Businesses	**Sector Level**	**Group Level**
Risk identification, acceptance & mitigation	Risk monitoring and management	Assurance & policy formation

The Group's approach towards risk is either mitigation, acceptance and / or transfer of risk (which is implemented across business units through operational and management controls). Mitigation plans are subject to periodic verification and independent internal audits. Business units are the ultimate risk owners responsible for the identifications and mitigation of risks pertaining to specific businesses on an ongoing basis.

The following risk management framework was implemented in order to comply with the Risk Management Objectives.



Risk Assessment Methodology

Then risk assessment is categorised as follows:

a). initial risk assessment,

b) current risk assessment

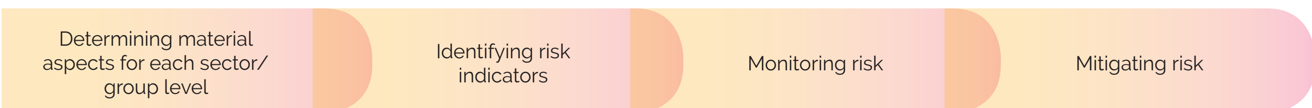
c) future risk assessment. The future risk assessment outlines what risk mitigation plans are proposed to lower the risk assessment.

Potential risks exposures are ranked and prioritised based on the likelihood of a event occurring and the consequence or the impact of the risk. Thereby the risk assessment is automatically calculated by the system by considering the following:

1. The risk consequence
   a. Catastrophic
   b. Major
   c. Moderate
   d. Minor
   e. Insignificant

2. The risk likelihood
   a. Almost certain
   b. Likely
   c. Possible
   d. Unlikely
   e. Rare

Thereby material aspects are determined through this exercise and risk indicators are identified at the group level considering how the risks will affect the respective businesses and the sectors.



RISK MANAGEMENT

Internal and External Corporate Audits

Internal, external and corporate audits are crucial in the risk management process. Reports on the Group's operational and financial systems by these audits are reviewed and action taken to manage any risks that have been identified.

The Group has outsourced the internal audit function to an external audit firm who conducts regular internal audits as per Terms of Reference set out by the Group Managing Director / CEO. Significant audit findings by the Auditors are immediately reviewed by the Board appointed Audit Committee. The Group's system of internal controls covers all policies and procedures, enabling significant strategic and operational risks to be managed.

Risk Exposure & Impact	Mitigating Activities	Net Risk Assessment	
		Impact	Likelihood
Economic Environment The business operations of the Group are sensitive to changes in the economic environment and in particular, changes in consumer spending. Weakening consumer sentiments and disposable income levels will adversely affect our revenue potential. Furthermore, the depreciation of the Sri Lankan Rupee increases the cost of production.	A diversified array of products and brands which serve a wide range of consumer groups. Products and brands cater to domestic and export markets equally. Thereby spreading the risk equally across markets. The Board and the Senior Management review the performance to ascertain the extent of the impact on economic performance on budget and strategic plans. Focus on product quality, value for money and attractive product offers to enhance appeal amongst chosen customer segments. Ongoing transformation plan to improve performance irrespective of macro-economic factors. Building strategic plans and business plans based on varying economic conditions.	Major	Likely
Seasonal variations in revenue A considerable revenue component and operating profit is generated during the fourth financial quarter which includes the Christmas and New Year season. Adverse trading in this relatively short period is likely to significantly impact the full year's results.	Financial planning considers expected peaks and troughs during the year and the business is managed accordingly. Increasing the proportion of internal promotions and various activities to maintain a regular stream of income across the year.	Moderate	Possible
Price Deflation This feature has been prevalent over the years mainly driven by technological advancement.	Launch of new technologically evolved products. Growth of services – related businesses to increase the number and the value of non-product sales. Improve profitability of newly opened showrooms Effective management of stock holding levels and management of clearance and exit routes.	Moderate	Possible
Competition The level of competition determines the market share and /or drives down margins in specific markets.	Increasing greater visibility through wider distribution channels. Ensuring value for money. Building stronger relationships with suppliers.	High	Possible

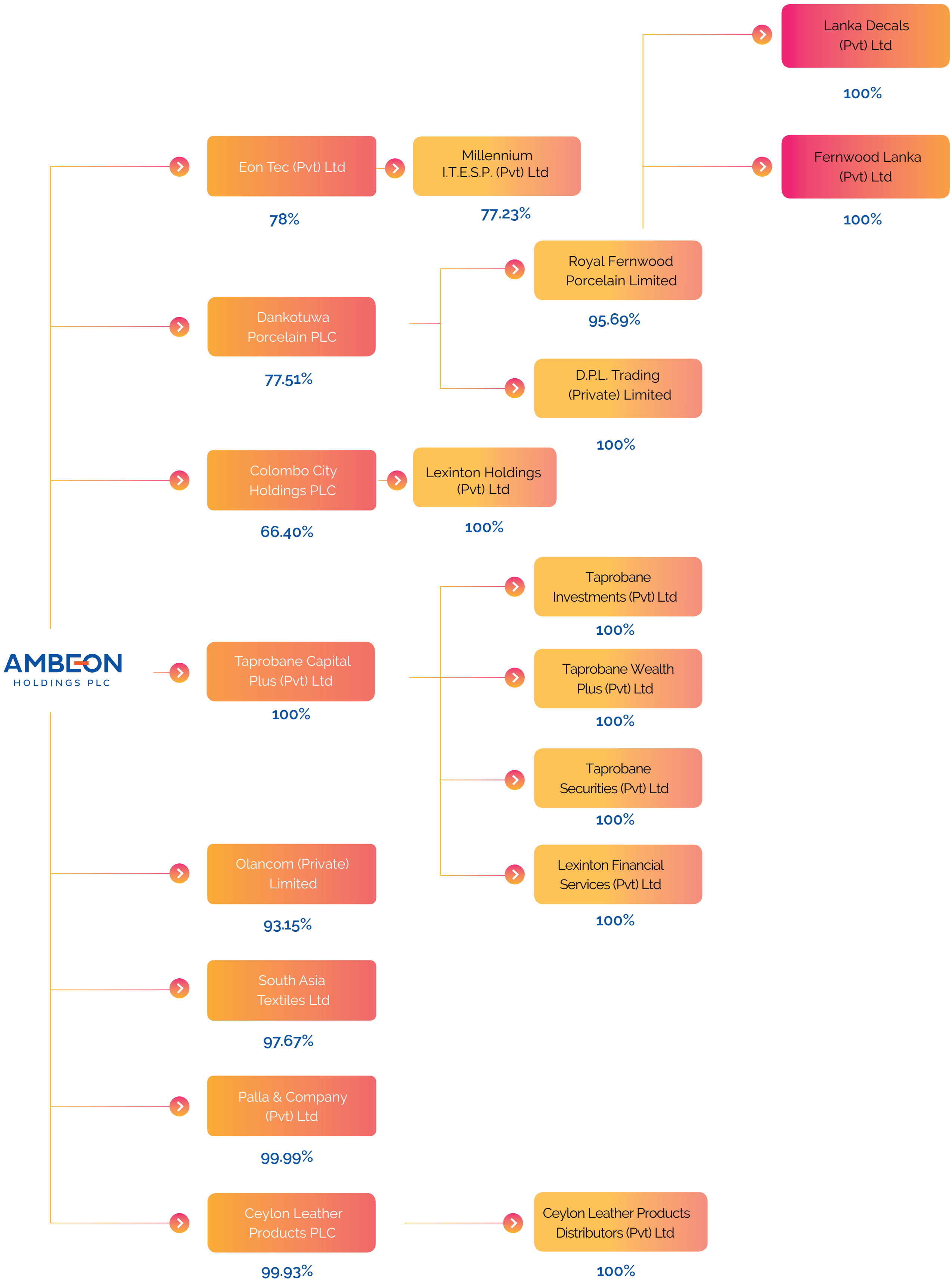
Risk Exposure & Impact	Mitigating Activities	Net Risk Assessment	
		Impact	Likelihood
Product Risk Products may be deemed defective, non-functional, obsolete for the market in terms of price, functionality and perceived value.	The Company's plant and machinery is maintained and upgraded as necessary. Established quality control systems and product testing ensure that the products quality is maintained . Proactive customer engagement activities will ensure that the Company is aware of the aspirations and needs of the customers in order to serve the correct products.	Moderate	Possible
Human Resources	Company endeavours to recruit the best quality people with the right skills and the aptitude. Offer training and development opportunities to ensure retention levels. Remuneration levels are benchmarked to remain competitive along with industry standards along with incentives. Collective agreements are in place with labour unions to maintain an equitable balance between the interests of the employer and employee to provide a basis for negotiations when issues arise. Identifying key talent and providing executive development opportunities to groom them for enhanced responsibilities.	Moderate	Possible
With the expansion of the business activities the potential for fraud and dishonest activities increase by suppliers, employees and customers.	Clear ethical and behavioural guidance for employees through operational manuals. Appropriate procedures and controls to be put in place to reduce the incidence of frauds. Internal audit and Corporate Audit to be undertaken to cover all critical business areas and report the findings to the Audit Committee. Regular updates on new policies and procedures as and when it is introduced. Whistle-blower policy Periodical review of internal controls by outsourced consultants.	Moderate	Possible
IT Systems and Infrastructure	The Company has in a place a comprehensive network security system. Regular backups of databases and mission critical information is stored at an off-site location. Off-site disaster recovery system. Regular follow- up reviews are conducted on recommendations given by the external IT risk assessment team. Extensive controls and reviews to maintain integrity and efficiency of IT infrastructure and data.	Moderate	Possible

RISK MANAGEMENT

Risk Exposure & Impact	Mitigating Activities	Net Risk Assessment	
		Impact	Likelihood
Supply Chain Timely distribution of our products to our retail outlets is a critical success factor. As we work with overseas and local suppliers knowledge of the upstream and downstream suppliers' risk universes will ensure key risks are identified and an uninterrupted supply is maintained with minimal disruption to the production process.	Regular review of distribution plans. Monthly operational meetings to review the forecast, level of inventory and procurement requirements etc. Establishing relationships with long-standing suppliers. Relying on many suppliers without depending on a single supplier.	Moderate	Possible
Asset Risk Risks associated with the physical assets of the Company include destruction, loss or theft as well as technical and other defects.	All assets are insured against identifiable risks. The relevant insurance policies and subject to a comprehensive annual review whereon any adjustments are made as necessary. Procedures are in place to control technical and other defects by adhering to procurement practices and supplier screening procedures. All suppliers comply with acceptable standards on product and service quality, relevant standards (ISO 9001) quality assurance of manufacturing facilities, distribution and service centres. Provisioning is made against obsolete inventory, warranty claims and doubtful debtors.	High	Unlikely
Financial Risk			
Liquidity Risk Inadequate liquidity can have an adverse impact on the continuity of operations, marketing and investment in new products and markets.	The liquidity position of the Company is regularly reviewed and reported to the Board. Projected net borrowings are covered by committed banking facilities and gearing ratio is maintained in par with industry benchmarks. The Company strives to maintain good relationships and facilities with many banks and relies on broad-based sources of funds to ensure continuous and reliable access to funds.	Moderate	Unlikely
Interest Rate Risk Increase in interest rates will have an adverse impact on the profitability.	The adverse impact from fluctuating interest rates could be minimised by optimising the level of short- and long-term borrowings. The Company's strong brand identity and reputation help in raising funds on attractive terms.	High	Possible

Risk Exposure & Impact	Mitigating Activities	Net Risk Assessment	
		Impact	Likelihood
Other Risks			
Governance Risk			
These are risks which arise from non-compliance with relevant health, safety and environmental statutes leading to loss of reputation and goodwill, possible litigation and financial loss.	The Company's legal department has designed the required preventative actions. Frequent internal and corporate audits ensure compliance. Ethical practices are promoted at every level of the organisation as part of its organisational culture. International best practices are followed at every opportunity. Detailed, established procedures are followed to ensure product integrity. Group Chief Investment and Process Officer reviews reports forwarded to the Audit committee to ensure compliance with laws and policies.	High	Unlikely
Socio Economic Risks			
The socio-economic and political environment of Sri Lanka has a direct impact on the consumer and investment climate. Periodic social unrest and political instability weakens the image of Sri Lanka.	Management periodically reviews the prices in comparison to the inflation and negotiates with suppliers for favourable prices and credit terms. The Group serves both local and global markets with its product portfolio which insulates against any loss of revenue to domestic instability.	High	Possible
Environment and Climate Change			
In addition to climate changes and the environmental changes the Company is exposed to shortage of raw materials such as clay and leather which are integral raw materials for the manufacture of porcelain products and leather footwear. The Company is cognisant of the environmental impact created by its manufacturing facilities and discharge of effluents.	The Company seeks the use of alternative materials for its production which creates new opportunities. All factories comply with the environmental regulations and standards. The Company recognises and opts for energy saving manufacturing processes and equipment.	High	Unlikely

GROUP STRUCTURE



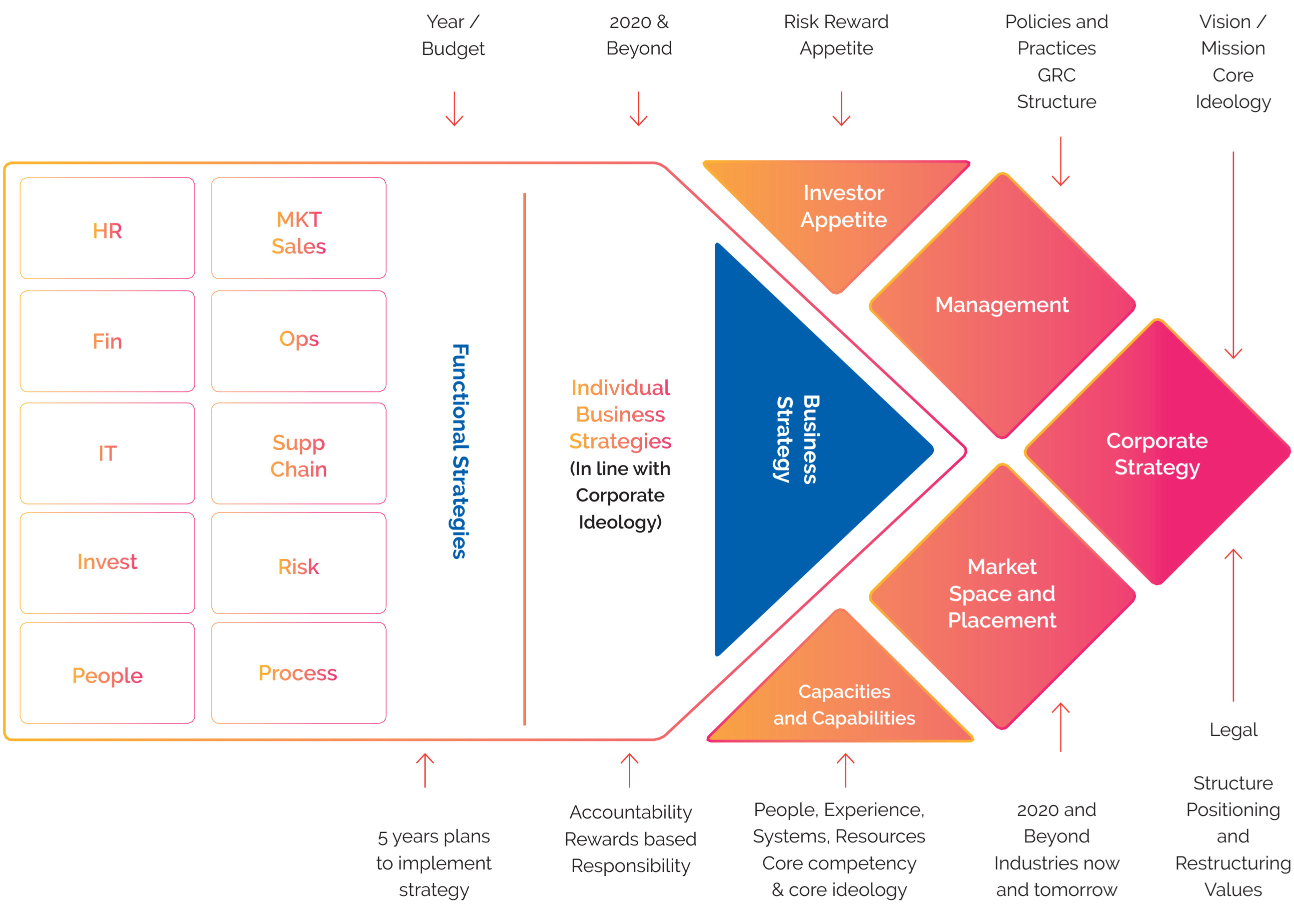
STRATEGIC OVERVIEW

Creating value for stakeholders is ingrained within the Ambeon Business Strategy Triangle. Having a presence across a range of industries, the Group takes a triple bottom line approach to creating value for all our stakeholders across all Group companies. By aligning both financial and non-financial business imperatives to the Group's 2020 vision, Ambeon Holdings derives a corporate strategy which is well-balanced between corporate prudence, entrepreneurship and the satisfaction of societal needs. This corporate strategy becomes the basis for developing business-wise strategies. It is the foundation on which the Group leads the way across core business verticals of financial services, property development, retail, financial services, information technology, manufacturing, and brokering.

This approach has enabled the Ambeon Group to create sustainable long-term value for our stakeholders.

Ambeon Business Strategy Triangle

The Ambeon Business Strategy Triangle takes a three-tier approach to developing a holistic organizational strategy. It is designed to deliver the Group's business philosophy across all subsidiaries and to all levels of employees. The corporate level strategy considers the external environmental factors and the Group's position as a diversified conglomerate operating in various industries with distinct operating dynamics. Corporate strategies take a holistic view and provides input for business strategies for each of the Group's subsidiaries. This third-tier of the triangle then provides input for the functional level strategies which ensure that organizational goals and objectives are achieved in the short, medium and long terms.



VALUE CREATING BUSINESS MODEL

Moving First / Channelling Team Work/Actioning Results / Seeing Beyond

Capital Inputs

Financial Capital

Financial resources that fund business operations.

Manufactured Capital

Production plants, distribution channels and other physical infrastructure that generate revenue.

Social and Relationship Capital

The relationships built with customers, business partners, & suppliers.

Human Capital

The employees that drive our business Growth.

Intellectual Capital

Competitive advantage gained by tacit knowledge, skills/ expertise and the strength of brands.

Natural Capital

Eco -system of natural resources such as water, energy and fuel needed for business operations.

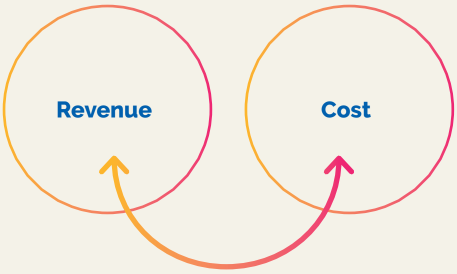
We utilise our Capital Inputs to **carry out activities that align with our Purpose:**

To take the leap that transforms latent opportunities into lucrative ventures that deliver sustained value.

Strategic Pillars

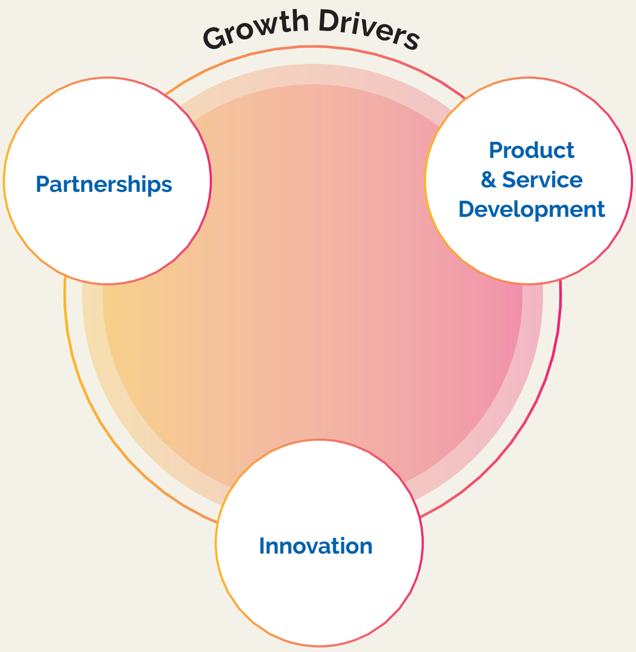
- Corporate Strategy
- Market Space & Placement
- Management
- Capacities & Capabilities
- Investor Appetite

Profit Drivers



We derive revenue from growth drivers across six core business verticals

Refer pages 65 to 95 for sector reviews



Capital Outcomes

Financial Capital

Revenue **Rs. 17.73 Bn**
Profit after Tax **Rs. 864.47 Mn**
ROCE **12.09%**
Rs. 1.48 Earnings per Share

Manufactured Capital

Rs. 471 Mn invested in plant and machinery
Rs. 26 Mn invested in expanding branch network for key products

Social and Relationship Capital

Well established partnerships with Global suppliers & customers in over 50 countries

Human Capital

Employees **2,950**
Rs. 2,270 Mn paid as salaries and remuneration

Intellectual Capital

Globally recognised brands
Awards won

Natural Capital

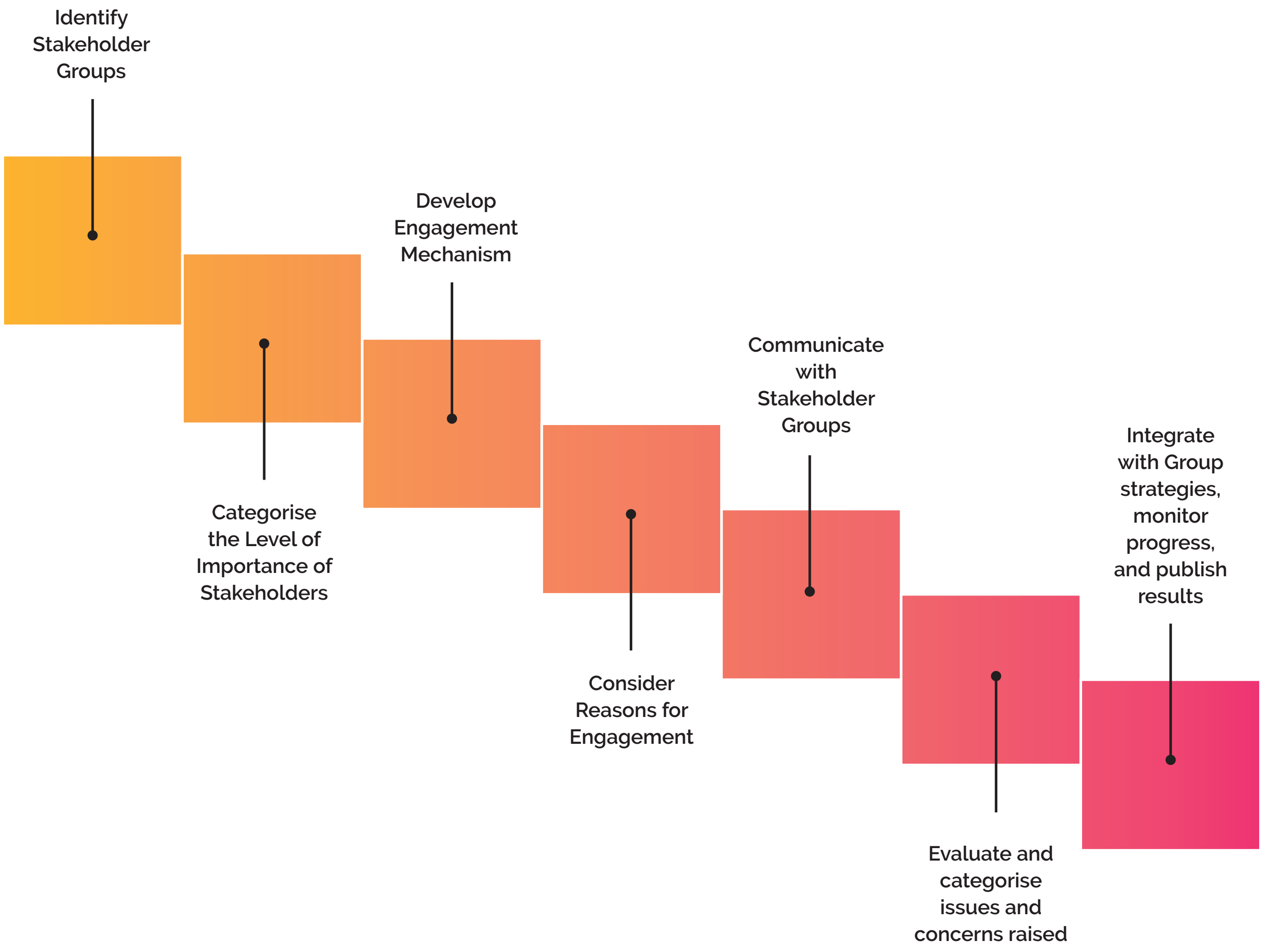
Environmentally friendly business practices
Investment in waste water treatment plant by South Asia Textiles & Ceylon Leather Product Limited

STAKEHOLDER ENGAGEMENT

Ambeon Holdings PLC and its subsidiaries have in place a formal stakeholder engagement process to facilitate continuous and open communications with key stakeholder groups. This ensures that the Group's strategic decisions accommodate stakeholder concerns and expectations.

The engagement process identifies stakeholder groups who can impact and have influence on business activities and sustainability of the holding company and its subsidiaries. These key stakeholders are then categorised into levels of importance. Suitable communication mechanisms are then implemented to facilitate regular communications and interactions with these groups. The process facilitates a deeper understanding of stakeholder expectations from a Group perspective and how the various businesses can contribute to meet these overarching expectations.

Stakeholder Engagement Process



The different stakeholders of the Group together with the different types of communication methods are shown below.

Stakeholder Groups	Objectives	Engagement Mechanism
Customers (B2B and B2C)	▪ Customer retention ▪ Attracting new customers ▪ Customer satisfaction ▪ Market intelligence	▪ Customer surveys ▪ Advertisements ▪ Press releases ▪ Website ▪ Social media ▪ Showroom interactions
Employees	▪ Industrial harmony ▪ Productivity improvements ▪ Team building ▪ Work-life balance	▪ Trade union meetings ▪ Joint consultative committee meetings ▪ Welfare events ▪ Performance appraisals ▪ Grievance management ▪ Social events
Suppliers	▪ Supplier retention ▪ Attracting new suppliers ▪ Supplier satisfaction ▪ Market intelligence	▪ Regular meetings ▪ Conference calls ▪ Emails ▪ Face-to-face discussions
Communities	▪ Build social capital through goodwill and trust ▪ Support community welfare	▪ CSR activities ▪ Recruitments
Regulators	▪ Regulatory compliance ▪ Renewal of licenses ▪ Reputational integrity	▪ Reports and document submissions ▪ Meetings with regulators ▪ Renewal of licenses
Shareholders/ Investors	▪ Enhance transparency ▪ Wealth creation	▪ Quarterly Financial Statements ▪ Regular Press releases ▪ Annual reports ▪ Annual General Meeting
Other Key Partners (Vendors, Financial Service Providers)	▪ Enhance Business Synergies ▪ Improve mutually beneficial future plans ▪ Better cost/profit management	▪ Engagement forums ▪ Regular meetings and visits ▪ Special events

MATERIALITY ANALYSIS

Defining Materiality

An aspect of material importance is defined when that matter substantially affects the business entity's ability to create and sustain value in the short, medium and long term. Thus, a critical evaluation process is followed to determine material aspects and key issues are identified through a stakeholder engagement process. The materiality analysis plays an important role in identifying the relevance and importance of stakeholder issues and concerns.

Report Scope

Material topics are also considered and analysed from the perspective of Ambeon Holdings PLC and its subsidiaries. Through continuous dialogue with our stakeholders, the Group is able to identify the different topics which concern our stakeholders. The stakeholder engagement process (which is explained separately) plays an important role in the materiality mapping and analysis process within the Ambeon Group.

Our Approach to Materiality

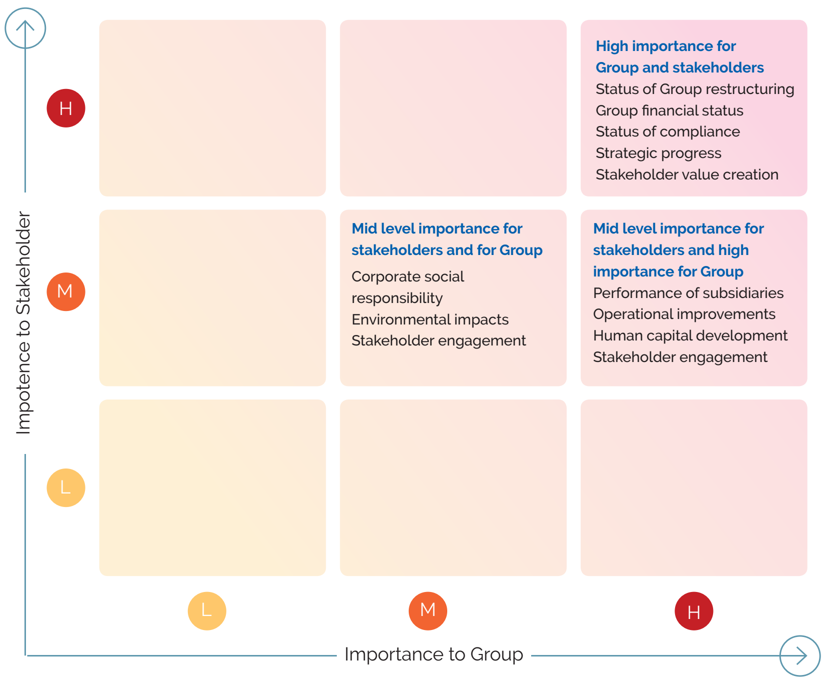
The material topics (from a Group and Company perspective) are identified by the leadership teams of all Ambeon companies through a strategy development process. This process gives a prominent role to internal stakeholders by including employee surveys and considering concerns voiced by them.

The materiality analysis is conducted individually by each of the Group's subsidiaries; the materiality mapping of key topics are then refined and consolidated at the Group level, taking a holistic view of these material topics' impact on the Group. As a part of this process, topics are given a rating based on the potential and level of impact on the Group and key stakeholders.

The materiality analysis process is undertaken on an annual basis. This ensures that the Group's business operations are not suddenly impacted. It also provides an opportunity for all stakeholder concerns to be addressed and ensures alignment with the future sustainability of the Group within the overall strategic vision 2020. The identified material topics are continually monitored through the Group's centralised risk management and governance processes to ensure protection of various assets and reputational integrity.

Materiality Mapping

The below chart shows the material topics which were identified and focused on during the year under review.



Navigating the Material Topics

Material Topic	Reporting Section	Page No.
Status of Group restructuring	Group MD/CEO's Review	14
	Financial Capital	97
Group financial status	Financial Capital	97
Status of compliance	Governance and Compliance	26
Strategic progress	Group MD/CEO's Review	14
	Capital Management Review	97
Stakeholder value creation	Capital Management Review	97
Performance of subsidiaries	Sectoral Performance	65
Operational improvements	Sectoral Performance	65
Human capital development	Sectoral Performance	65
	Capital Management Review	97
Corporate social responsibility	Sectoral Performance	65
	Capital Management Review	97
Environmental impacts	Sectoral Performance	65
	Capital Management Review	97
Stakeholder engagement	Stakeholder Engagement	56

OPERATING ENVIRONMENT

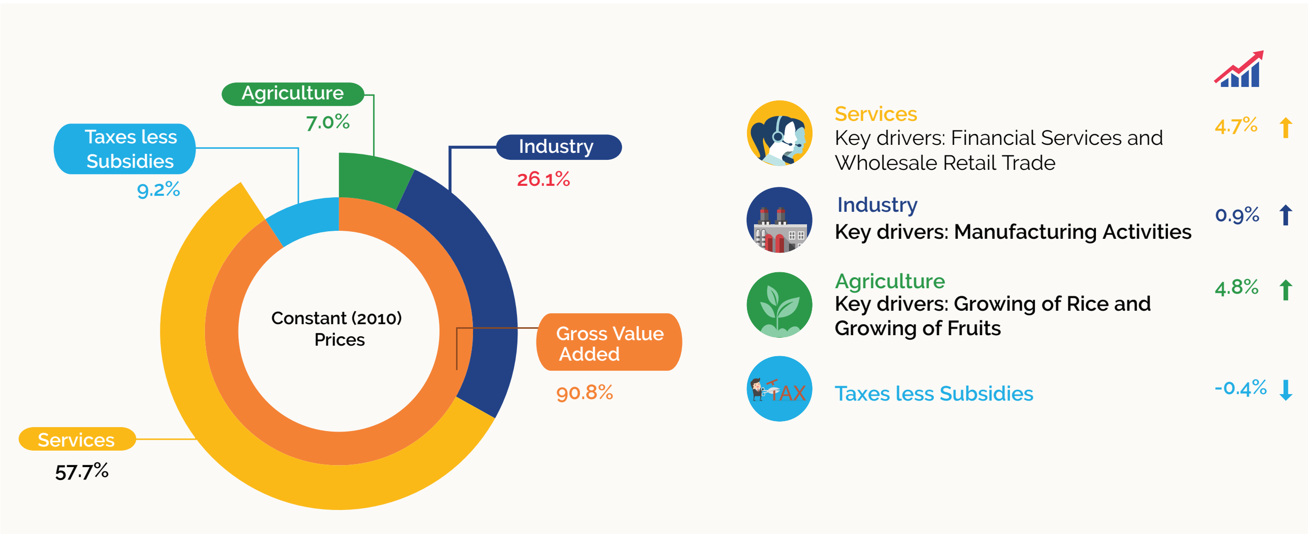
Overview of the Global Economy

Following a strong cyclical growth in 2017 (4%) and the first half of 2018 (3.8%), the global economy experienced a slowdown during the latter half of 2018 (3.2%). This was mainly due to a confluence of factors which negatively impacted growth in major global economies. Declining business confidence, tightening of financial conditions and higher policy uncertainty experienced by both emerging markets and developing economies greatly contributed to this situation. The subdued growth momentum was further exacerbated by increasing trade tensions and tariffs volatility between China and the United States. Resultantly, the global economic growth was recorded at 3.6% in 2018.

With a 3.3% growth projection for 2019 by the International Monetary Fund (IMF), this lacklustre growth continued through the early part of 2019 as well. The slower growth in the first six months of 2019 is however expected to reverse itself in the latter half of the year. This is expected to be supported by more favourable policy stimulus in China, improved investor sentiments in global financial markets, the declining adverse economic conditions of Euro region economies, and the stabilisation of prevailing negative conditions in emerging market and developing economies.

Overview of the Sri Lankan Economy

Sri Lanka's economic growth reduced in 2018 to 3.2% compared to 3.4% achieved in 2017; this is the impact of both global and domestic factors. A significant impact from a global perspective was the tightening of global financial conditions resulting in capital outflows from mid-April 2018 (due to increasing strength of the US Dollar). Country-specific conditions resulted in the downgrade of Sri Lanka's sovereign rating, thus creating a negative investor perception and resulting in a slowdown in growth momentum. The decline in industrial sector activities (propelled by the setback in construction and mining activities) also contributed to the reduced economic growth. Agriculture and the services sectors of the economy nevertheless demonstrated a growth of 4.8% and 4.7% respectively.

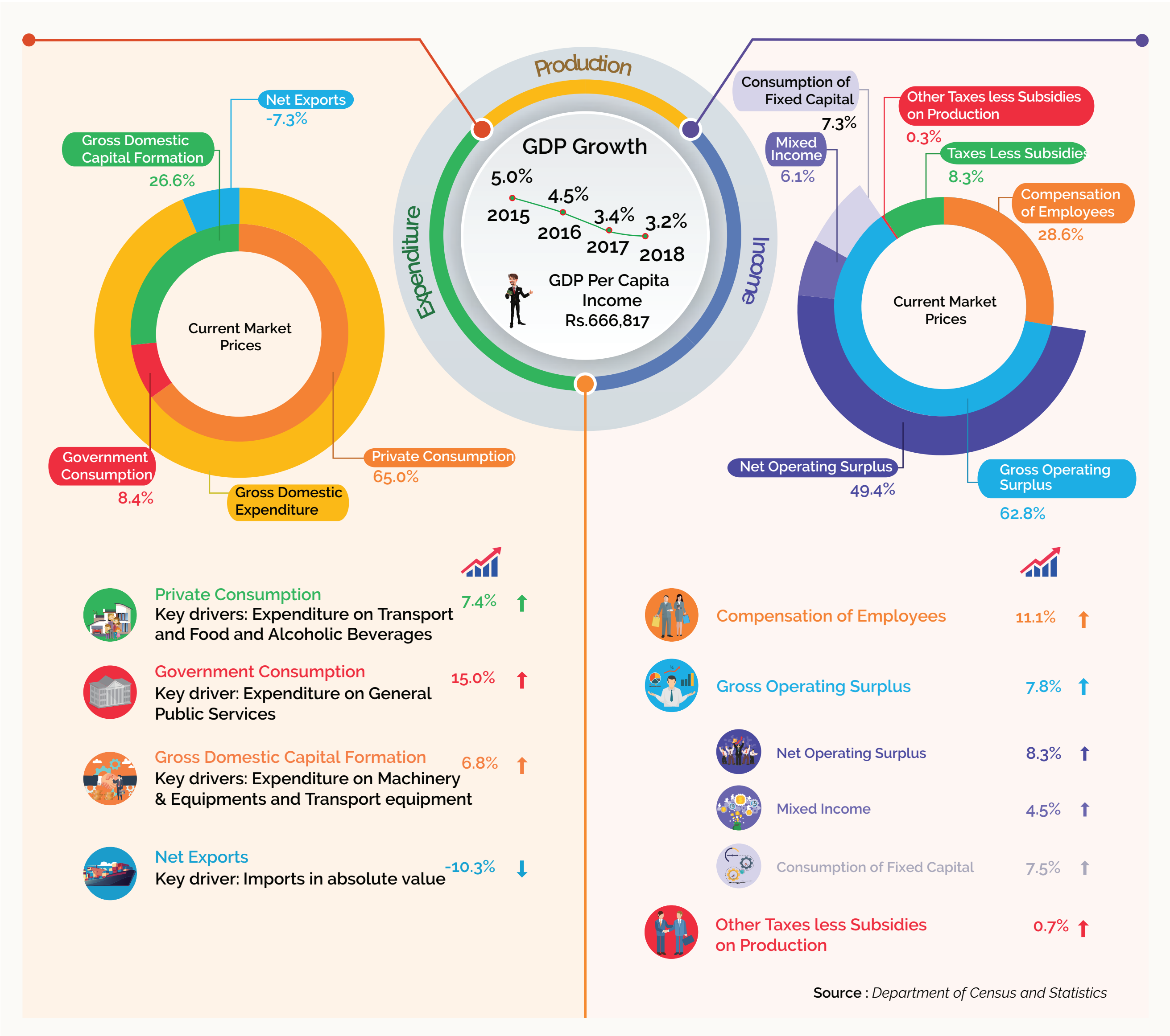


(Source: Central Bank of Sri Lanka Annual Report 2018, Chapter 1, p. 48)

Source: IMF World Economic Outlook, April 2019, Executive Summary. Retrieved from https://www.imf.org/en/Publications/WEO/Issues/2019/03/28/world-economic-outlook-april-2019#Chapter%201

Source: Central Bank of Sri Lanka Annual Report 2018, Chapter 1

Economic growth was also dragged down by policy uncertainly (which prevailed throughout the year). The political upheaval in the fourth quarter of 2018 exacerbated an already weakened economy, resulting in a significant decline in economic growth by 1.8% as reported by the Central Bank of Sri Lanka. The strengthening of the US dollar, the political uncertainty and tightening liquidity conditions in the domestic foreign exchange market resulted in a 16.4% depreciation of the Sri Lankan Rupee against the US dollar and other major world currencies (by varying degrees). A significant increase in prices of imported goods & services combined with a weaker net external demand helped manifest a negative impact on the external sector of the economy. Resultantly, the trade deficit surpassed USD 10 billion for the first time in Sri Lanka's history.

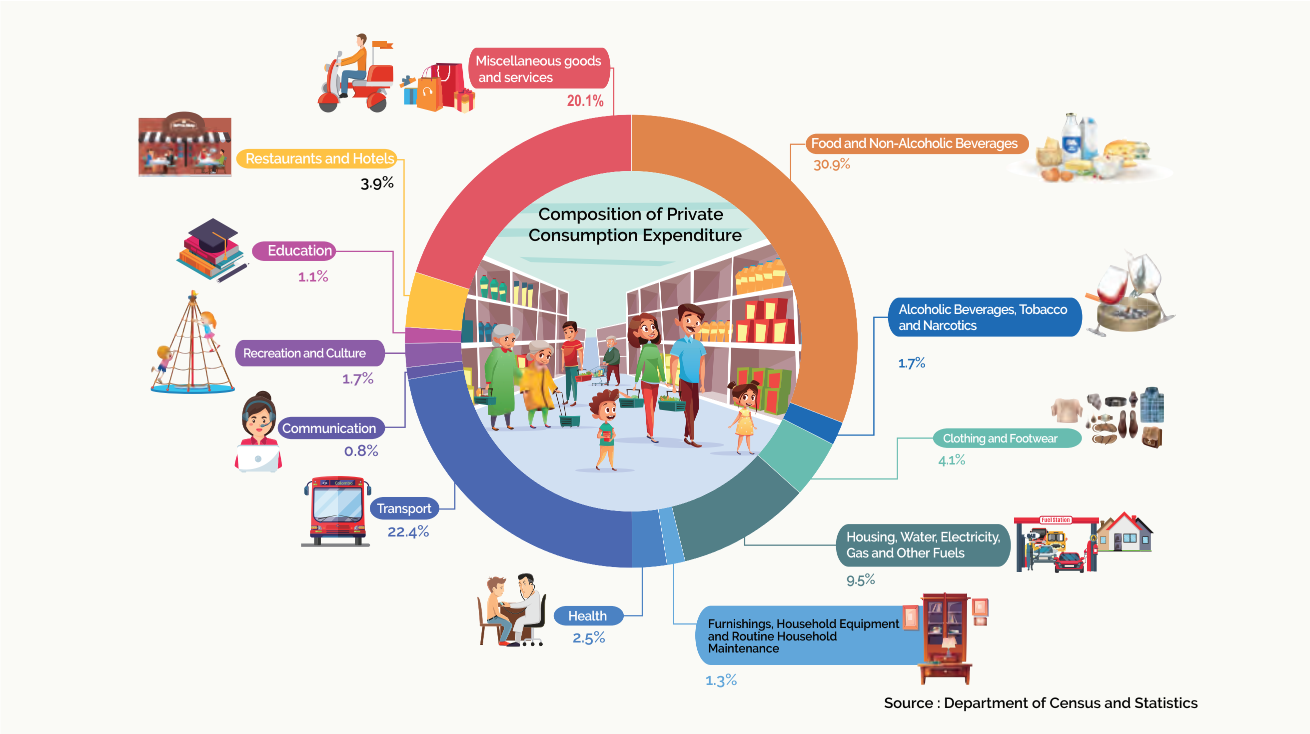


(**Source:** *Central Bank of Sri Lanka Annual Report 2018, Chapter 1, p. 48)*

GDP growth was supported by both private and government sector consumption (which accounted for approx. 78.8% of the aggregate expenditure of the economy) growing by 8.3% in 2018 compared to 10.3% growth in 2017. The 7.4% private sector consumption expenditure growth was mainly supported by increased expenditure on food and non-alcoholic beverages; clothing and footwear; expenditure on housing, water, electricity, gas and other fuels; transportation; and spending at restaurants and hotels.

Source: https://www.cbsl.gov.lk/en/statistics/statistical-charts

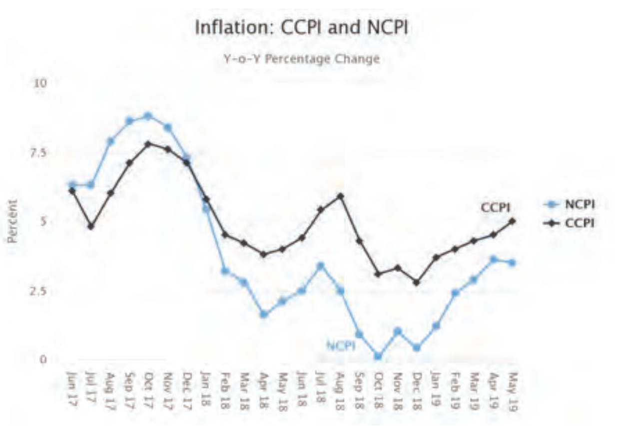
OPERATING ENVIRONMENT



Source: *Central Bank of Sri Lanka Annual Report 2018, Chapter 1, p. 79)*

Headline and core inflation remained subdued during 2018 as the Central Bank of Sri Lanka ended the tightened monetary policy regime in April 2018 and reduced the Standing Lending Facility Rate (SLFR) by 25 basis points. Headline inflation (measured by the Colombo Consumer Price Index (CCPI)) recorded an overall decline by end 2018, reducing to 2.8% compared to 7.1% YOY. Core inflation measured by the National Consumer Price Index (NCPI) followed the same trend as the CCPI, declining sharply to 0.4% by end December 2018 compared to 7.3% YOY. Headline inflation rates also remained at low single digit levels during 2018 with YOY core inflation (based on CCPI) recording a moderate growth reducing to 3.1% by end 2018 (from 4.3% as at end 2017). Core inflation (based on the NCPI), accelerated marginally to 3.1% by end 2018 (from 2.7% recorded at the end of 2017).

The Average Weighted Call Money Rate (AWCMR), was impacted by the revision in policy interest rates by the Central Bank in April and November 2018. The AWCMR, which was 8.15% as at end December 2017, continued the downward trend due to surplus liquidity in the domestic money market until end March 2018. The AWCMR realised a temporary increase towards the end of March 2018 due to the misinterpretation of the effect of the withholding tax adjustment by commercial banks. The increase in policy rates at the beginning of April 2018 (due to the reduction of the Standing Lending Facility Rate (SLFR) by 25 basis points) caused the AWCMR to decline below 8%. While some stabilisation was achieved thereafter, the Central Bank's second policy rate change in November 2018 caused further upheaval in the AWCMR towards the last quarter of 2018 resulting in the AWCMR reaching 8.95% as at end December 2018.



Source: *Central Bank of Sri Lanka Annual Report 2018, Chapter 1, p. 79)*

Source: Central Bank of Sri Lanka Annual Report 2018, Chapter 8, pp. 278-179

SECTOR PERFORMANCE

REVIEWS

Industry Operating Environment

The Sri Lankan Apparel industry is a USD 5+ billion market and is expected to grow to USD 8+ billion by 2023. Textile manufacturing, which is a sub-sector of this industry, grew by 3.6% during 2018 compared to 2.3% recorded in 2017. As a textile manufacturer supplying to the Sri Lankan apparel industry through customer orders as well as a direct exporter to global clothing brands, SAT is in a lucrative position to benefit from this growing market. Weft knit fabric constitutes approximately USD 650 to 700 Mn in annual revenues, while knit fabrics accounts for approximately 55% of Sri Lankan apparel production of which approximately 45% is imported. As a specialist organic Weft Knit fabric manufacturer, SAT is well-placed to increase its market share in the coming years and pursue opportunities to increase both global and local market share.

Sector Performance Reviews

TEXTILE MANUFACTURING SEGMENT

Revenue
Rs. 8,296 Mn

Profit after tax grew by
52%

Total Employees
1,200 approx.

Fully fledged manufacturing plant operating on a 76 acre land in Pugoda

Investment in
Waste Water Treatment Plant

Increased utilisation of biomass

International certifications and standards

Capacity to manufacture
800,000 kilograms of textiles
per month

Owns and operates
Sri Lanka's third-largest textile manufacturing facility in Pugoda

Sector Performance Reviews

TEXTILE MANUFACTURING SEGMENT

The textile manufacturing segment of Ambeon Holdings PLC comprises South Asia Textiles Limited (SAT) which was acquired by the Group during the financial year 2011/12. In the last five years, the Company has grown at a CAGR of 11.40%.

The year under review was a successful one for the Company, having achieved a revenue of Rs. 8,296 Mn (compared to Rs. 7,745 Mn in the previous financial year), despite challenging market and economic conditions. The Company's total sales volume remained stable compared to the previous year, reinforcing the Company's belief that maintaining high quality standards coupled with speed to market, improved programmes on speed and efficiencies, ethical and environment-friendly business practices will result in a demand for products, while strengthening the loyalty of the existing customer base. Meanwhile, the Profit after tax grew by 52%.

Strategic Focus for 2018/19

During the year under review, SAT continued to focus on increasing its presence in the global market through a market penetration strategy. To ensure that the Company retains its position as one of Sri Lanka's pioneer textile manufacturers, the Company continued to strategically improve product quality by enhancing manufacturing processes and investing in new technology and machinery to achieve the highest quality standards. In addition to this, SAT continues to subscribe to international certification standards and has also implemented the quality circle concept to ensure quality remains a key focus within the entire organisation.

Sustainable manufacturing and business practices also remained an important aspect for SAT. During the year under review, the Company completed the expansion of the effluent treatment facility and has pledged to become a 'zero discharger' of hazardous chemicals by 2020.

Key Development During the Year

During the year under review, SAT upgraded its Waste Water Treatment Plant (WWTP) at a cost of USD 1.5 Mn and in a new Finishing Machine valued at USD 1.2 Mn. The upgraded WWTP is capable of handling a higher volume of effluent with greater efficiency. The new Finishing Machine has a higher output of 20% compared to older machines.

Key developments from a sustainability perspective was increasing utilisation of renewable energy resource such as biomass as an energy cost optimisation strategy.

From a research and development perspective, SAT developed a new 'Polyester with Elastane' product which can be promoted to the renowned fashion brands world over.

About South Asia Textiles Limited

South Asia Textiles Limited (SAT) is a leading Sri Lankan manufacturer and supplier (exporter) of organic weft knitted fabrics made from cotton and polycotton blends. Since the Company's inception in 2004, SAT has developed strong competencies in product development, manufacturing and customer service. These competencies together with focused efforts on ethical manufacturing practices and highest levels of quality standards have resulted in the Company becoming a principal supplier of knitted, dyed, finished, printed, brushed, suede and pre-shrunk fabrics for globally renowned brands such as Victoria Secret, Next, Marks & Spencer, Tesco, Calvin Klein, Decathlon, and Adidas.

Today, SAT owns and operates Sri Lanka's third-largest textile manufacturing facility located in Pugoda with the capacity to manufacture 800,000 kilograms of textiles per month and is operated by a team of dedicated and highly trained employees. The Company's employees totalled 1,200 approximately people as at 31st March 2019.

Certifications and Accreditations

SAT continued to be accredited with the below certifications and standards by our key customers and other business partners.

- In-House Testing Lab accredited by GAP, Marks & Spencer, NEXT, LACE and Limited Brands (VS/Express)
- Tier 1 Supplier - Limited Brands
- Colour Lab C41 certified by Marks & Spencer for Self - Colour approval
- Oeko-Tex Standard 100 Class I Certified
- BCI Certified
- WRAP Certified - Gold
- GOTS - Organic 100
- SGS Certified for Decathlon - Class B
- C99 certified by Marks & Spencer for Environmental/Waste management

Future Direction

SAT continues to be one of the five major players in Sri Lanka's textile industry – one which is dynamically changing due to the developments and enhancements in technology. SAT will therefore continue to enhance and upgrade manufacturing processes and procedures to remain relevant within the industry's operating environment as well as to meet the changing needs of customers. Future plans to upgrade and modernise manufacturing facilities are underway. The new machinery will not only enhance manufacturing processes but will also help achieve SAT's sustainable manufacturing goals in the long term.

Innovation and research & development will become a key strategic focus for the Company in the coming years and will be the primary drivers of sustainable competitive advantage. Plans are in place to make substantial investment in these areas helping to fuel the continued success and growth of the business.

Capacity expansion is another key consideration in the coming years. With plans to increase product offering and increase global textile market share, the Company will require to add capacity to meet the future demands.

Industry Operating Environment

The commercial ceramic industry of Sri Lanka dates to Colonial times when a Royal Commission recommended ceramics as a suitable industry for the Country. The industry underwent a paradigm shift in the 1960s, when a Japanese porcelain manufacturer decided to invest in Sri Lanka at a time when foreign direct investments were limited due to the perception that a socialist government would not encourage investments. Since then, the industry has enjoyed manifold growth and success, having won many accolades for export performances and as a high-quality manufacturing location compliant with safety, environment and social standards. The superior quality and intricate workmanship of the industry's tableware products has resulted in three Sri Lankan porcelain tableware designs being selected as the preferred choice for the Oscar Awards banquet on three consecutive occasions.

Today, the industry has expanded to include companies engaged in porcelain earthenware, tableware, floor & wall tiles, bath & sanitaryware, ornamental ware, utility ware, red clay roofing tiles, bricks, and glass containers. However, the changing economic conditions and the advancement in technology leading to the globalisation of industries and business success, is today causing challenges for the Sri Lankan commercial ceramic industry. These challenges which range from taxation and import duties to lenient import regulations and a lack of regulated quality standards are causing difficulties for companies to successfully expand and grow in current domestic and global economic climes.

Sector Performance Reviews

PORCELAIN MANUFACTURING SEGMENT

DANKOTUWA World-class tableware AN AMBEON COMPANY

Royal Fernwood Porcelain AN AMBEON COMPANY

The Porcelain Manufacturing Segment of Ambeon Holdings PLC comprises of Dankotuwa Porcelain PLC (DPL) and Royal Fernwood Porcelain Limited (RFPL). Both Companies operate in distinct markets and enjoy a relatively high combined market share of over 50% of the domestic porcelain market. The competitive advantage retained by the segment is the high-quality of products together with a wide variety of tableware which caters to a diverse clientele. Keeping with modern trends, the Dankotuwa and Royal Fernwood products are cruelty-free and environment-friendly as the raw material used for the manufacturing of these products are free of animal bone-ash, Cadmium and Lead, thereby offering products with the health and safety of consumers in mind. The segment also offers products which are microwave safe, scratch-proof, dishwasher safe, and in certain instances, light in weight. The products are also manufactured to conform to high standards of European and American quality requirements as well as international food, health and safety standards.

Over the past five years, the segment has grown at a CAGR of 5% to reach Rs. 2,179 Mn as at 31st March 2019.

Strategic Focus for 2018/19

The porcelain sector's focus during the year under review was to increase market share and cater to the varying needs and demands of their very diverse target markets both in the global and local space. Accordingly, resources were allocated to diversify the product range from traditional tableware to porcelain gift items, jewellery etc, while research and development initiatives were strengthened for the sector. Innovative marketing practices were also implemented during the year with a special emphasis given to improving the sector's digital and social media presence.

In order to improve cost efficiencies and streamline the overall production process, manufacturing process improvements were also an area of focus during the year under review. This resulted in the porcelain sector improving its overall efficiency and meeting new product manufacturing requirements.

Sector Performance Reviews

PORCELAIN MANUFACTURING SEGMENT

Dankotuwa Highlights

A strong market share in the domestic HORECA and B2B market space

Improvements in productivity and practice of efficient production processes enabled the Company to maintain an optimal **workforce of 669 employees in 2018/19**

Focused efforts to improve employee engagement and motivation levels through the ICARE initiative

ISO 9001:2015 and CTPAT certified

Investment in manufacturing process expenditure during 2018/19

Rs. 52.3 Mn

More than 100 new product Developments during 2018/19

Total dealer network

271

Increased domestic market revenue by 24% during 2018/19

04 new partnerships with leading retailers in Sri Lanka to increase reach of our products across the Nation

Customers across 50 countries

DANKOTUWA PORCELAIN PLC

DANKOTUWA
World-class tableware
AN AMBEON COMPANY

The year under review was a year of transformation for Dankotuwa Porcelain PLC (Dankotuwa). Many of the strategic changes implemented, ensured positive outputs, resulting in a turn around compared to the previous loss-making situation. The Company's conscious decision to focus on improving high-margin orders and reduce output in low-margin products also contributed to a top-line growth (despite a slight reduction in sales volumes).

The business enjoyed a relatively good year despite the challenging operating conditions which prevailed in the domestic market; this resulted in transformational progress in order to meet the strategic goals of the segment.

https://ambeonholdings.com/porcelain/

Sector Performance Reviews

PORCELAIN MANUFACTURING SEGMENT

About Dankotuwa Porcelain PLC

Dankotuwa Porcelain PLC (Dankotuwa) was incorporated in 1984 and is a premier porcelain manufacturer marketing across Sri Lanka and 50 other countries.

With over three decades of expertise in porcelain design and manufacture, Dankotuwa has earned a reputation for manufacturing and marketing high-quality porcelainware, known for being elegant and differentiated and targeting a discerning clientele.

The Dankotuwa name has today become synonymous with the brilliant whiteness, with a sense of pristine beauty, free from lead, cadmium and animal bone ash. All products are manufactured according to the requirements of ISO 9001:2015 and exported to meet CTPAT certification requirements.

The Company's Signature Showroom is in Colombo 7, while there are six other showrooms in key locations across Colombo and Negombo. The Company's advanced manufacturing facility is in the town of Dankotuwa and has a capacity to produce approximately 6.5 Mn porcelain products per annum.

Key Development During the Year

Market Reach and Product Development

A key development for the Company was the increased domestic market penetration achieved by the consolidation of modern trade channels through established partnerships with leading retail brands such as Arpico and Damro. This together with the enhanced dealer network increased accessibility and penetration of the organziation's products across Sri Lanka. Expanding distribution channels greatly helped extend the Company's reach and resulted in a domestic revenue growth of 24% in the year under review.

Financial Year	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Local Sales Value - Rs.'000	678,260	549,072	848,210	787,839	734,791	640,202
Growth / (erosion)	24%	-35%	8%	7%	15%	-

The Company's newly opened showrooms in Negombo and the Crescat Boulevard are strategically placed in close proximity to five-star hotels in Colombo, catering to both local and foreign customers, have performed well during the year under review, and so has the refurbished Signature Showroom which has seen increased footfall during 2018/19. With these additions, Dankotuwa now operates six showrooms in key locales in the country.

To meet new trends in customer preferences for gifts, specialised items such as diyas (pahan) and porcelain jewellery were introduced during the year under review. Focused efforts were made to partner with gift centres and specialist outlets such as Zesta Tea. DPL actively targeted boutique outlets located in urban and semi-urban cities and towns to reach an actual and potential target audience with these new range of products.

To cater to various target audiences, Dankotuwa re-introduced the value-for-money heritage brand, Laklain to the local market. Currently with several new offerings that feature a similar high-quality standard to the more upmarket Dankotuwa Porcelain brand, Laklain is marketed at a more affordable price point with easy customer accessibility. Laklain products are manufactured at the same ISO-certified facility as Dankotuwa Porcelain (under the same factory conditions). These products too are manufactured using the traditional raw materials which are Lead (Pb) and Cadmium (Cd) free. Similar to Dankotuwa Porcelain products, Laklain products also do not contain any bone ash so they are completely free of animal cruelty. Depending on the design, Laklain products can also be microwave and dishwasher friendly, thereby making it the ideal tableware brand for daily use.

The Company's international market reach was strengthened tremendously during the said financial year; with the Company renewing its partnerships with existing partners while acquiring new clients in Europe and Scandinavia. Our presence in the Middle Eastern region was strengthened thanks to our local partner within the region, Jashanmal. Dankotuwa was also able to recover and renew its relationship with Macy's (US) with the re-instatement of the CTPAT certification.

The Company's efforts to explore the European markets was clearly visible in its participation at Ambiente, the world's leading trade fair for consumer goods held annually in Germany. During the year under review, Dankotuwa exhibited more than 124 new commercial developments which was an achievement when compared to previous years.

Manufacturing and Quality Improvements

Aligning with the Vision 2020 strategy (which included process improvements in manufacturing), Dankotuwa undertook a complete process and value-stream mapping, thereby enabling the implementation of selective automation processes and process re-engineering throughout the factory. While these measures increased the overall productivity and efficiencies of our manufacturing plant, it also enabled maximum capacity utilization and maintained the overall annual production capacity without additional capital infusion.

Quality improvements was another aspect on which Dankotuwa focused on during the year under review. The Company set up quality circles and undertook many quality improvement initiatives with active participation from employee. Most workable measures were adopted by the manufacturing department.

Focus on Employees

During the year under review, the Company also concentrated its efforts to improve employee motivation through the I-CARE initiative within the Dankotuwa factory. Positive results were experienced through this programme with employees becoming more engaged in their work, with marked improvements being seen in their performance. Furthermore, for the first time within the company's history, the management entered into a three-year collective agreement with the Trade Union of which 54% of DPL's employees are members. This clearly

Sector Performance Reviews

PORCELAIN MANUFACTURING SEGMENT

showed the success of DPL's efforts to create a more cordial, inclusive and mutually beneficial management-employee relationship, vital to create value for all stakeholders in the long term.

Performance

The all new transformed organization performed significantly well during the year under review despite the challenging local market conditions which resulted in reduced consumer spending. The concentrated strategic focus of Dankotuwa (discussed above), resulted in an increase of domestic revenue during the year under focus to Rs. 678 Mn from Rs. 549 Mn, which was a 24% increase. Furthermore, the profitability of the Company saw a complete turnaround, recording Rs. 238 Mn compared to the loss of Rs. 81 Mn realised the previous year. Excluding fair value gain on investment property, the Company still posted a turnaround from a loss before tax of Rs. 153 Mn to a profit before tax of Rs. 40 Mn reflective of core performance improvement.

Future Direction

In the coming year, increasing market share both domestically and globally will continue to remain a primary focus for the Company, with plans to further expand distribution through partnership with retailers including setting up of new showrooms. One such showroom will be at the Shangri-La Hotel, Colombo, and is expected to be operational by the third quarter of 2019.

Dankotuwa will also continue to focus on product innovations to meet changing customers tastes, preferences and fashions in the years to come. One such new product - the Ivory-coloured product range for tableware, was introduced to the market during the first and second quarter of 2019/20. Value additions to existing products will also be an important part of Dankotuwa's efforts to offer trendy and quality products to customers. As such, Dankotuwa will utilise the expertise of it's subsidiary - Royal Fernwood Porcelain Limited to yield synergies which will increase the combined strength of both companies in the marketplace.

Further, capital investments are planned in the coming year to upgrade infrastructure and to further enhance output and efficiency to retain its leadership position in the industry.

As part of the Company's efforts to improve its marketing reach, an innovative e-commerce concept with 3D imaging capability is planned to be initiated in the medium term to cater to the changing shopping habits of the target consumer.

Royal Fernwood Porcelain
AN AMBEON COMPANY

ROYAL FERNWOOD PORCELAIN LIMITED

Royal Fernwood Porcelain Limited (RFPL) mainly focuses on the export market with nearly 70% of revenue generated from export operations. The Company's primary target market are the young and contemporary millennials who are in search of high-quality, fashionable and value-for-money porcelain products. The Company's expertise in glazes, colours, and hand painting make us a favourite porcelain brand amongst our target consumer group.

The Company's success is proven by the Silver Award received in the Minerals and Mineral Based Products Sector Large Category at the NCE Export Awards 2018.

https://
ambeonholdings.com/
porcelain/

Sector Performance Reviews

PORCELAIN MANUFACTURING SEGMENT

RFPL Highlights

62 new products introduced to the market during 2018/19

04 new partnerships with leading retailers in Sri Lanka to increase reach of our products across the Nation

Total Employees 534 - increased by 9% during 2018/19

Enjoys cordial relationships with the Trade Union of which 53% of our employees are members

New incentive scheme to distribute additional earnings has resulted in highly motivated employees

Continue to focus in R&D through new investments

Certifications – CTPAT/ISO 9001:2015/ BSCI/SMETA

Investment in manufacturing process expenditure during 2018/19 **Rs. 17 Mn**

Exports to over **40 countries worldwide**

Manufactures products for over **15 international brands**

About Royal Fernwood Porcelain Limited

Royal Fernwood Porcelain Limited (RFPL) was incorporated in 1994 to manufacture and export high quality Sri Lanka porcelain products to global markets. Commercial production commenced in 1997 with the first export order to the United Kingdom. RFPL was acquired by Dankotuwa Porcelain PLC in 2013 as a part of its product diversification strategy.

Today, RFPL enjoys a global reputation in the porcelain tableware industry as a reliable supplier to leading porcelain brands in Europe, Japan, Australia, Middle East, Scandinavia, and the USA. Key clients include premium household brands such as Debenhams, Portmeirion, Oneida, House of Fraser, John Lewis, Jashanmal, Jumbo Retail, Joules, Crate & Barrel, Country Road, Laduree, Tchibo, Lenox, Notneutral, XXX Lutz, Porsgrund, Fischer, Ritzenhoff, Migross, Ripley, Thun, Yalco, Narumi, El Corte Ingles, Berghoff, Weissesstal, and Galeria Kaufhof.

RFPL's manufacturing facilities are in Kosgama, approximately 35 kilometres from the Colombo Port. Comprising of a floor area of over 15,000 square meters, the factory operates on technologically advanced machinery from Netschz Gmbh of Germany, Drayton Kilns Co. Ltd of the UK, and Kajiseki (Takahama) and S.K.K. of Japan. Utilising modern methods of production, the factory has a capacity to produce over 6 Mn porcelain products annually.

Key Developments During the Year

To meet its strategic objectives, the Company continued its efforts to enhance internal process efficiencies while upgrading manufacturing processes and equipment as an overall effort to deliver higher quality products. These improvements, which have been implemented within the last couple of years, have now enabled the Company to ship products within six weeks of receiving an export order, thereby increasing RFPL's on-time delivery levels to range between 95% to 100%.

Training and development for employees was also another key area of focus during the year under review. Production of porcelainware is labour intensive. Therefore, it is imperative that employees are well-versed in meeting new production standards and learning new techniques in porcelain manufacture in order to cater to tomorrow's consumer, today.

As part of our focused efforts to increase share in the domestic market, the Company has embarked on partnerships with local supermarkets such as Arpico and other retail chains to make our products accessible to our target market.

The Company successfully obtained the contract to produce 360,000 mugs for Milo, a Nestle Group brand, as part of their efforts to increase company presence in the domestic promotional gift items market. This resulted in the Company being nominated to supply promotional items to the Nestle South Asia region in the coming years.

RFPL continued to develop new products during the year under review to increase the choices available for the consumer and ensure alignment to changing consumer trends, preferences and demands. As such during the year under review, 62 new products where introduced to both the domestic and export markets. One innovative product were introduced for domestic consumers was the first-ever porcelain rice cooker which has been received well by our target market.

Continuing the trend to ensure quality in various forms, the Company obtained the Customs-Trade Partnership Against Terrorism (CTPAT) certification, which is a voluntary supply-chain security program led by US Customs and Border Protection, focused on improving the security of private companies' supply chains with respect to terrorism. This CTPAT certification guarantees safety in transport of products to meet the standards required by the US customers.

Performance Amidst Challenging Operating Environment

The Company's biggest challenge during the year was the subdued Sri Lankan economic conditions which slowed down planned business growth in the domestic market. However, despite lower consumer spending, the Company was able to increase domestic sales revenue by Rs. 98 Mn, which stood as testament to quality and value provided to consumers. Increasing fuel costs coupled with the depreciation of the Sri Lankan rupee (which increased the costs of imported raw materials), had a formidable impact on the cost of production. However, as the Company's main source of revenue was from dollar-based exports, these factors had only a muffled impact on the overall bottom line growth of the Company.

From a sales perspective, the Company's performance significantly improved, with sales volumes increasing by 13% resulting in a revenue growth of Rs. 107 Mn to Rs. 951 Mn during the year under review. The Company's extensive efforts to improve process efficiencies and manage costs helped derive a 13% increase in gross profits with a resultant 51% increase in net profit.

Future Direction

In the years to come, an area which will be critical to retain market leadership will be the use of technology and the automation of certain production processes to maintain output and consistence in quality. As acquiring and retaining skilled labour continues to be one of the greatest business challenges, it is imperative that the Company identifies various tactics to attract and retain employees with the relevant skills levels and build long term relationships with them. Training and development will therefore continue to be a key focus area in order to ensure long term sustainability of the business.

Industry Operating Environment

With Sri Lanka graduating to a middle-income country, there is an increasing focus on ICT services, this, which has caused the industry to grow at a rapid pace. With over 300 home-grown ICT companies, the industry is now the fourth largest export earner for Sri Lanka. The industry is well positioned to capitalise on emerging opportunities and increase its presence in the Region.

The Vision 2022, as stated by the Strategy Document 2016 of the Sri Lanka Association of Software and Service Companies' (SLASSCOM) foresees "the Sri Lankan ICT sector becoming a US$ 5 billion industry, creating 200,000 direct jobs and enabling the launch of 1,000 start-ups."

Today, the country's ICT industry mainly exports to markets in North America, Europe, Australia, East Asia, the Middle East, and Africa, while Sri Lanka acts as an offshore development centre for Fortune 500 companies in the US, Ireland, the UK, Australasia and Sweden.

From a domestic perspective, the ICT industry has steadily become more competitive with the advent of new players and the easy access to obtain services from regional or other global players. Thus, strategic partnerships with global brands are becoming important to maintain a competitive advantage. Furthermore, there is an increasing demand for technology by companies to increase efficiency and effectiveness as well as provide ever-improving customer service experiences. As such, demand for technology-based solutions is increasing while product-based services is reducing. Thus, the potential for innovation in the industry is increasing with opportunities opening for Sri Lankan ICT operators to create their own intellectual property rights.

From the perspective of domestic industrial sectors, demand from the telecommunications sector is expected to become saturated in the next few years, while much opportunity for technology advancements abounds in the Manufacturing, Banking and Financial Services, and the Extra Low Voltage industries which are transforming with the advent of new technological capabilities.

Cloud technology and Internet of Things (IoT) have transformed the landscape of the ICT industry both globally and in Sri Lanka in the last few years. Hence, much opportunity exists for companies operating in the industry to capture these emerging opportunities and create niche markets catering to these industries.

Sector Performance Reviews

TECHNOLOGY

Global partnerships with leading brands such as

Oracle, CISCO, Microsoft, IBM, Dell, Hitachi and Infosys

Employs over 255 skilled, knowledge workers

Sri Lanka's highest ranked IT company for Corporate Accountability

Profit growth in excess of

30%

over prior year

Award winner 'Great Place to Work'

Rolled out South Asia's largest IPTV initiative

Sector Performance Reviews

TECHNOLOGY

The Technology Segment of Ambeon Holdings PLC comprises of Millennium I.T.E.S.P (Private) Limited (Millennium IT ESP) which was acquired in December 2017, making this year under review, its first full year of operations under the Ambeon brand.

As an entity of its own, Millennium IT ESP was formed in 1996 and has over 23 years of experience.

Strategic Focus for 2018/19

As the newest subsidiary of the Ambeon Group, Millennium IT ESP's focus during the year under review was to align business strategies to Ambeon Group's 2020 vision while re-consolidating the Company's position and business potential as a leading systems integrator in Sri Lanka. Thus, the Company focused its efforts to re-establish its presence in the market under a new brand and parent as building confidence amongst key stakeholders was priority.

Furthermore, as a part of the new strategic direction, focus was given to increase domestic market share in order to create a sustainable foundation to launch into overseas markets within the next couple of years by leveraging on existing core competencies.

Key Development During the Year

Having operated in the Sri Lankan market for over 20 years, Millennium IT ESP's most valuable assets is its solid track record with long-standing customers. Majority of the Company's long-standing customers are leading corporates experiencing consistent year-on-year growth. As such, the Company's key directive during the year under review was to ensure credibility amongst existing customers despite the change of ownership. Millennium IT ESP remained focused on achieving company vision while continuing to serve clients at the highest level of expertise and quality. Similarly, the Company also made a conscious effort to strengthen ongoing global and local principals beyond business structures, for that was a focal point during the year, both to expand and explore new opportunities. The renewed resources and strategic inputs from Ambeon Group made this journey a smooth and mutually beneficial one.

As the Company is predominantly a service provider of software products and solutions, people are a key priority and the most valuable asset. As such, the Company focused on re-assuring employees of the potential growth trajectory Millennium IT ESP was able to achieve by aligning the organization to the wider vision of the Ambeon Group.

During the year under review, the Company undertook targeted measures to attract a new generation of employees with the latest technical skills, know-how of current technologies and fluency in advancements prevalent in the global marketplace. In order to achieve this, Millennium IT ESP works with leading universities and technology institutions to attract the right calibre of IT graduates in order to maintain competitive advantage in today's increasingly challenging industry environment.

About Millennium I.T.E.S.P (Private) Limited

Millennium I.T.E.S.P (Private) Limited (Millennium IT ESP) was incorporated in 1996 and has evolved over two decades of business operations to emerge as one of Sri Lanka's leading system integrators offering a wide range of information technology related products, services and solutions. The Company's clients comprise of local and global small and medium businesses to blue chip companies in a wide range of industries including telecommunications, banking/financial services, insurance, apparel manufacturing, and hospitality services. The Company's success is built on the concepts of innovation, customer first and highest operations standards.

Global partnerships with leading brands such as Oracle, CISCO, Microsoft, IBM, Dell, Hitachi and Infosys have accorded Millennium IT ESP with a reputation for excellence which is re-iterated by an array of local and international awards received over the years.

From a business project perspective, key developments include the launch of the second phase of the SLT PEO TV implementations and the conclusion of the LGN Network project, which were both noteworthy achievements for the Company.

In view of the dynamism in technological developments and changing technology landscape, the Company is aware of the constant need to transform the way products are offered to clients to create greater value and maintain a competitive advantage. In order to achieve this, the organisation increasingly deploys resources offering solution to clients ranging from a simple HR solution to complex financial solutions and business analytics. A key development in this area was the deployment of a dedicated team to oversee development in the emerging areas of Artificial Intelligence, Business Analytics, Big Data and Robotic Process Automations. Accordingly, the Company will increase investments in intellectual capital over the coming years.

The Company developed preliminary plans to increase domestic market share and penetrate industry sectors that offer increasing opportunities. The Company also continued to make progress in furthering its scope in the niche technologies market space in order to penetrate regional markets. Currently, partnerships with key vendors such as Microsoft and Oracle have been signed, resulting in the expertise at Millennium IT ESP being utilized for regional project obtained by them. Millennium IT ESP will act as an outsource partner to these global brands within the Region for the time being.

Having identified the need to develop a more comprehensive strategic direction over the next three years, the Company partnered with Stax to develop a three-year strategic plan which comprehensively details the strategic direction and options which Millennium IT ESP must follow to fulfil its business vision and goals. As a part of this process, the Company embarked on a re-branding process to align the Company's vision, goals, direction and aspirations to that of the parent – the Ambeon Group. This project is being undertaken in collaboration with Landor – a global leader in consulting and brand design.

Performance

The Company's performance during the year under review was satisfactory, having achieved a profit

growth in excess of 30% over prior year. While the telecom sector led the sectoral contribution, Banking, Financial Services and Strategic sectors looked into new revenue models as part of their expansion strategy. The areas of new technology aided businesses from IoT's Data, AI and RPA's.

Future Direction

Today, leading organisations are moving towards demanding solutions-based products and services. As the days of selling a simple information technology product are receding, the Company is also focused on moving towards offering solutions to our clients whilst retaining the core. Hence, in the medium term, the Company will focus on transforming from a predominantly product-based service provider to a solutions-based service provider, with the end result in mind. While certain projects have been successfully undertaken during the last few years, the potential for improvement and opportunities for sustainable growth have been captured in the Company's three-year strategic plan. Going forward, in order to execute the plan and propel the organization towards the new strategic direction, greater resources will be deployed, while innovations to increase solutions for clients in the banking, manufacturing, construction and real estate sectors will be key, as it is these sectors that are transforming to highly technologically dependent and technologically driven industries.

Plans are firmly in place to launch both the new three-year strategic business plan and the new Millennium IT ESP brand by second quarter of 2019/20. Both these initiatives are poised to be the key drivers of the strategic direction of the company during this period. The key ideology revolves around building efficiencies around the current businesses and improve standards and timings on delivery as the first step. This will dovetail into future centered business initiatives built on the pillars of integrated solutions, new age technology along with competent resources and strategies to execute.

Technology being a lead enabler for enterprises to be transformed and relevant for tomorrow. The speed and intensity of change requires trusted and proven partners and Millennium IT ESP with a proven track record of over two decades, fits the billet well. Intentions are to make it a world class technology-based service provider in the future.

Industry Operating Environment

The downturn experienced in global capital markets coupled with the low growth experienced by the Sri Lankan economy in 2018 deeply affected the financial and investment services sector of the country. The prevailing high interest rates, the accelerated depreciation of the Sri Lankan rupee (nearly 17% depreciation) and the political uncertainly witnessed in the latter part of the year resulted in a rapid decline in investor confidence. This was worsened by the expected US interest rate hike and a crash in the emerging market and frontier market currencies against the US dollar. As such, the Colombo Stock Exchange (CSE) saw a reduction in overall turnover and witnessed net foreign outflows during 2018.

The average daily turnover in the CSE, during January to March 2019, was Rs. 650.9 Mn compared to Rs. 1,213.8 Mn during the same period in 2018. These negative economic effects also impacted the Sri Lankan bond and treasury market which, experienced increased bill and bond rates during 2018 with net foreign outflows from the bond market reaching Rs. 1 Bn. The overall capital market conditions remained sluggish for most of 2018 into the first quarter of 2019. This cumulative downward pressure resulted in a slowing of growth in the sector.

Sector Performance Reviews

FINANCIAL SERVICES SEGMENT

Employees
41

Revenue
Rs. 103 Mn

Pioneer in the Sri Lankan bond market

One of the active money brokers in Sri Lanka

Offers a range of financial and investment services to selected clientele

Personnel with over 20 years' experience in capital markets

One of the few profitable stockbrokers operating on a lean structure

Sector Performance Reviews

FINANCIAL SERVICES SEGMENT

The Financial Services segment of Ambeon Holdings PLC comprises of its wholly-owned subsidiary Taprobane Capital Plus (Pvt) Ltd (TCP) with a range of business interests in financial and investment services. TCP in turn has three subsidiary companies - Taprobane Investments (Pvt) Ltd, Taprobane Securities (Pvt) Ltd and Taprobane Wealth Plus (Pvt) Ltd. The financial services business of the Group provides stability and lends support to the strategic diversification of the Ambeon Group's business interests.

Being a part of the financial services industry, prevailing global and local economic conditions largely impacted business operations. Therefore, the financial services segment recorded a subdued performance during the year under review, yet satisfactory compared to the industry, by being resilient to the economic challenges as reflected in our market share.

Strategic Focus for 2018/19

The strategic focus for the year under review was to maintain a lean cost structure with a focus on the future.

Performance During the Year

The money brokering operations of the Company achieved relatively stable performance despite the challenging market conditions. This was mainly due to the strategic relationships built with established clientele over the years. Revenue declined slightly by 2.5% to Rs. 82.69 Mn during the year under review. Excluding Fair Value gains/losses for both years and the one-off loss on disposal of Lexinton Holdings, the Company has made an Rs. 40 Mn profit compared to Rs. 35 Mn last year (which is a 12% YoY improvement).

The performance of the Company's stockbroking services were below expectations however, achieving a modest revenue of Rs. 9.8 Mn during the year under review compared to Rs. 20.9 Mn in the previous financial year.

TAPROBANE CAPITAL PLUS
AN AMBEON COMPANY

About Taprobane Capital Plus (Pvt) Ltd

Following the restructuring in February 2018, subsidiaries and activities relating to the financial services arm of the Group (previously under Taprobane Holdings PLC) were brought under a newly formed entity Taprobane Capital Plus (Pvt) Ltd.

The Company offers a range of financial and investment services to selected clientele. The Company's financial services business offers money brokering services for B2B clients mainly in the banking and financial services industry, while the Stockbroking services business mainly operates within the retail marketspace. The investment services arm of the Company concentrates on investment in bonds and strategic investments for the Ambeon Group. The Company also provides Treasury and strategic financial services to the Ambeon Group of Companies.

One of the key strengths of the Company is its well experienced team of specialists with over two decades of capital market experience. The Company is renowned as a pioneer in the Sri Lankan bond market and has managed Sri Lanka's largest non-bank listed debt issue; it is one of the active money brokers in Sri Lanka and is one of the few profitable stockbrokers attributed to the lean structure.

Today, the Company has a mandate to diversify its business interests and optimise synergies across the Ambeon Group of Companies. The Company had a staff of 41 as at 31st March 2019.

Key Development During the Year

A key activity of the Company during the year under review was to conduct a strategising exercise in consultation with MTI Consulting seeking to explore and identify future opportunities for TCP within the financial services industry in the future.

Future Direction

Aligning to the direction provided from the strategising exercise conducted during the year under review, the Company is reviewing an all-encompassing strategic direction for the financial services segment of the Group in order to capitalise on opportunities in the wider market space in coming years. The Company is well-positioned to capitalise on opportunities presented by the Fintech industry and work towards aligning business operations to enable the achievement of the Group's vision of creating a world-class brand portfolio.

Another area considered to be a step in the right direction is the strengthening of the regulatory framework in the ensuing years. Strengthening governance and compliance with regulations will pave the way in improving customer confidence while helping to stabilise the financial and investment services industry thus introducing greater controls. These developments will improve overall industry performance while enabling TCP to take a longer-term focus on future business strategies.

Industry Operating Environment

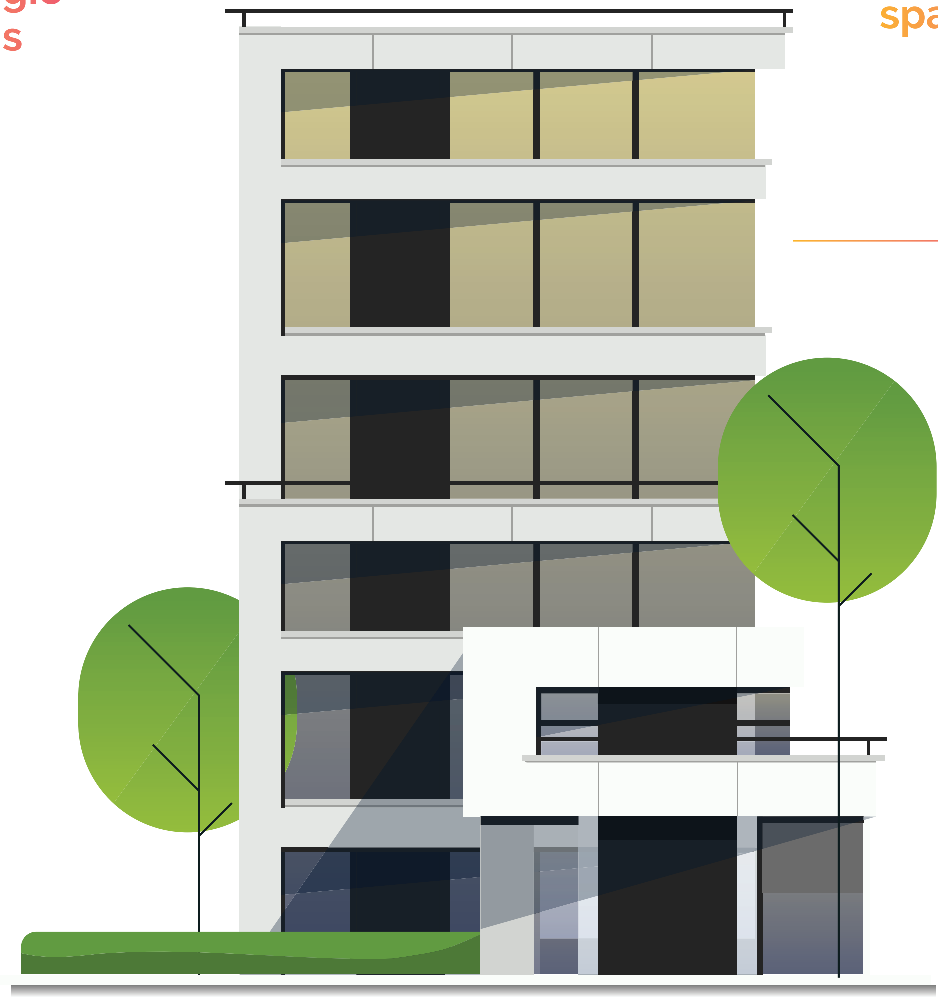
The Sri Lankan construction industry has been slowing down over the last few years; there has been a contraction in construction activities in 2018 by 2.1%. The slowdown was also primarily a result of lower levels of investment in construction coupled with a slowdown in the growth of private consumption expenditure. This is mostly due to the cascading effects of high interest rates, depreciation of the Sri Lankan rupee and an overall slowdown seen in the Sri Lankan economy in the last few years.

Sector Performance Reviews

REAL ESTATE SEGMENT

Owns prime properties in strategic locations

Rich legacy spanning over 100 years



Company's reserves enhanced to

Rs. 2 Bn

Recent acquisition of Lexinton Holdings

Colombo City Holdings PLC
AN AMBEON COMPANY

About Colombo City Holdings PLC

Colombo City Holdings is a 100 year old company. Formerly known as the Colombo Pharmacy, the Organisation ventured into real-estate management in July 2013 and was subsequently renamed Colombo City Holdings PLC.

Today the Company owns prime real estate and manages rental property as core business areas whilst investing prudently any excess liquidity.

The real estate segment of the Group comprises of Colombo City Holdings PLC (CCH). The Company which was previously known as Colombo Pharmacy has a rich legacy spanning over 100 years in the ownership of prime property at strategic locations in Colombo.

The Company originally owned a 21.74 perch property in Bambalapitiya; this was divested in the 2014/15 financial year. Furthermore, the Company partially divested a portion of the property located in Union Place, Colombo 2 during the last financial year. The Company also divested a three-acre land located in Polgasowita during the year.

The divestments over the years were done with the intention of building a strategic focus onto selected areas of development and investment, a strategy that has been pursued. With these divestments of the property portfolio, the Company's cash reserves have strengthened significantly.

Key Developments During the Year

During the year under review, the Company acquired Lexinton Holdings limited for an investment of Rs. 414 Mn. Through this strategic investment, the ownership of the Group's Head Office building located at Gothami Road is also vested with CCH, thereby making CCH the Group's dedicated property management and real estate company.

Performance

The revenue of the Company mainly consists of the rental income from its properties located in Union Place and Gothami Road.

The cashflow position of the Company significantly improved during the current financial year. The Company's reserves enhanced to Rs. 2 Bn. The Company has taken initiatives to prudently invest these funds within the Ambeon Group. This strategy has greatly improved the Group's overall profitability levels. The Company exercises prudent and stringent risk assessment criteria when considering its investment options.

Future Direction

The Company hopes to leverage its strong financial positioning to make prudent and strategic investments, which will amplify the Company from a rental property holder to a modern and niche property developer. Taking cognisance of the emerging trends in the property development arena, the Company hopes to make strategic and opportune investments in the real estate sector to enhance value to its shareholders in the medium and long-term horizons.

The Company is strengthened by its heritage and unique positioning within a diversified Group which ideally positions the Company to create a sustainable competitive advantage. These strengths could be harnessed by CCH to explore the lucrative investment opportunities in Sri Lanka's burgeoning property market.

Industry Operating Environment

The Sri Lankan footwear industry continues to be dominated by imported footwear of varying qualities and prices ranges. While the footwear market is approximately worth around Rs. 15-18 Bn in annual sales, with approximately Rs. 55 Mn footwear products demanded annually, only a very small percentage of this market is captured by the local footwear industry which is mainly dominated by small and medium sized players. The small domestic market size also results in increased production costs as most raw materials for footwear must be imported in relatively small quantities. As the industry is also labour intensive, managing labour and trade unions while retaining a high-quality labour force is a critical success factor.

The prevailing high interest rate, high exchange rate climate in the Sri Lankan economy in 2018 also resulted in a further challenging of the operating conditions of the Sri Lankan footwear industry during the year.

Sector Performance Reviews

FOOTWEAR AND ACCESSORIES SEGMENT

History of
80 years

10 retail outlets
across the Country

Production capacity
40,000
shoes per month

First shoe manufacturer in Sri Lanka to obtain the ISO 9001:2015 certification.

Sector Performance Reviews

FOOTWEAR AND ACCESSORIES SEGMENT

The Footwear and Accessories Segment of Ambeon Holdings PLC comprises of Ceylon Leather Products Limited (CLPL). CLPL operates 10 retail outlets across the country under the Di brand in addition to manufacturing leather shoes and accessories on government tenders.

Changing demand for traditionally established business lines has altered the overall manufacturing and marketing focus. Declining demand for leather products and accessories via government tenders have significantly impacted the Company's performance in the last few years. A new branding initiative refocus of the strategic direction and the overall transformation of the Company has resulted in a 71.4% growth in sales volumes in the retail channel. As such, during the year under review, CLPL's revenue declined by 5.34% to reach Rs. 602 Mn, compared to Rs. 637 Mn in the previous financial year.

Strategic Focus for 2018/19

CLPL, which was traditionally known as a footwear company for the military and premier manufacturer of school shoes, focused last financial year on re-building a strategy; transforming itself into a lifestyle brand. As such, during the year under review, the Company concentrated on consolidating the Di brand rejuvenation through innovative marketing and advertising mechanisms to reach out to more younger/ millennial market segments. These initiatives were also aligned to the Di brand's renewed focus on establishing its presence in the Sri Lankan footwear market.

In an effort to increase market share in the medium to long term, new product development both in footwear and related accessories was also an area of focus during the year under review.

Primary Business Challenges

Despite the myriad of changes faced during the Company's re-alignment to its new vision, challenges remained formidable, both from an internal and external perspective.

The most significant challenge for the Company during the last couple of years was the declining demand for military shoes. As a long-established supplier of military shoes, the Company's production capacities and sales were predominantly dependent on this market. As such, the reduced demand has resulted in negatively impacting CLPL's performance over the last two financial years.

In the domestic consumer market space, constantly changing trends in footwear design and fashion trends (which influence the domestic target consumers) was a cause for concern as there is now a greater need to adapt production processes to meet this changing demand for footwear styles and designs. The limited availability of Di brand in all major cities and towns across Sri Lanka makes it difficult for target consumers to access Di products, this situation demanded greater investment in setting up retail outlets and/or increasing distributor network reach across the island. Furthermore, Sri Lanka's long-established and thriving imported footwear brands remain key competitors, as domestic consumers have over the years become accustomed to wearing 'imported shoes' with the perception that these are of a more contemporary design, higher in quality and has long-lasting durability.

From an internal perspective, the Company has the need to implement necessary systems and processes to cater to the constant changes in demand from the retail market, as opposed to producing shoes either seasonally (such as school shoes) or based on confirmation of a tender order, which has been the practice for military shoes. Employees will also have to be re-trained to understand the needs of the new target market and produce the latest forms of footwear designs to cater to evolving market requirements. As the Di brand becomes better established in the domestic footwear and accessories marketplace, changes will also be required in terms of manufacturing equipment and processes.

Key Developments During the Year

To align the existing practices with modern trends in consumer retailing, The brand has also established itself more comprehensively on popular social media platforms such as Facebook and Instagram. The success of the Company's web presence is noted through the increasing hit rates and the awards received for the best website in the 'fashion or beauty' category at the Web Marketing Association's annual WebAwards 2018 competition held in September 2018.

About Ceylon Leather Products Limited

Ceylon Leather Products Limited (CLPL) established since 1939 is an award-winning manufacturer of quality leather footwear and accessories. CLPL is proud to be the first shoe manufacturer in Sri Lanka to obtain the ISO 9001:2015 certification.

The Company's 80-year history began when the British Government first set-up business operations to produce and sell footwear and accessories to the British Armed Forces. This tradition continues to-date with CLPL supplying footwear to the Sri Lankan Armed Forces with an established market share as one of the largest suppliers of footwear to key government institutions. The Company also has a considerable share in niche shoe markets such as school shoes, safety shoes and chef shoes.

CLPL was a wholly-owned government company until 1991, when the Sri Lankan Government sold 90% of it as a part of its widespread privatisation programme. The Company first began exporting its products in 1991 to the United Kingdom, Japan and India.

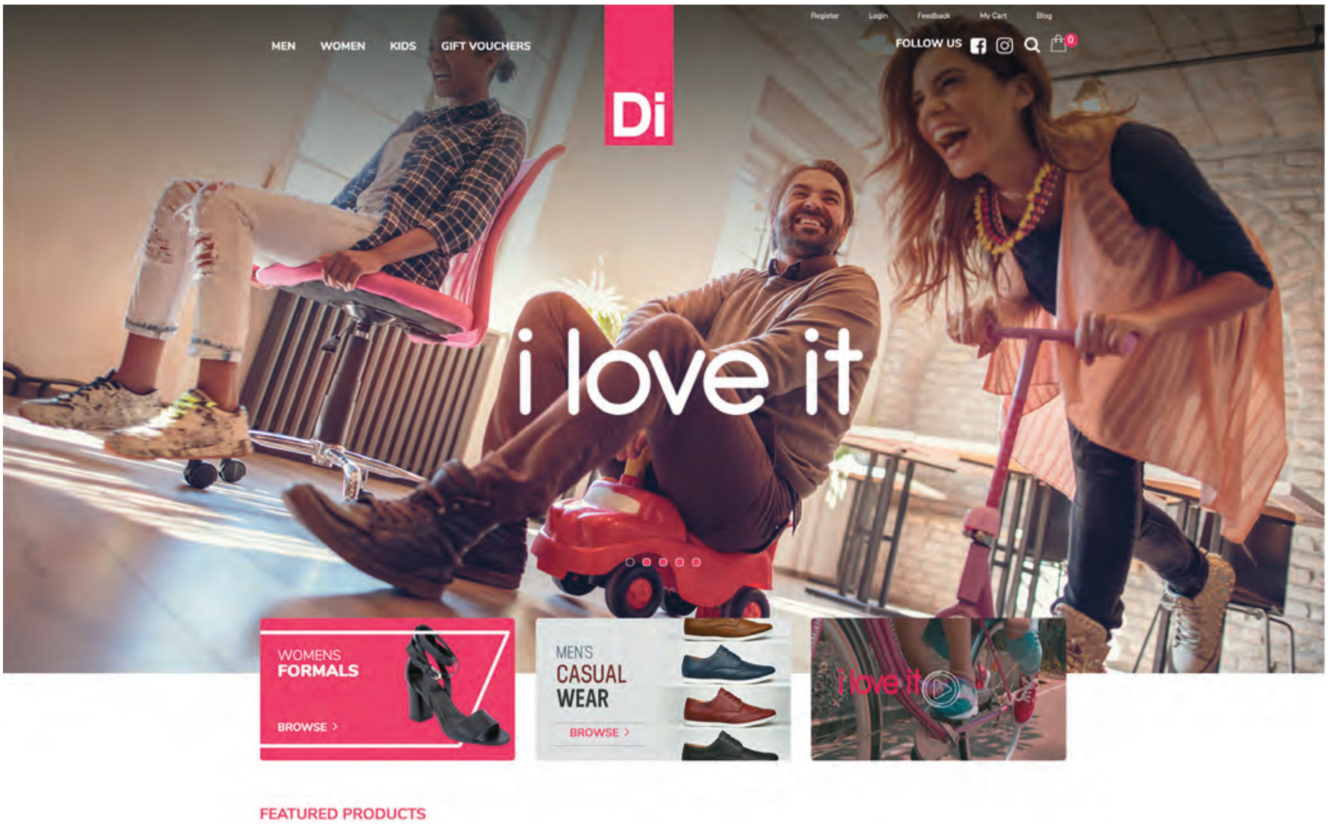
The Company's manufacturing facilities with a production capacity of 40,000 shoes per month is located in Belummahara and is currently being transformed to embrace the Company's vision of becoming a lifestyle footwear and accessories brand.

CLPL boasts a highly skilled workforce with employees totalling 337 (including executives) as at 31st March 2019.

Sector Performance Reviews

FOOTWEAR AND ACCESSORIES SEGMENT

Furthermore, the Company embarked on an upgrading and revamped process for the Di retail outlets located across Western Province, aligning them to the new branding and vision, that was launched during the 2017/18 financial year. The new look of these Di showrooms is expected to increase traction, footfall and attract actual and potential customers in the medium and long term. CLPL also opened its 10th retail outlet in Negombo in June 2018. In order to enhance the customer experience, certain retail outlets have a dedicated leather corner at which customers can see and learn about the different types of leather used for their footwear and accessories in order to improve their understanding and knowledge.



The new retail concept- shop-in-shop, was tried by CLPL during the year under review with the first test market being in Kandy. This new form of retail stores is slowly becoming popular in Sri Lanka and is also more economical to operate in the longer term.

The Company has also implemented a customized product re-engineering process to capture changing tastes and preferences in fashion and the needs of today and tomorrow's consumers. Furthermore, as demand patterns and consumer preferences change with capacity existing due to the fall in demand for military shoes and the replacement of safety shoes with lower quality imports, the Company has taken measures to utilize this capacity to manufacture footwear and accessories under the Di brand.

Future Direction

The Company's new strategic direction brings much positivity for business growth in the medium to long term. As an established and highly knowledgeable leather footwear manufacturer, CLPL will venture into new niche markets to supply customised high-quality footwear. The Company will also concentrate on increasing the market presence and market reach of the Di brand in the coming years. This will enable CLPL to capture a larger share of the overall domestic footwear market. Further, the Company will increase focus on research and development to provide consumers with fashionable styles and designs both in leather and non-leather materials, offering value for money without compromising on quality.

Apart from footwear, the Company is also diversifying to provide a wider range of leather and non-leather accessories. CLPL hopes to increase its offerings to existing customers while attracting new customers through this new range of products over the next few years.

To give customers a more comprehensive product offering, the Company will also establish partnerships with leading international brands in order to obtain sole distributorships to market their products in Sri Lanka. One such partnership is with Sketchers, a renowned sports brand that specialises in footwear, and these products will be available in our retail outlets from August onwards.

Capital Management

Reviews

CAPITAL MANAGEMENT REVIEWS

Financial Capital

The Financial Capital of Ambeon Holdings PLC comprises of sources of funds from retained earnings, long and short-term loans, and equity. The funds are used to operate the Group's business operations and create value to stakeholders. Ambeon Holdings also enjoys an investment portfolio which adds value to the financial capital-base of the Company.

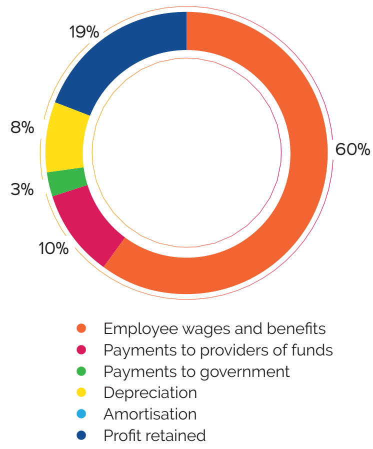
The prudent financial management concept is used to manage financial assets and liabilities of the Group. As a holding company, Ambeon Holdings takes a holistic view when managing business interests and takes a diversified approach to business acquisitions. This helps to ensure the creation of financial capital value by following a formal structure of financial governance and internal controls to address the financial risks faced by the Group.

The challenging operating environment of the global and Sri Lankan economy coupled with prevailing challenges in some industries in which the Ambeon Group has business interest impacted the financial capital status of the Group and its subsidiaries during the year under review. Despite, this however, Ambeon Holdings successfully created value for stakeholders and performed adequately in terms of key financial capital indicators.

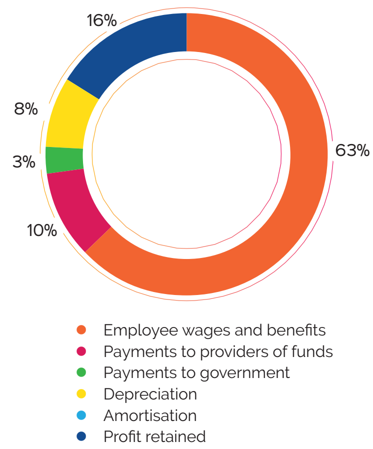
CAPITAL REPORTS
Financial Capital

	2018/19	2017/18
	Rs.	Rs.
Revenue	17,734,484,767	12,272,997,840
Finance income	207,721,921	107,384,929
Net results from associate	1,307,414	(2,410,726)
Other income	212,923,339	289,742,203
Fair Value Change in financial assets	(142,470,780)	211,322,064
Valuation gain on IP	822,550,116	185,734,192
	18,836,516,777	13,064,770,502
(Less) Operating and other costs	(14,229,899,368)	(8,860,698,273)
	4,606,617,409	4,204,072,229
Economic value distributed		
Employee wages and benefits	2,777,332,180	2,644,950,822
	60.3%	62.9%
Payments to providers of funds	430,827,909	403,910,174
	9.4%	9.6%
Payments to government	147,505,628	128,564,905
	3.2%	3.1%
Economic value retained for expansion and growth		
Depreciation	378,179,240	333,513,809
	8.2%	7.9%
Amortisation	8,304,754	12,314,099
	0.2%	0.3%
Profit retained	864,467,698	680,818,420
	18.8%	16.2%
	1,250,951,693	1,026,646,328
	4,606,617,409	4,204,072,229

VALUE DISTRIBUTED AND RETAINED 2018/19



VALUE DISTRIBUTED AND RETAINED 2017/18

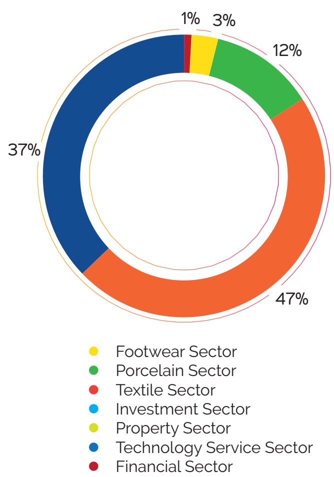


Group Revenue

The Group generated a revenue of Rs. 17.7 Bn during the year under review compared to Rs. 12.2 Bn revenue earned in the previous financial year. The key contributors to the 44.5% growth in revenue were South Asia Textiles Limited and Millennium I.T.E.S.P (Private) Limited.

The Ambeon Group's subsidiaries also enjoyed revenue growth compared to the previous financial year. The Ambeon Group's segmental revenue is shown below.

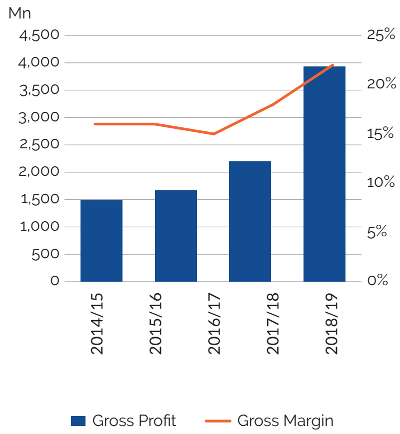
SEGMENTAL REVENUE 18/19



Gross Profit

The Ambeon Group's gross profit increased by Rs. 1.73 Bn to record Rs. 3.93 Bn in the year under review compared to Rs. 2.20 Bn in the financial year 2017/18. This resulted in a gross profit margin of 22% compared to 18% in the previous financial year.

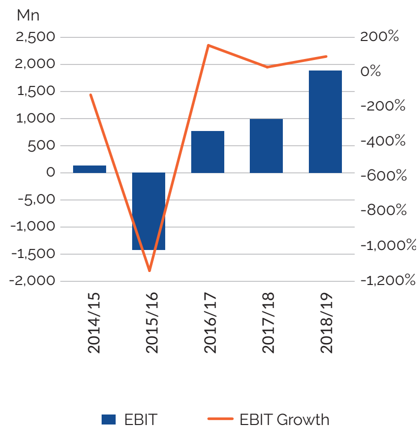
GROSS PROFIT



Earnings Before Interest and Tax (EBIT)

The Group's EBIT was Rs. 1.88 Bn in the year under review compared to Rs. 976 Mn in the previous year. The efficient management of the cost structure and prudent investment decisions contributed to this increase in earnings.

EBIT



Taxation

The total Group tax was Rs. 382 Mn during the year under review compared to Rs. 99 Mn tax reversal in the previous financial year. This is mainly due to the increased profitability of the Group's subsidiaries for the year ended 31st March 2019.

Ambeon Holdings PLC and all subsidiary companies are subject to a tax rate of 28% per annum except for South Asia Textiles Limited which is taxed at 14%.

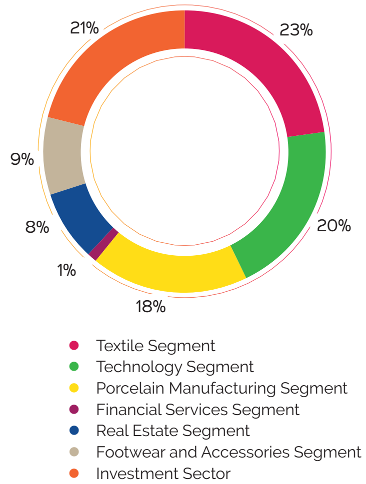
Finance Costs

The total finance cost of the Group is managed by taking a prudent approach to borrowing at the holding company level and re-lending internally to subsidiaries. This approach enables the Ambeon Group to optimise finance costs and manage borrowings more prudently. Total finance costs for the year under review amounted to Rs. 637 Mn compared to Rs. 404 Mn in the previous financial year.

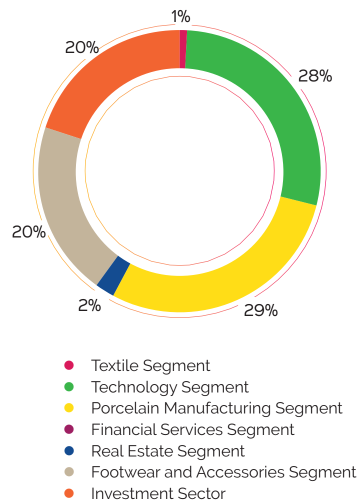
Profitability

The Group profit after tax for the year under review increased by 27% to Rs. 864 Mn compared to Rs. 681 Mn earned during the previous financial year. The key contributors to Group profits were South Asia Textiles Limited and Millennium I.T.E.S.P (Private) Limited.

SEGMENT PROFIT 2018/19



SEGMENT PROFIT 2017/18



The Ambeon Group's subsidiaries also enjoyed profitability and growth compared to the previous financial year. The Ambeon Group's segmental profit is shown below.

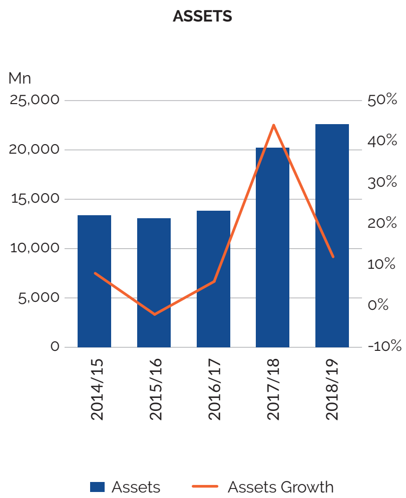
CAPITAL REPORTS
Financial Capital

Segmental Profit	2018/19	2017/18
Textile Segment	493,358,325	324,271,148
Technology Segment	446,004,747	336,278,070
Porcelain Manufacturing Segment	395,760,366	26,155,495
Financial Services Segment	17,446,830	779,521
Real Estate Segment	165,001,794	237,697,751
Footwear and Accessories Segment	(199,879,578)	(238,025,586)
Investment Sector	(453,224,786)	(6,337,980)

Total Assets

Total assets of the Ambeon Group increased by 12% to Rs. 22.6 Bn as at 31st March 2019 from Rs. 20.2 Bn as at 31st March 2018. This was mainly due to the increase in non-current assets from increases in investment property.

Investment property was impacted positively due to the reclassification of an asset worth Rs. 1.08 Bn previously under property, plant and equipment, coupled with fair value gains. However, capital investments in machinery and other assets added to the value of property, plant and equipment which recorded Rs. 0.7 Bn during the year under review compared to Rs. 0.2 Bn in the previous financial year.



Current Assets

Current assets of Ambeon Group increased by 2% to Rs. 12.1 Bn during the year under review from Rs. 11.8 Bn in the previous financial year. This increase was mainly due to 63% increase in inventories and trade and other receivable compared to the previous financial year. The main contributors to increase in inventories and trade and other receivables was increased due to trading activities at subsidiary level. However, other financial investments decreased by 43% to Rs. 1.02 Bn during the year under review due to disposal and fair value losses on financial assets. Cash in hand and at bank also decreased by 71% to Rs. 611 Mn during the year under review due to investments in other financial assets and settlement of borrowings as well as utilization of funds for working capital purposes.

Investment Portfolio

Ambeon Holdings PLC's investment portfolio comprises of equity, Pan Asia Banking Corporation PLC, Seylan Bank PLC, Browns Investments PLC, BPPL Holdings PLC. During the year under review, the portfolio contracted amid divestments and fair value losses.

Total Equity & Retained Earnings

The total equity of Ambeon Group increased by 5.2% to Rs. 9.4 Bn during the year under review from Rs. 8.9 Bn recorded in 2017/18. The increase was mainly due to the healthy profit growth.

Stated Capital

The total stated capital of Ambeon Holdings PLC decreased by 32% to Rs. 5.33 Bn in the year under review from Rs. 7.87 Bn recorded in the previous financial year. This was mainly due to capital reduction.

Total Liabilities

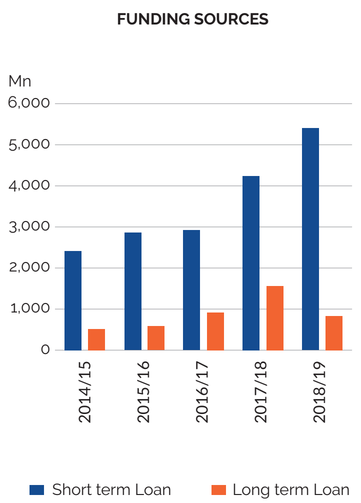
During the year under review, the Group's total liabilities increased by 17% to Rs. 13.2 Bn compared to Rs. 11.3 Bn recorded in the previous financial year. This increase was mainly due to the increase in current liabilities.

Current Liabilities

The current liabilities of the Group increased by 28% to Rs. 11.2 Bn during the year under review, mainly due to the increase in overdraft facility by Rs. 637 Mn and an increase in trade and other payables by Rs. 1.3 Bn, and an increase in income tax liabilities also contributed towards the increase recorded in the current liabilities, during the year under review.

Funding Sources

Total external long-term and short-term borrowings of the Group increased by 7% to Rs. 6.2 Bn during the year under review as the Group ventured into expanding operations.

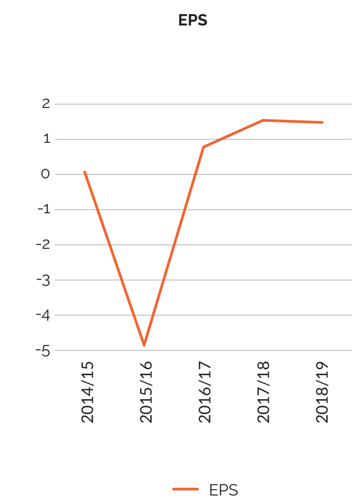


Revaluation of Assets

During the year, the Group revalued the Land and Building and recorded Rs. 621 Mn revaluation gain.

Earnings Per Share (EPS)

The EPS of Ambeon Group decreased to Rs. 1.48 during the year under review from Rs. 1.54 in the previous financial year. However, the Group recorded an increase in profits from Rs. 681 Mn to Rs. 864 Mn, through focused strategies to diversify business interest and prudently manage costs.



Working Capital Management

The Group recorded a net decrease in cash flow of Rs. 2.15 Bn for the year under review from a net increase of Rs. 1.35 Bn due to an increase in investing activities and increased requirements for working capital; as a result of inventory and trade receivables which is attributed to market expansion activities and new products developed by the Group's business segments. However, operating cashflows before working capital adjustments increased from Rs. 918 Mn to Rs. 1.40 Bn.

Acquisitions & Divestments

Ambeon Holdings PLC completed the acquisition of Lexinton Holdings (Pvt) Ltd as at 28th January 2019 at a total cost of Rs. 414 Mn. As a result, two months results of Lexinton Holdings (Pvt) Ltd is incorporated into Ambeon Group results for the year ended 31st March 2019. On 4 April 2018, the company disposed 547,575 of shares to Millenniumcapital Investment Limited for a total consideration of Rs. 132 Mn.

CAPITAL REPORTS
Manufactured Capital

The Manufactured Capital of Ambeon Holdings PLC is comprised of the Group's manufacturing facilities including plant and equipment, inventory, warehouse facilities, showrooms/retail outlets, testing and QA laboratories, buildings housing our business operations, water treatment facilities, electronic equipment used to conduct day-to-day business operations, and information technology.

The Group's strategy to add value to manufactured capital is two-fold. Regular maintenance and upgrade for existing in-use manufacturing assets is undertaken, thereby ensuring that asset value is maintained while assisting in meeting organisational goals and helping to create overall value to stakeholders. The second is the addition of new manufacturing assets which complement business operations of the Group and are aligned to the long-term business strategy. These include the purchase of machinery to enhance manufacturing processes, bring in new capabilities, the increase in production capacities, thereby supporting the Group's competitive advantage, the addition of new showrooms/retail outlets to expand market reach, and the use of information technology for increasing the efficiency and effectiveness of business processes.

Dankotuwa Porcelain PLC (DPL)	Manufacturing facilities in Dankotuwa Inventory/stock items Six showrooms Storage/Warehouse facilities	**Rs. 2,079 Mn**
Royal Fernwood Porcelain Limited (RFPL)	Manufacturing facilities in Kosgama Inventory/stock items	**Rs. 919 Mn**
Ceylon Leather Products Limited (CLPL)	Manufacturing facilities in Belummahara Inventory/stock items 10 retail outlets	**Rs. 717 Mn**
South Asia Textiles Limited (SAT)	Manufacturing facilities in Pugoda Inventory/stock items Warehousing facilities In-house testing lab	**Rs. 4,777 Mn**
Colombo City Holdings PLC (CCH)	Ambeon Holdings PLC's Head Office Building in Colombo 08	**Rs. 144 Mn**

Value Created for 2018/19

The value of the Group's manufactured assets increased by a Rs. 202 Mn during the year under review due to the capital investments as well as the increased inventories mentioned below.

	DPL			RFPL			Di			SAT		
	2018/19	2017/18	Change	2018/19	2017/18	Change	2018/19	2017/18	Change	2018/19	2017/18	Change
	Rs.	Rs.	%	Rs.	Rs.	%	Rs.	Rs.	%	Rs.	Rs.	%
Factory Buildings	381,985,250	324,461,825	17.73%	282,110,790	290,929,395	-3%	225,362,450	258,025,890	-13%	805,520,634	730,700,000	10%
Plant and Equipment	873,692,728	1,014,558,177	-13.88%	59,904,092	97,543,856	-39%	109,494,179	127,674,488	-14%	1,952,176,856	2,010,605,902	-3%
Inventory	439,464,925	327,647,853	34.13%	577,890,250	414,925,360	39%	361,645,755	543,572,118	-33%	2,019,877,305	1,845,458,044	9%
Showrooms	384,672,654	327,149,231	17.58%	-	-	0%	20,771,638	11,986,510	73%	N/A	N/A	N/A
Office Equipment	43,880,061	38,540,529	13.85%	8,983,632	645,590	1292%	12,880,556	13,905,939	-7%	18,716,107	18,614,103	1%
Office furniture	24,757,602	23,361,541	5.98%	1,494,237	-	100%	3,877,141	4,884,748	-21%	21,272,438	20,238,171	5%
Laboratories	4,587,067	4,587,067	0.00%	1,252,000	-	0%	N/A	N/A	N/A	N/A	N/A	N/A
Computer Equipment	38,882,755	35,770,910	8.70%	6,462,901	7,114,014	-9%	N/A	N/A	N/A	68,695,929	55,410,474	24%

CAPITAL REPORTS
Manufactured Capital

Manufacturing Facilities

Manufacturing facilities at Dankotuwa went through an extensive re-structuring process as part of increasing efficiency, thereby better utilising existing resources and assets. The compulsory shutdown of one kiln which occupied nearly 60% of the manufacturing capacity at Dankotuwa resulted in resources being deployed to re-map and enhance manufacturing processes to optimise the capacities of the other kilns, which resulted in an investment of Rs. 32 Mn during the year under review. Furthermore, DPL installed the New-Bone China (NBC) kiln with a capacity of 600,000 pieces per annum, which had been in storage since its purchase at a cost of Rs. 11 Mn. This new kiln gives the Company a new capability,that is to produce ivory products, which was introduced as a premium Dankotuwa product range to the market in the year under review.

Manufacturing process restructuring was also implemented at CLPL during the last quarter of 2018/19 and this is expected to derive processes efficiencies and enhancements to increase efficiency and effectiveness of the production process.

The Group ensures that all manufacturing facilities and related equipment are regularly maintained to retain optimal efficiency levels and maintain asset values. During the year under review, all maintenance costs related to manufactured capital amounted to Rs. 241 Mn.

Warehousing and Storage

Storage capacity enhancements were also undertaken during the year under review at Dankotuwa Porcelain, which helped reduce inventory damages and enhance workplace efficiency and resultantly reduce product wastage as a total investment of Rs. 11.5 Mn. At South Asia Textiles, ongoing investments to update and upgrade storage continues, whilst the company is looking for various opportunities for build and upgrade efficiencies such as outsourcing.

Buildings

Due to the diversified business operations of the Ambeon Group, 103 buildings were owned or leased during the year under review. These buildings realised increased values during the year under review mainly due to capital gains and revaluations, while enhancements to existing building and regular maintenance also ensures increasing year-on-year values. Furthermore, the Group also added to the building assets during the year with the establishment of two new showrooms for Dankotuwa and one new retail outlet for CLPL, under the Di

brand. The total investment for these new showrooms/retail outlets is Rs. 26 Mn. Thus, 100% of value was added to the buildings owned/leased by the Group during the year under review.

Testing and QA Laboratories

The Group's subsidiary, SAT has a state-of-the-art testing laboratory, which helps to ensure products are of the highest quality and conform to quality, safety and health standards as required by global clientele.

Furthermore, the Group's porcelain and leather subsidiaries also have quality assurance (QA) facilities which ensure that products released to the market meet the highest standards of quality as expected by the relevant brand. During the year under review, the Group invested Rs. 2.14 Mn to maintain and upgrade these facilities, thereby adding to the manufactured capital value of the Ambeon Group.

Inventory

The Group's inventory is derived from Dankotuwa, SAT, RFPL and CLPL. Value of inventory increased during the year under review, mainly due to increase in trading activities to support future plan business activities.

Water Treatment Facilities

The Group's subsidiary, SAT, has installed a water treatment facility at an investment of US$ 1.2 Mn. This project, which began in the previous financial year, was completed during the current financial year, adding overall value to the Group's manufactured capital.

Information Technology

Information Technology (IT) is another important part of the Group's manufactured capital value. In today's tech savvy workplace, IT drives many business operations and increases efficiencies. Resultantly, the Group's investment in IT during the year under review stood as Rs. 95 Mn. Some of the key projects which comprised this investment were the new Cisco video conferencing solution, launch of the Ambeon Group website portal, the e-commerce website with multi-modal payment gateway for CLPL (Di), ERP dashboards, a document management system, mobile enabled POS dashboard for sales team of Group subsidiaries, and cloud-based storage systems.

Office Equipment & Furniture

Office equipment and furniture used to conduct day-to-day business is considered a part of the Group's manufactured capital. Meanwhile Rs. 10.9 Mn was invested to purchase new assets as replacements or to accommodate the needs of the Group's increasing employee cadre.

CAPITAL REPORTS
Social and Relationship Capital

The Social and Relationship Capital of Ambeon Holdings PLC comprises of brand equity and the social presence of the holding company and its subsidiaries. Over the years the Group has spearheaded several stakeholder centric activities with the objective of nurturing and building relationships across all stakeholder groups. The Group undertook several CSR projects which have helped to give back to the community. Our social credence has been re-inforced through several external and independent awards won by the subsidiaries across many dimensions of performace.

Building our brands in the local and international arena

During the year under review, the Group enhanced its brand equity by integrating and embedding it's corporate values within it's normal business activities. Brand equity is developed by offering products synonymous with quality, appealing to trendy evolving consumer needs through our direct consumer brands Dankotuwa, Royal Fernwood, Laklain and Di.

Over the years, these brands have established pride of place as premier iconic brands in the eyes of local and international consumers. Targeted marketing activities promote these brands whilst new product developments and special promotions boost sales to meet consumer requirements. In addition, the Group's social contributions in the form of CSR projects have elevated both Ambeon and subsidiary brand equity considerably.

The Dankotuwa, Royal Fernwood and Di brands have been reinvigorated in 2017/18 to meet evolving consumer trends to keep abreast with the global trends and dynamic market aspirations. These brand development initiatives have further enhanced their brand equity.

The Laklain brand was re-launched to the domestic market as a quality value-for-money porcelain brand. Laklain, while conforming to the high-quality standards of Dankotuwa, offers products free of high-cost features of the Dankotuwa brand while meeting the discerning needs of the modern customers with product features such as being microwave safe and dishwasher safe.

Social License to Operate

The Ambeon Group's social licence to operate is re-iterated by the Group's brand and reputation which has been built both locally and globally. Resultantly, we have been able to expand our global presence with increasing orders from world famous retailers.

In the local sphere we have expanded our presence across the Country by pursuing a range of partnership models. Currently, Dankotuwa Porcelain PLC (Dankotuwa) and Ceylon Leather Products Limited/Di brand (CLPL/Di) successfully operate in seven and ten own showrooms respectively, across key locations in Sri Lanka, while also nurturing dealer partnerships to deepen our reach across the Nation.

Royal Fernwood Porcelain Limited (RFPL) uses Dankotuwa showrooms to display their products while also partnering with renowned local and overseas trading brands to reach a wider consumer base. In addition, the Company also produces customised products for global retail partners.

Millennium IT ESP (Pvt) Ltd and other Group subsidiaries have also created a visible presence in the market and is recognised by peers in the industry as a force to be reckoned with. This is evidenced by the increased responses to employment opportunities within the Group. Further, the Group's CSR initiatives have been lauded by local community members.

Managing Stakeholder Relationships

The Ambeon Group deals with all its stakeholders in a transparent and fair manner. The stakeholder engagement process adopted by the Group and its subsidiaries offers several options for stakeholders to deeply engage and be in touch with the Company with concerns or issues as well as any suggestions for improvements to business activities. As such, the Ambeon Group has invested to improve it digital and social media presence as well as relationship management processes and activities across all subsidiaries.

Suppliers and Business Partners

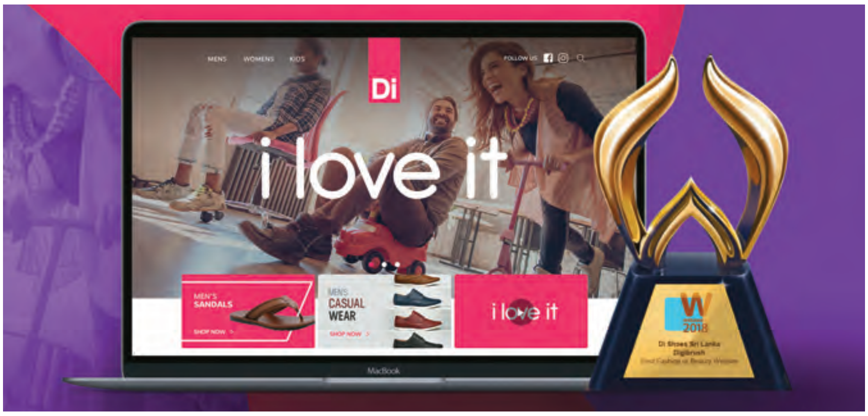
The Group's suppliers are wide ranging due to our diversified business interests. We strive to maintain strong relationships with our business partners to secure timely acquisition of goods and services to meet our objectives. We have in place a formal supplier policy and supplier contracts which clearly establish the terms of the relationship. Over the years individual subsidiaries have developed long standing and mutually beneficial relations with key suppliers by always dealing with them in a fair and ethical manner.

Successful supplier relationships

- RFPL has over 30 established international suppliers.
- Dankotuwa has 15 key international suppliers of whom six suppliers have been with the company for over 10 years, while the balance eight suppliers have enjoyed an average 5+ years of successful relations with the Company.

CAPITAL REPORTS

Social and Relationship Capital



Customers

The customers of Ambeon make up a wide spectrum, from large B2B organisations to B2C companies as well as direct consumers. The Group has established distinct processes to manage relationships with these customers to ensure that their diverse needs are met. Customer engagements are therefore handled by individual subsidiaries who all have well-established customer complaints and feedback management processes. As required, the Group's subsidiaries also initiate customer surveys to obtain an in-depth understanding of customer needs and expectations. As a policy, all customer complaints are handled promptly and confidentially using the customer complaints process.

To engage with customers on a continuous basis, the Group and subsidiaries use many different engagement mechanisms. These range from targeted marketing and advertising campaigns, special promotions, strategic partnerships with renowned brands (such as Dialog Star Points, Zesta Tea, etc.) as well as credit card promotional offers. E-commerce is a new concept adopted by the Group to reach our direct consumers more conveniently while satisfying the current trend of online shopping. As such, CLPL has launched a new website which offers customers online shopping opportunities, while Dankotuwa will launch its new e-commerce website by end 2019. The success of the Di website is realised through the hit rates and the award received by Web Awards 2018 as the best new website in the fashion and beauty category. The Di website was also adjudged the winner for the best website in the retail sector and the runner-up for the transportation & logistics sectors by the SLT Zero One Awards 2018.

By taking a central approach to market research and adopting precise marketing strategies, relevant details are cascaded to individual subsidiaries for implementation (which is customised to individual business needs and customer/consumer preferences). During the year under review, the subsidiaries embarked on a range of marketing campaigns, which helped generate value for our customers whilst enhancing each brand's market presence and brand equity.

A distinct approach adopted to delight our domestic customers during the year was the experiential marketing campaign conducted at the Signature Showroom of Dankotuwa Porcelain. With different events being conducted to celebrate special holidays and occasion such as International Children's Day, Father's Day, Mother's Day, Valentine's Day, Christmas, etc. A special area was dedicated within the signature showroom to showcase the 'history of porcelain' from 500 BC. This has been well-received by foreigners and locals who have visited the showroom. Further, customers of the Signature showroom have access to an experiential shopping experience through the large screen which depicts the entire range of the porcelain sets on offer.

DPL's Signature outlet not only enables clients to purchase high quality products, but also offers a corporate conference room for preferential customers and a café that serves sumptuous delicacies with an outdoor veranda. This has enabled customers to relish a cup of coffee with a beautiful view whilst shopping for iconic porcelain ware.

The Di brand retail outlets also showcase a 'leather corner' which helps consumers increase their knowledge thus offering a differentiated shopping experience at the Di showrooms.

Di leather Corner

CAPITAL REPORTS
Social and Relationship Capital

Key marketing campaigns of 2018/19

Community

As part of the Ambeon Group's contribution to the community at large, Ambeon Holdings and its subsidiaries organise and contribute to annual Corporate Social Responsibility (CSR) activities to support and integrate with the community at large. These activities and projects are aimed at community and social development through contributions for social welfare, cultural and charitable events.

A noteworthy CSR program which shows the true potential of creating social capital to communities', while being aligned to the Group's non-discriminatory employment practices. For example RFPL's employment of differently abled persons (e.g. those suffering from Autism, hearing problems, etc.). Undertaken in collaboration with the Department of Social Services of Sri Lanka, the goal of the program is to secure employment and thereby acceptance in society. Some examples are as follows-

RFPL CSR

- Donations for flood victims of May 2018
- Donations of porcelain tableware to Indira Cancer Trust
- Menhandy, School for Exceptional Children in October 2018
- CL Cares – One Family Unbroken in October 2018
- Suwasewana Elders' Home at Elgoda, Dehiowita in October 2018

Di CSR

- Blood Donation Camp held on 2nd August 2018, where employees donated blood to the national blood bank.

CAPITAL REPORTS
Human Capital

Ambeon Holdings PLC adopts a holistic approach to human resource management, thereby, the Group focuses on creating value for its employees by nurturing a performance-oriented culture driven by continuous development.

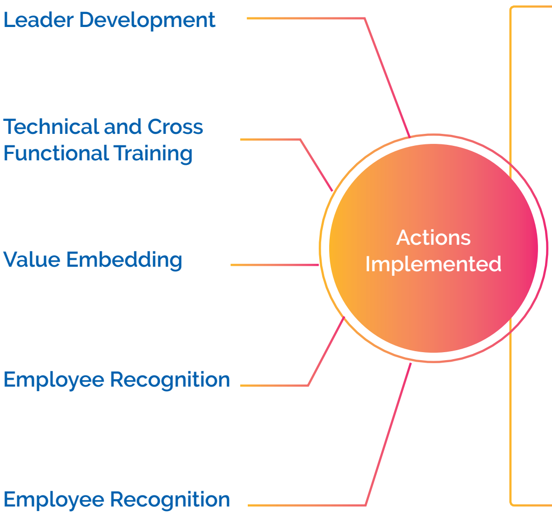
The Group considers its Human Resources as an integral part of its future growth strategy and considers its people as pillars that will transform its strategies into actual business activities that generate value thus ensuring sustainable business success. The Group is therefore steadfast in its approach to human resource development with a strong commitment to develop employees' knowledge, skills and abilities whilst achieving its organisational goals.

The Group has in place a human resource framework which enables Ambeon Holdings to retain oversight control while delegating day-to-day operational aspects to its subsidiaries. The Group has thereby achieved much success in standardizing the management of human resources and creating value while enabling our employees to build careers and progress in their professions. This initiative has helped create a Group-wide competitive advantage.

Success of the Group's human resource strategies is visible in the many accolades and awards received as well as the binding relationships built between the management and employees. With the introduction of modern human resource management processes and procedures, Ambeon Group has successfully positioned itself as an 'employer of choice' amongst other leading Sri Lankan conglomerates.

The Group conducted an employee opinion survey in early 2017 in which 1,225 employees from across our subsidiaries participated. The key concerns identified through this survey were prioritised as an 'HRM Focus for 2018/19' with all policies being implemented during the year. A post opinion survey which was conducted in early 2019 reflected positively on the successful HRM practices and strategies implemented by Ambeon. This survey revealed a 25% increase in performance, productivity and loyalty.

HRM Focus for 2018/19



Measure of Success

- Overall temporary workforce reduced from 30% to 3%
- 1,928 employees have undergone training
- 438 employees validated for technical skills by respective national authority
- 10% of the workforce engaged in cross-functional training and cross posting
- Loyalty index driving towards Retention.

The Group's concentrated efforts to develop human resource management processes has resulted in the successful adoption of a modern approach to human resource management across all subsidiaries. Thus, Ambeon Group's total employee cadre comprising of 2,950 employees gain many benefits which help create value for human resources as well as the organisation.

Total Employee Cadre by Gender 2018/19

Ambeon		SAT		CLPL		DPL		Millennium IT ESP		RFPL		TAP		CCH		Group	
M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
32	11	877	191	199	138	365	304	217	38	238	296	28	13	2	1	1,958	992
	43		1,068		337		669		255		534		41		3		2,950

Total Employee Cadre by Gender 2018/19

	Ambeon		SAT		CLPL		DPL		Millennium IT ESP		RFPL		TAP		CCH		Group	
Years of Service	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
< 05 years	27	8	389	159	80	82	54	44	151	26	160	234	6	3	-	1	867	557
05-10 years	4	3	275	25	66	43	96	131	35	5	30	43	12	7	1	-	519	257
11-15 years	1	-	213	7	13	5	29	16	27	4	11	9	8	3	-	-	302	44
16-20 years	-	-	-	-	8	1	31	10	3	1	13	2	2	-	1	-	58	14
>20 years	-	-	-	-	32	7	155	103	1	2	24	8	-	-	-	-	212	120
Total	32	11	877	191	199	138	365	304	217	38	238	296	28	13	2	1	1,958	992

CAPITAL REPORTS

Human Capital

HR Policies, Procedures and Standards

As part of the Group's transformation process, all HR policies and procedures were standardised at Group level. These were implemented and institutionalised in August 2018. The initiative to centralise the HR processes and to adopt a holistic approach to key human resource management areas will enable Ambeon to capitalise on Group synergies. This will enable the Company to pursue a more robust human capital development master plan and value addition process.

Talent Acquisition and Retention

The Group follows a rigorous and comprehensive process in new recruitments. This ensures that the right employee is recruited for each job. Our processes ensure consideration of qualifications, skills and abilities of employees together with an individual's personality and aptitude in evaluating candidates when recruiting for open positions, while discrimination and favouritism on any grounds is not condoned.

As a practice, internal candidates are given equal opportunities in filling vacancies, thereby enabling current employees to apply for positions across Group companies. This is the Ambeon way of creating opportunities for our employees to obtain exposure in different industries and build a fulfilling career within the Ambeon Group. The job openings is advertised externally using the Company's website, online recruitment websites and other traditional forms of recruitment where no suitable candidates are available for internal transfers or promotions. In addition, the Group also participates in career fairs organised by universities and professional institutions to build a database of prospective 'right fit' candidates for future employment vacancies.

An integral part of the recruitment process is the integration of new employees to the unique Ambeon culture and instilling the values of the Group within them. All new recruits are required to participate in an induction process to become familiar with the Group's businesses, the company they are being recruited for, and the Ambeon culture and their specific job role and department.

An attractive talent management system which encompasses talent acquisition to talent development is practised by Ambeon Group for talent retention. Internal promotions, lucrative employee benefits, rewards and recognitions, training and development programmes, cross-functional placements, employee welfare schemes, and opportunities for career development and progression are practiced across the Group. To aid employees to build a career with the Group, Ambeon has in place a robust career development program based on individual employee specific competency needs, where successful participants are brought into the talent pool and the succession plan drawn appropriately.

In fact, the Group operates the human resource function on the premise of "nurturing our people and enabling them to take charge of future business opportunities by assuming leadership roles, thereby constantly encouraging them in doing jobs that were never done before".

New Recruits During 2018/19 by Gender and Age

	Ambeon		SAT		CLPL		DPL		Millennium IT ESP		RFPL		TAP		CCH		Group	
Age	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
18-25 years	2	1	110	34	19	6	38	37	37	6	104	98	-	-	-	-	310	182
26-35 years	5	-	24	3	9	3	19	11	52	13	59	61	-	1	-	1	168	93
36-45 years	2	1	6	-	5	2	7	3	10	4	22	61	2	-	-	-	54	71
46-55 years	-	-	4	-	-	1	3	1	1		5	17	-	-	-	-	13	19
> 55 years	1	-	-	-	1	-	-	-			-	1	-	-	-	-	2	1
Total	10	2	144	37	34	12	67	52	100	23	190	238	2	1	0	1	547	366

Number of Resignations During 2018/19 by Gender and Age

	Ambeon		SAT		CLPL		DPL		Millennium IT ESP		RFPL		TAP		CCH		Group	
Age	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
18-25 years	-	1	180	59	41	11	30	34	4	0	101	88			-	-	356	193
26-35 years	5	1	45	19	36	13	28	25	12	3	40	52		1	-	1	166	115
36-45 years	-	-	18	15	30	11	14	5	1	1	17	45			-	-	80	77
46-55 years	1	-	4	1	35	9	17	18	1	0	6	15			-	-	64	43
> 55 years	1	-	-	-	28	2	5	3	0	0	-	1		1	-	-	34	7
Total	7	2	247	94	170	46	94	85	18	4	164	201	0	2	-0	1	700	435

Training and Development

Training and development form an integral part of the Group's employee retention and engagement strategy. This is an area which has received considerable management focus over the past few years. During the year 2018/19, training and development programmes increased by 300% with the Group conducting 30 internal trainings programmes and 34 external trainings programmes across all subsidiaries. A total of 1,928 employees participated in these training programmes which amounted to 6.71 hours of training per employee Training is aligned to the Group's value system and a mandatory aspect of training is the emphasis on post-training feedback, which enables the Group to continuously improve training programs to meet the needs for employees' personal development and organizational goals. Another important aspect of training which Ambeon also focuses on is post-training knowledge sharing as part of the value creation process through the vertical and horizontal dissemination of knowledge.

As per the training policy, training needs are identified through the annual performance review and 'training surveys' distributed at the end of a financial year (to employees at executive level and above) to identify their individual training needs for the forthcoming year. Training and development programmes are planned annually based on these requirements.

Living the Core Values of Ambeon, is an essential part of the Group's culture. As such, workshops aimed at embedding the Group values within all employees were organized across all the Group's subsidiaries during the year.

With the objective of enhancing the skills and qualifications of non-executive employees, a validation process for them to obtain technical certifications (to bolster their professional credentials) was introduced. The Group believes that encouraging employees to pursue recognised qualifications will not only help them achieve professional development but also contribute to higher productivity in the organisation. A total of 438 employees were validated on technical skills by the respective national authority.

Ambeon took the initiative to establish Millennium IT ESP Toastmasters Club, with a broader vision to empower the staff members of the Group to become more effective communicators and leaders. In an environment that is supportive and challenging, Millennium IT ESP Toastmasters encourages all Ambeon staff to come together to sharpen their leadership and public speaking skills.

CAPITAL REPORTS

Human Capital

Training and Development Overview 2018/19

Programme Category – In House Workshops	Participant Profiles	Total Employees
Ambeon Core Value Inculcating Workshops		
Living Ambeon Values & Crafting a Value Driven Culture	Ambeon HR team from different clusters	27
Ambeon Value Stewardship	Executive and Non- Executives	433
Management/ Supervisory Skills Development		
Executive Management Development Programme	Assistant Manager & Above	25
"Life Skills for Success" Supervisory Development Programme	Factory Supervisors	205
Motivational/ Inspirational Talk		
Ambeon Power Talk	Executive and Non- Ex Executive	229
Showroom Customer Service		
Enhancing Customer Experience & Service	Showroom Staff of Di & Dankotuwa	51
Technical Aspects of Shoe Manufacturing	Showroom Staff at Di	25
Technical Training Certifications & Awareness		
Awareness in Textiles Manufacturing & Career Advancement in Apparel Sector (SLITA)	Staff at South Asia Textiles	323
Certification Course in Textiles Manufacturing (SLITA)	Staff at South Asia Textiles	30
Awareness in Porcelain Manufacturing Process (CENTEC & ITI)	Staff at Royal Fernwood and Dankotuwa	85
Cross Functional Process Awareness & Training		
Cross Functional Awareness for Shop & Office Staff	Executive and Non- Executives	60
On-The-Job Cross Posting for Shop & Office Staff	Executive and Non- Executives	20
Cross Functional Training for Factory Floor Staff	Executive and Non- Executives	183
Quality Circles		
Workshop on Quality Circles	Production Floor Employees	105
Toastmasters		
Millennium IT ESP Toastmasters Club (Established in Oct. 2018)	Millennium IT ESP	27
Other In-House Training		
"Speak Out" - Advanced Spoken English Program	Executive and Non- Executives	20
Your Gateway to Excellence - General Corporate Etiquette / Hygiene and Grooming / Communication Skills	Executive and Non- Executives	22
Attitude Blast Workshop	Executive and above	47
3D Design & Fabrication	Executive and Non- Executives	11
Grand Total		**1,928**
Programme Category – Local External Training	**Participant Profiles**	**Total Employees**
Local Workshops on Professional Fields	Ambeon Staff from different clusters	141

Performance Management System

Ambeon Holdings has now fully implemented the performance appraisal system across all subsidiaries to foster a performance-based culture throughout the Group. This new system will enhance transparency, align performance with business goals and provide real time visibility. The second cycle of this program was successfully concluded in March 2019 for all employees. The system is designed to follow a robust KPI-driven approach for executive level employees while non-executive employees are assessed and appraised on a technical competency grid.

Employee Rewards and Remuneration

The Ambeon Holdings Group maintains a competitive rewards and remuneration scheme for employees that is linked to performance, thereby making an employee responsible for his/her own success within the organisation. All employees are paid a monthly salary which is on par with industry standards. During the year under review, performance based incentives were introduced to non-executives at manufacturing entities as part of the Group's extended variable compensation plan. Other benefits are based on employee category, grade and position within the Group and range from medical insurance to discounts for products manufactured by the Group and special rates for travel and purchases with partner brands. Total employee costs for the year under review was Rs. 2.27 Bn.

Employee Recognition

Ambeon has several programs which reward and recognise employees for their outstanding performance and their innovative contribution to the success of our business. As such, we have initiated forums such as Quality Circles and Joint Consultative Committees where employees are given an opportunity to share their views and innovative ideas towards improving operational efficiencies and provide feedback or share concerns on business activities.

A special recognition scheme called the 'Ambeon Spot Awards' was also set-up to recognise employees who display and reinforce Ambeon values while performing their jobs, re-iterating the importance of conducting business the 'Ambeon Way'.

The Group's subsidiaries also have their own recognition programmes for their employees. These include felicitating long-standing employees for their dedicated efforts towards achieving the company's goals and thereby ensuring successful Group performance.

Employee Welfare, Health and Safety

In addition to ensuring employee welfare through the Group's rewards and remuneration policy, Ambeon is also concerned for and about the health, wellbeing and safety of all employees when undertaking day-to-day business activities. As such, the Group conducts annual safety audits and training programmes on fire safety and first aid regularly to employees. In addition, some of the subsidiaries are also Occupational Health and Safety Management (OHSAS 18001) certified.

One of the Group's core objectives is to build an environment which fosters a sustainable employee welfare mechanism. This will ensure that employees are responsible for their own welfare so as to sustain them over the years irrespective of their status of employment with Ambeon Group. The Group and the subsidiaries organise diverse welfare programs and activities for the benefit of all employees.

Employee Welfare Programmes for 2018/19

Welfare programme	Target Employees
Group insurance (includes medical insurance, personal accident, critical illness and life covers)	All employees
Employees benefits (includes extensive discounts for Dankotuwa, Royal Fernwood and Ceylon Leather products)	All employees
First aid training	Factory employees
Fire safety training	Factory employees
Medical clinics	Factory employees

CAPITAL REPORTS

Human Capital

Employee Engagement Activities

At Ambeon, employee engagement revolves around Group values; Moving First - Channelling Teamwork- Actioning Results - Seeing Beyond, which is about encouraging employees to be the best and do their best at work and in any other arena in which they find themselves. To enable this belief to be realised, Ambeon and its subsidiaries organise traditional programmes such as New Year celebrations, sports competitions, family days, musical shows, annual outings and fellowships. The Group also encourages employee participation in events organised by third parties such as quizzes, debates and even mercantile sports challenges to give employees the opportunity to interact with like-minded people from the corporate world. A highlight for the year 2018/19 was the participation at the CIPM Great HR Quiz 2018 where the Ambeon team emerged the winner in the category for of Diversified Conglomerates; an achievement attributed to enthusiasm and competitive spirit of our employees.

A very unique aspect of employee engagement at Ambeon Group is the cross-training and cross posting opportunities afforded to employees within subsidiaries and Group. This is a new initiative launched during the year to encourage employee retention, as well as increase their engagement within the Group. This program proved to be a success with employees benefiting through cross – training and cross-posting opportunities.

During the year under review, the following traditional engagement programmes were conducted for the benefit of all Group employees.

Employee Engagement Programmes for 2018/19

	No. of Participants	Total Investment (Rs.)
Ambeon Holdings		
Ambeon Launch (June 2018)	85	
New Year Celebrations (1st January 2019)	85	93,500
Evening of Fellowship	35	-
SAT		
Pirith Ceremony (07th & 08th December 2018)	450	386,000
Christmas Carols (22nd December 2018)	550	173,000
Cricket Match (1st January 2019)	240	432,000
Annual Trip (19th January 2019)	800	3,200,000
DPL		
New Year – April (12th April 2018)	550	360,950
Wesak lantern competition (29th May 2018)	550	77,950
Workers day (28th December 2018)	550	734,875
New Year celebration – January (1st January 2019)	550	146,423
RFPL		
Center for Sports & Welfare society		
(7th April 2018)	All Employees	92,500
Musical Show (7th April 2018)	398	150,000
Vesak Lanterns Display (26th April 2018)	418	3,000
Annual Trip (11th August 2018)	325	500,000
New Year Celebrations (01st January 2019)	514	24,135
Millennium IT ESP		
Paduru Party (17th May 2018)	200	211,085
Family Get-together (June 2018)	250	2,675,977
Cricket Tournament (18th August 2018)	50	118,924
Children's day event (1st October 2018)	150	164,620
Annual Trip (19th October 2018)	250	6,983,075
Movie Night (31st October 2018)	150	246,000
Christmas Carols (19th December 2018)	200	1,369,697
Valentine's Day (14th February 2019)	150	202,865
Women's Day (15th March 2019)	150	226,138
CLPL		
Blood Donation (2nd August 2018)	80	20,390
Awareness Program on Social Disease (19th December 2018]	173	-

CAPITAL REPORTS

Human Capital

Labour Management Relations

As a member of the Employers' Federation of Ceylon, the Group maintains industrial harmony with trade unions and employees across the various subsidiaries. Labour management relations across the Group as well as individual subsidiaries was strengthened during the year with increased direct engagement between the management and the trade union members as well as non-unionised employees. Continuous dialogue and participatory engagement mechanisms are adopted at both Group level and at individual subsidiary level. By adopting latest HR methodologies and techniques for employee interaction and to all aspects of work and life, the Group has succeeded in continuously motivating the workforce which has resulted in the efficient management of employee relations and generating industrial peace and harmony.

	No. of Employees as Members
DPL	
Inter Company Employees Union	309
Jathika Sewaka Sangamaya	177
Nidahas Sewaka Sangamaya	5
RFPL	
Inter Company Employees Union	206
CLPL	
Inter Company Employee Union	8
Jathika Sewaka Sangamaya	20
United Commercial and Mercantile Union	126

Grievance Handling

The Group's considers employee wellbeing as a top priority. In order to maintain employee motivation levels across the Group, Ambeon has in place a centrally controlled peripherally executed employee grievance handling process. It provides for rapid response and confidentiality, thus enabling employees to perform at their optimum without being distracted. No significant grievance issues emerged during the period under review.

CAPITAL REPORTS
Intellectual Capital

The Intellectual Capital of Ambeon Holdings PLC comprises of the Ambeons' brand value and reputation as well as the brand value and reputation of subsidiary companies. These include the registered trademarks of Di, Dankotuwa, Laklain, and Royal Fernwood and the reputation for quality and reliability of South Asia Textiles Limited (SAT) and Millennium I.T.E.S.P (Private) Limited (Millennium IT ESP). Furthermore, the quality management systems, other certifications, business processes and business operating procedures adopted and fine-tuned by the Group through decades of business operations, the knowledge, skills and know-how of our employees is all considered as part of the Group's intellectual capital value. The Group's research & development and innovation capabilities together with the distinctive product design portfolios of subsidiary companies - Dankotuwa Porcelain PLC (DPL), Royal Fernwood Porcelain Limited (RFPL), Ceylon Leather Products Limited (CLPL), and South Asia Textiles Limited (SAT). Millennium IT ESP's ability to design and develop technological solutions add to the intellectual capital value of the Group and are a key differentiating factor in the respective targeted market space both locally and globally.

The Group's intellectual capital value is maintained by adopting best practices and conducting businesses in an ethical and transparent manner. The values by which Ambeon Holdings and its subsidiaries conduct business operations is the underlying basis on which reputation of the Group and its business operations have been achieved over the years. The values thus adopted enable the Group to derive intellectual capital which is heretofore unquantified, but realised through the long-standing and trusting relationships built with key stakeholders. Furthermore, knowledge and skills, memberships in industry associations, quality management systems, and other certifications are regularly reviewed and upgraded/updated so as to ensure intellectual capital value is continuously enhanced and improved for the benefit of all stakeholders.

CAPITAL REPORTS
Intellectual Capital

Brand and Reputation

The Ambeon Group's brand and reputation has achieved a high standing in a short period. The Ambeon name has now become synonymous with creating sustained value to stakeholders by pursuing opportunities in its identified market space, while transforming businesses by adopting technology to drive competitive advantage in the ever-changing and dynamic business environment. This truth was reiterated when Ambeon Holdings PLC was lauded as one of the "Top 20 Best Conglomerate Brands in Sri Lanka" by Brand Finance, a leading independent brand valuation consultancy in Sri Lanka.

The Ambeon brand and reputation is also further strengthened by the individual brands and reputation of some of Sri Lanka's world-class subsidiaries - Dankotuwa, RFPL, SAT and Millennium IT ESP -which have gained a foothold over years in the market spaces in which they operate. In addition, the Ambeon Group has also been able to achieve this distinction in such a short period due to the backing of corporate giants Galle Face Hotel Group, Hirdaramani Group and Navitas Investments, who have long held established reputations in the Sri Lankan business arena.

Inherent Knowledge and Know-How

The Group's business processes and way of doing business coupled with the skills and knowledge of our people (many of whom have been a part of their respective organisations for many years), is a key contributor to the value of the Group's intellectual capital. The Group's Board of Directors and management team have well-established careers with extensive experience in their respective professions and fields of expertise. At certain clusters, programmes to document and benefit from tacit knowledge is in progress, encouraging knowledge sharing and building knowledge troves for the future.

Accordingly, the Group has invested Rs. 43.4 Mn to enhance and upgrade training and development initiatives across all its subsidiaries, to align employees' technical and soft skills to the expectations of future business operations. As part of this process, the Group is also undertaking restructure of organisational and manufacturing processes of identified subsidiaries with the aim of providing a current solution to meet the demands and new trends of current and future consumers and customers. Accordingly, Dankotuwa underwent a comprehensive restructuring process which was concluded in the year under review, while the restructuring of CLPL was initiated in January 2019. Taprobane Capital Plus and Millennium IT ESP also conducted a comprehensive re-evaluation of its strategic priorities and business processes during the year under review and is now set to launch with its transformational business agenda in the coming months.

Ambeon Holdings and its subsidiaries are also members of relevant business, trade and industry organisations, which enable the Group to obtain information of and developments in the industry, thereby increasing the inherent knowledge that contributed to creating intellectual capital value to the Group. Trade fairs and other industry exhibitions are also attended by employees as part of the process of obtaining new knowledge pertaining to industry developments.

Industry/Business Memberships

- Ceylon Chamber of Commerce
- Employer' Federation of Ceylon
- Colombo Stockbrokers' Association
- Colombo Stock Exchange
- Russian Business Council
- Sri Lanka Pakistan Business Council
- Exporters Association of Sri Lanka
- The Sri Lanka Retail Association
- The Ceylon National Chamber of Industries
- National Chamber of Exporters of Sri Lanka
- National Chamber of Commerce
- The European Chamber of Exporters Sri Lanka

Fairs/Exhibitions Attended

- Ambiente trade fair in Germany (Dankotuwa & RFPL)
- Footwear and Leather fair Sri Lanka (Di)
- ITMA Fair
- Hotel Asia 2018

Organisational Knowledge Derived from Individual Subsidiaries

Dankotuwa Porcelain PLC	Royal Fernwood Porcelain Limited (RFPL)	Ceylon Leather Products Limited (CLPL)
Dankotuwa products are renowned globally for their unmatched whiteness, achieved through specific production practices which are unique to the company. This in-house capability positions Dankotuwa among premium porcelain manufacturing facilities globally while differentiating products from global competitors.	RFPL specialises in color glazing for any range of colors. Body shapes are another competitive advantage of the Company	The Di brand of CLPL represents one of the oldest genuine leather footwear brands in Sri Lanka. The Company has extensive knowledge and expertise on the sole adhesive process and in manufacturing rugged, durable footwear that is trusted by the armed forces of Sri Lanka since the time of the British Era. While Di is currently transitioning from a specialist leather footwear manufacturer for men, into a lifestyle brand, the Company will continue to leverage its expertise in leather to gain competitive advantage in the domestic market.

South Asia Textiles Limited (SAT)	Taprobane Capital Plus	Millennium IT ESP
The Company has continually invested in developing internal customisation capabilities and is currently one of the most flexible and made-to-measure manufactures of fabric in Sri Lanka with in-house capability to match almost any type of customer requirement for weft knit fabric in terms of composition, characteristics and performance.	The financial services arm of Ambeon Holdings comprises of three subsidiaries and collectively holds a considerable knowledge base on capital markets and money broking in Sri Lanka. The Company is one of the most trusted and profitable operators in the Sri Lankan bond market.	Millennium IT ESP has developed highly effective processes to transform existing software products for exceptional user experience. The Company is renowned as owning the most highly skilled and knowledgeable workforce in Sri Lanka. The Company has registered assets under the national Intellectual Property Act which will generate future income for the Group and also in the form of unique ICT solutions to meet the strategic growth objectives of the Group.

CAPITAL REPORTS

Intellectual Capital

Innovation and R&D

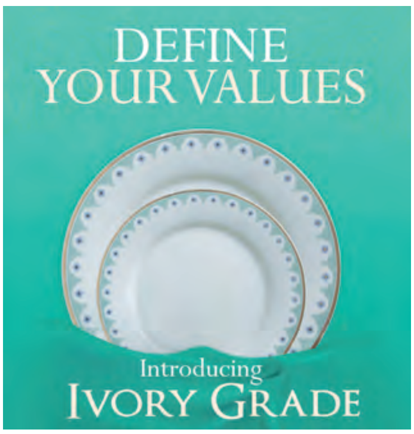
Aligned to Ambeon Holdings' 2020 vision of 'end-to-end innovation solutions', the Group's subsidiaries are on a path to increase concentration on innovation and R&D to ensure that new product development is supported by new processes, technologies and techniques, as well as new markets and upgraded skills of people. Value in terms of innovation and R&D is created through the extensive research undertaken prior to launching of new products and innovations, which ensure meeting current trends in consumer fashions and needs. During the year under review, many new products were introduced to the market to meet consumer needs.

Innovations are also undertaken within the Group's manufacturing processes to enable increased efficiencies, reduce production costs and bring in group synergies.

One such implementation during the year was the new 3D modelling software system for both Dankotuwa and RFPL, which enables a more realistic view of designs while on the creative board and allows for a greater number of design storage. This new software is also expected to bring in a saving of US$ 45,000 over a 5-year period, compared to the individual systems both companies were previously using, and consequently increasing the intellectual capital value to the Group as well. Furthermore, as a tech-savvy business operation, Millennium IT ESP also uses innovative methodologies and processes to fulfil customer requirements, using technology as the key basis for transforming business processes.

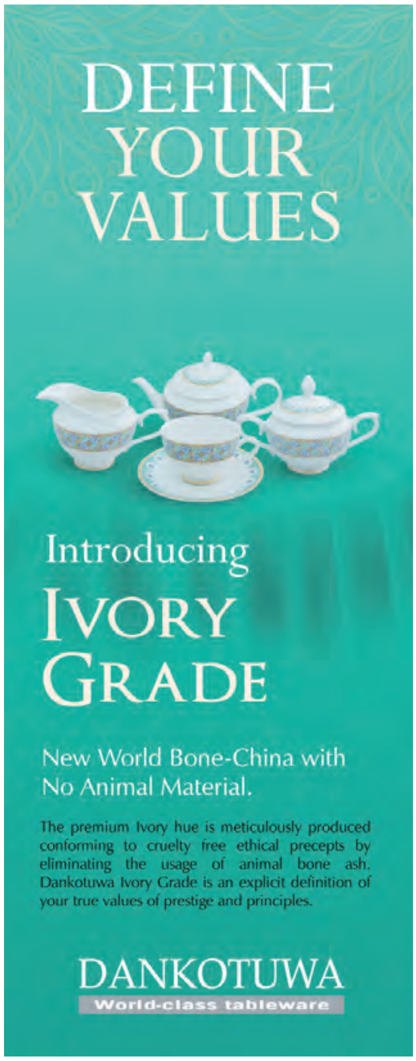
The establishment of a innovation sector under the Group has helped coordinate and spearhead this process and also signifies the importance the Group has given to the area of innovation and creativity.

Dankotuwa	Royal Fernwood	Di
· Colour glazed range	· Rice Cooker	S3 PVC shoe
· Reactive glazed range	· Reactive glazed range	
· Matt glazed range	· Matt glazed range	
· Ivory range	· Ivory range	
· Diyas (Pahana)	· Diyas (Pahana)	
· Porcelain jewellery	· Porcelain jewellery	



New Product Development

As part of on going business success, all subsidiaries of the Ambeon Group develop and introduce products to the market. New product development is however, more common in the Group's consumer-based businesses such as Dankotuwa, RFPL, Di, and Millennium IT ESP. During the year under review, Dankotuwa launched new products to meet the demand for contemporary and premier porcelain tableware and gift items by the target audience, while RFPL also launched new products. SAT also launched several textile variants including the Polyester with Elastane to meet customer demand.



Business Processes and Operating Norms

Internal processes and standard operating procedures provide a basis on which to operate the Group's diverse business operations. Many key operating standards such as HR process and systems, training and development initiatives, and risk management are cascaded from Ambeon Holdings and implemented in all the Group's subsidiaries. In addition, subsidiary companies also adopt operating processes and procedures aligned to industry and business needs.

During the year under review, the Group introduced and implemented several new internal systems and processes which use information technology to transform business efficiency and effectiveness.

- The Group implemented one system for risk management across all subsidiaries, thereby enabling a robust framework to be applied across all companies, which systematises the risk management process for Ambeon Holdings and allows for faster and more flexible decision-making to be adopted at strategic level. While key risks are managed at the Group level, industry and business specific risks are managed at the subsidiary level, allowing transparency across all users.
- The ERP system implementation for SAT was successfully completed, thereby increasing the online visibility of tasks to factory employees, which in turn is expected to increase production process efficiency. The ERP system, which also supports a range of ERP dashboard, will enable more robust decision-making and evaluation process which is expected to improve efficiency of the business and result in long term gains.
- A Cloud archiving system for 3D designs and Decal systems was also introduced for the Group's innovation team, to enable uninterrupted 365-day access to users while providing high multi-layer security back-up storage facilities.
- Mobile enabled POS dashboards, which provide real-time sales data as well as customer data, were also introduced to both Dankotuwa and CLPL to enhance effective decision-making capabilities of sales personnel on the field.

Quality and Other Certifications

Quality is an integral part of the Group's business operations. As such, all subsidiaries of Ambeon Holdings have invested in a range of local and global quality management systems to ensure that international best practices are adopted in the manufacturing process. In addition, the Group also encourages all subsidiaries to obtain and retain certifications pertaining to health and safety, environmental safety and management, as well as adhere to human rights and other employee rights practices as per regulations and voluntary practices.

Certifications:	ISO 9001:2005	ISO 27001:2015	ISO 14001:2015
Dankotuwa Porcelain PLC	✓		✓
Royal Fernwood Porcelain Limited	✓		✓
South Asia Textiles Limited	✓		
Ceylon Leather Products Limited	✓		
Millennium IT ESP	✓	✓	

CAPITAL REPORTS
Natural Capital

Ambeon Holdings PLC uses natural resources as raw materials in the manufacture of porcelain products and leather for footwear and accessories. Non-renewable energy such a LP gas and electricity are one of the key resources used in all manufacturing processes and to conduct day-to-day business operations. Water is also used for specific manufacturing processes, but in recent years, water usage has been reducing with the installation of machines with advance technologies, which now use little or no water as part of the manufacturing process. As such, it is challenging for the Group to create value for natural capital. However, to minimise the impact of the Group's business operations on the environment, Ambeon Holdings and its subsidiaries have over the last couple of years, focused efforts to reduce natural resources without compromising business operations and product quality.

Thus, the Ambeon Group is pursuing a strategy to integrate a range of environment-friendly practices as part of conducting sustainable business operations. Towards achieving of this objective, the Group adheres to industry and Government environmental regulations, has obtained all necessary manufacturing licences, has subscribed to ISO 14001:2015 Environmental Systems certification for several manufacturing operations including porcelain and textiles has in place water and energy management methods and waste management system, and implements sustainable manufacturing processes.

Ambeon Holdings does not own land or have business interests in proximity to biodiversity-rich areas. However, the Group owns a fertile 5-acre land currently used for coconut cultivation. This land is part of Dankotuwa Porcelain PLC's manufacturing facility in Dankotuwa.

The quantity of raw materials used in the manufacture of products has been increasing year on year due to increased production volumes. However, the Ambeon Group and its respective subsidiaries ensures that raw materials are purchased from licensed and certified suppliers who use environmentally friendly processes in the extraction or procurement of these raw materials. Furthermore, by using innovative manufacturing processes and procedures, and by upgrading machinery in our factories, the Group optimises raw material usage as production quantity increases.

As a general rule, paper used in day-to-day business activities is minimised by printing on both sides and using of the paper and using electronic means to share information rather than provide hardcopies wherever possible.

Materials Usage

Ambeon Holdings uses a range of raw materials such as Kaolin, ball clay, Feldspar, Quartz and Dolomite in the manufacture of porcelain products. Leather derived from cattle is a source of raw material used in the manufacture of footwear and accessories. The Group's textile subsidiary South Asia Textiles Limited (SAT) uses only organic materials in the manufacture of weft knit fabrics. Paper is used in the undertaking of daily business operations and packaging materials such as corrugated boxes are also used but in limited quantities.

Materials Used

	Dankotuwa Porcelain PLC			Royal Fernwood Porcelain Limited		
	2018/19	2017/18	Change	2018/19	2017/18	Change
Kaolin	69,244,942	62,328,708	11.10%	43,774,946	34,069,258	28.49%
Ball Clay	1,843,826	2,255,981	-18.27%	48,378,383	20,228,341	139.16%
Feldspar	2,151,946	1,945,401	10.62%	2,706,706	2,353,947	14.99%
Quartz	4,245,022	4,581,307	-7.34%	6,532,697	5,027,699	29.93%
Dolomite	73,006	72,161	1.17%	49,691	42,245	17.63%
Packaging Material	48,665,389	68,724,515	-29.19%	62,267,848	41,651,169	49.50%
Production Qty	4,757,846	4,278,169	11.21%	4,684,276	4,744,289	-1.26%

CAPITAL REPORTS

Natural Capital

	Ceylon Leather Products Limited			South Asia Textiles Limited		
	2018/19	2017/18	Change	2018/19	2017/18	Change
Leather	642,007	1,126,729	-43%	N/A	N/A	N/A
Dyes	1,209	2,048	-41%	193,009	214,654	-10%
Yarn	N/A	N/A	N/A	2,851,223	5,161,003	-45%
Greige	N/A	N/A	N/A	591,697	7,601,580	-92%
Chemical	N/A	N/A	N/A	3,962,117	4,658,444	-15%
Production Qty	146,431	238,330	-39%	N/A	N/A	N/A

Energy Management

Ambeon Holdings has in place several mechanisms to ensure non-renewable energy usage is minimized during the manufacturing process. The main forms of energy used include electricity from the National Electricity Grid, LP Gas, kerosene, and furnace oil. During the year under review, energy consumption by the Group increased by 5.56% compared to the previous year while efficiency of energy consumption improved. During the year under review, energy consumption efficiency of the Group improved. Total energy stood at 1.08 Bn against prior year of 1.02 Bn inspite of significant increase in production. This is being achieved and complemented by several initiatives such as the use of biomass to operate machinery in the Group's textile factory, the conversion of fuel kilns to LP gas, conversion to fuel/energy efficient shuttle kilns for porcelain manufacturing, installation of energy efficient machinery and equipment in offices and the adoption of energy efficient manufacturing processes, which resulted in benefits being achieved in terms of costs savings and led to a direct reduction in fuel and energy usage.

Key Initiatives Implemented to Optimise and Reduce Energy Usage				
Dankotuwa Porcelain PLC	Royal Fernwood Porcelain Limited	Ceylon Leather Products Limited	South Asia Textiles Limited	Millennium I.T.E.S.P (Pvt) Ltd
Conversion of fuel kilns to LP gas	Conversion of fuel kilns to LP gas	Power factor correction by upgrading capacitor bank.	Replacement of lights to energy efficient LED bulbs & skylights for daytime use	Inverter type air conditioning
Installation of energy efficient kilns	Adoption of energy efficient manufacturing processes	Replaced fluorescent lighting with LED lighting.	Compressor re-arrangement knitting reducing the air flow and pressure drop making environment less warm.	
Adoption of energy efficient manufacturing processes	Installation of energy efficient kilns		Scada System to monitor electricity consumption	
			Biomass usage (Steam boiler, Themic Heater)	
			Waste water treatment plant	
			Capacitor Bank installation to monitor & control energy efficiency	

Electricity Consumption

	2018/19	2017/18	Production Quantity/Sales Volumes	Change
Ambeon Holdings PLC - Head Office	32,731 Units	31,910 Units	N/A	2.57%
Dankotuwa Porcelain PLC	5,548,916 Units	5,554,392 Units	Total Whiteware pcs 2018/2019 - 4,757,846 2017/2018 - 4,278,169	-0.10%
Royal Fernwood Porcelain Limited	2,522,012 Uniits	2,228,125 Units	Total Whiteware pcs 2018/2019 - 4,684,276 2017/2018 - 4,744,289	13.19%
Ceylon Leather Products Limited	479,244 Units	535,140 Units	2018/2019- 238,330 pairs 2017/2018-146,431 pairs	-10.44%
South Asia Textiles Limited	13,417,911 KWh/Kva	16,190,837 KWh/Kva	2018/2019 - 7,132,463 Kgs 2017/2018 - 7,734,487 Kgs	-7.78%
Millennium I.T.E.S.P (Pvt) Limited	315,803 Units	N/A	N/A	N/A
Taprobane Capital Plus (Pvt) Limited	91,523 Units	81,504 Units	N/A	12.29%

Fuel Consumption

	2018/19	2017/18	Production Quantity/Sales Volumes	Change
Ambeon Holdings PLC - Head Office	N/A	N/A	N/A	N/A
Dankotuwa Porcelain PLC - Gas	1,125,784 Kg	1,174,157 Kg	Total Whiteware pcs 2018/2019 - 4,757,846 2017/2018 - 4,278,169	-4.12%
- Diesel	65,765 Ltrs	36,029 Ltrs		82.53%
Royal Fernwood Porcelain Limited	1,517,609 Units	1,401,091 Units	Total Whiteware pcs 2018/2019 - 4,684,276 2017/2018 - 4,744,289	8.32%
South Asia Textiles Limited	1,524,008 Ltrs	1,846,213 Ltrs	2018/2019 - 7,132,463 Kgs 2017/2018 - 7,734,487 Kgs	-7.78%

The Group will continue to focus on enhancing energy efficiencies through use of new technology, and manufacturing processes, as well as production process restructuring to reduce energy usage in the future.

Water Management

Water is used by Ambeon Holdings in its manufacturing processes, to maintain gardens and plants, and also by employees working in the organisation, for their daily use. The Group has in place measures to reduce water consumption and continually strives to adopt production methods and processes which consume less water. During the year under review however, water consumed by the Group increased due to the overall increase in production quantities.

CAPITAL REPORTS
Natural Capital

Water Consumption

	2018/19	2017/18	Production Quantity/Sales Volumes	Change
Ambeon Holdings PLC - Head Office	N/A	N/A	N/A	N/A
Dankotuwa Porcelain PLC	N/A	N/A	N/A	N/A
Royal Fernwood Porcelain Limited	N/A	N/A	N/A	N/A
Ceylon Leather Products Limited	338,400 Units	247,235 Units	2018/2019- 238,330 pairs 2017/2018-146,431 pairs	36.87%
South Asia Textiles Limited	1,112,613 Cubic Meters	729,850 Cubic Meters	2018/2019 - 7,132,463 Kgs 2017/2018 - 7,734,487 Kgs	-7.78%
Millenium I.T.E.S.P (Pvt) Limited	N/A	N/A	N/A	N/A
Taprobane Capital Plus (Pvt) Limited	N/A	N/A	N/A	N/A

Wastewater Management

Water discharged as waste by the Group's manufacturing facilities is treated before release to the environment. Wastewater at the textile manufacturing plant is toxic-free due to the use of organic raw materials in the production of knit fabrics and tech driven cleaning process. During the year under review, SAT completed the installation of the water purification system at its factory premises and is now able to treat 4,200 m^3 of water per hour, thereby ensuring that all water released from the manufacturing process receives treatment before being released to the environment. As porcelain manufacture uses very minimal water in its manufacturing process, there is no significant wastewater generated, whilst at Ceylon Leather, a fully-fledged water treatment facility is available with tannery operations. As part of sustainable environment-friendly operations, during the year under review, more raw hides were imported, thus moving away from residual disposal on such operations.

	2018/19		2017/18		Production Quantity	Change
	Discharged	Treated	Discharged	Treated		
Ceylon Leather Products Limited	N/A	N/A	N/A	N/A	N/A	N/A
South Asia Textiles Limited	Not Measured	Not Measured	Not Measured	Not Measured	N/A	N/A

Waste Management

The Ambeon Group's waste management processes are diverse and specific to individual needs of its subsidiaries. Everyday waste generated in offices is disposed of using the waste disposal services of the national municipal council. Waste segregation is implemented at all business locations so that organic, plastics, paper, e-waste, and other types of wastes are disposed using the correct methods.

Waste generated from manufacturing processes are disposed of according to the regulations as set out by the Central Environmental Authority (CEA) and other regulations and best practices. The textile manufacturing subsidiary, SAT, has implemented a program of Zero Discharge of Hazardous Chemicals (ZDHC), which ensures that no hazardous waste is generated by the Company; this is possible as a result of using predominantly organic raw materials in the manufacturing process.

Managing Porcelain Waste	Managing Leather Waste	Managing Textile Waste
Internal system of re-using semi-finished products which do not comply with the premium quality of the Dankotowa brand. This reduces waste generated at this stage of the production.	Leather off-cuts are sold to manufacturers of other types of leather goods, so that no leather is wasted.	Chemical waste/Sludge disposed to outside authorized parties. (Holcim)
Waste generated from finished products mainly due to defects or damages is crushed and safely disposed of within the grounds of the factory premises, ensuring no harm to the environment.	Leather waste generated during the manufacturing process is disposed of using licenced companies such as Holcim.	Off-cut pieces, cardboards and polythene are segregated and sole to registered buyers.

E-waste Disposal

With the advent of technology to carry on day-to-day business operations, the safe and secure disposal of e-waste has become a key aspect of organisational waste management processes. The Ambeon Group is currently in the process of developing solutions for disposal of electronic waste, which is estimated to increase due to the acquisition of Millennium IT ESP. Therefore, new waste management solutions for e-waste will be implemented and monitored in the new financial year.

AMH	SAT	Millennium I.T.E.S.P (Pvt) Ltd	CLPL	DPL	RFPL	TAP group
No	Electronic items disposed to registered vendors	After a physical verification, identify the wastage & dispose to a selected vendor.	No	No	No	No

Carbon Emission

Carbon emission continued to be a concern for Ambeon Holdings as most manufacturing processes result in carbon emissions to the atmosphere. However, the Group is on a path to reduce its carbon footprint and SAT is well on a path to become a zero-carbon emission discharge organisation in the near future.

SAT	2018/19	2017/18
Co2 emission (MT)	4,656.06	5,634.48

REPORT OF THE AUDIT COMMITTEE

Composition

The Audit Committee comprised of three Non-Executive Directors, out of whom, as required by the Listing Rules of the Colombo Stock Exchange two Directors were Independent.

Mr. Mangala Boyagoda	-	Independent Non-Executive Director
Mr. A G Weerasinghe	–	Non-Independent Non-Executive Director
Mr. Priyantha Maddumage	–	Independent Non-Executive Director

Mr. Priyantha Maddumage is a Member of the Institute of Chartered Accountants of Sri Lanka.

The profiles of the members are given on pages 22 to 23 of the Annual Report.

Meetings

The Audit Committee met four times during the year and attendance by the Committee members at each of these meetings are given in the Corporate Governance Report on pages 26 to 45.

The Group Managing Director/Chief Executive Officer and Finance Manager attended all Audit Committee Meetings by invitation. The Company Secretary functions as the Secretary to the Committee. The engagement partner of the Company's external auditors attends meetings when matters pertaining to their functions come up for consideration.

Role of the Committee

The Audit Committee has written terms of reference, dealing clearly with its authority & duties and is established for the purpose of assisting the Board in;

1. Overseeing the integrity of the company's financial statements and the company's accounting and financial reporting processes

2. Overseeing the company's systems of disclosure controls and procedures, internal controls over financial reporting and compliance with ethical standards adopted by the company.

3. Evaluating the performance of the company's independent auditor and internal audit functions

4. Overseeing the company's compliance with legal and regulatory requirements.

The role and functions of the Audit Committee are further defined by the Rules on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) of Sri Lanka.

During the financial year the Committee;

- Fulfilled its oversight responsibility on the effectiveness of internal control procedures by providing guidance and inputs to the design and coverage of internal audit programs.

- Reviewed the appropriateness of accounting policies and their adherence to statutory and regulatory compliance requirements and applicable Accounting Standards.

- Reviewed the interim and annual financial statements prepared for publication prior to submission to the Board of Directors for approval.

- Examined the adequacy, efficiency and effectiveness of the risk management processes, internal controls and governance processes in place to identify, avoid and mitigate risks.

- Assessed the independence of the external auditors and the effectiveness of the performance of the audit.

- Assessed the Company's ability to continue as a going concern in the foreseeable future.

Regulatory Compliance

A procedure has been laid down for reporting on the statutory compliance/non-compliance of the Company and its subsidiaries on a quarterly basis. This report is certified by the Head of Finance. Such non-compliances are followed up to ensure appropriate corrective actions are taken.

Internal Audit

The Audit Committee exercises oversight over the group internal audit function. The Committee approves the annual internal audit programme and follows up on the progress during the year. Internal audit reports are presented and reviewed on a regular basis. Issues are raised with a risk rating to ensure more attention to high risk areas. These reviews examine management's responses to the issues raised and recommendations to overcome the issues and the implementation plans. The processes and the frequency of audits are dependent on the risk level with higher risk areas being audited more frequently with greater focus.

Independence and objectivity of the external auditors

The external auditors were given adequate access to records and personnel by the Company to ensure they had no cause to compromise on the terms of reference. The committee reviewed the non-audit services provided by the external auditors with the aim of assessing the independence and objectivity of the external auditor. Having reviewed these, the committee is satisfied that the non-audit services provided by the external auditors do not impair their independence.

Prior to commencement of the annual audit, the committee discussed with the external auditors their audit plan, audit approach and procedures and matters relating to the scope of audit. The fees of the external auditors were also approved by the audit committee. The audit findings were discussed at the conclusion of the audit, where the committee reviewed and recommended the annual consolidated financial statements to the Board for their approval.

The Audit Committee has recommended to the Board, Messrs Ernst & Young, Chartered Accountants be re-appointed as statutory auditors for the financial year ending 31 March 2020 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Sgd.
Mangala Boyagoda
Chairman

25 July 2019

REPORT OF THE REMUNERATION COMMITTEE

Composition

The Remuneration Committee appointed by and responsible to the Board of Directors, comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as given below.

Mr. Mangala Boyagoda (Chairman)	-	Independent Non-Executive Director
Mr. R P Sugathadasa	–	Non-Independent Non-Executive Director
Mr. Priyantha Maddumage	–	Independent Non-Executive Director

The Group Managing Director/CEO attends meetings by invitation.

M/s. P W Corporate Secretarial (Private) Limited functions as the Secretary to the Committee.

Policy

The remuneration policy of the Company is designed to attract, motivate and retain staff with the appropriate professional, managerial and operational expertise to achieve the objectives of the company.

Scope and Responsibility

The scope and responsibility of the remuneration committee include;

- To consider internal as well as external remuneration factors and to ensure that the remuneration policy of the company recognizes and addresses the short and long-term needs of the organization in relation to performance, talent retention and reward.
- To recommend to the Board a competitive remuneration and reward structure which is linked to performance.
- To decide on the remuneration packages of Key Management Personnel.
- To evaluate the performance of the Key Management Personnel, management development plans and succession planning.
- To approve annual salary increments, bonuses, changes on perquisites and incentives.

Professional Advice

The committee has the authority to seek external independent professional advice on matters within the purview of the committee and to invite professional advisors with relevant experience to assist in various duties.

Remuneration Package

Employees

Total compensation of an employee is influenced by a number of factors such as skill, experience, responsibility, performance, industry average and the findings of market surveys conducted in selected organisations in every two to three years.

Every Executive member of the staff is informed of the key performance indicators on which he/she will be judged and evaluated against such key performance indicators.

Basic salary is the fixed component of the remuneration and is reviewed for increments annually based on the ratings at annual performance appraisals.

Directors

The remuneration for Non-Executive Directors reflects the time, commitment and responsibilities of their role and is based on industry and market surveys. They do not receive any performance or incentive payments.

Neither the Chief Executive Officer nor any other Directors are involved in remuneration committee meetings when determinations are made in respect of their own performance, compensation package and fees.

The aggregate remuneration paid to Key Management Personnel and the remuneration paid to the Directors is disclosed in Note 34.2 and Note 29 respectively to the Financial Statements.

Sgd.
Mangala Boyagoda
Chairman

25 July 2019

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The purpose of the Related Party Transactions Review Committee (the Committee) is to assist the Board in meeting its oversight responsibilities 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 taking advantage of their positions.

Composition

The Committee consists of three members with a combination of Independent Non-Executive Directors and Non-Independent Non-Executive Directors. The members of the Committee are;

Mr. Mangala Boyagoda	-	Chairman/Independent Non-Executive Director
Mr. A G Weerasinghe	-	Non-Independent Non-Executive Director
Mr. Ruwan Sugathadasa	-	Non-Independent Non-Executive Director

The above composition is in compliance with the provisions of the Listing Rules of the Colombo Stock Exchange. Brief profiles of the members are given on pages 22 to 23 of the Annual Report.

Charter of the Relation Party Transaction Review Committee

The Charter of the Related Party Transactions Review Committee clearly sets out the purpose, membership, authority and the duties and responsibilities of the Committee. In order to discharge the duties and responsibilities effectively and efficiently, the Committee has been authorized to;

a) Receive regular reports from the management and be provided with any information it requires relating to its responsibilities.

b) Establish policies and procedures that provide general pre-approvals to certain types of related party transactions.

c) Review and evaluate the terms, conditions, and the advisability of any related party transaction

d) Determine whether the relevant related party transaction is fair, and in the best interest of the Company and its shareholders as a whole.

e) Recommend to the Board what action, if any, is required to be taken by the Board with respect to any related party transaction.

f) Obtain advice and assistance from legal, technical, financial and other advisors from within or outside the Company as deemed necessary by the Committee in order to carry out its duties.

Meetings

The Related Party Transactions Review Committee met four times during the financial year and attendance by the Committee Members at each of these meetings are given in the Corporate Governance Report on page 29.

The Group Managing Director/Chief Executive Officer and Finance Manager attended all Related Party Transactions Review Committee Meetings by invitation.

Policies & Procedures

Declarations are obtained from each Director/Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations the related party transactions are identified from information maintained with the Company.

All forecasted recurrent RPTs are submitted by Management on a quarterly basis to the Committee for consideration and review. Non-recurrent RPTs are also reviewed and approved by the Committee prior to the transaction being entered into or if the transaction is expressed to be conditional on such review, prior to the completion of the transaction and the recommendation communicated to the Board for consideration.

The Committee is satisfied that all RPTs have been reviewed by the Committee during the financial year and have communicated their observations to the Board. The details of related party transactions entered into during the financial year are given on Note 34 to the Financial Statements, on pages 232 to 235 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 139 of this Annual Report.

Sgd.
Mangala Boyagoda
Chairman

25 July 2019

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

The Board of Directors of Ambeon Holdings PLC takes pleasure in presenting their Report on the Affairs of the Company together with the Financial Statements for the year ended 31 March 2019, conforming to the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The report also includes certain disclosures required to be made under Listing Rules of the Colombo Stock Exchange and are guided by the recommended best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Colombo Stock Exchange.

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

The principal activity of the company is to operate as an Investment Holding and Management Company. As at 31 March 2019 the company had investments in various sectors such as manufacturing, real estate, information technology and investments. A review of the operations of the company during the twelve months period and the results of those operations are contained on pages 143 to 249 of this Annual Report.

Group Structure

The Group Structure is demonstrated on page 52 of the Annual Report.

Review of Performance

A review of the Company and its subsidiaries performance during the Financial Year together with the Future outlook is available in the Chairman's message, CEO's message on pages 10 to 20.

Name Change

The name of the company was changed to Ambeon Holdings PLC with effect from 11 June 2018.

Financial Statements

The Financial Statements of the Company for the year ended 31 March 2019 are duly certified by the Finance Manager and approved by the Board of Directors and signed on behalf of the Board by two Directors in compliance with the Companies Act No. 07 of 2007 and are given on pages 143 to 249 of this Annual Report.

Summarized Financial Statements

	Group		Company	
	2018/2019 Rs. '000	2017/2018 Rs. '000	2018/2019 Rs. '000	2017/2018 Rs. '000
Revenue	**17,734,485**	12,272,998	**465,473**	713,264
Profit/(Loss) Before Tax from Continuing Operations	**1,247,263**	571,741	**31,607**	696,091
Income Tax Reversal/(Expenses)	**(382,136)**	99,208	**(60,985)**	33,906
Profit/(Loss) After Tax from Continuing Operations	**865,127**	670,948	**(29,378)**	729,997
Profit/(Loss) after Tax from Discontinued Operations	**(659)**	9,870	**-**	-
Profit/(Loss) for the year	**864,468**	680,818	**(29,378)**	729,997

Accounting Policies and Changes

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 157 to 177 as required by Section 168 (1) (d) of the Companies Act.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group which reflect a true and fair view of the financial position and the performance of the Company and the Group.

Board of Directors

The names of the Directors who held office during the financial year and as at date are given below;

Mr. A G Weerasinghe	- Chairman/Non-Executive Director
Mr. Murali Prakash	- Group Managing Director/CEO
Mr. Ruwan Sugathadasa	- Non-Independent Non-Executive Director
Mr. Mangala Boyagoda	- Independent Non-Executive Director
Mr. Priyantha Maddumage	- Independent Non-Executive Director

In accordance with the provisions of Article 25 (6) of the Articles of Association, Mr. Priyantha Maddumage retires by rotation and being eligible offers himself for re-election with the unanimous consent of the Board.

Mr. A. G. Weerasinghe vacates office in terms of Section 210 of the Companies Act No. 7 of 2007 and a resolution will be tabled for his re-appointment as per Section 211 of the Companies Act with the unanimous consent of the Board.

The present Directors of the Company and their profiles are shown on pages 22 to 23 of the Annual Report.

Board Sub Committees

The Board, while assuming overall responsibility and accountability for the management of the Company, has appointed three Board Sub-Committees; Audit Committee, Related Party Transactions Review Committee and the Remuneration Committee, to ensure oversight and control over certain affairs of the Company.

The Board approved Terms of References of these Sub Committees conform to the recommendations made by various regulatory bodies such as the Institute of Chartered Accountants of Sri Lanka, The Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

Interests Register

Directors' Interest in Transactions

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 34 to the Financial Statements on pages 232 to 235.

Directors' Remuneration

The Directors' Remuneration is disclosed in Note 29 to the Financial Statements on page 228.

Directors' Interest in Shares

The Directors of the Company who have an interest in the shares of the Company have disclosed their shareholdings in compliance with Section 200 of the Companies Act No. 07 of 2007.

Details pertaining to Directors' direct and indirect shareholdings are given below;

	As at 31 March 2019 No. of Shares	As at 31 March 2018 No. of Shares
Ambeon Capital PLC (Represented by M/s N M Prakash and Ruwan Sugathadasa)	**290,597,377**	290,597,377
Taprobane Wealth Plus (Private) Limited (Represented by M/s A G Weerasinghe)	**85,000**	85,000
DOH Investment Lanka (Private) Limited (Represented by Mr. P P Maddumage)	**2,153,046**	2,153,046
Mr. N M Prakash	**450,000**	200,000

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

Corporate Governance

The Board is committed to maintaining high standards of governance, the process by which the Company is directed and managed. Risks are identified and controlled, and effective accountability assured. The Board of Directors is of the view that it has put in place the resources and processes to ensure that the Company is substantially compliant with the code of best practices on corporate governance issued by Institute of Chartered Accountants of Sri Lanka and the Colombo Stock Exchange. The Corporate Governance Report is given on pages 26 to 45 of the Annual Report.

Risk Management and Internal Controls

The Board of Directors, through the involvement of the internal audit, have taken steps to ensure and have obtained reasonable assurance, that an effective and comprehensive system of internal controls are in place that cover the financial, operational and compliance controls required to carry on the business in an orderly manner, safeguarding the Company's and Group's assets and secure, as far as possible, the accuracy and reliability of the financial records.

The Board is satisfied with the effectiveness of the system of internal controls that were in place during the year under review.

The Directors periodically review and evaluate the risks that are faced by the Company. The various exposures to risks by the Company and specific steps taken by the Company in managing risks are detailed under the "Risk Management" on page46 of this Annual Report.

Donations

The Group and the Company made donations during the year under review amounting to Rs. 3,180,685/- and Rs. 156,500/- respectively.

Taxation

The Company's liability to taxation has been computed according to the provisions of the Inland Revenue Act. No. 10 of 2006 and subsequent amendments thereto and details are given in note 28 to the Financial Statements on page 227.

Property, Plant and Equipment

Capital expenditure during the year under review on Property, Plant and Equipment by the Company and Group were Rs. 13,501,400/- and Rs. 578,961,881/- respectively.

Extents, locations, number of buildings and the valuation of the properties of the Group are given on page 253.

All freehold land of the Group was revalued by professionally independent valuers and brought into the Financial Statements. The investment properties are accounted using fair value method.

Details of fair values of investment properties are given on note 7.4 to the Financial Statements. Details of revaluation of land are given in note 6.6.1 and note 6.6.2 to the Financial Statements.

Employment

The Company's and Group's strength of manpower as at 31 March 2019 is Forty-Three (43) and Two Thousand Nine Hundred and Fifty (2,950) respectively.

The Group's practices and policies inter alia relating to recruitment, training and development, career advancement and employees' relations, are discussed in detail under "Human Capital" under sustainability report on pages 112 to 120.

There were no material issues pertaining to employees and industrial relations in the year under review.

Employee Share Ownership plans

The Company did not have any employee share ownership/ option plans during the year.

Stated Capital

On 17 May 2018, the Company reduced its Stated Capital to Rs. 5,331,775,177/- in accordance with Section 59 of the Companies Act No. 7 of 2007 without any change to the number of shares issued.

The stated capital of the Company as at 31 March 2019 was Rs. 5,331,775,177/- represented by 356,869,666 fully paid Ordinary Shares.

Share Information

There were 5,262 registered shareholders as at 31 March 2019.

Distribution schedule of shareholders

The distribution of shareholdings is shown on pages 250 to 252 of the Annual Report.

Information on Ratios and Market Price Information

Disclosures under section 7.6 (xi) of the Listing Rules of the Colombo Stock Exchange is indicated on page 250.

Substantial Shareholdings and Other Share Information

The names of the twenty largest Shareholders, the number of shares held, and the percentages are given on pages 250 to 252 of the Annual Report.

Disclosures required under section 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange is indicated on pages 250 to 252 of the Annual Report.

Equitable Treatment of Shareholders

The Company has made all endeavours to ensure that all shareholders are treated equitably.

Related Party Transactions

The identified Related Parties as well as the Related Party Transactions undertaken during the year are set out in note 34 to the Financial Statements on pages 22 to 235.

The members of the Board have been identified as "Key Management Personnel" of the Company. There were no Related Party Transactions by the Key Management Personnel with the Company.

As required by the Listing Rules, the Board confirms that the Company has complied with all requirements as per Section 9 of the Listing Rules.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due in relation to employees and the Government have been made promptly up to date.

Events occurring after the Balance Sheet date

No circumstances have arisen since the balance sheet date which would require adjustments to or disclosure in the accounts as disclosed in the Note 35 to the Financial Statements.

Going Concern

The Board is satisfied that the company will have adequate resources to continue its operations into the foreseeable future. Therefore, the Company has continued to adopt the going concern basis in preparing the Financial Statements.

Independent Auditors' Report, Remuneration and Appointment

The Financial Statements of the Company for the twelve months ended 31 March 2019 have been audited by M/s. Ernst & Young, Chartered Accountants and the Independent Auditors' Report thereon is given on page 143 of the Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

A sum of Rs. 8,110,352/- was paid to them as audit fee during the period under review. Based on the declaration from M/s. Ernst & Young, Chartered Accountants and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than that disclosed herein.

In accordance with the Companies Act No. 07 of 2007 a resolution proposing the re-appointment of M/s Ernst & Young, Chartered Accountants as Auditors to the Company will be tabled at the forthcoming Annual General Meeting of the Company.

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

Annual General Meeting

The Annual General Meeting of the company will be held on 27 September 2019. The notice of the Annual General Meeting appears on page 258.

Acknowledgement of the contents of the Annual Report

As required by the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledge the contents of this Annual Report.

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

Sgd.
A G Weerasinghe
Chairman

Sgd.
Murali Prakash
Group Managing Director/
CEO

Sgd.
P W Corporate Secretarial (Private) Limited
Secretaries

25 July 2019

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the financial statements of the Company and the Group is set out in the following statement. The responsibility of the Independent Auditor in relation to the financial statements prepared in accordance with the provisions of the Companies Act No. 07 of 2007, is set out in the Independent Auditors' Report appearing on page 143.

The financial statements comprise:

- The statements of comprehensive income, which presents a true and fair view of the profit or loss and/or other comprehensive income/expense of the Company and the Group for the financial year,
- The statements of financial position, which presents a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.

  In preparing these financial statements the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- all applicable accounting standards, as relevant, have been followed;
- reasonable and prudent judgments and estimates have been made and;
- information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange has been complied with.

The Directors are also required to ensure that the Company and the Group have adequate resources to continue operations to justify applying the 'going concern' basis in preparing these financial statements. Further, the Directors have a responsibility to ensure that the Company and the Group maintain sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of the Group, and to ensure that the financial statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view of preventing and detecting fraud and other irregularities.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the date of the statement of financial position have been paid, or where relevant provided for, except as disclosed in note 32 to the financial statements covering contingent liabilities.

By order of the Board of
Ambeon Holdings PLC

Sgd.
PW Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
25 July 2019

FINANCIAL STATEMENTS

Financial Calendar

First Quarter Interim Report	31 July 2018
Second Quarter Interim Report	14 November 2018
Third Quarter Interim Report	8 February 2019
Fourth Quarter Interim Report	31 May 2019
Annual Report 2018/19	25 July 2019
Annual General Meeting	27 September 2019

INDEPENDENT AUDITORS' REPORT

Building a better working world

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Chartered Accountants
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Sri Lanka

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AMBEON HOLDINGS PLC

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the Financial Statements of Ambeon Holdings 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 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements of the Company and Group give a true and fair view of the financial position of the Company and Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 Auditors' 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 Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming the auditors' opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS' REPORT

EY
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Key audit matter	How our audit addressed the key audit matter
Intangible assets with infinite useful life and re-measurement of provisional goodwill during the measurement period	
Intangible assets include Goodwill on consolidation and Brands with infinite useful life. Goodwill and intangible assets are subject to an annual impairment test. This annual impairment test was significant to our audit because the balance of Rs. 1.5 Bn as of 31 March 2019 is material to the Financial Statements. Further, during the year Group re-measured the provisional goodwill on acquisitions of previous years for the allocation of the purchase price to the identifiable assets and liabilities assumed. In addition, management's assessment process is complex and highly judgemental and is based on assumptions as disclosed in Note 8 to the Financial Statements. Therefore, we have determined this to be a Key audit matter.	We performed the following procedures amongst others; ● We used our internal specialists to assist us, in evaluating the appropriateness of the models and reasonableness of estimates, used by the management. ● In evaluating the purchase price allocation and re-measurement of goodwill for business combination completed during the year, we tested management's identification and valuation of the assets acquired, liabilities assumed and allocation of total purchase price paid. ● We also focused on the adequacy of the related disclosures about the assumptions to which the outcome of the impairment test is most significant, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill. The group's disclosures about goodwill are included in Note 8 to the Financial Statements.
Valuation of lands and buildings	
As at 31 March 2019, land and building carried at fair value amounted to Rs. 3 Bn and Rs. 3 Bn classified as Property, Plant and Equipment and Investment Property respectively. The Group has recorded revaluation gain of Rs. 621 Mn and fair value gain of Rs. 822 Mn during the year, in respect of Property, Plant and Equipment and investment property respectively. The fair value of such property was determined by external valuers engaged by the Group. The valuation of land and building was significant to our audit due to the use of significant estimates such as per perch price and value per square feet disclosed in Note 6 and 7 to the Financial Statements.	Our audit procedures focused on the valuations performed by external valuers engaged by the Group, and included the following; ● Assessing the competency, capability and objectivity of the external valuers engaged by the Group. ● Reading the professional valuers' reports and understood the key estimates made and the approach taken by the valuers in determining the valuation of each property. ● Engaging our internal specialised resources to assess the reasonableness of the valuation technique, per perch price and value per square feet. ● We also assessed the adequacy of the disclosures made in Note 6 and 7 to the Financial Statements relating to the valuation technique and estimates used by the professional valuers.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
During the year, the Group adopted SLFRS 15 - Revenue from Contracts with Customers (the New Revenue Standard) which specifies how and when an entity should recognize revenue along with the need to provide users of Financial Statements with more informative, relevant disclosures. Group's involvement in diversified industries and wide spectrum of businesses such as Manufacturing (Footwear, Textile and Porcelain), Information Technology, Financial Services and Property, the Group was required to consider relevant clarifications and guidance specifically relating to point of revenue recognition i.e. at a point in time or over the period, agent vs principal relationships in adoption of the new revenue standard. As more fully described in Note 2.10 to the Financial Statements the process of adoption involved consideration of relevant legal aspects, industry practices, use of management critical judgments and estimates. Considering all the above matters, we determined the Group's adoption of the New Revenue Standard during the current year audit and a key audit matter.	Our audit procedures focused on the Group's adoption of the New Revenue Standard and included, amongst others, the following: ● We assessed the process followed by the Group to ensure all revenue streams are considered in its assessment and that the related contracts reviewed are representative of specified revenue streams & contractual terms. ● We perused Management's correspondence with consultants to assess the reasonability of the final conclusions reached on matters such as point and amount of revenue recognition for adoption of the new revenue standard. We also assessed the adequacy of enhanced disclosures made in Note 2.10 to the Financial Statements.

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditors' report thereon. The Management is responsible for the other information. Other information is expected to be made available to us after the date of this auditors' report.

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 identified above when it becomes available 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.

Responsibilities of management and those charged with governance

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.

INDEPENDENT AUDITORS' REPORT

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.

Auditors' 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 auditors' 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 Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is 1864.

Ernst & Young

25 July 2019
Colombo

STATEMENT OF PROFIT OR LOSS

		Group		Company	
Year ended 31 March 2019		**2019**	2018	**2019**	2018
	Note	LKR	LKR	LKR	LKR
Continuing Operations					
Revenue	5	**17,734,484,767**	12,272,997,840	**465,472,936**	713,263,710
Cost of Sales		**(13,806,352,336)**	(10,075,333,386)	**-**	-
Gross Profit		**3,928,132,431**	2,197,664,454	**465,472,936**	713,263,710
Other Income	25	**212,923,339**	289,742,203	**302,679,439**	140,481,192
Selling & Distribution Expenses		**(732,429,725)**	(443,263,481)	**-**	(658,074)
Administrative Expenses		**(2,413,088,546)**	(1,570,522,777)	**(267,461,454)**	(134,838,244)
Change in Fair Value of Financial Assets measured at fair value through Profit or loss		**(142,470,780)**	211,322,064	**(138,330,427)**	212,057,492
Operating Profit		**853,066,719**	684,942,463	**362,360,494**	930,306,076
Finance Cost	26	**(637,383,218)**	(403,910,174)	**(330,753,496)**	(234,215,154)
Finance Income	27	**207,721,921**	107,384,929	**-**	-
Change in Fair value of Investment Property	7	**822,550,116**	185,734,192	**-**	-
Net results from Associate	12	**1,307,414**	(2,410,726)	**-**	-
Profit before Tax from Continuing Operations	29	**1,247,262,952**	571,740,684	**31,606,998**	696,090,922
Income Tax Reversal/(Expenses)	28	**(382,136,061)**	99,207,647	**(60,984,572)**	33,906,442
Profit/(Loss) for the year from Continuing Operations		**865,126,891**	670,948,331	**(29,377,574)**	729,997,364
Discontinued Operations					
Profit/(Loss) after Tax for the year from Discontinued Operations	4	**(659,193)**	9,870,089	**-**	-
Profit /(Loss) for the year		**864,467,698**	680,818,420	**(29,377,574)**	729,997,364
Attributable to:					
Equity Holders of the Parent		**528,309,944**	540,940,920		
Non-Controlling Interests		**336,157,754**	139,877,500		
		864,467,698	680,818,420		
Earnings/ (Loss) per share	30				
Basic (LKR)		**1.48**	1.54	**(0.08)**	2.08
Diluted (LKR)		**1.48**	1.54	**(0.08)**	2.08
Earnings per share from Continuing Operation	30				
Basic (LKR)		**1.48**	1.51		
Diluted (LKR)		**1.48**	1.51		

Figures in brackets indicate deductions.

The accounting policies and notes on pages 157 through 249 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019	Note	Group 2019 LKR	Group 2018 LKR	Company 2019 LKR	Company 2018 LKR
Profit/(Loss) for the Year		**864,467,698**	680,818,420	**(29,377,574)**	729,997,364
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to profit or loss in subsequent period					
Currency translation of Foreign operation		**(378,266,928)**	(40,515)	**-**	-
Tax on Currency translation of Foreign operation		**52,957,057**	-	**-**	-
Other Comprehensive Income to be Reclassified to Profit or Loss		**(325,309,871)**	(40,515)	**-**	-
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods					
Revaluation Gain of Land and Building		**621,099,068**	949,194,215	**-**	-
Tax on Revaluation Gain	20	**(145,989,359)**	(466,281,914)	**-**	-
Loss From Change in Fair Value of Financial Assets		**(153,757,244)**	-	**(153,757,244)**	-
Actuarial Gain /(Loss) on Defined Benefit Plans	21	**26,647,072**	(32,956,251)	**(943,253)**	156,702
Tax on Actuarial Gain /(Loss) on Defined Benefit Plans	20	**(12,076,751)**	8,679,937	**264,111**	(43,877)
Other Comprehensive Income not to be reclassified to profit or loss		**335,922,786**	458,635,987	**(154,436,386)**	112,825
		10,612,915	458,595,472	**(154,436,386)**	112,825
Total Comprehensive Income/ (Loss) for the year, net of tax		**875,080,613**	1,139,413,892	**(183,813,960)**	730,110,189
Attributable to:					
Equity Holders of the Parent		**483,471,809**	935,665,657		
Non-Controlling Interest		**391,608,804**	203,748,235		
		875,080,613	1,139,413,892		

Figures in brackets indicate deductions.

The accounting policies and notes on pages 157 through 249 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31 March 2019		**2019**	2018	**2019**	2018
	Note	LKR	LKR	LKR	LKR
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	6	**5,098,713,087**	5,201,387,925	**16,858,110**	13,737,684
Investment Property	7	**3,039,977,150**	1,130,588,153	**-**	-
Intangible Assets	8	**1,516,639,468**	1,677,134,648	**10,481,210**	6,170,040
Investment in Subsidiaries	10	**-**	-	**6,414,021,533**	6,775,945,351
Other Non-Current Financial Assets	11	**712,186,460**	25,234,242	**45,500,054**	-
Investment in Associate	12	**-**	114,846,027	**-**	-
Deferred Tax Asset	20	**143,559,149**	256,089,596	**16,656,081**	77,376,542
		10,511,075,314	8,405,280,591	**6,503,516,988**	6,873,229,617
Current Assets					
Inventories	13	**4,240,916,106**	3,758,051,548	**-**	-
Trade and Other Receivables	14	**6,164,700,505**	4,101,428,650	**555,986,220**	137,163,365
Other Financial Investments	15	**1,021,556,154**	1,784,570,815	**744,245,602**	1,254,747,232
Income Tax Receivables		**37,933,570**	16,476,849	**24,912,119**	14,860,190
Cash in Hand and at Bank	31	**610,567,174**	2,120,695,420	**6,581,243**	253,568,819
		12,075,673,509	11,781,223,282	**1,331,725,184**	1,660,339,606
Total Assets		**22,586,748,823**	20,186,503,873	**7,835,242,172**	8,533,569,223
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated Capital	16	**5,331,775,177**	7,871,563,705	**5,331,775,177**	7,871,563,705
Other Capital Reserves	18	**3,100,000**	3,100,000	**3,100,000**	3,100,000
Other Components of Equity	18	**758,255,180**	927,299,035	**(256,668,565)**	220,140
Retained Earnings/ (Losses)		**1,650,091,096**	(963,749,378)	**357,097,851**	(1,809,678,339)
Equity attributable to equity holders of the parent		**7,743,221,453**	7,838,213,362	**5,435,304,463**	6,065,205,506
Non-Controlling Interests		**1,610,056,817**	1,055,156,401	**-**	-
Total Equity		**9,353,278,270**	8,893,369,763	**5,435,304,463**	6,065,205,506
Non-Current Liabilities					
Other Financial Liabilities	24	**921,026**	897,086	**921,026**	897,086
Interest Bearing Borrowings	19	**829,989,525**	1,562,021,994	**1,322,784,470**	800,000,000
Deferred Tax Liability	20	**805,173,965**	562,632,083	**-**	-
Employee Benefit Liabilities	21	**400,384,420**	405,040,709	**4,365,992**	3,735,928
		2,036,468,936	2,530,591,872	**1,328,071,488**	804,633,014

		Group		Company	
As at 31 March 2019		**2019**	2018	**2019**	2018
	Note	LKR	LKR	LKR	LKR
Current Liabilities					
Trade and Other Payables	23	**4,892,900,791**	3,599,154,842	**35,220,230**	113,071,536
Income Tax Payable		**193,408,837**	173,734,554	**-**	-
Contract Liability	22	**706,864,079**	748,150,496	**-**	-
Interest Bearing Borrowings	19	**5,403,827,910**	4,241,502,346	**1,036,645,991**	1,550,659,167
		11,197,001,617	8,762,542,238	**1,071,866,221**	1,663,730,703
Total Equity and Liabilities		**22,586,748,823**	20,186,503,873	**7,835,242,172**	8,533,569,223

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

Isuru Fernando
Finance Manager

The Board of Directors are responsible for these Financial Statements. Signed for and on behalf of the board by:

A G Weerasinghe
Chairman

Murali Prakash
Group Managing Director/ Chief Executive Officer

Figures in brackets indicate deductions.

The accounting policies and notes on pages 157 through 249 form an integral part of the financial statements.

25 July 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

GROUP *Year ended 31 March 2019*	Note	Stated Capital LKR	Revaluation Reserve LKR	Other Reserves LKR
Balance as at 31 March 2017		7,724,138,656	512,773,657	3,100,000
Profit for the Year		-	-	-
Other Comprehensive Income		-	414,811,903	-
Total Comprehensive Income		-	414,811,903	-
Changes in Holding		-	-	-
Holding Change through Common Control		-	-	-
Subsidiary Dividend to Minority Shareholders	38	-	-	-
Share Issue	16	147,425,049	-	-
Balance as at 31 March 2018		7,871,563,705	927,585,560	3,100,000
Impact of adopting SLFRS 9	36	-	-	-
Restated- Balance as at 1 April 2018		7,871,563,705	927,585,560	3,100,000
Profit for the Year		-	-	-
Other Comprehensive Income		-	412,482,829	-
Total Comprehensive Income		-	412,482,829	-
Changes in Holding		-	-	-
Revaluation transfer to Retained Earnings due to Disposal		-	(7,135,994)	-
Dividend paid (LKR 1.25 per Share)	17	-	-	-
Subsidiary Dividend to Minority Shareholders	38	-	-	-
Capital Reduction	16	(2,539,788,528)	-	-
Balance as at 31 March 2019		5,331,775,177	1,332,932,395	3,100,000

Figures in brackets indicate deductions.

The accounting policies and notes on pages 157 through 249 form an integral part of the financial statements.

Attributable to equity holders of the parent						
Foreign Currency Translation Reserve	Revenue Reserve	Fair Value through OCI Reserve	Retained Earnings/ (Losses)	Total	Non-Controlling Interests	Total Equity
LKR	LKR	LKR	LKR	LKR	LKR	LKR
(475,266)	220,140	-	(1,369,018,534)	6,870,738,653	988,420,235	7,859,158,888
-	-	-	540,940,920	540,940,920	139,877,500	680,818,420
(31,399)	-	-	(20,055,767)	394,724,737	63,870,735	458,595,472
(31,399)	-	-	520,885,153	935,665,657	203,748,235	1,139,413,892
-	-	-	(23,588,012)	(23,588,012)	(124,763,537)	(148,351,549)
-	-	-	(92,027,985)	(92,027,985)	-	(92,027,985)
-	-	-	-	-	(12,248,532)	(12,248,532)
-	-	-	-	147,425,049	-	147,425,049
(506,665)	220,140	-	(963,749,378)	7,838,213,362	1,055,156,401	8,893,369,763
-	-	(103,131,461)	13,184,318	(89,947,143)	(36,575,317)	(126,522,460)
(506,665)	220,140	(103,131,461)	(950,565,060)	7,748,266,219	1,018,581,084	8,766,847,304
-	-	-	528,309,944	528,309,944	336,157,754	864,467,698
(317,501,985)	-	(153,757,244)	13,938,266	(44,838,135)	55,451,050	10,612,915
(317,501,985)	-	(153,757,244)	542,248,210	483,471,809	391,608,804	875,080,613
-	-	-	(42,429,493)	(42,429,493)	288,207,798	245,778,305
-	-	-	7,135,994	-	-	-
-	-	-	(446,087,083)	(446,087,083)	-	(446,087,083)
-	-	-	-	-	(88,340,869)	(88,340,869)
-	-	-	2,539,788,528	-	-	-
(318,008,650)	220,140	(256,888,705)	1,650,091,096	7,743,221,453	1,610,056,817	9,353,278,270

COMPANY *Year ended 31 March 2019*	Note	Stated Capital LKR	Other Reserves LKR	Other Capital Reserves LKR	FV Through OCI Reserve LKR	Retained Earnings/ (Losses) LKR	Total LKR
Balance as at 31 March 2017		7,724,138,656	220,140	3,100,000	-	(2,539,788,528)	5,187,670,268
Share Issue	16	147,425,049	-	-	-	-	147,425,049
Profit for the Year		-	-	-	-	729,997,364	729,997,364
Other Comprehensive income		-	-	-	-	112,825	112,825
Total comprehensive income		147,425,049	-	-	-	730,110,189	877,535,238
Balance as at 31 March 2018		7,871,563,705	220,140	3,100,000	-	(1,809,678,339)	6,065,205,506
Impact of adopting SLFRS 9	36	-	-	-	(103,131,461)	103,131,461	-
Restated- Balance as at 1 April 2018		7,871,563,705	220,140	3,100,000	(103,131,461)	(1,706,546,878)	6,065,205,506
Loss for the Year		-	-	-	-	(29,377,574)	(29,377,574)
Other Comprehensive income		-	-	-	(153,757,244)	(679,142)	(154,436,386)
Total comprehensive income		-	-	-	(153,757,244)	(30,056,716)	(183,813,960)
Capital Reduction	16	(2,539,788,528)	-	-	-	2,539,788,528	-
Dividend paid (LKR 1.25 per Share)	17	-	-	-	-	(446,087,083)	(446,087,083)
Balance as at 31 March 2019		5,331,775,177	220,140	3,100,000	(256,888,705)	357,097,851	5,435,304,463

Figures in brackets indicate deductions.

The accounting policies and notes on pages 157 through 249 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2019		Group		Company	
		2019	2018	**2019**	2018
	Note	LKR	LKR	LKR	LKR
Operating Activities					
Profit/(Loss) before tax from Continuing Operations		**1,247,262,952**	571,740,684	**31,606,998**	696,090,922
Profit/(Loss) before tax from Discontinuing Operations		**(659,193)**	13,144,636	**-**	-
Non - Cash Adjustments to Reconcile Profit Before Tax to Net Cash Flows:					
Depreciation of Property, Plant Equipment	6	**378,179,240**	333,513,809	**5,217,125**	4,642,457
Amortization of Intangible Assets	8	**8,304,754**	12,314,099	**852,680**	239,956
Impairment of Goodwill	8	**171,371,894**	-	**-**	-
Provision for Fall in Value of Current Investments		**142,470,780**	(211,322,064)	**138,330,427**	(212,057,492)
Debtors provision write back		**-**	-	**-**	(100,000)
Allowance for Obsolete and Slow Moving Inventories	13	**(123,686,758)**	81,134,087	**-**	-
Provision for Employee Benefit Liabilities	21	**80,766,299**	62,012,976	**1,786,811**	1,884,098
Impairment on Trade Receivables		**38,296,757**	23,486,496	**-**	242,000
(Profit)/Loss from Disposal of Current Investment		**9,934,834**	(34,305,355)	**9,934,834**	(34,846,433)
(Profit)/Loss from Disposal of Property Plant & Equipment	25	**(7,158,765)**	1,280,293	**-**	-
Loss from Associate Disposal	12	**876,191**	-	**-**	-
Gain on Fair Value Adjustment of Investment Property	7	**(822,550,116)**	(185,734,192)	**-**	-
Deferred Income	22	**-**	(387,745)	**-**	-
Share of Loss from Associates	12	**(2,183,605)**	2,410,726	**-**	-
Finance Income	27	**(207,721,921)**	(107,384,929)	**-**	-
Interest on other Financial Liabilities		**23,940**	23,940	**23,940**	23,940
Accrued interest on loans and receivables		**-**	-	**-**	(68,451)
Gain on share Redemption	25	**-**	-	**-**	(35,263,841)
Gain on Share Repurchase	25	**-**	-	**-**	(95,240,175)
Finance Cost	26	**637,383,218**	403,910,174	**330,753,496**	234,215,154
Gain on disposal of Assets Held for Sale	25	**-**	(47,223,506)	**-**	-
Gain on Loan Write Back	25	**(153,859,921)**	-	**(153,859,921)**	-
Loss on Disposal of Subsidiary		**-**	-	**101,643,202**	-
Gain on Disposal of Subsidiary		**-**	-	**(114,486,986)**	-
Impairment provision on instatement in Subsidiary		**-**	-	**2,747,487**	-
		1,397,050,580	918,614,129	**354,550,093**	559,762,135
Working Capital adjustments:					
Increase in Inventories		**(359,177,801)**	(980,719,808)	**-**	-
Increase in Trade and Other Receivables		**(2,208,086,543)**	(693,688,445)	**(63,776,451)**	(70,133,147)
Increase/(Decrease) in Trade and Other Payables		**1,283,524,542**	347,118,461	**(76,243,376)**	103,478,863
Increase in Deferred Income		**(41,286,418)**	241,731,854	**-**	-
Cash Generated/ (Used) from Operations		**72,024,360**	(166,943,809)	**214,530,266**	593,107,851
Defined Benefit Plan Costs paid (net of transfers)	21	**(62,910,528)**	(35,677,973)	**(2,100,000)**	(1,560,784)
Interest Paid		**(430,827,909)**	(403,910,174)	**(330,753,496)**	(234,215,154)
Income Tax Paid		**(147,505,628)**	(128,564,905)	**(10,051,943)**	(10,842,462)
Net Cash Flows from Operating Activities		**(569,219,705)**	(735,096,861)	**(128,375,173)**	346,489,451

STATEMENT OF CASH FLOWS

Year ended 31 March 2019		Group		Company	
		2019	2018	**2019**	2018
	Note	LKR	LKR	LKR	LKR
Investing Activities					
Acquisition of Property, Plant & Equipment		**(578,961,881)**	(190,329,619)	**(13,501,400)**	(1,108,504)
Acquisition of Intangible Assets	8	**(19,181,470)**	(9,948,144)	**-**	(4,725,000)
Proceeds from Sale of Investments		**501,697,082**	561,901,532	**239,890,626**	566,929,648
Proceeds from Sale of Property, Plant and Equipment		**38,159,725**	15,757,586	**-**	-
Acquisition of Subsidiaries	37	**(424,995,555)**	(803,489,275)	**-**	(1,852,321,480)
Loans Granted to Subsidiaries		**-**	-	**(589,978,123)**	(48,046,894)
Loans Settled by Subsidiaries		**-**	-	**517,611,539**	100,000
Proceeds from Disposal of Associate	12	**116,153,441**	-	**-**	-
Proceeds from Assets Held for Sale		**-**	1,000,000,000	**-**	-
Investment in Current Investments		**(30,399,815)**	(494,925,355)	**(30,399,815)**	(4,678,110)
Investment in Investment Property	7	**(1,072,856)**	(4,835,475)	**-**	-
Investment in Other Financial Investments		**(543,004,020)**	(210,884)	**-**	-
Proceed From Disposal of Subsidiaries		**-**	-	**370,778,305**	-
Net Investment in Assets Held For Sale		**-**	(7,706,197)	**-**	-
Interest Income from Investment		**207,721,921**	107,384,929	**-**	-
Net Cash Flows from /(Used in) Investing Activities		**(733,883,428)**	173,599,098	**494,401,132**	(1,343,850,340)
Financing Activities					
Cash Flow from Financing Activities					
Proceeds from Non-Controlling Interest Through Holding Change		**245,778,305**	-	**-**	-
Dividend Paid to Non-Controlling Interest	38	**(88,340,869)**	(12,248,532)	**-**	-
Proceeds From Interest Bearing Loans & Borrowings		**12,282,793,055**	9,245,697,892	**767,251,879**	2,452,576,917
Repayment of Interest Bearing Loans & Borrowings		**(12,537,233,628)**	(7,354,655,540)	**(1,041,582,389)**	(749,661,096)
Dividend paid	17	**(446,087,083)**	-	**(446,087,083)**	-
Effect of Exchange Rate Changes in Loans & Borrowings		**(2,233,893)**	30,783,649	**-**	-
Repayment of Finance Lease	19	**(3,400,000)**	(3,400,000)	**-**	-
Net Cash Flows from/ (Used in) Financing Activities		**(548,724,113)**	1,906,177,469	**(720,417,593)**	1,702,915,821
Net foreign Exchange Difference	18	**(295,973,173)**	(40,515)	**-**	-
Net Increase / (Decrease) in Cash & Cash Equivalents		**(2,147,800,419)**	1,344,639,191	**(354,391,634)**	705,554,932
Cash and Short Term Deposits at the beginning of the year		**1,369,791,035**	25,151,844	**5,825,473**	(699,729,459)
Cash and Short Term Deposits at the end of the year	31	**(778,009,384)**	1,369,791,035	**(348,566,161)**	5,825,473

Figures in brackets indicate deductions.

The accounting policies and notes on pages 157 through 249 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Ambeon Holdings PLC is a Public Limited Liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and the principal place of business is located at 5th Floor, No 10, Gothami Road, Colombo 08.

1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2019, comprise "the Company" referring to Ambeon Holdings PLC as the holding Company and "the Group" referring to the companies whose accounts have been consolidated therein.

1.3 Parent Entity

The Company's parent entity is Ambeon Capital PLC ("Ambeon Capital"); a Public Limited Liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange.

The Company's ultimate parent undertaking is CHC Investment (Private) Limited; a Private Limited Liability Company incorporated and domiciled in Sri Lanka.

1.4 Approvals of Financial Statements

The Financial Statements for the year ended 31 March 2019 were authorized for issue in accordance with a resolution by the Board of Directors on 25 July 2019.

1.5 Principal Activities & Nature of Operations

Holding Company

Ambeon Holdings PLC the Group's Holding Company, manages a portfolio of investments consisting of a range of diverse business operations, which together constitute the Ambeon Group, and provides function based services to its subsidiaries.

Subsidiary – Ceylon Leather Products Limited

During the period, the principal activities of the Ceylon Leather Products Limited were manufacturing and selling of Leather Footwear and Leather Goods.

Sub-subsidiary through Ceylon Leather Products Ltd – Ceylon Leather Products Distributors (Pvt) Limited

The principal activity of the Company was retail selling of Leather Footwear and Leather Goods.

Subsidiary – South Asia Textiles Limited

During the year, the principal activity of the South Asia Textiles Limited was manufacturing and sale of knitted fabrics for the export and local markets.

Subsidiary – Palla & Company (Pvt) Limited

The principal activity of the Palla & Company (Pvt) Limited was manufacturing shoes for exports and the Company ceased operations with effect from 31 August 2015.

Subsidiary – Dankotuwa Porcelain PLC

During the period, the principal activity of the Dankotuwa Porcelain PLC was to manufacture porcelain tableware to export and domestic market.

Sub-subsidiary through Dankotuwa Porcelain PLC – Royal Fernwood Porcelain Limited

During the period, the principal activity of the company was to manufacture porcelain tableware to the export and domestic markets.

Sub-subsidiary through Dankotuwa Porcelain PLC – Lanka Decals (Pvt) Limited

The principal activity of the Company was to manufacture Decals. However, there were no operations during the year.

Sub-subsidiary through Dankotuwa Porcelain PLC – Fernwood Lanka (Pvt) Limited

The principal activity of the Fernwood Lanka (Pvt) Limited was the sale of porcelain tableware to domestic market. However, there were no operations during the year.

Subsidiary – Colombo City Holdings PLC

During the period, the principal activity of the Colombo City Holdings PLC was to engage in Real Estate.

NOTES TO THE FINANCIAL STATEMENTS

Sub-subsidiary through Colombo City Holdings PLC – Lexinton Holdings (Private) Limited

During the period, the principal activity of the Company was lending and maintaining commercial property, dwelling flats for lease.

Subsidiary – Olancom (Pvt) Limited

The Company was the Investment Holding Company of Roomsnet International Limited with the liquidation of the Roomsnet International Limited. The company is dormant.

Subsidiary - Eon Tec (Pvt) Limited

The Company was incorporated to acquire shares of Millennium I.T.E.S.P. (Private) Limited.

Sub-subsidiary through EON Tec (Pvt) Limited - Millennium I.T.E.S.P. (Private) Limited (formerly known as Millennium Information Technologies (Pvt) Limited)

During the period, the principal activity of the Company was specialising in the Integration Business providing a host of specialised, scalable solutions ranging from Core Infrastructure, Information Security, Business Collaboration, Near-Field Communications, Business Productivity. Managed Solutions and Customer Relationship Management.

Subsidiary - Taprobane Capital Plus (Pvt) Limited

Taprobane Capital Plus (Private) Limited was incorporated on 9 October 2017 to hold the investments Taprobane Securities (Private) Limited, Taprobane Investments (Private) Limited and Taprobane Wealth Plus (Private) Limited.

Sub-subsidiary through Taprobane Capital Plus (Pvt) Limited - Taprobane Securities (Private) Limited

The principal activity of the company is functioning as a stock broker in the Colombo Stock Exchange.

Sub-subsidiary through Taprobane Capital Plus (Pvt) Limited - Taprobane Investments (Private) Limited

The principal activity of the company is the provision of services in the money market.

Sub-subsidiary through Taprobane Capital Plus (Pvt) Limited - Taprobane Wealth Plus (Private) limited

The principal activity of the company is conducting Corporate Finance activities.

Sub-subsidiary through Taprobane Capital Plus (Pvt) Limited – Lexinton Financial Services (Private) Ltd

Taprobane Capital Plus (Pvt) Ltd acquired 100% of Lexinton Financial Services (Pvt) Ltd from Lexinton Holdings (Pvt) Ltd on 30.11.2018. The principal activity of the company was conducting Margin Trading activities. However, there were no operations during the year.

1.6 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility report in the Annual report.

2. BASIS OF PREPARATION

2.1 Basis of Measurement

The consolidated Financial Statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments, fair value through profit or loss financial assets, fair value through OCI (up to 31 March 2018 available for sales) financial assets that have been measured at fair value.

2.2 Statement of Compliance

The Financial Statements which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flows together with the Accounting Polices and notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

2.3 Comparative Information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year as disclosed in Note 2.10 for adoption of SLFRS 9 and SLFRS 15 and Note 37 for the SLFRS 3.

2.4 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and they do not intend either to liquidate or cease trading.

2.5 Presentation and Functional Currency

The consolidated Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

The subsidiary mentioned below is using functional currency other than Sri Lankan Rupees (LKR).

Name of the Subsidiary	Functional Currency
South Asia Textiles Limited	United States Dollar (USD)

2.6 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31st March 2019. The Financial Statements of the subsidiaries are prepared in compliance with the Group's accounting policies.

All intra-Group balances, income and expenses, unrealized gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

2.7 Subsidiary

Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

a. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

b. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

c. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the statement of financial position.

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from parent's shareholders' equity.

The consolidated statement of cash flow includes the cash flows of the Company and its subsidiaries.

2.8 Transactions with Non-Controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading 'Non-Controlling Interest'.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.9 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the Group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

Judgements

Estimates and Assumptions

Revaluation of property, plant and equipment and fair valuation of investment properties

The Group measures land and buildings at revalued amounts with changes in fair value being recognized in Other Comprehensive Income and in the Statement of Equity. In addition, it carries its investment properties at fair value, with changes in fair value being recognized in the income statement. The Group engaged independent valuation specialists to determine fair value of investment property and land and buildings as at 31 March 2019.

The valuer has used valuation techniques such as market approach, cost approach and income approach.

The methods used to determine the fair value of the investment property are further explained in Note 7.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the value in use (VIU) are further explained in Note 8.5.2.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Deferred Tax Assets/ Liabilities

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 20 and 28.2.

Employee benefit liability

The employee benefit liability of the Group determines using actuarial valuation carried out by an independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Details of the key assumptions used in the estimates are contained in Note 21.

2.10 Summary of Significant Accounting Policies

Except for the Changes in Significant Accounting Policies given below the accounting policies have been applied consistently for all periods presented in the Financial Statements by the Group and the Company.

Changes in Significant Accounting Policies – Adoption of New Accounting Standards

The Group initially applied SLFRS 15 - Revenue from Contracts with Customers and SLFRS 09 - Financial Instruments from 1st April 2018. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 Revenue from Contracts with Customers supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope

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of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted SLFRS 15 using the full retrospective method of adoption. Based on the impact assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's consolidated Financial Statements.

SLFRS 9 - Financial Instruments

SLFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity loans and receivables and available for sale. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities.

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied retrospectively, except as described below.

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2017/18 does not generally reflect the requirements of SLFRS 9, but rather those of LKAS 39. The effect of adopting SLFRS 9 on the carrying amounts of financial assets at 1 April 2018 relates solely to the new impairment requirements. Impact of adopting SLFRS 9 - "Financial Instruments" refer the note 36.

2.10.1 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Group.

The following specific criteria are used for recognition of revenue:

a. Revenue from contract with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services

b. Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods.

c. Rendering of Services

Under SLFRS 15, the Group determines, at contract inception, whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Group recognizes the revenue over time by measuring the progress towards complete satisfaction of that performance obligation

d. Revenue recognition on multiple element arrangements

The Group recognizes revenue on multiple element arrangements and design and build software contracts. Multiple element arrangements require management judgment in determining unit of accounting for such arrangement. Design and build software contracts uses percentage of completion method relies on output method, which is the contract milestones, supported by user acceptance confirmation.

e. Dividend

Dividend income is recognized when the Group's right to receive the payment is established.

f. Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree that are recognized in income statement.

Interest income or expense is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

g. Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

h. Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other noncurrent assets, including investments, are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

i. Other income

Other income is recognized on an accrual basis.

2.10.2 Expenditure recognition

Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company and Group's performance.

2.10.3 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available for- sale financial assets (up to 31 March 2018), fair value losses on financial assets at fair value through profit or loss, impairment losses recognized on financial assets (other than trade receivables) that are recognized in the income statement.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

2.10.4 Property, plant and equipment

Basis of recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

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Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any revaluation surplus is recognized in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The Group has adopted a policy of revaluing assets by professional valuers at least every 5 years,

Derecognition

An item of property, plant and equipment are derecognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognized.

Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

2.10.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

2.10.6 Lease rentals paid in advance (Leasehold Properties)

Prepaid lease rentals paid to acquire land use rights are amortized over the lease term in accordance with the pattern of benefits provided.

2.10.7 Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date (refer Note 07)

Gains or losses arising from changes in fair value are included in the income statement the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are derecognized when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognized in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted using Group accounting policy for property, plant and equipment.

2.10.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the income statement when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

2.10.9 Business combinations and goodwill

Acquisition of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value in profit or loss. If the contingent consideration is not within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates as further explained in Note 2.10.12.

Where goodwill forms part of 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 the cash-generating unit retained.

2.10.10 Investment in Associate

Associates are those investments over which the Group has significant influence and holds 20% to 50% of the equity and which are neither subsidiaries nor joint ventures of the Group. The Group's investments in its associates are accounted for using the equity method and ceases to use the equity method of accounting on the date from which, it no longer has significant influence in the associate. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of associate since acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of the profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Financial Statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share of losses of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

2.10.11 Foreign currencies

Foreign currency transactions and balances

The Group's consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. For each entity the Group determines the functional currency and items included in the Financial Statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss arises from this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in other comprehensive income (OCI) or profit or loss are also recognized in OCI or profit or loss, respectively).

Foreign operations

The statement of financial position and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the income statement.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

Foreign Currency Translation and Change in Functional Currency - South Asia Textiles Ltd (Company)

The Company's functional and presentation currency was Sri Lanka Rupees (LKR). At present, the Company having considered the underlying significant changes in transactions, events and conditions that mainly influences the Revenue sales prices and the cost of the products, determined that the functional currency of the Company is United States Dollars (USD). Based on the above facts the Management of the company has decided to use United States Dollars as the functional currency and presentation currency in the preparation and presentation of the Financial Statements of the Company. Group's functional currency and the presentation currency remained unchanged which is Sri Lankan Rupees.

NOTES TO THE FINANCIAL STATEMENTS

2.10.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is higher of asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.10.13 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

2.10.14 Taxes

a. Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b. Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

c. Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of asset or service is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense item as applicable and

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- Receivable and payable that are stated with the amount of sales tax included.

The net amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statement of Financial Position.

2.10.15 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal Groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Non-current assets and disposal Groups are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded met only when the sale is highly probable and the asset or disposal Group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale/distribution to owners are not depreciated or amortized.

Additional disclosures are provided in Note 4. All other notes to the Financial Statements mainly include amounts for continuing operations, unless otherwise mentioned.

2.10.16 Inventories

Inventories are valued at the lower of cost and net realizable value, after making 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 the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula :-

Raw Materials	- At purchase cost on weighted average basis
Finished Goods & Work-in-Progress	- At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity, but excluding borrowing Costs.
Consumables & Spares	- At purchase cost on weighted average basis
Goods in Transit	- At purchase price
Real Estate – Land	- At purchase cost

2.10.17 Financial instruments - Initial recognition and subsequent measurement

a. Financial assets – Policy Applicable after 1 April 2018

Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and short term investments.

Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

and

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

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

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

Financial Assets – Policy Applicable before 1 April 2018

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the income statement.

The Group evaluates its financial assets held-for-trading, (other than derivatives), to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the intention and ability to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognized when:

NOTES TO THE FINANCIAL STATEMENTS

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Group/Company has transferred substantially all the risks and rewards of the asset, or (b) the Group/Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Group's continuing involvement in it.

In such case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b. Impairment of financial assets - Policy Applicable after 1 April 2018

From 1 April 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets - Policy Applicable before 1 April 2018

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred' loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

c. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

d. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

e. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

2.10.18 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.10.19 Employee benefits liabilities

Defined Benefit Plan - Gratuity:

Gratuity is a defined benefit plan. The Group is liable to pay gratuity in terms of the relevant statute.

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS 19, Employee Benefits.

NOTES TO THE FINANCIAL STATEMENTS

The item is stated under Defined Benefit Liability in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

Any actuarial gains and losses arising are recognized immediately in Other Comprehensive Income.

Defined Contribution Plans:

The Group also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to Group by the employees and is recorded as an expense. Unpaid contributions are recorded as a liability.

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions, in line with respective statute and regulations. The Group and employee contribute 12% and 8% respectively of the employee's month gross salary (excluding overtime) to the provident fund.

The Group contributes 3% of the employee's monthly salary excluding overtime to the Employees' Trust Fund maintained by Employees Trust Fund Board.

2.10.20 Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. A contingent liability recognized in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of:

- The amount that would be recognized in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the guidance for revenue recognition (SLFRS 15)

Contingent assets are disclosed, where inflow of economic benefit is probable.

2.10.21 Contract assets

Contract assets are the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, with rights that are conditional on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognized as contract assets are reclassified to trade receivables.

The group has disclosed the contractual assets as WIP in the inventory in the note 13.

2.10.22 Contract liabilities

Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unexpired service warranties, and loyalty points not yet redeemed.

Contract liabilities of the Group have been disclosed in current liabilities in note 22.2.

2.10.23 Segmental Information

The Group's internal organization and management is structured based on individual products and services which are similar in nature and process and where the risk and return are similar. The primary segments represent this business structure.

In addition, segments are determined based on the Group's geographical spread of operations as well. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

As such for management purposes, the Group is organized into business units based on their products and services and has six reportable operating segments as follows:

- Manufacturing Footwear : Ceylon Leather Products Limited and Palla & Company (Pvt) Limited (Discontinued in 2016)
- Manufacturing Textile : South Asia Textiles Limited
- Manufacturing Porcelain : Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Limited and its Subsidiaries
- Property : Colombo City Holdings PLC
- IT and related Services : Eon Tec (Pvt) Limited, Millennium I.T.E.S.P (Pvt) Limited
- Investments : Ambeon Holdings PLC and Olancom (Pvt) Limited
- Financial Services : Taprobane Securities (Private) Limited, Taprobane Investments (Private) Limited, Taprobane Wealth Plus (Private) limited and Taprobane Capital Plus (Private) Limited

The principal activities of the cash generating units (Companies) related to each segment have been discussed under "Principal activities and nature of operations" section to the Financial Statements.

The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting consolidated Financial Statements of the Group.

3. CHANGES IN ACCOUNTING STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

SLFRS 16 - Leases

SLFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model requiring leases recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a lower value. The Lessors continue to classify leases as operating or finance as SLFRS 16's approach for lessor accounting substantially unchanged from its predecessor. SLFRS 16 is effective for financial reporting periods beginning on or after 1st January 2018, with early adoption permitted.

This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its financial position and equity.

NOTES TO THE FINANCIAL STATEMENTS

4. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Footwear segment includes the clearing activities of Palla and Company (Private) Limited a subsidiary of Ambeon Holdings PLC and a major line of business under the "footwear manufacturing" segment. The Company suspended its operations with effect from 31 August 2015.

4.1 The results of the subsidiaries in the "Manufacturing footwear" after inter-company eliminations is presented below;

	FOOTWEAR	TOTAL	FOOTWEAR	TOTAL
	2019	**2019**	2018	2018
	LKR	LKR	LKR	LKR
Revenue	-	-	-	-
Cost of Sales	-	-	-	-
Other Income	-	-	20,914,720	20,914,720
Administrative Expenses	**(659,193)**	**(659,193)**	(9,958,203)	(9,958,203)
Finance Income	-	-	2,188,119	2,188,119
Profit/Loss before tax from discontinued operations	**(659,193)**	**(659,193)**	13,144,636	13,144,636
Income tax Expense (Reversal)	-	-	(3,274,547)	(3,274,547)
Profit/Loss for the year from discontinued operations	**(659,193)**	**(659,193)**	9,870,089	9,870,089
Attributable to:				
Equity Holders of the Parent	**(659,193)**	**(659,193)**	11,982,400	11,982,400
Non Controlling Interest	-	-	(2,112,311)	(2,112,311)
Basic Earnings/ (Loss) per share from Discontinued Operation	-	**(0.00)**	-	0.03
Diluted Earnings/ (Loss) per share from Discontinued Operation	-	**(0.00)**	-	0.03
Statement of Cash Flows				
Net Cash Flows from/(Used) Operating Activities	**436,195**	**436,195**	(75,618,326)	(75,618,326)
Net Cash Flows used in Investing Activities	-	-	8,835,369	8,835,369
	436,195	**436,195**	(66,782,957)	(66,782,957)

Group

4.2 Assets classified as held for sale

At meeting held on 14 October 2015, the Board of Directors decided in principle to dispose the land and buildings owned by the Colombo City Holdings PLC at Union Place, Colombo 02 subject to obtaining offers from prospective buyers and approval from shareholders. On 1st March 2017, a registered license surveyor segregated the investment property to 3 lots. The Board considered one of the lots to meet the criteria to be classified as held for sale. The assets and associated liabilities are as follows:

	2019	2018
	LKR	LKR
Assets		
Investment Property (Note 8)	-	945,070,313
Additions	-	7,706,197
Disposal	-	(952,776,510)
	-	-

	2019	2018
	LKR	LKR
Liabilities		
Refundable deposits	-	3,732,224
Payment made during the year	-	(3,732,224)
	-	-

In the 2017/18, the Colombo City Holdings PLC disposed the above land and building and received proceeds amounting to LKR 1,000,000,000/-.

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
5. REVENUE				
5.1 Summary				
Gross Revenue	**17,734,484,767**	12,272,997,840	**465,472,936**	713,263,710
	17,734,484,767	12,272,997,840	**465,472,936**	713,263,710
5.1.1 Company				
Rendering of Services			**94,944,659**	81,611,921
Dividend Income			**332,237,488**	536,660,529
Interest Income			**38,290,789**	94,991,260
			465,472,936	713,263,710

NOTES TO THE FINANCIAL STATEMENTS

5.2 Segment Information

Group	Manufacturing Footwear		Manufacturing Porcelain		Manufacturing Textile	
	2019	2018	**2019**	2018	**2019**	2018
	LKR	LKR	LKR	LKR	LKR	LKR
Total Revenue	**602,444,243**	636,698,891	**2,178,649,472**	2,082,525,521	**8,296,138,014**	7,744,924,982
Segment Results Gross Profit/(Loss)	**(33,300,258)**	(35,886,814)	**653,168,108**	485,780,370	**1,243,852,794**	1,063,202,700
Finance Cost	**(88,383,504)**	(13,640,682)	**(89,494,262)**	(48,493,995)	**(89,430,987)**	(68,588,493)
Finance Income	**1,643,480**	45,227,007	**31,298,485**	30,357,506	**11,537,533**	2,513,918
Change in Fair value of Investment Property	**434,969,475**	-	**293,029,150**	-	**-**	-
Net Results of the Associate	**-**	-	**-**	-	**-**	-
Impairment of intangible assets - continuing Operations	**(171,371,894)**	-	**-**	-	**-**	-
Profit /(Loss) before Income Tax	**(122,875,642)**	(293,707,512)	**457,205,724**	(54,695,799)	**527,679,060**	387,832,863
Income Tax Expense	**(76,344,742)**	45,811,837	**(61,445,358)**	80,851,294	**(34,320,735)**	(63,561,715)
Profit/(Loss) after tax for the year from continuing operations	**(199,220,385)**	(247,895,675)	**395,760,366**	26,155,495	**493,358,325**	324,271,148
Profit/(Loss) after tax for the year from discontinued operations	**(659,193)**	9,870,089	**-**	-	**-**	-
Profit/(Loss) for the year	**(199,879,578)**	(238,025,586)	**395,760,366**	26,155,495	**493,358,325**	324,271,148
Purchase and construction of Property Plant and Equipment	**88,415,141**	43,332,963	**71,087,268**	78,112,623	**446,949,374**	51,936,651
Additions to intangible assets	**-**	-	**2,386,246**	5,223,142	**-**	-
Depreciation of Property Plant and Equipment	**55,409,885**	46,437,300	**113,743,476**	85,677,161	**179,924,689**	182,286,839
Amortization of intangible assets	**-**	1,013,866	**5,044,016**	11,036,573	**-**	-
Gratuity provision and related costs	**7,575,547**	9,521,188	**25,437,838**	26,845,551	**21,645,533**	19,614,025
Impairment of intangible assets - continuing Operations	**171,371,894**	-	**-**	-	**-**	-
Assets and Liabilities						
Non-Current Assets *	**2,122,286,872**	1,565,735,992	**2,392,513,078**	1,793,728,583	**2,523,335,096**	2,088,841,885
Current Assets	**603,654,435**	1,010,772,374	**1,989,443,757**	1,532,372,784	**3,031,096,765**	3,241,177,927
Total assets	**2,725,941,307**	2,576,508,366	**4,381,956,835**	3,326,101,367	**5,554,431,861**	5,330,019,811
Non-Current Liabilities	**429,063,299**	327,983,033	**487,147,170**	680,449,047	**646,066,988**	617,108,112
Current Liabilities	**648,123,477**	776,563,991	**1,239,845,218**	914,575,580	**3,087,865,029**	2,844,753,969
Total Liabilities **	**1,077,186,777**	1,104,547,025	**1,726,992,388**	1,595,024,627	**3,733,932,017**	3,461,862,081

*Segment Non current Assets do not include investment in subsidiary and inter-company receivables.

**Segment Liabilities do not include inter-company payables including loans.

Investment		Property		IT and related Services		Financial Services		Total	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
12,055,203	134,894,065	**8,563,675**	105,536,054	**6,533,340,789**	1,562,444,695	**103,293,371**	5,973,632	**17,734,484,767**	12,272,997,840
12,055,203	134,894,065	**6,301,512**	26,443,441	**1,945,452,015**	517,797,759	**100,603,058**	5,432,931	**3,928,132,431**	2,197,664,454
(208,837,061)	(234,814,460)	**(2,209,022)**	(183,158)	**(156,609,473)**	(37,371,125)	**(2,418,908)**	(818,262)	**(637,383,218)**	(403,910,174)
-	-	**66,037,901**	24,244,469	**40,911,407**	5,042,029	**56,293,115**	-	**207,721,921**	107,384,929
-	-	**93,551,491**	185,734,192	**-**	-	**1,000,000**	-	**822,550,116**	185,734,192
1,307,414	(2,410,726)	**-**	-	**-**	-	**-**	-	**1,307,414**	(2,410,726)
-	-	**-**	-	**-**	-	**-**	-	**(171,371,894)**	-
(340,755,671)	(14,544,687)	**142,477,802**	262,362,420	**554,657,746**	283,258,824	**28,873,935**	1,234,575	**1,247,262,952**	571,740,684
(112,469,114)	8,206,707	**22,523,992**	(24,664,669)	**(108,652,999)**	53,019,246	**(11,427,105)**	(455,054)	**(382,136,061)**	99,207,647
(453,224,786)	(6,337,980)	**165,001,794**	237,697,751	**446,004,747**	336,278,070	**17,446,830**	779,521	**865,126,891**	670,948,331
-	-	**-**	-	**-**	-	**-**	-	**(659,193)**	9,870,089
(453,224,786)	(6,337,980)	**165,001,794**	237,697,751	**446,004,747**	336,278,070	**17,446,830**	779,521	**864,467,698**	680,818,420
13,501,399	1,108,504	**-**	89,500	**34,286,503**	16,455,425	**2,068,140**	86,700	**656,307,825**	191,122,366
5,163,850	4,725,000	**-**	-	**11,631,372**	-	**-**	-	**19,181,470**	9,948,144
5,217,125	4,642,457	**39,094**	57,393	**22,012,580**	14,412,659	**1,832,392**	-	**378,179,240**	333,513,809
852,680	239,956	**-**	-	**2,408,058**	23,702	**-**	-	**8,304,755**	12,314,099
1,786,811	1,884,098	**286,799**	229,926	**21,875,501**	2,432,523	**2,158,270**	1,485,665	**80,766,299**	62,012,976
-	-	**-**	-	**-**	-	**-**	-	**171,371,894**	-
1,240,220,762	1,612,582,029	**1,290,751,411**	793,134,010	**416,692,887**	210,808,282	**525,275,208**	340,449,810	**10,511,075,314**	8,405,280,591
823,070,639	1,526,359,801	**469,500,387**	578,074,098	**4,995,659,234**	3,522,836,522	**163,248,292**	369,629,777	**12,075,673,510**	11,781,223,282
2,063,291,401	3,138,941,830	**1,760,251,799**	1,371,208,108	**5,412,352,121**	3,733,644,804	**688,523,500**	710,079,586	**22,586,748,824**	20,186,503,873
330,287,016	804,632,979	**22,058,420**	1,088,185	**110,936,132**	92,682,497	**10,909,910**	6,648,019	**2,036,468,936**	2,530,591,872
938,863,807	867,909,985	**268,984,196**	36,573,822	**4,957,911,424**	3,301,243,064	**55,408,466**	20,921,826	**11,197,001,617**	8,762,542,238
1,269,150,824	1,672,542,964	**291,042,616**	37,662,007	**5,068,847,556**	3,393,925,561	**66,318,376**	27,569,845	**13,233,470,553**	11,293,134,109

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT & EQUIPMENT

6.1 Gross Carrying Amounts

GROUP	Balance As at 01 April 2018 Reported	Business Acquisition Revised*	Balance As at 01 April 2018 Revised	Additions
	LKR	LKR	LKR	LKR
Cost or Valuation				
Freehold Land	1,683,647,600	-	1,683,647,600	-
Land Development Cost	20,361,232	-	20,361,232	180,050
Freehold Building	885,752,008	-	885,752,008	2,138,570
Roadways & Fencing	2,687,404	-	2,687,404	-
Plant & Machinery	3,799,745,686	-	3,799,745,686	64,609,431
Motor Vehicle	91,390,144	-	91,390,144	-
Office Equipment	234,419,537	-	234,419,537	10,992,227
Wells & Tanks	1,663,985	-	1,663,985	-
Lab Equipment	3,002,224	-	3,002,224	-
Furniture & Fittings	112,753,603	(2,852,010)	109,901,593	4,254,772
Welfare Equipment	2,152,480	-	2,152,480	-
Factory Equipment	285,439,707	-	285,439,707	8,912,521
Security Equipment	11,593,557	-	11,593,557	-
Shop Assets	27,555,046	-	27,555,046	25,231,949
Telephone	3,890,345	-	3,890,345	-
Network Internet	618,032	-	618,032	-
Computer Equipment	434,609,737	(177,187,511)	257,422,226	61,732,019
Kumarimulla River Embankment Project	44,838,651	-	44,838,651	-
Water Purification Project	40,753,710	-	40,753,710	51,541,849
Waste Water Project	36,873,616	-	36,873,616	-
Other Equipment	-	-	-	645,970
	7,723,748,304	(180,039,521)	7,543,708,784	230,239,358
Assets on Finance Leases				
Cost or Valuation				
Building on Leasehold land	730,700,001	-	730,700,000	8,314,495
	730,700,001	-	730,700,000	8,314,495
In the Course of Construction				
Capital Working Progress	14,969,519	-	14,969,520	4,246,962
Computer Equipment	3,433,698	-	3,433,698	1,730,152
Effluent Water Treatment Plant	46,617,538	-	46,617,538	4,924,311
Dyeing Machine Installation	60,646,045	-	60,646,045	406,852,548
	125,666,800	-	125,666,801	417,753,973
	8,580,115,105	(180,039,521)	8,400,075,585	656,307,825

Disposals	Transfers	Acquisition of Subsidiaries	Revaluation	Exchange Gain/(Loss)	**Carrying Value As at 31 March 2019**
LKR	LKR	LKR	LKR	LKR	LKR
(10,500,000)	(1,047,060,000)	143,575,000	404,887,951	-	**1,174,550,551**
-	-	-	-	(730,393)	**19,810,890**
(6,000,000)	(56,601,115)	128,625,000	65,418,707	-	**1,019,333,170**
-	-	-	-	-	**2,687,404**
(190,310,522)	78,755,130	-	-	(73,665,577)	**3,679,134,148**
(2,350,833)	-	-	-	(1,828,319)	**87,210,992**
(3,399,166)	59,409,622	6,532,302	-	(4,772,085)	**303,182,436**
-	(1,663,985)	-	-	-	**-**
-	(3,002,224)	-	-	-	**-**
-	3,423,339	3,393,169	-	(770,660)	**120,202,214**
-	(2,152,480)	-	-	-	**-**
-	(125,264,275)	-	-	(2,441,877)	**166,646,076**
-	(11,593,557)	-	-	-	**-**
-	(14,215,251)	-	-	-	**38,571,744**
-	(3,890,345)	-	-	-	**-**
-	-	-	-	-	**618,032**
(1,760,518)	(1,334,698)	-	-	(1,666,304)	**314,392,725**
-	-	-	-	(1,624,153)	**43,214,498**
-	-	-	-	(1,476,187)	**90,819,372**
-	-	-	-	(1,335,643)	**35,537,973**
-	59,969	-	-	-	**705,939**
(214,321,039)	(1,125,129,870)	282,125,471	470,306,658	(90,311,198)	**7,096,618,164**
-	47,000,788	-	94,199,947	(22,308,208)	**857,907,022**
-	47,000,788	-	94,199,947	(22,308,208)	**857,907,022**
-	(14,969,520)	-	-	-	**4,246,962**
-	(5,163,850)	-	-	-	**-**
-	(51,541,849)	-	-	-	**-**
-	(19,701,332)	-	-	(17,505,210)	**430,292,050**
-	(91,376,551)	-	-	(17,505,210)	**434,539,012**
(214,321,039)	(1,169,505,633)	282,125,471	564,506,605	(130,124,616)	**8,389,064,198**

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT & EQUIPMENT (Contd.)

6.2 Accumulated Depreciation

	Balance As at 01 April 2018 Reported	Business Acquisition Revised	Balance As at 01 April 2018 Revised	Charge for the Year
	LKR	LKR	LKR	LKR
At Cost or Valuation				
Land Development Cost	20,361,232	-	20,361,232	15,946
Freehold Building	4,244,221	-	4,244,221	43,693,355
Roadways & Fencing	1,793,915	-	1,793,915	73,164
Plant & Machinery	2,321,952,254	-	2,321,952,254	209,815,252
Motor Vehicle	67,306,301	-	67,306,301	9,595,673
Office Equipment	195,003,222	-	195,003,222	18,213,430
Wells & Tanks	1,094,465	-	1,094,465	-
Lab Equipment	1,976,342	-	1,976,342	-
Furniture & Fittings	72,292,710	1,974,943	70,317,767	9,386,592
Welfare Equipment	1,317,408	-	1,317,408	-
Factory Equipment	198,094,710	-	198,094,710	8,282,944
Security Equipment	6,027,051	-	6,027,051	-
Shop Assets	8,826,916	-	8,826,916	16,446,821
Telephone	3,733,065	-	3,733,065	-
Network Internet	618,032	-	618,032	-
Computer Equipment	386,364,774	168,287,723	218,077,051	24,981,874
Kumarimulla River Embankment Project	29,912,735	-	29,912,735	2,966,215
Water Purification Project	27,035,543	-	27,035,543	7,420,800
Waste Water Project	18,219,227	-	18,219,227	2,438,343
Other Equipment	-	-	-	14,805
	3,366,174,123	170,262,664	3,195,911,456	353,345,215
Assets on Finance Leases				
Building on Leasehold land	2,776,200	-	2,776,200	24,834,025
	2,776,200	-	2,776,200	24,834,025
	3,368,950,323	170,262,664	3,198,687,656	378,179,240

* Detail on measurement period adjustment has been given in note No 37.

	Disposals	Transfers	Acquisition of Subsidiaries	Revaluation	Exchange Gain/(Loss)	**Carrying Value As at 31 March 2019**
	LKR	LKR	LKR	LKR	LKR	LKR
	-	-	-	-	(737,956)	**19,639,222**
	(125,753)	(7,974,851)	-	(37,845,713)	-	**1,991,259**
	-	72,137	-	-	-	**1,939,216**
	(177,086,247)	100,483,608	-	-	(33,685,836)	**2,421,479,031**
	(2,087,333)	28,781	-	-	(1,746,825)	**73,096,598**
	(2,260,229)	31,828,608	5,689,966	-	(4,586,458)	**243,888,540**
	-	(1,094,465)	-	-	-	**-**
	-	(1,976,342)	-	-	-	**-**
	-	(239,041)	1,931,320	-	(627,765)	**80,768,873**
	-	(1,317,408)	-	-	-	**-**
	-	(109,910,508)	-	-	(1,597,636)	**94,869,510**
	-	(6,027,051)	-	-	-	**-**
	-	(7,473,631)	-	-	-	**17,800,106**
	-	(3,733,065)	-	-	-	**-**
	-	-	-	-	-	**618,032**
	(1,760,518)	(634,598)	-	-	(1,867,710)	**238,796,099**
	-	-	-	-	(1,177,936)	**31,701,015**
	-	-	-	-	(1,065,102)	**33,391,240**
	-	-	-	-	(737,637)	**19,919,933**
	-	59,968	-	-	-	**74,773**
	(183,320,080)	(7,907,859)	7,621,286	(37,845,713)	(47,830,861)	**3,279,973,447**
	-	1,514,189	-	(18,746,750)	-	**10,377,664**
	-	1,514,189	-	(18,746,750)	-	**10,377,664**
	(183,320,080)	(6,393,670)	7,621,286	(56,592,462)	(47,830,861)	**3,290,351,111**

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT & EQUIPMENT (Contd.)

6.3 Net Book Values

	As at 31 March 2019 LKR	As at 31 March 2018 LKR
Cost or Valuation		
Freehold Land	**1,174,550,551**	1,683,647,600
Land Development Cost	**171,668**	-
Freehold Building	**1,017,341,911**	881,507,787
Roadways & Fencing	**748,188**	893,489
Plant & Machinery	**1,257,655,117**	1,477,793,432
Motor Vehicle	**14,114,394**	24,083,843
Office Equipment	**59,293,896**	39,416,315
Wells & Tanks	**-**	569,520
Lab Equipment	**-**	1,025,882
Furniture & Fittings	**39,433,341**	39,583,825
Welfare Equipment	**-**	835,072
Factory Equipment	**71,776,566**	87,344,997
Security Equipment	**-**	5,566,506
Shop Assets	**20,771,638**	18,728,130
Telephone	**-**	157,280
Computer Equipment	**75,596,626**	39,345,175
Kumarimulla River Embankment Project	**11,513,483**	14,925,916
Water Purification Project	**57,428,132**	13,718,167
Waste Water Project	**15,618,040**	18,654,389
Other Equipment	**631,166**	-
	3,816,644,717	4,347,797,324
Assets on Finance Leases		
Cost or Valuation		
Building on Leasehold land	**847,529,358**	727,923,801
	847,529,358	727,923,801
In the Course of Construction		
Capital Working Progress	**4,246,962**	14,969,519
Computer Equipment	**-**	3,433,698
Waste Water Treatment Plant	**-**	46,617,538
Dyeing Machine Installation	**430,292,050**	60,646,045
	434,539,012	125,666,800
	5,098,713,087	5,201,387,925

6.4 During the financial year, the Group acquired Property, Plant & Equipment to the aggregate value of LKR 578,961,881/- (2018- LKR 190,329,619/-).

6.5 Details of Property, Plant and Equipment pledged for borrowings are disclosed in Note 33.

6.6 Revaluation of Land and Building

6.6.1 The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers to determine the fair value of its land and buildings.

Details of Group's land, building and other properties stated at valuation are indicated below;

Company	Property	Method of Valuation	Value 2019 LKR	Value 2018 LKR	Valuers Details	Effective Date of Valuation
Ceylon Leather Products Limited	Land at Mattakkuliya	Market Approach	-	934,875,000	Mr. Chulananda Wellappili, Independent Incorporated Valuer	31 March 2018
	Buildings at Mattakkuliya	Cost Approach	-	38,706,025		
	Land at Mattakkuliya	Market Approach	-	10,500,000	Mr. Chulananda Wellappili, Independent Incorporated Valuer	31 March 2018
	Buildings at Mattakkuliya	Cost Approach	-	6,030,000		
	Land at Belummahara	Market Approach	**170,799,250**	144,256,500	Mr. Chulananda Wellappili, Independent Incorporated Valuer	31 March 2019
	Building at Belummahara	Cost Approach	**221,862,450**	213,868,894		
Dankotuwa Porcelain PLC	Land at Dankotuwa	Market Approach	**655,552,000**	409,720,000	Mr. S.Sivaskantha , an independent incorporated valuer	31 March 2019
	Buildings at Dankotuwa	Cost Approach	**381,985,250**	324,461,825		
South Asia Textile Ltd	Buildings at Pugoda	Income Approach	**805,500,000**	730,700,000	Mr. Chulananda Wellappili, Independent Incorporated Valuer	31 March 2019
Royal Fernwood Porcelain Limited	Land at Kosgama	Market Approach	**204,624,300**	184,296,100	Mr. S.Sivaskantha , an independent incorporated valuer	31 March 2019
	Buildings at Kosgama	Cost Approach	**283,362,790**	290,929,395		
Lexinton Holdings (Pvt) Limited	Land at Rajagiriya	Market Approach	**143,575,000**	-	Sunil Fernando and Associate (Pvt) Limited incorporated valuer	31 March 2019
	Buildings at Rajagiriya	Cost Approach	**128,625,000**	-		

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT & EQUIPMENT (Contd.)

6.6.2 Description of Significant Unobservable Inputs to Valuation

The significant assumptions used by the valuer for valuations are follows;

Property		Method of Valuation	Inputs used for measurement	Area	Range	Sensitivity of Fair value to unobservable inputs
South Asia Textiles Limited						
2019						
Building on Leasehold Land	Pugoda	Income Approach	Per sq.ft. rate	405,430 sq. feet	LKR 12 - 50	Positively correlated
(Remaining leasehold period - 35 years)						
2018						
Building on Leasehold Land	Pugoda	Income Approach	Per sq.ft. rate	405,430 sq. feet	LKR 12 - 25	Positively correlated
(Remaining leasehold period - 36 years)						
Royal Fernwood Porcelain Limited						
2019						
Freehold Land	Kosgama	Market Approach	Per perch rate	2,178 Perches	LKR 60,000 - 150,000	Positively correlated
Freehold Buildings	Kosgama	Cost Approach	Per sq.ft. rate	177,630 sq. feet	LKR 1,250 - 4,000	Positively correlated
2018						
Freehold Land	Kosgama	Market Approach	Per perch rate	2,178 Perches	LKR 40,000 - 150,000	Positively correlated
Freehold Buildings	Kosgama	Cost Approach	Per sq.ft. rate	177,630 sq. feet	LKR 300 - 2,800	Positively correlated
Dankotuwa Porcelain PLC						
2019						
Freehold Land	Dankotuwa	Market Approach	Per perch rate	3,278 Perches	LKR 200,000	Positively correlated
Freehold Buildings	Dankotuwa	Cost Approach	Per sq.ft. rate	260,015 sq. feet	LKR 2,000 - 4,000	Positively correlated
2018						
Freehold Land	Dankotuwa	Market Approach	Per perch rate	3,278 Perches	LKR 125,000	Positively correlated
Freehold Buildings	Dankotuwa	Cost Approach	Per sq.ft. rate	260,015 sq. feet	LKR 500 - 4,000	Positively correlated

Property		Method of Valuation	Inputs used for measurement	Area	Range	Sensitivity of Fair value to unobservable inputs
Ceylon Leather Products Limited						
2019						
Freehold Land	Belummahara	Market Approach	Per perch rate	474 Perches	LKR 175,000 - 475,000	Positively correlated
Freehold Buildings	Belummahara	Cost Approach	Per sqft. rate	76,720 sq feet	LKR 1,400 - 5,000	Positively correlated
2018						
Freehold Land	Belummahara	Market Approach	Per perch rate	474 Perches	LKR150,000 - 400,000	Positively correlated
	Mattakkuliya - Factory	Market Approach	Per perch rate	748 Perches	LKR 1,250,000	Positively correlated
	Mattakkuliya Tannery House	Market Approach	Per perch rate	6 Perches	LKR 1,750,000	Positively correlated
Freehold Buildings	Belummahara	Cost Approach	Per sqft. rate	76,720 sq feet	LKR 1,400 - 4,700	Positively correlated
	Mattakkuliya - Factory	Cost Approach	Per sqft. rate	75,010 sq. feet	LKR 650 - 3,250	Positively correlated
	Mattakkuliya -Tannery House	Cost Approach	Per sqft. rate	2,010 sq. feet	LKR 3,750	Positively correlated
Lexinton Holdings (Pvt) Limited						
2019						
Freehold Land	Rajagiriya	Market Approach	Per perch rate	17.15 Perches	LKR 7,250,000	Positively correlated
Freehold Buildings	Rajagiriya	Cost Approach	Per sq.ft. rate	17,150 sq feet	LKR 7,500	Positively correlated

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT & EQUIPMENT (Contd.)

The carrying amount of revalued assets of the Group that would have been included in the financial statements had that been carried at cost less depreciation is as follows:

Ceylon Leather Products Limited	Cost	Cumulative Depreciation If assets were carried at cost	**Net Carrying Amount 2019**	Net Carrying Amount 2018
	LKR	LKR	**LKR**	LKR
Class of Asset				
Land-Freehold	32,046,453	-	**32,046,453**	32,046,453
Buildings on Freehold Land	126,026,497	(3,150,662)	**122,875,835**	83,389,056
	158,072,950	(3,150,662)	**154,922,288**	115,435,509

Dankotuwa Porcelain PLC	Cost	Cumulative Depreciation If assets were carried at cost	**Net Carrying Amount 2019**	Net Carrying Amount 2018
	LKR	LKR	**LKR**	LKR
Class of Asset				
Land-Freehold	250,000	-	**250,000**	250,000
Building - Freehold	165,081,657	100,984,090	**64,097,567**	73,258,488
	165,331,657	100,984,090	**64,347,567**	73,508,488

South Asia Textile Ltd	Cost	Cumulative Depreciation If assets were carried at cost	**Net Carrying Amount 2019**	Net Carrying Amount 2018
	LKR	LKR	**LKR**	LKR
Class of Asset				
Building on Leasehold Land	306,985,578	73,366,309	**233,619,269**	236,886,970
	306,985,578	73,366,309	**233,619,269**	236,886,970

6.6 Revaluation of Land & Building

Royal Fernwood Porcelain Ltd	Cost	Cumulative Depreciation If assets were carried at cost	**Net Carrying Amount 2019**	Net Carrying Amount 2018
	LKR	LKR	LKR	LKR
Class of Asset				
Land-Freehold	18,590,108	-	**18,590,108**	18,590,108
Buildings-Freehold	15,849,645	880,536	**14,969,109**	15,849,645
	34,439,753	880,536	**33,559,217**	34,439,753
Land-Freehold	143,575,000	-	**143,575,000**	-
Buildings-Freehold	128,625,000	-	**128,625,000**	-
	272,200,000	-	**272,200,000**	-

Lexinton Holdings (Pvt) Limited	Cost	Cumulative Depreciation If assets were carried at cost	**Net Carrying Amount 2019**	Net Carrying Amount 2018
	LKR	LKR	LKR	LKR
Class of Asset				
Land-Freehold	60,000,000	-	**60,000,000**	-
Buildings-Freehold	55,000,000	26,400,000	**28,600,000**	-
	115,000,000	26,400,000	**88,600,000**	-

6.7 Company

	As at 31.03.2018	Additions	Disposals	**As at 31.03.2019**
	LKR	LKR	LKR	LKR
At Cost				
Furniture, Fixtures & Other Equipment	2,601,245	14,616	-	**2,615,862**
Computer	12,391,163	11,756,632	-	**24,147,795**
Motor Vehicle	13,549,904	-	-	**13,549,904**
Total assets	28,542,312	11,771,248	-	**40,313,561**
Capital - Work in Progress				
Computer Equipment	3,433,698	1,730,152	(5,163,850)	**-**
	3,433,698	1,730,152	(5,163,850)	-
Total assets	31,976,010	13,501,400	(5,163,850)	**40,313,561**

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT & EQUIPMENT (Contd.)

Depreciation	Balance As at 31.03.2018	Charge for the Year	Disposals	**Balance As at 31.03.2019**
	LKR	LKR	LKR	LKR
At Cost				
Furniture, Fixtures & Other Equipment	2,169,063	164,007	-	**2,333,070**
Computer	6,188,567	3,242,294	-	**9,430,861**
Motor Vehicle	9,880,696	1,810,824	-	**11,691,520**
Total depreciation	18,238,326	5,217,125	-	**23,455,451**

Net Book Values	**2019**	2018
	LKR	LKR
At Cost		
Furniture, Fixtures & Other Equipment	**282,792**	432,182
Computer	**14,716,934**	6,202,596
Motor Vehicles	**1,858,384**	3,669,208
Total Carrying Amount of Property, Plant & Equipment	**16,858,110**	10,303,986
Capital - Work in Progress	-	3,433,698
Computer Equipment	-	3,433,698
Total Carrying Amount of Property, Plant & Equipment	**16,858,110**	13,737,684

6.8 During the financial year the Company acquired Property, Plant & Equipment to the aggregate value of LKR 13,501,400/- (2018- LKR 1,108,504/-).

6.9 The useful lives of the assets of the companies in the group are estimated as follows.

	2019	2018
Group		
Land Development Cost	10 Years	10 Years
Building on Freehold Land	10-50 Years	10-50 Years
Leasehold Properties	Over the lease period	
Telephone	5 Years	5 Years
Factory Equipment	8-18 Years	8-18 Years
Office Equipment	4-5 Years	4-5 Years
Furniture & Fittings	4-10 Years	4-10 Years
Motor Vehicles	4-6 Years	4-6 Years
Kumarimulla River Embankment Project	10 Years	10 Years
Water Purification Project	10 Years	10 Years

	2019	2018
Waste Water Project	10 Years	10 Years
Roadways & Fence	40 Years	40 Years
Welfare Equipment	6.67 Years	6.67 Years
Security Equipment	2-6.67 Years	2-6.67 Years
Shop Assets	10 Years	10 Years
Computer Equipment	1-4 Years	1-4 Years
Plant & Machinery		
Plant & Machinery	10 Years	10 Years
Kiln Furniture	3 Years	3 Years
Kilns	15 Years	15 Years
Company		
The useful lives of the assets of the company are estimated as follows.		
Furniture, Fixtures & Other Equipment	4 Years	4 Years
Computer	4 Years	4 Years
Motor Vehicle	6 Years	6 Years

7. INVESTMENT PROPERTY

	Note	2019 LKR	2018 LKR
Balance as at the beginning of the year		**1,130,588,153**	580,100,686
Business Acquisition		**-**	79,000,000
Additions		**1,072,856**	4,835,475
Transfer from Property Plant and Equipment	7.2	**1,085,766,025**	280,917,800
Net gain from fair value adjustment		**822,550,116**	185,734,192
Balance as at the end of the year		**3,039,977,150**	1,130,588,153

7.1 Group's Investment Properties are stated at fair value, fair value has been determined on the basis of market value of land and buildings. Investment Properties are appraised in accordance with SLFRS 13, LKAS 40 and International Valuation Standards. Professional valuation was performed on the investment properties as at 31 March 2019 by the following Incorporated Valuers.

7.1.1

Company	Property	Incorporate Valuer 2019	Incorporate Valuer 2018
Colombo City Holdings PLC	Union Place	Mr.S.Sivaskantha	Mr.S.Sivaskantha
Dankotuwa Porcelain PLC	Dankotuwa	Mr.S.Sivaskantha	Mr.Chulananda Wellappili
Royal Fernwood Porcelain Ltd	Kosgama	Mr.S.Sivaskantha	Mr.Chulananda Wellappili
Taprobane Securities (Pvt) Ltd	Kosgama	Mr. W.M Chandrasena	Mr. W.M Chandrasena
Ceylon Leather Products Limited	Mattakkuliya	Mr.Chulananda Wellappili	-

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT PROPERTY (Contd.)

7.2 Group reclassified a part of land and buildings located in Mattakkuliya as investment property after engaging an independent valuer to determine the fair value of the property due to the change in use of the property.

7.3 The Company has reported rental income amounting to LKR 8,893,895/- (2018 - LKR 9,279,413/-) from this investment property and incurred direct operating expenses (including repairs and maintenance) amounting to LKR 1,294,382/- (2018 - LKR 3,994,642/-).

7.4 The significant assumptions used by the valuer in the years 2019 and 2018 are as follows.

Company	Property	Method of Valuation	Inputs used for measurement	2019	2018
				LKR	LKR
Colombo City Holdings PLC	Land and Buildings	Open Market Value	Per perch rate	18,000,000	16,000,000
	(Union Place, Colombo)	Replacement Cost	Per sq.ft. rate	5250-2500	4,750-2,000
Dankotuwa Porcelain PLC	Land (Dankotuwa)	Open Market Value	Per perch rate	5,000-145,000	3,125-65,000
Royal Fernwood Porcelain Ltd	Land (Kosgama)	Open Market Value	Per perch rate	60,000	40,000
Taprobane Securities (Pvt) Ltd	Land (Kosgama)	Open Market Value	Per perch rate	70,000	68,000
Ceylon Leather Products Limited	Land (Mattakkuliya)	Open Market value	Per perch rate	2,000,000	-
	Buildings (Mattakkuliya)	Replacement Cost	Per sq.ft. rate	650-3,250	-

7.4.1 Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 March 2019 and 2018 are as shown below;

Investment Property	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of input to Fair value
Colombo City Holdings PLC				
As at 31 March 2019				
Land 47.2 perches (Street line 13.38 Perches)	Open Market value	Per perch rate	LKR 18,000,000	Positively correlated
Pharmacy Building 4,344 sqft	Replacement Cost	Per sqft. rate	LKR 5,250	Positively correlated
Mezzanine floor 1,100 sqft	Replacement Cost	Per sqft. rate	LKR 2,500	Positively correlated
As at 31 March 2018				
Land 47.2 perches (Street line 13.38 Perches)	Open Market value	Per perch rate	LKR 16,000,000	Positively correlated

Investment Property	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of input to Fair value
Pharmacy Building 4,344 sqft	Replacement Cost	Per sqft. rate	LKR 4,750	Positively correlated
Mezzanine floor 1,100 sqft	Replacement Cost	Per sqft. rate	LKR 2,000	Positively correlated
Dankotuwa Porcelain PLC				
As at 31 March 2019				
Land 3,985.95 perches	Open Market value	Per perch rate	LKR 5,000 - 145,000	Positively Correlated
As at 31 March 2018				
Land 3,985.95 perches	Open Market value	Per perch rate	LKR 3,125 - 65,000	Positively Correlated
Royal Fernwood Porcelain Ltd				
As at 31 March 2019				
Land 1,753.07 perches	Open Market value	Per perch rate	LKR 60,000	Positively Correlated
As at 31 March 2018				
Land 1,753.07 perches	Open Market value	Per perch rate	LKR 40,000	Positively Correlated
Taprobane Securities (Pvt) Ltd				
As at 31 March 2019				
Land 1,162.37 perches	Open Market value	Per perch rate	LKR 70,000	Positively Correlated
As at 31 March 2018				
Land 1,162.37 perches	Open Market value	Per perch rate	LKR 68,000	Positively Correlated
Ceylon Leather Products Limited				
As at 31 March 2019				
Land 748 perches	Open Market value	Per perch rate	LKR 2,000,000	Positively correlated
Buildings 75,010 sqft	Replacement Cost	Per sqft. rate	LKR 650- 3,250	Positively correlated

NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS

	Note	2019 LKR	2018 LKR
Goodwill	8.1	**1,111,298,623**	1,282,670,517
Computer Software	8.2	**47,956,403**	46,303,004
Brand Name	8.3	**324,644,574**	324,644,574
License Fees	8.4	**32,739,868**	23,516,552
		1,516,639,468	1,677,134,648

8.1 Goodwill

		2019 LKR	2018 LKR
Balance at the beginning of the year		**1,282,670,517**	435,628,678
Acquisition of Subsidiary (Note 8.1.2)		**-**	847,041,839
Impairment of Goodwill (Note 8.5.2/3)		**(171,371,894)**	-
Balance at the end of the year		**1,111,298,623**	1,282,670,517

8.1.1 Goodwill represents the excess of an acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities as at the date of acquisition, and is carried at cost less accumulated impairment losses.

Goodwill is not amortized, but is reviewed for impairment annually and if there is an indication Goodwill may be impaired. For the purpose of testing goodwill for impairment, goodwill is allocated to the operating entity level, which is the lowest level at which the goodwill is monitored for internal management purpose.

8.1.2 The revision of Goodwill represents the Goodwill arising from the measurement period adjustments of the business combination in the previous year, as described further under Note 37.

8.2 Software

	Note	2019 LKR	2018 LKR
Balance at the beginning of the year		**46,303,004**	48,645,257
Additions during the period		**7,550,096**	9,948,144
Amortization during the period		**(5,896,697)**	(12,290,397)
Balance at the end of the year	8.2.1	**47,956,403**	46,303,004

8.2.1 Software of the Group represents Microsoft Office and new ERP system.

8.3 Brand Names

	Note	2019 LKR	2018 LKR
Balance at the beginning of the year		**324,644,574**	9,723,614
Acquisition of Subsidiary	37	**-**	314,920,960
Balance at the end of the year	8.3.1	**324,644,574**	324,644,574

8.3.1 The management identified the brand names of Royal Fernwood Porcelain Ltd and Millennium I.T.E.S.P (Pvt) Limited as an intangible asset with an indefinite useful life arising from business combination. The management is of the view that the brand name will be a key attraction in the Porcelain Sector and Information Technology Sector. The brand name has been tested for impairment along with other intangible assets of the Royal Fernwood Porcelain Ltd and Millennium I.T.E.S.P (Pvt) Ltd as further explained under note 8.5.2.

8.4 License Fees

	Note	2019 LKR	2018 LKR
Balance at the beginning of the year		**23,516,552**	1,082,500
Acquired during the year		**-**	22,457,754
Amortization		**(2,408,058)**	(23,702)
Additions During the year	8.4.1	**11,631,374**	-
Balance at the end of the year		**32,739,868**	23,516,552

8.4.1 License fee represents license fee paid for solar power project through sustainable energy authority and license cost pertaining to the software applications purchased. License fee for software applications have a finite useful life and carried at cost less accumulated amortization. Amortization is calculated using straight line method to allocate cost of license over their estimated useful life of 5 years.

8.5 Impairment Testing of Goodwill and Intangible Assets with Indefinite Lives

The aggregate carrying amount of Goodwill and Brand Name allocated to each entity is as follows;

		Goodwill		Brand Name	
		2019	2018	**2019**	2018
	Note	LKR	LKR	LKR	LKR
South Asia Textiles Limited		**96,241,963**	96,241,963	**-**	-
Ceylon Leather Products Limited		**-**	171,371,894	**-**	-
Colombo City Holdings PLC		**37,726,060**	37,726,060	**-**	-
Royal Fernwood Porcelain Limited		**130,288,761**	130,288,761	**9,723,614**	9,723,614
Millennium I.T.E.S.P (Pvt) Limited	8.5.1/37	**847,041,839**	847,041,839	**314,920,960**	314,920,960
		1,111,298,623	1,282,670,517	**324,644,574**	324,644,574

8.5.1 During the year, upon the completion of purchase price allocation in relation to the acquisition of Millennium I.T.E.S.P (Pvt) Ltd, the Group identified Brand value of Rs. 315 Mn for the brand name of Millennium I.T.E.S.P (Pvt) Ltd and the residual Goodwill as LKR 847 Mn. Management determined that both Brand name and Goodwill to have infinite useful lives.

8.5.2 Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities

NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS (Contd.)

that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Gross margins

The basis used to determine the value assigned to the budgeted gross margins/contributions is the gross margins/contributions achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate which is the long term bond rate as published by Central Bank of Sri Lanka, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions as published by Central Bank of Sri Lanka.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 0% growth rate.

8.5.3 Ceylon Leather Products Limited

The recoverable amount of the Company involved in the manufacturing of footwear has been determined based on a value in use (VIU) calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for services. The Weighted Average Cost of Capital applied to discount cash flow projections is 14% and cash flows beyond the five-year period are extrapolated using a 0% growth rate. It indicated that the recoverable amount did not exceed the carrying amount of the entity. As a result of this analysis, management has recognised an impairment charge of LKR 171,371,893/- against goodwill, which is recorded under "Impairment of Intangible Assets" in the Statement of Profit or Loss.

8.6 Company

	2019	2018
	LKR	LKR
Computer Software (Note 8.6.1)	**9,398,710**	5,087,540
License Fees (Note 8.6.2)	**1,082,500**	1,082,500
	10,481,210	6,170,040

8.6.1 Software

	2019 LKR	2018 LKR
Balance at the beginning of the year	**5,087,540**	602,496
Acquired during the period	**5,163,850**	4,725,000
Amortization during the period	**(852,680)**	(239,956)
Balance at the end of the year	**9,398,710**	5,087,540

8.6.2 License Fees

	2019 LKR	2018 LKR
Balance at the beginning of the year	**1,082,500**	1,082,500
Additions During the year	**-**	-
Balance at the end of the year (Note 8.4.1)	**1,082,500**	1,082,500

9. FAIR VALUE MEASUREMENT

GROUP

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 : Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The Group held the following assets and liabilities carried at fair value in the statement of financial position:

NOTES TO THE FINANCIAL STATEMENTS

9. FAIR VALUE MEASUREMENT (Contd.)

		Level 1		Level 2		Level 3	
		2019	2018	**2019**	2018	**2019**	2018
	Note	LKR	LKR	LKR	LKR	LKR	LKR
Assets Measured at Fair Value							
Investment Properties	7	-	-	-	-	**3,039,977,150**	1,130,588,153
Financial Instrument at Amortized Cost	11	-	-	**23,236,379**	22,451,836	-	-
Land	6	-	-	-	-	**1,174,550,550**	1,683,647,600
Freehold Buildings	6	-	-	-	-	**1,015,835,490**	873,996,139
Building on Leasehold Land	6	-	-	-		**805,500,000**	730,700,000
Financial Assets							
Fair value through Profit or Loss	15	**167,447,647**	1,257,388,427	-	-	-	-
Fair value through OCI	15	**566,705,269**	-	-	-	-	-
Total		**734,152,916**	1,257,388,427	**23,236,379**	22,451,836	**6,035,863,190**	4,418,931,892

COMPANY		Level 1		Level 2		Level 3	
		2019	2018	**2019**	2018	**2019**	2018
	Note	LKR	LKR	LKR	LKR	LKR	LKR
Assets Measured at Fair Value							
The fair values of the quoted equities are based on price quotations at the reporting date.							
Fair Value through Profit or Loss	15	**155,454,222**	1,254,688,427	-	-	-	-
Fair value through OCI	15	**566,705,269**	-	-	-	-	-
Total		**722,159,491**	1,254,688,427	-	-	-	-

Financial Assets and Liabilities measured or disclosed at Fair Value

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the quoted equities are based on price quotations at the reporting date.

Long-term fixed-rate borrowings are evaluated by the Group based on interest rates.

Those assumptions for assets categorised as Level 3 has been described under respective note numbers.

During the reporting period ended 31 March 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

10. INVESTMENT IN SUBSIDIARIES

Company

10.1 Investments in Equity Securities - Quoted

	Effective Holding		2019 Cost	2019 Market Value	2018 Cost	2018 Market Value
	2019	2018	LKR	LKR	LKR	LKR
Colombo City holdings PLC	**66.40%**	66.40%	**555,395,635**	**598,288,056**	555,395,635	776,363,057
Dankotuwa Porcelain PLC	**77.51%**	77.51%	**1,055,003,155**	**667,742,919**	1,055,003,155	907,116,336
			1,610,398,790	**1,266,030,975**	1,610,398,790	1,683,479,393

10.2 Investments in Equity Securities - Unquoted

	Note	Effective Holding 2019	Effective Holding 2018	2019 Cost LKR	2018 Cost LKR
Ceylon Leather Products Ltd		**99.90%**	99.90%	**1,420,864,724**	1,420,864,724
Olancom (Pvt) Ltd		**93.15%**	93.15%	**200,000,000**	200,000,000
South Asia Textiles Ltd		**97.67%**	97.67%	**1,892,360,340**	1,892,360,340
Millennium I.T.E.S.P. (Pvt) Ltd	10.3.1	**60.24%**	100.00%	**5,325,351**	1,180,966,497
Palla & Company (Pvt) Ltd		**99.90%**	99.90%	**10,000**	10,000
Taprobane Capital Plus (Pvt) Ltd		**100.00%**	100.00%	**671,345,000**	671,345,000
Eon Tec (Pvt) Ltd	10.3.2	**78.00%**	-	**816,098,697**	-
				5,006,004,112	5,365,546,561
Provision for Impairment				**(202,381,369)**	(200,000,000)
Total Carrying Value of Investments				**6,414,021,533**	6,775,945,351

10.3 Millennium I.T.E.S.P (Pvt) Ltd

10.3.1 Disposal of shares

On 4 April 2018, the company disposed 547,575 of shares to Millenniumcapital Investment Limited for a total consideration of LKR 132 Mn.

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT IN SUBSIDIARIES (Contd.)

10.3.2 Disposal of investment in Millennium I.T.E.S.P (Pvt) Ltd to Eon Tec (Pvt) Ltd

On 02 August 2018 the company disposed 77.23% of the issued shares in Millennium I.T.E.S.P (Pvt) Ltd to Eon Tec (Pvt) Ltd for a total consideration of LKR 927 Mn. Eon Tec (Pvt) Limited was incorporated to hold investment in Millennium I.T.E.S.P (Pvt) Ltd. The company holds 78% of issued shares of Eon Tec (Pvt) Limited.

10.4 Acquisition of Lexinton Financial Services (Pvt) Ltd by Taprobane Capital Plus (Pvt) Ltd

On 10 December 2018, Taprobane Capital Plus (Pvt) Limited acquired 100% of the issued shares of Lexinton Financial Services (Pvt) Ltd for a total consideration of Rs. 5,236,008/- from Lexinton Holdings (Pvt) Limited, as disclosed in Note 37.

10.5 Acquisition of Lexinton Holdings (Pvt) by Colombo City Holdings PLC

On 28 January 2019, Colombo City Holdings PLC acquired the entire issued shares of Lexinton Holdings (Pvt) Limited held by Ambeon Capital PLC and Taprobane Investments (Pvt) Limited for a total consideration of LKR 414,833,710/- as disclosed in Note 37.

11. OTHER NON-CURRENT FINANCIAL ASSETS

11.1 Non Current Investments

		Group		Company	
		2019	2018	**2019**	2018
	Note	LKR	LKR	LKR	LKR
Financial Assets at Amortized Cost					
Deposit with Colombo Stock Exchange		**2,787,729**	2,782,406	**-**	-
Investments in Government Securities		**23,236,379**	22,451,836	**-**	-
Loans and Receivables	14	**686,162,352**	-	**45,500,054**	-
		712,186,460	25,234,242	**45,500,054**	-

12. INVESTMENT IN ASSOCIATE

Group

On 15 February 2018, Ambeon Holdings PLC invested in Taprobane Capital Plus (Pvt) Ltd through which Ambeon Holdings PLC holds 28% stake in Lexinton Holdings (Pvt) Ltd, through the sub subsidiary Taprobane Investment (Pvt) Ltd. The Group applied the equity method of accounting in consolidate financial statements.

On 28 January 2019, Taprobane Investments (Pvt) Ltd and Ambeon Capital PLC has divested ownership in Lexinton Holdings (Pvt) Limited to Colombo City Holdings PLC. Consequently the Group has a 66.4% effective holding in Lexinton Holdings (Pvt) Limited.

The Group's interest in Lexinton Holding (Pvt) Ltd is accounted for using the equity method in the Consolidated Financial Statements upto the disposal date. The following table illustrates the summarized Financial Information of the Group's investment in Lexinton Holdings (Pvt) Ltd.

	2019	2018
	LKR	LKR
Summarized Financial Information		
The Associate's Statement of Financial Position		
Non-Current Assets	-	264,062,573
Current Assets	-	255,917,052
Total Assets	-	519,979,625
Non-Current Liabilities	-	53,264,748
Current Liabilities	-	56,550,498
Non Controlling Interest	-	-
	-	109,815,246
Equity	-	410,164,379
Carrying amount of the investment	-	114,846,027
Share of the Associate's Revenue and Profit at the date of disposal		
Revenue	37,192,301	3,649,294
Profit/(Loss)	7,798,589	(8,609,736)
Share of Profit/(Loss) for the Year	2,183,605	(2,410,726)

12.1 Equity Reconciliation

	Group	
	2019	2018
	LKR	LKR
Un-Quoted		
Lexinton Holdings (Pvt) Ltd	0%	28%
Carrying amount as at the beginning of the year	114,846,027	117,256,753
Share of Profit/(Loss) of Associate Company After Tax	2,183,605	(2,410,726)
Total Comprehensive Income	2,183,605	(2,410,726)
Disposal of Equity account Investees	(117,029,632)	-
Carrying amount as at the end of the year	-	114,846,027
12.2 Loss from Associate Disposal		
Equity value of Associate	117,029,632	-
Disposal Proceeds	(116,153,441)	-
Loss from Associate	876,191	-
Net result from Associate to Profit or Loss		
Share of Profit of Associate Company After Tax	2,183,605	(2,410,726)
Loss on Disposal	(876,191)	-
	1,307,414	(2,410,726)

NOTES TO THE FINANCIAL STATEMENTS

13. INVENTORIES

	Note	Group	
		2019	2018
		LKR	LKR
Raw Material		**986,488,999**	1,817,822,245
Work in Progress/ Project in Progress		**2,086,983,807**	780,233,446
Finished Goods		**1,001,024,813**	921,538,075
Indirect Material		**20,623,200**	30,380,247
Spare Stock		**24,940,897**	31,381,652
General Stock		**16,477,780**	15,889,549
Consumables		**52,620,748**	53,442,313
Semi Finished Goods		**206,543,119**	173,270,980
Packing Material		**23,790,867**	20,849,063
Others		**24,105,747**	20,949,387
Less : Allowance for Obsolete & Slow Moving Inventories		**(468,764,827)**	(440,201,391)
		3,974,835,150	3,425,555,566
Consumables and Spares		**104,985,065**	105,415,187
Goods Held for resale and maintenance inventory	13.2	**7,543,185**	81,669,021
Goods-In-Transit		**153,552,706**	145,411,774
		4,240,916,106	3,758,051,548
Total Inventories at the Lower of Cost and Net Realizable Value		**4,240,916,106**	3,758,051,548

		2019	2018
13.1	**Goods held for resale**	**1,768,926**	300,603,810
	Maintenance Inventory	**154,271,320**	81,812,466
		156,040,246	382,416,276
	Allowance for obsolete & slow moving Inventories	**(148,497,061)**	(300,747,255)
		7,543,185	81,669,021

		2019	2018
13.2	**Allowance for Obsolete & Slow Moving Inventories**		
	Balance at the beginning of the year	**740,948,646**	359,067,304
	Business Combination	**-**	300,747,255
	Provision/(Reversal) made during the year	**(123,686,758)**	81,134,087
	Balance at the End of the year	**617,261,888**	740,948,646

13.3 Details of inventories pledged for borrowings are disclosed in Note 33.

14. TRADE AND OTHER RECEIVABLES

14.1 Summary

			Group		Company	
			2019	2018	**2019**	2018
		Note	LKR	LKR	LKR	LKR
Trade Debtors	- Other		**5,278,940,754**	4,247,997,159	-	-
Less: Allowance for Bad & Doubtful Debtors			**(1,217,502,346)**	(1,006,743,418)	-	-
			4,061,438,408	3,241,253,741	-	-
Other Receivables	- Related Party	14.2	**32,556,143**	69,867,932	**331,787,960**	278,246,858
	- Other		**247,968,164**	305,238,606	**22,517,879**	18,528,898
Loan Receivables		14.3	**289,823,600**	240,705,870	**1,072,513,890**	716,089,692
Less: Allowance for Bad & Doubtful Debtors			**(34,498,849)**	(37,583,933)	**(877,876,298)**	(877,510,180)
			4,597,287,466	3,819,482,216	**548,943,431**	135,355,268
Advances and Prepayments			**1,567,413,039**	281,946,434	**7,042,789**	1,808,097
			6,164,700,505	4,101,428,650	**555,986,220**	137,163,365

*Details of trade debtors pledged for borrowing are disclosed in Note 33.

14.1.1 Allowance for Bad & Doubtful Debtors

		Group		Company	
		2019	2018	**2019**	2018
	Note	LKR	LKR	LKR	LKR
Balance at the beginning of the year		**1,044,327,351**	182,666,114	**877,510,180**	877,368,180
Impact of Adopting SLFRS 9	36	**169,377,088**	-	-	-
Business Combination		-	838,174,741	-	-
Provision/(Reversal) made during the year		**38,296,756**	23,486,496	**366,118**	242,000
Write-off balances		-	-	-	(100,000)
Balance at the End of the year		**1,252,001,195**	1,044,327,351	**877,876,298**	877,510,180

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES (Contd.)

14.2 Other Receivables - Related Party

	Relationship	Group 2019 LKR	Group 2018 LKR	Company 2019 LKR	Company 2018 LKR
Ceylon Leather Products Ltd	Subsidiary	-	-	**54,528,368**	26,777,602
South Asia Textiles Ltd	Subsidiary	-	-	**30,609,539**	20,015,301
Palla & Co. (Pvt) Ltd	Subsidiary	-	-	**170,584**	-
Dankotuwa Porcelain PLC	Subsidiary	-	-	**27,674,721**	9,192,920
Royal Fernwood Porcelain (Pvt) Ltd	Subsidiary	-	-	**21,301,838**	18,254,886
Colombo City Holdings PLC	Subsidiary	-	-	**2,770,103**	-
Olancom (Pvt) Ltd	Subsidiary	-	-	**192,864,451**	192,738,449
Ambeon Capital PLC	Immediate Parent	**19,651,013**	69,235,932	**287**	99,556
Lexinton Holdings (Pvt) Ltd	Subsidiary	-	632,000	-	632,000
Taprobane Capital (Pvt)Ltd	Subsidiary	-	-	**1,120**	160,716
DPL Trading (Pvt) Ltd	Subsidiary	-	-	-	50,000
Millennium I.T.E.S.P (Pvt) Ltd	Subsidiary	-	-	**1,238,043**	10,325,428
Eon Tec (Pvt) Ltd	Subsidiary	-	-	**626,197**	-
Taprobane Securities (Pvt) Ltd	Subsidiary	-	-	**2,709**	-
Loan Given to Directors		**12,905,130**	-	-	-
		32,556,143	69,867,932	**331,787,960**	278,246,858

14.3 Loan Receivables - Group

	Relationship	2019 Amount Repayable Within 1 Year LKR	2019 Amount Repayable After 1 Year LKR	2019 Total LKR	2018 Amount Repayable Within 1 Year LKR	2018 Amount Repayable After 1 Year LKR	2018 Total LKR
D.B. Exim (Pvt) Ltd		**19,307,143**	-	**19,307,143**	19,307,143	-	19,307,143
CHC Investments (Pvt) Ltd *	Ultimate Parent	**103,949,117**	-	**103,949,117**	40,106,849	-	40,106,849
Ambeon Capital PLC *	Immediate Parent	**165,949,538**	**686,162,352**	**852,111,890**	178,918,109	-	178,918,109
Loans to Company Officers (Note 14.3.2)		**617,802**	-	**617,802**	2,373,769	-	2,373,769
		289,823,600	**686,162,352**	**975,985,952**	240,705,870	-	240,705,870

*Terms and Conditions : Rate of interest at 14% to 17% per annum. Long term loan are receivable after 2 year and short term loans are receivable on demand.

	Relationship	Interest Rate	As at 01 April 2018	Loans Granted	Loans Settled	Interest Accrued During the year	**As at 31 March 2019**
			LKR	LKR	LKR	LKR	LKR
D.B. Exim (Pvt) Ltd		10%	19,407,143	-	-	-	**19,407,143**
			19,407,143	-	-	-	**19,407,143**

14.3.1 Loan Receivables - Company

	Relationship	**2019 Amount Repayable Within 1 Year**	**2019 Amount Repayable After 1 Year**	**2019 Total**	2018 Amount Repayable Within 1 Year	2018 Amount Repayable After 1 Year	2018 Total
		LKR	LKR	LKR	LKR	LKR	LKR
D.B. Exim (Pvt) Ltd	-	**19,307,143**	**-**	**19,307,143**	19,307,143	-	19,307,143
Olancom (Pvt) Ltd	Subsidiary	**648,667,204**	**-**	**648,667,204**	648,667,204	-	648,667,204
Ceylon Leather Products Ltd	Subsidiary	**173,312,061**	**-**	**173,312,061**	48,115,345	-	48,115,345
Ambeon Capital PLC	Immediate Parent	**29,448,146**	**45,500,054**	**74,948,200**	-	-	-
Dankotuwa Porcelain PLC	Subsidiary	**201,779,336**	**-**	**201,779,336**	-	-	-
		1,072,513,890	**45,500,054**	**1,118,013,944**	716,089,692	-	716,089,692

	Payment on or Before	Interest Rate	As at 01 April 2018	Loans Granted	Loans Settled	Interest Accrued During the year	**As at 31 March 2019**
			LKR	LKR	LKR	LKR	LKR
D.B. Exim (Pvt) Ltd *	15 September 2018	10%	19,307,143	-	-	-	**19,307,143**
Olancom (Pvt) Ltd	28 Sep 2015	AWPLR + 1%	648,667,204	-	-	-	**648,667,204**
Ceylon Leather Products Ltd	-	13%- 15%	48,115,345	202,500,000	(94,000,000)	16,696,716	**173,312,061**
Ambeon Capital PLC	-	14%/15.75%	-	387,478,123	(319,000,000)	6,470,077	**74,948,200**
Dankotuwa Porcelain PLC **	-	15.75%	-	329,557,668	(136,227,124)	8,448,792	**201,779,336**
			716,089,692	919,535,791	(549,227,124)	31,615,585	**1,118,013,944**

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES (Contd.)

*In the High Court of the Western Province, it was agreed that the outstanding amount be settled on or before 15 September 2018. However, the Company (D.B. Exim (Pvt) Limited) requested further 6 months to settle the outstanding. The Borrower has not settled the liability as at 31 March 2019.

** Upon the completion of the novation of debt between the Company and the Subsidiary (Dankotuwa Porcelain PLC), as per the agreement the debt has been transferred from Dankotuwa Porcelain PLC to Ambeon Holdings PLC on 28 December 2018 as explained in Note 34.4. Accordingly LKR 329,557,668/- was transferred during the year.

14.3.2 Loans to Company Officers

	GROUP	
	2019	2018
	LKR	LKR
Balance at the beginning of the year	**2,373,769**	8,247,248
Loans granted during the year	**-**	6,750,675
Less : Repayments during the year	**(308,709)**	(11,176,896)
	2,065,060	3,821,027
Less : Provision for the Loan	**(1,447,258)**	(1,447,258)
Balance at the end of the year	**617,802**	2,373,769

15. OTHER FINANCIAL INVESTMENTS

		Group		Company	
		2019	2018	**2019**	2018
		LKR	LKR	LKR	LKR
Financial Instrument - Fair Value through Profits or Losses					
Quoted Equities at Market Value	(Note 15.1 and 15.2)	**167,447,647**	1,257,388,427	**155,454,222**	1,254,688,427
Fair Value through OCI					
Quoted Equities at Market Value	(Note 15.1 and 15.2)	**566,705,269**	-	**566,705,269**	-
Financial Instrument - at Amortized cost					
Bank Deposits		**265,375,932**	374,997,868	**58,805**	58,805
Commercial Paper - Ultimate Parent *		**22,027,306**	152,184,520	**22,027,306**	-
		1,021,556,154	1,784,570,815	**744,245,602**	1,254,747,232

*Terms and conditions; Rate of interest at 15.75% - 17%.

15.1 Investments in Equity Securities - Group

	No of Shares 2019	No of Shares 2018	Cost 2019 LKR	Market Value 2019 LKR	Cost 2018 LKR	Market Value 2018 LKR
Incorporated in Sri Lanka						
Fair Value through Profits or Losses						
B P P L Holdings PLC	645,100	645,100	7,578,680	6,386,490	7,578,680	8,515,320
Seylan Bank PLC	2,175,175	2,122,122	203,356,714	136,600,990	203,356,714	184,200,190
Browns Investment PLC	16,295,761	127,485,335	31,138,931	24,443,808	432,832,160	344,210,405
Aitken Spence PLC	399	-	88,785	16,359	-	-
Pan Asia Banking Corporation PLC	-	43,930,641	-	-	823,593,973	720,462,512
			242,163,110	167,447,647	1,467,361,527	1,257,388,427
Fair value through OCI						
Pan Asia Banking Corporation PLC	43,930,641	-	823,593,973	566,705,269		
			823,593,973	566,705,269		
Total Carrying Value of Investment			1,065,757,083	734,152,916		

Financial assets has been reclassified as per SLFRS 9 "Financial Instruments" , details have been disclosed in Note 36.

15.2 Investments in Equity Securities - Company

	No of Shares 2019	No of Shares 2018	Cost 2019 LKR	Market Value 2019 LKR	Cost 2018 LKR	Market Value 2018 LKR
B P P L Holdings PLC	645,100	645,100	7,578,680	6,386,490	7,578,680	8,515,320
Seylan Bank PLC	2,175,175	2,122,122	203,356,714	136,600,990	203,356,714	184,200,190
Browns Investment PLC	8,311,161	126,485,335	28,013,931	12,466,742	429,707,160	341,510,405
Pan Asia Banking Corporation PLC	-	43,930,641	-	-	823,593,973	720,462,512
			238,949,325	155,454,222	1,464,236,527	1,254,688,427
Fair value through OCI						
Pan Asia Banking Corporation PLC	43,930,641	-	823,593,973	566,705,269		
Total Carrying Value of Investment			1,062,543,298	722,159,491		

NOTES TO THE FINANCIAL STATEMENTS

16. STATED CAPITAL

	2019		2018	
	Number	LKR	Number	LKR
Fully Paid Ordinary Shares beginning of the year	**356,869,666**	**7,871,563,705**	349,367,119	7,724,138,656
New Shares Issue During the Year	**-**	**-**	7,502,547	147,425,049
Reduction of Capital (Note 16.1)	**-**	**(2,539,788,528)**	-	-
Fully Paid Ordinary Shares end of the year	**356,869,666**	**5,331,775,177**	356,869,666	7,871,563,705

16.1 Reduction of Stated Capital and amendments to the Articles of Association.

On 17 May 2018, the Company reduced its Stated Capital to LKR 5,331,775,177/- in accordance with Section 59 of the Companies Act No 7 of 2007 without any change to the number of shares issued and made amendments to the Articles of Association of the Company.

17. DIVIDEND PER SHARE

	Company			
	2019		2018	
	LKR	LKR	LKR	LKR
Equity dividend on ordinary shares declared and paid during the year				
Interim dividends	**1.25**	**446,087,083**	-	-
Total Dividend	**1.25**	**446,087,083**	-	-

18. OTHER COMPONENTS OF EQUITY

		Group		Company	
		2019	2018	2019	2018
	Note	LKR	LKR	LKR	LKR
Revaluation Reserves	18.1	**1,332,932,395**	927,585,560	**-**	-
General Reserve	18.2	**220,140**	220,140	**220,140**	220,140
Foreign Currency Translation Reserve	18.3	**(318,008,650)**	(506,665)	**-**	-
Fair Value Through Other comprehensive Income		**(256,888,705)**	-	**(256,888,705)**	-
		758,255,180	927,299,035	**(256,668,565)**	220,140

	Attributable to Equity Holders of Parent	
	Revaluation Reserves	Foreign Currency Translation Reserve
	LKR	LKR
Beginning of the year	927,585,560	(506,665)
Revaluation Gain	412,482,829	-
Revaluation transfer to Retained Earnings due to Disposal	(7,135,994)	-
Loss from Foreign Currency Translation during the year	-	(317,501,985)
	1,332,932,395	(318,008,650)

18.1 Land & Buildings of subsidiaries have been revalued during the year by independent incorporated valuers, Mr.Chulananda Wellappili, Mr. S. Sivakanthan and Messrs Sunil Fernando and Associates. The said land and buildings were valued based on Market Approach, Cost Approach and Income Approach as further explained in Note 6.6. The result of such valuations were incorporated in the financial statements by transferring the surplus arisen thereon to the revaluation reserve.

18.2 General Reserve represents amounts set aside by the Directors for general application.

18.3 As at the reporting date, the assets and liabilities of the Indian Branch Operated by Dankotuwa Porcelain PLC and South Asia Textiles Limited were translated into the presentation currency at the exchange rate prevailing at the reporting date and the Income Statement is translated at the average exchange rate for the period. The exchange rate differences arising on the translation were taken directly in to Currency Conversion Reserve, which is classified as a part of equity.

18.4 Net foreign Exchange Difference

	Group	
	2019	2018
	LKR	LKR
Loss from Foreign Currency Translation during the year	**(378,266,928)**	(40,515)
Exchange impact from Property Plant and Equipment (Note 6)	**82,293,755**	-
	(295,973,173)	(40,515)

18.5 Other Capital Reserves

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Capital Reserve (Note 18.5.1)	**3,100,000**	3,100,000	**3,100,000**	3,100,000
	3,100,000	3,100,000	**3,100,000**	3,100,000

18.5.1 Capital Reserve represents amounts set aside by the Directors for further expenditure to meet any contingencies.

NOTES TO THE FINANCIAL STATEMENTS

19. INTEREST BEARING LOANS AND BORROWINGS

Summary - Group	Note	2019 Amount Repayable Within 1 Year LKR	2019 Amount Repayable After 1 Year LKR	2019 Total LKR	2018 Amount Repayable Within 1 Year LKR	2018 Amount Repayable After 1 Year LKR	2018 Total LKR
Finance Lease	19.1	**1,441,953**	**18,139,230**	**19,581,183**	3,400,000	17,491,528	20,891,528
Bank Loans	19.2	**2,362,441,815**	**811,850,295**	**3,174,292,110**	1,212,859,592	1,227,610,805	2,440,470,397
Short Term Loan	19.3	**1,645,628,274**	-	**1,645,628,274**	2,254,332,824	-	2,254,332,824
Loans from Non - Financial Institutions	19.4	-	-	-	-	316,919,661	316,919,661
Bank Overdraft		**1,388,576,558**	-	**1,388,576,558**	750,904,385	-	750,904,385
Loans from Related Parties	19.5	**5,739,310**	-	**5,739,310**	20,005,545	-	20,005,545
		5,403,827,910	**829,989,525**	**6,233,817,435**	4,241,502,346	1,562,021,994	5,803,524,340

19.1 Finance Leases

	As At 01.04.2018 LKR	New Leases LKR	Repayment LKR	As At 31.03.2019 LKR
Board of Investments of Sri Lanka	34,000,000	-	(3,400,000)	**30,600,000**
Gross Liability	34,000,000	-	(3,400,000)	**30,600,000**
Gross Liability	34,000,000			**30,600,000**
Finance Charges allocated to future periods	(13,108,472)			**(11,018,817)**
Net liability	20,891,528			**19,581,183**

Security : Absolute ownership of the assets under lease will be with the lessor until the expiration of the lease period.

19.1.1 This represents the finance lease arrangement between Board of Investment of Sri Lanka and South Asia Textiles Limited, with a remaining lease period of 35 years.

19.2 Bank Loans

	At the Beginning of the Year	Business Acquisition	Loans Obtained	Repayment	Exchange Gain/(Loss)	Accrued interest	At The End of the year
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
2019	2,440,470,397	-	5,067,926,432	(4,522,051,592)	227,146	187,719,727	3,174,292,110
2018	889,543,656	824,578,467	1,898,291,646	(1,288,193,060)	12,558,566	103,691,123	2,440,470,397

19.2.1 Terms and conditions

Company	Lender/rate of interest (p.a.)	**2019** LKR	2018 LKR	Repayment	Security
Royal Fernwood Porcelain Limited	Hatton National Bank PLC				
	- Term loan USD (LIBOR + 5.25%)	**115,370,890**	130,724,896	83 Equal monthly Instalments of Rs. 14,473/	Primary mortgage bond over immovable property in the factory at Kosgama
	- Term loan LKR (AWPLR + 2.0% p.a.)	**19,001,000**	13,406,995	83 Equal monthly Instalments of Rs. 235,490/	
	- Import loan - EUR	**2,017,017**	-		
	- Packing Credit loan - USD (AWPLR+2%)	**50,806,023**	56,796,850	Settlements through sales proceeds	Primary mortgage bond over immovable property in the factory at Kosgama
	- Packing Credit loan	**20,000,000**	-		
	- Import loan (AWPLR+2%)	**14,562,138**	-	Settlements through sales proceeds	Secondary mortgage bond over land & building at Kosgama for Rs.40Mn
	People's Bank				
	- Import loan (AWPLR + 2.0% to 4%)	-	27,142,338	90 days from the loan granted	Corporate guarantee of Parent company - Ambeon Holdings PLC
	- Foreign currency short term loan (AWPLR +4%)	-	-	90 days from the loan granted	
	- Bank Guarantee (Commission of 2.5%)	-	-	Valid for a maximum period of one year	
	- Packing credit loan - USD	**33,563,766**	26,204,712	90 days from the loan granted	Title of goods shipped and indemnity of the company

NOTES TO THE FINANCIAL STATEMENTS

19. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

Company	Lender/rate of interest (p.a.)	2019 LKR	2018 LKR	Repayment	Security
	DFCC Bank PLC				
	- Import loan (AWPLR +1.5%)	**34,486,592**	-	120 days from the loan granted	Primary mortgage for Rs.200,000,000/- or dollars up to a limit of USD 1,250,000 as the case may be over stocks kept/ to and book debts of the company together with in favour of the bank
	- Packing credit loan USD	**106,294,925**	-		
	- Packing credit loan EUR	**1,811,240**	-		
South Asia Textile Limited	Sampath Bank PLC				Machineries, Leasehold Building and Inventory
	- Term loan - 1 (4 % p.a + 3 Months LIBOR with a Floor rate of 4.75% p.a.)	**34,307,095**	53,057,266	Monthly LKR 2,050,747	
	- Nations Trust Bank- Term loan - 3 (LIBOR with a floor rate of 4.5% p.a)	**186,207,393**	-	Monthly LKR 4,910,848	
	- Nations Trust Bank- Term loan - 4 (LIBOR with a floor rate of 4.5% p.a)	**136,619,879**	-	Monthly LKR 3,858,535	
	People's Bank				
	- Term loan - 2 (4 .5% p.a + 6 Months LIBOR with a Floor rate of 5.25% p.a.)	**320,663,259**	419,653,200	Monthly LKR 12,291,010	
	Sampath Bank PLC				
	- Packing credit loan (AWPLR +2.0% p.a)	**50,000,000**	-	Maximum 3 months	Hypothecation Bond for Rs. 100 Mn over stocks and book debts of the company
	- Packing credit loan (LIBOR+2% subject to minimum of 5.25%)	**15,131,436**	-		
	- Overdraft facility (AWPLR +2.0% p.a)	**25,000,000**	-	On demand	

Company	Lender/rate of interest (p.a.)	2019 LKR	2018 LKR	Repayment	Security
	Pan Asia Banking Corporation PLC				
	- Packing credit loan (3 months LIBOR+4.% subject to minimum	**56,242,054**	-	Maximum 4 months	Mortgage bond for US $ 1,000,000 over stocks and book debts for the value of 1.5 times of the facility.
	- Short term loan (16.5% p.a)	**30,912,329**	136,884,581		
	DFCC Bank PLC				
	- Short term loan (AWPLR+1.25%p.a)	**43,553,151**	-	Maximum 3 months	Mortgage bond for Rs. 80,000,000 over stocks and book debts for the value of 1.5 times of the facility.
	- Packing Credit loans (3 months LIBOR+3.25% subject to minimum	**40,756,163**	-	Maximum 4 months	
Ambeon Holdings PLC	Seylan Bank PLC				
	- Tern loan 1 (1 month AWPLR + 2.5%)	**600,000,000**	1,000,000,000	12 quarterly equal instalments of LKR 100 Mn each	Quoted Shares
	- Term loan - 2 (1 month AWPLR + 3.0%)	**225,000,000**	300,000,000	12 quarterly equal instalments of LKR 25 Mn each	
	National Development Bank PLC				
	- Loan (14.75% p.a.)	**29,000,000**	-	180 days from the loan granted	Quoted Shares
	- Seylan Bank PLC - STL loan (16% p.a.)	**50,000,000**	-	30 days from the loan granted	-
Millennium I.T.E.S.P (Pvt) Limited	The Hongkong and Shanghai Banking Corporation Limited				
	- Import Finance loan (Tenure linked COF+2.5% per annum)	**932,985,760**	276,599,560	Within 180 Days	Mortgage over Inventory and debtors
		3,174,292,110	2,440,470,397		

19.3 Short Term Loan

	At the Beginning of the Year LKR	Loans Obtained LKR	Repayment LKR	Exchange Gain/(Loss) LKR	Accrued Interest LKR	At The End of the year LKR
2019	2,254,332,824	7,212,776,968	(7,823,974,721)	(2,461,039)	4,954,242	1,645,628,274
2018	1,092,848,231	7,332,654,780	(6,215,365,244)	18,225,084	25,969,973	2,254,332,824

NOTES TO THE FINANCIAL STATEMENTS

19. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

19.3.1 Terms and Conditions

Company	Lender/rate of interest (p.a.)	2019 LKR	2018 LKR	Repayment	Security
South Asia Textiles Limited	People's Bank				
	- Trust Receipt Loans (2.75% p.a + 3 months LIBOR with a Floor rate of 4.25% p.a.)	**139,833,066**	195,064,735	Within a period of 90 days	Machineries, Leasehold Building and Inventory were pledged as security.
	Seylan Bank				
	- Revolving Import Loans (3 months LIBOR + 2.8% p.a with a floor rate of 4% p.a)	**227,686,762**	512,980,180	Within a period of 60 days	Machineries, Leasehold Building and Inventory were pledged as security.
	NTB - Import finance loan				
	- (3.% p.a + 3 months LIBOR with a Floor rate of 3.25% p.a.)	**141,338,392**	89,278,365	Within a period of 90 days	Machineries, Leasehold Building and Inventory were pledged as security.
	DFCC Vardhana Bank				
	- Import/Export Finance Loan (1 months LIBOR + 2.75% p.a)	**297,912,812**	96,053,632	Within a period of 120 days	Machineries, Leasehold Building and Inventory were pledged as security.
Ceylon Leather Products Limited	Peoples Bank				
	- STL (AWPLR+2% p.a)	**180,100,000**	229,170,483	Within a period of 150 days	Mortgage over Land and building at Mattakulya.
	Hatton National Bank PLC				
	- STL (AWPLR+2.5% p.a)	**223,948,660**	157,112,131	Within a period of 150 days	Mortgage over Land and building at Belummahara.
	Bank of Ceylon				
	- STL (AWPLR+1.75% p.a)	**82,852,410**	117,673,298	Within a period of 150 days	Inventory and book debt were pledged
Millennium I.T.E.S.P (Pvt) Limited	Seylan Bank PLC				
	- STL-One month AWPLR + 2% per annum	**351,956,172**	857,000,000	Bullet Payment (interest to be serviced monthly)	Corporate Guarantee from Ambeon Holdings PLC
		1,645,628,274	2,254,332,824		

19.4 Loans from Non Financial Institutions

	Relationship	As At 01.04.2018	Loans Obtained/ Transfer	Loans Writeoff	Interest	Repayment	**As At 31.03.2019**
		LKR	LKR	LKR	LKR	LKR	LKR
Browns Investments PLC	Other Related Party	78,222,653	-	(37,975,967)	3,154,419	(43,401,105)	-
S.F.L. Services (Pvt) Ltd.	Other Related Party	83,802,959	-	(40,685,127)	3,379,457	(46,497,289)	-
Browns & Company PLC	Other Related Party	154,894,049	-	(75,198,827)	6,246,294	(85,941,516)	-
		316,919,661	-	(153,859,921)	12,780,170	(175,839,910)	-

Upon the completion of the novation of debt between the Company and the Subsidiary (Dankotuwa Porcelain PLC), as per the agreement the debt has been transferred from Dankotuwa Porcelain PLC to Ambeon Holdings PLC on 28 December 2018 as explained in Note 34.4. Accordingly LKR 329,557,668/- was transferred during the year. There was no outstanding relating to this at the end of the year.

19.5 Loans from Related Parties

Group

19.5.1 Loans granted by Related Parties

	Relationship	As At 01.04.2018	Obtained	Repayments	Accrued Interest	**As At 31.03.2019**
		LKR	LKR	LKR	LKR	LKR
Mr. Eric Wikramanayake	Former Director	4,638,140	-	-	1,101,170	**5,739,310**
Ambeon Capital PLC	Immediate Parent	15,367,405	-	(15,367,405)	-	-
		20,005,545	-	(15,367,405)	1,101,170	**5,739,310**

*The above loans were granted by the former Director of Olancom (Pvt) Ltd to Olancom (Pvt) Ltd.

Terms and conditions : Rate of interest at 13.5% P.a.

NOTES TO THE FINANCIAL STATEMENTS

19. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

19.6 Summary - Company

19.6.1 Interest Bearing Loans and Borrowings

	Note	Amount Repayable Within 1 Year 2019 LKR	Amount Repayable After 1 year 2019 LKR	Total 2019 LKR	Amount Repayable Within 1 Year 2018 LKR	Amount Repayable After 1 year 2018 LKR	Total 2018 LKR
Bank Loan	19.6.2	579,000,000	325,000,000	904,000,000	500,000,000	800,000,000	1,300,000,000
Related Party - Commercial Paper	19.6.4	-	-	-	787,947,852	-	787,947,852
Related Party - Loan **	19.6.4	102,498,587	997,784,470	1,100,283,057	14,967,969	-	14,967,969
Bank Overdraft*		355,147,404	-	355,147,404	247,743,346	-	247,743,346
		1,036,645,991	1,322,784,470	2,359,430,461	1,550,659,167	800,000,000	2,350,659,167

*Bank Overdraft Facility and Revolving Loan facility are secured on Financial Investments as further described under Assets Pledged (Note 33).

**Terms and Conditions : Rate of interest at 12% -15.75% per annum. Long term loan are payable after 2 year and short term loans are payable on demand.

19.6.2 Bank Loan

	As at 01.04.2018 LKR	Loan Obtained LKR	Repayments LKR	Accrued Interest LKR	As at 31.03.2019 LKR
Term - Loan 1	1,000,000,000	-	(515,690,301)	115,690,301	600,000,000
Term - Loan 2	300,000,000	-	(116,234,021)	41,234,021	225,000,000
Loan- National Development Bank PLC	-	196,000,000	(177,050,562)	10,050,562	29,000,000
Loan- Seylan Bank PLC	-	50,000,000	(635,616)	635,616	50,000,000
	1,300,000,000	246,000,000	(809,610,500)	167,610,500	904,000,000

19.6.3 Loans from Non Financial Institutions

	As At 01.04.2018	Debt Novation	Loans Written-off	Repayment	Interest	As At 31.03.2019
	LKR	LKR	LKR	LKR	LKR	LKR
Browns Investment PLC	-	81,341,983	(37,975,967)	(43,401,105)	35,089	-
S.F.L. Services (Pvt) Ltd.	-	87,144,824	(40,685,127)	(46,497,289)	37,592	-
Brown and Company PLC	-	161,070,861	(75,198,827)	(85,941,516)	69,482	-
	-	329,557,668	(153,859,921)	(175,839,910)	142,163	-

Upon the completion of the novation of debt between the Company and the Subsidiary (Dankotuwa Porcelain PLC), as per the agreement the debt has been transferred from Dankotuwa Porcelain PLC to Ambeon Holdings PLC on 28 December 2018 as explained in Note 34.4. Accordingly LKR 329,557,668/- was transferred during the year. There was no outstanding relating to this at the end of the year.

19.6.4 Related Party - Loan /Commercial Paper

	Rate	As at 01.04.2018	Loan Obtained/ Converted	Repayments	Accrued Interest	As at 31.03.2019
		LKR	LKR	LKR	LKR	LKR
2019	12% - 14%	802,915,821	521,251,879	(367,602,771)	143,718,128	**1,100,283,057**

NOTES TO THE FINANCIAL STATEMENTS

20. DEFERRED TAX LIABILITY/(ASSET)

		Note	Asset		Liability	
			2019	2018	**2019**	2018
			LKR	LKR	LKR	LKR
20.1	**Group**					
	At the beginning of the year		**(256,089,596)**	(68,974,307)	**562,632,083**	239,396,646
	Exchange Equalization Reserve		**-**	-	**(52,957,057)**	
	Impact of adopting SLFRS 9		**(33,302,256)**	-	**(9,552,373)**	-
	Business Acquisition		**-**	(91,839,883)	**56,405,032**	-
	Transfer from/(to) income statement		**67,224,064**	(95,459,555)	**169,188,773**	(134,182,391)
	Transfer from/(to) Equity statement		**(1,129,375)**	184,149	**159,195,485**	457,417,828
	Transfers between Deferred Tax Liability and (Asset)		**79,738,014**	-	**(79,737,978)**	-
	At the end of the year		**(143,559,149)**	(256,089,596)	**805,173,965**	562,632,083
20.2	**Transfer from/(to) Statement of Profit or Loss**					
	Transfer from accelerated depreciation and others	28	**236,412,837**	(229,641,946)		
			236,412,837	(229,641,946)		
	Transfer from/(to) Other Comprehensive Income					
	Tax on Revaluation Gain		**(145,989,359)**	(466,281,914)		
	Employee Benefit Liability		**(12,076,751)**	8,679,937		
			(158,066,110)	(457,601,977)		
	The Closing Deferred Tax Asset and Liability Balances Relate to the following;					
	Fair Valuation of Land and Buildings		**150,000**	-	**860,062,599**	632,774,201
	Accelerated depreciation and amortization for tax purposes		**67,775,305**	16,818,225	**374,179,892**	293,046,712
	Employee Benefit Liability		**(35,338,593)**	(24,818,866)	**(55,772,720)**	(75,912,253)
	Losses available for offset against future taxable income		**(80,117,522)**	(175,899,244)	**(238,125,670)**	(211,750,357)
	Others*		**(96,028,339)**	(72,189,711)	**(135,170,136)**	(75,526,220)
			(143,559,149)	(256,089,596)	**805,173,965**	562,632,083

The above deferred tax asset arising from carried forward tax losses has been determined based on a financial budget approved by management to the extent of sufficient taxable profit are available.

The above deferred tax arises from timing difference of depreciation, impairment of debtors, unutilized portion of carried forward tax losses and gratuity. The deferred tax arising from the unused tax losses amounting to LKR 499 million has not been recognised as the management is not certain whether there will be sufficient taxable profit to utilized.

*"Others" represent Deferred Tax Asset recognised on provision for Debtors and Provision for Inventory.

20.3 Company

	Statement of Financial Position		Other Comprehensive Income		Statement of Profit or Loss	
	2019	2018	**2019**	2018	**2019**	2018
	LKR	LKR	LKR	LKR	LKR	LKR
Deferred Tax Liability						
Accelerated depreciation for tax purposes	**1,566,397**	669,518	**-**	-	**896,879**	(239,225)
Deferred Tax Assets						
Defined Benefit Plans	**(1,222,478)**	(1,046,060)	**(264,111)**	43,877	**87,693**	90,528
Losses available to offset against future Taxable Income	**(17,000,000)**	(77,000,000)	**-**	-	**60,000,000**	46,634,900
Deferred Income Tax (Reversal)/Expense			**(264,111)**	43,877	**60,984,572**	46,486,203
Net Deferred Tax Liability/ (Asset)	**(16,656,081)**	(77,376,542)				

21. EMPLOYEE BENEFIT LIABILITIES

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Current Service Cost	**38,835,227**	30,379,884	**1,413,218**	1,437,933
Interest Cost on Benefit Obligation	**41,931,072**	31,633,092	**373,593**	446,165
	80,766,299	62,012,976	**1,786,811**	1,884,098
Net Actuarial (Gain) / Loss	**(26,647,072)**	32,956,251	**943,253**	(156,702)
Total Expenses	**54,119,227**	94,969,227	**2,730,064**	1,727,396

NOTES TO THE FINANCIAL STATEMENTS

21. EMPLOYEE BENEFIT LIABILITIES (Contd.)

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Balance as at 1 April	**405,040,709**	249,237,420	**3,735,928**	3,569,316
Current Service Cost	**38,835,227**	30,379,884	**1,413,218**	1,437,933
Interest Cost on Benefit Obligation	**41,931,072**	31,633,092	**373,593**	446,165
Actuarial Losses / (Gain) on Obligation	**(26,647,072)**	32,956,251	**943,253**	(156,702)
Benefit Paid	**(62,910,528)**	(35,677,973)	**(2,100,000)**	(1,560,784)
Business acquisitions during the year	**-**	96,215,035	**-**	-
Transfers	**6,138,765**	297,000	**-**	-
Exchange Adjustment	**(2,003,753)**	-	**-**	-
Balance as at 31 March	**400,384,420**	405,040,709	**4,365,992**	3,735,928

21.1 The cost of gratuity is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, staff withdrawals, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

	Group		Company	
	2019	2018	**2019**	2018
Discount Rate	**11.25%**	10%	**11.25%**	10%
Salary Increment rates used	**7%-7.5%**	7.5%	**7.0%**	7.5%
Staff Turnover Rate	**5%**	5%	**5%**	5%
Retirement Age	**55 Years**	55 Years	**55 Years**	55 Years

21.2 Maturity Profile of the Defined Benefit Plan

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Within Next 12 Months	**67,232,393**	62,850,188	**171,907**	122,458
Between 1 - 2 Years	**84,936,783**	67,967,490	**366,711**	302,838
Between 2 - 5 Years	**104,074,008**	100,444,222	**1,000,840**	685,955
Between 5- 10 Years	**90,605,685**	98,519,323	**1,323,593**	915,259
Beyond 10 years	**53,535,551**	75,259,485	**1,502,941**	1,709,418
	400,384,420	405,040,709	**4,365,992**	3,735,928

21.3 Break up of the Actuarial (Gain)/ Loss

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Actuarial (Gain)/ Loss Resulting from Changes in Financial Assumptions	**(26,134,674)**	35,704,215	**(478,987)**	453,254
Actuarial (Gain)/ Loss Resulting from Changes in Demographic Assumptions	**(3,965,424)**	(2,658,765)	**-**	-
Actuarial (Gain)/ Loss Resulting from Changes in Experience Adjustments	**3,453,026**	(89,199)	**1,422,240**	(609,956)
	(26,647,072)	32,956,251	**943,253**	(156,702)

21.4 Sensitivity Analysis

	GROUP			
	2019		2018	
	LKR		LKR	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount Rate	**(17,019,507)**	**18,793,174**	(25,079,509)	27,415,471
Salary Increment Rate	**22,804,581**	**(21,210,016)**	27,579,446	(14,354,965)

	COMPANY			
	2019		2018	
	LKR		LKR	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount Rate	**(341,163)**	**385,129**	(328,573)	375,634
Salary Increment Rate	**416,533**	**(373,130)**	397,906	(352,519)

22. DEFERRED INCOME

22.1 Deferred Income -Grant

	2019	2018
	LKR	LKR
Balance at the beginning of the year	**-**	387,745
Amortization for the year	**-**	(387,745)
Balance at the end of the year	**-**	-

The Waste Water treatment project at Dankotuwa Porcelain PLC was completed on March 2008 & it is capitalized under the relevant classification of Property, Plant & Equipment. Hence corresponding grant component is reflected under Deferred Income -Grant is amortized over the useful life of (10 years), which is the estimated life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

22. DEFERRED INCOME (Contd.)

22.2 Contract Liability - Service Agreements

		2019	2018
		LKR	LKR
Balance at the beginning of the year		**748,150,496**	-
Business Acquisition	Note 37	**-**	506,418,642
Deferred During the year		**705,392,568**	1,003,611,016
Transferred to revenue during the year		**(746,678,985)**	(771,257,634)
Derecognized during the year		**-**	9,378,472
Balance at the end of the year		**706,864,079**	748,150,496

Revenue from deferred income is recognized periodically throughout the service agreement period entered between Millennium I.T.E.S.P (Pvt) Ltd and service clients and expected to be completed in year 2020/21.

23. TRADE AND OTHER PAYABLES

		Group		Company	
		2019	2018	2019	2018
		LKR	LKR	LKR	LKR
Trade Payable	- Other	**3,838,541,519**	3,052,564,686	**-**	-
Other Payables	- Other	**354,374,269**	332,489,121	**23,632,940**	108,760,157
	- Related Parties (Note 23.1)	**-**	-	**11,587,290**	4,311,379
Sundry Creditors Including Accrued Expenses		**699,985,003**	214,101,033	**-**	-
		4,892,900,791	3,599,154,842	**35,220,230**	113,071,536

Sundry creditors including accrued expenses : includes statutory payments, other payable, accrual expenses and sundry creditors.

23.1 Other Payables - Related Parties

		Group		Company	
	Relationship	2019	2018	2019	2018
		LKR	LKR	LKR	LKR
Colombo City Holdings PLC	Subsidiary	**-**	-	**215,637**	4,311,379
Ceylon Leather Products Ltd	Subsidiary	**-**	-	**10,018,291**	-
Dankotuwa Porcelain PLC	Subsidiary	**-**	-	**1,249,356**	-
South Asia Textile Limited	Subsidiary	**-**	-	**101,088**	-
Taprobane Investments (Pvt) Limited	Subsidiary	**-**	-	**2,918**	-
		-	-	**11,587,290**	4,311,379

24. OTHER FINANCIAL LIABILITIES

	Note	No. of Shares	Group Carrying Value 2019 LKR	Group Carrying Value 2018 LKR	Company Carrying Value 2019 LKR	Company Carrying Value 2018 LKR
Financial Liabilities at amortised cost						
Preference Shares	24.1	170,625	**921,026**	897,086	**921,026**	897,086
			921,026	897,086	**921,026**	897,086

24.1 Shareholders of the Non Cumulative Preference Shares are entitled for a mandatory preference dividend annually. They are not entitled to vote at a meeting of the company.

25. OTHER INCOME

	Note	Group 2019 LKR	Group 2018 LKR	Company 2019 LKR	Company 2018 LKR
Profit from disposal of Property, Plant & Equipment		**7,158,765**	1,280,293	**-**	-
Rent Income		**724,040**	4,276,378	**-**	-
Scrap Sales		**25,824,315**	-	**-**	-
Write back of Interest Bearing Borrowings	25.1/19.6	**153,859,921**	-	**153,859,921**	-
Gain on share Redemption	25.2	**-**	-	**-**	35,263,841
Gain on Share Repurchase	25.3	**-**	-	**-**	95,240,175
Other miscellaneous Income		**22,227,039**	70,456,840	**2,755,482**	9,977,176
Reversal of Provisions		**-**	166,505,186	**-**	-
Gain on disposal of Assets Held for Sale	4	**-**	47,223,506	**-**	-
Gain On Bargain Purchase	37	**3,129,259**	-	**-**	-
Gain on Disposal of investment		**-**	-	**114,486,986**	-
Gain on Reimbursement of Expenses		**-**	-	**31,577,050**	-
		212,923,339	289,742,203	**302,679,439**	140,481,192

25.1 Write back of Interest Bearing Borrowings includes Loan written back resulting from execution of Novation agreement with Brown and Company PLC and Ambeon Holdings PLC, further explained in note 19.4/19.6/34.4.

25.2 Pursuant to a proposal to restructure the apparel manufacturing and leather products and footwear manufacturing businesses of the Ambeon Holdings Group of Companies on 29th March 2018, Ceylon Leather Products Limited redeemed 4,828,794 ordinary shares held by the Company at a consideration of LKR 94.25 per share in terms of section 68 of the Companies Act No 7 of 2007.

NOTES TO THE FINANCIAL STATEMENTS

25. OTHER INCOME (Contd.)

25.3 Pursuant to a proposal to restructure the apparel manufacturing and leather products and footwear manufacturing businesses of the Ambeon Holdings Group of Companies, on 26th March 2018, Ceylon Leather Products Limited repurchased 13,041,551 ordinary shares held by the company at a consideration of LKR 94.25 per share in terms of section 64 of the Companies Act No. 7 of 2007.

26. FINANCE COST

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Bank Overdraft Interest	**100,947,276**	80,689,970	**33,971,452**	64,597,140
Exchange Loss	**5,398,913**	853,291	**-**	-
Bank Charges	**16,852,010**	2,618,425	**1,532,002**	-
Loan Interest	**503,643,708**	309,290,201	**210,801,164**	162,518,070
Interest on Preference Shares	**23,940**	23,940	**23,640**	23,940
Interest on Related Party Loan	**7,813,923**	-	**84,425,238**	216,503
Interest on BOI Lease	**2,090,853**	2,208,321	**-**	-
Interest Expense on Staff welfare fund	**612,595**	-	**-**	-
Guarantee Commission Charges	**-**	8,226,026	**-**	6,859,501
	637,383,218	403,910,174	**330,753,496**	234,215,154

27. FINANCE INCOME

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Interest on;				
- FCBU Accounts	**1,936,694**	1,296,970	**-**	-
- Short Term Investments	**39,457,570**	35,459,100	**-**	-
- Staff Loan	**656,816**	1,241,724	**-**	-
- Commercial Paper	**1,356,680**	3,742,375	**-**	-
- Repo Investment	**1,666,735**	-	**-**	-
- Others	**-**	109,349	**-**	-
Parent and ultimate parent	**46,974,219**	-	**-**	-
Subsidiary Loans	**-**	13,688,103	**-**	-
Interest income on delayed settlement	**20,072,054**	-	**-**	-
Interest Income on Fixed Deposits/bank deposits	**95,601,153**	51,847,308	**-**	-
	207,721,921	107,384,929	**-**	-

28. INCOME TAX EXPENSE / (REVERSAL)

	Note	Group 2019 LKR	Group 2018 LKR	Company 2019 LKR	Company 2018 LKR
Current Income Tax					
Current Tax Expense on Ordinary Activities for the Year	28.1	**177,233,163**	118,438,034	**-**	249,441
Under / (Over) Provision of current taxes in respect of prior years		**(31,509,939)**	11,996,265	**-**	12,330,320
Deferred Income Tax					
Deferred Taxation Charge / (Reversal)	20	**236,412,837**	(229,641,946)	**60,984,572**	(46,486,203)
Income tax charge / (Reversal) reported in the Profit or Loss statement		**382,136,061**	(99,207,647)	**60,984,572**	(33,906,442)

28.1 Reconciliation between Current Tax Expense and the product of Accounting Profit.

	Note	Group 2019 LKR	Group 2018 LKR	Company 2019 LKR	Company 2018 LKR
Accounting Profit / (Loss) before Tax from Operations		**1,247,262,952**	571,740,684	**31,606,998**	696,090,920
Profit / (Loss) before Tax from Discontinuing Operations		**(659,193)**	13,144,636	**-**	-
		1,246,603,759	584,885,320	**31,606,998**	696,090,920
Income Exempt from Tax		**(1,104,382,518)**	(439,401,326)	**(448,857,654)**	(880,592,541)
Aggregate Disallowed items		**1,196,760,785**	446,392,701	**251,023,087**	8,049,157
Aggregate Allowable credits		**(925,236,617)**	(618,652,326)	**(9,349,980)**	(5,753,887)
Other income included in profit from operation		**(132,619,573)**	(41,242,795)	**-**	-
Business Profit / (Loss)		**281,125,836**	(68,018,428)	**(175,577,549)**	(182,206,351)
Taxable Profit		**868,395,973**	695,409,792	**-**	-
Other Income		**14,646,967**	5,042,029	**15,361,578**	-
Interest Income		**209,447,118**	150,846,419	**-**	1,370,553
		1,092,490,058	851,298,239	**15,361,578**	1,370,553
Less : Carried Forward Tax Loss utilized	28.2	**(577,906,437)**	(114,302,789)	**(15,361,578)**	(479,694)
Less : Qualified Payments		**-**	(14,631,555)	**-**	-
Taxable Income		**514,583,621**	722,363,895	**-**	890,859
Applicable Rate - 14% (2018 -12%)		**46,738,433**	67,789,284	**-**	-
Applicable Tax Rate - 28%		**79,010,188**	24,949,016	**-**	249,441
Income tax on dividend Income		**51,484,542**	25,699,734	**-**	-
Income Tax Attributable to Continuing Operations		**177,233,163**	118,438,034	**-**	249,441
Income Tax Attributable to Discontinued Operations (Note 4)		**-**	3,274,547	**-**	-
Income Tax Expense		**177,233,163**	121,712,581	**-**	249,441

NOTES TO THE FINANCIAL STATEMENTS

28. INCOME TAX EXPENSE / (REVERSAL) (Contd.)

28.2 Tax Losses Carried Forward

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Tax losses brought forward	**1,599,216,488**	1,148,509,481	**394,389,631**	212,662,974
Tax losses arising during the year	**555,327,724**	588,020,995	**175,577,549**	182,206,351
Tax filing differences	**5,618,426**	(23,011,199)	**-**	-
Utilization of tax losses	**(577,906,437)**	(114,302,789)	**(15,361,578)**	(479,694)
Business acquisition	**1,646,842**	-	**-**	-
Tax losses of discontinued operations	**-**	-	**-**	-
Tax losses carried forward	**1,583,903,043**	1,599,216,488	**554,605,602**	394,389,631

28.2.1 Group Tax rates

The company and all subsidiaries are taxed at 28% except for South Asia Textile Limited, which is taxed at 14%.

29. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Stated after Charging/(Crediting)				
- Included under Cost of Sales				
- Depreciation & Amortization	**283,862,780**	268,737,137	**-**	-
- Salaries	**1,069,227,498**	1,100,116,100	**-**	-
- Employee Benefits Liability	**35,488,201**	37,566,355	**-**	-
- Defined Contribution Plan Costs - EPF & ETF	**93,013,950**	98,298,772	**-**	-
- Research & Development cost	**-**	13,200	**-**	-
- Other Staff Costs	**88,111,218**	86,666,671	**-**	-
- Allowance for Obsolete & Slow Moving Inventories	**76,275,387**	41,728,163	**-**	-
- Minimum Lease payments on operating lease	**3,400,000**	3,639,957	**-**	-
- Included under Administration Expenses				
- Depreciation & Amortization	**72,739,596**	71,545,203	**5,217,124**	4,882,414
- Directors' Remuneration	**35,627,015**	41,032,379	**3,600,000**	3,600,000
- Salaries	**1,132,114,340**	966,268,887	**30,486,055**	49,651,173
- Bonus	**16,615,330**	9,017,330	**9,095,819**	5,245,297
- Employee Benefits Liability	**40,935,312**	58,978,029	**1,786,811**	1,884,098
- Defined Contribution Plan Costs - EPF & ETF	**147,692,234**	128,032,919	**16,993,084**	10,957,187
- Other Staff Costs	**26,897,854**	28,075,860	**-**	-
- Auditors Remuneration	**8,110,352**	6,700,194	**1,186,827**	996,000
- Legal fees	**2,121,375**	1,158,762	**-**	-
- Included under Selling & Distribution Expenses				

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
- Depreciation & Amortization	**29,881,618**	5,545,568	**-**	-
- Salaries	**69,163,808**	74,487,240	**-**	-
- Employee Benefits Liability	**4,765,692**	4,537,204	**-**	-
- Defined Contribution Plan Costs - EPF & ETF	**8,166,684**	9,030,903	**-**	-
- Other Staff Costs	**9,513,044**	2,842,172	**-**	-
- Rent	**1,311,750**	1,951,750	**-**	-
Allowances for Obsolete & Slow Moving Inventories	**47,411,371**	39,405,928	**-**	-
Impairment Goodwill	**171,371,894**	-	**-**	-
Impairment of Property Plant & Equipment	**906,899**	906,899	**-**	-
(Profit) / Loss from disposal of Property, Plant & Equipment	**(7,158,765)**	(1,280,293)	**-**	-
Impairment on Trade Receivables	**38,296,757**	(10,163,439)	**366,118**	-

30. EARNINGS PER SHARE

30.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares.

30.2 The following reflects the income and share data used in the basic Earnings Per Share (EPS) computations.

	Group	
	2019	2018
Amount Used as the Numerator:		
Net Profit from continuing operations attributable to equity holders of the parent for Basic EPS - LKR	**528,969,137**	528,958,520
Net Profit attributable to equity holders of the parent for Basic EPS - LKR	**528,309,944**	540,940,920
Number of Ordinary Shares Used as Denominator:		
Ordinary shares at the beginning of the year	**356,869,666**	349,367,119
Weighted Average number of shares Issued during the year	**-**	1,274,405
Weighted average number of ordinary shares adjusted for the Basic EPS	**356,869,666**	350,641,524
Weighted average number of ordinary shares adjusted for the effect of dilution	**356,869,666**	350,641,524

31. CASH AND SHORT TERM DEPOSITS

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
31.1 Favourable Cash and Short term Deposits				
Cash and Bank Balances	**327,063,242**	1,137,297,628	**6,581,243**	253,568,819
Short Term Investments	**283,503,932**	983,397,792	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

31. CASH AND SHORT TERM DEPOSITS (Contd.)

		Group		Company	
		2019	2018	**2019**	2018
		LKR	LKR	LKR	LKR
		610,567,174	2,120,695,420	**6,581,243**	253,568,819
31.2	**Unfavourable Cash and Cash Equivalent**				
	Bank Overdraft (Note 19)	(1,388,576,558)	(750,904,385)	(355,147,404)	(247,743,346)
	Cash & Short term Deposits at the end of the year for the Purpose of Statement of Cash Flow	(778,009,384)	1,369,791,035	(348,566,161)	5,825,473

32. CONTINGENT LIABILITIES AND COMMITMENTS

32.1 Ambeon Holdings PLC

		2019	2018
		LKR Mn	LKR Mn
	Bank Guarantees		
	Guarantees given to Tax Appeal Commission on behalf of the company	-	8.25
	Guarantees given to following facilities on behalf of South Asia Textiles Ltd;		
	Peoples Bank (USD 4.4Mn)	**804**	-
	Guarantees given to following facility on behalf of Royal Fernwood Porcelain Ltd;		
	People's Bank PLC	**65**	65
	Guarantees given to following facility on behalf of Millennium I.T.E.S.P (Pvt) Ltd;		
	Seylan Bank PLC	**2,000**	2,000
32.2	**Ceylon Leather Products Ltd**		
	Letters of Credit and Bank Guarantees		
	Letters of Credit Opened with Banks favouring suppliers	**10.15**	24.30
	Guarantees Issued by Banks on behalf of the Company	**33.86**	33.40
32.3	**Royal Fernwood Porcelain Limited**		
	Letter of Credit		
	Letter of credit opened with Banks favouring suppliers	**50**	50

32.4 South Asia Textiles Limited

Operating Lease Commitments

The Company has an operating lease of land. This lease has a term of renewal but no purchase option and escalation clause. Renewals are at the option of the specific entity that holds the lease. Future lease payments under operating lease contract are as follows;

	2019	2018
	LKR Mn	LKR Mn
Within one year	**3**	3
After one year but not more than five years	**15**	15
More than five years	**12**	12
Present value of minimum lease payments	**30**	30

32.5 Millennium I.T.E.S.P (Pvt) Ltd

	2019	2018
	LKR Mn	LKR Mn
Performance Bonds	**109**	138
Tender Bonds	**18**	10
	USD Mn	USD Mn
Performance Bonds	**0.96**	1.40
Tender Bonds	**0.05**	0.05

32.6 Taprobane Securities (Pvt) Ltd

Bank guarantee given to Colombo Stock Exchange on behalf of the company.

32.7 There are no material issues pertaining to the Employee and Industrial Relations of the Group.

33. ASSETS PLEDGED

Nature of Assets	Nature of Liability	Carrying Amount Pledged 2019 LKR Mn	Carrying Amount Pledged 2018 LKR Mn	Included under
33.1 Assets Pledged by Ambeon Holdings PLC				
Quoted Equity Investments	Overdraft Facility Term loan and Revolving Loan	**1,975**	2,228	Investments in Subsidiaries and Other Current Financial Assets
33.2 Assets Pledged by Ceylon Leather Products Limited				
Immovable Properties	Floating Mortgage for Loans and Borrowings	**1,917**	1,323	Property, Plant & Equipment
Plant & Machinery Other than leased	Floating Mortgage for Loans and Borrowings	**-**	36	Property, Plant & Equipment
Raw Materials, Finished Goods and Work in Progress	Floating Mortgage for Loans and Borrowings	**350**	531	Inventory
Trade Debtors	Floating Mortgage for Loans and Borrowings	**200**	225	Debtors
		2,467	2,115	

NOTES TO THE FINANCIAL STATEMENTS

33. ASSETS PLEDGED (Contd.)

	Nature of Assets	Nature of Liability	Carrying Amount Pledged 2019 LKR Mn	2018 LKR Mn	Included under
33.3	**Assets Pledged by South Asia Textiles Limited**				
	Machineries	Primary Mortgage for Loans and Borrowings	**1,040**	1,199	Property, Plant & Equipment
	Raw Materials, Finished Goods and Work in Progress	Primary/Concurrent Mortgage for Loans and Borrowings	**2,102**	1,877	Inventories
	Trade Debtors	Primary/Concurrent Mortgage for Loans and Borrowings	**811**	890	Trade and Other Receivables
	Margin Accounts	Primary Mortgage for Loans and Borrowings	**14**	13	Other Financial Assets
			3,967	3,979	
33.4	**Assets Pledged by Dankotuwa Porcelain PLC**				
	Inventory and Trade Debtors	For Loans and Borrowings	**730**	490	Inventory and Trade Debtors
	Machinery	Primary Mortgage for Loans and Borrowings	**-**	14.1	Property, plant and equipment
			730	504	
33.5	**Royal Fernwood Porcelain Limited**				
	Land and Buildings & Immovable Machinery	Term Loans and Short Term Borrowings	**566**	580	Property, plant and equipment
			566	580	

34. RELATED PARTY DISCLOSURES

		Group 2019 LKR	Group 2018 LKR	Company 2019 LKR	Company 2018 LKR
34.1	**Transaction with related entities**				
	Nature of transactions				
34.1.1	**Ultimate Parent**				
	Investment in Commercial Papers	**21,200,000**	-	**21,200,000**	-
	Loan Granted	**54,500,000**	40,000,000	**-**	-
	Interest on Loans	**9,342,268**	-	**-**	-
	Interest Earned on Investment in Commercial Papers*	**827,306**	-	**827,306**	-
	*Terms and conditions - Rate of interest at 14% to 17%.				

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
34.1.2 Immediate Parent				
Uplift of Investment in Commercial Papers	-	691,593,534	-	691,593,534
Loan Granted	**1,052,842,586**	-	**387,478,123**	-
Loan Settled	**(656,846,216)**	-	**(319,000,000)**	-
Interest Earned on Investment in Commercial Papers*	-	93,367,959	-	93,367,959
Interest on Loans	**104,749,828**	-	**6,470,077**	
Investment in Subsidiary	-	671,345,000	-	-
*Terms and conditions - Rate of interest at 11.5% to 15.75%.				
34.1.3 Transaction with subsidiaries				
Balance as at 01st April	-	-	**182,656,721**	857,519,054
Interest Income on Loans	-	-	**25,145,508**	68,451
Staff Support & Server Utilisation fees	-	-	**106,634,858**	54,877,870
Settlement Current Account Balance	-	-	**(242,172,487)**	(71,692,377)
Reimbursement of Expenses	-	-	**1,640,566**	7,015,302
Cost sharing arrangement	-	-	**175,780,381**	78,235,439
Loans / Financial Assistance provided	-	-	**532,057,668**	48,388,894
Loans / Financial Assistance Settlements			**(152,592,323)**	-
Commercial Paper Obtained	-	-	**(250,000,000)**	(787,947,852)
Commercial papers interest	-	-	**(32,545,096)**	30,748,120
Commercial Paper Interest settlement / Capitalization	-	-	**50,881,703**	(34,556,180)
Commercial Paper Conversion to Loan	-	-	**732,784,469**	-
Loan obtained through Commercial Paper Conversion	-	-	**(847,784,469)**	-
Loan Inters	-	-	**(88,995,234)**	-
Loan Settle	-	-	**50,000,000**	-
Balance as at 31 March	-	-	**243,492,266**	182,656,721

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY DISCLOSURES (Contd.)

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
34.1.4 Other Related Parties				
Receivable / (Payable) as at 01st April			-	-
Sale of Goods	**1,109,224,225**	990,813,277	-	-
Receiving of Services	-	-	-	-
Loan Interest Receivable / (Payable)	-	(1,620,000)	-	-
Investment in Shares	-	533,358	-	-
(Receipts) / Payments for Goods / Services	**(1,033,989,541)**	(907,519,434)	-	-

Transaction, arrangements and agreements involving Key Management Personnel (KMPs) and their Close Family Members (CFMs), and Entities which are controlled, jointly controlled or significantly influenced by the KMPs and their CFMs or shareholders who have either control, jointly control or significant influence over the entity.

Other Related Parties include; Hirdaramani International Exports (Pvt) Ltd, United Hotels Company (Pvt) Ltd, Suisse Hotel Kandy (Pvt) Ltd and Ceylon Hotel Corporation Ltd.

34.2 Transactions with Key Management Personnel

Key Management Personnel include Members of the Board of directors of Ambeon Holdings PLC and its Subsidiary Companies.

	Group		Company	
	2019	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Key Management Personnel Compensation				
Short-Term employee benefits	**141,876,392**	142,224,465	**48,068,438**	33,219,047
Post Employment Benefit	-	-	-	-
Long Term Benefits	-	-	-	-
	141,876,392	142,224,465	**48,068,438**	33,219,047

34.3 Terms and conditions of transactions with related parties

Transactions with related parties are carried out at arms length in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

34.4 Debt Novation Agreement

Dankotuwa Porcelain PLC a subsidiary of Ambeon Holdings PLC (the Parent Company) upon acquisition of Taprobane Capital (Pvt) Ltd & Royal Fernwood Porcelain Ltd (the Acquiree), agreed to assume the debt liabilities of Acquiree amounting to Rs.253,615,255/- towards Browns Investment PLC, S.F.L. Services (Pvt) Ltd & Brown & Company Ltd, by way of a "debt novation agreement". Pursuant to the "debt novation agreement a further debt novation gave the option to the subsidiary company to transfer the said debt obligation novated from the acquisition to the Parent Company at the discretion of the Parent.

34.5 Disclosure Section 9.3.2 of the Listing Rules of Colombo Stock Exchange - Company

Non Recurrent

Name of the Related Party	Relationship	Nature of the Transaction	Value of Related Party Transactions entered into during the financial year LKR	Value of Related Party Transactions as a % of Equity and as a % of Total Assets	Terms and Conditions of the Related Party Transactions	Rationale to enter into Transaction
Eon Tec (Pvt) Limited	Subsidiary	Disposal of Millennium I.T.E.S.P (Pvt) Ltd 77.23% stake	927 Mn	12% (Total Assets), 17% (Equity)	Fair Value	Group restructuring
Millennium I.T.E.S.P (Pvt) Ltd	Subsidiary	Corporate Guarantee given to Seylan Bank PLC	2,000 Mn	26% (Total Assets), 37% (Equity)	Period of 1 year	To support working capital
South Asia Textiles Ltd	Subsidiary	Corporate Guarantee	804 Mn	10% (Total Assets), 15% (Equity)	Period of 1 year	To support working capital

Recurrent

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as a % of Net Revenue/Income	Terms and Conditions of the Related Party Transactions

Aggregate value of recurrent related party transaction does not exceed 10% of the Group consolidated revenue.

35. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require to be disclosed in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL ASSETS AND LIABILITIES

36.1 Fair values of Financial Assets and Liabilities -Group

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39/SLFRS 9.

		2019		2018	
		Carrying Value	Fair Value	Carrying Value	Fair Value
	Notes	LKR	LKR	LKR	LKR
Fair Value through Profit and Loss					
Other Financial Investment	15	167,447,647	167,447,647	1,257,388,427	1,257,388,427
Fair Value through OCI					
Other Financial Investment	15	566,705,269	566,705,269	-	-
Total		734,152,916	734,152,916	1,257,388,427	1,257,388,427

36.2 Categories of Financial Assets and Liabilities - Company

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39/SLFRS 9.

		2019		2018	
		Carrying Value	Fair Value	Carrying Value	Fair Value
	Notes	LKR	LKR	LKR	LKR
Financial Assets					
Financial Instruments in -Current Assets					
Fair Value Through Profit and Loss					
Other Financial Investment	15	155,454,222	155,454,222	1,254,688,427	1,254,688,427
Fair Value Through OCI					
Other Financial Investment	15	566,705,269	566,705,269	-	-
Total		722,159,491	722,159,491	1,254,688,427	1,254,688,427

Methods and assumptions used to estimate fair value are disclosed under Note 9 to the Financial Statements.

Financial Assets and Liabilities for which Fair Value Approximates Carrying Value

The following describes the methodologies and assumptions used to determine the fair values for those financial assets & Liabilities which are not already recorded at fair value in the Financial Statements.

The Following is a list of financial assets and liabilities whose carrying amount is a reasonable approximation of fair value due to short-term maturities of these instruments.

Assets

Other Non-Current Financial Assets
Trade and Other Receivables
Other Financial Investments
Held to maturity Financial Assets (upto 31 March 2018)
Cash in Hand and at Bank

Liabilities

Other Financial Liabilities
Interest Bearing Borrowings (Current)
Trade and Other Payables

36.2 Classification and measurement of Fnancial Assets and financial Liabilities

The following table shows and reconciles the original measurement categories as per LKAS 39 - "Financial Instruments: Recognition and measurement" and the new measurement categories as per SLFRS 9 - "Financial Instruments" along with their carrying amounts for each class of the Company's financial assets and financial liabilities as at 1 April 2018.

	Original Classification	New Classification	Group 31 March 2018 Reported	Company 31 March 2018 Reported	SLFRS 9 Impact - Group	SLFRS 9 Classifications Group/ Company	Group 01 April 2018 Restated	Company 01 April 2018 Restated
Assets								
Deferred Tax Asset- C	-	-	256,089,596	-	33,302,256	-	289,391,852	-
Trade & Other Receivables - A	Amortized Cost	Amortized Cost	4,101,428,650	137,163,365	(169,377,088)	-	3,932,051,562	137,163,365
Other Financial Assets - Fair Value through P/L - B	Fair Value through P/L	Fair Value through P/L	1,257,388,427	1,254,688,427	-	(720,462,512)	536,925,915	534,225,915
Other Financial Assets - Fair Value through OCI - B	-	Fair Value through OCI	-	-	-	720,462,512	720,462,512	720,462,512
Other Financial Assets - Bank Deposits	Amortized Cost	Amortized Cost	527,182,388	58,805	-	-	527,182,388	58,805
Cash in Hand and at Bank	Amortized Cost	Amortized Cost	2,120,695,420	253,568,819	-	-	2,120,695,420	253,568,819
Liabilities								
Deferred Tax Liability - C	-	-	562,632,083	-	(9,552,373)	-	553,079,710	-
Interest Bearing Loans & Borrowings	Amortized Cost	Amortized Cost	1,562,021,994	800,000,000	-	-	1,562,021,994	800,000,000
Trade and Other Payables	Amortized Cost	Amortized Cost	3,599,154,841	113,071,536	-	-	3,599,154,841	113,071,536
Interest Bearing Loans & Borrowings	Amortized Cost	Amortized Cost	4,241,502,346	1,550,659,167	-	-	4,241,502,346	1,550,659,167
					(126,522,460)	-		
Equity								
Retained Earning			(963,749,378)	(1,809,678,339)	13,184,318	103,131,461	(950,565,060)	(1,706,546,878)
OCI Reserve			-	-	(103,131,461)	(103,131,461)	(103,131,461)	(103,131,461)
Non Controlling Interest			1,055,156,401	-	(36,575,317)	-	1,018,581,084	-
					(126,522,460)	-		

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL ASSETS AND LIABILITIES (Contd.)

Trade & Other Receivables - A

The adoption of SLFRS 9 has fundamentally changed the Group accounting for debtors impairments by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

Other Financial Assets - B

The Group has remeasured the Financial assets under fair value through profit or loss and reclassified the financial assets as fair value through profit or loss and fair value through OCI financial assets, based on the Group business module for managing assets, Accordingly reclassification impact has been transferred from retained earning to fair value through OCI reserve.

Deferred Liability - C

The Group has accounted for Deferred Tax impact on expected credit loss approach for debtors impairment.

36.3 Financial Risk Management - Objectives and Policies

The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Group also holds financial assets at a fair value through profit or loss.

The Group's principal financial liabilities comprise of loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The Group's risk management is overlooked by the Company, in close corporation with the board of directors and focuses on actively securing the group's short to medium term cash flows by minimizing the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the group is exposed are described below.

The Group is exposed to market risk, credit risk and liquidity risk.

36.3.1 Credit Risk

Credit risk is the risk that the counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, credit worthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, available-for-sale financial investments and other financial investments, the Group's exposure to credit risk arises from default of the counter party. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counter parties fulfil their obligations.

Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

Risk Exposure - Group

	Notes	2019 LKR	% of allocation	2018 LKR	% of allocation
Bank Deposits	15	**265,375,932**	5%	374,997,868	6%
Commercial Paper Investments	15	**22,027,306**	0%	152,184,520	2%
Trade and Other receivables	14	**4,597,287,466**	84%	3,819,482,216	59%
Cash and Short term Deposits	31	**610,567,174**	11%	2,120,695,420	33%
Total credit risk exposure		**5,495,257,878**	100%	6,467,360,024	100%
Financial assets at fair value through profit & loss	15	**167,447,647**	3%	1,257,388,427	23%
Financial assets at fair value through OCI	15	**566,705,269**	10%	-	0%
Total equity risk exposure		**734,152,915**	100%	1,257,388,427	100%
Total		**6,229,410,794**		7,724,748,451	

Risk Exposure - Company

	Notes	2019 LKR	% of allocation	2018 LKR	% of allocation
Bank Deposits	15	**58,805**	0%	58,805	0%
Trade and other receivables	14	**548,943,431**	99%	135,355,268	35%
Cash in hand and at bank	31	**6,581,243**	1%	253,568,819	65%
Total credit risk exposure		**555,583,479**	100%	388,982,892	100%
Financial assets at fair value through profit & loss	15	**155,454,222**	22%	1,254,688,427	100%
Financial assets at fair value through OCI	15	**566,705,269**	78%	-	0%
Total equity risk exposure		**722,159,491**	100%	1,254,688,427	100%
Total		**1,277,742,970**		1,643,671,319	

Trade and Other receivables

Customers credit risk is managed by each business unit subject to the Group's established policies and procedures relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with the assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letter of credit or other forms of credit insurance.

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL ASSETS AND LIABILITIES (Contd.)

The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

Credit quality of trade receivables that are neither past due or impaired is explained below.

	Group		Company	
Trade receivables	**2019**	2018	**2019**	2018
	LKR	LKR	LKR	LKR
Neither past due, not impaired	**2,636,541,445**	737,022,658	-	-
Past due but not impaired				
31-60 days	**328,961,888**	1,203,328,907	-	-
61-90 days	**287,934,221**	123,817,012	-	-
>90 days	**1,129,595,014**	1,177,085,164	-	-
Allowance for Bad & Doubtful Debtors	**895,908,186**	1,006,743,418	-	-
Gross Carrying Value	**5,278,940,754**	4,247,997,159	-	-
Less: Allowance for Bad & Doubtful Debtors	**(1,217,502,346)**	(1,006,743,418)	-	-
Total	**4,061,438,408**	3,241,253,741	-	-

Cash and Short term Deposits

In order to mitigate settlement and Operational risk related to cash and Short term deposits, the group uses several banks with acceptable ratings for its deposits.

The Group held cash & short term deposits of LKR 610 Million as at 31 March 2019 (2018 - LKR 2.120 Billion)

36.3.2 Liquidity Risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

Liquidity risk management

The business units attempt to match contracted cash outflows in each time bucket using a combination of operational cash inflows and other inflows that can be generated through the liquidation of short term investments, repurchase agreements or other secured borrowings.

Contractual maturity analysis

The table below summarizes the maturity profile of the Group's financial liabilities at 31 March 2019 based on contractual undiscounted payments.

Group	Less than 3 months	3 to 12 months	1 to 5 years	> 5 Years	Total
	LKR	LKR	LKR	LKR	LKR
Other Financial Liabilities	-	-	-	921,026	921,026
Interest Bearing Borrowings	2,027,853,531	3,197,481,059	1,186,417,917	10,777,705	6,422,530,212
Trade and Other Payables	1,753,772,530	3,129,053,133	10,075,128	-	4,892,900,791
	3,781,626,061	6,326,534,192	1,196,493,045	11,698,731	11,316,352,029

The table below summarizes the maturity profile of the Company's financial liabilities at 31 March 2019 based on contractual undiscounted payments.

Company	Less than 3 months	3 to 12 months	1 to 5 years	> 5 Years	Total
	LKR	LKR	LKR	LKR	LKR
Other Financial Liabilities	-	-	-	921,026	921,026
Interest Bearing Borrowings	588,581,779	435,496,875	1,496,431,253	-	2,520,509,907
Trade and Other Payables	35,220,230	-	-	-	35,220,230
	623,802,009	435,496,875	1,496,431,253	921,026	2,556,651,163

The table below summarizes the maturity profile of the Group's financial liabilities at 31 March 2018 based on contractual undiscounted payments.

Group	Less than 3 months	3 to 12 months	1 to 5 years	> 5 Years	Total
	LKR	LKR	LKR	LKR	LKR
Other Financial Liabilities	-	-	-	897,086	897,086
Interest Bearing Borrowings	2,147,573,363	2,254,228,446	1,702,593,172	12,888,675	6,117,283,656
Trade and Other Payables	2,023,222,870	1,176,735,034	13,280,424	54,250	3,213,292,578
	4,170,796,233	3,430,963,480	1,715,873,596	13,840,011	9,331,473,320

The table below summarizes the maturity profile of the Company's financial liabilities at 31 March 2018 based on contractual undiscounted payments.

Company	Less than 3 months	3 to 12 months	1 to 5 years	> 5 Years	Total
	LKR	LKR	LKR	LKR	LKR
Restated					
Other Financial Liabilities	-	-	-	897,086	897,086
Interest Bearing Borrowings	1,550,659,167	154,646,020	946,333,125	-	2,651,638,312
Trade and Other Payables	113,071,536	-	-	-	113,071,536
	1,663,730,703	-	-	897,086	2,765,606,934

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL ASSETS AND LIABILITIES (Contd.)

Capital Management

Capital includes equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure shareholder value is maximized.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2018.

36.3.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (specially due to currency risk and interest rate risk)

The objective of market risk management is to manage and control market risk exposures within the acceptable parameters while optimising the return.

The sensitivity analysis in the following sections related to the position as at 31 March 2019 and 2018.

The analysis excludes the impact of movements in market variables on the carrying value of other post-retirement obligations, provisions and the non-financial assets and liabilities.

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at 31 March 2019 and 2018.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax (through the impact on floating rate borrowings)

	Increase/(Decrease) in basis points	Effect on Profit before Tax (LKR)	
		Group	Company
2019	**+100**	**(11,850,311)**	**-**
	-100	**11,850,311**	**-**
2018	+100	(11,466,804)	-
	-100	11,466,804	-

The assumed spread of the interest rate is based on the current observable market environment.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the profit before tax

	Increase/(Decrease) in basis points	Effect on Profit before Tax (LKR)	
		Group	Company
2019	5%	**(30,267,872)**	**-**
	-5%	**30,267,872**	**-**
2018	5%	(16,324,751)	-
	-5%	16,324,751	-

The assumed spread of the interest rate is based on the current observable market environment.

Other Price Risk

The Group is exposed to equity price risk in respect of its listed equity securities. The Group manages those risks by monitoring the markets closely. According to Group policies amounts invested in volatile assets such as shares are restricted by limits set by Group management.

37. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

37.1 Business Combination

Acquisition through Taprobane Capital Plus (Private) Limited - Lexinton Financial Services (Pvt) Ltd

On 10 December 2018, Taprobane Capital Plus (Private) Limited acquired 100% of the issued shares of Lexinton Financial Services (Pvt) Limited from Lexinton Holdings (Pvt) Limited.

Acquisition through Colombo City Holdings PLC - Lexinton Holdings (Pvt) Limited

On 28 January 2019, Colombo City Holdings PLC acquired 100% of the issued shares of Lexinton Holdings (Pvt) Limited held by Ambeon Capital PLC and Taprobane Investments (Private) Limited.

The Group has elected to measure the non-controlling interest in the acquiree at proportionate share of its interest in the acquiree.

NOTES TO THE FINANCIAL STATEMENTS

37. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

37.1.1 Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Lexinton Financial Services (Pvt) Limited through Taprobane Capital Plus (Pvt) Limited and Lexinton Holdings (Pvt) Limited through Colombo City Holdings PLC as at the date of acquisition were:

	Lexinton Financial Services (Pvt) Limited	Lexinton Holdings (Pvt) Limited	Acquisition for the period
	LKR	LKR	LKR
Assets			
Property, Plant & Equipment	11,700	274,504,185	274,515,885
Other Financial Assets - Non Current	-	143,948,198	143,948,198
Other Financial Assets - Current	-	13,289,279	13,289,279
Trade & Other Receivables	5,172,939	57,686,218	62,859,157
Cash & Cash Equivalents	55,917	170,013	225,930
	5,240,556	489,597,893	494,838,449
Liabilities			
Deferred Tax Liability	4,284	56,400,748	56,405,032
Trade and Other Payables	264	10,082,407	10,082,671
Bank Overdraft	-	5,151,768	5,151,768
	4,548	71,634,923	71,639,471
Total identifiable net assets at fair value	5,236,008	417,962,970	423,198,977
Non-controlling interest measured at proportionate share	-	139,599,632	139,599,632
Gain on Bargain Purchase	-	3,129,260	3,129,260
Purchase consideration Through Subsidiary	5,236,008	276,279,251	281,515,259
Purchase consideration Through NCI	-	138,554,459	138,554,459
Net Cash Acquired with the subsidiary	55,917	(4,981,755)	(4,925,838)
Net Cash outflow from the Acquisition	5,180,091	419,815,464	424,995,555

From the date of acquisition, Lexinton Financial Services (Pvt) Limited has not contributed any revenue, and reported LKR 89,649/- loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, profit before tax from continuing operations for the Group would have been LKR 213,412/-.

From the date of acquisition, Lexinton Holdings (Pvt) Limited has contributed LKR 7,723,675/- revenue and LKR 1,422,321/- to the loss before tax from the continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been LKR 44,916,026/- and profit before tax from continuing operations for the Group would have been LKR 26,537,156/-.

The Group elected to report provisional amounts for items to which accounting is incomplete. During the measurement period, the Group shall adjust the provisional amounts recognised at the acquisition to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as at that date as stated by SLFRS 3 - Business Combinations.

37.2 Acquisition of Millennium I.T.E.S.P (Pvt) Limited

During 2017/18, the company acquired 100% of the issued shares of Millennium I.T.E.S.P (Pvt) Limited, an unlisted company specialised in the Integration Business provides a host of specialised, scalable solutions ranging from Core Infrastructure, Information Security, Business Collaboration, Near-Field Communications, Business Productivity, Managed Solutions and Customer Relationship Management. Millennium I.T.E.S.P (Pvt) Limited was acquired to expand the presence in the industry of Information Technology.

The Group elected to report provisional amounts for items to which accounting is incomplete. During the measurement period, the Group adjusted the provisional amounts recognised at the acquisition to reflect new information obtained about facts and circumstances that existed as of the aquisition date and, if known, would have affected the measurement of the amounts recognised as of that date as stated by SLFRS 3 - Business Combinations.

Based on an assessment carried out by the management of Millennium I.T.E.S.P. (Pvt) Limited, the fair value of the identifiable assets acquired and liabilities assumed were revised during the measurement period as stated below:

	Impact on Millennium I.T.E.S.P Financial Statements			Impact on 2018 Annual Report		
	Millennium I.T.E.S.P (Pvt) Limited	Measurement Period Adjustment - SLFRS 3	Acquisition for the period	31 March 2018 Group Published	Measurement Period Adjustment - SLFRS 3	31 March 2018 Group Revised
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Property, Plant & Equipment	64,212,371	(9,776,857)	54,435,514	5,211,164,782	(9,776,857)	5,201,387,925
Investment Property	-	-	-	1,130,588,153	-	1,130,588,153
Intangible Assets	296,296	-	296,296	1,281,495,528	395,639,120	1,677,134,648
Other Financial Assets	-	-	-	25,234,242	-	25,234,242
Investment in Associate	-	-	-	114,846,027	-	114,846,027
Deferred Tax Asset	90,433,851	-	90,433,851	256,089,596	-	256,089,596
Inventories	450,651,762	-	450,651,762	3,758,051,548	-	3,758,051,548
Trade & Other Receivables	1,557,085,844	-	1,557,085,844	4,101,428,650	-	4,101,428,650
Other Financial Assets	-	-	-	1,784,570,815	-	1,784,570,815
Income Tax Receivables	-	-	-	16,476,849	-	16,476,849
Cash in Hand and at Bank	1,042,719,907	-	1,042,719,907	2,120,695,420	-	2,120,695,420
	3,205,400,031	(9,776,857)	3,195,623,174	19,800,641,609	385,862,263	20,186,503,873
Liabilities						
Other Financial Liabilities	-	-	-	897,086	-	897,086
Interest Bearing Loans & Borrowings	-	-	-	1,562,021,994	-	1,562,021,994
Deferred Tax Liability	-	-	-	562,632,083	-	562,632,083

NOTES TO THE FINANCIAL STATEMENTS

37. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS (Contd.)

	Impact on Millennium I.T.E.S.P Financial Statements			Impact on 2018 Annual Report		
	Millennium I.T.E.S.P (Pvt) Limited	Measurement Period Adjustment - SLFRS 3	Acquisition for the period	31 March 2018 Group Published	Measurement Period Adjustment - SLFRS 3	31 March 2018 Group Revised
	LKR	LKR	LKR	LKR	LKR	LKR
Retirement Benefit Obligations	89,765,971	-	89,765,971	405,040,709	-	405,040,709
Trade and Other Payables	1,277,440,574	389,931,940	1,667,372,514	3,213,292,578	385,862,263	3,599,154,842
Income Tax Payable	108,116,081	-	108,116,081	173,734,553	-	173,734,553
Deferred Income	506,418,642	-	506,418,642	748,150,496	-	748,150,496
Interest Bearing Loans & Borrowings	824,578,467	-	824,578,467	4,241,502,346	-	4,241,502,346
	2,806,319,735	389,931,940	3,196,251,675	8,015,271,845	385,862,263	11,293,134,110
Total identifiable net assets at fair value	399,080,297	(399,708,797)	(628,500)			
Goodwill arising from acquisition (Note 08)	766,323,679	395,639,120	1,161,962,799			
Purchase consideration transferred	1,165,403,975	(4,069,676)	1,161,334,299			
Net Cash Acquired with the subsidiary	1,042,719,907	-	1,042,719,907			
Net Cash outflow from the Acquisition	122,684,068	(395,639,120)	118,614,392			

37.3 The Group identified intangible asset as follows upon the completion of the acquisition of Millennium I.T.E.S.P (Pvt) Limited.

	2017/18	**2018/19**
	LKR	LKR
	Reported	Revised
Provisional Goodwill	766,323,679	-
Goodwill	-	**847,041,839**
Brand Name	-	**314,920,960**
	766,323,679	**1,161,962,799**

38. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below;

38.1 Proportion of equity interest held by non-controlling interests:

Name	Proportion of NCI		Accumulated Balances of NCI		Profit allocated to NCI	
	2019	2018	**2019**	2018	**2019**	2018
			LKR	LKR	LKR	LKR
Non-Controlling Interests material individually						
Dankotuwa Porcelain PLC	**22.49%**	22.49%	**523,813,727**	415,904,332	**53,693,160**	(18,220,046)
Colombo City Holdings PLC	**33.60%**	33.60%	**677,335,751**	631,930,009	**58,247,366**	88,155,505
Millennium I.T.E.S.P (Private) Limited	**39.76%**	-	**142,665,309**	-	**160,172,050**	-
Non-controlling interest material in aggregate			**266,242,030**	7,322,060	**64,045,178**	69,942,041
Total			**1,610,056,817**	1,055,156,401	**336,157,754**	139,877,500

Dividend Paid to NCI Shareholders	**2019**	2018
	LKR	LKR
South Asia Textiles Limited	**5,833,335**	5,833,333
Colombo City Holdings PLC	**12,830,940**	6,415,199
Millennium I.T.E.S.P (Private) Limited	**69,676,594**	-
	88,340,869	12,248,532

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

NOTES TO THE FINANCIAL STATEMENTS

38. MATERIAL PARTLY-OWNED SUBSIDIARIES (Contd.)

38.2 Summarised statement of Profit or Loss for the period ending 31 March

	Dankotuwa Porcelain PLC		Colombo City Holdings PLC		Millennium I.T.E.S.P (Private) Limited	
	2019	2018	**2019**	2018	**2019**	2018 - 03 Months
	LKR	LKR	LKR	LKR	LKR	LKR
Revenue	**1,233,709,907**	1,276,617,363	**8,893,895**	114,879,413	**6,533,340,789**	1,562,444,695
Operating Income/(Costs)	**(908,770,138)**	(1,456,641,351)	**71,541,045**	131,093,192	**(5,922,025,700)**	(1,249,773,297)
Finance Costs	**(63,093,475)**	(21,776,925)	**(2,315,262)**	(183,158)	**(155,907,739)**	(34,454,602)
Finance Income	**36,590,018**	48,546,894	**139,447,437**	41,242,795	**61,218,932**	5,042,029
Tax Expense	**(59,735,648)**	72,254,183	**(44,211,859)**	(24,664,668)	**(108,652,999)**	53,019,246
Profit or Loss from Continuing Operations	**238,700,664**	(80,999,836)	**173,355,256**	262,367,575	**407,973,283**	336,278,070
Other Comprehensive Income	**249,804,622**	203,626,284	**(33,408)**	(47,605)	**576,873**	-
Total Comprehensive Income	**488,505,286**	122,626,448	**173,321,848**	262,319,970	**408,550,156**	336,278,070

38.3 Summarised Statement of Financial Position for the period 31 March

	Dankotuwa Porcelain PLC		Colombo City Holdings PLC		Millennium I.T.E.S.P (Private) Limited	
	2019	2018	**2019**	2018	**2019**	2018
	LKR	LKR	LKR	LKR	LKR	LKR
Current Assets	**1,194,304,817**	1,051,687,796	**498,774,646**	1,126,707,288	**5,007,942,552**	3,522,836,522
Non-current Assets	**2,462,644,637**	1,884,777,667	**1,803,119,630**	793,133,994	**423,492,332**	220,585,137
Total Assets	**3,656,949,454**	2,936,465,463	**2,301,894,276**	1,919,841,282	**5,431,434,884**	3,743,421,659
Current Liabilities	**981,335,364**	553,688,328	**263,955,646**	38,009,021	**4,961,681,720**	2,915,380,799
Non-current Liabilities	**346,924,852**	533,491,529	**22,058,420**	1,088,184	**110,936,131**	92,682,494
Total Liabilities	**1,328,260,216**	1,087,179,857	**286,014,066**	39,097,205	**5,072,617,851**	3,008,063,293

38.4 Summarised Cash Flow Information for the year ending 31 March

	Dankotuwa Porcelain PLC		Colombo City Holdings PLC		Millennium I.T.E.S.P (Private) Limited	
	2019	2018	**2019**	2018	**2019**	2018
	LKR	LKR	LKR	LKR	LKR	LKR
Operating	**(265,625,876)**	(47,747,462)	**(8,336,491)**	24,031,528	**(633,080,756)**	(353,622,318)
Investing	**(12,363,150)**	(15,100,927)	**(147,606,768)**	(10,819,280)	**(43,001,541)**	(16,455,427)
Financing	**(13,052,327)**	65,585,211	**(38,185,710)**	(183,157)	**(148,900,991)**	309,021,093
Net increase/(decrease) in cash and cash equivalents	**(291,041,353)**	2,736,822	**(194,128,969)**	13,029,092	**(824,983,288)**	(61,056,652)

38.5 Increase in interests in Material Subsidiaries

Colombo City Holdings PLC

On 28 January 2019, Colombo City Holdings PLC acquired the entire issued shares of Lexinton Holdings (Private) Limited held by Ambeon Capital PLC and Taprobane Investments (Private) Limited for a total consideration of LKR 414.8 Mn.

Millennium I.T.E.S.P (Pvt) Limited

On 4 April 2018, the company disposed 547,575 of shares to Millenniumcapital Investment Limited for a total consideration of LKR 132 Mn.

On 02 August 2018 the company disposed 77.23% of its holding in Millennium I.T.E.S.P (Pvt) Ltd to Eon Tec (Pvt) Ltd for a total consideration of LKR 927 Mn. Eon Tec (Pvt) Limited was incorporated to hold the investment in Millennium I.T.E.S.P (Pvt) Ltd. The company holds 78% of Eon Tec (Pvt) Limited.

Taprobane Capital Plus (Pvt) Ltd

On 10 December 2018, Taprobane Capital Plus (Pvt) Limited acquired 100% of the issued shares of Lexinton Financial Services (Pvt) Ltd for a total consideration of Rs. 5,236,008/-, as disclosed in Note 37, held by Lexinton Holdings (Pvt) Limited.

INVESTOR INFORMATION

The issued ordinary shares of Ambeon Holdings PLC (GREG) are listed with the Colombo Stock Exchange (CSE). The trading of GREG ordinary shares commenced on 01 January 1970.

Ordinary Shareholders

Analysis of shareholders according to the number of shares as at 31 March 2019

Range of Shareholding	Number of Shareholders	No. of Shares	%
1 to 1,000 shares	2,959	940,233	0.26
1,001 to 10,000 shares	1,765	6,175,021	1.73
10,001 to 100,000 shares	468	13,917,041	3.90
100,001 to 1,000,000 shares	61	15,665,932	4.39
Over 1,000,000 shares	9	320,171,439	89.72
TOTAL	**5,262**	**356,869,666**	**100.00**

The Ordinary Voting Shares of Ambeon Holdings PLC were transferred from the Main Board to the Diri Savi Board of the Colombo Stock Exchange on 29 June 2018 at the request of the Company.

Public Shareholding

Information pertaining to public shareholding is as follows;

	31 March 2019	31 March 2018
Number of public shares	63,584,243	63,834,243
Public holding percentage	17.82%	17.89%
Number of public shareholders	5,257	5,464
Float adjusted market capitalization (LKR)	585,066,405.23	695,899,417.40

The Company is compliant with the Minimum Public Holding requirement under option 2 of rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange.

Market Price per share (traded dates)

Ordinary Shares	2018/2019	2017/2018
Highest value per share recorded during the period (LKR)	12.00 (02.11.2018)	14.50 (11.07.2017)
Lowest value per share recorded during the period (LKR)	8.60 (29.08.2018)	10.20 (04.04.2017)
Market value per share as at last traded date (LKR)	9.20 (29.03.2019)	10.90 (29.03.2018)

Share Trading

	2018/2019	2017/2018
No. of transactions	6,465	6,988
No. of shares traded	20,785,380	26,877,526
Value of shares traded (LKR)	220,754,815	341,467,574

There were 5,262 registered shareholders as at 31 March 2019 (5,469 as at 31 March 2018).

Director's Shareholdings as at

Name	31 March 2019	31 March 2018
1. Mr. A G Weerasinghe	Nil	Nil
2. Mr. N M Prakash	450,000	200,000
3. Mr. R P Sugathadasa	Nil	Nil
4. Mr. M Boyagoda	Nil	Nil
5. Mr. P P Maddumage	Nil	Nil

Major Ordinary Shareholders as at

	Name of Shareholder	31 March 2019		31 March 2018	
		No. of shares	%	No. of shares	%
1.	Pan Asia Banking Corporation PLC/Ambeon Capital PLC	177,807,255	49.82	177,807,255	49.82
	Seylan Bank PLC/Ambeon Capital PLC (Collateral)	112,790,122	31.61	112,790,122	31.61
	TOTAL	290,597,377	81.43	290,597,377	81.43
2.	Ceylinco General Insurance Limited	9,443,196	2.65	9,443,196	2.65
3.	Amana Bank PLC/Almas Organisation (Private) Limited	7,756,037	2.17	2,759,385	0.77
4.	Amana Bank PLC/Carlines Holdings (Private) Limited	4,977,882	1.39	5,087,782	1.43
5.	DOH Investment Lanka (Private) Limited	2,153,046	0.60	2,153,046	0.60
6.	Associated Electrical Corporation Limited	1,955,000	0.55	1,874,000	0.53
7.	Mr. N Balasingam	1,906,500	0.53	1,906,500	0.53
8.	Mr. K V Hewavitarne	1,382,401	0.39	1,382,401	0.39
9.	People's Leasing & Finance PLC/L P Hapangama	955,836	0.27	955,836	0.27
10.	Mr. B U Hettiarachchi	784,294	0.22	723,973	0.20
11.	Sampath Bank PLC/Dr. T Senthilverl	675,000	0.19	106,858	0.03
12.	Mr. C R Perera	673,695	0.19	577,904	0.16
13.	Hatton National Bank PLC/Sanka Ramoorthy Nadaraj Kumar	608,015	0.17	687,526	0.19
14.	Merchant Bank of Sri Lanka & Finance PLC 01	600,000	0.17	540,062	0.15
15.	Dr. S Yaddehige	557,127	0.16	557,127	0.16
16.	Mr. N M Prakash	450,000	0.13	200,000	0.06
17.	Mr. K R T Bandara	411,609	0.12	260,500	0.07
18.	Hatton National Bank PLC/Chokshanada Kumara Sangakkara	404,429	0.11	470,451	0.13
19.	Bank of Ceylon No. 1 Account	385,000	0.11	385,000	0.11
20.	Mr. D P M De Silva Jayawardena	332,435	0.09	238,323	0.06

INVESTOR INFORMATION

Preference Share

Analysis of Shareholders according to the number of shares as at 31 March 2019

Range of Shareholding	Number of Shareholders	No. of Shares	%
1 to 1,000 shares	50	27,310	16.01
1,001 to 10,000 shares	38	124,699	73.08
10,001 to 100,000 shares	1	18,616	10.91
100,001 to 1,000,000 shares	-	-	-
Over 1,000,000 shares	-	-	-
TOTAL	**89**	**170,625**	**100.00**

Major Preference Shareholders as at

	Name of Shareholder	31 March 2019		31 March 2018	
		No. of shares	%	No. of shares	%
1.	Standard Finance Ltd	18,616	10.91	18,616	10.91
2.	Mr. G C W De Silva	9,484	5.56	9,484	5.56
3.	Mr. M V Theagarajah	8,744	5.12	8,744	5.12
4.	Life Insurance Corporation of India	8,146	4.77	8,146	4.77
5.	Mr. K Theagarajah	8,000	4.69	8,000	4.69
6.	Mrs. B L Macrae	6,658	3.90	6,658	3.90
7.	Mr. A L Clare	6,658	3.90	6,658	3.90
8.	Mr. M V Theagarajah	6,447	3.78	6,447	3.78
9.	Shalsri Investment Ltd	5,000	2.93	5,000	2.93
10.	The Land & House Property Company Ltd	4,500	2.64	4,500	2.64
11.	The Administratix of The Estate of Pietro Fernando	4,000	2.34	4,000	2.34
12.	Mr. S Sivalingam Attorney for Mrs R Sivaraman	3,672	2.15	3,672	2.15
13.	Mr. M B Muthunayagam Mahesweri Brito	3,500	2.05	3,500	2.05
14.	Mr. B Selvanayagam	3,000	1.76	3,000	1.76
15.	Ms. A M Felsinger	2,684	1.57	2,684	1.57
16.	Ms. K N Woutersz	2,684	1.57	2,684	1.57
17.	Mr. Navarathnam Sumanathiran	2,682	1.57	2,682	1.57
18.	Mr. M G Sabaratnam	2,500	1.47	2,500	1.47
19.	Mr. S A Scharenguivel	2,450	1.44	2,450	1.44
20.	Mr. P S Wijewardenephilip Seevali	2,194	1.29	2,194	1.29

10 YEARS SUMMARY

LKR "000"	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Results**											
Revenue	**17,734,485**	12,272,998	10,762,068	9,394,710	9,359,565	8,636,013	7,184,808	5,997,944	2,208,050	233,722	1,614
Profit/(Loss) before taxation	**1,246,604**	584,885	480,384	(1,657,676)	(14,645)	(618,543)	(184,252)	138,433	571,239	134,718	26,553
Profit/(Loss) after taxation	**864,468**	680,818	394,104	(1,641,605)	(58,090)	(677,790)	(226,104)	75,944	480,675	108,814	13,680
Attributable to:											
Equity Holders of the Parents	**528,310**	540,941	271,698	(1,698,267)	22,539	(662,873)	(237,172)	107,459	443,402	103,801	13,680
Non-Controlling Interest	**336,158**	139,878	122,406	56,662	(80,629)	(14,917)	11,068	(31,515)	37,273	5,013	-
	864,468	680,819	394,104	(1,641,605)	(58,090)	(677,790)	(226,104)	75,944	480,675	108,814	13,680
Capital Employed											
Stated Capital*	**5,331,775**	7,871,564	7,724,139	7,724,139	7,724,139	7,724,139	7,724,139	7,724,139	6,850,114	2,469,164	382,835
Reserves	**761,355**	930,399	515,619	449,281	143,133	7,957	59,474	50,357	17,175	3,320	3,320
Retained Earnings/(Losses)	**1,650,091**	(963,749)	(1,369,019)	(1,463,267)	12,037	(401,648)	241,242	501,019	497,085	71,347	(12,611)
Non-Controlling Interest	**1,610,057**	1,055,156	988,420	682,124	433,400	1,025,477	1,097,935	1,231,968	1,394,018	439,073	-
	9,353,278	8,893,370	7,859,159	7,392,276	8,312,709	8,355,925	9,122,790	9,507,483	8,758,392	2,982,904	373,544
Assets Employed											
Non Current Assets Excluding Deferred Tax	**10,367,516**	8,149,191	5,709,160	6,607,653	8,291,740	7,677,501	8,037,152	6,166,071	8,352,939	952,407	118
Current Assets	**12,075,674**	11,781,223	8,019,309	6,380,048	5,060,516	4,638,518	3,994,455	6,640,974	3,814,272	2,444,574	384,636
Deferred Tax	**143,559**	256,090	68,974	75,646	24,342	15,558	14,138	5,994	5,084	7,199	-
	22,586,749	20,186,504	13,797,443	13,063,347	13,376,598	12,331,577	12,045,745	12,813,039	12,172,295	3,404,180	384,754
Liabilities											
Non Current Liabilities	**2,036,469**	2,530,592	1,403,367	1,090,278	1,018,061	1,075,072	502,599	462,017	522,766	150,179	-
Current Liabilities	**11,197,002**	8,762,542	4,534,918	4,580,793	4,045,828	2,900,581	2,603,615	2,843,539	2,891,138	271,097	11,210
	13,233,471	11,293,134	5,938,285	5,671,071	5,063,889	3,975,653	3,106,214	3,305,556	3,413,904	421,276	11,210
Key Indicators											
Basic Earnings/(Loss) Per Share (LKR)	**1.48**	1.54	0.78	(4.86)	0.06	(1.90)	(0.68)	0.03	1.51	0.57	63.00
Net Assets Per Share (LKR)	**21.70**	21.96	19.67	19.21	22.55	20.98	22.97	23.69	23.56	21.45	10.74

DETAILS OF GROUP PROPERTIES

Company	Property	Location	Extent	No of Buildings	"Cost/Valuation LKR"
Colombo City Holdings PLC	Freehold Land & Building	Union Place	47.2 p	1	864,294,700
Lexinton Holdings (pvt) ltd	Freehold Land	Colombo 08	17.15 Perches	1	143,575,000
	Freehold Building	Colombo 08	17,150 sq.ft		128,625,000
Ceylon Leather Products Ltd	Freehold Land	Mattakkuliya	747.9 p	-	1,495,800,000
	Freehold Building	Mattakkuliya	75,010 sq.ft	16	24,935,500
	Freehold Land	Belummahara	474 p	-	170,799,250
	Freehold Building	Belummahara	76,720 sq.ft	11	221,862,450
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	3,277.76 p	-	655,552,000
	Freehold Building	Dankotuwa	260,015 sq.ft	29	381,985,250
	Freehold Land	Dankotuwa	3,985.95 p	-	468,762,750
South Asia Textiles Ltd	Building on Leasehold Land	Pugoda	405,430 sq.ft	24	805,500,000
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	2,178 p	-	204,624,300
	Freehold Building	Kosgama	177,630 sq.ft	19	283,362,790
	Freehold Land	Kosgama	1,753.07 p	-	105,184,200
Taprobane Securities (Pvt) Ltd	Freehold Land	Kosgama	1,162.37 p	-	81,000,000
					6,035,863,190

GLOSSARY OF FINANCIAL TERMINOLOGY

ACCRUAL BASIS
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

CAPITAL EMPLOYED
Shareholders' funds plus minority interest and total debt.

CONTINGENT LIABILITIES
A condition or situation existing at the reporting date due

to past events, where the financial effect is not recognised, because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events, or
2. A probable outflow of economic resources is not expected, or
3. It is unable to be measured with sufficient reliability.

CURRENT RATIO
Current assets divided by current liabilities.

DEBT-EQUITY RATIO
Debt as a percentage of shareholders' funds, including minority interest.

Diluted Earnings/(Loss) Per Share (DPS) Profit/(Loss) attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

EBIT
Earnings before interest and tax (includes other operating income).

EARNINGS/(LOSS) PER SHARE
Net profit/(Loss) attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

INTEREST COVER
Consolidated profit before interest and tax over finance expenses.

MARKET CAPITALISATION
Number of shares in issue at the end of period multiplied by the market price at end of period.

NET ASSETS
Total assets minus current liabilities, minus long-term liabilities, minus minority interest.

NET ASSETS PER SHARE
Net assets as at the particular financial year divided by the number of shares in issue as at the current financial year end.

NET PROFIT MARGIN
Profit after tax divided by turnover inclusive of share of associate company turnover.

NET WORKING CAPITAL
Current assets minus current liabilities

OPERATING MARGIN
Operating profit as a percentage of total sales.

QUICK RATIO
Cash plus short-term investments plus receivables divided by current liabilities.

RETURN ON ASSETS
Profit after tax divided by the total assets.

RETURN ON CAPITAL EMPLOYED
Consolidated profit before interest and tax as a percentage of capital employed.

RETURN ON EQUITY
Profit/(Loss) attributable to shareholders as a percentage of shareholder's funds including minority interest.

SHAREHOLDERS' FUNDS
Total of stated capital, capital reserves and revenue reserves.

TOTAL DEBT
Long-term loans plus short-term loans and overdrafts.

TOTAL EQUITY
Shareholders' funds plus minority interest.

SUBSIDIARIES

Subsidiary Companies	Director
Ceylon Leather Products Limited 64, Belummahara Mudungoda Tel: 033 5 228 228 Fax: 033 2 258 751 E-mail: info@di.lk	Mr. N C Peiris (Chairman) Mr. A G Weerasinghe Mr. P D J Fernando Mr. P P Maddumage Mr. N M Prakash Mr. A Iddawela
Colombo City Holdings PLC No. 10, 5th Floor, Gothami Road Colombo 8 Tel: 011 5 960 000 Fax: 011 2 680 225 E-mail: info@colombocityholdings.com	Mr. A G Weerasinghe (Chairman) Mr. R N Asirwatham Mr. R P Sugathadasa Mr. D A B Dassanayake Mr. N M Prakash Mr. A W Atukorala Mr. C S Devasurendra
Dankotuwa Porcelain PLC No. 10, 5th Floor, Gothami Road Colombo 8 Tel: 011 5 700 700 Fax: 011 2 680 225 Email: info@dankotuwa.com	Mr. R N Asirwatham (Chairman) Mr. A L Devasurendra (Deputy Chairman) Mr. E M M Boyagoda Mr. S E Gardiner Mr. P P Maddumage Mr. R T Devasurendra Mr. N M Prakash Mr. N H D R Perera
Eon Tec (Private) Limited No. 10, 5th Floor, Gothami Road Colombo 8 Tel: 011 5 700 700 Fax: 011 2 680 225 Email: info@eontec.lk	Mr. A L Devasurendra Mr. N M Prakash Mr. R A S U Rabel Mr. M S Hamzadeen Mr. F A Azhar (Alternate Director to Mr. M S Hamzadeen)
Olancom (Private) Limited No. 10, 5th Floor, Gothami Road Colombo 8 Tel: 011 5 700 700 Fax: 011 2 680 225	Dr. K S Narangoda
Palla & Company (Private) Limited No. 10, 5th Floor, Gothami Road Colombo 8 Tel: 011 5 700 700 Fax: 011 2 680 225	Mr. A G Weerasinghe Dr. K S Narangoda Mr. H C P Goonetilleke

SUBSIDIARIES

Subsidiary Companies	Director
South Asia Textiles Limited No. 70, Felix R Dias Bandaranayake Mawatha Pugoda Tel: 011 5 223 200 Fax: 011 2 405 237 Email: info@satextile.com	Mr. A L Devasurendra (Chairman) Mr. P S Dorai (Managing Director/CEO) Mr. A G Weerasinghe Mr. R P Sugathadasa Mr. N C Peiris Mr. K C E Wijesuriya Mr. S E Gardiner Mr. P P Maddumage Mr. W M R S Dias Mr. N M Prakash
Taprobane Capital Plus (Private) Limited No. 10, 5th Floor, Gothami Road Colombo 8 Tel: 011 5 328 100 Fax: 011 5 328 109 Email: contact@taprobane.lk	Mr. A L Devasurendra Mr. R P Sugathadasa (Managing Director/CEO) Mr. N M Prakash
Millennium I.T.E.S.P. (Private) Limited No. 48, Sir Marcus Fernando Mawatha Colombo 7 Tel: 011 7 484 000 Fax: 011 2 691 322 Email: info@millenniumit.com	Mr. S E Gardiner Mr. N M Prakash Mr. P D J Fernando Mr. Y Kanagasabai Dr. K S Narangoda (Alternate Director to Mr. N M Prakash)

Sub-Subsidiary Companies	Director
Ceylon Leather Products Distributors (Private) Limited 64, Belummahara Mudungoda Tel: 033 5 228 228 Fax: 033 2 258 751 E-mail: info@di.lk	Mr. N C Peiris Mr. A G Weerasinghe Mr. H C P Goonetilleke
D P L Trading (Private) Limited No. 10, 5th Floor, Gothami Road Colombo 8 Tel: 011 5 700 700 Fax: 011 2 680 225	Mr. A L Devasurendra Mr. N M Prakash
Taprobane Investments (Private) Limited No. 10, Gothami Road Colombo 8 Tel: 011 5 328 100 Fax: 011 5 328 109 E-mail: contact@taprobane.lk	Mr. A G Weerasinghe (Chairman) Mr. C N Jayasooriya (Managing Director) Mr. D A B Dassanayake Mr. H C P Goonetilleke

Sub-Subsidiary Companies	Director
Taprobane Wealth Plus (Private) Limited No. 10, Gothami Road Colombo 8 Tel: 011 5 328 100 Fax: 011 5 328 109	Mr. A G Weerasinghe
Taprobane Securities (Private) Limited No. 10, Gothami Road Colombo 8 Tel: 011 5 328 100 Fax: 011 5 328 177 Email: contact@taprobane.lk	Mr. K S Narangoda (Chairman) Mr. N S Niles Mr. D A B Dassanayake
Lexinton Holdings (Private) Limited No. 10, Gothami Road Colombo 8 Tel: 011 5 328 100 Fax: 011 5 328 177 Email: contact@taprobane.lk	Mr. A G Weerasinghe
Lexinton Financial Services (Private) Limited No. 10, Gothami Road Colombo 8 Tel: 011 5 328 100 Fax: 011 5 328 177 Email: contact@taprobane.lk	Mr. A G Weerasinghe
Royal Fernwood Porcelain Limited No. 10, 5th Floor, Gothami Road Colombo 8 Tel: 011 5 700 700 Fax: 011 2 680 225 Email: fernwood@fernwoodporcelain.com	Mr. A G Weerasinghe (Chairman) Dr. L J A Peiris Mr. R P Sugathadasa Mr. E M M Boyagoda
Fernwood Lanka (Private) Limited No. 10, 5th Floor, Gothami Road Colombo 8 Tel: 011 5 700 700 Fax: 011 2 680 225	Mr. A G Weerasinghe Mr. R P Sugathadasa Dr. L J A Peiris
Lanka Decals (Private) Limited No. 10, 5th Floor, Gothami Road Colombo 8 Tel: 011 5 700 700 Fax: 011 2 680 225	Mr. A G Weerasinghe Mr. R P Sugathadasa Dr. L J A Peiris

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Ambeon Holdings PLC will be held at the Sri Lanka Foundation Institute at No. 100, Sri Lanka Padanam Mawatha, Independence Square, Colombo 7 on Friday, 27 September 2019 at 3.00 p.m. for the purpose of considering and if thought fit to pass the following resolutions:

1) To receive and consider the Report of the Board of Directors and the Statement of Accounts for the year ended 31 March 2019 together with the Report of the Auditors thereon (Resolution 1).

2) To re-appoint Mr. P P Maddumage, Director who retires by rotation, in terms of Article 25 (6) of the Articles of Association of the Company (Resolution 2).

3) To pass the ordinary resolution set out below to re-appoint Mr. A. G. Weerasinghe, who is 77 years of age, as a Director of the Company (Resolution 3).

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. A. G. Weerasinghe, who is 77 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 7 of 2007."

4) To re-appoint Messrs. Ernst & Young, Chartered Accountants the retiring auditors who have consented to be re-appointed as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration (Resolution 4).

5) To authorize the Directors to determine and make donations for charitable and other purposes for the year 2019/2020 as set out in the Companies' Donation Act [CAP147] (Resolution 5).

By Order of the Board
AMBEON HOLDINGS PLC

Sgd.
P W CORPORATE SECRETARIAL (PVT) LTD
SECRETARIES
Colombo

25 July 2019

Note:

a) A shareholder who is entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him/her.

b) A proxy need not be a shareholder of the Company.

c) A Form of Proxy accompanies this notice.

d) Shareholders are requested to bring their National Identity Card or any valid source of identification (eg: Driving License, Passport) when attending the meeting.

e) Shareholders appointing persons (other than Directors of the Company) to attend the meeting as their proxy holders are requested to indicate the number of the National Identity Card or any valid source of identification (eg: Driving License, Passport) number of the proxy holder on the Form of Proxy and request the proxy holder/s to bring with them their National Identity Card or any valid source of identification (eg: Driving License, Passport) when attending the meeting.

f) The completed Form of Proxy should be deposited at the office of the Registrars at No. 101, Inner Flower Road, Colombo 3 [not less than 48 hours before the time appointed for the holding of the meeting].

FORM OF PROXY

I/We .... of .... being a member/ members of AMBEON HOLDINGS PLC, do hereby appoint .... of .... or failing *him/her

Mr. A G Weerasinghe or failing him
Mr. N M Prakash or failing him
Mr. R P Sugathadasa or failing him
Mr. M Boyagoda or failing him
Mr. P P Maddumage

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held on 27 September 2019 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

		For	Against
1)	To adopt the Audited Accounts for the year ended 31 March 2019	☐	☐
2)	To re-appoint Mr. P P Maddumage	☐	☐
3)	To re-appoint Mr. A G Weerasinghe	☐	☐
4)	To re-appoint auditors Messrs. Ernst & Young	☐	☐
5)	To authorize the Directors to make donations	☐	☐

Signed this .... day of .... Two Thousand and Nineteen.

....

*Signature/s

Note:
1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse thereof.

Please furnish the following information:

Share Certificate No. ....

NIC No. ....

No. of Shares ....

Instructions as to the completion of Form of Proxy

i. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company.

ii. Kindly perfect the Form of Proxy after filling legibly your full name and address by signing in the space provided and dating same.

iii. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his/her Attorney duly authorized in writing or if such appointer is a company/corporation, either under its common seal, or under the hand of an officer/s or Attorney duly authorized in terms of the Articles of Association/Statute.

iv. In the case of a proxy signed by an Attorney, the original Power of Attorney must be deposited at the office of the Registrars (i.e. SSP Corporate Services (Private) Limited, No. 101, Inner Flower Road, Colombo 3. Telephone: 011 2573894) for registration.

v. The completed form of Proxy should be deposited at the office of the Registrars at No. 101, Inner Flower Road, Colombo 3 [not less than 48 hours before the time appointed for the holding of the meeting].

CORPORATE INFORMATION

Name of the Company
Ambeon Holdings PLC

Company Registration Number
PQ 26

Nature of Business
Investment Holding & Management Company

Legal Form
A Public Quoted Company with Limited Liability Company incorporated in Sri Lanka on 29 December 1910 and listed on the Colombo Stock Exchange on 01 January 1970

Registered Office
No. 10, 5th Floor
Gothami Road
Colombo 8
Sri Lanka
Telephone: +94 11 5700700
Fax: +94 11 2680225
Email: info@ambeongroup.com
Web: www.ambeongroup.com

Secretaries
P W Corporate Secretarial (Private) Limited
3/17, Kynsey Road
Colombo 8
Sri Lanka
Telephone: +94 11 4640360
Fax: +94 11 4740588

Registrars
SSP Corporate Services (Private) Limited
No. 101, Inner Flower Road
Colombo 3
Sri Lanka
Telephone: +94 11 2573894

Auditors
Ernst & Young
Chartered Accountants
201, De Saram Place
Colombo 10
Telephone: +94 11 2463500

Bankers
National Development Bank PLC
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Seylan Bank PLC
Standard Chartered Bank

This Annual Report is conceptualised, designed and produced by Redworks.

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Email: info@ambeongroup.com
Web: www.ambeongroup.com