AMBITIONS
SYNERGISED

AMBEON
HOLDINGS PLC

Annual Report 2019/2020

AMBEON
HOLDINGS PLC

AMBITIONS
SYNERGISED

Bound together by a far-sighted and deep-rooted determination towards success, unhindered by inhibitory aspects, Ambeon Holdings and our subsidiaries are driven by values that are synergistic in nature. And as a dynamic conglomerate, we continue to converge our ambitions, achieving them determinedly as a team of young and robust professionals whose work ethic is multidisciplinary, with strengths that create optimum outcomes.

Moreover, we continue to take risks on strategically viable opportunities, building synergistic ambitions with businesses that are part of technological and futuristic revolutions – stepping towards change before change becomes the norm, while optimising returns for our stakeholders, in every aspect.

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The combined effect of productivity improvements, cost controls, and increased customer confidence has resulted in a satisfactory outcome. Despite the black swan events, which flanked the financial year, customer confidence in the post-lockdown period increased, alongside stealthily managed costs such as working capital. These helped the Group post satisfactory results for the year.

Group Managing Director/ Chief Executive Officer's Review

OUR PURPOSE AND VALUES

THE VISION

Re-Engineering Success

THE MISSION

To Take the Leap that Transforms Latent Opportunities

VALUES

Moving First
(Catalysing Opportunities Through Readiness)

Channelling Teamwork
(Harnessing the collective strength of our diverse minds)

Actioning Results
(Mind, body and soul, we are committed to our investments)

Seeing Beyond
(Constantly challenging ourselves to look beyond)

Inspiring Each Other
(Encouraging Each Other's Success)

ABOUT US

Ambeon Holdings PLC, the subsidiary of Ambeon Capital PLC, is a leading medium sized conglomerate reputed for its market dominance in the areas of financial services, manufacturing, real estate, technology and strategic investments. The Group is powered and guided by the renowned corporate giants – the Galle Face Hotel Group, the Hirdaramani Group and Navitas Holdings.

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

The Group offers a range of financial services including money and stock broking services through subsidiary companies

Taprobane Capital Plus (Pvt) Ltd.
Taprobane Investments (Pvt) Ltd.
Taprobane Securities (Pvt) Ltd.

Manufacturing Sector

The Group operates two porcelain manufacturing facilities, a textile manufacturing operation and a production facility dedicated to leather footwear and accessories

South Asia Textiles Ltd.
Dankotuwa Porcelain PLC
Royal Fernwood Porcelain Ltd.

Real Estate Sector

The Group's real estate business deals in rental properties and in the purchase and sale of land

Colombo City Holdings PLC

Technology Sector

The Group offers a wide range of information system solutions and IT solutions to global and local clientele

Millennium I.T.E.S.P (Pvt) Ltd.

As a dynamic and well diversified Group of Companies, the Ambeon Group prides itself as being future ready, as it continues to be astute, driven, nimble and visionary – with an expanded range of products, strong globalised local brands, premier technology and innovation platforms, extending its footprint across new businesses, markets and regions. As a future centric Group of Companies, Ambeon continues to seek lucrative business opportunities and transforms entities to be the best within their respective industries.

Taprobane Capital Plus (Pvt) Ltd.

A leading financial services provider with a wealth of experience in capital markets in Sri Lanka. The Company has a range of business interests in financial and investment services.

South Asia Textiles Limited

A BOI certified company operating in Sri Lanka since 2004, South Asia Textiles Limited is a leading Sri Lankan textile manufacturer specialised in producing exceptional quality weft knitted fabric for leading global brands such as Victoria Secret, Next, Marks & Spencer, Tesco, Calvin Klein, Decathlon and Adidas.

Dankotuwa Porcelain PLC

Renowned for its luxurious and elegant porcelain, one with a sense of pristine beauty, Dankotuwa Porcelain PLC commenced commercial operations in 1984. From superior glazing technologies, personalised designs and endless options, the company continues to create timeless and modern collection of porcelain-ware that expresses exclusive dining experience for every occasion. Another important feature of Dankotuwa Porcelain tableware is the fact that the raw materials used for white products are Lead (Pb) and Cadmium (Cd) safe, does not contain bone ash and can be used in a microwave or a dishwasher.

Royal Fernwood Porcelain Ltd.

A large-scale manufacturer of high quality white and decorated porcelain tableware and figuring ornaments that enjoys a global reputationof manufacturing products for most of the prestigious ceramic dinnerware manufacturers in Europe, Japan, Australia, Scandinavia, USA and over 50 other countries. The company's prestigious international customer base includes brand names such as Debenhams, Portmerion, Oneida, House of Fraser, John Lewis, Jashanmal, Jumbo Retail, Joules, Crate & Barrel, Country Road, Laduree, Tchibo, Notneutral, XXX Lutz, Lenox, Porsgrund, Fischer, Ritzenhoff, Migross, Ripley, Thun, Narumi, El Corte Ingles, Berghoff, Yalco, Weissesstal and Galerfia Kaufhof

MillenniumIT ESP

Sri Lanka's leading information system solutions provider, delivering IT solutions for many industries; including banks and finance, telecommunications, apparel and leading conglomerates. The company has also built several global partnerships with leading firms including Oracle, Microsoft, IBM, Dell, Hitachi, Cisco and Infosys.

Colombo City Holdings PLC

A 100-year-old company with a rich legacy, CCH is a listed entity on the Colombo Stock Exchange. The company specialise in real estate business in Sri Lanka.

WELCOME TO OUR 3RD INTEGRATED ANNUAL REPORT 2019/2020

Welcome to Ambeon Holding PLCs' 3rd Integrated Annual Report. This report details a holistic view of the performance of Ambeon Holdings PLC (the Group) and our subsidiaries for the financial year ended 31st March 2020, unravelling our financial and non-financial performance, governance and prospects. In this report, we discuss the Group's challenges, opportunities as well as external factors that impact our operations and future strategy.

Framework Applied

This Integrated Report has been prepared in accordance with the principles prescribed by the <IR> framework published by the International Integrated Reporting Council (IIRC) in 2017/18. Further, we have presented material qualitative and quantitative information that would be of value to enhance relevance. In preparing this report, we have considered the fundamental concepts, guiding principles and content elements recommended in the Framework and have endeavoured to apply these recommendations in the report.

Moreover, we present detailed information on strategy and governance to provide a balanced and clear picture of our operations.

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. Information detailed in the Annual Report adheres to the framework stipulated by the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange (CSE).

Corporate Governance related disclosures presented in this report complies fully with 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.

Purpose

This report is prepared with the core purpose of increasing the transparency of our reporting practices and disclosure mechanism while providing our stakeholders clear, comprehensive and detailed communication with regards to the Group's corporate strategy, governance, performance and prospects in the context of the external environment in our pursuit of creating short, medium and long-term value.

Scope and Boundary

This 2019/20 Annual Report presents a comprehensive review of Ambeon Holdings PLC, and its subsidiaries. This report details quantitative and qualitative information as defined by the six capitals to provide an insightful overview of varied operational and business aspects of the Group. A detailed review of subsidiary operations is contained from pages 70 to 92.

Materiality

We have employed the principles of materiality to determine content presentation and prioritisation. Upon identifying material matters that are of interest to our stakeholders based on a review of the industry landscape and stakeholder feedback, we have included and prioritised issues which are of interest to our current and prospective stakeholders. Please refer to page 64 for a list of material matters.

Assurance

Messrs. Ernst & Young, Chartered Accountants have provided assurance on the financial statements pages 140 to 143. The Group will consider independent assurance for non-financial disclosures in future reports.

Board Responsibility statement

The Board of Directors and senior management have been instrumental in preparing this report. The Board is of the view that this, the 3rd Integrated Annual Report addresses all material matters, and provides a balanced view of the integrated performance of the Group and its subsidiaries.

Forward Looking statements

This report constitutes of forward looking statements, which are not guarantees or forecasts of future performance. As detailed in the report, the Group and its subsidiaries face external challenges outside of organisation control, which may lead to outcomes not reflected in the report.

Feedback on the report

We welcome your feedback on this report. Please email your questions and comments to **info@ambeongroup.com**

Reporting Changes

Apart from the changes clearly stated in the Financial Statements, there have been no reporting changes or re-statements related to the financial year 2019/20.

FINANCIAL HIGHLIGHTS

	2019/20 LKR	2018/19 LKR	Change %
Financial Performance (Continuing Operations)			
Revenue	19,693,286,605	17,231,735,908	14.28
Gross Profit	4,126,736,550	3,992,387,728	3.37
Profit/(Loss) Before Interest and Tax	1,539,422,705	2,183,886,352	(29.51)
Profit/(Loss) Before Tax	843,394,138	1,637,833,846	(48.51)
Profit After Tax	710,851,875	1,255,697,785	(43.39)
Profit/(Loss) After Tax - including Discontinued Operations	409,019,654	864,467,698	(52.69)
Interest Cover (Times)	2.21	4.00	(44.70)
Return On Equity	7.27%	13.43%	(45.83)
Return On Capital Employed	8.47%	14.01%	(39.57)
Financial Position			
Total Assets	24,461,947,710	22,586,748,824	8.30
Total Debts	8,406,470,463	6,233,817,435	34.85
Total Equity	9,774,839,820	9,353,278,271	4.51
No of Shares in Issue	356,869,666	356,869,666	-
Net Assets per Share	22.88	21.70	5.44
Debt/Equity	86.00%	66.65%	29.04
Debt/Total Assets	34.37%	27.60%	24.52
Current Ratio (Times)	1.05	1.08	(2.98)
Quick Asset Ratio (deduct prepayment as well) (Times)	0.57	0.56	2.59
Market Price of Share	8.1	9.2	(11.96)
Market Capitalisation	2,890,644,295	3,283,200,927	(11.96)

Revenue
LKR **19,693** Mn ↑

2018/19 - LKR 17,232 Mn

Assets
LKR **24,462** Mn ↑

2018/19 - LKR 22,587 Mn

Gross Profit
LKR **4,126** Mn ↑

2018/19 - LKR 3,992 Mn

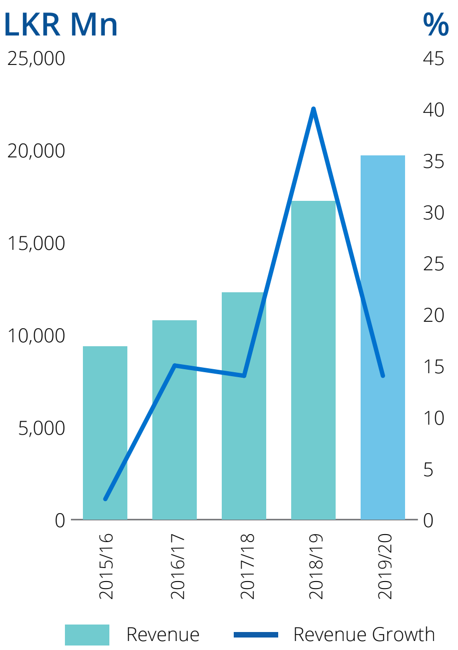
Equity
LKR **9,775** Mn ↑

2018/19 - LKR 9,353 Mn

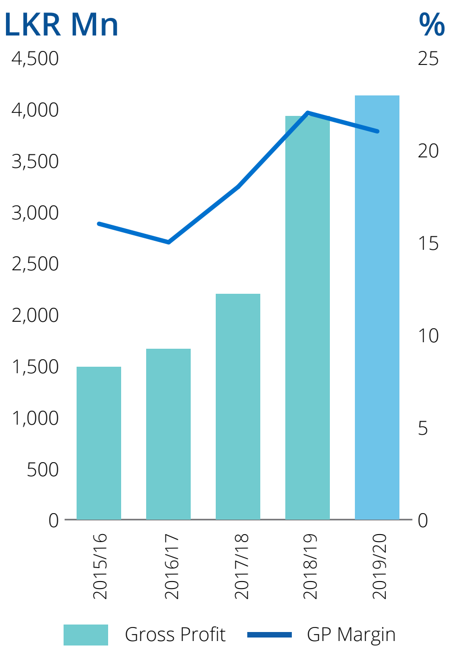
Net Profit
LKR **409** Mn ↓

2018/19 - LKR 864 Mn

Revenue +14% ↑

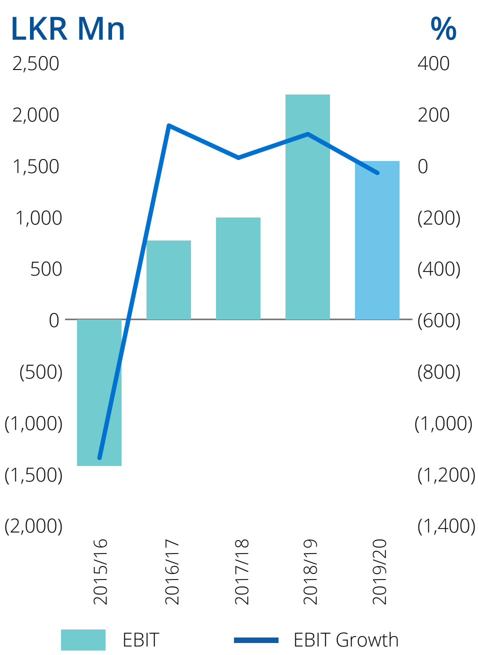


Gross Profit +3% ↑

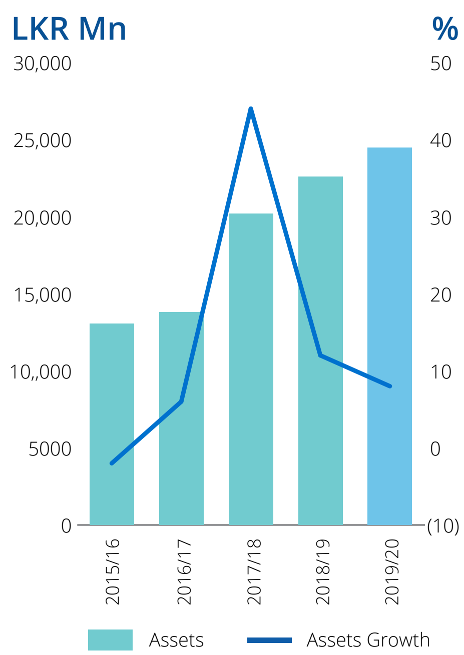


FINANCIAL HIGHLIGHTS

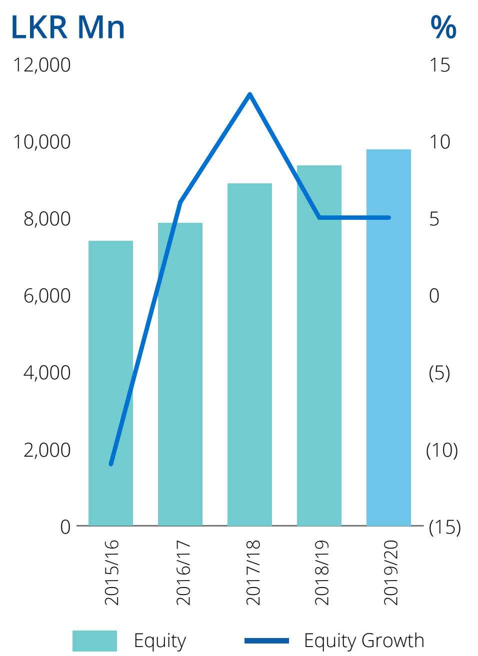
EBIT -30%



Assets +8%



Equity +5%



MANAGEMENT
REPORT

CHAIRMAN'S
MESSAGE

THE GROUP REVENUES CONTINUED TO IMPROVE, POSTING AN INCREASE OF 14% OVER THE PRIOR YEAR WITH AN OVERALL TURNOVER FIGURE OF LKR 19.7 BILLION, STAKING TO BE A WELL-BALANCED, FORMIDABLE MID-SIZE CONGLOMERATE IN THE MARKET.

On behalf of the Board of Directors, it is with pleasure that I present the Annual Report of Ambeon Holdings PLC for the financial year 2019/2020. This report provides an overview of our strategies for value creation and results for the past financial year.

The financial year 2019/20 proved to be challenged on many fronts, from a local to a global scale. Ambeon Holdings weathered these challenges through creating an agile system, changing our process where needed, and innovating on the run.

The financial year 2019/20 proved to be challenged on many fronts, from a local to a global scale. Ambeon Holdings weathered these challenges through creating an agile system, changing our process where needed, and innovating on the run.

Given the global and local situation that evolved during the year under review, and at a time when most entities are posting subdued revenues, it is admirable that we were able to grow the group revenues by double digits. This, in many ways, stands testimony to the customer-centricity and continued confidence in the products and services we offer.

Review of External Performance

The year under review witnessed double black swan incidents, which were significant to the financial performance. The impact of the Easter Sunday attacks and the COVID-19 pandemic in the last quarter of the year has taken a toll on businesses across the country.

Following the Easter Sunday Terror attacks in April 2019, overall economic activity slowed down., the Gross Domestic Product (GDP) recorded a slower growth of 2.3% in 2019 (3.3% in 2018), and growth was spurred by Industrial activities, which expanded favourably at 2.7%, and the services sector, which grew 2.3%, bringing overall composition of the GDP to 26.4% and 57.4% respectively.

While inflation remained low at 4.8%, the Central Bank reduced the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) on an ongoing basis over the past year to stimulate growth. As a result of these measures, the AWPLR remained relatively lower at 5.72%when concluding this report.

However, foreign direct investments remained subdued, and capital flows of the government securities market and the Colombo Stock Exchange remained volatile. The tourism earnings also faced a decline, and the worker's remittance remained moderate. Nevertheless, the external sector remained resilient, backed by the improvement in the trade deficit amidst a policy-induced reduction in the importation of gold and motor vehicles, and substantial foreign inflows in 2019 from the issuances of International Sovereign Bonds and the IMF.

Fiscal stimulus in the last quarter of 2019 to reduce personal tax and restructured corporate tax (for some sectors) spurred confidence and consumption growth in certain sectors; however, this had moderated government revenue. The government debt to GDP ratio rose to 86.8% of GDP by the end of 2019 from 83.7% end of 2018.

Although the economic outlook remains uncertain amid the evolving COVID-19 crisis, we remain cautiously optimistic about recovery and growth given the Group's diverse business interests and the necessary initiatives to sustain profitability and agility in these trying times, also reflective in our profitability this year.

Stability and Growth

The overall strategy under three broad strategy umbrellas, namely corporate level, business level, and operational level, has brought a great deal of stability over the years.

The group revenues continued to improve, posting an increase of 14% over the prior year with an overall turnover figure of LKR 19.7 billion, staking to be a well-balanced, formidable mid-size conglomerate in the market. The growth of top-line signifies continued external confidence, and this amidst a pandemic and Easter attack, is noteworthy and brings the Group's resilience.

The two external events severely impacted internal cost structures due to carried forward work in progress, lower than anticipated revenues, and increased holding costs. The month of March alone reported a significant revenue loss of over 60% in the manufacturing sector, which dampened the usually best quarter of the year to a considerably subdued quarter. However, the changes in fair value of properties and a continued stellar performance by the technology cluster, and the improved performance by financial services enabled to post a profit from continuing operations of LKR 710.9 million for the year under review.

Overall costs were challenging, given the volatile environment. Overall interest cost at the group level was managed within an increase of 27% for the year. With the rates on a downward trajectory, we expect the current year to bear much better results.

During the year under review, the Group changed its accounting policy, where the investments in subsidiaries were valued based on fair value as against the cost method previously to bring about a fairer reflection of the investments and provide relevant information to users, as detailed under the financial review of this report.

The changes in the overall balance sheet at the company level have resulted in the net asset value per share being recorded at LKR 30 from the previous LKR 29, reflecting the true value of our investments in subsidiaries. The company's total assets came in at LKR 14.7 billion compared to LKR 12.9 billion last year.

As part of an ongoing financial restructuring to better ROI, we disposed of the manufacturing arm of Ceylon Leather Products Limited – Ceylon Leather Products Distributors (CLPD) during the year, to focus on other businesses better.

Corporate Governance

Corporate governance at Ambeon Holdings is divided into internal governance, integrated governance, assurance mechanisms, and regulatory benchmarks. These cover a broad spectrum of components such as rules from CSE, SEC, and other authorities and the code of best practices and internal and external control environments. From strategy formulation to set governance standards in HR and IT to integrated risk management, we strive to ensure that we meet all governance requirements and surpass expectations.

Sustainability and CSR

In our effort to create sustainability, we made several investments in minimising our environmental impact. First, we focused on the internal customers and community while simultaneously responding to the community's urgent and immediate needs at large.

Our interest in preserving the environment guides our actions as a Company. Given this interest, South Asia Textiles Limited spent over 1.5 million dollars over the past 1-2 years to ensure cleaner environments around its surroundings, completing a water treatment plant costing over two hundred million rupees to help purify the water that is used in the communities we inhabit. We have also endeavoured to maintain

The growth of top-line signifies continued external confidence, and this amidst a pandemic and Easter attack, is noteworthy and brings the Group's resilience.

We have always taken a long-term and multi-stakeholder approach to value creation for our stakeholders. With this approach, we have continued to invest in enhancing employee skills and developing their potential. Our business verticals have had great success in the past year, which has led to more value for our shareholders in wealth creation.

environmentally friendly ecosystems around the factories as well as carrying out several initiatives to ensure community wellbeing.

In responding to community needs, especially during the pandemic, several new initiatives were brought about. Remote monitoring of patients and remote communication of health sector, administrators, and others, innovative porcelain steam inhaler donations for patient aided respiratory tract treatments, are a few of such ventures. As part of our continued focus and attention to being a true corporate citizen of this country, we continue to explore requirements, be relevant, and respond as needed to improve our internal and external communities' overall wellbeing.

Stakeholder Value Creation

We have always taken a long-term and multi-stakeholder approach to value creation for our stakeholders. With this approach, we have continued to invest in enhancing employee skills and developing their potential. Our business verticals have had great success in the past year, which has led to more value for our shareholders in wealth creation.

Geographical expansion, especially with technology cluster and several innovative and future centric products services and applications such as remote health care applications, AI centered online platforms, lifestyle and non-traditional application centered porcelain products to many other initiatives are in the making as part of focused growth strategies into the future.

Way Forward

At Ambeon, the overall growth strategy is two-pronged. Organic growth and accelerated growth. The expansion strategies briefly spelled out above reflect the organic growth strategy, which is very much business focused on beating the competition and growth at a minimum of 10% - 12% or over.

As an alternative, we are also focused on an accelerated growth strategy with 20% or over. This is where we look at mergers and acquisitions and accelerated capacity expansion as a means of growth. This, while mostly being in areas that are within our core competencies, we are more with an opportunity-seeking mindset to bring in businesses that would be both future-centric and enhance stakeholder value rapidly. Our acquisition of MIT-ESP and building the technology cluster is an example of this, and we are open and focused on doing such expansions at the right time.

Yet another focus area into the future is, building a future proof structure. We are strengthening the top team to bring the best talent while ensuring continuity in the long term.

Appreciation

No work of this magnitude could have been achieved without a skilled team's concentrated and dedicated efforts. I am grateful to our Ambeon Team-led by Murali Prakash, who embody the Ambeon spirit and enabled the Organisation to reach strategic goals through effective navigation of challenges. I wish to express my gratitude to the Board of Directors for their consistent support, invaluable counsel and guidance.

I wish to thank our bankers, suppliers, and business partners who make up our extended support system. My team and I value and appreciate the trust placed in us over the years by our partners and our customers' continued patronage. Their confidence in us has continued to fuel us in our journey. The Board and I would also like to extend our sincerest gratitude to our shareholders, who continue to support us in everything we do and are part of this journey with us.

It is with pride and pleasure that I look to the future, knowing that we are well-placed to meet many obstacles and challenges.

Sgd.

Mr. Sanjeev Gardiner

Chairman

02 October 2020

THE YEAR WAS AN EXEMPLARY PERIOD OF TIME THAT DEMONSTRATED THE GROUP'S RESILIENCE AMIDST ADVERSITY AND CONGRUENCE IN ACHIEVING GROUP OBJECTIVES, PROVING TO BE THE YEAR THAT WE ACHIEVED GREAT SYNERGIES AND EFFICIENCIES IN OPERATIONAL PERFORMANCE.

Journeying onward with spirited resilience...

Commencing my review, I would like to state that the Group has emerged resilient through one of the most challenging business environments, experienced not only on a national level but also globally. I am pleased to report that the Group achieved profitability amidst the bleakness of the pandemic and amidst our continued approaches to restructure and shape our businesses in becoming what we term as 'future-proof' entities. The unprecedented black-swan events of 2019 and 2020 became tests of our perseverance, pushing us to examine our true mettle. In every challenge, there is an opportunity, and this is what we set out to unravel while strategically aligning our businesses to weather the adversities.

The group has recovered extremely well, as at the end of the second quarter of 2020, with all businesses reporting profit since the latter part of the first-quarter - a momentum that we expect to sustain; this perhaps is a comforting assurance to all stakeholders and a true testimony to the resilient and agile business model that we have cultivated over the years through carefully orchestrated restructuring, repositioning, and acquisitions. As a Group, we are now a better-balanced entity and a strong contender within the 'new normal' business landscape.

The unprecedented black-swan events of 2019 and 2020 became tests of our perseverance, pushing us to examine our true mettle. In every challenge, there is an opportunity, and this is what we set out to unravel while strategically aligning our businesses to weather the adversities.

In the previous year, under 'Aligning Ambitions' we, reported the strategic navigation of the group and its businesses under four external pillars - rebranding, repositioning, new acquisitions, and realigning. In pursuing the ideology of a future-proof entity, many internal aspects underwent strategic changes while taking external views in having the right balance between minimising risks and augmenting opportunities. I am pleased to state that the group stepped in this direction with the acquisition of a technology cluster in December 2017, which not only created a greater equilibrium but also made the group more agile and resilient.

Yet, despite the resilience observed, the 'March Factor' was a primary trigger for the substantially subdued performance of the year, especially as it impacted our export-based businesses. What it entails is the unfavourable environment that prevailed due to the suspension of business activities, sales, and cross

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

border trade since March 2020. Drop in revenue, considerable work in progress, the impacts from factory closures, order cancellations and spiralling cost had a crippling effect during the month, resulting in a severe impact on the final quarter.

The manufacturing sector had a significant drop of 63% in revenue in March and a 133% drop in profits, recording a loss-making month due to the impact of COVID and related suspensions. Additional challenges also impeded growth, such as domestic restrictions in production, logistical issues in procurements, restrictions on imports, willowing and revenue issues. Nevertheless, the silver lining is the continued surge in profits from our technology cluster, which posted a record 14% increase in net profits over the prior year and the continued double-digit revenue increase for the year at the group level.

Macro Environment

Let me now direct your attention to what we would like to describe as one of the toughest environments experienced by the corporate sector in over a decade. The country and its economic contributors enjoyed a decade of unstoppable growth since the end of the civil war in 2009. However, this was met with the reprehensible ramifications of the Easter Sunday attacks, which tinged the very fabric of our country's harmony and national security; this was further worsened by substantial impacts in the form of disrupted domestic sales and consumption.

In February of 2020, as COVID-19 began to spread, within Sri Lanka and the state was compelled to impose an indefinite lockdown, while economic activity halted due to a temporary suspension of trade and commerce. COVID-19 created an immediate impact on the company due to closures and containment measures while bringing broader impacts on the medium term due to economic contractions, subdued demand, and more importantly, changing operational dynamics. These double black swan events also had a significant reaction from customers and other external agencies, with its impacts varying significantly.

The global economy is now witnessing the worst slump since the great depression of the 1930s: this is expected to result in growth contractions of developing nations including USA, United Kingdom, Eurozone, and Japan, while China and India are also likely to undergo retracted growth. WTO forecasts a decline of 32% in global merchandise trade in 2020. This dismal economic performance of global economies will undoubtedly impact Sri Lankan export earnings due to weakened demand. Yet, with a spirit of defiance, the nation continues to grapple with the uncertainties while continuing to push through the lingering consequences.

While extremities will continue to persist in imports and exports, costs will likely meet the impacts of notable rupee depreciation even though current import restrictions might ease this out in the short term. As a result of inflationary pressures and fluctuations in demand, entities will most likely cut back on capital expenditures, which will also have an impact on the envisioned investments and larger projects within our technology cluster. However, with increasing dependency on network security, data, and AI-driven market spaces, collaborative and digitally-enabled business structures, the technology market in Sri Lanka and across the globe seems to augur well for our technology business.

Taking stock of potential opportunities within this COVID era, research has shown tremendous shifts in consumer behaviours as a result of social distancing and imposed lockdowns. While both pros and cons persist, we can expect reduced consumption and discretionary spending alongside increased online buying and a focus on 'buying local.'

On the positive side, interest rates are expected to decline while remaining in this manner for the next couple of years; this is likely to be favourable for investments and cost reductions for the Group in the immediate term. In addition, increased government spending, as efforts are taken to help revive the economy, will impact fiscal policies.

Strategic Shifts

During the year under review, the Group conducted vision, mission and value congruence acquiring the services of external consultants, enhancing the group's core ideology of 'Congruence of Diversity.' This was essential, as it further aligned our business entities and interests with the group strategy. As a result, the group has further synergised values while maintaining agility and business dynamics across each sector.

As part of our initiatives in achieving sustainable growth and in continuously building stakeholder value, the company continued to focus on expanding financial services

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The combined effect of productivity improvements, cost controls, and increased customer confidence has resulted in a satisfactory outcome.

and technology-based solutions, which have provided significant boosts and visible results to the Group's overall progress. Vying for a key leading position as a techno-centric conglomerate, the Group has envisioned many initiatives in expanding both financial and technological services, aligned with our group strategy.

The Year's Results

The combined effect of productivity improvements, cost controls, and increased customer confidence has resulted in a satisfactory outcome. Despite the black swan events, which flanked the financial year, customer confidence in the post-lockdown period increased, alongside stealthily managed costs such as working capital. These helped the Group post satisfactory results for the year.

At the Group level, revenue grew from LKR 17.23 billion to LKR 19.69 billion, in the year under review, marked by an increase of 14%. Although we witnessed subdued profitability during the year, the results are momentous as they were obtained amidst inconceivable setbacks that erupted from the Easter attacks and complete closure of operations due to the pandemic in March of 2020.

Gross profits at the group level increased from LKR 3.99 billion in the previous year to LKR 4.13 billion in the current year. Technology, porcelain, and financial services clusters were the main contributors towards the increased gross profits during the year. From a yearly perspective, lower than anticipated GP margin (in percentage terms) due to pricing pressures contributed towards a lesser than expected GP.

On the financial and accounting front, the group revised its accounting policy for investment in subsidiaries, shifting from cost method to accounting at fair value in accordance with SLFRS 9. The full details of this policy change and its impact to the company disclosed in a subsequent chapter within this report. This was done in order to reflect the true nature as an investment management business, and as fair valuing was considered as a better method in reflecting the company's performance and current position of its investments at any point of time.

The change resulted in a positive valuation of LKR 1.02 billion for the year under review, while a total gain of LKR 6.1 billion was recorded for a three-year period, the balance of which was adjusted by restating the accounts for years 2017/18 and 2018/19. There was a positive impact on the net assets per share, which rose to LKR 30.08 per share for the company.

In addition, the group adopted SLFRS 16 during the year and recognised the right of use of assets amounting to LKR 148.41 million, along with corresponding liabilities, as yet another accounting policy change,

Better controls in financial pointers also impacted growth, which was necessitated in curbing the effects of lost sales and impeded operations. As a result, an appreciable reduction was achieved in Administrative Expenses, which grew only by 22% during the year despite goodwill impairment, provisions due to prevailing conditions.

Finance cost was maintained at around 27% over the previous year; achieved against increased working capital requirements to weather the effects of the Easter Sunday attacks and the set back on local collections pertaining to technology and porcelain clusters - which were significant. The Current ratio shifted during the year from 1.08 to 1.05 times whilst the quick ratio remained on the same footing at 0.60 times, signifying better management of working capital across our subsidiary companies.

Debt to capital employed improved from 60% to 54% between the two financial periods of 2018/2019 and 2019/2020, while Inventory turnover moved from 3.12 times to 3.80 times on a year on year comparison. Actions taken to optimise inventory positively impacted the latter, in addition to improving 'days in inventory' from 117 days in the previous year to 96 days in the year under review. This was a clear outcome of the timely and effective measures taken by our manufacturing cluster.

On a subdued note, the less than anticipated sales and gross profit failed to absorb the increase in selling and distribution expenditure, which rose by 36% on a year-on-year basis. In addition, the increased provision on account of delayed action due to external factors also contributed towards increased expenditure. These impacted the overall profit from continued operations, which reduced by 43% against the prior year to record LKR 710.9 million for the year due to what we could term as external impacts on the business. The overall gains in fair value of land and properties during the year helped negate the effects of the otherwise subdued year of performance on profits.

Review of Clusters

It is imperative to present a focused and summarised account of performances and key developments of group clusters, which will be further detailed in subsequent chapters of the report. In essence, all business sectors performed well in terms of revenue and business expansions, with several new products and services being offered to the market.

Technology

The crux of our technology cluster, MillenniumIT ESP, underwent a strategic rebranding exercise aimed at a complete re-launch of the brand and the company. A new purpose statement is now attached to the company, titled 'Reimagine Today. Reinvent Tomorrow', purposefully named to propel a significant shift in the overall outlook of the tech firm. The fresh look and feel are weighted towards a more contemporary perspective, and a rebranding and repositioning was executed with the assistance of 'Landor' and Brand Finance, while values were re-created to sync with brand and group core ideologies.

The Group's core business focus falls around creating a conglomerate that is agile and well balanced. To this effect, we revamped the internal processes of MillenniumIT ESP for increased agility, speed and accountability. Processes, which were revamped, included fully-fledged project management, the new state of the art Security Operations Centre (SOC) and revamped Network Operations Centre (NOC) operated from a separate space. Furthermore, we invested in an HR based system known as Mint HRM, consolidating internal customer CRM as a four-part solution. This is expected to develop internal CRM adding value through greater employee engagement.

Working arrangements were adopted due to COVID-19 lockdown constraints in end-March; around 40% of the staff continues to work from home, allowing them greater work-life balance and overall cost optimisation. Continuing to use the company's intellectual capitals, the company introduced multiple solutions within the year, including remote health care apps and facilities and several online-based AI centred platforms such as FinBOT.

Culminating in the growth of revenue and gross profit, the above-mentioned actions bode well on the company. Revenue jumped by 23%, pushing gross profit up by 13%. Consequently, the Net Profit recorded an increase of 14% YoY, also as a result of the tax rate change.

For the most part, plans for expansions were not realised. The Regional expansion could not be rolled out as planned and has been reprogrammed from the final quarter of 2019/20. As a result, the business strategy expansion programme was delayed by a few months.

The future of the company remains greatly optimistic as it continues to leverage the ever- increasing demand for tech services by respective markets and clients.; The company is now poised for taking their competitive offering towards further expansions; expansions that are not only limited to geographical spread but industry expansions including moves towards healthcare, insurance, and other sectors. Inroads are also being made in cutting-edge solutions such as Robotic Process Automation (RPA), Artificial Intelligence (AI), Internet-of-Things (IoT) and other analytics-based actions.

Manufacturing

The manufacturing cluster had a particularly challenging period in the financial year, as COVID-19 posed severe stress on revenue and working capital. Before I summarise the rather sombre details, I must emphasise that several new products were introduced by our porcelain entities, including recent innovations that struck a new chord in the industry. These included a porcelain water bottle, a porcelain microwaveable rice cooker and a steam inhaler now used in several hospitals to treat patients with respiratory problems. Further, products integrated with smart technologies are also pursued by the porcelain sector – such as QR embedded tableware and electronic porcelain products. The sector also secured a novel order for producing porcelain wire insulators from a company from New Zealand. South Asia Textiles produced fabric for facemasks based on internal research, which was well accepted for exports. However, the most pertinent moves were the significant cost improvements due to process re-adjustments resulting in increased efficiencies.

Without sounding overly passive, I must mention that our Porcelain business had impediments in the local market due to both the Easter Sunday attack and the pandemic; the result was a substantial loss in the first quarter as issues arose in domestic retail sales and export productions. Yet, as winds shifted towards optimism, the sector's middle two quarters improved dramatically but was met with a lacklustre performance in the fourth quarter. Resultantly, cluster revenue grew at a rate of 3.0%, further sobered by a net loss of LKR 64.52 million. The net loss, however, was mainly due to an impairment of its goodwill on investment by subsidiary Royal Fernwood Porcelain Limited and inventory provisions.

South Asia Textiles, the fabric manufacturing business, had one of the worst years recorded in recent

the Group achieved profitability amidst the bleakness of the pandemic and amidst our continued approaches to restructure and shape our businesses in becoming what we term as 'future-proof' entities.

times. Marred by the two external events, the disruptions faced by the sector continued as operations rolled-out with limited staff. The final quarter that included February and March posted significant drops in revenue; closure of factory operations resulted in substantial work in progress (WIP) amidst export order cancellations, leading to erosion in profits. Notwithstanding these issues, overall revenue continued to be positive, with a 10% improvement over the prior year signifying continued customer trust. However, the drop in GP margins by over 4% against the prior year due to external factors and increased cost due to factors explained elsewhere in this note resulted in a large erosion in net profits. As I write this review, the entity has shown great progress having come out of the closure, posting results well above the forecasts made during the height of the pandemic, and are optimistic of continued good results from this year ahead.

During the year, Ceylon Leather Products Limited transferred the shoe manufacturing business to its subsidiary, Ceylon Leather Products Distributors - which was eventually divested in 2019/20 as part of an on-going restructuring exercise geared at delivering greater efficiencies. The group recognised a loss on disposal, amounting to LKR 39 million and reclassified results of discontinued operations amounting to LKR 263 million. For the greater part, going forward, the group will be devoid of the loss from this sector, which in the past years was over 350 million per annum.

During the previous year, the group's textile business, South Asia Textiles Limited (SAT), took under its wings the resurrection of 'Lumiere' textiles with the expectation of expanding its capacity. However, during the year, issues pertaining to cost and management erupted, in addition to increasing costs due to customer claims and holding costs. Added to the woes were the disruptions which occurred due to the Easter Sunday attacks and the pandemic, which resulted in drastic performance setbacks.

All in all, the manufacturing cluster revenue increased by 8.68% while operating margin plummeted to 1.20% of the revenue from 10.70% in the prior year.

Financial Services, Real Estate and Strategic

Our financial services sector remained profitable amidst said externalities and consolidated on capital market instruments through enhanced internal research. The impact of COVID-19 was inferior to our financial services sector, which operated on remote work arrangements. The business experienced a favourable scenario from fixed income securities due to fluctuations in interest rates. This sector, which comprises of stock and money broking, posted a net profit of 40 % of revenue, which was better than the prior year's 17% of revenue.

The real estate sector remained largely subdued during the year, yet, it enjoyed benefits from its new acquisition, Lexinton, a rental property that contributed to improved revenue and profits of the business.

The 'People' Factor

We cannot build resilience and expect growth without the right people to steer the ship when the seas become rough. Although metaphorically spoken, this is the exact manner in which our teams worked, as they stood strong, grounded in self-determination, surpassing challenges. Across the Group, our people, our employees embraced vigorously a culture of critical thinking while showing a stupendous collaborative spirit and cooperation.

The proclivities towards working from home worked well on our behalf, as our employee productivity levels soared beyond average levels, seen especially in our people within technology and financial services. Collectively, they had a willingness to be receptive to cost optimisation measures, which unfortunately resulted in reducing various aspects and on optional spending capacities. This was not limited to the executive level but was also strongly demonstrated by our non-executive and factory staff, which realigned their work ethic in terms of working hours, take-home salary while forgoing certain benefits. Although the milieu was not the most convenient, our factory staff continued to attend work; they showed great resilience as some either walked or found alternative transport means in reaching factories. During the year, we also had improved industrial relations with zero confrontations.

On a group level, our employee engagement surveys demonstrated significant improvements in engagement levels across the Group. Spot awards were distributed recognising exceptional employee achievements on a continued basis. Executive education-based training was also conducted in conjunction with the Postgraduate Institute of Management, besides our regular internal training.

Our CEOs were given the best support by their teams, and within this surety, the group continued to implement a new KPI based appraisal system. The win-win partnership between the leadership and employees also stimulated efforts of infusing congruent values across the group. The group also migrated to a new HRM system designed for greater collaborative skills.

During the time, the safety of our employees was a continued focus that required concerted efforts across our companies. The group laid down a precise and clear procedure, which was to be followed by all in terms of ensuring health and safety. A task force was set up, which comprised of senior-most business managers; as they worked on all areas from HR, health, safety, operations, also facilitating work from home while attending to external and internal customer issues. In light of pandemic concern, employees were equipped with facemasks, washing facilities while ensuring sanitisation requirements. Further, social distancing protocols and procedures on attending the sick were set in place for stopping any harmful eventualities.

Frequent communication proved to be beneficial as corporate communication and HR collaborated to ensure that our people were educated on behavioural conduct in maintaining preventive measures.

Sustainable Success

The group's sustained growth depends to a greater extent on how we positively contribute, especially in the values we distribute amongst our communities and the environment. The group broadly focuses on three areas; one being internal customers and the community around us, harping on the concept of 'charity at home'. Many of our endeavours in this regard have taken shape around ensuring employee health. We now provide free eye camps and health check-ups, alleviating much of their health-related concerns.

As the second dimension of our focus, we respond to the needs of the community at large. During the pandemic, the group set up ICT infrastructure for remote monitoring of patients and in facilitating communication within the health sector, administrators and others. Several locations, such as key COVID treatment hospitals and the ministry of health, were connected in this manner. We connected several locations with state-of-the-art facilities. When COVID-19 was at its peak in Sri Lanka, our porcelain sector donated its new innovation, the steam inhaler, to the health care sector in aiding patients with respiratory tract treatments.

To a great extent, the group has invested heavily in creating and sustaining cleaner and safer surroundings, as part of which we maintain sustainable eco-systems around our production facilities, ensuring community wellbeing through numerous initiatives.

As a result, South Asia Textiles has spent over USD 1.5 million in ensuring a cleaner environment across a span of two years. This includes a water treatment plant built with an investment of LKR 200 million. The group is now actively controlling emissions through better process management. Furthermore, our porcelain factories now run on LPG and not on Kerosene; the cluster is also committed to manufacturing products that are safe from lead and cadmium.

Conscientious Leadership

Our governance framework is a culmination of our commitment to systematically drive businesses and is the key instrument, which aligns the varying interests of our subsidiaries with the group strategy. However, the framework is also one that greatly facilitates verities of working in a collaborative, freethinking atmosphere. During the year, the group undertook to improve its overall governance framework and compliance significantly. We have considerably invested in training people and having a dedicated risk and compliance team; we are also one of the very few companies to run a dedicated Enterprise Risk Management system, monitored across several levels: strategic, operational and other risks.

Broadly structured on four pillars, the group's CG Framework incorporates the internal governance structure, integrated governance, assurance mechanisms, and regulatory benchmarks. It has integrated a broad range of components, including rules from CSE and SEC, in addition to other governing bodies; the framework is further enhanced by its inclusion of code of best practices that flow across the group from a top-down perspective while horizontally impacting both internal and external control environments. Each entity within the group is part of this structure with peripheral oversight but aligned to the group framework monitored and managed by a dedicated team at the group level.

I am pleased to report that the group and its subsidiaries are compliant with all governance protocols that are required from a public quoted conglomerate. Governance and risk management has not only ensured the overall health and stability of the Group but has also ensured compliance with various state authorities and industrial apex bodies.

Moving Ahead

The Group will continue to focus on managing our investments, repositioning them with group strategy and values. As an investment management company, we will seek more lucrative prospects, leveraging a first-mover advantage in creating more value for our shareholding partners. As we have done over the years, Ambeon will continue to explore the market and product-based expansions with a focus on both organic and inorganic growth structures; from a product and service perspective, both untapped and underserved markets will be pursued.

We will continue to explore beyond the boundaries of our existing investments while expanding our businesses through new products, moving into domestic and foreign markets, and investing in techno-centric processes that foster revenue and increased efficiencies. Understanding the futuristic potentials of both technological and financial services, we will continue to pursue apt investments, which can be brought under the Ambeon umbrella. Through MillenniumIT ESP, the Group continues to invest in a myriad of new possibilities, and the Group has set goals in expanding regionally and into new industry verticals where our presence is either moderate or non-existent.

The future of our porcelain businesses remains in product diversifications and innovations that go beyond the portfolios of tableware. Plans are afoot to expand into the gift market and into kitchenware, which carries better capacities for value generation. While our innovation team headed by group continues to research, explore and adopt new diversifications intended to transform our porcelain businesses to lifestyle brands, the supply chain is looking at sourcing local raw material, including clay and as a step toward reducing lead times.

The group continues to invest in our textile-manufacturing arm, as it leverages research capabilities in creating better products, including fabrics for mask manufacturing. The business also has much room to grow in improving internal processes and undergoes continuous cycles of learning and re-learning of best practices and manufacturing principles. Studies are currently conducted on the automation of several processes, which will be implemented in the near term.

The future of our financial services arm will be paired with speciality products, including our exploration of options in Real Estate Investment Trusts (REITs). FinTech is an area that interests us the most, and we would be looking at possible expansions into this area of business.

Ending Note

I must end this review, assuring that the year's subdued financial performance was indeed a temporary glitch in the wider fabric of our progress. The year was an exemplary period of time that demonstrated the group's resilience amidst adversity and congruence in achieving group objectives, proving to be the year that we achieved great synergies and efficiencies in operational performance.

At the time of completing this report, all companies have emerged defiant and positively reinforced from the impacts that unfolded due to the pandemic and from the blows of the Easter Sunday attacks. As a group, we have posted an excellent post COVID recovery, while our entities have emerged with leaner processes and increased customer confidence.

Ambeon has not deviated from its vision of becoming one of the best conglomerates in the country and will continue to enhance our positioning within the country's economic and commercial landscape – assuring our shareholders of continued success and exponential growth of our bottom-line.

Acknowledgement

I must first and foremost thank our shareholders that continue to breathe sustenance to our corporate agenda. Our quest for sustainable growth is fortified by your continued patronage. To the Chairman and the board of directors of Ambeon Holdings PLC, I relay my appreciation for your consistent guidance and advice in facing the challenges of a volatile environment. To our subsidiary CEOs and group senior team, I am heartened by the immense perseverance demonstrated as you continued to lead with accountability; your collective strengths has been the strongest asset in bringing our businesses under the strategic direction of the group.

I extend a heartfelt appreciation to all our employees across subsidiaries for your incomparable performance during the year under concern for achieving greater efficiencies in a short span of time.

To our banking and financial partners, we remain beholden for your continued support in enabling us to expand within strategically devised financial schemes that amplify our investment potentials.

In anchoring our goals, whether short term or long term based, our suppliers and vendors have been instrumental, as they continue to work alongside our expectations. For your continued support, I extend my most sincere gratitude.

A similar note of thanks is conveyed to our most valuable competitive leverage – our customers and business partners across all sectors and clusters. Your continued partnerships with our group's business entities amidst the turbulence of the financial year helped sustain our on-going strategies of growth while inspiring us to enhance efficiencies across the broad spectrum of our products and services.

The synergies of our stakeholders continue to empower and fortify us in our journey of becoming a topmost conglomerate of the nation.

Sgd.

Murali Prakash
Managing Director / Chief Executive Officer

02 October 2020

BOARD OF DIRECTORS

Mr. Sanjeev Gardiner
Chairman/Non-Independent, Non-Executive Director

Mr. Ajith Devasurendra
Deputy Chairman/Non-Independent, Non-Executive Director

Mr. Murali Prakash
Group Managing Director/CEO

Mr. A. G. Weerasinghe
Independent Non-Executive Director

PROFILES

Mr. Sanjeev Gardiner
Chairman/Non-Independent, Non-Executive Director

Mr. Sanjeev Gardiner is the Chairman and Chief Executive Officer of the Gardiner Group of Companies which includes the Galle Face Hotel Co Limited, Galle Face Hotel 1994 (Pvt) Ltd., Ceylon Hotels Holdings (Pvt) Ltd. (holding Co of Ceylon Hotels Corporation PLC) Kandy Hotels Company (1938) PLC (which owns the Queen's and Suisse Hotels in Kandy) and, United Hotels Co (Pvt) Limited which owns the The Surf (Bentota), The Safari (Tissa) and The Lake (Polonnaruwa). He is also a Director of Cargills (Ceylon) PLC since 1994.

Mr. Gardiner counts over 30 years of management experience in a diverse array of business. He holds a Bachelor's Degree in Business from the Royal Melbourne Institute of Technology, Australia and, a Bachelor's Degree in Business (Banking and Finance) from Monash University, Australia. He has been a Council Member of HelpAge Sri Lanka for several years.

Mr. Ajith Devasurendra
Deputy Chairman/Non-Independent, Non-Executive Director

Mr. Ajith Devasurendra is a veteran in the financial services industry in Sri Lanka and counts over 35 years of experience both in Sri Lanka and overseas. As one of the pioneers in money markets, he was able to bring new dimensions to the local money market industry. He acted as a consultant to Price Water House Coopers, Bombay, India on an USAID project.

Mr. Devasurendra is the Chairman of South Asia Textiles Limited and Eon Tec (Private) Limited, Deputy Chairman of Ambeon Capital PLC and Dankotuwa Porcelain PLC and Director of Ceylon Hotels Corporation PLC.

Mr. Murali Prakash
Group Managing Director/CEO

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 Colombo City Holdings PLC., Ceylon Leather Products Limited, Dankotuwa Porcelain PLC., Millennium I.T.E.S.P. (Private) Ltd., Royal Fernwood Porcelain Limited, South Asia Textiles Limited and Taprobane Capital Plus (Pvt) Ltd.
Mr. Prakash serves as a Director on the respective boards of all these private and public quoted subsidiaries within the group.

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

With over 35 years of experience handling 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. A. G. Weerasinghe
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 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.

BOARD OF DIRECTORS

Mr. Ruwan Sugathadasa
Non-Independent Non-Executive Director

Mr. Mangala Boyagoda
Independent Non-Executive Director

Mr. Ranil Pathirana
Non-Independent, Non-Executive Director

Mr. Revantha Devasurendra
Alternate Director to Mr. Ajith Devasurendra

PROFILES

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., Royal Fernwood Porcelain Limited.

Mr. Mangala Boyagoda
Independent Non-Executive Director

Mr. Mangala Boyagoda has many years of experience in the fields of Banking and Treasury Management having worked at DFCC Bank, Standard Chartered Bank, Union Bank and Bank of Ceylon.

Chairman of Wealth Lanka Management (Pvt) Limited. Director of Wealth Trust Securities Limited, SAFE Holdings (Pvt) Limited, Asset Trust Management (Pvt) Limited, Ceylon Hotel Corporation PLC, Dankotuwa Porcelain PLC, Ceylinco General Insurance Limited, Sierra Construction (Pvt) Limited, Cargills Bank Limited, Royal Fernwood Porcelain Limited, Faber Capital (Pvt) Limited, United Hotel (Pvt) Limited, C A Crushing (Pvt) Limited, Sri Lanka Gateway Industries (Pvt) Limited, Chemanex PLC, Asset Holding Pvt Ltd. and Dhamma Parami Trust.

Mr. Boyagoda holds a MBA from Irish University – European Union.

Mr. Ranil Pathirana
Non-Independent, Non-Executive Director

Mr. Ranil Pathirana has extensive experience in finance and management in financial, apparel and energy sectors and presently serves as a Director of Hirdaramani Apparel Holdings (Private) Limited, Hirdaramani Leisure Holdings (Private) Limited and Hirdaramani Investment Holdings (Private) Limited which are the holding companies of the Hirdaramani Group. He is also the Managing Director for Hirdaramani International Exports (Pvt) Limited, a Director of Star Packaging (Private) Limited and Windforce (Private) Limited.

Mr. Pathirana is a Non-Executive Director of Ambeon Capital PLC, Sampath Bank PLC, Ceylon Hotels Corporation PLC, BPPL Holdings PLC, ODEL PLC & Alumex PLC. He is a Fellow Member of the Chartered Institute of Management Accountants, UK and holds a Bachelor of Commerce Degree from the University of Sri Jayewardenepura.

Mr. Revantha Devasurendra
Alternate Director to Mr. Ajith Devasurendra

Mr. Revantha Devasurendra holds a Bachelor of Arts with Honours in Industrial Economics from the University of Nottingham and a certificate in Hotel Real Estate Investments and Asset Management from Cornell University's School of Hotel Administration.

Mr. Devasurendra holds directorships in Cyril Rodrigo Restaurants (Private) Limited, Dankotuwa Porcelain PLC, Navitas Investments (Private) Limited, C H C Investments (Private) Limited, Ceylon Hotels Investments (Private) Limited, United Hotels Company (Private) Limited, Live is to Travel (Private) Limited, British Ceylon Capital (Private) Limited, Wild Ceylon (Private) Limited and Nidanwala Watta (Private) Limited.

GROUP VICE PRESIDENTS

Dr Sajeeva Narangoda
Group VP/Group Chief Investments and Process Officer

Maj. Gen. (R) Channa Goonethlleke
Group VP – Human Relations Management & Commercial Support

Mr. Pushpasiri Bandara
Group VP / Cluster Director - Manufacturing

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. Nishantha Jayasooriya
Managing Director/ Chief Executive Officer- Taprobane Investments (Pvt) Ltd.

Mr. Ashan Dassanayake
Executive Director - Colombo City Holdings PLC

Mr. Niranjan Niles
Director/ Chief Executive Officer - Taprobane Securities (Pvt) Ltd.

Mr. Yoshan Fernando
Director/ Chief Executive Officer - Royal Fernwood Porcelain Limited

Mr. Channa Gunawardana
Chief Executive Officer - Dankotuwa Porcelain PLC

Mr. Shevan Goonetilleke
Director/ Chief Executive Officer - Millennium I.T.E.S.P (Pvt) Ltd.

GROUP MANAGEMENT COMMITTEE

Dr Sajeeva Narangoda
Group VP/Group Chief Investments and Process Officer

Maj. Gen. (R) Channa Goonethlleke
Group VP – Human Relations Management & Commercial Support

Mr. Pushpasiri Bandara
Group VP / Cluster Director - Manufacturing

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. Milinda Perera
Group Head – Innovations

Mr. Dhammika Weerasekera
Group Head - Engineering Services

Mr. Diluk Desinghe
Group Head - Risk and Compliance

Mr. Alex Anthony
Head - Shared Services Unit

Mr. Isuru Fernando
Manager – Group Finance

Mr. Charith Hettiarachchi
Manager – Group IT

Ms Giyanie Fernando
Manager – Corporate Affairs

Ms. Sachini Hulugalle
Group Legal Officer

STEWARDSHIP

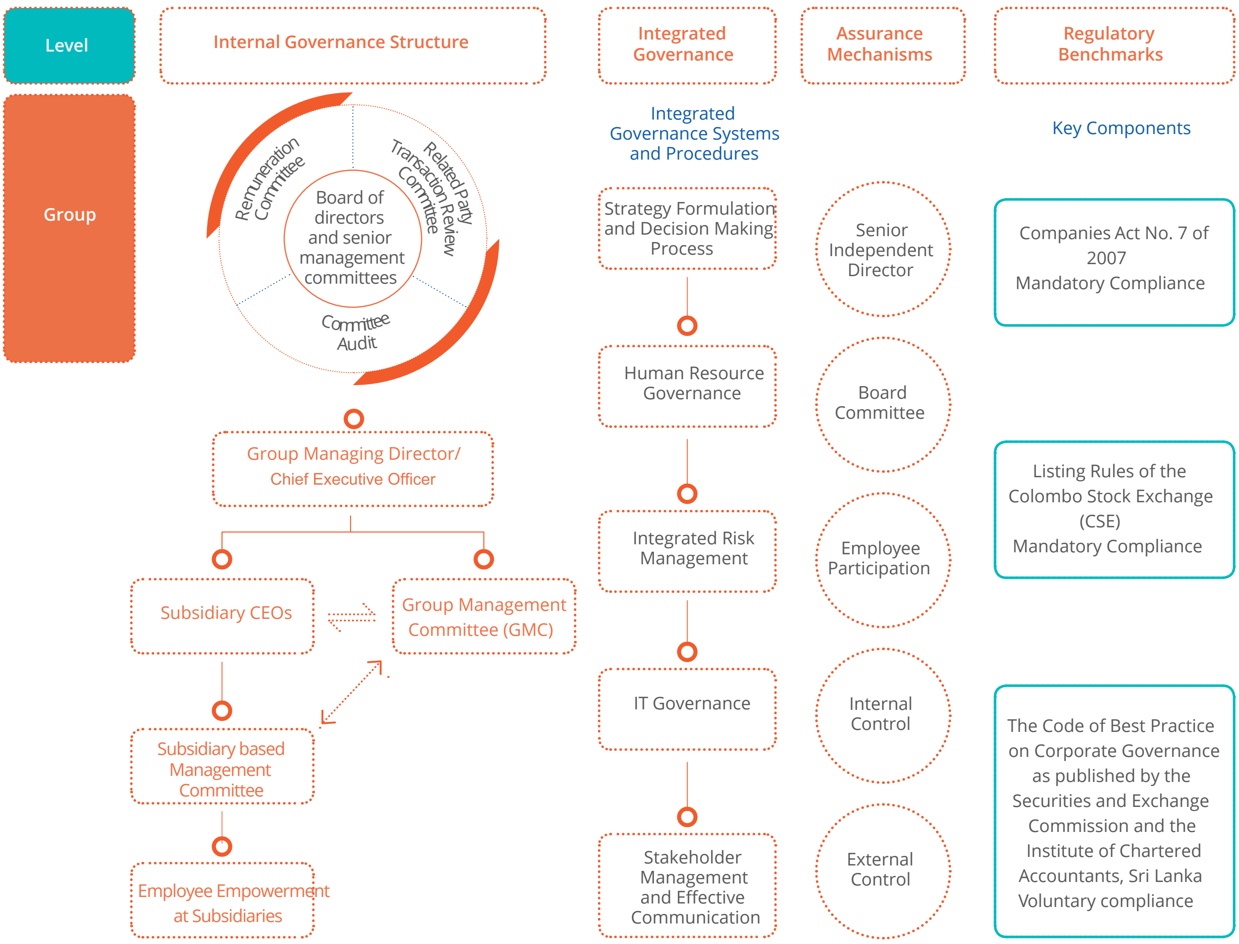
CORPORATE GOVERNANCE

Group overview

Ambeon Holdings is a diversified mid-sized conglomerate comprising nineteen companies, presenting a mix of listed and non-listed corporate entities headed by their respective Boards. The nineteen companies span across six business sectors with each Company headed by a Chief Executive Officer (CEO). The Ambeon Holdings Corporate Management Committee and the respective CEOs of the subsidiary companies form the Group Management Committee (GMC), which reports to the Group Managing Director/ Chief Executive Officer.

Introduction to the Corporate Governance framework

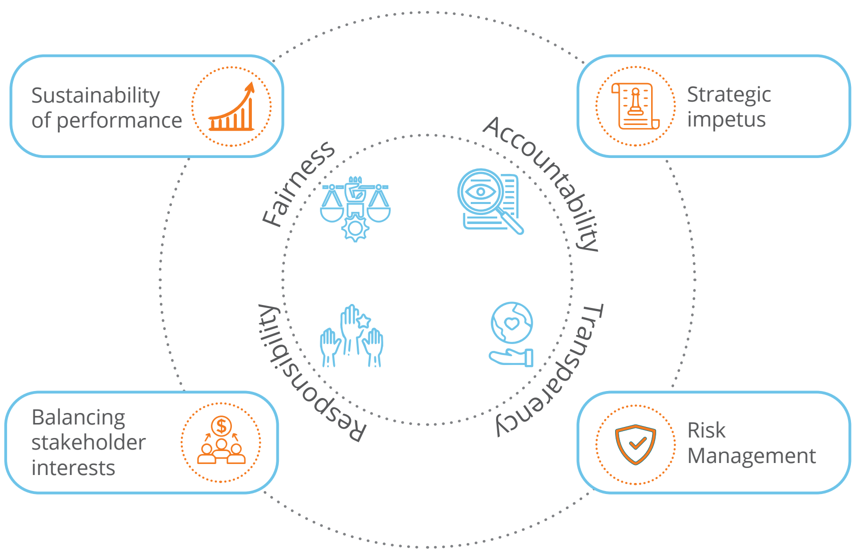
Our robust corporate governance framework acts as the linchpin in facilitating business leadership to effectively manage varied and extensive business interests of Ambeon Holdings to deliver sustainable value to all stakeholders, whilst maintaining transparency, accountability and regulatory compliance. Ambeon Holdings goes beyond mere legislative compliance to incorporate best practices to our corporate governance approach in our quest to nurture stakeholder confidence.



Corporate Governance approach

Ambeon Holdings hinges our corporate governance approach on the core values of fairness, accountability, transparency and responsibility. During the financial year 2019/2020, the governance mechanism has been strengthened with the objective of enhancing our commitment towards maintaining the interests of all stakeholder groups. Our corporate governance approach applies a well-defined set of tools designed to create a group-wide collaborative effort calculated to establish sound corporate values and ensure answerability to all stakeholders. We strongly believe that the reputation of our business is built on our commitment of being a responsible, transparent and ethical business entity.

Corporate Governance approach



Fairness

Taking responsibility for the Group's activities and presenting a fair, balanced and comprehensive assessment of the organization's position and potential to allow stakeholders to make informed and logical decisions.

Accountability

Giving due consideration to requirements and expectations of all stakeholders. Employing objectivity and independence in making strategic decisions.

Transparency

Issuing timely disclosures with regard to group performance, governance and ownership in a clear and comparable manner.

Responsibility

Taking responsibility for performance and affairs of the Group.

Summary on Compliance

As per regulatory and statutory requirements, Ambeon Holdings PLC has maintained compliance to the following:

a) Listing Rules on Corporate Governance, issued by the Colombo Stock Exchange (CSE) (as amended),
b) All applicable requirements under the Companies Act No. 07 of 2007 (as amended) (CA 2007)
c) All other applicable laws and regulations and has satisfied all its statutory payment obligations to the government and other regulatory bodies.
d) To the maximum extent possible, compliance with the provisions of the Code of Best Practice on Corporate Governance 2017 issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (CG Code 2017).

CORPORATE
GOVERNANCE

Internal and external instruments

Striving to uphold high standards of transparency, accountability and ethical conduct, the Group adheres to globally accepted industry best practices on good governance and consistently complies with legal and regulatory requirements. The following table details both internal and external instruments used to uphold good governance practices.

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-Committee
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

Key responsibilities

The Board of Directors	Board sub committees	Senior Management Committee
• Providing overall direction and guidance in ensuring business success and sustainability of operations through managing affairs of the Group	• Overseeing the execution of planned strategies. • Ensuring compliance	• Implementation of delegated matters • Channeling communication of Group strategy across the Group to ensure collaborative effort

The Board of Directors

The Board sets the tone for operational sustainability of the Group through exemplifying professionalism, responsibility, transparency, accountability and ethics. The Board adheres to best corporate governance practices to lead by example and promote a culture of good governance across the Group.

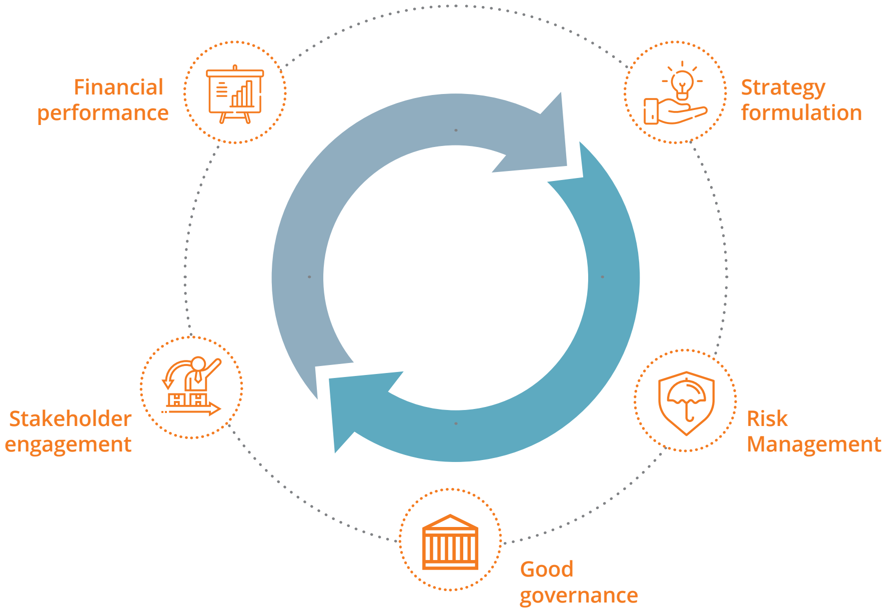
(Please refer to pages 24 to 27 for full profiles of the Board of Directors).

Key Board focus areas

The Board of directors maps the strategic direction of the Group and upholds a culture of fairness, transparency, productive dialogue and constructive dissent. The Board is primarily responsible for shaping the Group's high-level, medium and long term strategies. In addition, the Board plays a key role in ensuring good governance across the Group, reviewing risk, engaging stakeholders and overseeing the Group's financial performance. These key focus areas work in tandem with each other to allow the Board to steer the Group to seek sustainability of operations and profitability.

Roles of the Board

- Analysis and approval of annual plans
- Monitoring and approving financial and non-financial reporting practices of the Group
- Appraising HR processes with particular focus on top management succession planning
- Appointing CEOs and reviewing performance
- Reviewing and overseeing governance systems and compliance status
- Monitoring internal control systems and risk management
- Defining discretions / authorities which should be delegated to the executive level from the Board level



Division of responsibilities

The Board's roles and responsibilities are clearly defined, allowing each Board member to allocate sufficient time and effort in discharging their duties.

Board	Chairman	Group Managing Director
Drive the Group's strategic direction	Provide leadership to the Board	Oversee the implementation of policies and strategies
Oversee execution of the set strategy	Ensure efficient execution of duties of the Board	Review and recommend business plans and budgets to ensure that these align with the Group's strategic drive and long-term value creation.
Oversee internal control systems, risk management and compliance	Facilitate integrity of relations between executive and non-executive directors	Ensuring effective reporting to the Board
Balance stakeholder interest through meeting their needs in a fair manner	Ensuring balance of power and effective communication	Monitoring the Group's risk appetite and ensuring that all businesses operate within acceptable risk margins.
Present a balanced and comprehensive assessment of the Group's position		
Oversee succession planning		

Access to information and resources

The Board of Directors is allowed unrestricted access to organisational information and resources required to carry out their duties in an independent and effective manner. The Group executive management makes regular presentations to the Board on matters concerning Group performance, operations and the business environment. Directors of the Board can avail themselves of independent and professional advice and guidance, coordinated through the Company Secretary at the Group's expense. Hence, the Board is well-equipped with necessary awareness, knowledge and insights to make informed, logical decisions on behalf of the Group.

Professional Development and Performance evaluation

The Remunerations Committee evaluates the Board's performance and recommends adequate criteria and remuneration.

Induction and Training

Directors receive an orientation pack containing all relevant external and internal regulations, on appointment. Moreover, Directors use a plethora of resources including training, conferences, workshops, webinars and speaker events to keep abreast of local and global developments including regulatory changes.

Re-appointment and Re-election of Directors

In line with the Company's Articles of Association, directors submit themselves to shareholders for re-election at the first Annual General Meeting held subsequent to their appointment. Moreover, 1/3 of non-executive directors are subject to retirement and reappointment by rotation at every AGM.

Board meetings

The Board of directors meets quarterly to effectively carry out their duties and responsibilities, while special Board meetings are held whenever the necessity arises. The Board invites members of the management and external advisors to be present at Board meetings when required. A total of four (04) Board meetings were held during the financial year 2019/2020. Attendance of Directors at Board and sub-committee meetings are summarised below.

Name of the Board Member	Board Meetings	Audit Committee Meetings	Related Party Transactions Review Committee Meetings
Mr. A G Weerasinghe	4/4	4/4	4/4
Mr. Murali Prakash	4/4	-	-
Mr. Ruwan Sugathadasa	4/4	-	4/4
Mr. Mangala Boyagoda	4/4	4/4	4/4
Mr. Priyantha Maddumage	3/4	3/4	-

Board Subcommittees

The Board delegates some of its duties and functions to the Board Sub-Committees, which submits formulated proposals to the Board for review and approval. Members of the Sub-Committees abide by the written Terms of Reference approved by the Board. Chairperson of each Sub-committee presents outcomes of each meeting and deliberations to the Board. M/s PW Corporate Secretarial (Private) Limited acts as the Secretary to all the Board Committees

Board Sub-Committee	Areas of oversight	Composition	Further information
Audit Committee	• Financial Reporting • Statutory compliance • Internal controls and Risk Management • Internal and External Audit	Three non-executive directors	Audit committee report presented on pages 130 to 131
Remuneration Committee	• Assist the Board on succession planning • Determine the rewards strategy • Make recommendations to the Board on rewards and remuneration of executive and non-executive directors	Three non-executive directors	Remuneration committee report on page 132
Related Party Transactions Review Committee	• Review related party transactions • Ensure that interests of shareholders are taken into account when entering into a transaction	Two non-executive directors and one executive director	Related Party Transactions Review Committee report on page 133

Relations with stakeholders

The Group is committed to balancing the interest of all stakeholders to create shared value. The Group employs a sound stakeholder engagement process to ensure comprehensive and meaningful engagement and gather valuable insights to aid the value creation process. The feedback obtained through communication with stakeholders becomes key inputs in strategy formulation. Ambeon Holdings engage stakeholders through multiple channels to bring about transparency and ensure that each stakeholder group receives fair and comprehensive knowledge about the Group's activities.

Employee Engagement	Relations with shareholders	Relations with investors
• Implementing necessary procedures and proceses conducive for fair recruitment, remuneration and rewards • Maintaining an open door policy to foster robust engagement	• Maintaining channels of communication including the Annual General Meeting, email communications and Group website	• A designated Investor Relations team engages regularly with investors • The team maintains sound communication channels such as one-on-one meetings, teleconferences and emails.

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. Four Board Meetings were held during the period under review. Please refer page 36 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	☑

Code Ref.	Requirement	Reference	Compliance
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. 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.	☑

Code Ref.	Requirement	Reference	Compliance
		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.	☑
A.1.4	Access to advise and services of Company Secretary	**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	**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.	☑

CORPORATE
GOVERNANCE

Code Ref.	Requirement	Reference	Compliance
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.	☑
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.		

Code Ref.	Requirement	Reference	Compliance
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, UK, 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 24 to 27.	☑
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	Six (06) out of Seven (07) 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.	☑
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 2019/20. Based on these declarations, two (02) out of the Six (06) Non-Executive Directors are Independent. As at the date of this report, following Non-Executive Directors are considered independent as per the Listing Rules of the CSE. Mr. E. M. M. Boyagoda and Mr. A. G. Weerasinghe. 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. However, on 10 June 2020 Mr. R. T. Devasurendra were appointed as on alternate director to Mr. A. L. Devasurendra.	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.	☑

Code Ref.	Requirement	Reference	Compliance
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.	☑
A.6.	**Supply of Information**		
A.6.1	Quality, timely information; Directors should inquire for further information;	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.	☑ ☑
	Chairman ensures board is adequately briefed	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 that 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**		
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 Company'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.	☑
A.10	**Disclosure of information in respect of Directors**		
A.10.1	Annual Report to disclose specified information regarding Directors	Please refer pages 24 to 27 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 36 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.	☑

Code Ref.	Requirement	Reference	Compliance
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.	☑
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.	☑

Code Ref.	Requirement	Reference	Compliance
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 132 for the Remuneration Policy and the Committee composition. Please refer to note 29 to the Financial Statements on page 210 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.	☑
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 and the website of the Colombo Stock Exchange (www.cse.lk).	☑

Code Ref.	Requirement	Reference	Compliance
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
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 extended time 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 137 which contains the declarations required by the Code.	☑

Code Ref.	Requirement	Reference	Compliance
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 138. Please refear page 140 for the Independent Auditor's Report.	☑
D.1.6	Management Discussion & Analysis –	Please refer pages 94 to 129 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 133 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 214.	☑
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 pages 130 to 131.	☑
D.2.3	Internal audit function	The Internal Audit functions have been outsourced to PricewaterhouseCoopers (Private) Limited.	☑
D.2.4	Board responsibilities for disclosure	Please refer "Audit Committee Report" on pages 130 to 131.	☑
D.2.5	Directors responsibility internal control system	Please refer the "Audit Committee Report" on pages 130 to 131.	☑
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 pages 130 to 131.	☑

Code Ref.	Requirement	Reference	Compliance
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 Transactions Review Committee	The Committee consists of three (03) members with a combination of Independent Non-Executive Director, Non-Independent Non-Executive Director and Executive Director.	☑
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.	☑
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 14 for affirmative declaration on Corporate Governance.	☑
D.6	Disclosure on Corporate Governance practices	The Corporate Governance Report on pages 32 to 50 provide information regarding Corporate Governance practices in the Company.	☑

Code Ref.	Requirement	Reference	Compliance
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. From 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.	☑
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 pages 13 to 15 Group Managing Director/ CEO's message on pages 16 to 23. Management Review on pages 94 to 129. Financial Statements on pages 140 to 226. 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.	☑

Code Ref.	Requirement	Reference	Compliance
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.	☑
H.	**Environment, Society & Governance**		
H.1	**ESG Reporting**		☑
	Principle 1 - Reporting of Economic Sustainability	Financial Capital - page 95	
	Principle 2 - Reporting on the Environment (Impact on Environment)	Impact on Environment - page 108	
	Principle 3 - Reporting on Labour Practices (Human Capital)	Human Capital - page 112	
	Principle 4 - Reporting on Society (Social Impact)	Social Impact - page 124	
	Principle 5 - Reporting on Product Responsibility (Social and Network Capital)	Social and Network Capital - page 124	
	Principle 6 - Reporting on Stakeholder identification, engagement and effective communication (Stakeholder Engagement)	Stakeholder Engagement - page 62	
	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

During the last few years, an uncertain external environment, and more recently COVID-19 and related realities had a significant impact on the way in which companies operate. As such, risk management plays an intrinsic aspect of operations of the Group. In this context, the Group intensified focus on risk identification and mitigation.

The financial year 2019/20 has been a challenging year with repercussions of the Easter attack and COVID-19 pandemic which, when combined, in risk terminology is considered a "black swan event", creating an unstable environment for businesses. The Group's robust risk awareness and efficient management practices and pragmatic responses have thankfully enabled a steady recovery.

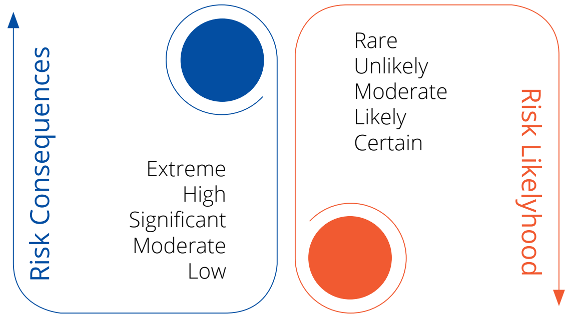
Risk Management tools

The Group has in place a comprehensive ERM (Enterprise Risk Management) solution, CAMMS ERM, which facilitate the identification of risks, timely intervention, and implementation of best practices to minimise the impact of risks if triggered. The CAMMS ERM aligns with the COSCO Enterprise Risk Management framework. The system allows the Group to comply with ISO 31000 (2008) International Risk Management Standards.

In addition, the Group employs the following risk management framework to ensure a robust risk management mechanism.

Risk Assessment

The Group categorises risk assessment into three parts; namely initial risk assessment, current risk assessment, and future risk assessment. The Group uses the risk assessment platform to prioritise potential risk exposure and the impact of risks. Risk assessment allows the Group to determine material aspects and identify risk indicators.

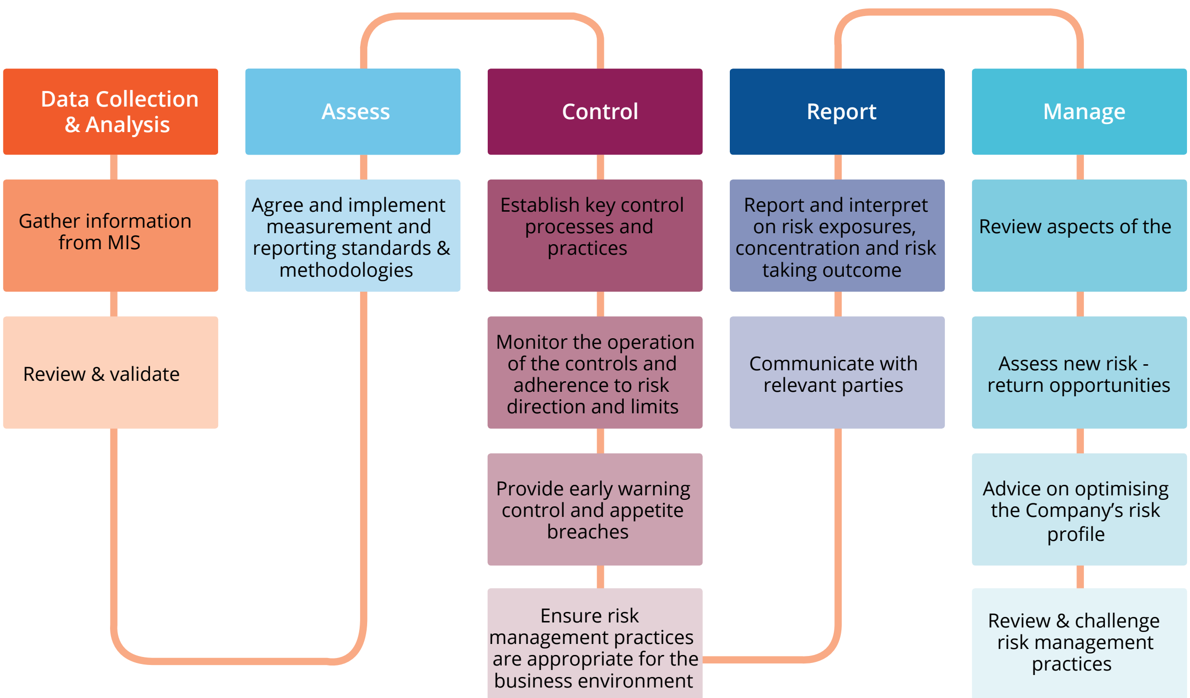


Risk Governance

The Board is ultimately responsible for communicating the risk strategy, approving relevant policies and processes used to managing the risks. In addition, The Group Management Committee and the Audit Committee play pivotal role in risk management. There is a dedicated risk and compliance team setup at a group level to oversee risk mitigation across all SBUs.

CAMMS ERM identifies and categorises risks as strategic and operational. The Board is responsible for developing mitigation plans to address strategic risks. Chief Executive Officers of each subsidiary bear the responsibility of identifying operational risks and developing mitigation plans in collaboration with senior management with the approval of the Board.

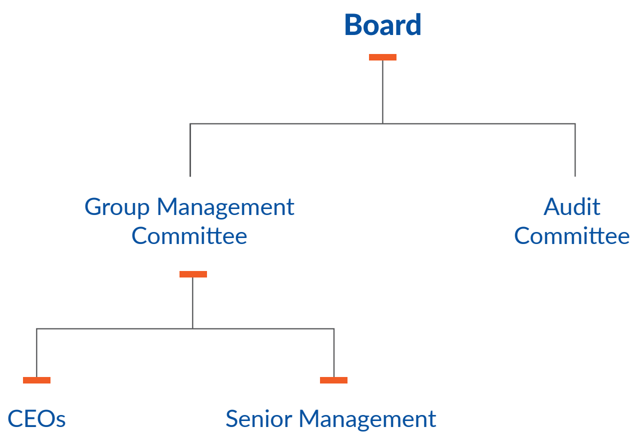
Risk management framework



RISK MANAGEMENT

Strategic risk	Operational risk
Corporate Governance risk	System and procedural failure
Merger and acquisition risk	Staff turnover
Change management risk	Production disruptions
Market stagnation risk	Loss of critical data
Financial risk	Malfunctioning of critical machinery
Macro-economic risks	Lack of engagement

Risk Governance structure



Internal and Statutory Audits

Ambeon Holdings employs reputed audit firms to conduct regular internal and statutory audits. The internal audit is carried out according to the terms of reference outlined by the Board, whilst the Audit Committee reviews the findings of both internal and statutory audits . The Group's system of internal controls manages strategic and operational risks, using preexisting policies and procedures.

Risk Management Approach

The Group employs the three-lines of defense model to ensure effective division of responsibility, and segregation of risk functions to achieve comprehensive risk mitigation across the Group and subsidiaries.

The Group uses a three-pronged approach to risk mitigation, essentially constituting risk mitigation, acceptance or transfer. The Group executes periodic verifications and internal audits on risk mitigation plans to measure relevance and applicability. Each business unit remains responsible for identifying and mitigating risks that arise in each specific business.

First line of defence	Second line of defence	Third line of defence
Individual subsidiaries	**Sector level**	**Group level**
Risk identification, acceptance and mitigation	Risk monitoring and management	Assurance and policy formation ment

The Group's risk management framework has identified and established strategies in mitigating the below risk exposures

Risk Exposure and Impact	Mitigating Activities	Net Risk Assessment	
		Impact	Likelihood
Economic Environment The economic environment faced by Sri Lanka in 2019/20 has been a volatile one to say the least. We began the year with the ominous Easter attack which focused world attention on our Country. The immediate impact of this was felt by the travel and tourism industry and stretched on later into luxury retail sector. The COVID-19 pandemic at the latter part of the year was a far more insidious villain whose impact will be felt for perhaps a generation across the world. The true impact of COVID on Sri Lanka is yet to be ascertained. It is obvious that the Treasury will be hard pressed to bridge the budget considering the relief packages offered. The import embargo has helped in narrowing the balance of payment, but this will be a temporary phenomenon. The key factor to watch will be the foreign inflows on funds via aid, FDIs and infrastructure development projects. The IMF has forecasted that there is an expected decline of 3% in the world output due to the adverse impact of COVID-19 whilst the Central Bank of Sri Lanka (CBSL) has predicted weak economic growth of 1.5%. Furthermore, the World Trade Organisation (WTO) has forecasted a decline of 30% in global trade in 2020.	The Group is focused on capitalising on the opportunities that arose post COVID-19. A wide range of products which serve a diversified rage of consumer groups. Our products and brands cater to domestic and export markets equally. Thereby spreading the risk equally across markets. The Board and the Senior Management reviews the performance regularly to ascertain the extent to which the impact is on economic performance and on internal budget and strategic plans. There is an increased focus within the Group on enhancing product quality and providing value-for-money as well as attractive product offerings. There is an ongoing transformation plan to improve performance irrespective of macro-economic factors. Building strategic plans and business plans based on varying economic conditions.	Major	Likely
Government policies and economic variable volatility In an effort to conserve much needed foreign exchange, there is a risk of prolonged import limitations by the Government. Fortunately, so far, imports for re-exports have been allowed and the raw materials required by the porcelain cluster and textile sector has not been blocked. Imports for technology hardware (much needed by MIT esp) has also been allowed. Expectations however are for these emergency regulations (enacted post COVID) to be gradually eased. The Government's relationship with foreign countries could have a direct implication on the Group's top-line as it could affect trade terms to certain markets. It is obvious that the macroeconomic policies of the Government will have a profound impact on variables such as inflation, taxation, exchange rates and interest rates and would impact all industries either positively or negatively. The Sri Lankan rupee has depreciated significantly during this year, this has resulted in increased raw material costs in key industries including construction and agriculture in the aftermath of the pandemic.	Vacillation in macro-economic factors such as the inflation, interest rate and exchange rate are closely monitored by the Group. Actions are taken by finance, treasury, and supply chain to minimise the impact wherever possible. Joint industry action is constantly initiated to promote favorable terms of trade with other countries.	Major	Likely

RISK MANAGEMENT

Risk Exposure and Impact	Mitigating Activities	Net Risk Assessment	
		Impact	Likelihood
Price deflation The price deflation has been in existence over the years mainly driven by technological advancement.	Price deflation can be achieved only through process improvement and production efficiency enhancement, Effective management of stock holding levels and management of clearance and exit routes. Improve profitability of newly opened showrooms would also be a downstream factor to consider in the porcelain industry. Growth of services related businesses to increase the number and the value of non-product sales. Launch of new technologically evolved products.	Moderate	Possible
Investment As things stand, apart from critical investments, most capital expenditure across the Group has been curtailed. That said, any new investment opportunity will be thoroughly wetted to assess its potential for value addition to the Group.	The Group's investments are evaluated by a team of professionals using multiple approaches.	Moderate	Possible
Competition The level of rivalry determines the market share and drives down the margins in specific markets.	Building stronger relationships with suppliers. Increasing greater visibility through wider distribution channels. Ensuring value for money to end users.	High	Possible
Product risk The product risk arises when the output from production is defective, non-functional or obsolete for the market in terms of price, functionality, and perceived value.	The subsidiaries plant and machinery are maintained and upgraded periodically. The machineries are also serviced in a timely manner. Established quality control systems and product testing processes to ensure that the product quality is maintained. Proactive customer engagement activities used to ensure that the Company is aware of the aspirations and needs of the customers in order to serve the correct products.	Moderate	Possible

Risk Exposure and Impact	Mitigating Activities	Net Risk Assessment	
		Impact	Likelihood
Human Resources and Employee Relations Employee relations remain pivotal for the Group. Our service companies such as the financial services and MIT rely heavily on relationships and confidence that staff have built up within their industries. This factor is equally important in the manufacturing cluster where efficiency and product quality is pivotal to the success of the SBU.	The Group endeavors to recruit the best talent with the right skills and aptitude. Collective agreements are in place with labor unions to maintain an equitable balance between the interests of the employer and employee and to provide a basis for negotiations when issues arise. Offer training and development opportunities to ensure retention levels. Remuneration levels are benchmarked to remain competitive along with industry standards along with incentives.	Moderate	Possible
Socio Economic Risks The socio economic environment of Sri Lanka has a direct impact on the customer and investment climate. Periodic social unrest and political instability weakens the image of the country.	The Group periodically reviews prices in relation to the inflation and strives to negotiate prices and better credit terms with key suppliers. The Group serves both local and global markets with it's products portfolio which insulates against any loss of revenue to domestic instability.	High	Possible
Environment and Climate Change Key business sectors in the Group are engaged in manufacturing activities. The environmental changes due to the COVID-19 has had serious implications on the overall supply chain The continuous supply of vital raw materials at a predictable price remains pivotal to ensure smooth and successful business operation. The Group is also cognizant of the environmental impact created by its manufacturing facilities and discharge of effluents.	The Group seeks the use of alternative materials for its production thereby creating new opportunities. All factories comply with the environmental regulations and standards The Group recognises and opts for energy saving manufacturing processes and equipment.	High	Unlikely
Interest rate risk Hike in the interest rates will have an adverse impact on profitability.	The adverse impact of fluctuating interest rates could be minimised by optimising the levels and mix of short- and long-term borrowings.	High	Possible

RISK MANAGEMENT

Risk Exposure and Impact	Mitigating Activities	Net Risk Assessment	
		Impact	Likelihood
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 Group is regularly reviewed and reported to the Board. Projected net borrowings are covered by committed banking facilities and the gearing ratio is maintained in par with industry benchmarks. The Group strives to maintain strong relationships and facilities with banks and relies on broad-based sources of funds to ensure continuous and reliable access to funds.	High	Low
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	Supplier rationalisation was undertaken for the manufacturing cluster during the year. Regular review of distribution plans. Monthly operational meetings to review the forecast, level of inventory and procurement requirements etc. Relying on many suppliers without depending on a single supplier.	High	Low

GROUP
STRUCTURE

AMBEON HOLDINGS PLC

- CEYLON LEATHER PRODUCTS LTD **99.90%**
- PALLA & COMPANY (PVT) LTD **99.99%**
- TAPROBANE CAPITAL PLUS (PVT) LTD **100%**
  - TAPROBANE SECURITIES (PVT) LTD **100%**
  - TAPROBANE WEALTH PLUS (PVT) LTD **100%**
  - TAPROBANE INVESTMENTS (PVT) LTD **100%**
  - LEXINTON FINANCIAL SERVICES (PVT) LTD **100%**
- OLANCOM (PVT) LIMITED **93.15%**
- SOUTH ASIA TEXTILES LTD **97.67%**
- COLOMBO CITY HOLDINGS PLC **77.63%**
  - LEXINTON HOLDINGS (PVT) LTD **100%**
- DANKOTUWA PORCELAIN PLC **77.51%**
  - D. P. L. TRADING (PVT) LIMITED **100%**
  - ROYAL FERNWOOD PORCELAIN LIMITED **95.69%**
    - FERNWOOD LANKA (PVT) LTD **100%**
    - LANKA DECALS (PVT) LTD **95.69%**
- EON TEC (PVT) LTD **78%**
  - MILLENNIUM IT ESP (PVT) LTD **77.23%**

OUR STRATEGIC OVERVIEW

Strategising for sustainability

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 businesses, Ambeon Holdings derives a corporate strategy which is well-balanced between corporate prudence, entrepreneurship and the satisfaction of societal needs.

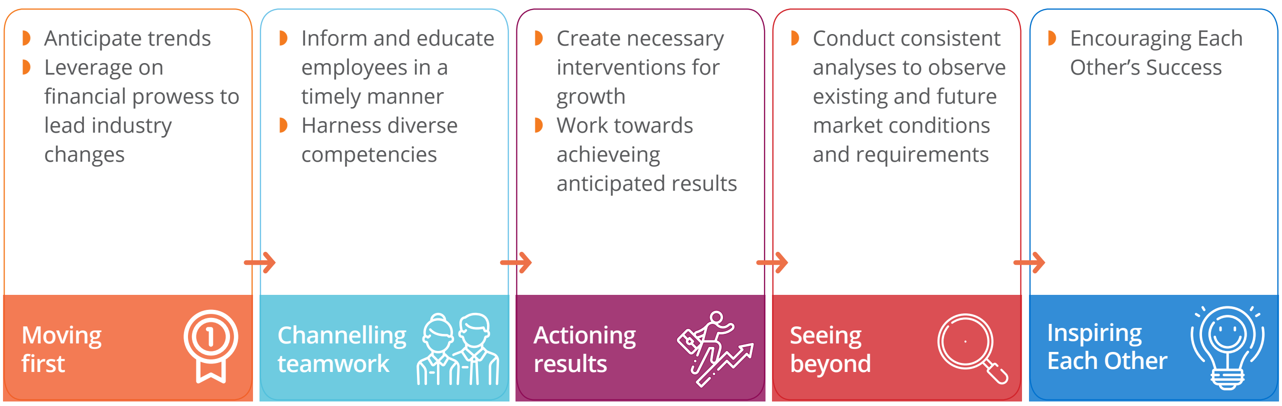
This corporate strategy becomes the basis for developing business-wise strategies. It is the foundation on which the Group leads the way across core business verticals of financial services, property development, retail, financial services, information technology, manufacturing, and brokering.

The Ambeon business strategy is built on a robust platform (corporate strategy) designed to anticipate trends, seek sustainability of operations in the short, medium and long term and create lasting value for all stakeholders. This business strategy aligns with our principal values.

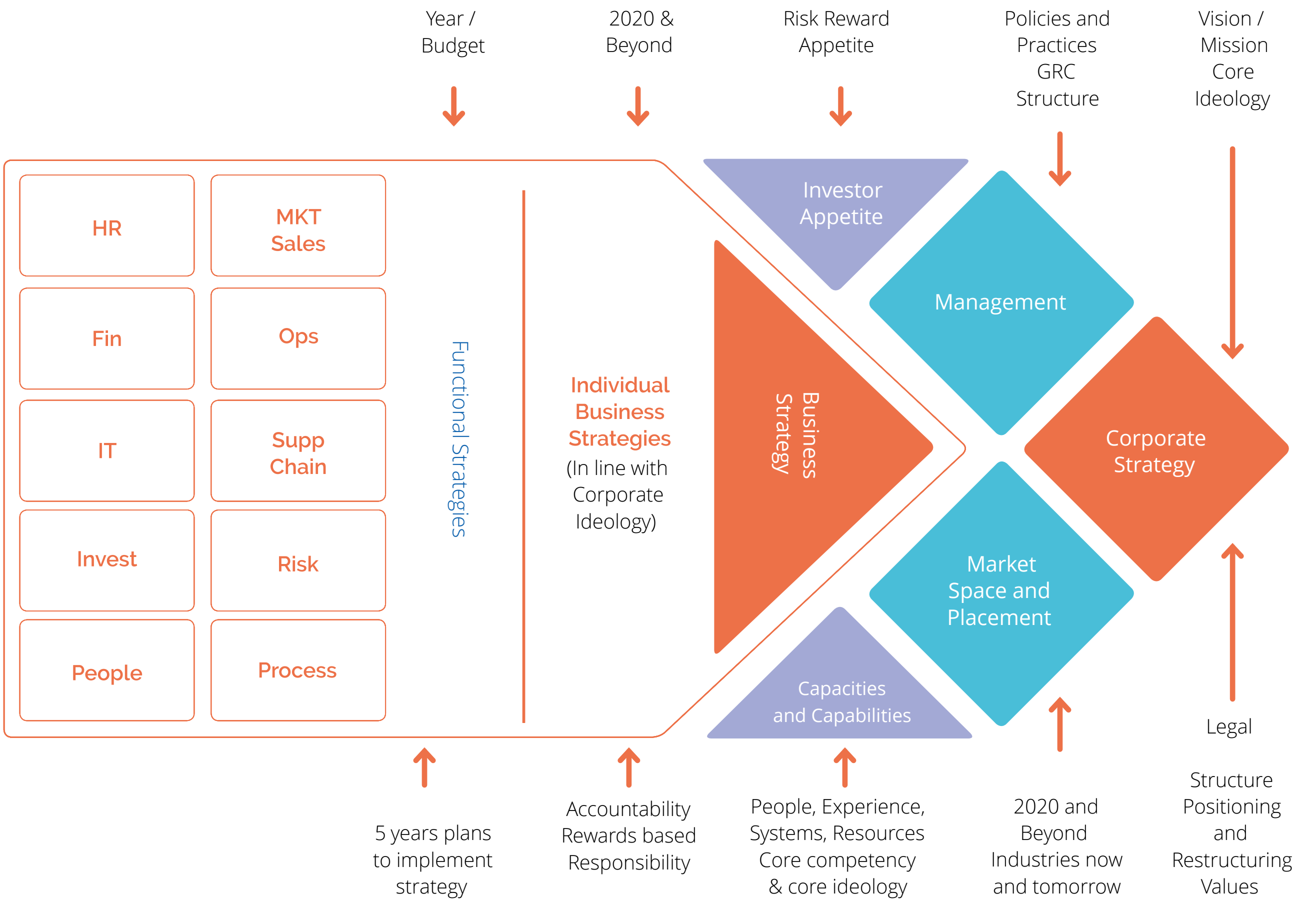
Employing a triple bottom-line approach to creating value through measuring our financial, social and environmental impact, Ambeon Holdings relies on our manufactured, social, relationship, intellectual and human capital to seek sustainable growth and financial success. Our corporate strategy steers business-wise strategies to offer goods and services through core business verticals of manufacturing, information technology, financial services, brokering, property development and retail.

The Group's fundamental drive to create a harmonising balance between our economic, social and environmental impact through managing each business sector well within the framework of external and unique realities of each segment from a holistic organisational strategy triangle. In defining our corporate strategy, we take into account the inputs and outputs of our six capitals.

The Ambeon Business Strategy Triangle bases itself on a three-tier holistic approach to communicate the Group's core business philosophy across all subsidiaries. The Group corporate strategy employs business insights and acumen to review external factors that impacts our business concerns as a diversified conglomerate operating in varied industries. Having analysed the operating environment and external realities which have diverse implications for our various sectors, the Group provides salient inputs for each subsidiary. The third tier of the strategy triangle offers functional level strategies across the Group to achieve operational and business success through achieving organisational goals whilst ensuring sustainability of operations.



Strtaegy Framework



VALUE CREATING BUSINESS MODEL

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

Capital Inputs

Financial Capital

Financial resources that fund business operations

Pg 95

Manufactured Capital

Production plants, distribution channels and other physical generate revenue.

Pg 98

Social and Relationship Capital

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

Pg 124

Human Capital

The employees that drive our business Growth.

Pg 112

Intellectual Capital

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

Pg 102

Natural Capital

Eco-system of natural resources such as water, energy and fuel needed forbusiness operations

Pg 108

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

Revenue

Cost

We derive revenue from growth drivers across six core business verticals

Refer Pg 69 for sector reviews

Growth Drivers

Partnerships

Product & Service Development

Innovation

Capital Outcomes

Financial Capital

Continuing operations
Revenue **LKR 19.69 Bn**
Profit after Tax **LKR 710.85 Mn**
ROCE **8.47%**
LKR 1.28 Earnings per Share

Manufactured Capital

LKR 343 Mn invested in plant and machinery
LKR 68 Mn computer equipemt

Social and Relationship Capital

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

Human Capital

Employees **2,734**
LKR 2,374 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

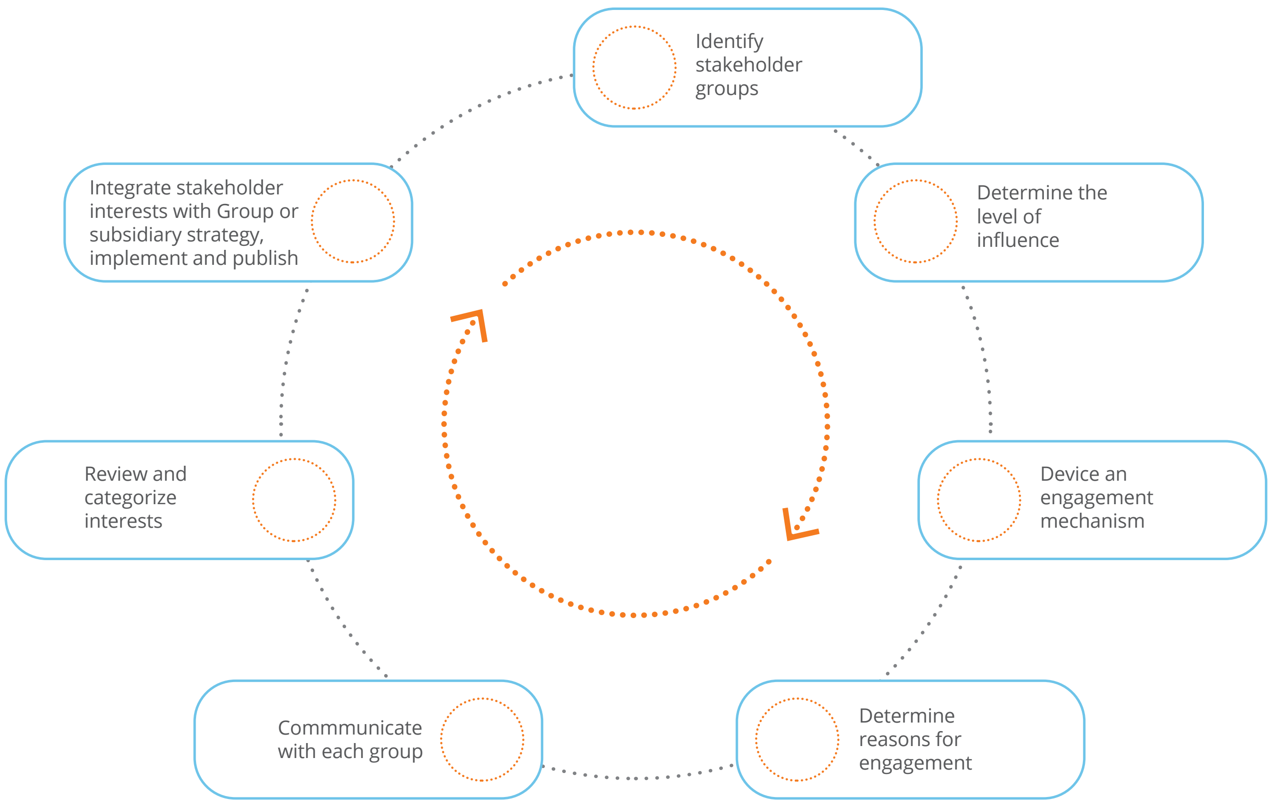
Stakeholder Engagement

Our business and operational success depends on our ability to align our journey to stakeholder concerns and their perception of the Company and the value it creates. As such, Ambeon Holdings and its subsidiaries follow a formal stakeholder engagement process, designed to facilitate frequent and transparent discussions and engagements with principal stakeholder groups.

The Group's stakeholder engagement process begins with determining the stakeholder groups that have a significant influence over the Group. The Group then categorises each stakeholder group depending on the strength of their impact, following this, the Group devices a set communication mechanism to establish regular and effective dialogue with each stakeholder group.

This process enables us to gain an in-depth understanding of the stakeholder's requirements and implement necessary plans to balance varying interest of each stakeholder group to create value.

Stakeholder Engagement



Stakeholder Group	Key stakeholder concerns	Key concerns of the Group	Communication channels
Customers (B2B)	High quality products and services Accessibility to products and services Environmental sustainability	Customer retention Attracting new customers Customer satisfaction Market intelligence	Surveys Advertisements Press releases Digital platforms Showroom interactions
Employees	Fair Remuneration Professional growth Occupational health and safety	Service excellence Productivity Industrial harmony	Trade union meetings Joint consultative committee meetings Welfare events Performance reviews Grievance handling Social events
Suppliers	Timely payments Fair play and transparency	Supplier retention Attracting new suppliers Professionalism and on-time service Ethical conduct Competitive advantage	Frequent meetings Discussion in-person Discussions via email and telephone
Shareholders/Investors	Sustainable returns Good governance and transparency Dividend payment Sound risk management	Continued investments in the Group	Quarterly Financial Statements Press releases Annual reports Annual General Meeting
Regulators	Regulatory compliance Timely payment of regulatory dues	Healthy regulatory environment	Reports and document submissions Meetings Renewal of licenses
Communities	Environmental conservation Employment generation Community support	Operational harmony	CSR activities Sound environmental practices
Business partners	Shared growth Knowledge sharing	Long-term partnerships Assurance of products and services	Engagement Forums Periodical meetings Special events

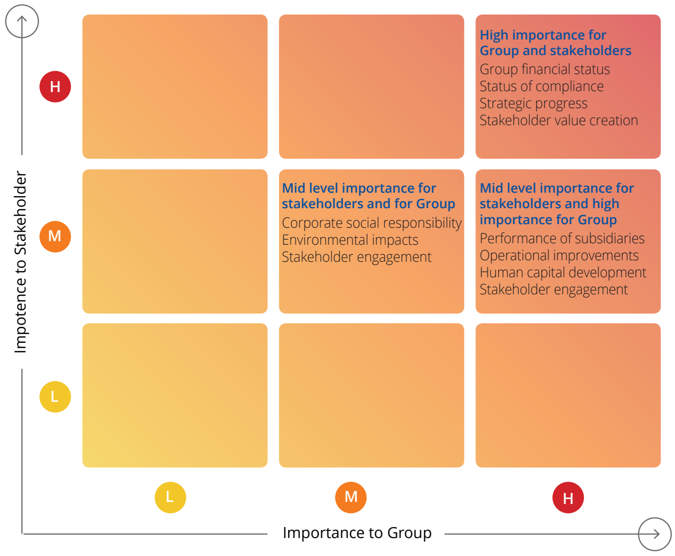
MATERIALITY ASSESSMENT

Materiality Analysis

We present our business and operational focus in a capital perspective which include business priorities in our material topics, captured through all six capitals to determine material issues. Material importance of each aspect stems from its impact on the Organisation's ability to create value. Hence, we employ a focused evaluation process, which includes stakeholder engagement to identify material aspects and key issues.

Leadership teams of each subsidiary identify material topics through engaging stakeholders, in particular internal stakeholders (employees) through a strategy development process. Subsequently, the Group refines and consolidates key concerns at the organisational level, taking a detailed view of material topics' impact on the Group. Each topic is rated based on the level of impact on the Group and stakeholders.

Ambeon Holdings' conducts materiality analysis on an annual basis, so as not to disrupt the Group's business concerns, unduly. Annual analysis of materiality creates ample breadth to address concerns of all stakeholder groups. The Group's risk management and governance processes consistently monitor identified material topics to protect Group assets and maintain integrity of its reputation.



Navigating the Material Topics

Material Topic	Reporting Section	Page No.
Group financial status	Financial Capital	95
Status of compliance	Governance and Compliance	32
Strategic progress	Group MD/CEO's Review	16
	Capital Management Review	95
Stakeholder value creation	Capital Management Review	95
Performance of subsidiaries	Sectoral Performance	70
Operational improvements	Sectoral Performance	70
Human capital development	Sectoral Performance	70
	Capital Management Review	95
Corporate social responsibility	Sectoral Performance	70
	Capital Management Review	95
Environmental impacts	Sectoral Performance	70
	Capital Management Review	95
Stakeholder engagement	Stakeholder Engagement	62

OPERATING ENVIRONMENT

Global and Local Operating Environment

"Amidst the pressures of global economic and market volatilities, the domestic environment for Sri Lanka remained turbulent and steeped in uncertainty. In April 2019 the country witnessed the devastation from the Easter Sunday terror attacks as an inconceivable loss of lives and numerous uncertainties ensued from the incident. In addition, the attacks also had a severe impact on the economy.

Amidst the pressures of global economic and market volatilities, the domestic environment for Sri Lanka remained turbulent and steeped in uncertainty. In April 2019 the country witnessed the devastation from the Easter Sunday terror attacks as an inconceivable loss of lives and numerous uncertainties ensued from the incident. In addition, the attacks also had a severe impact on the economy.

Within this context and due to global and domestic economic uncertainties, economic growth of Sri Lanka moderated to 2.3 per cent from the 3.3 per cent growth recorded in 2018. The Easter Sunday attacks impacted the tourism industry with its effects cascading to other key economic activities, especially related to the services sector. Service industry, which accounts for a major portion of the GDP, contracted its growth momentum, with a decelerated growth of 2.3%. Agricultural sector grew marginally, by 0.6% as a result of inclement weather conditions.

As per CBSL, globally, the economy grew at a pace of 2.3 per cent in 2019, amidst trade tensions between advanced economies, geopolitical tensions and weakened domestic demand in emerging market economies.

Industrial Sector (Manufacturing)

Industry related activities recorded a growth of 2.7%, enabled by the manufacture of textiles, apparel, leather products, food and beverages, and tobacco products. The recovery in construction and mining and quarrying activities also contributed to the said growth. However, in general, manufacturing activities reported a subdued growth and accounted for 15.6% of the total GDP. As a result of domestic headwinds, manufacturing of value added products grew at a limited pace of 1.9% compared to 3.6% growth in 2018. The Easter Sunday attacks impacted the growth in manufacturing activities in Q2 of 2019, but the effects subsided in subsequent quarters.

Manufacturing of non-metallic mineral products demonstrated a positive momentum in 2019. In addition, there was an increase in production of porcelain tableware, cement, glass bottles and floor tiles in response to increased demand, due to growth in the commercial construction segment and state infrastructure development projects.

During the year, the government continued its attempts at developing a national mineral policy with the purpose of enabling a supportive environment for mineral-based industries. In addition, during the year, there was an increase in investment inflows to approved projects in several industries including apparel, chemicals, petroleum, coal and rubber and plastic products and non-metallic mineral products.

External Sector

During the year, policies were established to curtail import expenditure, and as a result, there was a notable reduction in the trade deficit. Import expenditure reduced by 10.3% to USD 19,937 million in 2019 from USD 22,233 million in 2018. A modest growth of export earnings also had its contributions to the lower trade deficit in 2019 compared to 2018. The deficit in the trade balance reached its lowest gap since 2013, and was also attributed to reduced import expenditure on vehicles and gold.

Merchandise export earnings increased slightly in 2019, as earnings from industrial exports were counterweighed by a reduction in earnings from agricultural and mineral exports. Industrial export earnings contributed to 70% of total export earnings and increased by 1.8% in 2019.

The Impact of Easter Attacks

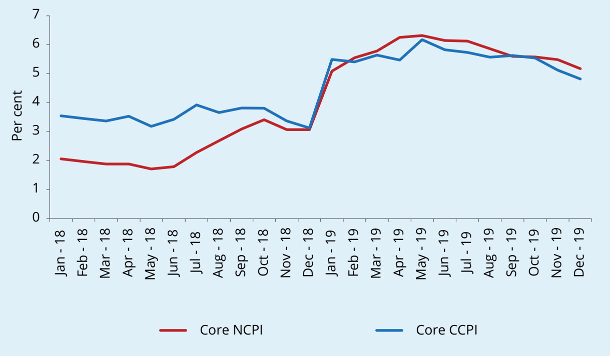
The series of coordinated bombings wreaked devastation. The Government declared a state of emergency as the ramifications of the attacks disturbed all socio-economic aspects. In May of 2019, CBSL adopted an accommodative monetary policy within an economy that was reeling from the effects of the attacks. However, the exact impact of the attacks on the economy cannot be assessed as determinants such as global market developments, adverse weather, and uncertainty that prevailed till the presidential elections, also impacted the subpar economic performance that ensued.

As a result of the outcomes, revenue collection weakened alongside increased government expenditure due to relief packages implemented for assisting those affected, increased security, interest subsidies and reconstruction of infrastructure. Support from international investors was seen with the oversubscription of an ISB issued by the Government for USD 2 billion in June, demonstrating investor confidence in the Country's prospects.

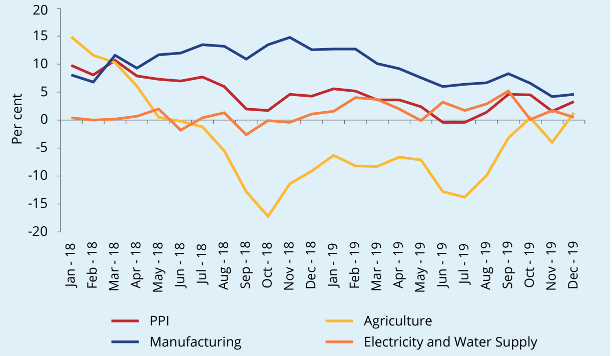
Tourist arrivals dropped to around 1700 daily visitors from 7600 prior to the attacks. Nevertheless, the sector improved rapidly towards the second half of 2019. Government initiated measures to revive the sector with emphasis on tourism promotions, financial and fiscal support to related sectors, in addition to a debt moratorium that was provided to tourism sector businesses. As an overall figure, tourism based earnings declined 17.7 per cent with a decline of 18 per cent in year-on-year arrivals.

Price Movements

In 2019, general price levels declined in line with prices of volatile food items, but had a favourable impact from tax reforms towards the latter part of 2019. Subsequent to the presidential elections, several tax concessions such as reduction of value added tax (VAT) and telecommunication levy, suspension of NBT impacted general price levels favourably. Food prices underwent a substantial increase towards the end of 2019 triggered by supply shortages as a result of adverse weather conditions in cultivation regions of the islands. Consequently, headline inflation in terms of the year-on-year change in the National Consumer price Index (NCPI) sustained its low single digit level with the Y-o-Y change in the Colombo Consumer Price Index remaining between 4-6 per cent. Year-on-Year core inflation based on NCPI and CCPI persisted in mid-single digit levels, reflecting the inflation levels in the economy.



Source : Department of Census and Statistics



Source : Department of Census and Statistics

The year-on-year change in the Producer's Price Index which measures producer price inflation showed a general decline in 2019, shifting downward from 5.6 per cent at the beginning of the year to 3.6 per cent in December. Manufacturing sector related producer price inflation declined amidst mixed changes, with 12.7% reported at the beginning of 2019, which reached 4.9%, by end 2019.

Workforce and Labour

In 2019, the protocol 29 (P29) of 2014 to the forced labour convention (C29), 1930, was ratified by Sri Lanka. This established guidelines in implementing measures for achieving effective and continued removal of forced or compulsory labour. The Department of Labour extended awareness programmes aimed at social discussions on improving employer-employee relations at factory floor level, in addition to a national competition to award selected companies as best workplaces within plantation, manufacturing, apparel and service sectors.

In 2019, several amendments were brought to ordinances related to wages and manufacturing facilities. In regularising contract employment, an amendment was brought to the Wages Board Ordinance No. 27 of 1941. In addition, the Factories Ordinance No. 45 of 1942 was introduced with several regulations related to the registration of factories and approval of factory buildings and pertaining to the improvement of health and safety related aspects for workers.

Overall labour productivity increased by 2.1 per cent in 2019, with an increase in terms of Gross Value Added per each hour worked. This increased from LKR 503.04 in 2018 to LKR 513.39 in 2019. Services sector's labour productivity was recorded as the highest, followed by the industry and agricultural sectors, respectively.

Exchange Rate

During the year, the Central Bank allowed flexibility in the determination of the exchange rate, with intervention only being made in preventing any excessive volatility of the SL rupee. According to the CBSL Annual Report, indices of Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) appreciated in 2019 as a result of the nominal appreciation of the rupee against currencies of several key-trading partners.

Prudent measures of curbing import expenditure, which improved trade and current account balances and notable inflows to the financial account, enabled the exchange rate to stabilise along strengthened gross official reserves.

The exchange rate experienced pressures in the immediate aftermath of the terror attacks and once again towards the

Sources – Central Bank of Sri Lanka Annual Report 2019 and World Bank Reports end of 2019 as portfolio investments by overseas investors declined due to increased uncertainties in global markets.

In 2019, the Sri Lankan rupee appreciated marginally with 0.6% against the US Dollar. This was a contrast against the substantial depreciation reported in 2018. The marginal appreciation reflects the contraction in the trade deficit, which occurred despite For-Ex market pressures subsequent to the attacks and amidst foreign investment outflows from government securities during 2nd half of 2019.

Domestic Context of COVID-19

In March of 2020 the number of COVID-19 positive patients began to increase from the point of having only a single reported patient, despite measures that were introduced to the public. Sri Lankans returning from countries most affected, continued tourist arrivals and a weakness in adopting preventive measures can be attributed to the situation. However, social distancing, curfew, closure of airport, mandatory isolation of returnees from overseas and quarantining of identified clusters enabled the Government to contain the spread of the virus.

Several measures were introduced by the Government to ease hardships faced by the population including restricted mobility and loss of income. A Presidential Task Force was initiated to expedite essential services whilst prevention and management measures of containing the pandemic was carried out by the National Operation Centre for Prevention of the COVID-19 Outbreak. While these measures enabled the Nation to contain and control its cases, the economy took a toll as major economic sectors were disrupted with a loss of income and livelihoods for a large number of people, including daily wage earners.

Global Context of COVID-19

In March 2020, the WHO declared a pandemic situation as a result of the rapid spread of COVID-19 across the globe. The loss of human lives on a global scale was reported as 150,000 by mid April with 2.5 million infected patients reported from around the world.

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The emergence of the COVID-19 pandemic transformed the lives of billions across the globe. Lifestyles of people have now changed with restrictions and containment measures adopted in containing the virus. This has impacted how routine every day activities are performed and has significantly altered communal behaviours within our societies – across the globe.

The setbacks from containment measures and the burden placed on global healthcare systems to impinged nations, as they continue to cope with varying uncertainties. The global economy is forecasted to plummet by 5.2 per cent in 2020, and according to the World Bank, per capita income is expected to shrink across all regions.

According to the World Bank, the South Asian region is expected to experience a contraction in economic activity of 2.7 per cent as a result of hindrances on consumption and services, as well as subdued investment sentiments. The U.S. is expected to experience an economic decline of 6.1 per cent in 2020. In addition, a contraction of 9.1 per cent is also expected in output of the Euro Area impacted by the virus.

Post-pandemic Consumer Trends

The emergence of the COVID-19 pandemic transformed the lives of billions across the globe. Lifestyles of people have now changed with restrictions and containment measures adopted in containing the virus. This has impacted how routine every day activities are performed and significantly altered communal behaviours within societies – across the globe.

Due to the rapid increase in cases, people are now compelled to alter their buying and consumption habits as well as social experiences, resulting in isolation and reduced social gatherings and routine excursions. Within this global backdrop, consumers have now begun to transform their lives from how they eat to how they exercise by adopting new habits, to protecting themselves against the viruses.

Retailers, restaurants and hotels have felt the full brunt of the pandemic, as communal places were closed or continue to operate within limited operations in most parts of the world. Although, Sri Lanka has regained a better level of normalcy through early adoption of nationwide containment measures, our habits have also changed by evolving with the "new normal".

The following are few of the key changes in individual behaviours and lifestyles that have been witnessed in Sri Lanka and across the globe.

OPERATING ENVIRONMENT

- People continue to congregate or visit communal places mindfully, maintaining social distancing and hygiene.
- When purchasing essentials people are opting towards online purchases and have leaned towards 'buying locally' due to import and distribution restrictions.
- In better coping with isolation and adapting to the new 'work from home' culture, people are connecting with digital platforms to work, learn and play.
- Maintaining their health has become a priority for many.
- Asians are reprioritising eating habits with more people opting for in-home dining.
- Demand has soared for hygiene and cleaning products as well as daily staples.

Outlook

Prudent implementation of policies, rectifying structural issues that hinder continued development and recovery in the global economy is expected to enable growth of the national economy. A rebound in the industrial sector is expected in the medium term, brought on by an increase in domestic demand alongside a gradual recovery in the global economy. With investment in projects such as the port city and highway development projects medium-term based investments is expected to be secured by the Government and will boost value additions in the sector.

Purchasing power that continues to increase is envisioned to boost service-based sub sectors including accommodation, retail, transportation and food & beverages in addition to financial services. With demand being insufficient to sustain growth, increase in exports of merchandise and services is expected to receive supportive measures despite drawbacks faced by the sectors in the near term from COVID-19 based outcomes.

A decline in merchandise exports is expected, especially to key export markets such as the US and Euro area. Simultaneously, due to policy implementations a considerable reduction in expenditure on importation of crude oil, investment goods, non-essential goods and motor vehicles is anticipated. The combination of these predictions is expected to result in a narrowed trade gap, followed by a gradual expansion as normalcy is expected to return.

Nevertheless, the level of near term impact on the global economy remains specific to each country, based on the speed and effectiveness with which they take preventive and remedial actions in controlling this epidemic. The global and domestic economic progress is largely an uncertain scenario that will continue to evolve in tandem with the pandemic. However, annual real economic growth is forecasted to further decelerate in 2020 followed by a rebound.

SECTOR PERFORMANCE

REVIEWS

Textile Manufacturing Segment

About South Asia Textiles Limited

South Asia Textiles Limited (SAT) is a leading Sri Lankan manufacturer and supplier (exporter) of weft knitted fabrics made primarily from cotton and cotton/polyester blends whilst specialised fibers such as Viscose, Modal are regularly offered in the product mix.

Since the Company's inception in 2004, SAT has developed strong competencies in product innovation, development, manufacturing, technical support and customer service. These competencies together with focused efforts on ethical manufacturing practices, sustainable products and processes and complemented by high levels of quality standards, have resulted in the Company becoming a principal supplier of knitted, dyed, finished, printed, brushed, suede, pre-shrunk and specialised performance based casual, lounge, sports, medical and intimate fabric for globally renowned brands such as L-Brands Victoria Secret PINK, Next, NIKE, Marks & Spencer, Tesco, PVH/Calvin Klein, Columbia Sportswear, Lidl, ASICS, George, Tommy Hilfiger, LEVI's, Helly Hansen, Hanes, Hugo Boss, Decathlon, and Adidas.

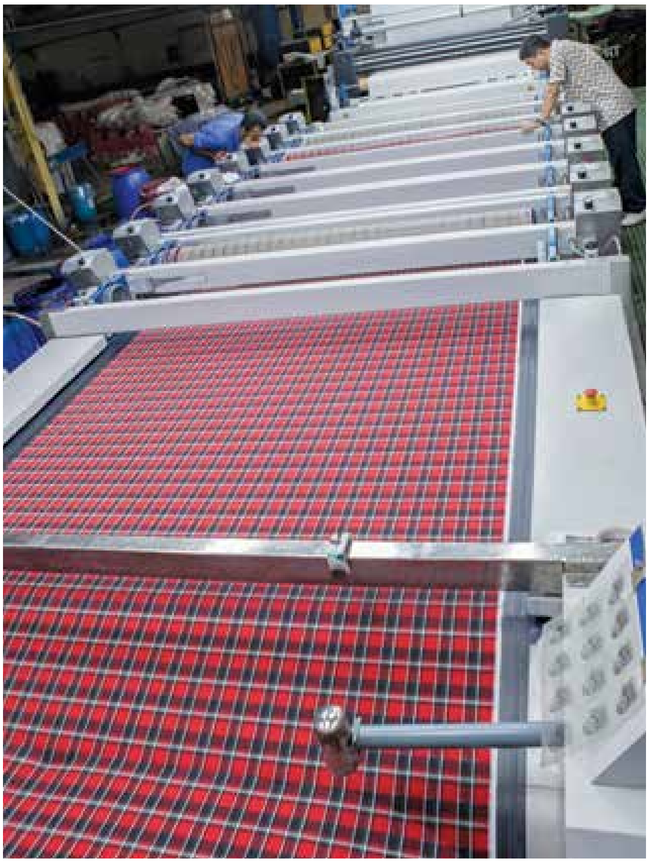
Today, SAT owns and operates Sri Lanka's fourth-largest textile manufacturing facility located in Pugoda with the capacity to manufacture 800,000 kilograms of textiles per month and is operated by a team of dedicated and highly trained employees.

SOUTH ASIA TEXTILES LIMITED

AN AMBEON COMPANY

The apparel and textile Industry accounts for 47% of the Nation's total exports in 2019, the industry grew by 5.2% to USD 5,596.5 million. The USA remains the main apparel market for Sri Lanka accounting for 45% of exports, exports to the EU grew by 5.0% during the year, posting a rise compared to the 3.9% growth rate recorded in 2018. This growth followed the Country's re-entry to the GSP plus scheme in May 2017. However, exports to the US declined by 3.3% during the year driven mainly by lower demand. Meanwhile, exports to markets such as Canada, United Arab Emirates, Australia and Japan grew at a comparatively faster pace to the previous year.

Ambeon Holdings PLC holds a strong presence in textile manufacturing and export segment – spanning knitting, dyeing, printing, and finishing of knit fabric – headed up by its fully owned subsidiary, South Asia Textiles Limited (SAT). Since the Company's acquisition by Ambeon in 2011/12, SAT has consistently expanded the scale, quality and sustainability of its operations, resulting in a healthy CAGR over revenue of 7.74% over the past 5 years.



During the year under review, SAT successfully maintained this growth momentum despite sustained challenges in international market dynamics. This remained prevalent for the majority of the period under review. Regional and domestic competition among fabric mills had previously given rise to tight market conditions as major brands sought to trim costs in response to declining sales in key segments – leading to an increased focus on price and efficiency among textile manufacturers.

At a domestic level, the year was book-ended by unprecedented disruptions on the domestic front including the tragic Easter terrorist attacks in April 2019, and the emergence of COVID-19 pandemic in March 2020.

During this time, the Company generated revenue of LKR 9.1 billion, as compared with a previous LKR 8.3 billion, reflecting a growth rate of approximately 10.17% Year-on-Year (YoY), while reporting a Profit After Tax (PAT) of LKR 23.2 million . Improvements in topline performance was driven by steady growth in sales, powered by continuous enhancements to the Company's speed-to-market, and sustainable practices – all of which have served to enhance SAT's competitive advantage among international clients who are increasingly placing greater value on ethical, environmentally-friendly supply chains.

Textile Manufacturing Segment

Segmental Contribution

Revenue
LKR 9.14 Bn

Gross Profit
LKR 984.59 Mn

Total Assets
LKR 6.22 Bn

No. of Employees
1,116

Impact of COVID-19 pandemic

While the Company's operations were relatively insulated from the aftermath of the April 2019 attacks and the COVID-19 pandemic at the close of the financial year proved to be disruptive to economic activity on a national and global scale.

The constraints to daily life across the globe and sudden shifts in consumer demand that resulted from the pandemic, initially caused a sudden and intense drop off in all commercial activities. In response, the Company pivoted operations towards manufacture of specialised fabrics – including fabrics with anti-viral and anti-bacterial chemical finishes - for facemasks and related Personal Protective Equipment (PPE), which helped sustain the business during the initial months following the national lockdown.

In order to ensure the safety of its workforce and total compliance with all pertinent health regulations enacted to combat the pandemic, a drastic restructuring of operations was instituted, leading to a reduction in the number of workdays and shift hours with teams of workers operating in a 3-shift pattern. Additionally, strict social distancing measures were implemented at all points in SAT's manufacturing facilities while all staff were facilitated to work remotely from home wherever possible.

Meanwhile, the Company's Human Resources Department rapidly developed a skill matrix in order to track each employee's areas of expertise and train and redeploy them to perform multiple different functions within the full spectrum of factory operations. In addition to providing greater operational flexibility to the Company, this also empowered workers to broaden their skills and gain access to higher incentives.

With the outstanding success achieved by the Sri Lankan Government in containing the spread of COVID-19, operations across the Company gradually ramped up and once again returned to 100% capacity between May and June of 2020.

From a demand perspective, following a sharp disruption to supply chains at the start of the pandemic, demand for fabric expanded rapidly as consumers around the world who were confined to their homes used online shopping portals to shop with a particular emphasis on casual and sports-wear.

Commensurate to these changes in customer behaviour, buyers and brands started aggressively returning to the market. Meanwhile, Sri Lankan fabric mills were handed an unprecedented competitive advantage given that they were the only major textile manufactures that had been successfully able to safely return to work at full capacity in the Region.

Strategic focus

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. Process driven efficiency enhancements including lean principles was a core focus area during the year in review and this will continue to be into the future. 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. The Company also continues to double down on sustainability.

Key investments

Over the recent past, SAT has focused on significant investments towards the continuous enhancement of its production quality and capacity as well as extensive investments towards enhancement of its environmental sustainability standards. These included further upgrades in the Company's Enterprise Resource Planning (ERP) tools in order to proactively streamline processes within the Company.

From a production perspective, SAT completed the installation of a state-of-the-art 10 Chamber STENTER which has further increased capabilities of producing new fabric finishes, while enhancing fabric performance standards, quality and speed of production.

Responding to changing requirements of SAT's key business partners, the Company also invested in a new brushing machine to increase capacity in Fleece fabric and quality of brushing.

From an environmental sustainability perspective, the Company surpassed its pledge to become a 'zero discharger' of hazardous chemicals by 2020. During the year in review, these efforts were bolstered by an investment of LKR 204 million towards further improvements in wastewater treatment capabilities.

Meanwhile, SAT has successfully reduced its consumption of furnace oil by almost 20% YoY through the supplementation of its energy generation capacity with biomass boilers and installation of energy efficient infrastructure.

Certifications and accreditations

SAT continues to be accredited with the below certifications and standards by our key customers and other business partners. These include:

- OEKO-Tex Standard 100 Class I Certified
- BCI Certified for sustainability
- WRAP Certified – Gold Status
- Organic GOTS and Organic OE 100 certified
- FAAMA certified for Disney
- In-House Testing Lab accredited by GAP, M&S, NEXT, LACE and Limited Brands (VS/Express).
- Tier 1 Supplier – Limited Brands VS PINK
- Color Lab C41 certified by Marks & Spencer.
- EPL – Environmental Protection License by Central Environmental Authority (CEA)
- C99 certified by M&S for Environmental / Waste management.
- Social and Compliance audit certifications by all Brands (NIKE, L-Brands, NEXT, M&S, Tesco, Levi's, Hugo Boss)

Additionally, during the year in review the Company also secured the following certifications for the first time:

- GRS – Global Recycling Standard Certification.
- ZDHC Commendations and Level 1 Standard for L-Brands, Tesco, Next and Lidl.
- HIGG Certified. Index score of 71.
- SUPIMA-USA Certification.

Way forward

By the end of the year in review, SAT continued to maintain a strong position among the top five major textile manufacturing companies in Sri Lanka. However, moving into the next year, the entire Sri Lankan industry is entering an unprecedented new territory as presently, the country continues to stand as one of the most successful examples in terms of its public health response. As a result, the entire domestic industry is in the midst of an unprecedented surge in demand.

These macro-dynamics when combined with the strong focus on enhancement of sustainability, quality and organisational agility are anticipated to attract substantial new business to the Company. At the outset of the COVID pandemic, a substantial decline in 1Q revenues was initially anticipated and SAT was able to perform admirably well to sustain its topline while numbers are expected to recover substantially into 3Q with visibility into the 4Q appearing positive if current trends in demand are to be sustained.

Into the future, the Company will continue to invest in modernisation, including further upgrades to its dyeing and finishing capabilities, while investments made into printing will be sufficient to compete at the highest levels over the medium term. The Company is also exploring further investments into water treatment and recycling through reverse osmosis treatment and the installation of solar power harnessing capabilities to further optimise energy conservation towards an even more sustainable energy mix.

SECTOR PERFORMANCE REVIEWS

Porcelain manufacturing segment

Segmental Contribution

Revenue

LKR 2.24 Bn

Gross Profit

LKR 699 Mn

Total Assets

LKR 5.01 Bn

No. of Employees

1,163

Given its rich and unbroken history of craftsmanship, Sri Lanka is a Nation possessed with a deep cultural affinity for sophisticated ceramic, porcelain creations, and a reputation for excellence that has travelled the world for centuries. In recognition of this rich history, commercial scale production of ceramics was established in the island following the issue of a Royal Commission during the colonial era. With the paradigm shifting, investments of a Japanese porcelain manufacturers aimed at radically enhancing the capabilities of Sri Lankan manufacturers in the 1960s, the Island's porcelain industry entered a new accelerated phase of growth which has continued at a steady pace into the present day.

Industry operating environment

Today, the Sri Lankan industry is cited as one of the world's leading producers and exporters of intricately designed, and flawlessly produced ceramic and porcelain tableware while standing out as a leader in environmental and social sustainability ranked among the very highest global peers.

The Country's ceramic and porcelain products export value for the year stood at USD 30 million recording a slight downturn when compared to the previous year. The United States remains the main export market for porcelain products following Japan and UAE. Thanks to the high-quality raw material available in the Country, (kaolin, ball clay, feldspar, silica quartz and dolomite) Sri Lanka's porcelain products are renowned for excellent quality and purity of material. However, changing economic dynamics and the advent of technology, which had led to globalisation of the industry, posts challenges to the Country's ceramic and porcelain industry.

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, challenges are faced by the Sri Lankan commercial ceramic industry. These challenges range from high energy costs at the point of manufacture to taxation, a lack of adequate regulation and taxation on imported ceramic and porcelain.

Nevertheless, the industry's strong and deep commitment to unmatched quality, unique designs and versatility in production makes it a prime candidate for growth and development as a highly value-added export product.

About the segment:

The Porcelain Manufacturing Segment of Ambeon Holdings PLC comprises of the Dankotuwa Group which is Dankotuwa Porcelain PLC (DPL) and its subsidiary Royal Fernwood Porcelain Limited (RFPL). Commanding an impressive market share in excess of 50% of the domestic porcelain market, and a similarly dominant share in Sri Lanka's exports of porcelain products, both companies represent the premium product standard in tableware in over 55 countries – namely UK, USA, Germany, France, Japan, Italy, Poland, UAE, India, Australia, Brazil, Czech Republic, Moldova, Maldives, Switzerland, Mexico, Pakistan, Egypt, Greece, Kuwait, South Africa, Norway, Russia, Ukraine and others.

In-keeping with the values of its parent Ambeon Holdings, both companies are stringently committed to ensuring ethical and sustainable standards across its operations. Dankotuwa and Royal Fernwood products are therefore guaranteed to be produced cruelty-free; ensuring that all raw materials used for manufacturing of these products, are free of animal bone-ash. All porcelainware manufactured are also Cadmium and Lead free, thereby offering products with the health and safety of consumers in mind. The segment also offers products that are microwave safe, scratch-proof, dishwasher friendly 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.

Porcelain manufacturing segment

DANKOTUWA
World-class tableware
AN AMBEON COMPANY

About Dankotuwa Porcelain PLC

Dankotuwa Porcelain PLC DPL was incorporated in 1984 and is a premier porcelain manufacturer in Sri Lanka. 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, differentiated and targeting a discerning clientele.

The Dankotuwa name has today become synonymous with the brilliant whiteness, one 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 on Guilford Crescent, Colombo 7, while there are five other showrooms in key locations across Colombo and Negombo. The Company's advanced manufacturing facility is located in the town of Dankotuwa and has a capacity to produce 4.2 Mn (approximately) porcelain products per annum.

Strategic focus for 2019/20

During the year under review, Dankotuwa primarily focused on consolidating its dominant position in the Sri Lankan market, while aggressively pursuing additional export market opportunities and driving process and operational optimisation in order to secure greater efficiencies. Product innovation and market diversification with a strong emphasis on customer-centricity was another area of concentration during the year under review.

Accordingly, Dankotuwa's investment and organisational strategy was focused towards the continued diversification of its product range which were complemented by targeted marketing and promotional campaigns in order to raise awareness of the Company's elegant and versatile product portfolio within B2B and B2C markets – both locally and internationally. These efforts gained even greater momentum over the past year with the establishment of an increasingly strong and social media presence. Technology has also been a game-changer from a manufacturing perspective with the Company continuing its investments into automation. This is already yielding valuable returns in terms of increased efficiency and production capacity in addition to substantial enhancements in designing capabilities.

Performance

While the year under review was one of the most disruptive in the Nation's history, the operations and business of Dankotuwa remained relatively insulated from the most severe negative impacts of the tragic Easter terrorist attacks at the beginning of the financial year and the emergence of the COVID-19 pandemic at the conclusion of the financial year.

Notably, the significant improvements made to enhance production and optimise operational and human resource efficiency during the previous years contributed significantly to the Company's resilience during this volatile period. Significant growth opportunities – both in terms of expanding the reach of Dankotuwa's existing product portfolio and in the development of entirely new and deeply specialised product categories were experienced during the period under review. All these factors contributed positively towards facilitating business growth in high-margin sales and a reduction in dependence on lower-margin categories.

Expanding presence

Despite significant challenges arising in the domestic operating environment, Dankotuwa continued to consolidate its dominant position in the domestic industry through continuation of its strategic partnerships with key retailers and dealerships, resulting in a domestic revenue growth of 10% Year-on-Year (YoY).

Sweeping optimisation

A major component of the Company's success during the year under review was a direct result of drastic enhancements in operational efficiency as part of the culmination of Ambeon Holdings' focus on transformation within the manufacturing operations. Among these was a rigorous optimisation of working capital and inventory management in order to reduce unused stock, optimal usage of raw materials and implementation of proper waste management system. New processes were also implemented in order to better manage orders of raw materials by realigning the business towards a made-to-order paradigm. This in fact helped reduce stock residence.

Despite significant challenges arising in the domestic operating environment, Dankotuwa continued to consolidate its dominant position in the domestic industry through the continuation of its strategic partnerships with key retailers and dealerships, resulting in a domestic revenue growth of 10% Year-on-Year (YoY).

Leveraging on greater collaboration between production, sales, marketing and warehousing teams within the organisation, management was provided with unprecedented visibility into stock and inventory through enhanced IT infrastructure and Enterprise Resource Planning (ERP) capabilities. This in turn supported the Company to convert unused stock into revenue and synchronised ordering patterns across raw material inputs and commercial output.

The continuing targeted automation of key manufacturing processes during the period under review also supported significant improvements in productivity and cost optimisation, while further reducing wastage experienced through human error, thereby creating an unprecedented new benchmark in quality as well as quantity.

SECTOR PERFORMANCE
REVIEWS

Porcelain manufacturing segment

While these measures increased the overall productivity and efficiencies of our manufacturing process within the plant, it also enabled maximum capacity utilisation and maintained the overall annual production capacity without additional capital infusion. These positive trends provided the best indication that the Company was achieving outstanding success in terms of optimising management of its existing business, balanced against the pursuit of new avenues for growth.

Employee focused

A further crucial element to the performance of the Company during the year under review was its extensive focus on talent, skills and leadership training with a specific focus on establishing an unprecedented level of cross-functionality within the organisation. Particularly during the COVID-19 triggered lockdown period, such skills development initiatives were raised to high gear, enabling a more versatile and flexible workforce capable of optimally shifting between essential tasks. These strategies manifested in extensive training and the establishment of Cross-Functional Teams (CFTs) capable of switching between engineering, design, quality, manufacturing processes, documentations as well as different brands in order to secure the best possible returns for the Company. These measures also supported vital increases in output per worker given that each was able to switch between critical tasks without compromising on speed or quality of production.

The Company additionally focused its efforts on further strengthening employee motivation through the I-CARE initiative. Positive results were experienced through this programme with employees being encouraged and motivated to be more engaged in their work, resulting in a marked improvement in performance.

Employee safety after COVID-19

During the COVID lockdown period, the Company redirected its efforts into maintenance and repairs of the facility in order to further optimise processes while preparing for a rapid return to full capacity of production.

At the same time, the Company stringently evaluated and enhanced protocols around employee health and safety. This included the appointment of dedicated Health and Safety Officers to regularly evaluate and enforce new health directives to ensure total compliance with international best practices and the stringent regulations laid down by Government and Public Healthcare officials.

As part of these new protocols, the Health and Safety officers are mandated to also provide a daily report to the Management while overseeing training and strict compliance of all employees with all of the newly implemented regulations and social distancing protocols in order to protect the Company's workforce and the general public from the transmission of COVID-19. All new health and safety measures are also regularly reviewed by a Health and Safety Committee including the development and implementation of new checklists, mechanisms and controls.

Financials

The concerted improvements in efficiency, production capabilities and capacity that was implemented in accordance to the overall manufacturing transformation steered by the Group across all manufacturing entities created valuable returns for Dankotuwa. These enhancements in operational capabilities were best reflected in the curtailing of margin erosion, which in turn supported significant progress in efforts to optimise bottom-line performance.

Consequently, during the period under review, turnover increased by 8% YoY to LKR 1.3 billion, while profit after tax decreased to LKR 52 million reflecting a 59% dip YoY. Domestic revenue during this period stood LKR 747.1 million as compared with a previous LKR 678.3 million while export revenue increased to LKR 581.3 during the same period reflecting a growth rate of 5% YoY.

Awards

During the year under review, Dankotuwa was recognised for its contribution towards the development of the nation as an entity that imprints Sri Lanka's presence on the global map. The Company was adjudged as Best Exporter in the Porcelain and Ceramic Category at the Presidential Awards 2018/19, the winner of the Gold award in the large-scale industrial sector for Ceramics and Porcelain products category at the NCE Export Awards 2019 and winner in the Chemical, Ceramic and Glass Sectors at the National Business Excellence Awards 2019. Dankotuwa Porcelain PLC, was also adjudged as the most loved houseware brand this year by Brand Finance and published by LMD.

Way forward

Moving into a period of uncertainty in domestic and international markets and based on the synergies under the strategic direction of its parent Ambeon Holdings, the Company continues to work on a sustainable model of continuous improvements and a culture of critical thinking. In addition, Dankotuwa continues to leverage on its intellectual and tacit knowledge of process improvements combined with the intellectual strength of its Parent.

As a company, Dankotuwa intends implement better controls in optimising inventory levels, payments, receivable, cash management, and work-in-progress and waste management. While Dankotuwa will continue to focus on continuous optimisation of efficiency through restructuring of operations and protocols, together with even greater advancements in automation, industrial engineering will also be a primary focus in enabling a leaner production environment with best lead times and highest quality. In addition, cross functional teams collaborated in turning dead stock into revenue and in transforming slow moving products into revenue, while disposing waste with the minimum impact on the environment and on costs. Initiatives will also be taken to minimise inventory and ordering patterns – based on a process of make to order. Such improvements will enable even more substantial improvements in productivity without compromising on quality.

Market Expansions will also be an area of focus with the company working its way to increase its global presence within new markets across continents. In addition, the Company intends focusing on product diversification working in line with the company's broader vision of becoming a key player within the gifting segment. The Company further wishes to focus on non-traditional sets of tableware with in-house designs obtained from renowned international designers in addition to developing our own breed of world-class designers working for a world class porcelain brand.

Segmental Contribution

Revenue

LKR 1,326 Mn

Gross Profit

LKR 331 Mn

No. of Employees

666

Porcelain manufacturing segment

Royal Fernwood Porcelain
AN AMBEON COMPANY

About Royal Fernwood Porcelain Limited

Royal Fernwood Porcelain Limited (RFPL) is primarily focused in the manufacture for export markets which account for approximately 70% of revenue generated by the Company. The Company is reputed for their coloured and youthful designs, enjoys with the heightened value addition through a wide range of extremely popular designs and decorations that include in-glaze, on-glaze, under-glaze, hand painted, etching and microwave-safe designs including gold and platinum. Catering to customer demand, Royal Fernwood has been successful in developing new products using coloured glazes to match the body, which is a unique achievement for porcelain tableware. Body shapes are another competitive aspect that RFPL has excelled in, to retain and attract customers across the globe that have diverse artistic taste in porcelain products.

Currently the Company offers twelve main body shapes namely; Oxford, Princeton, Sofia, Helsinki, Coupe, Margia, Sunil, Colorado, Margo, Romantica, Dima and Maria. The Company's success is further validated by the consistent stream of accolades, awards and recognition that it been presented with since inception.

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 thenacquired 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 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 situated in Kosgama, approximately 35 kilometers 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 million porcelain products annually

Key developments

While the period under review was characterised by sustained domestic volatility at the start and end of the financial year, Royal Fernwood Porcelain Ltd. (RFPL) was nevertheless able to achieve stable and resilient results. RFPL commenced 2019 on a strong footing owing to an average growth in sales over the past three years of approximately 10%.

RFPL was able to consolidate its domestic market share, the limited impacts of economic disruptions over the weeks following the Easter terrorist attacks of 2019 which resulted in a temporary reduction in the size of the entire domestic market with temporary restrictions in movement taking hold as part of efforts to stabilise national security.

These conditions caused some low-level impacts to RFPL's domestic sales as footfall into retail outlets was disrupted, particularly at a time when sales typically tend to increase as gift giving for the traditional New Year season; the market was nevertheless relatively quick to recover, supported by the promotion of gift cards and other customer-centric sales strategies.

Throughout this period, RFPL's top and bottom line performance remained relatively insulated from these impacts owing to its strong export focus, given that 75% of the Company's products are destined for international markets.

With business returning to normal in the 3rd quarter of the year 2020, RFPL entered the fourth quarter with a full order book and poised for record-breaking domestic and export sales when the COVID-19 pandemic triggered lockdown protocols domestically and across the Globe. Disruptions to daily economic life were felt across all parts of the country during the weeks of the financial year and will be into the financial year of 2021.

While the complete impact of COVID-19 will continue into at least the next two financials years, Sri Lanka's remarkable success in combatting the pandemic enabled export-oriented businesses like RFPL and its parent, Dankotuwa Porcelain PLC, to gradually revive operations under strict health and safety guidelines in May 2020.

During that time, the Company was fortunate to receive minimal cancellation of export orders with most orders being successfully renegotiated or rescheduled, and by the first week of May, scaled down operations were commenced with just 30 employees, and gradually scaling up to greater capacity to match rising export demand from July 2020. Notably, during the months from June to August 2020, the Company's sales had recovered to the same levels they were at in 2019, even with a reduced workforce. This was a result of innovative recalibrations in operations and processes that were utilised to unlock even higher degrees of efficiency and so even despite the on-going pandemic, RFPL was able to rapidly recover and even capitalise on new growth opportunities moving into the new financial year.

Capturing growth opportunities in export markets

From an export perspective too, the COVID-19 pandemic was the most significant factor, and remains a key concern given that 50% of RFPL's international market share is to USA, with the remaining 25% being sold in Europe, and 10% in the Middle-East and other Regions. However, it is important to note that new orders were coming in from all of these destinations even during the peak of their COVID-19 response, which is an encouraging sign as to the durability of demand for RFPL products, even in times of instability.

During the year under review, the Company also received substantial new orders from Australian brands and buyers. Trade disputes between China and other major economies has also led to a notable increase in international buyers seeking alternative producers which has also led to new business opportunities.

In order to build on this momentum and continue to capture the imagination and attention of customers from all parts of the world, RFPL introduced 25 new products and designs over the past year. Moreover, the Company also sought to derive commercial innovations out of its research and development initiatives, including the introduction of a porcelain rice cooker which can be used to prepare rice in a microwave, and be served straight to the table, providing customers with enhanced form and function.

Another development of immense significance for the Company was the successful completion of an entirely new

Porcelain manufacturing segment

line of products in the form of electronic insulators during the first quarter of the year in review. Such novel tech-focused products are anticipated to provide major positive returns to the Company given that such product segments tend to be in the high margin category and require the highest quality standards.

Additionally, working in partnership with its sister company, RFPL also successfully developed and produced a highly specialised porcelain-based insulation for an international buyer in the telecommunications sector. Such technology-oriented applications represent an entirely new area of opportunity for the Company, and moving into the new financial year, RFPL and its sister company will be aggressively pursuing such specialised high-margin orders.

Quality control and employee safety after COVID-19

Given the challenges of ensuring the highest level of productivity and quality with reduced workforces which became the new norm after COVID-19, a substantial recalibration of operations was required to ensure utmost worker safety.

As a result, continuous improvements were made in order to ensure optimal functioning of machinery and equipment, while a comprehensive and exhaustive set of safety protocols were newly implemented and strictly enforced in order to minimise as much as possible risk of COVID-19 transmission in the workplace.

In addition to daily meetings and reports on employee health and safety, RFPL also continued to conduct daily meetings on quality, while facilitating independent auditors to also conduct their own strict quality audits.

The Company also maintained strict compliance with all labour regulations and was able to achieve full compliance during the year under review with American Customs regulations including achieving CPAT status as part of its commitments to US buyers.

Human Resources

The unique challenges that have emerged over the past year have also been the catalyst for an entirely new approach to operations for many industries while RFPL has been among the forefront of these changes. Given the restrictions in movement and the need for social distancing, management of human resources in a manner balanced total health and safety at all times with the need to continue operations in order to ensure economic sustainability was among the key concerns of Management.

Given that 70% of the workforce resides within a 10km radius of RFPL's factory, transport to work was not an overt challenge for employees, while employees from neighbouring towns were provided special transport services. Employees are also provided with subsidised lunch, uniforms and medical treatment when required.

During the COVID lockdown, another key strategy that was deployed by Management was to retrain employees in order to move them out of narrow specialisations in production operations. As a result, employees were trained to carry out multiple functions on the production line, enabling greater flexibility and efficiency in smaller teams and shifts, while providing greater opportunities for employees to also enhance their own opportunities in securing even greater incentives and increments.

Segmental Contribution

Revenue

LKR 918 Mn

Gross Profit

LKR 368 Mn

No. of Employees

497

Financial highlights

During the period under review, turnover decreased by 3.4% YoY, while Profit After Tax decreased by 81% YoY to LKR 24 million due to two unforeseen external events which impacted production. Domestic revenue during this period stood at LKR 270 million, as compared with a previous LKR 313 million, while export revenue increased to LKR 649 million during the same period, reflecting a growth rate of 1.8% YoY. Gross profit for the period stood at LKR 368 million, as compared with a previous LKR 313 million. The Company's total asset base stood at LKR 1.9 billion.

Awards

RFPL continued to receive acclaim and praise for its outstanding performance and commitment to excellence. During the year under review, the Company secured the Silver Award in the Ceramics and Porcelain Based Products Sector Large Category at the NCE Export Awards 2019 for the second consecutive year and was also presented with a 3rd place award for large scale manufacturing at the Sri Lanka National Quality Awards 2020.

Sustainability

In keeping with the Company's values of giving back, RFPL continued its support for the Maharagama Apeksha Hopital, providing customised mugs for all children receiving treatment who celebrated their birthdays in addition to providing direct support to the Indira Cancer Trust (an organisation which offers an array of much-needed support services to people living with cancer, with a special emphasis on providing information on any type of cancer care). Having teamed up with the Apeksha Hospital in Maharagama, the Trust is currently involved in 25 projects aiding patients and their families who live with cancer. It also operates a highly useful Cancer Helpline, while at the same time providing several other very important services via the Indira Care Service and the Indira Pediatric Care Department.

Outlook

Amidst a year of unprecedented and truly historic challenges, RFPL has performed with resilience and determination. It has been a year the Management considers as one of the strongest indicators of its ability to build an even greater momentum for the year ahead.

Moving towards the next phase of growth, the Company's sales teams are continuously pursuing fresh business opportunities in new markets – both locally and internationally within orthodox and unorthodox product categories. In the year ahead, RFPL will commence new orders to Australia and New Zealand and also anticipates further opportunities in existing markets, particularly given that the Company has once again rebuilt its order book to beyond a 3-month horizon that extends well into the new financial year.

Given the substantial disruptions to business and operations over the past year, no significant new investments were channeled into equipment, however, given the emphasis that the Company has already placed on leveraging technology to enhance its productive capabilities, the year ahead will likely see an uptick in such investments in order to derive further optimisation on processes, operations, and costs.

Similarly, the company will continue to deploy strategies to further reward the outstanding efforts of its team of employees, in order to enhance retention and improve recruitment opportunities.

Technology Segment

Industry overview

Sri Lanka's ICT sector has shown immense resilience as evidenced by a faster than expected recovery, which in turn enabled the industry to record an annual growth despite subdued economic conditions in the aftermath of 2019 Easter Sunday terrorist attacks.

The sector has continued to record steady growth, led primarily by the island's burgeoning Telecommunications and Business Process Outsourcing (BPO) industries. However, as domestic IT industry matures, local companies are now shifting focus towards high-end innovation. With domestic firms now placing a greater premium on technology-driven optimisation, the technology service providers of the industry has therefore benefitted from this rapid increase in digitisation of the telco, banking and finance, public sectors. Advancing IT sophistication has also led to new opportunities in construction, manufacturing, and healthcare sectors.

During the year in review, these positive trends were reflected in continued expansion in the telecommunications, software development and ICT services sector, which recorded a growth rate of 15.7% Year-on-Year (YoY), as compared with a prior growth rate of 9.6% YoY in 2018.

This demand for greater sophistication in IT is directly linked to the advent of the fourth industrial revolution. The Island's ICT sector will play a pivotal role in driving digitasation, automation and innovation across the entire economy, and in the process, develop highly specialised niche market products and create their own intellectual property.

During the year in review, these positive trends were reflected in continued expansion in the telecommunications, software development and ICT services sector, which recorded a growth rate of 15.7% Year-on-Year (YoY), as compared with a prior growth rate of 9.6% YoY in 2018.

Meanwhile, IT programming consultancy and related activities grew at a higher rate of 13.1% YoY in 2019, signalling the growing demand for IT based services in the economy, further increasing from the growth of 11.1% YoY in 2018.

Overall, businesses are looking for technology solutions to improve efficiency and customer experience. Such improvements are anticipated to create significant positive benefits for the wider national economy through enhancement of economic and social opportunity in the context of the emerging paradigm of the Fourth Industrial Revolution. With over 300 ICT companies currently in operating in Sri Lanka, the sector is anticipated to register substantial growth in the coming financial year.

Technology Cluster

The technology cluster of Ambeon Holdings comprises of Eon Tec (Pvt) Ltd. and its subsidiary Millennium I.T.E.S.P. (Private) Limited (MillenniumIT ESP). Established in 1996 and ranked among Sri Lanka's leading Information Systems solution providers, MillenniumIT ESP was acquired by Ambeon Holdings in 2017.

Since its inception MillenniumIT ESP has played a pivotal role in uplifting Sri Lanka's ICT industry to be on par with global standards, thereby earning a well-deserved reputation as a leading systems integrator that offers an extensive variety of ICT products and solutions to both local and global markets. Through its ICT solutions, the Company has a presence across an array of sectors including banks and finance companies, telecommunications, healthcare and public sectors, apparel and other leading conglomerates.

Driven by well-defined goals, which stem from forecasted opportunities within the ICT industry, MillenniumIT ESP is working towards developing the Company's own intellectual property (IP) and creating opportunities for new business in the future. The Company is also in the process of building capacity, expertise and brand value aimed at serving the entire Asian region and beyond.

Strategic focus

During the year under review, MillenniumIT ESP continued to aggressively pursue growth opportunities in alignment with the Company's broader strategy of delivering best in class IT solutions. In addition to consolidating its position as a leading service provider to top tier Banking, Financial Services and Insurance (BFSI) companies, Telecommunication (Telco) companies, construction and manufacturing clients, the Company also succeeded in efforts to deepen its engagement with the country's Healthcare sector.

In addition to delivering top quality services across established lines of business – spanning core infrastructure, information security, business collaboration and business productivity solutions – the Company was also successful in building its capabilities in next generation tech including Artificial Intelligence (AI) , Data Science and Robotics Process Automation (RPA).

Consequently, despite the sharp disruptions taking place across the domestic economy, MillenniumIT ESP was able to secure healthy growth rates, enabled by increased sales to existing businesses and the securing of new customers. The Company's performance was also complemented by the renewal of partnerships and proactive strengthening of strategic acquisitions and infrastructure to lay the foundation for an even greater success in future.

SECTOR PERFORMANCE REVIEWS

Technology Segment

Internal improvements in technological infrastructure was also a key focus as MillenniumIT ESP restructured and optimised its sales functions leveraging a comprehensive Customer Relationship Management (CRM) platform with the entire implementation process of the Oracle Engagement Cloud CRM solution being carried out in-house. Following this latest implementation, the Company is now able to leverage both Enterprise Resource Planning (ERP) and CRM in order to drive accelerated realignment and optimisation of internal processes

During the year under review, the Company also invested in the acquisition of Infoseek (Private) Limited, an innovative cloud based Human Resource Information System (HRIS) company, providing services under the brand "MintHRM". This investment was an ideal strategic fit for MillenniumIT ESP to further its interest in building a fully-fledged cloud based 'Internal CRM' platform. MillenniumIT ESP intends to increase its equity stake in MintHRM up to 39% over the next two years.

Similarly, the Company has acquired LKR 96 million worth of property, plant and equipment, following the refurbishment of two new locations rented in the heart of Colombo.

New areas of business

The Company's expansion into the Healthcare sector continued to gather momentum. During the year under review, MillenniumIT ESP implemented an AI-enabled video and audio-conferencing solution connecting the key coordination centers of the Ministry of Health (MOH) to combat the COVID-19 pandemic, offered in partnership with Cisco Sri Lanka. Particularly in the backdrop of the COVID-19 pandemic, these solutions proved to be particularly effective, given its ability to enable remote collaboration and coordination of healthcare professionals across the Ministry of Health, MRI (Medical Research Institute) and IDH (Infectious Disease Hospital). Further, officials from the Ministry of Health was able to reach out to field staff via video facility to monitor the progress of COVID-19 patients and share instant updates of the outbreak which was crucial for containing the spread of the pandemic in the country.

Parallel to these efforts, MillenniumIT ESP also supported the work of MJF Charitable Foundation, with the roll out of its latest Remote Patient Management System HealthVision, in order to digitally connect children with special needs and their caretakers to MJFCF's health and education services. The web-enabled, mobile responsive solution provided an intuitive platform for medical personnel to connect with their patients remotely leveraging inbuilt Machine Learning (ML) models to improve the efficiency of the processes. The system also supports multilingual communication - English, Sinhala and Tamil.

In line with the Company's focus on exploring growth in other areas of business, MillenniumIT ESP invested further in the expansion of its Managed Services capabilities with the establishment of a Security Operating Centre (SOC) and Network Operating Centre (NOC) to cater to a growing clientele.

Security operating centre

A Security Operating Centre (SOC) provides cyber security to businesses through detecting, analysing and responding to security threats. SOC also monitors and analyses activity on networks, servers, endpoints, databases, applications, websites as well as other systems. As such, the SOC service ensures accurate identification of security incidents and proceeds to defend the said threats, investigate and generate reports on activities.

During the year under review, the Company laid the groundwork to establish its own SOC facility, a state-of-the-art establishment in Sri Lanka and began reaching out to customers.

Network operating centre

A Network Operating Centre (NOC) monitors infrastructure health, capacity and security of business services, databases, external services, firewalls, and the network. NOC also monitors and resolves IT infrastructure incidents and ensures 24x7 network and data centre availability.

During the year under review, the Company revamped its NOC facility and enhanced operations to serve a number of clients including South Asia Gateway (SAGT), Seylan Bank, Allianz Group, Mobitel and Oryx.

Segmental Contribution

Revenue
LKR 8 Bn

Gross Profit
LKR 2,194 Mn

No. of Employees
368

Financial performance

Particularly, given the unprecedented disruptions took place during the year under review, the Company was able to achieve highly commendable financial results with its turnover increasing by 23% YoY, enabling MillenniumIT ESP surpass the LKR 8 billion revenue mark. This was achieved mainly by attracting new clients where the Company was able to gain new business opportunities while enjoying a tax reduction benefit.

Notably, the BFSI sector recorded a slowdown in growth – primarily owing to the broader reduction in economic activity following the Easter Sunday attacks and the prevalence of sluggish market conditions even prior to the attacks. These tight market conditions were among the most compelling factors prompting banks in Sri Lanka to upgrade their digital platforms in order to provide an effective and efficient service to their customers. Such trends are anticipated to drastically increase in a post COVID-19 environment.

Additionally, pricing strategies and increase in the frequency of transactions per customer led to a further increase in the Company's overall revenue. Gross profits during the period expanded by 13% YoY while administrative costs were contained well within budget, leading to a healthy increase in profit before tax (PBT) expanding the earnings per share to LKR 221.08.

COVID-19 response, challenges and opportunities

The ICT sector was one of the least affected during the global pandemic. However, like all other segments of the national economy, MillenniumIT ESP also faced minor disruptions in the initial weeks of the lockdown as management and employees sought to take all possible precautions to ensure the safety of the entire workforce. These efforts were primarily driven by an in-depth focus by the management on key factors such as employee safety, efficiency, motivation and an outcomes-based work culture.

In response to this particular challenge, the Company introduced a work-from-home (WFH) policy for 2/3 of its employee base and introduced a new code of conduct to safeguard health and productivity.

On the upside, the pandemic created new sales opportunities and avenues for the ICT sector, with global reliance of technology and digitisation growing exponentially.

Creating value for the future

Currently, MillenniumIT ESP offers solutions to local corporates across three main industries including banking and financial services, telecommunication and inclusive of manufacturing, apparel, leisure, conglomerates, public sector and construction industries. Mindful of the fact that the current status quo may not provide sufficient scope for viable growth and profitability, the Company is focused on identifying and exploiting new market opportunities – particularly in relation to those arising from the post COVID business landscape – both within the country and globally.

While the pandemic has resulted in severe disruptions to the domestic and global economic order, it has also raised awareness and demand for digitisation and automation on an unprecedented scale.

Moving forward, sectors such as education, retail, healthcare, banking and financial services, food and beverage delivery will embrace technology and automation. Companies are also looking to use cloud and mobility trends to seek business growth, all of which holds the potential for even greater opportunity for the Company.

Additionally, MillenniumIT ESP will also pursue further expansion of its service portfolio, with a particular emphasis on next generation technology and opportunities from Knowledge Process Outsourcing (KPO).

Similarly, the Company will also seek to consolidate its presence in new sectors such as healthcare, while continuing to funnel investment into IP development and acquisitions.

Progressing into the future, the Company is well equipped to leverage technologies to enable customers to shape their future by creating adaptive strategies and building agile organisations. With expanded range of products, premier technology and innovation platforms along with the required resources MillenniumIT ESP will continue to pursue the global opportunities as the Company expands its footprint across new markets and regions.

Financial Services Segment

Taprobane Capital Plus

Sri Lanka's financial services sector and auxiliary financial services grew by 2.0% during the year, recording a modest growth when compared to the growth rate of 13.4% in 2018. Spillover effects from the Easter Sunday attack dampened investor confidence while the subsequent economic downturn and tensions in the global capital market further aggravated the status quo. However, during the final quarter of the financial year under review, investor confidence returned with investors looking to capitalise on long-term investment opportunities as Sri Lanka tackled the global pandemic successfully.

In February 2018, the Group acquired the financial services cluster previously under Ambeon Capital PLC, effectively bringing the sector under the newly formed entity Taprobane Capital Plus (Pvt) Ltd. Taprobane Capital Plus provides financial services to a long-established network of clients through employing robust corporate governance practices while also placing particular emphasis on compliance and regulations. The Company enjoys a well-earned reputation as a boutique financial services provider with a wealth of experience in fixed income and strategic investments. As the financial arm of the Ambeon Group the Company manages fixed income, while also providing treasury and strategic financial services to the Group and is also engaged in stock broking and money broking via its wholly owned subsidiaries Taprobane Securities (Pvt) Limited and Taprobane Investments (Pvt) Limited.

Taprobane Securities is headed by a well experienced team with over 20 years in the stock market. Catering to retail and institutional clientele in the local arena, the company is one of the few profitable stockbrokers operating on a lean cost-efficient structure. Despite the challenges faced during the year, the stock broking arm has demonstrated a steady growth in client base during the year under review through effective customer management and portfolio management.

Taprobane Investments on the other hand, caters to the B2B market mainly in the banking and financial services industry and has carved out a name for itself in the money broking industry backed by the strategic relationships built with established clientele over the years.

Performance

The stock market recorded a mixed performance during 2019- weakening immediately following the Easter Sunday attack, and gradually improving towards the end of the year leading up to the presidential elections. The improvement in investor sentiment towards the latter part of the year and the easing monetary policy coupled with initiatives taken by the company to enhance the client base, had supported the company's stock broking volumes. Despite the challenging market conditions, the money market business performance remained modest backed by the long-standing relationships with its clients. The stable growth of the money brokering business and a commendable improvement in the stock broking volumes on the back of falling interest rates resulted in a 27% growth in overall revenue reaching LKR 131.7 million. The top line improvement translated into a better performance as the net profit of the segment trebled during the year to reach LKR 52.4 million. Going forward, the low interest rate scenario is expected to augur well for the capital markets and in turn the performance of the financial services segment.

Segmental Contribution

Revenue
LKR 132 Mn

Gross Profit
LKR 129 Mn

No. of Employees
37

Strategic focus for 2019/2020

The Company's strategic focus for the future hinges on a vision which intends to strengthen the financial portfolio, reinforce the governance structure to nurture customer confidence and leverage on technology led innovation in the financial landscape. The Company has already set the stage to digitalise customer interactions through exploring the possibility of creating an app-based transaction system for interested parties. We will continue to monitor the changes in the Sri Lankan context, especially in the post COVID-19 regulatory landscapes and as part of the strategy to strengthen the Company's portfolio, we conduct periodical multi-stakeholder dialogues to determine the realities, risks, opportunities and future trends in the financial services market.

Impact of COVID-19

The COVID-19 pandemic has caused investors to seek investment opportunities with higher attractiveness due to the falling interest rates. High risk aversion is likely to drive investors to shift from fixed income to other equity and other investments which can create opportunities. As evidenced by the high daily turnover witnessed by the Colombo Stock Exchange (CSE), stock brokerage business is headed towards increased growth opportunities and higher profitability.

The way forward

Currently, the Company is reviewing a more comprehensive strategic direction for the financial services sector with the intention of capitalising on broader market opportunities and testing new waters such as the Fintech industry. The Company is also heavily investing in strengthening the governance approach and compliance with regulations, which in turn will further reinforce customer confidence. With the right combination of portfolio strength and governance controls in place, Taprobane Capital Plus is set to pursue long-term growth with improved industry performance.

Real Estate Segment

Colombo City Holdings PLC

Sri Lanka's Real Estate sector has been receiving attention over the past few years, in view of improving economic activities in urban areas. In 2019, the value added real estate activities (including ownership of dwellings) increased by 2.4%, indicating a moderate slowdown amidst economic concerns when compared to the growth rate of 3.9% recorded in 2018. As the Nation moves ahead as a highly diversified economy, real estate sector will become a deciding factor in growth of the economy.

The real estate segment of the Group, Colombo City Holdings (CCH), formerly known as the Colombo Pharmacy, is a 100 year old company listed on the Colombo Stock Exchange. Having ventured into real estate management in July 2013, the organisation was subsequently renamed Colombo City Holdings. Today, CCH is well-set to capacitate high growth opportunities and provide superior return to stakeholders in its position as a financially stable Company with eligibility to own land.

During the past few years, the Company has been building up to a strategic focus on pursuing growth in selected areas of development and investment. CCH has been facilitating this strategy with prudent and well-calculated divestments of its property portfolio as well as prudent investments and acquisitions.

Colombo City Holdings PLC
AN AMBEON COMPANY

Real Estate Segment

Colombo City Holdings primarily engages in Real Estate management through renting out investment property. The Company's legacy as a 100-year-old public listed company, cements its strong presence in the industry with potential to explore further growth avenues in the real estate arena. CCH currently owns a prime property ocated in Union Place, Colombo 02. In January 2019, the Company acquired Lexinton Holdings (Pvt) Limited (Lexinton) for an investment of LKR 414 million, further strengthening its real estate portfolio as the Group's Head Office building located in Colombo-08 also came under the CCH umbrella.

Company Performance

During the year under review, CCH generated profits of LKR 184 million from the first-time consolidation of the full year results of Lexinton, finance income from prudent investments and fair value gains on the investment property. The Group's finance income declined in view of the investments used for the acquisition of Lexinton, however, the Company's profits for the year stood at LKR 184 million indicating a marginal increase when compared to the LKR 181 million profit recorded during the previous financial year, excluding a one-off deferred tax gain. The net assets of the Group remained strong at LKR 2.27 billion with reserves amounting to LKR 2.26 billion for the year under review. Currently, CCH is focused on further strengthening and securing its financials through continued prudent investments, which follow stringent risk assessment criteria.

Segmental Contribution

Revenue

LKR 39 Mn

Profit Before Tax

LKR 90 Mn

Total Assets

LKR 1,873 Mn

In the medium-long term maintaining occupancy would be the main challenge, however, CCH's consistent renewal rates on agreements and stable relationships with tenants are expected to mitigate risks. The prevailing low interest rates could adversely impact finance income, which is also a major revenue source for CCH, however our strategic focus and channeling of liquid assets to more profitable investments are expected to soften the impact. We shall continually assess and evaluate the opportunities that may arise in niches and segments that are profitable for the Group and in enhancing value to the shareholders.

Impact of COVID-19 pandemic

Fitch estimates that the global economy will contract by 1.9% post pandemic and predicts a return to pre-pandemic levels by late 2021 for developed nations. While the extent of the impact of the pandemic is yet to unravel, potential delays in investment in the real estate sector can be anticipated owing to uncertain economic conditions. Construction activities, which rely heavily on China and India for material, will witness a rise in input costs driven by procurement delays and exchange rate depreciation.

The impact of the pandemic will negatively affect all real estate classes, while the hospitality and retail segment will face the brunt of the drop. Ongoing travel restrictions and reduced leisure and business travel will negatively affect short term occupancy levels, leading to reduced Average Room Rates, which will heavily impact the tourism real estate sector.

The drop-in tourism will impact retail stores and malls, while retailers already experience supply shocks with restrictions imposed on non-essential imports to Sri Lanka (these restrictions were still in place at the time of writing this report). In turn, rental growth will experience negativity in the short and medium term as well.

Certain segments of the office space market, especially those with short term rental options are likely to face a downturn in the short and medium term. Meanwhile, health and safety will be key concerns in the near future with increased pressure to look into air filtration, ventilation and general sanitation of office spaces.

While residential apartment sales were experiencing a renewed interest since January 2020, the economic concerns triggered by the pandemic could make buyers postpone purchasing decisions. Meanwhile, investors and builders of residential real estate will have to focus on designs and protocols to curtail the potential risk of virus transmission in highly dense, common spaces.

The Way Forward

The Company's future strategy hinges on a three-pronged approach. The Company remains committed to ensuring our recurrent income from rental property, which led to the acquisition of Lexinton property in early 2019. Secondly, the Company consistently focuses on prudent and well-calculated financial investments when opportunities present themselves. Lastly, the Company remains vigilant to emerging trends in the property development industry with the intention of strengthening the current portfolio.

As a public listed entity that has survived the market dynamics and uncertainties for over a decade, CCH understands the future which is geared towards the techno centric consumerism. As such, the Company intends identifying opportunities posed by PropTech or Technology driven real estate to augment its business offerings focused towards marketing of physical space using tools and techniques such as virtual reality, augmented reality and digital communication campaigns. The Company is further enthusiastic in pursuing Real Estate Investment Trusts (REITs). The introduction of the regulatory framework for REIT by the Securities and Exchange Commission is considered timely and provides yet another opportunity for a wider range of investors and for the development of the Capital market via listed REITS.

At the end of the year under review and beyond the period, CCH continues to be in a strong position to pursue sustainable growth through seeking business opportunities in other business domains whilst maintaining the organisations financial stability and stronghold. However, in view of changing social dynamics and shifting priorities such as wider reliance on e-commerce and greater inclination towards remote working, the Company will remain prudent in considering investment opportunities and conduct stringent risk analyses prior to investing.

CAPITAL MANAGEMENT
REVIEWS

CREATING VALUE THROUGH THE SIX CAPITALS

The constant flow between and within the six capitals whether they increase, decrease or transform, continues to steer the value creation process of the Group. Ambeon Holdings consistently reassesses our financial, manufactured, human, intellectual, social and relationship and natural capitals to determine the output created through all our business endeavour across the Group. This enables us to merge and synergise our resources and utilise them to the optimum levels in order to create value in the short, medium and long-term.

Financial Capital	Economic resources and a pool of funds that enable acquisition of all the other five capitals and expansion	Economic, brand and shareholder value
Manufactured Capital	Tangible assets that enable income generation	Profitability, enhanced productivity and efficiency
Human Capital	Knowledge, talent and industry expertise of the people within the Organisation	Value creation for customers and sharholders, which improve intellectual capital across the Group
Social and Relationship Capital	Relationships with customers, business partners, industry professionals, Government shareholders and the larger community	Improved stakeholder confidence, susutainability of business and long-term profitability
Natural Capital	Ecological assets and the balance of the natural environment	Sustainability of business operations, enhanced social and relationship capital and long-term profitability
Intellectual Capital	Intangible assest such as industry and technical expertise, processes and intellectual properties of the organisation	Improved social and relationship capital and improved organisational reputation

Financial Capital

Overview

Financial capital is the ultimate focus of shareholders and is the sum of our retained earnings, borrowings, and equity. Elements of our financial capital constantly flows between other capitals, and is transformed into every cost we incur, every investment made and value shared with stakeholders.

Financial Capital

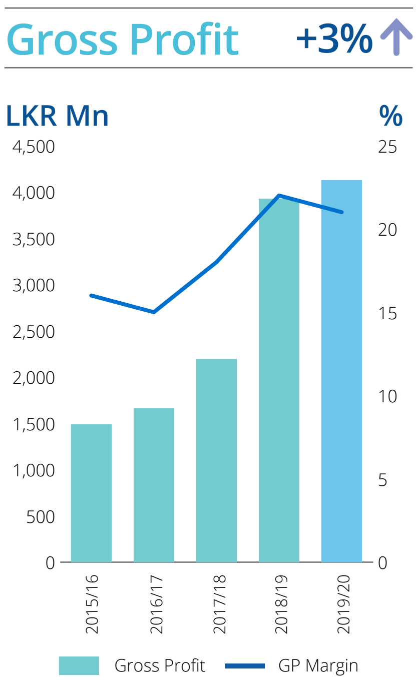
At Ambeon Holdings PLC, we have adopted a prudent framework in manoeuvring our financial capital, in the aim of optimising it, using better cost controls, exploring better avenues of investments and in making smart borrowing decisions. At the centre of this lies the objective of using financial capital to sustain our businesses, while expanding each organisation in creating more value for our shareholders and other stakeholders.

However, with impacts from the operating environment, we are constantly held in check, reminded of maintaining precautions and taking calculated risks so as to protect the interests of our shareholders, lenders and other stakeholders. The year under discussion compelled us to adopt even stringent practices of cost control and optimisation of funds due to the business disruptions from the Easter Attacks and the lockdown imposed to contain the COVID-19 outbreak.

Despite the major setbacks, the group and its subsidiaries have remained profitable, continuing to create value for stakeholders by carefully overseeing and monitoring each indicator of financial health. Overall, we have exerted greater focus on optimising costs and managing our debt position, prudently.

Group Revenue

During the year, the cumulative earnings of our subsidiaries resulted in group revenue of LKR 19.69 billion, which surpassed the previous year's group revenue of LKR 17.23 billion. Earnings from South Asia Textiles and MillenniumIT ESP had the highest contributions during the year under review, with LKR 9.14 billion and LKR 8.02 billion, respectively. Revenue from our porcelain subsidiaries amounted to LKR 2.24 billion, during the year. With the exception of our footwear subsidiary, all other entities reported increased revenues in the year under review.



Gross Profit

Total Gross Profit of the group increased to LKR 4.13 billion from LKR 3.99 billion posted in the previous financial year. This resulted in a gross profit margin of 21% in comparison to 23% in the previous financial period.

Earnings Before Interest and Tax (EBIT)

Earnings of Group before deducting interest and taxes stood at LKR 1.34 billion, compared to LKR 2 billion recorded in the previous financial year.

Taxation

For the year under review, the Group incurred a tax of LKR 132 million compared to LKR 382 million incurred in the previous accounting period. The reduced tax value has resulted from deferred tax reversal. In general, Ambeon Holdings PLC along with our subsidiary companies are taxed at 28% per annum, but with the exception of South Asia Textiles and MillenniumIT ESP which is subject to a rate of 14%.

Finance Cost

The Group's approach to managing finance costs involves borrowings at the holding company level which are then loaned out to subsidiaries. Using this approach enables the group to optimise finance costs and manage borrowings in a prudent manner. During the year under review, the Group incurred a finance cost of LKR 696 million against LKR 546 million incurred in the previous accounting period. Bank overdraft and loan interests increased during the year, by LKR 150 million, resulting in the increased finance cost.

Profitability

Increasing the overall financial capital value of Ambeon Holdings PLC, profit after tax amounted to LKR 409 million during the year review. This is a contraction from LKR 864 million achieved in the previous accounting period. During the year, MillenniumIT ESP had the leading contribution to overall profitability with LKR 509 million in after tax profit.

Total Assets

Increasing by 8%, total assets of the group increased to LKR 24.46 billion during the year under review, from LKR 22.59 billion reported in the previous financial year. This increase can be attributed to an increase in non-current assets, which includes an increase in other non-current financial assets and investment property, as well as intangible assets. In addition, right of use assets LKR 148 million was recognised during the year as a result of the group's adoption of SLFRS 16.

Current Assets

Current assets increased only marginally by 1% during the year, increasing the total value up to LKR 12.2 billion in the period under review. During the year, there was a notable decline in inventories by LKR 146 million. mainly due to efforts to improve sales and disposal of Ceylon Leather Products.

Trade and other Receivables increased during the year to LKR 6.35 billion, compared to LKR 6.16 billion in the previous financial year. As a result of COVID-19 related delays in collection, the group made adequate impairment provisions based on settlement plans and recoverability. Similarly, based on COVID-related disruptions to supply chains the group adjusted carrying value of inventory to reflect net realisable value.

Total Equity

Total Equity for the year ended 31st March 2020 stood at LKR 9.77 billion, an increased value when compared to LKR 9.35 billion from the financial year that preceded. This increase is marked by 4.5%. Retained earnings increased during the year from LKR 1.65 billion in the previous year to LKR 2.2 billion in the year under review. Stated Capital stood at LKR 5.33 billion, unchanged from the year that preceded.

Total Liabilities

During the year under review, Group's total liabilities increased by 11% to LKR 14.69 billion compared to LKR 13.23 billion from the previous financial year. Increases of both current and non-current liabilities had their impact on this increase. A high increase in Interest bearing borrowings in both long term and short-term borrowings resulted in this surge. However, trade and other payables decreased during the year by 20% from the previous financial year.

Funding Sources

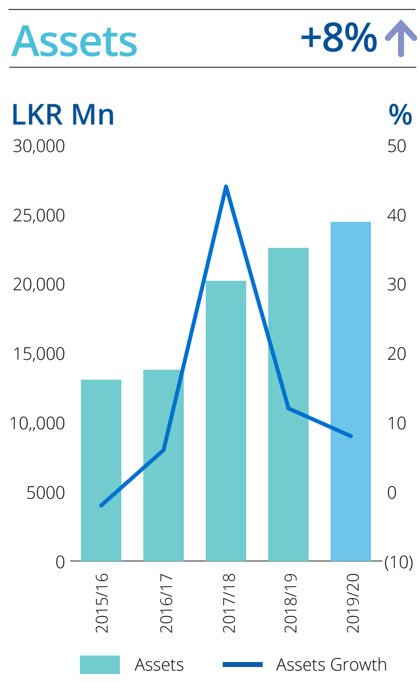
As previously noted, long term and short-term borrowings increased during the year under review. This is noted as a 35% increase that escalated borrowings to LKR 8.40 billion from LKR 6.23 billion reported in the previous financial period.

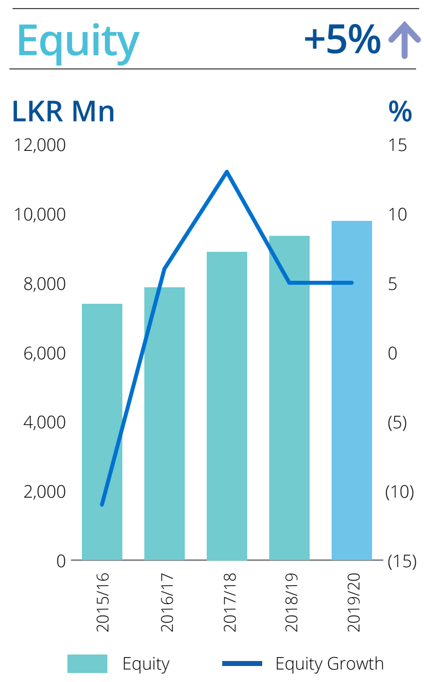
Revaluation of Assets

During the year, the Group revalued the Land and Building and recorded LKR 190 million revaluation gain.

Earnings Per Share (EPS)

EPS of the Group declined to LKR 0.44, from LKR 1.48 during the previous financial year.





Manufactured Capital

Overview

The Group's manufactured capital constitutes the Organisation's Property, Plant and Equipment, Inventory as well as Information Technology. Manufactured Capital has a principal impact on the Group's revenue generating capacity, sustainability of operations and ultimately profitability and the value creation process. The Group's manufactured capital creates a robust foundation to enhance our social and relationship capital by enabling each business entity to maintain high standards in goods and service offerings.

Group Manufacturing Capital Philosophy

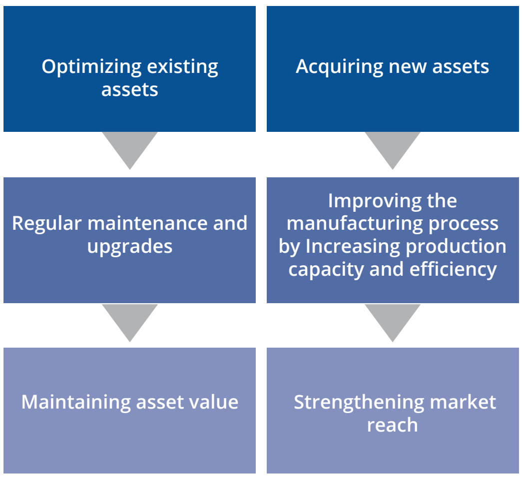
> Ambeon Holdings is committed to developing a high quality asset base to secure operational sustainability of the Group and to ensure that all assets are maintained at optimal levels.

Creating Value Through Manufactured Capital

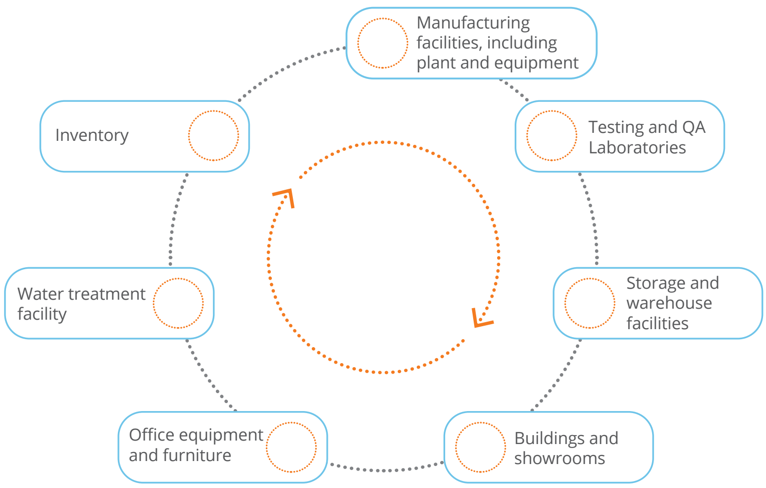
We maintain a two-fold strategy to manage and develop organisational manufactured capital. One of the key focus areas in effectively managing manufactured capital is the efficient utilisation of these facilities. The Group works towards maintaining optimum utilisation levels of facilities with sufficient downtime for maintenance purposes. Secondly, the Group seeks to add new manufacturing assets to meet operational goals and enrich our long-term business strategy.

Both the textile manufacturing sector and porcelain manufacturing segments of the Group rely on machinery and equipment to sustain production. Timely maintenance and consistent upgrades are necessary for ensuring production efficiency. Hence, each manufacturing entity in these segments conducts routine inspections and maintenance of machinery and equipment to prevent disruptions and increase the value of the manufactured capital. Moreover, both porcelain and textile segments operate separate quality assurance facilities to consistently improve the quality of our products and adhere to the health and safety standards required by our global clientele.

The Group's Information Technology plays a pivotal role in increasing our manufactured capital. During the year under review, the Group invested LKR 566 million in developing our IT capacity and in enhancing the value of manufactured capital.



Group's Base of Manufactured Capitals



CAPITAL MANAGEMENT
REVIEWS
Manufactured Capital

The Group's manufactured capital consists of a broad base of tangible assets obtained and maintained by injecting a significant sum of funds. As a result, a substantial portion of the Group's brand value is represented by our manufactured capital, which has an unmistakable contribution in advancing its operations and adding value to end products and services.

Manufacturing Facilities
Over the past years, the Dankotuwa Porcelain manufacturing facility has undergone extensive restructuring aimed at increasing efficiencies. During the preceding financial year, DPL also installed a New-bone China kiln, which produces 600,000 pieces per year, adding further to the company's production capacities.

In optimising the use of kilns, the product mix is considered while kiln loading optimisations also remain a focus. Improving the cost per person is also sought out, increasing per-person yields.

During the year, several strategies were implemented to increase productivity and offsetting production delays and subdued revenue growth from the onset of COVID-19 and the lockdown that ensued. In order to avoid wastage of time which could be otherwise spent on actual production, maintenance of kilns was conducted during the period of lockdown.

Nevertheless, across the Financial Year, both DPL and RFPL implemented line balancing revisions, machine layout changes, and maintenance related strategies. The assistance of external consultants was obtained to assist in the revamping of the engineering area for consistent output of machines, in addition to developing proper documentation. As a result, the quality of products has improved tremendously due to the increased reliability of machinery. Tried and tested industry methods were adopted in revamping existing preventive maintenance methods, including the use of Total Preventive Maintenance (TPM).

The Group's 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 LKR 270 Million. Furthermore, efficient automations were introduced with certain manual work now done through home-built machinery.

Buildings
The diversified business operations of Ambeon Holdings is conducted from a total of 95 buildings. These buildings are either owned by the Group or obtained on lease. The value of these buildings increased during the year under review, mainly from capital gains and revaluations. In addition, extensions and renovations also increased the value of the Group's buildings and property. Regular maintenance also plays a fair role in increasing value and in preserving the integrity of all buildings. During the year under review, the group added to its assets with the establishment of a new outlet at the Shangri-La mall.

Storage and Warehouses
Enhancing storage capacities were undertaken in the period under review and has enabled reductions in inventory damages and in improving storage efficiencies and has continued to optimise the use of space. Investments to increase storage at SAT is explored, in addition to exploring varying solutions in building and upgrading efficiencies such as outsourced storage and warehouse spaces.

Inventory
During the year under review, the Group optimised the management and use of inventory. As such, each manufacturing entity obtains raw material on an 'order for manufacture' basis, which prevents the storage of unnecessary volumes of raw material. Each company maintains raw material orders strictly based on order patterns, which enables the companies to improve the management of working capital.

Testing and QA Laboratories
South Asia Textiles operates a state-of-the-art testing laboratory as its central point that ensures quality and conformance to all health and regulatory standards. It also serves the purpose of ensuring that all materials and end-products conform to the specifications of the company's global clientele. Besides, the Group's porcelain and leather subsidiaries have also integrated several points within their production processes to ensure that all products meet the highest standards of quality. During the year under review, the Group did not incur significant investments to maintain and upgrade these facilities.

Water Treatment Facilities
South Asia Textiles operates a water treatment facility, developed at an investment of USD 1.2 Million. The project was completed in the previous financial year and was a significant value addition to the overall manufactured capital of the Group.

Office Equipment & Furniture
Equipment and furniture accommodate the needs of the Group's increasing number of employees – across its subsidiaries. These include equipment such as ICT infrastructure, communication systems, stationery, and furniture needed for running daily operations, especially in administrative divisions and corporate offices. During the year, the Company invested LKR 44 Million for new additions while facilitating employees with all necessary resources.

Manufactured Capital - Manufacturing Cluster

Dankotuwa Porcelain PLC

Dankotuwa Porcelain PLC's (DPL) manufacturing facility spans across a land area of 3,277.76 perches, which includes the Company's 260,015 Sq ft production facility. In addition to this core asset, DPL's manufacturing capital comprises machinery, equipment, and ICT infrastructure. During the year under review, DPL increased the value of manufactured capital through the property, machinery, inventory, and raw material expansion. During the year, the monetary value of the Company's property increased by 11%. As of March 31st, 2020, the total value of buildings owned and leased by DPL stands at LKR 436 Million, while the total value of land stands at LKR 754 Million.

Manufacturing facilities in Dankotuwa LKR 1,148 Mn + Five showrooms LKR 42 Mn + Inventory/stock items LKR 525 Mn + Raw material LKR 89 Mn = LKR 1,804 Mn

Royal Fernwood Porcelain Limited

The manufacturing facility of Royal Fernwood Porcelain is located in Kosgama, across 25 acres of land. The Company's modern production facility encompasses 177,630 Sq ft and is well-equipped with high – quality machines and equipment. The value of RFPL's freehold land stands at LKR 239 Million, while the value of buildings stands at LKR 299 Million. During the year under review, RFPL invested LKR 29 Million to add value to our manufactured capital.

Manufacturing facilities in Kosgama LKR 538 Mn + Inventory/stock items LKR 622 Mn + Raw Material LKR 181 Mn = LKR 1,341 Mn

South Asia Textiles Limited

The manufacturing facility of South Asia Textiles Limited is located in Pugoda, across 73 acres of land, which is under a 50-year lease agreement with the BOI, out of which 34 years still remain.

SAT maintains a state-of-the-art water treatment facility to treat water used in the manufacturing facility before releasing the water back to the environment. Treated water discharge from the facility is used in the agricultural activity (by pumping into the Kelaniya river), thus creating environmental and social value simultaneously. Furthermore, the Company's testing laboratory warrants the high standards of our products.

Manufacturing facilities in Pugoda including warehouse and lab LKR 869 Mn + Inventory/stock items LKR 1,799 Mn + Raw Material LKR 611 Mn = LKR 3,279 Mn

Manufactured Capital - Real Estate Segment

Colombo City Holdings PLC

The Group's property-based subsidiary, Colombo City Holdings PLC., manages the corporate office in Colombo 08 in addition to owning prime real estate in Colombo 02. The Company continues to explore further prospects within the real estate and property development sector with future sights set on developing a high-rise building in its existing property at Union Place.

Ambeon Holdings Head office at Colombo 08 LKR 274 Mn + Property at Colombo 02 LKR 959 Mn = LKR 1,233 Mn

Managing the Impact of Our Manufactured Capital

At the Group level, Ambeon Holdings remains conscious of the potential adverse impact of our manufactured capital on the natural environment and social system in line with our aim to create sustainable value. In this regard, each subsidiary is encouraged to measure natural and social impact and take appropriate measures to eliminate the risk of adverse effects.

Moreover, each subsidiary is required to explore the power and energy-efficient solutions as well as wastage prevention methods consistently. The production team of each entity ensures the proper function of machinery and equipment. The Group adheres to standard operational procedures in purchasing machinery and equipment.

Intellectual Capital

Overview

Intellectual Capital is a key driver of the Group's sustainable growth. It is an intangible value driver, stemming from our brand value, industry expertise, our wealth of ideas, and the ability to innovate. Intellectual capital plays a pivotal role in determining our ability to create value in the future.

Group Intellectual Capital philosophy

> Ambeon Holdings is committed to nurturing intellectual capital by creating space for innovation, relationship building, training and development and adopting quality management standards.

The knowledge, experience of our employees and their capabilities to innovate as well as processes, data, systems, designs, and knowledge are the main elements that shape our Intellectual capital.

The collective intellectual property, brand equity and reputation of 'Ambeon' as the Holding Company, our subsidiaries and their brands also form a significant part of our intellectual capital and includes registered trademarks, reputation for quality and world renowned craftsmanship of consumer brands Dankotuwa and Royal Fernwood, South Asia Textiles Limited (SAT) and Millennium I.T.E.S.P (Private) Limited (MillenniumIT ESP).

Furthermore, quality management systems, other certifications, business processes and business operating procedures adopted and fine-tuned by the Group through decades of business operations also raise the value of our intellectual capital; this is in addition to the skills and know-how of our employees. The complexity of our intellectual capital is further demonstrated by the Group's R&D capabilities and distinctive product and design portfolios of subsidiary companies - Dankotuwa Porcelain PLC (DPL), Royal Fernwood Porcelain Limited (RFPL) and South Asia Textiles Limited (SAT).

The ability of MillenniumIT ESP to design and develop technological solutions also enhances the Group's intellectual capital value, making us a unique conglomerate with a unique competitive advantage over contemporaries.

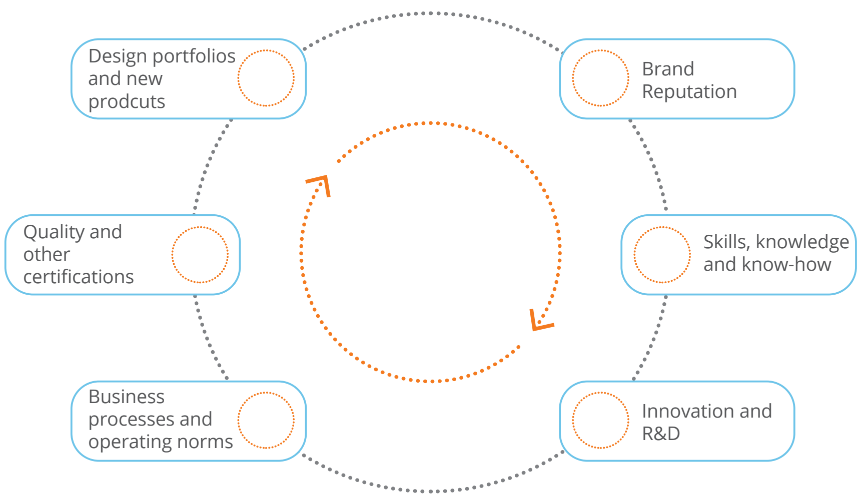
Creating value through fostering brand reputation

Ambeon Holdings PLC has earned a reputation as one of the key diversified conglomerates in Sri Lanka within a short period of time. This is a result of prudent investments in lucrative businesses that are part of sectors with tremendous growth potential – especially in techno-centric businesses. It is also a result of our ability to strategically transform any business undertaking with prudent investments in processes and technologies, to drive competitive advantage in the ever-changing and dynamic business environment. The reputation of us as a conglomerate was demonstrated by being adjudged as one of the "Top 20 Best Conglomerate Brands in Sri Lanka" by Brand Finance, a leading independent brand valuation consultancy in Sri Lanka in 2018.

Operational excellence, technology driven market transformation and generating sustainable value for stakeholders are the hallmarks of Ambeon Holding's brand reputation. Meanwhile, individual brand reputation of subsidiaries further contributes to reinforcing Group brand value. Over the years, our subsidiaries, Dankotuwa Porcelain, Royal Fernwood Porcelain, South Asia Textiles and MillenniumIT ESP have gained admiration, trust and respect from local and global clients as well as industry peers. In addition, the Group's financial services segment holds a wealth of knowledge and insights into capital markets and money brokering in the Country.

During the year under review, the Group strengthened its intellectual capital by enhancing brand value through product innovation and quality improvements, focusing on environmental sustainability to appeal to an increasingly conscious customer base through strategic marketing campaigns. In addition, the Group's subsidiaries won national awards in their respective industries, further reinforcing brand value and reputation.

Intellectual Capital Value Framework



Intellectual Capital

Company	Award
Ambeon Holdings	• Ranked among the Top 20 best conglomerate brands compiled by Brand Finance and published by LMD. • Ambeon Holdings was adjudged as the most innovative company by Global Banking and Finance Review for the year 2019. • The Annual Report 2018/19 of Ambeon Holdings PLC titled 'Ambitions Aligned' was ranked 38th amongst the 'Top 100 Reports Worldwide 2018/19' by Vision Awards Annual Report competition organised by the League of American Communication Professionals (LACP), USA. The report also bagged the gold award in the conglomerate sector. • Mr. Murali Prakash, Group MD/CEO of Ambeon Group, was also adjudged amongst the creme da la crème (the best of the best) of Corporate Sri Lanka by LMD. Recognised as Sri Lanka's Management Virtuoso, Mr. Prakash is amongst Sri Lanka's business personnel, the trail blazers, who continue to drive the nation's engine of growth.
Dankotuwa Porcelain	DPL • Best Exporter in the Porcelain and Ceramic Category at the Presidential Awards 2018/19. • Winner of the Gold award in the large-scale industrial sector for Ceramics and Porcelain products category at the NCE Export Awards 2019. Winner in the Chemical, Ceramic and Glass Sectors at the National Business Excellence Awards 2019. • Dankotuwa Porcelain PLC, was adjudged as the most loved houseware brand this year by Brand Finance and published by LMD.
Royal Fernwood Porcelain	• Silver at NCE Export Awards 2019 for the third consecutive year.
MillenniumIT ESP	Industry awards for 2019/20 include: • Microsoft AI for Accessibility Hackathon 2019 for winning mobile application solution "Walkemon Go", organised by Microsoft APAC. • Robotics Process Automation (RPA) Hackathon 2019 Award for winning case study under the SME Category, organised by SLASSCOM. • Winner of Best Innovation in Internal Process category at SLASSCOM's Innovation Awards and Gala 2019 for Autopilot solution. • 1st Runner Up of Best Innovation in Internal Process category at SLASSCOM's Innovation Awards and Gala 2019 for ProcBot solution. • 2nd Runner Up of Best Innovation in Internal Process category at SLASSCOM's Innovation Awards and Gala 2019 for ProTime solution. Partner awards for 2019/20 include: • Fortinet Partner Synergy 2019 Award – Gold Best Partner. • Jabra Partner Awards 2020 – Special Recognition Award. • Cisco Gold Partner 2019 (Re-Achievement): Gold Partner is Cisco's highest partnership level with only 200+ companies having achieved this credential worldwide, inclusive of only 30+ in the Asia Pacific region. MillenniumIT ESP is the only Sri Lankan company holding this credential. • Cisco Master Collaboration Partner: First Master Specialisation achieved by a Sri Lankan System Integrator, under any IT Business Vertical. Master Certification is the highest certification that can be achieved under a given IT Business Vertical. • Dell Technologies – Platinum Partnership Award for the year 2020.

Creating value through fostering skills, knowledge and know-how

The interconnectedness of intellectual capital with the knowledge and capabilities of our employees and leadership is unmistakable. The various levels of skills, knowledge and experience they bring on board continues to enhance our intellectual capital and adds to the innovative products and services we offer through our subsidiaries. With people being the creators of the Group's intangible knowledge base, we continue to attract and retain industry professionals while enhancing their knowledge through concerted efforts in training and development.

Ambeon Group spent LKR 65 million collectively during the year under review to update and improve our employees' knowledge base, technical and soft skills as well as innovative abilities. The Group's skill matrix, cross posting and cross skill promoting initiative, which were launched during the year, translates into strengthening our intellectual capital. Mindful of the fact that a knowledgeable, talented and focused set of people can steer future business success, we invest heavily in developing our people. Furthermore, multi-skilling has shown tangible results at DPL and RFPL with increased per person yields that have increased the capacity of the two companies in delivering swift and increased outputs. The Group's Board of Directors is also a critical focus of our intellectual capital. It is their experiences and expertise that continues to broaden our potential to innovate and set benchmarks in the industries we operate.

In elevating the level of knowledge of our employees, the Group conducted training programmes based on various aspects in the Financial Year, including;

- POWER BI -3 Days training programs
- Leadership in management
- Purpose, Planning and Principles in Management
- Beyond Man and Machine
- Rock in to Digital (Oracle)
- Unlock your creative potential with James Taylor and How to survive on Digital Age with AI
- Session on Business Intelligence by SLIM
- A two day workshop on performance calibration was conducted by the renown international trainer Omar Khan

In the year under review, investments in professional and technical training including critical machinery, finishing operations strengthened the operational deliverables, efficiently – driving quality while providing a wider mix of products to customers.

Effective and reliable performance of machinery is key to maintaining consistency in quality as well as delivering products and services to customers in a timely manner. Hence, the Group embarked on total preventative maintenance management by acquiring knowledge and expertise from dedicated group resources and consultants. This has resulted in improved performance and reliability and reduced cost by reducing wastage. Assigning skill-based teams to focus on specific activities across multiple functions also enabled the group to achieve further efficiencies. These measures resulted in higher yields, during the year under review.

As a means of sharing tacit knowledge and in expanding the know-how of root causes and concerns within the work environments, the Group and its subsidiaries leveraged the power of the concept of "Tight – Loose – Tight". This had a direct influence on productivity, performance while reducing wastage. Being tight on setting up clear accountabilities, goals and deliverables made improved alignment to common objectives. Employees and teams are then empowered through delegated work and are encouraged by building trust and confidence, which helped to leverage combined strengths towards positive outcomes. Consistent and constant follow up under the PDCA (Plan Do Check Act) culture alongside tight progress reviews helped the operation to pull efficiencies alongside effective feedback and support. Review of focused and clearly defined deliverables at a set frequency also helped towards constant growth in performance and productivity while reducing quality and cost.

Creating value through fostering innovation and R&D

During the year under review, our subsidiaries, Dankotuwa Porcelain, Royal Fernwood Porcelain, South Asia Textiles and MillenniumIT ESP concentrated heavily on product and service innovation as well as quality and efficiency enhancement. MillenniumIT ESP ventured into new territories with the launch of the Network Operating Centre (NOC) and Security Operating Centre (SOC). Furthermore, the Porcelain sector developed new products such as the steam inhaler that can be used as a preventive mechanism for respiratory sicknesses, tableware designed for children and elderly with deficient motor skills and ventured into product repurposing to add value as well as digitising products to cater to evolving customer trends and preferences.

South Asia Textiles focused on revamping the manufacturing process to enhance efficiency as well as turnaround time. The Company further collaborated with HeiQ Materials AG, a Swiss based global leader in textile innovation that develops some of the most effective, durable and high-performance textile technologies currently available across the world to produce a specially treated fabric to be used for masks. South Asia Textiles' knitted jersey fabric combined with HeiQ's anti-viral and anti-microbial agent, HeiQ Viroblock NPJ03 was commissioned

Intellectual Capital

for this project. South Asia Textiles was one of the nominated fabric mills for this special program.

The innovation teams of the Group continue to conceptualise innovations based on shifting trends. Collaborating with international sales teams, innovations teams are also exploring products based on specific customer requests in order to gather new clients and business opportunities. As a result of the Group's research and innovation synergies, we have begun exploring possibilities of using 3D technology in prototyping and making molds. The strategy of using 3D technology in this manner is aimed at reducing cost and time taken in making conventional sample molds. In addition, training sessions and programs were conducted for the Group including the porcelain cluster.

Augmented Reality is also being looked at, as a mechanism for engaging with customers, and will be used in the DPL e-commerce website in the new financial year. In addition, QR codes were planted in the back stamps of porcelain plates, envisioned to be included in other products in the future.

Furthermore, MillenniumIT ESP is well equipped to leverage technologies to enable customers to shape their future by creating adaptive strategies and building agile organisations. Whether it is embracing modern technologies within its businesses, introducing new age technologies such as Artificial Intelligence (AI), Internet of Things (IoT) or meet emerging needs and driving sustainable and profitable business outcomes, the Company is now well geared to enable and facilitate innovative solutions for its existing customers and provide future-based transformation solutions for organisations within the country and across the globe.

Creating value through business processes and systems

We are conscious of the fact that efficient business processes and systems drive growth, and increase capacity and productivity. The Group's key strategic and administrative functions such as HR, risk management and training are primarily structured and managed at the Group level and implemented across subsidiaries. The subsidiaries adopt relevant and necessary processes to seek business success.

During the year under review, the Group's manufacturing segment underwent a revamping of its approach to the production process with a focus on determining root causes of failures and successes to apply lessons to improving the entire process.

Increasing raw material costs, demands from customers on price points as well as several macroeconomic changes impacted the low margin of the business. Nevertheless, enhanced processes, addition of external and expatriate technical knowledge enabled the Group to increase profitability.

Management and control of working capital was also a key business initiative during the year under review, this continued through to the subsequent financial year. The finance process was reviewed and controlled in addition to inventory management, payment and receivables alongside WIP and waste management. This has already resulted in a favourable impact on the bottom-line at the time of report development, during Q1 of 2020/21. In this regard, the IFS system enabled control on pre costing and post costing analysis, which brought visibility on margin erosions. Future extension on controls over the planning tool is expected to bring more value added benefits.

Furthermore, in order to find root causes for failures, regular internal audits are carried out in each of the operational areas, by the Group Internal audit team. It is noteworthy to mention that inventory management, which comes under finance, has been recording 99.9% accuracy for the past three years. This is a creditable achievement when considering the range and the value of items in the inventory. As the entire Company is system driven, the accuracy of information also enables fast decision-making.

In further developments, the Group's technology segment, MillenniumIT ESP implemented a comprehensive Customer Relationship Management (CRM) platform to pursue growth. At Group level, Ambeon Holdings invested in a recruitment platform to streamline the recruitment process. Subsequently, MillenniumIT ESP developed an in-house recruitment platform with a number of value-added features.

During the year, Cisco V-Con was implemented across the Group to facilitate video conferencing and collaborations between teams. Other system-based integrations done during the Financial Year:

Production	Retail/showroom	Internal	Security
KUANS System (Dye and Chemical) integrated to Shop Orders	IFS MyPOS Integration	RecRight	O365 security, endpoint security, CCTV
Automated weight capturing module and integrated with IFS	DPL/RFPL showroom dashboard	DPL ClickView BI tool development	

The Group also moved to a much-needed ERP system. This transformation was a challenging milestone during the first half of the year but was met with proper integration during the latter part of 2019/20, as it became fully functional and ready to be used in making informed decisions.

Creating value through standardisation and quality certification

Consistently improving quality and adhering to international and local standards are integral for developing business reputation, gaining customer confidence and ultimately creating intellectual capital. The Group's subsidiaries continued their investments and adherence to local and global quality management systems during the year under review. Moreover, each subsidiary has implemented systems and obtained certifications to ensure health and safety of employees and sustainability of products and services.

Certifications	ISO 9001:2005	ISO 9001:2008	ISO 9001:2015	SLS 1222:2001	ISO 27001:2015	ISO 14001:2015
Dankotuwa Porcelain PLC						
Royal Fernwood Porcelain Limited						
South Asia Textiles Limited						
Ceylon Leather Products Limited						
MillenniumIT ESP						

Creating value through fostering design and product development

During the year, consumer-based businesses of Ambeon developed several new products, innovating beyond their existing portfolio of products and designs. DPL and RFPL made considerable efforts in developing new products that are innovative benchmarks in the porcelain industry. Both subsidiaries ventured towards the gift market, as they expanded their product offerings with diversifications such as a steam inhaler, microwavable porcelain rice cooker, porcelain water bottle and tableware which was repurposed as coasters, candleholders and planters. The cluster has a medium-term strategy of expanding towards non-tableware products including kitchenware, giftware and wooden products. The ultimate objective of this move is to establish 'Dankotuwa' as a lifestyle-brand.

Royal Fernwood Porcelain also holds a unique portfolio of products and designs with multiple collections of tableware and one-off artisan products and designs manufactured on client specifications as well as for the market in general. Both DPL and RFPL are synonymous for their timeless designs while RFPL is distinguished for their youthful designs and robust solid colours while also having the intellectual capacities and skills to manufacture products that include pure unblemished white ware to intricately patterned theme-oriented decorated ware.

The design capabilities of the porcelain cluster include in-glaze, on-glaze, under-glaze, hand painted, etching and microwave-safe designs including gold and platinum that are adapted to customer demand. Body shapes designed by RFPL also enhance its unique portfolio of products and include 12 main body shapes namely; Oxford, Princeton, Sofia, Helsinki, Coupe, Margia, Sunil, Colorado, Margo, Romantica, Dima, and Maria. This drives our market leadership position across the porcelain tableware sector in Sri Lanka. Distinct from that of DPL, RFPL's product portfolio also consists of kitchenware and their strongest capability is in the company's capability in exploring bold new colours and varying shades.

South Asia Textiles produced a specially treated (anti-viral and anti-microbial agent) fabric to be used for masks. The Company further added various developments and innovations to its existing product portfolio for casual, sports and intimate ranges for leading global brands.

MillenniumIT ESP also launched a range of solutions developed inhouse. Some of which are as follows:-

- Autopilot – redefining helpdesk automation
- Envision – a supervised Machine Learning (ML) model that uses both internal and external input information intelligently to forecast sales
- MiREC – a ML driven recommendation platform that provides its customers with a variety of content or products based on their preferences and liking
- Data Deep Dive – Data recovery and maturity analysis for Machine Learning
- Proc Bot – Robotic Process Automation (RPA) based platform that redefines process orders
- Digital Banking Assistant (AI Conversation Model) plus RPA for Banks

Natural Capital

Overview

Environmental Sustainability is an integral aspect of the Group's operational and business sustainability, this permits us to not only establish ourselves as a strategic differentiator but also as a contributor to the Country's ecological equilibrium. Our manufacturing segment relies heavily on raw material as well as energy to execute manufacturing processes. As such, Ambeon Holdings has a vested interest in minimising our negative environmental impact and creating value through natural capital. As challenging as it may be, the Group and our manufacturing segment in particular has been spearheading projects to contribute to ecological sustainability.

Group Natural Capital philosophy

> To build sustainable business operations through minimising negative impact on the environment and responsible consumption of natural resources.

Managing Natural Capital

The Group strictly adheres to the legal requirements set down by the Government of Sri Lanka and follows guidelines recommended by industry regulators. The Group's manufacturing facilities including South Asia Textiles Ltd., Royal Fernwood Ltd. and Dankotuwa Porcelain subscribe to ISO 14001:2015 Environmental Systems certification. Each subsidiary of the manufacturing sector has implemented appropriate water, energy and waste management systems and continues to explore further possibilities to minimise their environmental impact.

During the year under review, the Group has complied with all relevant laws and regulations pertaining to environmental sustainability. During the year, there were no fines or sanctions imposed on the Group for non-compliance with environmental laws and regulations.

Raw Material Usage

The Group's manufacturing sector relies on a range of raw material to develop their end products. The porcelain manufacturing segment uses raw materials such as kaolin, ball clay, feldspar, quartz and dolomite in the manufacturing process. South Asia Textiles Limited uses raw and synthetic materials to manufacture fabrics. The Group uses paper on a daily basis as packaging material as well as corrugated boxes in limited quantities.

While the quantity of raw material used in the production process has been increasing in tandem with demand, the Group initiated an initiative to order raw material based on the end product demand pattern to minimise wastage. Moreover, the Group relies on innovative manufacturing processes and maintains machinery at an optimal level to maximise raw material usage. Each subsidiary works with licensed and certified supply partners in procuring raw material.

	Dankotuwa Porcelain PLC			Royal Fernwood Porcelain		
	2019/20	2018/19	2017/18	2019/20	2018/19	2017/18
Kaolin -Clay	81,880,614	75,846,614	68,862,858	76,245,971	96,837,605	59,041,888
Feldspar	2,302,137	2,151,946	1,945,401	3,230,828	2,706,706	2,353,947
Quartz	4,393,181	4,245,022	4,581,307	7,204,428	6,532,697	5,027,699
Dolomite	79,956	73,006	72,161	34,807	49,691	42,245
Packaging Material	55,599,262	48,665,389	68,724,515	39,861,822	62,267,848	41,651,169
Kaolin -Clay	81,880,614	75,846,614	68,862,858	76,245,971	96,837,605	59,041,888
Feldspar	2,302,137	2,151,946	1,945,401	3,230,828	2,706,706	2,353,947

Energy Management

Ambeon Holdings consistently works towards achieving energy efficiency, switching to non-renewable energy sources and eliminating wastage. To this end, we've adopted a number of methods including the use of biomass in operating machinery spearheaded by the textile manufacturing segment, conversion to energy efficient shuttle kilns conducted by the porcelain manufacturing sector as well as the usage of energy-efficient machinery in both segments. Moreover, the Group commits to reducing energy consumption during day to day activities at each office premises, retail outlet and manufacturing plant through educating our employees and installing energy-efficient machinery and equipment.

The Group's manufacturing sector consumes energy in the production process in the form of electricity from the National Electricity Grid, LP Gas and kerosene, biomass and furnace oil. While the efficiency of energy consumption improved during the year, the Group's energy consumption rose due to increase in demand for manufactured goods.

Natural Capital

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 rearrangement reducing the air flow and pressure drop making the environment less warm	
Adoption of energy efficient manufacturing processes	Installation of energy efficient kilns		SCADA System to monitor electricity consumption	
			Biomass usage (Steam boiler, Thermic Heater)	
			Waste water treatment plant	
			Capacitor Bank installation to monitor & control energy efficiency	

Water and Effluent Management

Our commitment to minimising our water footprint revolves around advocating best practices on water usage and treating effluent before discharging for usage in agricultural activities. The textile manufacturing segment uses a sophisticated water purification system, which has the capacity to treat 4,200 m3 of water, discharged every hour from the production process. Moreover, a large volume of waste water discharged from the textile manufacturing factory is toxic free as a result of the usage of organic raw materials in manufacturing knit fabrics as well as the technology driven cleaning process. The porcelain manufacturing process does not generate a significant volume of waste water as the segment's manufacturing process uses a minimal amount of water.

The Group uses municipal water, groundwater and surface water (River water as well) in the manufacturing process, in gardening as well as for the usage of employees across the Organisation. Water consumption across the Group increased during the year under review, parallel to the rise in production.

Waste Management

Ambeon Holdings strives to reduce waste and responsibly discharge waste by introducing resource optimisation and recognising processes from which waste can be eliminated. Our diverse set of subsidiaries approach waste management in different ways. The textile manufacturing segment adheres to a process designed to achieve Zero Discharge of Hazardous Chemicals (ZDHC), while the porcelain manufacturing segment safely manages waste generated through finished products by crushing and disposing of it responsibly. Dankotuwa Porcelain also adheres to a policy of reusing semi-finished products while South Asia Textiles Ltd. sells cut-off pieces of fabric, cardboard and polythene to registered buyers.

Managing Porcelain Waste	Managing Textile Waste
Internal system of re-using semi-finished products, which do not comply with the premium quality of the Dankotuwa brand. This reduces waste generated at this stage of the production.	Chemical waste/Sludge disposed to outside authorised parties. (Holcim)
Waste generated from finished products mainly due to defects or damages is crushed and safely disposed within the grounds of the factory premises, ensuring no harm to the environment.	Off-cut pieces, cardboards and polythene are segregated and sole to registered buyers.

E-waste Disposal

Disposal of e-waste is a key concern that continues to rise with the increased use of electronic equipment across the Company. Obsolete hardware and malfunctioned electronic equipment also adds to waste concerns and has compelled the Group to develop feasible solutions for disposing electronic waste.

Managing Emissions

The Group is currently exploring solutions to reduce and offset carbon emissions; with the textile manufacturing segment already in the process of reducing carbon emission through the adoption of biomass boilers for the process of steam generation. Dankotuwa Porcelain has also taken steps to test its carbon emissions with the aim of reducing any considerable levels.

Human Capital

Overview

Human Capital represents the combined value of our employees' competencies, their knowledge and experiences, especially when aligned with our goals and values. Employees' commitment, loyalty and willingness to continuously develop provide Ambeon incomparable leverage in expanding out foothold in diverse industries and to deliver highly innovative goods and services. Their ability for autonomous thinking, leadership and collaboration also adds tremendous value to the growth of our Human Capital and to our growth as a conglomerate.

Ambeon Holdings pivots our approach to developing our people based on nurturing their innate capabilities and presenting them with ample opportunity and resources to grow whilst being accountable. The Group's human resource management strategy works in tandem with our growth strategy, which hinges on the premise of creating sustainable value for all stakeholders including employees. As such, we believe in empowering our people to discover and refine their innate talents to propel themselves and the Organisation forward.

Ambeon strongly believes in the capability of human resources in enabling the Group's future growth and considers our employees as a key aspect in enabling sustainable business success. As a result of this philosophy, the Group has taken a committed approach to enhance employee knowledge, skills and capacities to innovate whilst staying in-line with Group objectives.

The HR Framework of Ambeon enables the Group to maintain overall control of HR processes across its subsidiaries and oversee delegated functions. Standardisation of HR management has resulted in a successful approach to creating value across the Group. The framework includes robust and holistic policies ranging from aspects such as recruitment, training & development to grievance handling and anti-fraud, to name a few. These are put into practice through procedures that have been set firmly in place. The success of the individual is measured by a performance driven appraisal system, which leads to a needs-based training and development plan.

- Nurture talent and develop expertise
- Create a conducive environment for personal and professional growth
- Cultivate personal accountability and nurture leadership within the Organisation
- Promoting health and safety of employees

The Group's human resource strategy aims at ensuring that our human capital remains prepared to meet the demands of the diverse and evolving business environment. In this regard, continuous professional development, succession planning and talent acquisition are pursued to sustain an agile and adaptable workforce.

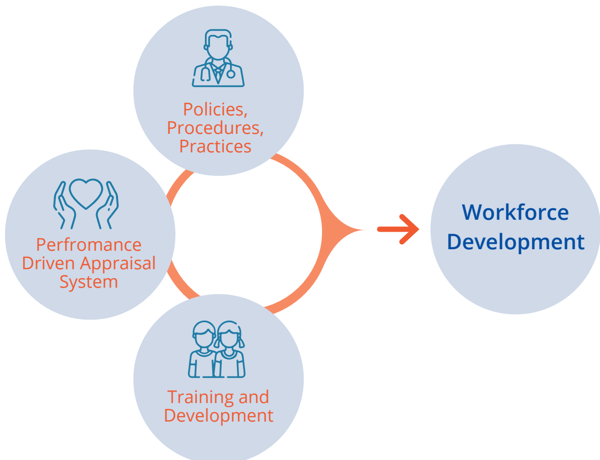
Human Capital Management

The Group employs a Triple C approach in Human Capital Management.

Triple C approach

Cadre → Cost → Collaboration

The Group monitors cadre budgets extensively to ensure that the expenses do not exceed the estimates, while mission critical functions remain within the strict scope of the permanent cadre. The Group drives collaboration through cross-functional training and cross posting, to enable employees to gain skills in a range of functions. As such, the Group only employs a contingent workforce when and where necessary to carry out non-mission critical functions. The above strategy stood out as a key tool in managing and sustaining the workforce during the COVID-19 pandemic, assuring job security of the permanent cadre.



Human Capital

The Ambeon Team

During the year, Ambeon operated on a budgeted cadre of 3073 and an actual cadre of 3043 as at 31st March 2020. The actual cadre included 2734 employees and a contingent workforce of 309: the dynamics are given below:

Total Employees by Gender

Company	AH		TCP		SAT		RFPL		DPL		MIT		CLPL		CCH	
Gender	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Total	20	8	27	10	900	216	239	258	376	290	312	56	13	4	3	2

Total Employees by Gender and Years of Service

	AH		TCP		SAT		RFPL		DPL		MIT		CLPL		CCH	
Years of Service	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
< 05 years	15	6	7	2	372	180	150	175	82	64	230	45	11	3	1	2
05-10 years	5	2	11	5	302	29	40	66	91	113	40	4	2	1	1	
11-15 years			7	3	222	6	12	7	26	13	34	5			1	
16-20 years			2		4	1	11	2	26	10	5	1				
>20 years							26	8	151	90	3	1				
Total	20	8	27	10	900	216	239	258	376	290	312	56	13	4	3	2

Teamwork

Working through cross-functional teams towards achieving goal congruence, has been a significant focus during the period under review. The Group's efforts of building motivated teams have now begun to deliver clear results. In addition, moving to a flexible cadre away from the allocation of fixed employees to specific jobs was one of the year's key achievements, which was essential at a challenging period of time which emanated from COVID-19. Teamwork played a key role in managing the challenges and sharing concerns amongst employees during the pandemic.

Talent Acquisition and Retention

The Group follows a structured and comprehensive process in recruitment, ensuring that the right job is presented to the right candidate after an objective recruitment process. Candidates are assessed for knowledge, skills and aptitude alongside organisational fit. They are also evaluated for their potential to grow with the Group. The Group also takes a strict stance against any discrimination and favouritism. As a first step, the vacancies are advertised on the corporate website, online recruitment sites and other conventional mediums. Current employees are also given the opportunity to fulfil internal vacancies, even positions that are cross-functional. This is an essential part of the Group's culture, which helps our employees to build sustainable careers within the Group.

The Group also partakes in career fairs at universities and professional institutions, for developing a database of candidates with the 'right fit', for future positions.

Recruitments by Gender and Age

Company	AH		TCP		SAT		RFPL		DPL		MIT		CLPL		CCH	
Gender	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Age	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
18 - 25 years				1	190	81	136	129	41	30	50	15		1		
26-35 years			1		40	29	42	62	21	12	76	9	2			1
36-45 years	1				26	15	25	51	8	5	23	4				
46-55 years					11		5	22	3	2						
>55 years					2		-	1								
Total	1	-	1	1	269	125	208	265	73	49	149	28	2	-	-	1

Resignations by Gender and Age

	AH		TCP		SAT		RFPL		DPL		MIT		CLPL		CCH	
Years of Service	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Age	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
18 - 25 years					170	56	126	147	24	20	16	11	4	4		
26-35 years	2	1		1	55	30	56	76	20	20	34	5	14	11	1	
36-45 years		1	1		24	10	28	53	7	8	4	1	15	6		
46-55 years					8	4	9	17	10	16		1	10	7		
>55 years					2		-	1			1	1	5	1		
Total	2	2	1	1	259	100	219	294	61	64	55	16	48	29	1	-

Nurturing People – Training and Development

In recent years, training and development has received considerable attention, as it carries significant potential in increasing employee performance and engagement and is aligned with Ambeon Values. During the year, training and development programmes increased by 26% with 52 internal training programmes, 87 externally conducted programmes and 40 foreign training programmes.

3080 employees participated in these programmes resulting in 5.54 hours of training per employee (15,160 total training hours/ 2734 actual cadre as at 31st March 2020). Training and development initiatives are also aligned with employees' needs for personal development. In addition, post-training feedback is given due emphasis, to evaluate training outcomes and effect necessary improvements. Post training knowledge sharing is a key component of the training and development framework, which is done through vertical and horizontal dissemination of knowledge and information.

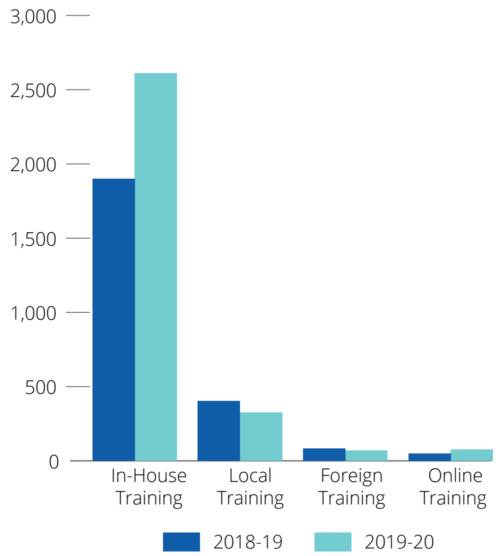
Training surveys are conducted in ascertaining training needs, in addition to identifying needs through the annual performance review. Surveys are distributed at the end of each financial year (to executives) to identify individual training needs. Needs identified through these forms are then used in developing the annual training and development programmes.

Employees are also encouraged to pursue continuous professional development, which will enable them to enhance effectiveness in their respective roles.

Description	2018-19	2019-20
Participation in In-House Training	1,900	2,611
Participation in Local Training	402	326
Participation in Foreign Training	82	68
Participation in Online Training	48	75
Total Training Participation	2,432	3,080

Growth (Comparison)

FY 2017-18, 2018-19 vs 2019-20



Human Capital

Leadership Skills Advancement	Participants Profile	Total Number of Participants
Effective Modern Leadership Skills	Supervisory & selected Executive staff at Royal Fernwood	69
Leading Self Before Leading Others	Selected Middle to Senior Managers of the Group	32
Management Development Program	Selected Executives to Middle Managers of the Group	25
Unleash Your True Potential	Supervisory Staff & selected Executives at Dankotuwa Porcelain PLC	50
Total number of participants		176

Enhancing Customer Service Standards	Participants Profile	Total Number of Participants
Retail Sales Mastery	Showroom sales teams of DPL	50
Snipexx Sales Workshop	Showroom sales teams of DPL and CLPL.	29
Total Number of Participants		79

Cross Functional Training & Process Awareness	Participants Profile	Total Number of Participants
Cross Functional Training	Assistant Manager to General Manager	29
Cross Functional Training	Executives	31
Cross Functional Training	Factory Floor Employees	90
HOD Knowledge Sharing	Employees of all categories	182
Total Number of Participants		332

Embedding Ambeon Values	Participants Profile	Total Number of Participants
The Smile Team	Selected Supervisory Staff & Executives of RFL/ DPL/ SAT	75
The Leadership Credo Launch	Senior to Middle Management at SAT/ RFL/ DPL	150
Non- Executive Value Embedding	Factory floor employees at SAT/ RFPL/ DPL	226
Experiential Learning (OBT)	Executive to Senior Managers at RFPL	50
Total Number of Participants		501

Promoting a Performance Oriented Culture	Participants Profile	Total Number of Participants
KPI Setting and Effective Performance Appraisal	Senior Management of the Group	35
Reworking Ambeon Values & Culture Scorecard	Senior Management of the Group	35
Total Number of Participants		70

Training Modules Developed In-house

No.	Curriculum Title	Method of Training	Audience
01.	Induction to Ambeon Group	Classroom, E- Learning, Online Quiz	All joining Ambeon
02.	Factory Staff On-Boarding	Classroom, activity based	All New Recruits at Factories
03.	Technical Aspects of Shoe Manufacturing	Classroom	DI Showroom Staff
04.	Unleashing Your True Potential	Classroom, activity based	Supervisory Staff & Executives
05.	The Power of Habits	Classroom, activity based	Supervisory Staff & Executives
06.	Compliance Learning Module	Classroom, E- Learning, Online Quiz	All Staff of TCP
07.	Anti-Money Laundering Learning Module	Classroom, E- Learning, Online Quiz	All Staff of TCP
08.	Code of Conduct Learning Module	Classroom, E- Learning, Online Quiz	All Staff of TCP
09.	Life Skills for Success – Supervisory Development Program	Classroom, activity based	Factory Supervisors/ Charge-hands
10.	Retail Sales Mastery	Classroom, activity based	DI & DPL Showroom staff
11.	Personnel Grooming and Etiquette	E- Learning	All joining Ambeon
12.	The Smile Team	Classroom, activity based	Supervisory & Executive Staff of the Smile Teams.

Performance Management

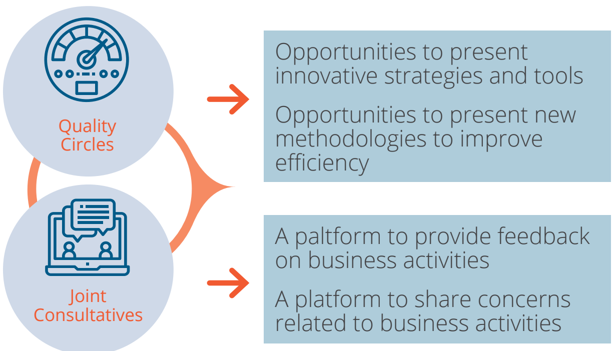
A performance-driven culture lies at the core of Ambeon's human capital strategy. As such, the performance management system practiced across all subsidiaries revolves around transparency, real time visibility and alignment with business goals. The limitations experienced and gaps encountered during the previous performance management cycles were addressed during the year. The senior management of the Group was engaged in a critical evaluation of the performance management system adopted during the previous cycles facilitated by a third party. The motive was to address the drawbacks and improve the performance management system further to bear upon the corporate objectives of the Group. The exercise saw great enthusiasm from the senior management leading to enhancing their skills in KPI setting, pre-appraisal engagement and conducting appraisals. Overall, it brought about qualitative improvements to the set of KPIs established for the year 2020/21.

Rewards and Remuneration

Our employee rewards and remuneration process is linked to the performance evaluation mechanism, enabling employees to align their performance to their reward scheme. All employees across the Group enjoy monthly remuneration on par with industry standards, in addition to other benefits such as medical insurance, discounts on products manufactured by the Group and special rates for travel and products of partner groups.

Employee Recognition

The Group conducts numerous programmes designed to reward and recognise employees for their exceptional performance and innovations. The Group has initiated forums for employees to share ideas and perspectives on improving efficiencies, while also airing any concerns on the business.



Human Capital

During the year under review, a total of 517 employees stepped up to engage proactively in Quality Circles and Joint Consultative programmes. Furthermore, the Group has set in place 'Ambeon Spot Awards' with the objective of recognising exemplary employee behaviour that reinforces Ambeon values whilst on the job.

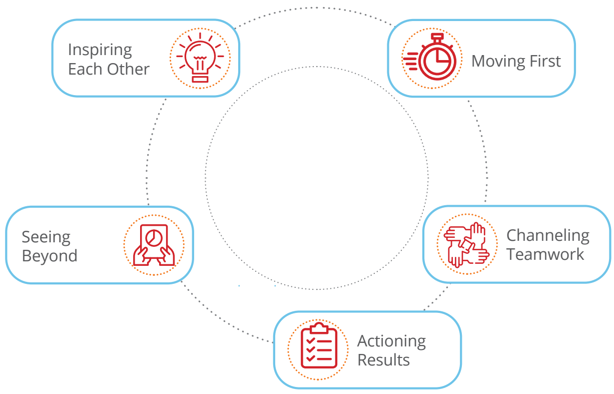
A total of 121 personnel were recognised with Spot Awards in 2019-20. The scheme has helped motivate employees to live Ambeon Values.

Employee Recognition	AH	TCP	SAT	RFPL	DPL	MIT	CLPL	CCH
JCC	0	0	20	0	0	0	0	0
QC	0	0	43	45	80	0	0	0
Spot Awards	2	0	1	105	40	2	0	0
Employee Felicitation	0	0	135	0	0	0	0	0
Smile team	0	0	10	15	19	0	0	0
Total	2	0	209	165	139	2	0	0

In addition, subsidiaries also conduct recognition programmes, which includes acknowledgement of longstanding employees while commending their achievements in accomplishing goals of the business.

Integration into Ambeon Holdings

The Group introduces recruits as well as current employees to Ambeon values in order to include employees in the organisational drive towards sustainable growth. In June 2018, with the repositioning of Ambeon in the corporate world, the Group introduced Vision, Mission and Values to catapult growth strategies in line with current realities and facilitate adaptability to the value creation process. These were practised for over a period of one year when employees at all levels observed several areas that needed to be revised in order to encourage living Ambeon values and in achieving the Vision and Mission.



This observation was viewed positively by the management and resulted in a workshop facilitated by a third party, organised to critically analyse the observations. The senior management of the entire Group was invited to the workshop where their observations as well as of others were put through a candid review. The outcome was a revised Vision and Mission with objective guidelines being established and the addition of the Fifth value to Ambeon values along with do's and don'ts that enable them. Reworking the Vision, Mission and Values also propelled the senior management to recognise a set of behaviours that would encapsulate Group values. This set of values was transformed into a Culture Scorecard, which was subsequently integrated to the performance management system (PMS) as a catalyst to live the Ambeon Values.

Employee Welfare, Health and Safety

The Group's core objectives include building an environment that ensures employee welfare through sustainable welfare mechanisms. Hence, the Company takes a well-rounded approach to ensuring these key aspects. The welfare of employees is ensured through the rewards and remuneration policy, and everyday health and safety measures.

The Group has also instilled a mindset of self-empowerment by encouraging employees to be responsible for their personal health; as a result, the Group recently introduced a Non-Communicable Disease (NCD) index to raise awareness on this critical issue and encourage employees to be mindful of behaviours and lifestyle choices that trigger the onset of non-communicable diseases. The Group periodically carries out medical screening clinics in collaboration with local healthcare entities to encourage employees to take precautionary actions.

In addition, the Group conducts annual safety audits on H&S policy, procedures and practices to ensure that we adhere to both global and local health and safety standards. The Group also carries out first-aid and fire safety training on a regular basis to educate employees. In addition, some of the subsidiaries are also certified in occupational health and safety management (OHSAS 18001) whilst the Group actively pursues relevant health and safety certifications in order to be on par with necessary industry standards.

COVID-19 response

The Group worked in close collaboration with national health authorities and took early measures to introduce safety guidelines and procedures presented by the World Health Organisation (WHO) and the Ministry of Health (MOH) and Indigenous Medicine of Sri Lanka to curb the spread of the COVID-19 virus. Employees received timely updates and each subsidiary implemented necessary preventive measures and protocols. As a result of timely and prompt responses, all subsidiaries were able to recommence operations as soon as the lockdown restrictions were lifted and since then has maintained a healthy work environment.

Employee Engagement Initiatives

Ambeon Holdings steer employee engagement across the Group by uniting employees to rally around Group values. These values are rooted in developing employees to being the best version of themselves and in preparing their capacities to meet the demands of the future. Allowing employees to fully explore avenues for personal and professional growth, the Group organises various initiatives such as annual excursions, sports tournaments, New-Year celebrations, musical shows, and fellowships. Employees are also encouraged to participate in external quizzes, debates and mercantile sporting events, providing them the right context to socially interact with diverse groups of individuals.

Companies across the Group organise events throughout the year, to engage employees and provide them opportunities to interact with colleagues outside the working environment.

Human Capital

SBU	Title of Event	Date	Number of Participants
DPL	Religious Events	Jul and Sep-19	637 and 639
DPL	Annual Cricket Match	Jan-20	683
DPL	Cancer Hospital Project (Cancer Ward Kurunegala Hospital)	Jul-19	40
DPL	Library Opening	Sep-19	637
DPL	Felicitation of Employees who have served Company for 35 years	Jan-20	170
DPL	Year End Get Together	Nov-19	659
AH/TCP/CCH	Annual Christmas Party	Dec-19	65
SAT	Religious Events	Aug and Dec-19	600 and 350
SAT	Annual Cricket Tournament	Jan-20	500
SAT	Children's Day Art Competition, Grade 5 Scholarship Award and Family Day	Dec-19	275
MIT	Valentine's Day	Feb-20	300
MIT	Movie Night	Nov-19	200
MIT	Annual Christmas Party	Dec-19	200
RFPL	Religious Events	May-19	450
RFPL	Inter-Department Volleyball Tournament	Aug-19	320
RFPL	Mercantile Volleyball Tournament	Sep-19	30
RFPL	Cricket Tournament	Oct-19	380
RFPL	Annual Musical Event	Apr-19	350
RFPL	Executive Employees Get Together	Dec-19	55
RFPL	Annual Staff Trip	Sep-19	370

Continuous Learning

Various mechanisms are adopted at Group and subsidiary levels in enhancing engagement with employees. Newly launched 'Learning Lab' – an online portal with access to Group and subsidiary information is one such initiative. It also provides access to learning material, latest developments and a platform to communicate with HR.

Ambeon Core Value Related Initiatives

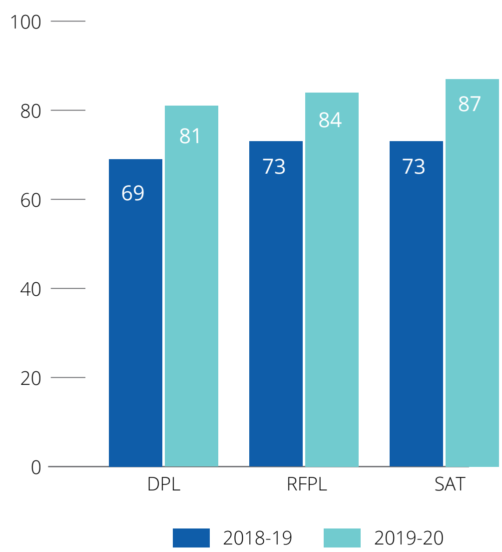
Ambeon Values Cube - employees received a pocket friendly ready reckoner in recalling Ambeon Values.

Leadership Credo - During the opinion survey of 2018/19, the Group recognised behaviours that contribute to leadership development, in addition to qualities that foster the work environment. These were applied in day to day functions through the leadership credo, communicated regularly and practiced by leaders at all levels of hierarchy. The ultimate impact of this endeavour is reflected in the Employee Opinion Survey (EOS) 2019/20.

Employee Satisfaction Index

The Group conducts an annual Employee Opinion Survey to analyse employee satisfaction levels and develop an action plan to address their concerns and requirements. The action plan developed is executed at all levels. The survey measures the loyalty of the employees and the engagement level in terms of the satisfaction and motivation employees display. The Loyalty index was averaging at around 71% during the year 2018/19 which is a "Shaky" loyalty. This progressed to 84% in 2019/20 which is "Retained" loyalty.

EOS Results



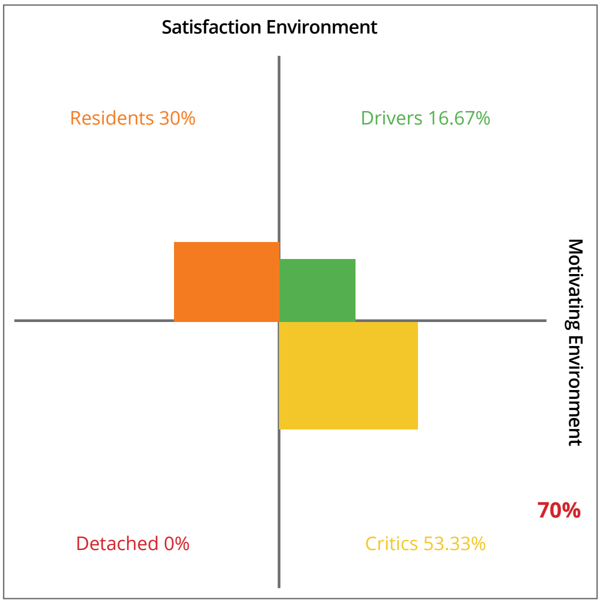
Detached (Not Motivated, Not Satisfied) personnel have decreased to near zero. Residents (Not Motivated, Satisfied) have decreased to under 10%. Critics (Motivated, Not Satisfied) have decreased by 27%. Drivers (Motivated, Satisfied) have increased by 39%. Overall 90% of the staff is motivated. The salient aspects for each entity are illustrated below:

Human Capital

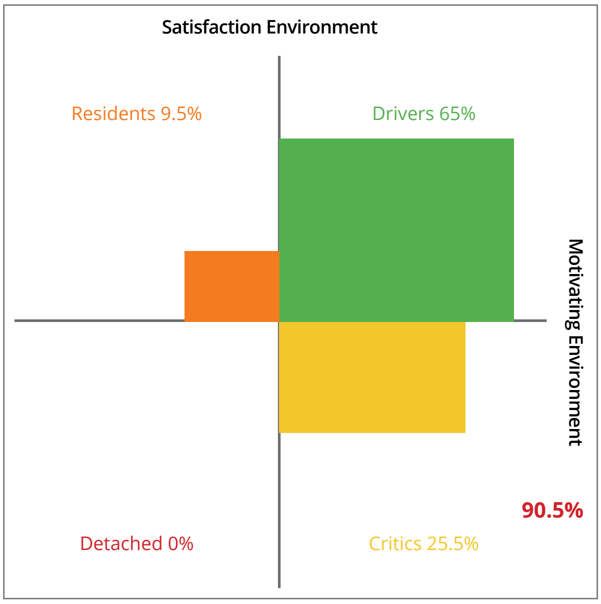
Score Typology

South Asia Textiles Limited

2019

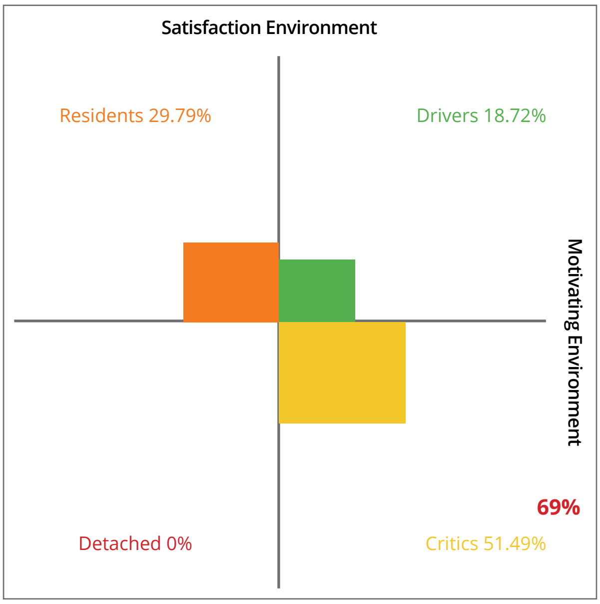


2020

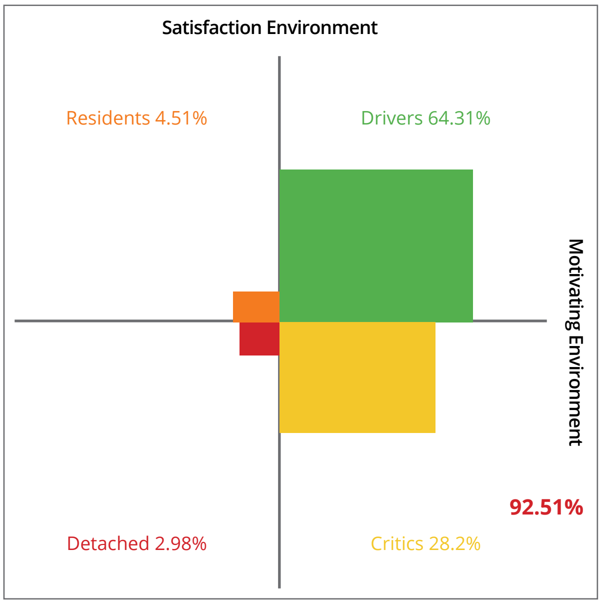


Dankotuwa Porcelain PLC

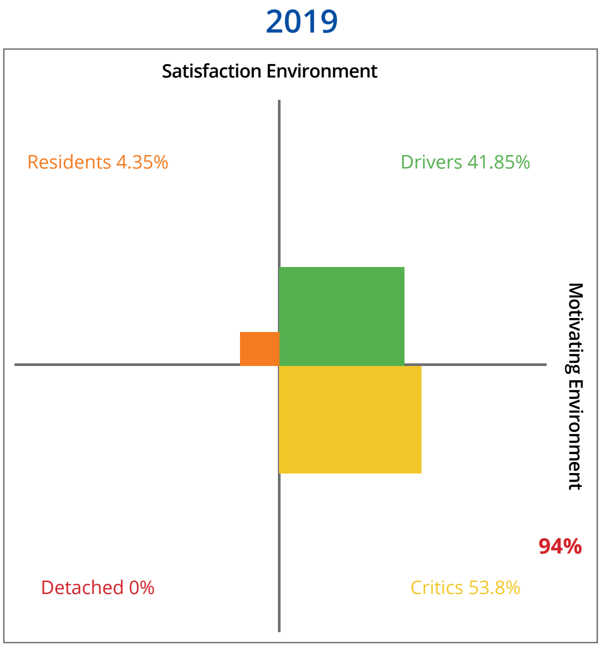
2019

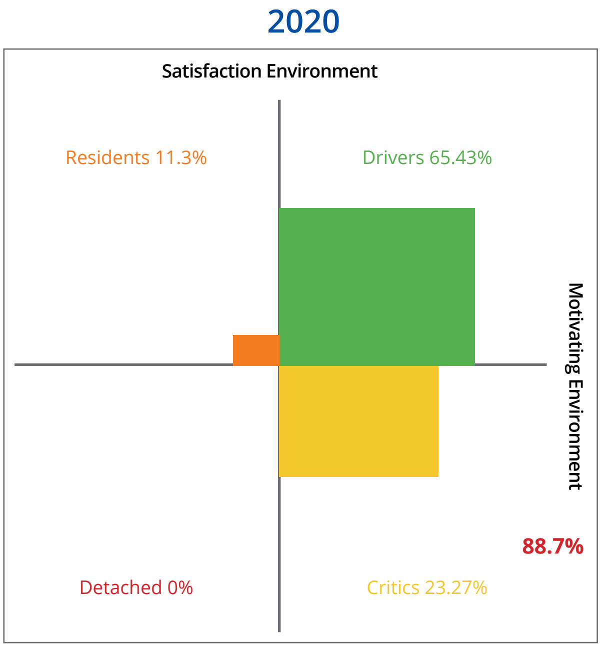


2020



Royal Fernwood Porcelain Limited





Industrial Relations

The Group constantly strives to maintain industrial harmony with trade unions, employees and across the subsidiaries. Managements of subsidiary businesses continuously maintain direct engagement with unionised and non-unionised employees and engage in constant dialogue and open communication. The membership in Trade Unions is enumerated below.

Name of SBU	Union membership
DPL	Nidahas Sevaka Sangamaya – 6 Inter Company Employee Union – 293 Jathika Sevaka Sangamaya – 158
RFPL	Inter Company Employee Union – 241

Grievance Handling

Placing priority on managing employee concerns as a method of ensuring their satisfaction with the Group, Ambeon has in place a centrally controlled, yet peripherally executed employee grievance handling process. The process has provided rapid resolutions and ensures utmost confidentiality. This enables employees to work positively while increasing their confidence in the Group. No significant grievance issues emerged during the period under review.

Social and Relationship Capital

Overview

Ambeon Holding's social and relationship capital hinges on our ability and determination to nurture our relationships with customers, business partners, supply chain partners, and the community at large. Our social and relationship capital derives value from the trust we build with our stakeholders, our commitment to maintaining the quality of our products and services, our adherence to industry best practices, and our impact on communities and the environment. The Group consistently invests in its human, intellectual, manufactured, natural and intellectual capital to deliver value to all its stakeholders.

Group Social and Relationship Capital philosophy

Building long-term, mutually beneficial relationships with stakeholders, whilst creating sustainable value through ensuring sustainability of operations, products and services.

Social License to Operate

Our social license to operate depends on our brand reputation, customer confidence in our products and services as well as our commitment to social and environmental sustainability. Over the years, our textile manufacturing segment and porcelain manufacturing segment has built viable and robust connections with global clients. During the year under review, both textile and porcelain clusters enjoyed demand for products from internationally reputed clients and retailers. In addition, our technology segment has built several global partnerships with leading firms including Oracle, Microsoft, IBM, Dell, Hitachi, Cisco and Infosys.

In the local sphere, each subsidiary has been pursuing strong partnerships with customers, suppliers as well as the community. On the domestic front, the Group continues to expand the presence of its subsidiaries through calculated decisions in selecting the best locations and identifying the best dealers for increasing our presence. In this manner, both DPL and RFPL have formed a range of business partnerships with dealers and retailers including supermarket chains, and big-name shopping destinations in showcasing and promoting their products. In addition, the Dankotuwa Group (Dankotuwa Porcelain and Royal Fernwood Porcelain) operates five showrooms across key locations in Sri Lanka.

DPL and RFPL have also partnered with reputed local and foreign trading brands, reaching a wider audience. Both DPL and RFPL manufactures products for global retail partners, across 30 plus countries for brands such as Macy's, Debenhams, Portmerion, Oneida, House of Fraser, John Lewis, Jashanmal, Jumbo Retail, Joules, Crate & Barrel, Country Road, Laduree, Tchibo, Notneutral, XXX Lutz, Lenox, Porsgrund, Fischer, Ritzenhoff, Migross, Ripley, Thun, Narumi, El Corte Ingles, Berghoff, Yalco, Weissestal and Galeria Kaufhof.

Meanwhile, our technology segment (MillenniumIT ESP) is one of Sri Lanka's leading information system solutions providers delivering IT solutions for many industries. The Company enjoys a reputation amongst its peers and customers as a world-class entity that raises the industry's bar to global standards. Industry and partner awards achieved, and benchmarks that the Group has reached are a testament to this. It has also received numerous, innovation and performance-based awards across various markets for its services around the globe.

Creating Value Through Strengthening Relationships

We, at Ambeon Holdings, believe in maintaining robust strategic partnerships with industry entities; as a means of achieving this, we believe in creating and maintaining strategic networks by participating in trade fairs and other industry events. Therefore, Ambeon Holdings and subsidiaries are members of relevant trade and business organisations. Such alliances drive our ability to garner industry knowledge, contribute to raising industry standards, and increasing corporate reputation and the value of our intellectual capital.

Industry and business memberships

- Ceylon Chamber of Commerce
- Employer's 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
- SLASSCOM (MillenniumIT ESP gained membership in the FY under review)
- Sri Lanka Money Brokers Association
- Federation of IT Industry Sri Lanka (FITIS)

Events and trade fairs

Colombo Hotel Show

Ambiente Germany

New York Tabletop Show

Hackathon: Microsoft AI for Accessibility Hackathon 2019 organised by Microsoft APAC

Hackathon: Robotics Process Automation (RPA) Hackathon 2019 organised by SLASSCOM

SLASSCOM Innovation Awards and Gala 2019

SLASSCOM AI Asia Summit 2019

Partner Event: 'Privileged Access Security for Today' Digital Business', organised by CyberArk and MillenniumIT ESP

Partner Event: Oracle ERP for the Banking Industry, organised by Oracle and MillenniumIT ESP

Social and Relationship Capital

Expanding Brand Equity

In the year 2018, the Group announced its transformation and corporate name change to Ambeon Holdings. This was a strategic move to reposition its business vision and take on the dynamic, technocentric business world of tomorrow. The transformation of the Ambeon Group, which included restructuring of its diversified businesses was implemented to bring about collective focus, optimise investments and increase shareholder value; in addition to being more agile and nimble to take the leap and transform latent opportunities into lucrative ventures that deliver sustained value.

Within the two years that ensued, Ambeon as a corporate brand earned the reputation of being dynamic and resilient and as a conglomerate that drives innovation across all its businesses. The Group is further known to uphold the highest level of integrity, governance, risk and compliance whilst maintaining transparency across all processes.

In 2019/20, the Group continued to increase brand equity by focusing on its consumer brands Dankotuwa, Royal Fernwood, and Laklain. The subsidiaries continue to offer products that reflect evolving consumer needs and shifting trends in the respective markets, while also abiding by customer specifications when producing high-quality products manufactured to international standards.

Our consumer brands have carved a leading position within their respective industries and are recognised as iconic brands that have gathered the loyalty of local and international consumers. Dankotuwa and Royal Fernwood brands continued to be reinforced in meeting new consumer trends, staying abreast of market dynamics.

During the year, several new innovations were launched by DPL and RFPL, targeting diverse customer segments, while tapping into new consumer trends. The porcelain subsidiaries developed a steam inhaler designed after adequate market research and advice from Dr. Charith Nanayakkara, a lecturer attached to the Department of Surgery, General Sir John Kotelawala Defense University, and who specialises in Neurosurgery. This invention became a timely development during the onset of COVID-19 as it is now being used to treat those with respiratory tract related issues. The product was donated to several hospitals and was also made available for direct purchase for customers through DPL showrooms. In addition, the cluster expanded its portfolio towards kitchenware with the introduction of a microwavable porcelain rice cooker by Royal Fernwood, intended as a versatile microwave to table product.

In the previous financial year, MillenniumIT ESP launched its new corporate brand identity and purpose. A redesigned logo and incorporation of new values were introduced in line with the Company's journey in evolving its service offerings, expanding it global reach, and transforming customer businesses, all within a dynamic business environment. Today, MillenniumIT ESP is known as the agile creator with a strengthened purpose and strategy – one which will facilitate transformation within the Company and provide value to customers at large.

Furthermore, in enhancing brand equity, MillenniumIT ESP utilises traditional and digital communication channels in creating awareness for the solutions they provide; this is in addition to CSR projects implemented to serve communities that could benefit from these endeavours. The Company has also formed strong partnerships with global and local entities in creating sustainable value for communities that have enabled MillenniumIT ESP to receive recognition and goodwill from the industry as well as the local communities.

Creating Value for Customers

Each subsidiary creates value for customers by understanding the needs of customers and fulfilling those needs by employing innovation, strategy, and fair play on the social and environment front. During the year under review, our porcelain-manufacturing sector spearheaded numerous innovative products to cater to evolving customer requirements. Meanwhile, our technology segment unveiled sophisticated products that include advanced networking solutions to usher customers towards the era of the fourth industrial revolution.

As a conglomerate with diversified business ventures, Ambeon Holdings provide products and services to a broad spectrum of customers and market segments. The Group has set in place processes of distinct nature in managing relationships with our clients and for ensuring fulfilled expectations. Individual subsidiaries take concerted efforts at handling customer engagements and have established procedures to handle customer complaints and feedback, which allows each Company to resolve complaints promptly while maintaining confidentiality. The subsidiaries also undertake customer surveys in ascertaining customer needs.

Furthermore, varying engagement mechanisms are utilised by the subsidiaries and managed continuously. These include targeted marketing campaigns, advertising specials, marketing promotions, and strategic partnerships with reputed brands, in addition to credit card promotions initiated in attracting customers. The Group's subsidiaries are also pursuing e-commerce partnerships, which is a new channel in engaging with our B2B and B2C customers on a much broader scale. In keeping up with the increasing preference of customers for online buying, the Group continues to enhance its online and digital presence.

The subsidiaries also executed several marketing campaigns, providing value for our customers by imparting information and benefits offered by our products and services. These have also enhanced our brand equity in addition to increasing brand awareness. The Group takes a central approach to market research with relevant information cascaded to subsidiaries for implementing business-specific activities.

Our subsidiary, MillenniumIT ESP works in unison with partners to provide solutions of highest efficiency that are best fit for their intended client requirement, in addition to offering clients services of the highest caliber. The Company has also adopted industry best practices in implementing technological solutions and is committed to maintaining its position as the industry's most agile leader at the forefront of innovations that conform to international standards. As a result, MillenniumIT ESP has gained numerous recognitions for the credibility and advancements of their solutions. They have also set industry benchmarks through the implementation of cutting-edge services such as the fastest regional Oracle ERP implementation, high standards in Cloud integration, and having a state-of-the-art Security Operation Centre (SOC) in the Country.

Social and Relationship Capital

Each year, our porcelain subsidiaries, Dankotuwa and Royal Fernwood organise promotional activities. In 2019/20, the porcelain cluster expedited several flash sales points, including a pop-up store organised in Colombo, which was a success. Furthermore, each year, products are designed to celebrate special holidays and occasions such as International Children's Day, Father's Day, Mother's Day, Valentine's Day, Christmas, etc.

In creating brand awareness and engagement with customers, a large screen is displayed to depict the entire range of porcelain sets on offer, providing an interactive shopping experience to customers. Furthermore, an area has been designated within the signature showroom to showcase the 'history of porcelain' from 500BC, which continues to receive commendations from foreign and local customers. DPL's Signature showroom 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. The latter has enabled customers to relish a cup of coffee and savour a beautiful view while shopping for iconic porcelainware.

Creating value for Partners

We rely on our supply chain partners for the timely delivery of our products and services. They are required to meet the high standards expected by our customers in terms of quality. Each subsidiary works closely with suppliers to guarantee the quality of raw material as well as compliance with the industry's best practices and regulations. Over the years, the Group's subsidiaries have worked with suppliers to enable them to adhere to the required standards. We also conducted timely evaluations to determine potential social and environmental risks. This commitment is mutually beneficial as it allows our supply chain partners to reach the required benchmarks. As a result, each subsidiary has developed strong, long-lasting, and mutually beneficial relationships with supply chain partners. Royal Fernwood Porcelain Ltd. has over 30 established international suppliers, while Dankotuwa Porcelain has 15 key long-term international suppliers.

MillenniumIT ESP has also partnered with internationally reputed vendors such as Oracle, Dell, Microsoft, Cisco, and IBM with investments made in strategic, local partnerships to offer investment funds and market access.

MillenniumIT ESP's partner awards for 2019/20 include:

- Fortinet Partner Synergy 2019 Award – Gold Best Partner
- Jabra Partner Awards 2020 – Special Recognition Award
- Cisco Gold Partner 2019 (Re-Achievement): Gold Partner is Cisco's highest partnership level with only 200+ companies having achieved this credential worldwide, inclusive of only 30+ in the Asia Pacific region. MillenniumIT ESP is the only Sri Lankan company holding this credential.
- Cisco Master Collaboration Partner: First Master Specialisation achieved by a Sri Lankan System Integrator, under any IT Business Vertical. Master Certification is the highest certification that can be achieved under a given IT Business Vertical
- Dell Technologies – Platinum Partnership Award for Year 2020

During the year under review, MillenniumIT ESP gained membership of SLASSCOM (Sri Lanka Association for Software Services Companies), the apex body for knowledge and innovation in the Country.

Creating value for Communities

Mindful of the need to engage with communities to strengthen our brand reputation and social license as well as our responsibility to support the community, we carry out numerous community engagement projects annually. Moreover, we remain conscious of our obligation to ensure the environmental sustainability of the localities which surround our manufacturing facilities. To this end, we spearhead various Corporate Social Responsibility initiatives. Our projects revolve around common goals of connecting with communities and supporting them, contributing to social welfare.

Royal Fernwood Porcelain Limited has been conducting a unique program, which relates directly to the Company's social capital while creating meaningful value for differently-abled individuals. The Company employs differently-abled persons in collaboration with the Department of Social Services of Sri Lanka and in-line with the Group's non-discriminatory employment practices. The Company made a significant donation to the Indira Cancer Trust, which enabled them to serve meals and refreshments, including breakfast, lunch, and tea, to families and individuals that come in for counselling and guidance and the multitude of other support services. The Company also donated porcelain ware to Men handy, School for the exceptional children, and to Suwasewana Elders' Home in Algoda, Dehiowita.

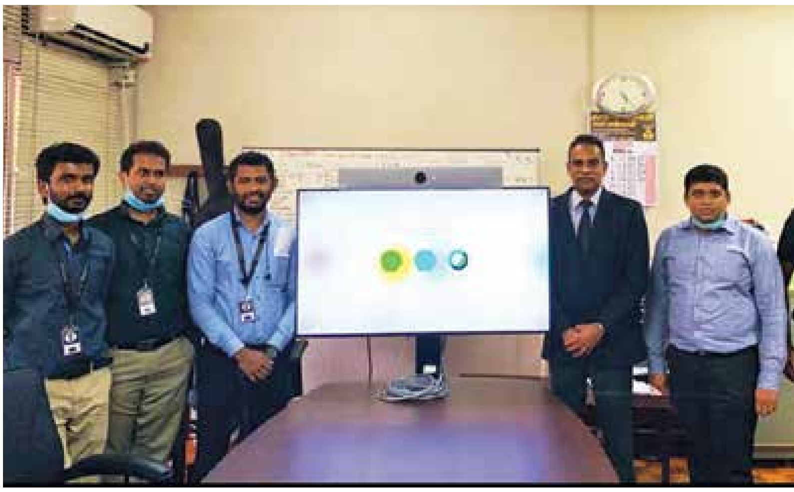
Furthermore, DPL made a financial aid gift to the Kurunegala Cancer Hospital, in addition to medicine and dry rations. Both DPL and RFPL believe that improving the health of its employees is an undertaking that is part of fulfilling their responsibility to society. The Dankotuwa Group now enables all of its employees to obtain free tests (for non-communicable diseases) and directs them to receive a medical consultation for any underlying health concerns, which is conducted in partnership with several regional state hospitals for the convenience of its employees.

Key endeavours by South Asia Textiles:

- The Management of South Asia Textiles partnered with Inner Wheel Club Colombo West to donate essential medical equipment to the Dental Hospital at Pugoda. The respective hospital plays a very important role in serving the rural community in the vicinity.
- The Management of South Asia Textiles has extended a helping hand to Ovitigama Primary School by donating Metal Scanners for ensuring safety of the school.
- Donated wall painting materials to a village temple to colour wash the temple.

Furthermore, taking a strong approach to fulfilling their responsibilities as a corporate citizen, MillenniumIT ESP carried out several CSR projects in 2019/20:

- MillenniumIT ESP's Internship Program – A program for self-motivated individuals and career starters in getting exposure to the work environment and operations of the Company; also an opportunity in enhancing their professional capabilities.
- Machine Learning for Kids (On-going) – an initiative that is conducted in collaboration with STEMUp Educational Foundation, designed to engage local students and as a pathway to pursuing degrees and careers in Science, Technology, Engineering and Mathematics (STEM) fields. It is a national level initiative and is aligned with STEM's mission of making AI accessible to students of the Country.
- Student Workshops - MillenniumIT ESP conducted workshops for university students and schools, based on the 'train-the-trainer' model; purpose of which is to share knowledge and experiences and provide 'hands on' lab sessions on real-case scenarios of AI.
- Video Conferencing Solution for the Healthcare Sector - MillenniumIT ESP in collaboration with Cisco Sri Lanka offered the state healthcare sector, an AI enabled video and audio conferencing solution in facilitating COVID-19 related communications. The service was designed to remotely connect field staff with the Ministry of Health, MRI (Medical Research Institute) and IDH (Infectious Disease Hospital), in monitoring and sharing the progress of preventive measures.
- MJF Charitable Foundation Project – The Company launched its Remote Patient Management System 'HealthVision' at MJF Charitable Foundation (MJFCF) to connect children with special needs and their caretakers/parents to the MJFCF's health and education services provided at NCCCPDD. This includes Disability Screening, Developmental Screening, Child Reference to Paediatrician Diagnosis, Early Identification and Intervention, Free Multidisciplinary Team Support, Free Therapeutic, Educational and Rehabilitation Services, Free Mobility Aids Support and Child Progress Monitoring Follow Ups.



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 - Chairman
Mr. A. G. Weerasinghe – Member
Mr. Priyantha Maddumage – Member (ceased to be a member w.e.f. 01 June 2020)
Mr. Ranil Pathirana – Member (appointed as a member w.e.f. 01 June 2020)

Mr. Ranil Pathirana is a Fellow Member of the Chartered Institute of Management Accountants of UK.

The profiles of the members are given on pages 24 to 27 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 page 36.

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, which clearly defines the oversight role and responsibility of the Audit Committee as summarised below;

1. The integrity of Financial Statements in accordance with Sri Lanka Financial Reporting Standards
2. The compliance with legal and regulatory requirements of Companies Act and other relevant financial reporting related regulations and requirements.
3. The External Auditor's independence and performance.
4. Review of the adequacy and effectiveness of the company's Internal Control and Risk Management systems over the financial reporting process.

Financial Reporting

As part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Committee has reviewed and discussed with the Management, the annual and the quarterly Financial Statements prior to their issuance, including the extent of compliance with the Sri Lanka Financial Reporting Standards and the Companies Act No. 07 of 2007. Matters of special interest in the current environment and the processes that support certifications of the Financial Statements by the Group Managing Director and Finance Manager were also brought up for discussion.

- The Committee reviewed the Financial Statements and notes for the year ended 31 March 2020.
- The Committee reviewed the Interim Financial Statements.

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 2021 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Sgd.

Mangala Boyagoda

Chairman

02 October 2020

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. A. L. Devasurendra – Chairman (appointed w.e.f. 01 June 2020)
Mr. E. M. M. Boyagoda – Member
Mr. A. G. Weerasinghe – Member (appointed w.e.f. 01 June 2020)
Mr. R. P. Sugathadasa - Member (resigned w.e.f. 01 June 2020)
Mr. Priyantha Maddumage - Member (Ceased to be a member w.e.f. 01 June 2020)

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

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 recognises and addresses the short and long-term needs of the organisation 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.

Remuneration

All Non-Executive Directors receive a fee reflecting the time, commitment and responsibility of their role and is based on industry and market surveys. They do not receive any performance or incentive payments.

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.

Sgd.

A L Devasurendra
Chairman

02 October 2020

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The purpose of the Related Party Transactions (RPTs) 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 Non-Executive Directors and Executive Directors. The members of the Committee are;

Mr. A. G. Weerasinghe – Chairman
Mr. Mangala Boyagoda – Member
Mr. Ruwan Sugathadasa – Member (resigned w.e.f. 01 June 2020)
Mr. Murali Prakash – Member (appointed w.e.f. 01 June 2020)

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 24 to 27 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 authorised 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 36.

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 214 to 215 of this Annual Report.

Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on page 136 of this Annual Report.

Sgd.

A G Weerasinghe
Chairman

02 October 2020

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 2020, 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 2020 the company had investments in various sectors such as manufacturing, real estate, information technology, investments and financial services. A review of the operations of the company during the twelve months period and the results of those operations are contained on pages 140 to 226 of this Annual Report.

Group Structure

The Group Structure is demonstrated on page 57 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 and Management Review on pages 11 to 23.

Financial Statements

The Financial Statements of the Company for the year ended 31 March 2020 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 140 to 226 of this Annual Report.

Summarised Financial Statements

	Group		Company	
	2019/2020	2018/2019	2019/2020	2018/2019
	LKR Mn	LKR Mn	LKR Mn	LKR Mn
Revenue	19,693	17,232	207	465
Profit/(Loss) Before Tax from Continuing Operations	843	1,638	618	3,779
Income Tax Reversal/(Expenses)	(132)	(382)	(56)	(397)
Profit/(Loss) After Tax from Continuing Operations	711	1,256	562	3,382
Profit/(Loss) after Tax from Discontinued Operations	(302)	(391)	-	-
Profit/(Loss) for the year	409	864	562	3,382

Accounting Policies and Changes

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 152 to 168 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. Sanjeev Gardiner – Chairman/Non-Independent Non-Executive Director (appointed w.e.f. 01 June 2020)
- Mr. Ajith Devasurendra – Deputy Chairman/Non-Independent Non-Executive Director (appointed w.e.f. 01 June 2020)
- Mr. Murali Prakash – Group Managing Director/CEO
- Mr. A. G. Weerasinghe – Independent, Non-Executive Director
- Mr. Ruwan Sugathadasa – Non-Independent Non-Executive Director
- Mr. Mangala Boyagoda – Independent Non-Executive Director
- Mr. Priyantha Maddumage – Independent Non-Executive Director (resigned w.e.f. 01 June 2020)
- Mr. Ranil Pathirana - Non-Independent Non-Executive Director (appointed w.e.f. 01 June 2020)
- Mr. Shalike Karunasena – Alternate Director (ceased to be an Alternate Director w.e.f. 01 June 2020)
- Mr. Revantha Devasurendra – Alternate Director (appointed as an Alternate Director to Mr. A. L. Devasurendra w.e.f. 10 June 2020)

In accordance with the provisions of Article 27 (2) of the Articles of Association, Mr. S. E. Gardiner, Mr. A. L. Devasurendra and Mr. R. P. Pathirana retires from office at the conclusion of the forthcoming Annual General Meeting. Mr. Gardiner, Mr. Devasurendra and Mr. Pathirana offers themselves for re-election with the unanimous support of the Board.

Mr. R. P. Sugathadasa retires by rotation at the Annual General Meeting in terms of the Articles of Association and being eligible is recommended by the Directors for re-election.

The Directors have recommended the appointment of Mr. A. G. Weerasinghe, who is 78 years of age, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act with regard to the said re-appointment.

The present Directors of the Company and their profiles are shown on pages 24 to 27 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 214 to 215.

Directors' Remuneration

The Directors' Remuneration is disclosed in Note 29 to the Financial Statements on page 210.

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 2020	As at 31 March 2019
Ambeon Capital PLC	290,597,377	290,597,377
(Represented by M/s N M Prakash and Ruwan Sugathadasa)		
Income Tax Reversal/(Expenses)		
Taprobane Wealth Plus (Private) Limited	85,000	85,000
(Represented by M/s A G Weerasinghe)		
Mr. N. M. Prakash	785,541	450,000

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 32 to 50 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.

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

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 pages 51 to 56 of this Annual Report.

Donations

The Group and the Company made donations during the year under review amounting to LKR 1,860,791/- and LKR 10,000/- 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 pages 208 to 209.

Property, Plant and Equipment

Capital expenditure during the year under review on Property, Plant and Equipment by the Company and Group were LKR 1.3 Mn and LKR 176 Mn respectively.

Extents, locations, number of buildings and the valuation of the properties of the Group are given in note 6.7 to the Financial Statements on pages 175 to 176 and page 231.

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 to the Financial Statements. Details of revaluation of land are given in note 7.1 to 7.4 to the Financial Statements.

Employment

The Company's and Group's strength of manpower as at 31 March 2020 is Twenty Eight (28) and Two Thousand Seven Hundred and Thirty Four (2,734) 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 123.

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

Employee Share Ownership plans

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

Stated Capital

The stated capital of the Company as at 31 March 2020 was LKR 5,331,775,177/- represented by 356,869,666 fully paid Ordinary Shares.

Share Information

There were 5,057 registered shareholders as at 31 March 2020.

Distribution schedule of shareholders

The distribution of shareholdings is shown on pages 228 to 230 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 228.

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 228 to 230 of the Annual Report.

Disclosures required under section 7.6 (iv) of the Listing Rules of the Colombo Stock Exchange is indicated on pages 228 to 230 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 214 to 215.

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 2020 have been audited by M/s. Ernst & Young, Chartered Accountants and the Independent Auditors' Report thereon is given on pages 140 to 143 of the Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

A sum of LKR 8,958,688/- 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 General Meeting

The Annual General Meeting of the company will be held on 26 November 2020. The notice of the Annual General Meeting appears on page 236.

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.
Sanjeev Gardiner
Chairman

Sgd.
A G Weerasinghe
Director

Sgd.
P W Corporate Secretarial (Private) Limited
Secretaries

02 October 2020

STATEMENT OF DIRECTORS RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act, No. 7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare the Financial Statements for each financial year, which gives a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and the income and expenditure of the Company for the accounting year ending on that reporting date.

The Directors are also responsible in ensuring that the Financial Statements comply with any regulations made under the Companies Act, which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors have ensured that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements' and estimates and in compliance with the Sri Lanka Financial Reporting Standards, Companies Act, No. 7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the Company and its subsidiaries, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the Company and its subsidiaries and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the Group have adequate resources to continue in operation and have applied the going concern basis in preparing the Financial Statements.

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

By order of the Board of
Ambeon Holdings PLC

Sgd.
P W Corporate Secretarial (Pvt) Ltd.
Secretaries

Colombo
02 October 2020

FINANCIAL

STATEMENTS

INDEPENDENT AUDITORS' REPORT

Ernst & Young
Chartered Accountants
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Colombo 10
Sri Lanka

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eysl@lk.ey.com
ey.com

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 2020, 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 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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.

Key audit matter	How our audit addressed the key audit matter
Annual impairment assessment of Intangible assets with Infinite use Life	
Intangible assets include Goodwill on business combination and Brand with infinite useful life. Intangible assets with infinite useful life is subject to an annual impairment test. Annual impairment test is based on the recoverable amount determined using value in use computations (VIU). Such VIU calculations are based on the discounted cash-flow models of each Cash Generating Unit (CGU) to which Goodwill has been allocated as further detailed in Note 8. A deficit of LKR 126 million between the recoverable value and the carrying values of the CGUs including Goodwill has been impaired during the year. The VIU calculations are significant to our audit as it involves management's estimation of future cashflows which is complex and highly judgmental due to considerations relating to expected sales growth, profit margin, working capital cash flows, discount rates and includes the impact assessment of the COVID-19 outbreak as disclosed in Note 8 in the financial statements.	Our audit procedures included the following; • We obtained an understanding of the management's impairment assessment process; • We engaged our internal specialised resources to assist us in assessing the reasonableness of the significant assumptions and judgements used by the Group, in particular those relating to the forecasted revenue growth, profit margins, working capital cash flows and discount rates of the separate CGUs of the Group; and • 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.
Measurement of carrying value of land and buildings	
As at 31 March 2020, land and building carried at fair value amounted to LKR 2.8 billion and LKR 3.8 billion classified as Property, Plant and Equipment and Investment Property respectively. The Group has recorded revaluation gain of LKR 190 million and fair value gain of LKR 788 million 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, value per square feet and the assessment of the impact of the COVID-19 outbreak on such valuations as 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 understanding 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 appropriateness 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.

Revenue recognition	
As disclosed in Note 5 to the financial statements, the revenue earned from Information Technology and related services of the group amounts to LKR 8 billion and represents approximately 41% of the total revenue for the year. The recognition and measurement of the specified revenue involved use of management's significant judgments such as determining of performance obligations for multiple element arrangements, whether contracts satisfy performance obligations over time or at a point in time and use of percentage of completion method described in note 2.10.1 to the financial statements and consideration of relevant legal aspects of the contracts and industry practices. Considering the significance of the above matters and amounts involved, we determined that the recognition of revenue from information technology and related services as a key audit matter.	Our audit procedures included, amongst others, the following: • Reviewing the revenue recognition policy applied by the Group in Information Technology and related services and its compliance with SLFRS 15 Revenue from Contracts with Customers. • Testing the operating and design effectiveness of critical controls over revenue recognition. • Reading a sample of contracts covering all categories and representing a significant proportion of revenue, to assess whether the method for recognition of revenue relevant and consistent with SLFRS 15 and had been applied consistently. We focused on the identification of performance obligations and the point at which the revenue should be recognised, allocation of income and cost to the individual performance obligations and timing of transfer of control. • Where a contract contained multiple elements, on a sample basis, we considered Management's judgements as to whether they comprised performance obligations that should be accounted for separately, and in such case, evaluated the judgements made in the allocation of the consideration to each performance obligation. • For the sample of selected contracts, we evaluated the significant judgements and estimates made by the Management, obtained evidence to support them, including details of contractual agreements, delivery records, cash receipts and project plans. This also, included, reconciling the revenue recognised to the underlying accounting records.

Other information included in the Group's 2020 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.

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

02 October 2020

Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR Restated
Continuing Operations					
Revenue	5	19,693,286,605	17,231,735,908	207,459,771	465,472,936
Cost of Sales		(15,566,550,055)	(13,239,348,180)	-	-
Gross Profit		4,126,736,550	3,992,387,728	207,459,771	465,472,936
Other Income	25	53,565,063	208,055,914	27,190,475	302,679,439
Selling & Distribution Expenses		(883,094,179)	(647,691,481)	-	-
Administrative Expenses		(2,756,483,422)	(2,256,331,000)	(259,095,888)	(267,461,454)
Change in Fair Value of Financial Assets measured at fair value though Profit or loss		13,420,084	(142,470,780)	890,863	(138,330,427)
Operating Profit/(Loss)		554,144,096	1,153,950,381	(23,554,779)	362,360,494
Finance Cost	26	(696,028,567)	(546,052,506)	(382,645,527)	(330,753,496)
Finance Income	27	200,628,800	206,078,441	-	-
Change in Fair Value of Investment Property	7	787,720,265	822,550,116	-	-
Change in Fair Value of Investment in Subsidiary	10	-	-	1,024,604,680	3,747,457,168
Share of Results of Equity Accounted Investee	12	(3,070,456)	1,307,414	-	-
Profit before Tax from Continuing Operations	29	843,394,138	1,637,833,846	618,404,374	3,779,064,166
Income Tax Expenses	28	(132,542,262)	(382,136,061)	(56,346,373)	(397,026,356)
Profit for the year from Continuing Operations		710,851,876	1,255,697,785	562,058,001	3,382,037,810
Discontinued Operations					
Loss after Tax from Discontinued Operations for the year	4	(301,832,221)	(391,230,087)	-	-
Profit for the year		409,019,655	864,467,698	562,058,001	3,382,037,810
Attributable to:					
Equity Holders of the Parent		155,800,920	528,309,944		
Non-Controlling Interests		253,218,735	336,157,754		
		409,019,655	864,467,698		
Earnings/ (Loss) per share	30				
Basic (LKR)		0.44	1.48	1.57	9.48
Diluted (LKR)		0.44	1.48	1.57	9.48
Earnings per share from Continuing Operations	30				
Basic (LKR)		1.28	2.58		
Diluted (LKR)		1.28	2.58		

Figures in brackets indicate deductions.
The accounting policies and notes on pages 152 through 226 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR Restated
Profit for the Year		409,019,655	864,467,698	562,058,001	3,382,037,810
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to profit or loss in subsequent period					
Functional/Foreign Currency translation difference		156,075,551	(378,266,928)	-	-
Tax on Functional Currency Translation Difference	20	(21,832,534)	52,957,057	-	-
Effect of Cashflow Hedge Accounting	18	(40,764,925)	-	-	-
Tax on Cashflow Hedge Accounting	20	6,476,630	-	-	-
Total Other Comprehensive Income to be Reclassified to Profit or Loss		99,954,722	(325,309,871)	-	-
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods					
Revaluation Gain of Land and Building		189,717,148	621,099,068	-	-
Tax on Revaluation Gain	20	(68,703,210)	(145,989,359)	-	-
Change in Fair Value of FVOCI Financial Assets		(8,786,128)	(153,757,244)	(8,786,128)	(153,757,244)
Actuarial Gain /(Loss) on Defined Benefit Plans	21	(26,133,877)	26,647,072	96,571	(943,253)
Tax on Actuarial Gain /(loss) on Defined Benefit Plans	20	5,960,229	(12,076,751)	(27,040)	264,111
Total Other Comprehensive Income not to be Reclassified to Profit or Loss		92,054,162	335,922,786	(8,716,597)	(154,436,386)
		192,008,884	10,612,915	(8,716,597)	(154,436,386)
Total Comprehensive Income for the year, net of tax		601,028,539	875,080,613	553,341,404	3,227,601,424
Attributable to:					
Equity Holders of the Parent		331,781,809	483,471,809		
Non-Controlling Interest		269,246,730	391,608,804		
		601,028,539	875,080,613		

Figures in brackets indicate deductions.

The accounting policies and notes on pages 152 through 226 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2020	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR Restated
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	6	4,761,560,422	5,098,713,087	10,622,963	16,858,110
Investment Property	7	3,829,940,525	3,039,977,150	-	-
Intangible Assets	8	1,758,465,379	1,516,639,468	9,370,257	10,481,210
Right-of-Use Assets	9	148,414,130	-	-	-
Investment in Subsidiaries	10	-	-	12,672,340,280	11,496,269,560
Other Non-Current Financial Assets	11	1,667,276,105	712,186,460	524,237,578	45,500,054
Investment in Equity Accounted Investee	12	11,929,544	-	-	-
Deferred Tax Asset	20	81,878,408	143,559,149	-	-
		12,259,464,513	10,511,075,314	13,216,571,078	11,569,108,934
Current Assets					
Inventories	13	4,094,933,962	4,240,916,106	-	-
Trade and Other Receivables	14	6,352,844,653	6,164,700,505	685,568,938	555,986,220
Other Financial Investments	15	955,146,167	1,021,556,154	662,418,343	744,245,602
Income Tax Receivables		45,966,455	37,933,570	25,244,945	24,912,120
Cash in Hand and at Bank	31	753,591,961	610,567,174	112,006,406	6,581,243
		12,202,483,198	12,075,673,509	1,485,238,632	1,331,725,185
Total Assets		24,461,947,711	22,586,748,823	14,701,809,710	12,900,834,119
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated Capital	16	5,331,775,177	5,331,775,177	5,331,775,177	5,331,775,177
Other Components of Equity	18	678,719,832	761,355,180	(262,354,693)	(253,568,565)
Retained Earnings		2,154,041,714	1,650,091,096	5,665,431,626	5,103,304,094
Equity attributable to equity holders of the parent		8,164,536,723	7,743,221,453	10,734,852,110	10,181,510,706
Non-Controlling Interests		1,610,303,097	1,610,056,817	-	-
Total Equity		9,774,839,820	9,353,278,270	10,734,852,110	10,181,510,706

Year ended 31 March 2020	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR Restated
Non-Current Liabilities					
Other Financial Liabilities	24	944,966	921,026	944,966	921,026
Interest Bearing Borrowings	19	1,799,399,787	829,989,525	2,163,795,885	1,322,784,470
Deferred Tax Liability	20	782,776,317	805,173,965	375,759,112	319,385,704
Employee Benefit Liabilities	21	442,357,447	400,384,420	5,739,888	4,365,992
		3,025,478,517	2,036,468,936	2,546,239,851	1,647,457,192
Current Liabilities					
Trade and Other Payables	23	3,917,986,733	4,892,900,791	23,304,104	35,220,230
Income Tax Payable		212,399,005	193,408,837	-	-
Contract Liability	22	924,172,960	706,864,079	-	-
Interest Bearing Borrowings	19	6,607,070,676	5,403,827,910	1,397,413,645	1,036,645,991
		11,661,629,374	11,197,001,617	1,420,717,749	1,071,866,221
Total Equity and Liabilities		24,461,947,711	22,586,748,823	14,701,809,710	12,900,834,119

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
Director

R P Sugathadasa
Director

Figures in brackets indicate deductions.
The accounting policies and notes on pages 152 through 226 form an integral part of the financial statements.

02 October 2020
Colombo

STATEMENT OF CHANGES IN EQUITY

GROUP	Note	Attributable to equity holders of the parent Stated Capital	Revaluation Reserve	Other Reserves	Foreign/ Functional currency translation Reserve
Year ended 31 March 2020		LKR	LKR	LKR	LKR
Balance as at 1 April 2018		7,871,563,705	927,585,560	3,100,000	(506,665)
Profit for the Year		-	-	-	-
Other Comprehensive Income		-	412,482,829	-	(317,501,985)
Total Comprehensive Income		-	412,482,829	-	(317,501,985)
Effect of Changes in Holding/Ownership		-	-	-	-
Transfer to Retained Earnings due to Disposal		-	(7,135,994)	-	-
Dividend paid (LKR 1.25 per Share)	17	-	-	-	-
Subsidiary Dividend to Minority Shareholders	39	-	-	-	-
Capital Reduction	16	(2,539,788,528)	-	-	-
Balance as at 31 March 2019		5,331,775,177	1,332,932,395	3,100,000	(318,008,650)
Profit for the Year		-	-	-	-
Other Comprehensive Income		-	96,473,374	-	130,995,287
Total Comprehensive Income		-	96,473,374	-	130,995,287
Effect of Changes in Holding/Ownership		-	-	-	-
Subsidiary Dividend to Minority Shareholders	39	-	-	-	-
Transfer to Retained Earnings due to Disposal		-	(277,886,027)	-	-
Balance as at 31 March 2020		5,331,775,177	1,151,519,742	3,100,000	(187,013,363)

Figures in brackets indicate deductions.
The accounting policies and notes on pages 152 to 226 form an integral part of the financial statements.

COMPANY	Note	Stated Capital	Other Reserves	Other Capital Reserves	FV Through OCI Reserve
Year ended 31 March 2020		LKR	LKR	LKR	LKR
Balance as at 31 March 2018		7,871,563,705	220,140	3,100,000	(103,131,461)
Impact of fair value of subsidiaries	38	-	-	-	-
Balance as at 1 April 2018 - Restated		7,871,563,705	220,140	3,100,000	(103,131,461)
Profit for the Year - Restated		-	-	-	-
Other Comprehensive income		-	-	-	(153,757,244)
Total comprehensive income - Restated		-	-	-	(153,757,244)
Capital Reduction	16	(2,539,788,528)	-	-	-
Dividend paid (LKR 1.25 per Share)	17	-	-	-	-
Balance as at 31 March 2019 - Restated		5,331,775,177	220,140	3,100,000	(256,888,705)
Profit for the Year		-	-	-	-
Other Comprehensive income		-	-	-	(8,786,128)
Total comprehensive income		-	-	-	(8,786,128)
Balance as at 31 March 2020		5,331,775,177	220,140	3,100,000	(265,674,833)

Figures in brackets indicate deductions.
The accounting policies and notes on pages 152 to 226 form an integral part of the financial statements.

Attributable to equity holders of the parent						
Revenue Reserve	Fair Value through OCI Reserve	Currency/ Exchange Hedge Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
LKR	LKR	LKR	LKR	LKR	LKR	LKR
220,140	(103,131,461)	-	(950,565,060)	7,748,266,219	1,018,581,084	8,766,847,303
-	-	-	528,309,944	528,309,944	336,157,754	864,467,698
-	(153,757,244)	-	13,938,266	(44,838,135)	55,451,050	10,612,915
-	(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	-	-	-
220,140	(256,888,705)	-	1,650,091,096	7,743,221,453	1,610,056,817	9,353,278,270
-	-	-	155,800,920	155,800,920	253,218,735	409,019,655
-	(8,786,128)	(23,431,854)	(19,269,790)	175,980,889	16,027,995	192,008,884
-	(8,786,128)	(23,431,854)	136,531,130	331,781,809	269,246,730	601,028,539
-	-	-	89,533,461	89,533,461	(240,999,501)	(151,466,040)
-	-	-	-	-	(28,000,949)	(28,000,949)
-	-	-	277,886,027	-	-	-
220,140	(265,674,833)	(23,431,854)	2,154,041,714	8,164,536,723	1,610,303,097	9,774,839,820

Retained Earnings/ (Losses)	Total
LKR	LKR
(1,706,546,878)	6,065,205,506
1,334,790,859	1,334,790,859
(371,756,019)	7,399,996,365
3,382,037,810	3,382,037,810
(679,142)	(154,436,386)
3,381,358,668	3,227,601,424
2,539,788,528	-
(446,087,083)	(446,087,083)
5,103,304,094	10,181,510,706
562,058,001	562,058,001
69,531	(8,716,597)
562,127,532	553,341,404
5,665,431,626	10,734,852,110

STATEMENT OF CASH FLOWS

Year ended 31 March 2020	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR Restated
Operating Activities					
Profit before tax from Continuing Operations		843,394,138	1,637,833,846	618,404,374	3,779,064,166
Loss before tax from Discontinuing Operations		(301,832,221)	(391,230,087)	-	-
Non-Cash Adjustments to Reconcile Profit Before Tax to Net Cash Flows:					
Depreciation of Property, Plant Equipment	6	337,650,864	378,179,240	7,525,254	5,217,125
Impairment of Property, Plant Equipment	6	45,802,799	-	-	-
Amortisation of Intangible Assets	8	133,803,341	8,304,754	1,110,953	852,680
Amortisation of Right of use Assets	9	38,509,645	-	-	-
Impairment of Goodwill	8	126,536,713	171,371,894	-	-
Change in Fair Value of Investments		(13,420,084)	142,470,780	(890,863)	138,330,427
Allowance for Obsolete and Slow Moving Inventories	13	182,309,473	(123,686,758)	-	-
Provision for Employee Benefit Liabilities	21	85,923,543	80,766,299	2,194,671	1,786,811
Impairment on Trade Receivables	14	238,735,462	38,296,757	85,000,000	366,118
(Profit)/Loss from Disposal of Investment		(13,537,873)	9,934,834	(6,958,730)	9,934,834
(Profit)/Loss from Disposal of Property Plant & Equipment	25/29	1,636,604	(7,158,765)	-	-
Gain on Fair Value Adjustment of Investment Property	7	(787,720,265)	(822,550,116)	-	-
Result of Equity Accounted Investee	12	3,070,456	(2,183,605)	-	-
Finance Income	27	(200,628,800)	(207,721,921)	-	-
Interest on other Financial Liabilities		23,940	23,940	23,940	23,940
Finance Cost	26	696,028,567	546,052,506	382,621,587	330,753,496
Gain on Loan Write Back	25	-	(153,859,921)	-	(153,859,921)
Loss on Disposal of Subsidiary	37	38,863,011	-	-	101,643,202
Gain on Disposal of Subsidiary		-	-	-	(114,486,986)
Gain on fair valuation of investment in subsidiaries	10	-	-	(1,024,604,680)	(3,747,457,168)
Impairment provision on investment in Subsidiary		-	-	-	2,381,369
		1,455,149,313	1,305,719,866	64,426,505	354,550,093
Working Capital adjustments:					
Increase in Inventories		(264,772,350)	(359,177,801)	-	-
Increase in Trade and Other Receivables		(731,447,240)	(2,208,086,543)	(145,932,552)	(63,776,451)
Increase/(Decrease) in Trade and Other Payables		(481,872,815)	1,283,524,542	(11,916,137)	(76,243,376)
Increase in Deferred Income		217,308,881	(41,286,418)	-	-
Cash Generated/ (Used) from Operations		194,365,789	(19,306,355)	(93,422,184)	214,530,266
Defined Benefit Plan Costs paid (net of transfers)	21	(35,981,743)	(62,910,528)	(724,204)	(2,100,000)
Interest Paid		(463,392,105)	(339,497,197)	(382,621,587)	(330,753,496)
Income Tax Paid		(175,424,588)	(147,505,628)	(332,818)	(10,051,943)
Net Cash Flows from Operating Activities		(480,432,647)	(569,219,708)	(477,100,793)	(128,375,173)

Year ended 31 March 2020	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR Restated
Investing Activities					
Acquisition of Property, Plant & Equipment		(176,066,430)	(578,961,881)	(1,290,107)	(13,501,400)
Acquisition of Intangible Assets	8	(497,534,048)	(19,181,470)	-	-
Proceeds from Sale of Investments		154,774,226	501,697,082	123,591,321	239,890,626
Proceeds from Sale of Property, Plant and Equipment		-	38,159,725	-	-
Acquisition of Subsidiaries		-	(424,995,555)	-	-
Net cash inflow from disposal of subsidiary	37	72,076,736	-	-	-
Loans Granted to Subsidiaries		-	-	(715,750,904)	(589,978,123)
Loans Settled by Subsidiaries		-	-	190,390,522	517,611,539
Proceeds from Disposal of Associate	12	-	116,153,441	-	-
Acquisition of Current Investments		(64,727,906)	(30,399,815)	(64,727,906)	(30,399,815)
Acquisition of Investment Property	7	(2,243,110)	(1,072,856)	-	-
Acquisition of Other Financial Investments		(955,089,645)	(543,004,020)	-	-
Proceed From Disposal of Subsidiaries		-	-	-	370,778,305
Investment in Equity Account Investee	12	(15,000,000)	-	-	-
Acquisition from Non-Controlling Interest	10	(151,466,040)	-	(151,466,040)	-
Interest Income from Investment	27	200,628,800	207,721,921	-	-
Net Cash Flows from /(Used) in Investing Activities		(1,434,647,417)	(733,883,428)	(619,253,114)	494,401,132
Financing Activities					
Cash Flow from Financing Activities					
Proceeds from Non-Controlling Interest Through Holding Change		-	245,778,305	-	-
Dividend Paid to Non-Controlling Interest		(28,000,949)	(88,340,869)	-	-
Proceeds From Interest Bearing Loans & Borrowings		13,271,539,612	12,282,793,055	2,289,643,775	767,251,879
Repayment of Interest Bearing Loans & Borrowings		(11,402,078,116)	(12,537,233,628)	(1,244,597,707)	(1,041,582,389)
Dividend paid	17	-	(446,087,083)	-	(446,087,083)
Effect of Exchange Rate Changes in Loans & Borrowings		-	(2,233,893)	-	-
Repayment of Lease	19	(59,122,837)	(3,400,000)	-	-
Net Cash Flows from/ (Used in) Financing Activities		1,782,337,710	(548,724,113)	1,045,046,068	(720,417,593)
Net foreign Exchange Difference	18	156,075,551	(295,973,173)	-	-
Net Increase / (Decrease) in Cash & Cash Equivalents		23,333,197	(2,147,800,419)	(51,307,839)	(354,391,634)
Cash and Short Term Deposits at the beginning of the year		(778,009,383)	1,369,791,035	(348,566,161)	5,825,473
Cash and Short Term Deposits at the end of the year	31	(754,676,187)	(778,009,383)	(399,874,000)	(348,566,161)

Figures in brackets indicate deductions.
The accounting policies and notes on pages 152 through 226 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 2020, 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 2020 were authorised for issue in accordance with a resolution by the Board of Directors on 02 October 2020.

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 Company were selling of Leather Footwear and Leather Goods & manufacturing business segment was disposed during the year.

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. The Company was disposed on 24 October 2019.

Subsidiary – South Asia Textiles Limited

During the year, the principal activity of the Company was manufacturing and sale of knitted fabrics for the export and local markets.

Subsidiary – Palla & Company (Pvt) Limited

The principal activity of the Company 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 company 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 export and domestic market.

Sub-subsidiary through Dankotuwa Porcelain PLC - DPL Trading (Private) Limited

The principal activity of the Company was retail selling of porcelain tableware domestic market. However, there were no operations during the year.

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 Company 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 Company was to engage in Real Estate.

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

During the period, the principal activity of the Company was renting 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 know 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.

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, fair value through profit or loss financial assets, fair value through OCI 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.

2.4 Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the companies within the Group and the appropriateness of the use of the going concern basis. In March 2020, each business was evaluated for resilience considering a wide range of factors relating to expected income avenues, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, cash reserves and potential funding lines,if required, and the ability to continue business as least impacted as possible.

Having presented the outlook for each industry to the holding company Board and after due consideration of the likelihood of outcomes, the Directors are satisfied that the Company, its subsidiaries and associates have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

In determining the above, significant management judgements, estimates and assumptions on the impact of the COVID-19 pandemic has been considered as of reporting date.

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 20. The Financial Statements of the subsidiaries are prepared in compliance with the Group's accounting policies.

All intra-Group balances, income and expenses, unrealised 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.

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:
   - Derecognises the assets (including goodwill) and liabilities of the subsidiary
   - Derecognises the carrying amount of any non-controlling interest
   - Derecognises the cumulative translation differences, recorded in equity
   - Recognises the fair value of the consideration received
   - Recognises the fair value of any investment retained
   - Recognises any surplus or deficit in profit or loss
   - Reclassifies the parent's share of components previously recognised 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' 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.

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 recognised 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 recognised 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 2020.

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 and Note 10.

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 recognised, 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.

Cashflow Hedge

The hedging type is designated as cash flow hedge since the Company is expecting to hedge the variability arise from exchange rate risk, where the USD term loan, USD packing credit loans and USD import loan can be identified as the hedging instrument, the USD revenue can be identified as the hedge item and exchange rate risk can be identified as the hedged risk". Accordingly the Group is expecting to hedge the variability in the cash flows corresponding to the repayment of the term loan capital, packing credit loans and import loan capital attributable to changes in exchange rates over the period. This involves key estimates such as forcasted USD revenue and hedgeing effectiveness. The Group apply the hedge accounting prospectively.

Details of the key assumptions used in the estimates are contained in Note 18.6.

Accounting for investments in Subsidiaries
Investment in Subsidiary are those entities that is controlled by the Company. Investment in subsidiary are accounted at fair value through profit or loss in accordance with SLFRS 9. They are initially recognised at fair value. Subsequent to initial recognition, the fair value gains or losses are recognised in the statement of profit or loss in the separate financial statements until the date on which the control is lost. The dividends received from the Subsidiary are treated as other income in the statement of profit or loss of the separate financial statements.

Details of the key assumptions used in the estimates are contained in Note 10.

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 16 – 'Lease' and IFRIC 23 - Uncertainty over Income Tax Treatment for the first time. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

SLFRS 16 – Leases

SLFRS 16 supersedes LKAS 17 Leases for annual periods on or after 01st January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

The Group adopted SLFRS 16 using the 'Modified Retrospective Method' of adoption with the date of initial application of 1st April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1st April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying LKAS 17 at the date of initial application.

The Group Companies has entered into lease contract in connection with a building for commercial use. land used for cultivation purpose. Before the adoption of SLFRS 16, the Company classified its leases (as lessee) at the inception date as an operating lease.

Upon adoption of SLFRS 16, the Company applied a single recognition and measurement approach for the lease except for short-term leases and leases of low-value assets. standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases under SLFRS 16

The Group companies recognised right-of-use assets and lease liabilities for the lease previously classified as operating leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group companies also applied the available practical expedients wherein it used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above the impact on transition has disclosed in Note 214.4.

IFRIC 23 - Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12- 'Income Taxes'. It does not apply to taxes or levies outside the scope of LKAS-12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group companies determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group companies applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a non-complex environment, it assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

Changes in Significant Accounting Policies – Voluntary change in accounting policies

Investments in Subsidiaries

Changes in Accounting Policies and Disclosures

The Company re-assessed its accounting for investments in subsidiaries in separate financial statements. The Company had previously measured all investments in subsidiaries at cost whereby, after initial recognition the asset was carried at cost less accumulated impairment losses. During the year, the Company elected to change the method of accounting for investments in subsidiaries retrospectively, as the Company believes that the accounting for investments in subsidiaries in accordance with SLFRS 9 provides more relevant information to the users of its financial statements. In addition, available valuation techniques provide reliable estimates of fair value of the investments in subsidiaries. The Company applied the change retrospectively.

Hedge accounting

The Company applied hedge accounting prospectively. For the purpose of hedge accounting, hedges are classified as Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

2.10.1 Revenue

Revenue is recognised 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 recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

d. Revenue recognition on multiple element arrangements

The Group recognises revenue on multiple element arrangements and design and build software contracts. Multiple element arrangements require management judgment in determining performance obligations for such arrangements. 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 recognised 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 acquire that are recognised 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 recognised on an accrual basis.

2.10.2 Expenditure recognition

Expenses are recognised 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 and impairment losses recognised on financial assets (other than trade receivables) that are recognised 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 capitalised 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 recognised 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.

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 derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised 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 recognised 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 recognised 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 recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised 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 derecognised 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 derecognised.

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 fulfillment 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 recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.10.6 Leases (Policy applicable before 1st April 2019)

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating Leases- Company as Lessee

Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income (Profit or loss) on a straight line basis over the lease term.

Leases (applicable from 1st April 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per SLFRS 16 and recognises right of use assets and lease liability.

Company as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group companies recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 9 and are subject to impairment in line with the Group's policy for Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index 0occurs.

Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)

The Group companies determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group companies applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Group companies cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

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 derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised 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 amortisation and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised 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 amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, 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 recognised in the income statement when the asset is derecognised.

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.

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 recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised 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 recognised 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 recognised 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 2.10.13.

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 Subsidiaries (Company)

Investment in Subsidiary are those entities that is controlled by the Company. Investment in subsidiaries are accounted at fair value through profit or loss in accordance with LKAS 27 and SLFRS 9. They are initially recognised at fair value, Subsequent to initial recognition, the fair value gains or losses are recognised in the statement of profit or loss in the separate financial statements until the date on which the control is lost.The dividends received from the Subsidiaries are treated as income in the statement of profit or loss of the separate financial statements.

2.10.11 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 recognises 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 recognises 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.

Group has one associate and details given in note 12.

2.10.12 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 recognised in other comprehensive income (OCI) or profit or loss are also recognised 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 recognised in other comprehensive income relating to that particular foreign operation is recognised 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.

2.10.13 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.10.14 Government grants

Government grants are recognised 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 recognised 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 recognised 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 installments.

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.

2.10.15 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 recognised directly in equity is recognised 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.

The Group has computed income tax and deferred tax at the rates based on substantively enacted rates which is the statutory rate specified in the Inland Revenue Act as of the reporting date, because the Inland Revenue circular Number PN/IT/2020-03(revised) has not been enacted as of the reporting date.

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 recognised 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 recognised 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 utilised, 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 recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised 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 realised 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 recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised 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 recognised 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 recognised as a part of the cost of the asset or part of the expense item as applicable and
- 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.

2.10.16 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 amortised.

Additional disclosures are provided in Note 4. All other notes to the Financial Statements mainly include amounts for continuing operations, unless otherwise mentioned.

2.10.17 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow-moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less 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

2.10.18 Financial instruments - Initial recognition and subsequent measurement

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.

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.

a. Impairment of financial assets -
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.

b. 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 aat s 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.

c. 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.

d. 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.

The effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Profit or Loss as other operating expenses. Amounts recognised as Other Comprehensive Income are transferred to Statement of Profit or Loss when the hedged transaction occurs (when the forecast revenue realises).

If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Statement of Profit or Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in Other Comprehensive Income remains in equity until the forecast transaction occurs as per the hedge agreement.

2.10.19 Hedge accounting
At the inception of a hedge relationship, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Company designated its identified foreign currency loans as a hedging instrument against its highly probable, specifically identified future revenue in foreign currency, through which the Company hedged the risk of changes in value of the identified foreign currency loans, caused by the fluctuations in foreign exchange rates.

2.10.20 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.

2.10.21 Employee benefits liabilities

Defined Benefit Plan - Gratuity:

Gratuity is a defined benefit plan. The Group is liable to pay gratuity in terms of Payment of Gratuity Act no 12 of 1983.

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.

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 recognised 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 Employee' Trust Fund Employees are eligible for Employees' Provident Fund and Employee' 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.

2.10.22 Provisions, contingent assets and contingent liabilities

Provisions are recognised 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 recognised 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 recognised 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 recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of:

- The amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (SLFRS 15)

Contingent assets are disclosed, where inflow of economic benefit is probable.

2.10.23 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 recognised as contract assets are reclassified to trade receivables. The group have disclosed the contractual assets as WIP in the inventory in the note 13.

2.10.24 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.

2.10.25 Segmental Information

The Group's internal organisation 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 organised into business units based on their products and services and has six reportable operating segments as follows:

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
Footwear Retailing	Ceylon Leather Products Limited, (during the year Ceylon Leather Product Distributors (Pvt) Ltd. was disposed and Palla & Company (Pvt) Limited has been classified as discontinued operations)

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

Sri Lanka Accounting Standards issued but not yet effective as at 31 March 2020 The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to LKAS 1 and LKAS 8: Definition of Material

Amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

4. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

4.1 During the year the Group transferred shoe manufacturing business segment to Ceylon Leather Product Distributors (Pvt) Ltd. (CLPDL) and thereafter Ceylon Leather Product Distributors (Pvt) Ltd. was disposed to Vast Holdings Ltd. on 24 October 2019.

4.2 Palla and Company (Pvt) Limited (Palla) is 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.

4.3 The results of the subsidiaries in the "Manufacturing footwear" after intercompany eliminations is presented below;

	FOOTWEAR	FOOTWEAR	TOTAL	FOOTWEAR	FOOTWEAR	TOTAL
	2020	2020	2020	2019	2019	2019
	Palla	CLPDL		Palla	CLPDL	
	LKR	LKR	LKR	LKR	LKR	LKR
Revenue	-	258,778,601	258,778,601	-	502,748,859	502,748,859
Cost of Sales	-	(387,126,936)	(387,126,936)	-	(567,004,155)	(567,004,155)
Other Income	-	(464,555)	(464,555)	-	4,867,425	4,867,425
Administrative Expenses	(790,581)	(48,820,912)	(49,611,493)	(659,193)	(156,757,546)	(157,416,739)
Selling and Distribution Expenses	-	(37,550,065)	(37,550,065)	-	(84,738,245)	(84,738,245)
Finance Cost	(2,251,174)	(44,801,852)	(47,053,026)	-	(91,330,712)	(91,330,712)
Finance Income	-	68,264	68,264	-	1,643,480	1,643,480
Loss before tax from discontinued operations	(3,041,755)	(259,917,455)	(262,959,210)	(659,193)	(390,570,894)	(391,230,087)
Loss from disposal of discontinued operations (Note 37)	-	(38,873,011)	(38,873,011)	-	-	-
Income tax Expense (Reversal)	-	-	-	-	-	-
Loss for the year from discontinued operations	(3,041,755)	(298,790,466)	(301,832,221)	(659,193)	(390,570,894)	(391,230,087)
Attributable to:						
Equity Holders of the Parent	(3,041,755)	(298,790,466)	(301,832,221)	(659,193)	(390,570,894)	(391,230,087)
Non-Controlling Interest	-	-	-	-	-	-
Basic Earnings/ (Loss) per share from Discontinued Operation	(0.01)	(0.84)	(0.85)	(0.00)	(1.09)	(1.10)
Diluted Earnings/ (Loss) per share from Discontinued Operation	(0.01)	(0.84)	(0.85)	(0.00)	(1.09)	(1.10)
Statement of Cash Flows						
Net Cash Flows from/(Used) Operating Activities	85,130	-	85,130	436,195	-	436,195
Net Cash Flows used in Investing Activities	-	-	-	-	-	-
	85,130	-	85,130	436,195	-	436,195

5. REVENUE

5.1 Summary

	Group		Company	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Revenue From Contracts with customers				
Gross Revenue	19,693,286,605	17,231,735,908	207,459,771	465,472,936
	19,693,286,605	17,231,735,908	207,459,771	465,472,936

5.1.1 Company

Rendering of Services	104,114,074	94,944,659
Dividend Income	806,034	332,237,488
Interest Income	102,539,663	38,290,789
	207,459,771	465,472,936

5.2 Segment Information

Group	Footwear		Manufacturing Porcelain		Manufacturing Textile	
	2020	2019	2020	2019	2020	2019
	LKR	LKR	LKR	LKR	LKR	LKR
Total Revenue	57,462,882	99,695,384	2,244,026,385	2,178,649,472	9,139,684,246	8,296,138,014
Segment Results Gross Profit/(Loss)	23,726,573	30,955,038	699,490,661	653,168,108	984,585,508	1,243,852,794
Finance Cost	(11,645,060)	2,947,208	(127,495,985)	(89,494,262)	(129,472,716)	(89,430,987)
Finance Income	730	-	24,762,700	31,298,485	23,767,856	11,537,533
Change in Fair value of Investment Property	575,725,765	434,969,475	114,489,200	293,029,150	-	-
Net Results of the Associate	-	-	-	-	-	-
Impairment of intangible assets - continuing Operations	-	(171,371,894)	(88,810,653)	-	-	-
Profit/(Loss) before Income Tax	469,813,383	267,695,251	(104,665,790)	457,205,724	33,044,855	527,679,060
Income Tax (Expenses)/Reversal	40,151,783	(76,344,742)	40,143,238	(61,445,358)	(9,806,100)	(34,320,735)
Profit/(Loss) after tax for the year from continuing operations	509,965,166	191,350,509	(64,522,552)	395,760,366	23,238,755	493,358,325
(Loss) after tax for the year from discontinued operations	(301,832,221)	(391,230,087)	-	-	-	-
Profit/(Loss) for the year	208,132,945	(199,879,578)	(64,522,552)	395,760,366	23,238,755	493,358,325
Purchase and construction of Property Plant and Equipment	-	88,415,141	58,413,488	71,087,268	335,050,202	446,949,374
Additions to intangible assets	-	-	-	2,386,246	79,646,496	-
Depreciation of Property Plant and Equipment	20,862,121	55,409,885	96,064,367	113,743,476	184,455,646	179,924,689
Amortisation of intangible assets	-	-	7,762,795	5,044,016	6,172,075	-
Gratuity provision and related costs	1,645,128	7,575,547	27,753,313	25,437,838	22,525,880	21,645,533
Impairment of Property Plant and Equipment	45,802,799	-	-	-	-	-
Impairment of intangible assets - continuing Operations	-	171,371,894	88,810,653	-	-	-
Assets and Liabilities						
Non-Current Assets *	2,144,826,633	2,122,286,872	2,597,820,220	2,392,513,078	2,641,445,891	2,523,335,096
Current Assets	174,492,271	603,654,435	2,415,512,918	1,989,443,757	3,578,012,820	3,031,096,765
Total assets	2,319,318,904	2,725,941,307	5,013,333,138	4,381,956,835	6,219,458,711	5,554,431,861
Non-Current Liabilities	354,796,257	429,063,299	618,796,212	487,147,170	534,516,870	646,066,988
Current Liabilities	284,209,634	648,123,477	1,641,253,970	1,239,845,218	3,787,852,000	3,087,865,029
Total Liabilities **	639,005,891	1,077,186,776	2,260,050,182	1,726,992,388	4,322,368,870	3,733,932,017

* Segment Non-current Assets do not include investment in subsidiary and intercompany receivables.
** Segment Liabilities do not include intercompany payables including loans.

Investment		Property		IT and related Services		Financial Services		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
61,862,765	12,055,203	39,901,370	8,563,675	8,018,663,874	6,533,340,789	131,685,082	103,293,371	19,693,286,605	17,231,735,908
61,862,765	12,055,203	34,244,223	6,301,512	2,193,608,134	1,945,452,015	129,218,687	100,603,058	4,126,736,550	3,992,387,728
(215,579,036)	(208,837,061)	(20,599,981)	(2,209,022)	(189,924,740)	(156,609,473)	(1,311,049)	(2,418,908)	(696,028,567)	(546,052,506)
-	-	44,395,445	66,037,901	39,402,796	40,911,407	68,299,272	56,293,115	200,628,800	206,078,441
-	-	94,505,300	93,551,491	-	-	3,000,000	1,000,000	787,720,265	822,550,116
-	1,307,414	-	-	(3,070,456)	-	-	-	(3,070,456)	1,307,414
-	-	(37,726,060)	-	-	-	-	-	(126,536,713)	(171,371,894)
(409,864,971)	(340,755,671)	135,681,222	142,477,802	652,815,609	554,657,746	66,569,830	28,873,935	843,394,138	1,637,833,846
270,800	(112,469,114)	(45,399,517)	22,523,992	(143,743,826)	(108,652,999)	(14,158,640)	(11,427,105)	(132,542,262)	(382,136,061)
(409,594,171)	(453,224,785)	90,281,705	165,001,794	509,071,783	446,004,747	52,411,190	17,446,830	710,851,876	1,255,697,785
-	-	-	-	-	-	-	-	(301,832,221)	(391,230,087)
(409,594,171)	(453,224,785)	90,281,705	165,001,794	509,071,783	446,004,747	52,411,190	17,446,830	409,019,655	864,467,698
1,290,107	13,501,399	806,236	-	96,760,279	34,286,503	237,054	2,068,140	492,557,365	656,307,825
-	5,163,850	-	-	417,887,550	11,631,372	-	-	497,534,048	19,181,470
7,525,254	5,217,125	6,057,675	39,094	21,318,807	22,012,580	1,366,994	1,832,392	337,650,864	378,179,241
1,110,953	852,680	-	-	118,757,518	2,408,058	-	-	133,803,341	8,304,756
2,194,671	1,786,811	313,149	286,799	28,844,324	21,875,501	2,647,078	2,158,270	85,923,543	80,766,299
-	-	-	-	-	-	-	-	45,802,799	-
-	-	37,726,060	-	-	-	-	-	126,536,713	171,371,894
1,694,956,105	1,240,220,762	1,530,151,311	1,290,751,411	977,464,149	416,692,887	672,800,204	525,275,208	12,259,464,513	10,511,075,314
950,025,813	823,070,639	342,995,749	469,500,387	4,593,749,675	4,995,659,234	147,693,951	163,248,292	12,202,483,198	12,075,673,509
2,644,981,918	2,063,291,401	1,873,147,060	1,760,251,798	5,571,213,824	5,412,352,121	820,494,155	688,523,500	24,461,947,711	22,586,748,823
1,121,745,009	330,287,016	39,504,071	22,058,420	331,461,229	110,936,132	24,658,869	10,909,910	3,025,478,517	2,036,468,936
794,895,433	938,863,807	34,789,349	268,984,196	4,997,289,987	4,957,911,424	121,339,001	55,408,466	11,661,629,374	11,197,001,617
1,916,640,442	1,269,150,823	74,293,420	291,042,616	5,328,751,216	5,068,847,556	145,997,870	66,318,376	14,687,107,891	13,233,470,553

6. PROPERTY, PLANT & EQUIPMENT

6.1 Gross Carrying Amounts

GROUP	Balance As at 01 April 2019	Additions	Disposals	Disposal of Subsidiary	Transfers	Impairment	Revaluation	Exchange Gain/(Loss)	Carrying Value As at 31 March 2020
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost or Valuation									
Freehold Land	1,174,550,551	-	-	(170,799,250)	-	-	132,436,850	-	1,136,188,151
Freehold Buildings	1,019,335,490	328,926	-	(225,362,450)	-	-	27,495,623	-	821,797,589
Furniture & Fittings	121,925,379	26,280,065	(905,930)	(9,906,192)	-	-	-	1,743,998	139,137,320
Computer Equipment	314,392,726	68,409,692	(55,307,247)	-	-	-		5,447,683	332,942,854
Motor Vehicle	87,210,994	319,700	(1,300,000)	(14,775,537)	-	-	-	3,835,968	75,291,125
Plant & Machinery	3,679,134,147	263,954,694	-	(180,830,690)	-	(24,063,275)	-	165,946,740	3,904,141,616
Office Equipment	291,961,196	14,096,931	(5,125,218)	(32,606,452)	565,200	-	-	9,858,030	278,749,687
Shop Assets	38,571,744	-	-	(236,000)	-	(17,572,323)	-	-	20,763,421
Roadways and Fence	2,687,404	-	-	-	-	-	-	-	2,687,404
Other Equipment	705,938	4,151,752	(11,208)	-	(565,200)	-	-	-	4,281,282
Network Hardware	618,032	-	-	-	-	-	-	-	618,032
Land Development Cost	19,810,890	-	-	-	-	-	-	1,554,586	21,365,476
Factory Equipment	176,141,835	25,032,987	-	(99,012,026)	-	(4,167,201)	-	6,704,702	104,700,297
Kumarimulla River Embankment Project	43,214,498	-	-	-	-	-	-	3,391,096	46,605,594
Water Purification Project	90,819,369	-	-	-	-	-	-	3,082,157	93,901,526
Waste Water Project	35,537,973	-	-	-	-	-	-	2,788,711	38,326,684
	7,096,618,166	402,574,747	(62,649,603)	(733,528,597)	-	(45,802,799)	159,932,473	204,353,671	7,021,498,058
Assets on Finance Leases									
Cost or Valuation									
Building on Leasehold land	857,907,022	7,694,064	-	-		-	-	63,210,231	928,811,317
	857,907,022	7,694,064	-	-	-	-	-	63,210,231	928,811,317
In the Course of Construction									
Capital Working Progress	4,246,962	3,467,645	-	-	(2,693,835)	-	-	-	5,020,772
Dyeing Machine Installation	430,292,050	78,820,909	-	-	(313,797,100)	-	-	20,100,231	215,416,090
	434,539,012	82,288,554	-	-	(316,490,935)	-	-	20,100,231	220,436,862
	8,389,064,200	492,557,365	(62,649,603)	(733,528,597)	(316,490,935)	(45,802,799)	159,932,473	287,664,133	8,170,746,237

6.2 Accumulated Depreciation

At Cost or Valuation	Balance As at 01 April 2019	Charge for the year	Disposals	Disposal of Subsidiary	Transfers	Revaluation	Exchange Gain/(Loss)	Carrying Value As at 31 March 2020
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Freehold Building	1,991,259	39,190,290	-	(4,046,240)	-	(29,784,675)	-	7,350,634
Furniture & Fittings	80,782,730	10,044,122	(861,284)	(7,424,610)	-	-	1,444,793	83,985,751
Computer Equipment	238,796,099	30,905,364	(54,003,645)	-	-	-	4,471,813	220,169,631
Motor Vehicle	73,096,597	5,209,496	(1,300,000)	(11,066,680)	-	-	3,711,445	69,650,858
Plant & Machinery	2,421,718,771	186,389,814	-	(147,782,570)	-	-	79,631,540	2,539,957,555
Office Equipment	237,143,962	12,416,335	(4,836,861)	(20,859,573)	103,620	-	9,539,957	233,507,440
Shop Assets	17,800,106	3,081,315	-	(118,000)	-	-	-	20,763,421
Roadways and Fence	1,939,212	73,365	-	-	-	-	-	2,012,577
Other Equipment	74,773	349,951	(11,208)	-	(103,620)	-	-	309,896
Network Hardware	618,032	-	-	-	-	-	-	618,032
Land Development Cost	19,639,223	19,204	-	-	-	-	1,542,227	21,200,654
Factory Equipment	101,304,257	5,385,770	-	(48,910,722)	-	-	3,672,191	61,451,496
Kumarimulla River Embankment Project	31,701,015	2,950,887	-	-	-	-	2,659,232	37,311,134
Water Purification Project	33,391,242	7,836,588	-	-	-	-	2,405,495	43,633,325
Waste Water Project	19,919,933	2,421,626	-	-	-	-	1,703,971	24,045,530
	3,279,917,211	306,274,127	(61,012,999)	(240,208,395)	-	(29,784,675)	110,782,664	3,365,967,934
Assets on Finance Leases								
Building on Leasehold land	10,433,901	31,376,737	-	-	-	-	1,407,243	43,217,881
	10,433,901	31,376,737	-	-	-	-	1,407,243	43,217,881
	3,290,351,112	337,650,864	(61,012,999)	(240,208,395)	-	(29,784,675)	112,189,907	3,409,185,815

6. PROPERTY, PLANT & EQUIPMENT

6.3 Net Book Values

	As at 31 March 2020 LKR	As at 31 March 2019 LKR
Cost		
Furniture & Fittings	55,151,570	41,142,648
Computer Equipment	112,773,223	75,596,627
Motor Vehicle	5,640,268	14,114,397
Plant & Machinery	1,364,184,056	1,257,415,376
Office Equipment	45,242,248	54,817,235
Shop Assets	-	20,771,638
Roadways and Fence	674,827	748,192
Other Equipment	3,971,386	631,165
Network Hardware	-	-
Land Development Cost	164,822	171,667
Factory Equipment	43,248,801	74,837,577
Kumarimulla River Embankment Project	9,294,462	11,513,484
Water Purification Project	50,268,200	57,428,126
Waste Water Project	14,281,155	15,618,041
	1,704,895,018	1,624,806,171
At Valuation		
Freehold Land	1,136,188,151	1,174,550,550
Freehold Building	814,446,955	1,017,344,231
	1,950,635,106	2,191,894,781
Assets on Leasehold Land at Valuation		
Building on Leasehold land	885,593,436	847,473,121
	885,593,436	847,473,121
In the Course of Construction		
Capital Working Progress	5,020,772	4,246,962
Dyeing Machine Installation	215,416,090	430,292,050
	220,436,862	434,539,012
	4,761,560,422	5,098,713,087

6.4 During the financial year, the Group acquired Property, Plant & Equipment to the aggregate value of LKR 176,066,430/- (2019-LKR 578,961,881/-) for cash.

6.5 During the financial year, following the disposal of the shoe manufacturing business, the Group impaired the assets which are not in the useable condition and no further recoverable value amounting to LKR 45,802,798/- (2019 N/A).

6.6 Details of Property, Plant and Equipment pledged for borrowings are disclosed in Note 33.

6.7 Revaluation of Land and Building

6.7.1 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 and building stated at valuation are indicated below;

Company	Property	Method of Valuation	Value 2020 LKR	Value 2019 LKR	Valuers Details	Effective Date of Valuation
Ceylon Leather Products Limited**	Land at Balummahara	Market Approach	-	170,799,250	Mr. Chulananda Wellappili, Independent Incorporated Valuer	31 March 2019
	Building at Balummahara	Cost Approach	-	221,862,450		
Dankotuwa Porcelain PLC	Land at Dankotuwa	Market Approach	753,884,800	655,552,000	Mr. S. Sivaskantha, an independent incorporated valuer	29 February 2020
	Buildings at Dankotuwa	Cost Approach	393,893,950	381,985,250		
South Asia Textiles Limited*	Buildings at Pugoda	Income Approach	805,500,000	805,500,000	Mr. Chulananda Wellappili, Independent Incorporated Valuer	31 March 2019
Royal Fernwood Porcelain Limited	Land at Kosgama	Market Approach	238,728,350	204,624,300	Mr. S. Sivaskantha, an independent incorporated valuer	29 February 2020
	Buildings at Kosgama	Cost Approach	299,278,638	283,362,790		
Lexinton Holdings (Pvt) Limited	Land at Rajagiriya	Market Approach	145,775,000	143,575,000	Sunil Fernando and Associate (Pvt) Limited incorporated valuer	29 February 2020
	Buildings at Rajagiriya	Cost Approach	128,625,000	128,625,000		

6.7.2 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 *						
2020						
Building on Leasehold Land	Pugoda	Income Approach	Per sq.ft. rate	405,430 sq.ft.	LKR 12 - 50	Positively correlated
(Remaining leasehold period - 34 years)						
2019						
Building on Leasehold Land	Pugoda	Income Approach	Per sq.ft. rate	405,430 sq.ft.	LKR 12 - 50	Positively correlated
(Remaining leasehold period - 35 years)						

Property		Method of Valuation	Inputs used for measurement	Area	Range	Sensitivity of Fair value to unobservable inputs
Royal Fernwood Porcelain Limited						
2020						
Freehold Land	Kosgama	Market Approach	Per perch rate	2,178 Perches	LKR 70,000 - 175,000	Positively correlated
Freehold Buildings	Kosgama	Cost Approach	Per sq.ft. rate	177,630 sq.ft.	LKR 1,000 - 4,500	Positively correlated
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.ft.	LKR 1,250 - 4,000	Positively correlated
Dankotuwa Porcelain PLC						
2020						
Freehold Land	Dankotuwa	Market Approach	Per perch rate	3,277.76 Perches	LKR 230,000	Positively correlated
Freehold Buildings	Dankotuwa	Cost Approach	Per sq.ft. rate	260,015 sq.ft.	LKR 2,200 - 4,400	Positively correlated
2019						
Freehold Land	Dankotuwa	Market Approach	Per perch rate	3,277.76 Perches	LKR 200,000	Positively correlated
Freehold Buildings	Dankotuwa	Cost Approach	Per sq.ft. rate	260,015 sq.ft.	LKR 2,000 - 4,000	Positively correlated
Ceylon Leather Products Limited **						
2019						
Freehold Land	Balummahara	Market Approach	Per perch rate	474 Perches	LKR 175,000 - 475,000	Positively correlated
Freehold Buildings	Balummahara	Cost Approach	Per sqft. rate	76,720 sq.ft.	LKR 1,400 - 5,000	Positively correlated
Lexinton Holdings (Pvt) Limited						
2020						
Freehold Land	Rajagiriya	Market Approach	Per perch rate	17.15 Perches	LKR 7,500,000	Positively correlated
Freehold Buildings	Rajagiriya	Cost Approach	Per sq.ft. rate	17,150 sq.ft.	LKR 7,500	Positively correlated
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.ft.	LKR 7,500	Positively correlated

* Based on an internal assessment carried out by the management it is concluded that there was no significant change in fair value from the last date of revaluation.

6.7.3 Description of Significant Unobservable Inputs to Valuation

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 2020	Net Carrying Amount 2019
	LKR	LKR	LKR	LKR
Class of Asset				
Freehold Land	-	-	-	32,046,453
Freehold Buildings	-	-	-	122,875,835
	-	-	-	154,922,288

Dankotuwa Porcelain PLC	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2020	Net Carrying Amount 2019
	LKR	LKR	LKR	LKR
Class of Asset				
Freehold Land	250,000	-	250,000	250,000
Freehold Buildings	165,081,657	110,145,011	54,936,646	64,097,567
	165,331,657	110,145,011	55,186,646	64,347,567

Royal Fernwood Porcelain Limited	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2020	Net Carrying Amount 2019
	LKR	LKR	LKR	LKR
Class of Asset				
Freehold Land	3,462,294	-	3,462,294	3,462,294
Freehold Buildings	15,849,645	792,482	15,057,163	14,969,109
	19,311,939	792,482	18,519,457	18,431,403

Lexinton Holdings (Pvt) Limited	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2020	Net Carrying Amount 2019
	LKR	LKR	LKR	LKR
Class of Asset				
Freehold Land	60,000,000	-	60,000,000	60,000,000
Freehold Buildings	115,000,000	59,800,000	55,200,000	59,800,000
	175,000,000	59,800,000	115,200,000	119,800,000

South Asia Textiles Ltd.	Cost	Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2020	Net Carrying Amount 2019
	LKR	LKR	LKR	LKR
Class of Asset				
Building on Leasehold Land	306,985,578	81,040,949	225,944,629	233,619,269
	306,985,578	81,040,949	225,944,629	233,619,269

** Ceylon Leather Products Limited - assets were disposed during the year

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the year ended 31 March 2020, a reassessment of the valuations were obtained by the same independent professional valuers who determined there was no significant change to the revalued carrying amount provided as at 29 February 2020.

The following items were indicated in the reassessment reports to the Group;

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted both local and global markets.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

6.8 Company

	As at 31.03.2019	Additions	Disposals	As at 31.03.2020
	LKR	LKR	LKR	LKR
At Cost				
Furniture, Fixtures & Other Equipment	2,615,862	75,480	-	2,691,342
Computer	24,147,795	1,214,627	-	25,362,422
Motor Vehicle	13,549,904	-	-	13,549,904
Total assets	40,313,561	1,290,107	-	41,603,668
Total assets	40,313,561	1,290,107	-	41,603,668

Depreciation	Balance as at 31.03.2019	Charge for the Year	Disposals	Balance as at 31.03.2020
	LKR	LKR	LKR	LKR
At Cost				
Furniture, Fixtures & Other Equipment	2,333,070	160,475	-	2,493,545
Computer	9,430,861	5,551,872	-	14,982,733
Motor Vehicle	11,691,520	1,812,907	-	13,504,427
Total depreciation	23,455,451	7,525,254	-	30,980,705

Net Book Values	2020	2019
	LKR	LKR
At Cost		
Furniture, Fixtures & Other Equipment	197,797	282,792
Computer	10,379,689	14,716,934
Motor Vehicles	45,477	1,858,384
Total Carrying Amount of Property, Plant & Equipment	10,622,963	16,858,110

6.9 During the financial year the Company acquired Property, Plant & Equipment to the aggregate value of LKR 1,290,107/- (2019 - LKR 13,501,400/-) for cash.

6.10 The useful lives of the assets of the companies in the group is estimated as follows.

Group	2020	2019
Building on Leasehold Land - Under BOI agreement	50 Years	50 Years
Building on Leasehold Land - Other	5 Years	5 Years
Building on freehold land	10-40 Years	10-40 Years
Furniture & Fittings	4-10 Years	4-10 Years
Computer Equipment	1-4 Years	1-4 Years
Motor Vehicles	4-6 Years	4-6 Years
Plant & Machinery		
Plant & Machinery	10 Years	10 Years
Kiln Furniture	3 Years	3 Years
Kilns	15 Years	15 Years
Office Equipment	4-5 Years	4-5 Years
Shop Assets	10 Years	10 Years
Roadways & Fence	40 Years	40 Years
Telephone	5 Years	5 Years
Other Equipment	8-18 Years	8-18 Years
Security Equipment	2-6.67 Years	2-6.67 Years
Land Development Cost	10 Years	10 Years
Factory Equipment	8-18 Years	8-18 Years
Kumarimulla River Embankment Project	10 Years	10 Years
Water Purification Project	10 Years	10 Years
Waste Water Project	10 Years	10 Years
Company		
The useful lives of the assets of the companies in the group is 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	2020 LKR	2019 LKR
Balance as at the beginning of the year		3,039,977,150	1,130,588,153
Additions		2,243,110	1,072,856
Transferred from Property Plant and Equipment	7.2	-	1,085,766,025
Fair value Gain		787,720,265	822,550,116
Balance as at the end of the year		3,829,940,525	3,039,977,150

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 29 February 2020 by the following Incorporated Valuers.

7.1.1

Company	Property	Incorporate Valuer			
		2020	2019	2020	2019
Colombo City Holdings PLC	Union Place	Mr. S. Sivaskantha	Mr. S. Sivaskantha	29th February	31st March
Dankotuwa Porcelain PLC	Dankotuwa	Mr. S. Sivaskantha	Mr. S. Sivaskantha	29th February	31st March
Royal Fernwood Porcelain Ltd.	Kosgama	Mr. S. Sivaskantha	Mr. S. Sivaskantha	29th February	31st March
Taprobane Securities (Pvt) Ltd.	Kosgama	Mr. W.M. Chandrasena	Mr. W.M. Chandrasena	29th February	31st March
Ceylon Leather Products Ltd.	Mattakkuliya	Mr. S. Sivaskantha	Mr. Chulananda Wellappili	29th February	31st March

7.2 Group reclassified a part of land and buildings located in Mattakkuliya due to the change in use of the property as investment property after engaging an independent valuer to determine the fair value of the property in the previous year.

7.2.1 The Group has reported rental income amounting to LKR 34,325,132/- (2019 - LKR 8,893,895/-) from this investment property and incurred direct operating expenses (including repairs and maintenance) amounting to LKR 2,177,527/- (2019 - LKR 1,294,382/-).

7.3 The significant assumptions used by the valuer in the years 2020 and 2019 are as follows.

Company	Property	Method of Valuation	Inputs used for measurement	2020 LKR	2019 LKR
Colombo City Holdings PLC	Land and Buildings	Open Market Value	Per perch rate	20,000,000	18,000,000
	(Union Place, Colombo)	Replacement Cost	Per sq. ft. rate	5,500 - 2,750	5,250 - 2,500
Dankotuwa Porcelain PLC	Land (Dankotuwa)	Open Market Value	Per perch rate	6,000 -175,000	5,000 -145,000
Royal Fernwood Porcelain Ltd.	Land (Kosgama)	Open Market Value	Per perch rate	70,000	60,000
Taprobane Securities (Pvt) Ltd.	Land (Kosgama)	Open Market Value	Per perch rate	72,500	70,000
Ceylon Leather Products Limited	Land (Mattakkuliya)	Open Market value	Per perch rate	2,700,000	2,000,000
	Buildings (Mattakkuliya)	Replacement Cost	Per sq. ft. rate	2,500-5,000	650 - 3,250

7.4 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 2020 and 2019 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 2020				
Land 47.2 perches	Open Market value	Per perch rate	LKR 20,000,000	Positively correlated
Building 4,344 sq. ft.	Replacement Cost	Per sq. ft. rate	LKR 5,500	Positively correlated
Mezzanine floor 1,100 sq. ft.	Replacement Cost	Per sq. ft. rate	LKR 2,750	Positively correlated
As at 31 March 2019				
Land 47.2 perches	Open Market value	Per perch rate	LKR 18,000,000	Positively correlated
Building 4,344 sq. ft.	Replacement Cost	Per sq. ft. rate	LKR 5,250	Positively correlated
Mezzanine floor 1,100 sq. ft.	Replacement Cost	Per sq. ft. rate	LKR 2,500	Positively correlated

Investment Property	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of input to Fair value
Dankotuwa Porcelain PLC				
As at 31 March 2020				
Land 3,985.95 perches	Open Market value	Per perch rate	LKR 6,000 - 175,000	Postively Correlated
As at 31 March 2019				
Land 3,985.95 perches	Open Market value	Per perch rate	LKR 5,000 - 145,000	Postively Correlated
Royal Fernwood Porcelain Ltd.				
As at 31 March 2020				
Land 1,753.07 perches	Open Market value	Per perch rate	LKR 70,000	Postively Correlated
As at 31 March 2019				
Land 1,753.07 perches	Open Market value	Per perch rate	LKR 60,000	Positively Correlated
Taprobane Securities (Pvt) Ltd.				
As at 31 March 2020				
Land 1,162.37 perches	Open Market value	Per perch rate	LKR 72,500	Positively Correlated
As at 31 March 2019				
Land 1,162.37 perches	Open Market value	Per perch rate	LKR 70,000	Positively Correlated
Ceylon Leather Products Limited				
As at 31 March 2020				
Land 765.56 perches	Open Market value	Per perch rate	LKR 2,700,000	Positively correlated
Buildings 75,010 sq. ft.	Replacement Cost	Per sqft. rate	LKR 2,500- 5,000	Positively correlated
As at 31 March 2019				
Land 765 perches	Open Market value	Per perch rate	LKR 2,000,000	Positively correlated
Buildings 75,010 sq. ft.	Replacement Cost	Per sq. ft. rate	LKR 650- 3,250	Positively correlated

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the year ended 31 March 2020, a reassessment of the valuations were obtained by the same independent professional valuers who determined there was no significant change to the revalued carrying amount provided as at 29 February 2020.

The following items were indicated In the reassessment reports to the Group;

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted both local and global markets.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

8. INTANGIBLE ASSETS

	Note	2020 LKR	2019 LKR
Goodwill	8.1	984,761,910	1,111,298,623
Computer Software	8.2	425,814,937	57,452,313
Brand Name	8.3	324,644,574	324,644,574
License Fees	8.4	23,243,958	23,243,958
		1,758,465,379	1,516,639,468

8.1 Goodwill

	Note	2020	2019
Balance at the beginning of the year		1,111,298,623	1,282,670,517
Impairment of Goodwill	8.5	(126,536,713)	(171,371,894)
Balance at the end of the year		984,761,910	1,111,298,623

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 amortised, 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.

8.2 Software

	Note	2020 LKR	2019 LKR
Balance at the beginning of the year		57,452,313	46,575,598
Additions during the period		497,534,048	19,181,470
Amortisation during the period		(133,803,341)	(8,304,755)
Exchange Adjustment		4,631,917	-
Balance at the end of the year	8.2.1	425,814,937	57,452,313

8.2.1 Software of the Group represents the ERP system and project related software.

8.3 Brand Names

	Note	2020 LKR	2019 LKR
Balance at the beginning of the year		324,644,574	324,644,574
Balance at the end of the year	8.5	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.

8.4 License Fees

	Note	2020 LKR	2019 LKR
Balance at the beginning of the year		23,243,958	23,243,958
Balance at the end of the year		23,243,958	23,243,958

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 amortisation. Amortisation 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 CGU is as follows;

	Note	At the Beginng of the year LKR	Impairment LKR	At the End of the year LKR
Goodwill				
Textiles		96,241,963	-	96,241,963
Property	8.5.2	37,726,060	(37,726,060)	-
Porcelain	8.5.3	130,288,761	(88,810,653)	41,478,108
IT and Related Services		847,041,839	-	847,041,839
		1,111,298,623	(126,536,713)	984,761,910
Brand Name				
Porcelain		9,723,614	-	9,723,614
IT and Related Services		314,920,960	-	314,920,960
		324,644,574	-	324,644,574

8.5.1 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 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 3% growth rate.

* Details of Assumptions and sensitivity analysis of the recoverable amounts and related disclosers are further described in the Note 10 of this finanial statements.

8.5.2 Colombo City Holdings PLC

The recoverable amount of the Company involved in the real state has been determined based on the net assets value, 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 37,726,060/- against goodwill, which is recorded under “Impairment of Intangible Assets” in the Statement of Profit or Loss.

8.5.3 Royal Fernwood Porcelain Limited

The recoverable amount of the Company involved in the manufacturing of porcelain 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 fair value. Cost of equity applied to discount cash flow projections is 19.9% and cash flows beyond the five-year implicit period extrapolated based on same assumption and beyond ten year period are extrapolated using a 3% 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 88,810,653/- against goodwill, which is recorded under “Impairment of Intangible Assets” in the Statement of Profit or Loss.

8.5.4 The Group has not determined the impairment of goodwill as at the reporting date due to the COVID-19 pandemic except for impairment made for the porcelain and property manufacturing businesses. The Group has taken the necessary steps to ensure business continuity, weighing the risks and benefits in the context of the prevalent environment and where it is not viable to operate in full capacity, the management resorted to the suitable measures to safeguard Group assets.

8.6 Company

	2020 LKR	2019 LKR
Computer Software (Note 8.6.1)	8,287,757	9,398,710
License Fees (Note 8.6.2)	1,082,500	1,082,500
	9,370,257	10,481,210

8.6.1 Software

	2020 LKR	2019 LKR
Balance at the beginning of the year	9,398,710	5,087,540
Acquired during the period	-	5,163,850
Amortisation during the period	(1,110,953)	(852,680)
Balance at the end of the year	8,287,757	9,398,710

8.6.2 License Fees

	2020 LKR	2019 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. RIGHT OF USE ASSETS

Transition Disclosure

Set out below are the new accounting policies of the Group upon adoption of SLFRS 16, which have been applied from the date of initial application:

On transition of SLFRS 16, the Group recognised right of use assets LKR 177 million and lease liability of LKR 177 million in the Statement of Financial Position. The impact of transition as at 01 April 2019 is summarised below.

	2020
	LKR
Operating lease commitments as at 31 March 2019	264,508,653
Incremental Borrowing Rate as at 01 April 2019	13%-14.94%
Discounted operating lease commitments (Right of Use Assets) as at 01 April 2019	177,227,719

Right of use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

* Notes and disclosers relating to Lease Liabilty are described in the Note 19.

9.1 Right to Use Assets

	As At 31.03.2019	Adoption of SLFRS 16	Amortisation	Exchange	As At 31.03.2020
	LKR	LKR	LKR	LKR	LKR
Right to Use Asset - Building (Note 9.2)	-	158,281,272	(38,006,487)	-	120,274,785
Right to Use Asset - Land (Note 9.2)	-	18,946,447	(503,158)	1,072,578	19,515,867
		177,227,719	(38,509,645)	1,072,578	139,790,652
Right to Use Asset - Motor Vehicle*	-	8,623,478	-	-	8,623,478
	-	185,851,197	(38,509,645)	1,072,578	148,414,130

* Security : Absolute ownership of the assets under lease will be with the lessor untill the expiration of the lease period.

9.2 This represents the lease arrangement for rented showrooms and office premises as per the SLFRS 16.

10. INVESTMENT IN SUBSIDIARIES

10.1 Investments in Equity Securities - Quoted

Company	Note	Holding		2020	2019
		2020	2019	Fair Value	Fair Value
				LKR	LKR
					Restated
Colombo City Holdings PLC	10.3.1	77.63%	66.40%	1,763,802,507	1,385,879,316
Dankotuwa Porcelain PLC		77.51%	77.51%	2,050,940,000	1,818,964,000
				3,814,742,507	3,204,843,316

10.2 Investments in Equity Securities - Unquoted

	Note	Holding		2020	2019
		2020	2019	Fair Value	Fair Value
				LKR	LKR
					Restated
Ceylon Leather Products Ltd.	10.3.2	99.90%	99.90%	1,610,867,000	1,423,511,978
Olancom (Pvt) Ltd.		93.15%	93.15%	-	-
South Asia Textiles Ltd.		97.67%	97.67%	4,660,403,455	4,434,976,782
Millennium I.T.E.S.P. (Pvt) Ltd.		0.51%	0.51%	15,556,630	15,409,000
Palla & Company (Pvt) Ltd.		99.90%	99.90%	-	-
Taprobane Capital Plus (Pvt) Ltd.		100.00%	100.00%	649,783,000	596,925,484
Eon Tec (Pvt) Ltd.		78.00%	78.00%	1,920,987,688	1,820,603,000
				8,857,597,773	8,291,426,244
Total Carrying Value of Investments				12,672,340,280	11,496,269,560

10.2.1 Investment in Subsidiary Movement

	A the Beginning of the Year	Net Investment/ Disposal	Fair Value Gain	At the end of the Year
	LKR	LKR	LKR	LKR
2020	11,496,269,560	151,466,040	1,024,604,680	12,672,340,280
2019	8,110,736,210	(361,923,818)	3,747,457,168	11,496,269,560

Investment in Subsidiaries are stated at fair value, fair value has been determined in accordance with SLFRS 13 . Professional valuation was performed by CT CLSA Capital (Pvt) Ltd. for the year ended 31 March 2020 and 31 March 2019.

10.3 Investments and Disposals

10.3.1 Purchase of shares of Colombo City Holdings PLC by Ambeon Holdings PLC

Ambeon Holdings PLC purchased 142,901 ordinary shares of Colombo City Holdings PLC on 30 September 2019. This purchase represents 11.23% of the total issued ordinary shares of Colombo City Holdings PLC. Accordingly, the total holding of Ambeon Holdings PLC in Colombo City Holdings PLC consequent this transaction is 988,060 ordinary shares representing 77.63% of the total issued ordinary share of Colombo City Holdings PLC.

10.3.2 Disposal of Ceylon Leather Products Distributors (Private) Limited by Ceylon Leather Products Limited

Ceylon Leather Products Limited a subsidiary of Ambeon Holdings PLC transferred its shoe manufacturing business on 01 October 2019 for LKR 49,468,794/- to Ceylon Leather Products Distributors (Private) Limited, a wholly owned subsidiary of Ceylon Leather Products Limited.

Consequent to the said business transfer, Ceylon Leather Products Limited sold 6,803,250 ordinary shares held in Ceylon Leather Products Distributors (Private) Limited to VAST Holdings Limited for a total consideration of LKR 10,000 /- on 24 October 2019.

10.4 The company uses fair valuation model of measurement for investment in subsidiaries

Details of investment in subsidiaries stated at fair value included below.

Company	Valuation Techniques	Significant Inputs	Significant Assumption	Level	2020	2019	Effective date
Dankotuwa Porcelain PLC	Discounted Cashflow Method	Cash Flow Forcast	Cost of Equity	Level 3	19.90%	18.39%	31-Mar
			Terminal Growth Rate	Level 3	3.00%	3.00%	31-Mar
Royal Fernwood porcelain Ltd.	Discounted Cashflow Method	Cash Flow Forcast	Cost of Equity	Level 3	19.90%	18.39%	31-Mar
			Terminal Growth Rate	Level 3	3.00%	3.00%	31-Mar
Millennium I.T.E.S.P. (Pvt) Ltd.	Discounted Cashflow Method	Cash Flow Forcast	Cost of Equity	Level 3	21.82%	19.05%	31-Mar
			Terminal Growth Rate	Level 3	3.00%	3.00%	31-Mar
South Asia Textiles Ltd.	Discounted Cashflow Method	Cash Flow Forcast	Cost of Equity	Level 3	19.18%	17.85%	31-Mar
			Terminal Growth Rate	Level 3	4.00%	4.00%	31-Mar
Colombo City Holdings PLC	Net Assets Value	-	-	-	-	-	31-Mar
Ceylon Leather Products Ltd.	Net Assets Value	-	-	-	-	-	31-Mar
Palla & Company (Pvt) Ltd.	Net Assets Value	-	-	-	-	-	31-Mar
Taprobane Capital Plus (Pvt) Ltd.	Net Assets Value	-	-	-	-	-	31-Mar
Olancom (Pvt) Ltd.	Net Assets Value	-	-	-	-	-	31-Mar

10.4.1 Sensitivity Analysis

Company	Weigted Average Cost of Capital	Terminal Growth Rate	2020		2019	
			Effect on Statement of Profit or Loss	Effect on Statement of Financial Position	Effect on Profit or Loss Statement	Effect on Statement of Financial Position
			LKR	LKR	LKR	LKR
Dankotuwa Porcelain PLC	1%		(58,517,725)	(58,517,725)	(66,054,022)	(66,054,022)
	-1%		66,753,162	66,753,162	76,541,900	76,541,900
		1%	19,572,050	19,572,050	22,463,173	22,463,173
		-1%	(17,385,493)	(17,385,493)	(19,722,420)	(19,722,420)
Royal Fernwood Porcelain Ltd.	1%		(38,917,685)	(38,917,685)	(43,486,682)	(43,486,682)
	-1%		43,985,038	43,985,038	49,951,951	49,951,951
		1%	13,545,324	13,545,324	15,351,120	15,351,120
		-1%	(12,032,460)	(12,032,460)	(13,478,580)	(13,478,580)
South Asia Textiles Ltd.	1%		(396,312,629)	(396,312,629)	(433,085,384)	(433,085,384)
	-1%		459,226,759	459,226,759	509,936,047	509,936,047
		1%	104,885,860	104,885,860	134,315,784	134,315,784
		-1%	(91,921,144)	(91,921,144)	(116,232,184)	(116,232,184)
Millennium I.T E.S.P (Pvt) Ltd.	1%		(81,904,365)	(81,904,365)	(108,818,438)	(108,818,438)
	-1%		92,047,793	92,047,793	124,698,488	124,698,488
		1%	23,187,667	23,187,667	33,233,895	33,233,895
		-1%	(20,848,792)	(20,848,792)	(29,336,782)	(29,336,782)

The impact of COVID-19 pandemic have been incorporated to the forecasts and valuations based on the best estimates. Due to the uncertainty in the current business environment caused by COVID-19 pandemic, there could be differences between the best estimates and the actual business performance achieved. However, reasonable estimates and assumptions have been incorporated to the above valuations based on the available information.

Accordingly, the valuer has confirmed in his report that the value reflected as of 31 March 2020 represents the best estimate of fair value as of the reporting date, which in the valuer's opinion meets the requirements in SLFRS 13 Fair Value Measurement.

11. OTHER NON-CURRENT FINANCIAL ASSETS

11.1 Non-Current Investments

	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Financial Assets at Amortised Cost					
Deposit with Colombo Stock Exchange		2,780,426	2,787,729	-	-
Investments in Government Securities		14,009,154	23,236,379	-	-
Loans and Receivables	14	1,650,486,525	686,162,352	524,237,578	45,500,054
		1,667,276,105	712,186,460	524,237,578	45,500,054

12. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

Group

Investment 2019/20

Group has invested through Millennium I.T.E.S.P. (Pvt) Ltd.,-in Infoseek (Private) Limited, a company with an innovative Cloud based Human Resource Information System named as MintHRM, where the investment was a strategic fit for Millennium I.T.E.S.P. (Private) Limited and it was a future potential of the cloud based “Internal CRM” platform. Millennium I.T.E.S.P. (Pvt) Limited’s percentage of equity investment as of 31 March 2020 is 25%. Investment in equity accounted investee balance has been tested for impairment as at 31 March 2020 and there is no impairment as at the date.

Divestment 2018/19

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. Subsequently the Group has a 66.4% effective holding in Lexinton Holdings (Pvt) Limited.

The Group’s interest in Infoseek (Private) Limited is accounted for using the equity method in the Consolidated Financial Statements upto the disposal date. The following table illustrates the summarised Financial Information of the Group’s investment in Infoseek (Private) Limited and prior year disposal.

	2020 LKR	2019 LKR
Investment in Ordinary Shares	10,000,000	-
Investment in Convertible debt	5,000,000	-
Share of result of equity accounted investee	(3,070,456)	-
	11,929,544	-

Summarised Financial Information

	2020 LKR Acquired	2019 LKR Disposed
The Associate’s Statement of Financial Position		
Total Assets	10,239,538	-
Total Liabilities	(18,157,784)	-
Equity	(7,918,246)	-
Carrying amount of the investment	(1,979,546)	-
Share of Revenue, (Loss) of the Equity Accounted investee		
Revenue	29,843,790	37,192,301
Loss	(12,281,923)	7,798,589
Share of Loss for the Year	(3,070,456)	2,183,605

12.1 Equity Reconciliation

Un-Quoted	Group	
	2020	2019
	LKR	LKR
	Acquired	Disposed
	24.9%	0%
Carrying amount as at the beginning of the year	-	114,846,027
Investment Made During the Year	15,000,000	-
Share of (Loss) of Equity accounted Investee After Tax	(3,070,456)	2,183,605
Total Comprehensive Income	(3,070,456)	2,183,605
Disposal of Equity accounted Investee	-	(117,029,632)
Carrying amount as at the end of the year	11,929,544	-

12.2 Loss from Disposal of equity accounted investee

Equity value of Equity accounted Investee	-	(117,029,632)
Disposal Proceeds	-	(116,153,441)
Share of result of equity accounted investee	-	876,191
Net result from Equity Accounted Investee to Profit or Loss		
Share of Profit of Equity accounted Investee After Tax	-	2,183,605
Loss on Disposal	-	(876,191)
	-	1,307,414

13. INVENTORIES

	Note	Group	
		2020	2019
		LKR	LKR
Raw Material		938,318,265	986,488,999
Work in Progress/ Project in Progress		1,627,103,314	2,086,983,807
Finished Goods		1,394,399,269	1,001,024,813
Indirect Material		31,078,685	20,623,200
Spare Stock		36,780,743	24,940,897
General Stock		19,290,385	16,477,780
Consumables		19,148,951	52,620,748
Semi Finished Goods		262,106,240	206,543,119
Packing Material		28,619,459	23,790,867
Others		17,192,102	24,105,747
Less : Allowance for Obsolete & Slow Moving Inventories	13.2	(679,173,432)	(468,764,827)
		3,694,863,981	3,974,835,150
Consumables and Spares		144,557,802	104,985,065
Goods Held for resale and maintenance inventory	13.1	11,942,465	7,543,185
Goods-In-Transit		243,569,714	153,552,706
		4,094,933,962	4,240,916,106
Total Inventories at the Lower of Cost and Net Realisable Value		4,094,933,962	4,240,916,106

13.1 Goods held for resale		-	1,768,926
Maintenance Inventory		132,340,394	154,271,320
		132,340,394	156,040,246
Allowance for obsolete & slow moving Inventories	13.2	(120,397,929)	(148,497,061)
		11,942,465	7,543,185

13.2 Allowance for Obsolete & Slow Moving Inventories

	Group	
	2020	2019
	LKR	LKR
Balance at the beginning of the year	617,261,888	740,948,646
Provision/(Reversal) made during the year	182,309,473	(123,686,758)
Balance at the End of the year	799,571,361	617,261,888

13.3 Details of inventories pledged for borrowings are disclosed in Note 33.

The Group has identified companies with COVID-19 related revenue declines or disrupted supply chains and evaluated whether it is required to adjust the carrying value of the inventory based on customer revised delivery date and order cancellation risk. The Group has adjusted the carrying value of the inventory to reflect its net realisable value.

14. TRADE AND OTHER RECEIVABLES

14.1 Summary

	Note	Group		Company	
		2020	2019	2020	2019
		LKR	LKR	LKR	LKR
Trade Debtors - Other		5,793,246,746	5,278,940,754	-	-
Less: Allowance for Bad & Doubtful Debtors	14.1.1	(1,297,398,586)	(1,217,502,346)	-	-
		4,495,848,160	4,061,438,407	-	-
Other Receivables - Related Party	14.2	17,565,302	32,556,143	416,634,797	331,787,960
- Other		459,346,166	247,968,164	117,280,935	22,517,879
Loan Receivables	14.3	162,471,523	289,823,600	1,095,738,528	1,072,513,890
Less: Allowance for Bad & Doubtful Debtors	14.1.1	(193,338,071)	(34,498,849)	(962,876,298)	(877,876,298)
		4,941,893,080	4,597,287,465	666,777,962	548,943,431
Advances and Prepayments		1,410,951,573	1,567,413,039	18,790,976	7,042,789
		6,352,844,653	6,164,700,505	685,568,938	555,986,220

* Details of trade debtors pledged for borrowing are disclosed in Note 33.

14.1.1 Allowance for Bad & Doubtful Debtors

	Note	Group		Company	
		2020	2019	2020	2019
		LKR	LKR	LKR	LKR
Balance at the beginning of the year		1,252,001,195	1,044,327,351	877,876,298	877,510,180
Impact of Adopting SLFRS 9		-	169,377,088	-	-
Provision/(Reversal) made during the year		238,735,462	38,296,756	85,000,000	366,118
Balance at the End of the year		1,490,736,657	1,252,001,195	962,876,298	877,876,298

The Group has identified companies with COVID-19 related collection related delay and evaluated whether it is required to adjust the impairment to receivables based on customer confirmation on recoverability and settlement plan. Accordingly the Group has made the adequate impairment provision based on the management judgement.

14.2 Other Receivables - Related Party

	Relationship	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Ceylon Leather Products Ltd.	Subsidiary	-	-	31,552,556	54,528,368
South Asia Textiles Ltd.	Subsidiary	-	-	41,957,563	30,609,539
Palla & Co. (Pvt) Ltd.	Subsidiary	-	-	963,685	170,584
Dankotuwa Porcelain PLC	Subsidiary	-	-	71,912,561	27,674,721
Royal Fernwood Porcelain (Pvt) Ltd.	Subsidiary	-	-	41,134,633	21,301,838
Colombo City Holdings PLC	Subsidiary	-	-	2,540,716	2,770,103
Olancom (Pvt) Ltd.	Subsidiary	-	-	193,066,695	192,864,451
Ambeon Capital PLC	Immediate Parent	961,558	19,651,013	490	287
Lexinton Holdings (Pvt) Ltd.	Subsidiary	-	-	-	-
Taprobane Capital (Pvt) Ltd.	Subsidiary	-	-	6,849	1,120
DPL Trading (Pvt) Ltd.	Subsidiary	-	-	-	-
Millennium I.T.E.S.P (Pvt) Ltd.	Subsidiary	-	-	33,104,984	1,238,043
Eon Tec (Pvt) Ltd.	Subsidiary	-	-	357,186	626,197
Taprobane Securities (Pvt) Ltd.	Subsidiary	-	-	6,237	2,709
Taprobane Investments (Pvt) Ltd.	Subsidiary	-	-	30,642	-
Lexinton Resorts (Pvt) Ltd.	Subsidiary	2,606,754	-	-	-
Loan Given to Directors		13,996,990	12,905,130	-	-
		17,565,302	32,556,143	416,634,797	331,787,960

14.3 Loan Receivables - Group

	Relationship	2020 Amount Receiveble Within 1 Year LKR	2020 Amount Receiveble After 1 Year LKR	2020 Total LKR	2019 Amount Receiveble Within 1 Year LKR	2019 Amount Receiveble After 1 Year LKR	2019 Total LKR
Group Companies							
CHC Investments (Pvt) Ltd. *	Ultimate Parent	139,982,367	113,817,420	139,982,367	253,799,787	-	103,949,117
Ambeon Capital PLC*	Immediate Parent	-	1,356,669,105	1,356,669,105	165,949,538	686,162,352	852,111,890
Loans to Company Officers (Note 14.3.2)		81,639	-	81,639	617,802	-	617,802
Infoseek (Pvt) Ltd.	Associate	656,111	-	656,111	-	-	-
Others							
D.B. Exim (Pvt) Ltd.		19,307,143	-	19,307,143	19,307,143	-	19,307,143
Ceylon Leather** Products Distributors (Pvt) Ltd.		2,444,263	180,000,000	182,444,263	-	-	-
		162,471,523	1,650,486,525	1,812,958,018	289,823,600	686,162,352	975,985,952

* Group Companies

Terms and Conditions : Rate of interest at 12% to 15.75% per annum. Long term loan period 3 year and short term loans are receivable within 1 year.

**Others

Terms and Conditions : Rate AWPLR +2% period 44 months.

14.3.1 Loan Receivables - Company

	Relationship	2020 Amount Receiveble Within 1 Year	2020 Amount Receiveble After 1 Year	2020 Total	2019 Amount Receiveble Within 1 Year	2019 Amount Receiveble After 1 Year	2019 Total
		LKR	LKR	LKR	LKR	LKR	LKR
Group Companies							
Olancom (Pvt) Ltd.	Subsidiary	648,667,204	-	648,667,204	648,667,204	-	648,667,204
Ceylon Leather Products Ltd.	Subsidiary	24,884,299	-	24,884,299	173,312,061	-	173,312,061
Ambeon Capital PLC	Immediate Parent	-	344,237,578	344,237,578	29,448,146	45,500,054	74,948,200
Dankotuwa Porcelain PLC	Subsidiary	265,383,033	-	265,383,033	201,779,336	-	201,779,336
CHC investments (Pvt) Ltd.	Ultimate Parent	135,052,586	-	135,052,586	-	-	-
Others							
D.B. Exim (Pvt) Ltd.	-	19,307,143	-	19,307,143	19,307,143	-	19,307,143
Ceylon Leather Products Distributors (Pvt) Ltd.	-	2,444,263	180,000,000	182,444,263	-	-	-
		1,095,738,528	524,237,578	1,619,976,106	1,072,513,890	45,500,054	1,118,013,944

	Payment on or Before	Interest Rate	As at 01 April 2019	Loans Granted	Loans Transfered	Loans Settled	Interest Accrued	As at 31 March 2020
		LKR	LKR	LKR		LKR	LKR	LKR
Group Companies								
Olancom (Pvt) Ltd.	28 Sep 2015	AWPLR + 1%	648,667,204	-	-	-	-	648,667,204
Ceylon Leather Products Ltd.	Within 1 Year	12%-15%	173,312,061	85,369,710	(225,425,526)	(22,700,000)	14,328,054	24,884,299
Ambeon Capital PLC	Within 3 Years	13.5%	74,948,200	400,000,000	-	(163,375,488)	32,664,866	344,237,578
Dankotuwa Porcelain PLC	Within 1 Year	15%-15.75%	201,779,336	30,000,000	-	-	33,603,697	265,383,033
CHC investments (Pvt) Ltd.	Within 1 Year	14%	-	103,178,981	22,027,306	-	9,846,299	135,052,586
Others								
D.B. Exim (Pvt) Ltd.*	15 September 2018	10%	19,307,143	-	-	-	-	19,307,143
Ceylon Leather Products Distributors (Pvt) Ltd.	Within 4 Year	AWPLR + 2%	-	-	180,000,000	(4,315,034)	6,759,297	182,444,263
			1,118,013,944	618,548,691	(23,398,220)	(190,390,521)	97,202,213	1,619,976,106

* 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 2020.

14.3.2 Loans to Company Officers

	Group	
	2020	2019
	LKR	LKR
Balance at the beginning of the year	617,802	2,373,769
Loans granted during the year	-	-
Less : Repayments during the year	(536,163)	(308,709)
	81,639	2,065,060
Less : Provision for the Loan	-	(1,447,258)
Balance at the end of the year	81,639	617,802

15. OTHER FINANCIAL INVESTMENTS

		Group		Company	
		2020	2019	2020	2019
Financial Instrument -		LKR	LKR	LKR	LKR
Fair Value through Profits or Losses					
Quoted Equities at Market Value	(Note 15.1 and 15.2)	54,452,647	167,447,647	54,440,398	155,454,222
Fair Value through OCI					
Quoted Equities at Market Value	(Note 15.1 and 15.2)	557,919,141	566,705,269	557,919,140	566,705,269
Financial Instrument - at Amortised cost					
Bank Deposits		307,219,166	265,375,932	50,058,805	58,805
Commercial Paper - Other **		35,555,213	-	-	-
Commercial Paper - Ultimate Parent *		-	22,027,306	-	22,027,306
		955,146,167	1,021,556,154	662,418,343	744,245,602

* Terms and conditions; Rate of interest at 15.75% - 17%.
** Terms and conditions; Rate of interest at AWPLR+2%

15.1 Investments in Equity Securities - Group

	No. of Shares		Cost	Market Value	Cost	Market Value
	2020	2019	2020	2020	2019	2019
			LKR	LKR	LKR	LKR
Incorporated in Sri Lanka						
Fair Value through Profits or Losses						
B P P L Holdings PLC	645,100	645,100	7,578,680	7,870,220	7,578,680	6,386,490
Seylan Bank PLC	887,051	2,175,175	82,930,236	46,570,178	203,356,714	136,600,990
Browns Investment PLC	-	16,295,761	-	-	31,138,931	24,443,808
Aitken Spence PLC	399	399	88,785	12,249	88,785	16,359
			90,597,701	54,452,647	242,163,110	167,447,647
Fair value though OCI						
Pan Asia Banking Corporation PLC	43,930,641	43,930,641	823,593,973	557,919,141	823,593,973	566,705,269
			823,593,973	557,919,141	823,593,973	566,705,269
Total Carrying Value of Investment			914,191,674	612,371,788	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		Cost	Market Value	Cost	Market Value
	2020	2019	2020	2020	2019	2019
			LKR	LKR	LKR	LKR
B P P L Holdings PLC	645,100	645,100	7,578,680	7,870,220	7,578,680	6,386,490
Seylan Bank PLC	887,051	2,175,175	82,930,236	46,570,178	203,356,714	136,600,990
Browns Investment PLC	-	8,311,161	-	-	28,013,931	12,466,742
			90,508,916	54,440,398	238,949,325	155,454,222
Fair value though OCI						
Pan Asia Banking Corporation PLC	43,930,641	43,930,641	823,593,973	557,919,140	823,593,973	566,705,269
Total Carrying Value of Investment			914,102,889	612,359,538	1,062,543,298	722,159,491

15.2 The extent of information about the impact of COVID-19 that was available as at the reporting date shows factors which are indicative of an inactive market such as a significant drop in trade volumes, significant decline or absence of a market for new issuances, decrease in correlations between asset/liability values and related share price indexes and subsequent closure of the exchange for trading. Accordingly Management has determined the best indicative value the share prices reported between 31 December 2019 and 20 March 2020.

Investment in quoted shares has been classified under Level 2 in Fair Value hierarchy since the Group used market prices reported between 31 December 2019 and 20 March 2020 as fair value due to the unavailability of information in the equity market as at the reporting date.

16. STATED CAPITAL

	2020		2019	
	Number	LKR	Number	LKR
Fully Paid Ordinary Shares begining of the year	356,869,666	5,331,775,177	356,869,666	7,871,563,705
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	5,331,775,177

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			
	2020		2019	
	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

	Note	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
Revaluation Reserves	18.1	1,151,519,742	1,332,932,395	-	-
General Reserve	18.2	220,140	220,140	220,140	220,140
Foreign Currency Translation Reserve	18.3	(187,013,363)	(318,008,650)	-	-
Fair Value Through Other comprehensive Income		(265,674,833)	(256,888,705)	(265,674,833)	(256,888,705)
Other Reserves	18.5	3,100,000	3,100,000	3,100,000	3,100,000
Currency/Exchange Hedge	18.6	(23,431,854)	-	-	-
		678,719,832	761,355,180	(262,354,693)	(253,568,565)

	Attributable to Equity Holders of Parent		
	Revaluation Reserves	Foreign Currency Translation Reserve	Cashflow Hedge Reserves
	LKR	LKR	LKR
Begining of the year	1,332,932,395	(318,008,650)	-
Revaluation Gain	96,473,374	-	-
Revaluation transfer to Retained Earnings due to Disposal	(277,886,027)	-	-
Loss from Foreign Currency Translation during the year	-	130,995,287	-
Net Movement during the year	-	-	(23,431,854)
	1,151,519,742	(187,013,363)	(23,431,854)

18.1 Land & Buildings of subsidiaries have been revalued during the year by independent incorporated valuers, Mr. S. Sivaskantha 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 6.8. 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 Profit or Loss 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 2020 LKR	Group 2019 LKR
Loss from Foreign Currency Translation during the year	156,075,551	(378,266,928)
Exchange impact from Property Plant and Equipment (Note 6)	-	82,293,755
	156,075,551	(295,973,173)

18.5 Capital Reserve represents amounts set aside by the Directors for further expenditure to meet any contingencies.

18.6 Currency/Exchanege Hedge

The Group hedge the variability in the cash flows corresponding to the repayment of the term loan capital, packing credit loans and import loan capital attributable to changes in exchange rates over the period.

	Group	
	2020	2019
	LKR	LKR
Balance as at beginning of the Period	-	-
Net Impact From Cash flow Hedge	(45,139,282)	-
Amount reclassified to profit or loss	4,374,357	-
Charge to the other comprehensive income	(40,764,925)	-
Tax effect on cashflow hedge	6,476,630	-
	(34,288,295)	-

* Forcasted Revenue and the Effectiveness of Hedge were used as the key Assumptions .

19. INTEREST BEARING LOANS AND BORROWINGS

Summary - Group	Note	2020 Amount Repayable Within 1 Year	2020 Amount Repayable After 1 Year	2020 Total	2019 Amount Repayable Within 1 Year	2019 Amount Repayable After 1 Year	2019 Total
		LKR	LKR	LKR	LKR	LKR	LKR
Leases	19.1	37,618,604	134,257,747	171,876,351	1,441,953	18,139,230	19,581,183
Bank Loans	19.2	2,344,568,633	1,665,142,040	4,009,710,673	2,362,441,815	811,850,295	3,174,292,110
Short Term Loan	19.3	2,710,875,981	-	2,710,875,981	1,645,628,274	-	1,645,628,274
Bank Overdraft		1,508,268,148	-	1,508,268,148	1,388,576,558	-	1,388,576,558
Loans from Related Parties	19.4	5,739,310	-	5,739,310	5,739,310	-	5,739,310
		6,607,070,676	1,799,399,787	8,406,470,463	5,403,827,910	829,989,525	6,233,817,435

19.1 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Set out below are the carrying amounts of lease liabilities on leasehold properties and the movements for the year ended 31 March 2020.

Lease liabilities

	31.03.2019	Adoption of SLFRS 16	Interest Cost	Repayment	Exchange (Gain)/Loss	31.03.2020
	LKR	LKR	LKR	LKR	LKR	LKR
Liability - Right to Use Assets	19,581,183	185,161,596	25,282,410	(59,122,837)	973,999	171,876,351
	19,581,183	185,161,596	25,282,410	(59,122,837)	973,999	171,876,351
Gross Liability	249,574,353					249,574,353
Finance Charges allocated to future periods	(77,698,002)					(77,698,002)
Net liability	171,876,351					171,876,351

	2020	2020	2020	2019	2019	2019
	Within I Year	After I Year	Total	Within I Year	After I Year	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Gross Liability	58,647,352	190,926,991	249,574,343	3,400,148	27,200,656	30,600,804
Finance Charges allocated to future periods	(21,028,748)	(56,669,244)	(77,697,992)	(1,958,195)	(9,061,426)	(11,019,621)
Net liability	37,618,604	134,257,747	171,876,351	1,441,953	18,139,230	19,581,183

* Notes and disclosures relating to Lease Assets are described in the Note 9.

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 34 years, rented showrooms and office premises lease liabilities as per the SLFRS 16.

19.2 Bank Loans

	At the Beginning of the Year	Loans Obtained	Repayment	Exchange Gain/(Loss)	Accrued interest	At The End of the year
	LKR	LKR	LKR	LKR	LKR	LKR
2020	3,174,292,110	6,562,538,776	(6,030,442,232)	115,274,186	188,047,833	4,009,710,673
2019	2,440,470,397	5,067,926,432	(4,522,051,592)	227,146	187,719,727	3,174,292,110

19.2.1 Terms and conditions

Company	Lender/rate of interest	2020	2019	Repayment	Security
		LKR	LKR		
Royal Fernwood Porcelain Limited	Hatton National Bank PLC				
	Term loan USD (LIBOR + 4.5%)	204,304,345	115,370,890	83 Equal monthly Instalments of USD 20,833/-	Primary mortgage bond over immovable property in the factory at Kosgama
	Term loan LKR (AWPLR + 3.0% p.a.)	15,671,000	19,001,000	83 Equal monthly Instalments of LKR 333,000/-	
	Packing Credit loan - USD (AWPLR+2%)	69,367,655	50,806,023	Settlements Trough sales proceeds	
	Import loan - USD (AWPLR +2%)	12,592,341	14,562,138	Settlements Trough sales proceeds	Primary mortgage bond over immovable property in the factory at Kosgama
	Import loan EUR (AWPLR +2%)	8,755,922	2,017,017	Settlements Trough sales proceeds	Secondary mortgage bond over land & building at Kosgama for LKR 40 million
	Packing Credit loan - LKR (AWPLR+2%)	34,030,191	20,000,000	Settlements Trough sales proceeds	
	People's Bank				
	Packing credit loan - USD	12,291,503	33,563,766	90 days from the loan granted	Corporate guarantee of Parent company - Ambeon Holdings PLC
	DFCC Bank PLC				
	Import loan (AWPLR +1.5%)	65,791,542	34,486,592	120 days from the loan granted	Primary mortgage for LKR 200,000,000/- or dollors 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 (LIBOR+3.5%)	140,121,753	106,294,925	120 days from the loan granted	
	Packing credit loan EUR	6,728,445	1,811,240	120 days from the loan granted	

Company	Lender/rate of interest	2020 LKR	2019 LKR	Repayment	Security
South Asia Textiles Limited	Sampath Bank PLC				Machineries Inventory
	Term loan - 1 (4 % p.a + 3 Months LIBOR with a Floor rate of 4.75% p.a.)	9,241,970	34,307,095	Monthly LKR 2,050,747	
	Nations Trust Bank PLC				
	Term loan - 3 (LIBOR with a floor rate of 4.5% p.a)	174,791,366	186,207,393	Monthly LKR 4,910,848	
	Term loan - 4 (LIBOR with a floor rate of 4.5% p.a)	166,035,288	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.)	179,464,950	320,663,259	Monthly LKR 12,291,010	
Dankotuwa Porcelain PLC	Bank of Ceylon				
	Packing credit loan (AWPLR+2.0% p.a)	73,069,241	-	Maximum 3 months	
	Sampath Bank PLC				
	Packing credit loan (AWPLR+2.0% p.a)	28,155,116	50,000,000	Maximum 3 months	Hypothecation Bond for LKR 100million over stocks and book debts of the company
	Packing credit loan (LIBOR+2% subject to minimum of 5.25%)	50,345,985	15,131,436		
	Overdraft facility (AWPLR +2.0% p.a)	10,000,000	25,000,000		
	Pan Asia Banking Corporation PLC				
	Packing credit loan (3 months LIBOR+4.%	110,679,071	56,242,054	Maximum 4 months	Mortagage 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	Maximum 4 months	
	DFCC Bank PLC				
	Short term loan (AWPLR+1.25%p.a)	128,357,237	43,553,151	Maximum 3 months	Mortagage bond for LKR 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%	40,000,000	40,756,163	Maximum 4 months	

Company	Lender/rate of interest	2020 LKR	2019 LKR	Repayment	Security
Ambeon Holdings PLC	Seylan Bank PLC				
	Tern loan 1 (1 month AWPLR + 2.5%)	400,000,000	600,000,000	12 quarterly equal installments of LKR 100 million each	Quoted Shares
	Term loan - 2 (1 month AWPLR + 3.0%)	175,000,000	225,000,000	12 quarterly equal installments of LKR 25 million each	
	National Development Bank PLC				
	Loan (14.75% p.a.)	-	29,000,000	180 days from loan granted	Quoted Shares
	Seylan Bank PLC				
	Short Term Loan loan (16% p.a.)	-	50,000,000	30 days from loan granted	-
	People's Bank				
	Term Loan (1W AWPLR+2.5%)	562,440,000	-	36 Monthly installements	UnQuoted Shares
	Sampath bank				
	Term Loan (1W AWPLR+2.5%)	263,400,000	-	60 Monthly installements	Property lot B plan no 184/2001 Lexinton Holdings (Pvt) Ltd.
Millennium I.T.E.S.P (Pvt) Limited	The Hongkong and Shanghai Banking Corporation Limited				Mortgage over Inventory and debtors
	Long Term loan (Tenure linked COF+2.5% per annum)	248,609,662	-	Within 180 Days	
	Import Finance loan (Tenure linked COF+2.5% per annum)	746,508,348	932,985,760	Within 180 Days	
	Seylan Bank PLC				
	Import Finance loan (Month AWPLR+ 1% p.a)	35,568,757	-	Within 180 Days	Corporate Guarantee of Ambeon Holdings PLC for LKR 2.0 billion
	DFCC Bank PLC				
	Import Finance loan (Weekly AWPLR+ 1.5% p.a)	38,388,985	-	Within 180 Days	-
		4,009,710,673	3,174,292,110		

19.3 Short Term Loan

	At the Beginning of the Year	Loans Obtained	Repayment	Disposal	Exchange Gain/(Loss)	Accrued interest	At The End of the year
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
2020	1,645,628,274	6,709,000,836	(5,371,635,884)	(401,529,860)	110,106,394	19,306,221	2,710,875,981
2019	2,254,332,824	7,212,776,968	(7,823,974,721)	-	(2,461,039)	4,954,242	1,645,628,274

19.3.1 Terms and Conditions

Company	Lender/rate of interest	2020 LKR	2019 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.)	573,141,678	139,833,066	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)	425,515,292	227,686,762	Within a period of 60 days	Machineries, Leasehold Building and Inventory were pledged as security.
	Nations Trust Bank PLC				
	Import finance loan (3.% p.a + 3 months LIBOR with a Floor rate of 3.25% p.a.)	169,299,056	141,338,392	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)	553,616,799	297,912,812	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	Within a period of 150 days	Mortgage over Land, building and Immovable Machinery at Mattakulya.
	Hatton National Bank PLC				
	STL (AWPLR+2.5% p.a)	-	223,948,660	Within a period of 150 days	Mortgage over Land and building at Balummahara
	Bank of Ceylon				
	STL (AWPLR+1.75% p.a)	110,137,318	82,852,410	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	375,104,194	351,956,172	Bullet Payment (interest to be serviced monthly)	Corporate Guarantee from Ambeon Holdings PLC
	Short Term Loan (Month AWPLR+ 2.35% p.a)	504,061,644	-		
		2,710,875,981	1,645,628,274		

19.4 Loans from Related Parties

19.4.1 Loans granted by Related Parties

Group	Relationship	As At 01.04.2019	Accrued interest	As At 31.03.2020
		LKR	LKR	LKR
Mr. Eric Wikramanayake	Former Director	5,739,310	-	5,739,310
		5,739,310	-	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.

19.5 Summary - Company

19.5.1 Interest Bearing Loans and Borrowings

	Note	Amount Repayable Within 1 Year	Amount Repayable After 1 year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 year	Total
		2020	2020	2020	2019	2019	2019
		LKR	LKR	LKR	LKR	LKR	LKR
Bank Loan	19.5.2	268,880,000	1,131,960,000	1,400,840,000	579,000,000	325,000,000	904,000,000
Related Party - Commercial Paper	19.5.3	519,541,557	-	519,541,557	-	-	-
Related Party - Loan **	19.5.3	97,111,682	1,031,835,885	1,128,947,567	102,498,587	997,784,470	1,100,283,057
Bank Overdraft*		511,880,406	-	511,880,406	355,147,404	-	355,147,404
		1,397,413,645	2,163,795,885	3,561,209,530	1,036,645,991	1,322,784,470	2,359,430,461

* 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 within 3 year and short term loans are payable on demand.

19.5.2 Bank Loan

Group	As At 01.04.2019	Loan Obtained	Repayments	Accrued interest	As At 31.03.2020
	LKR	LKR	LKR	LKR	LKR
Term Loan 1 - Seylan Bank PLC	600,000,000	-	(262,528,477)	62,528,477	400,000,000
Term Loan 2 - Seylan Bank PLC	225,000,000	-	(77,207,229)	27,207,229	175,000,000
Term Loan - Peoples bank	-	750,000,000	(254,044,508)	66,484,508	562,440,000
Short Term Loan - National Development Bank PLC	29,000,000	75,500,000	(104,500,000)	-	-
Term Loan - Sampath bank	-	265,000,000	(6,340,365)	4,740,365	263,400,000
Short Term Loan - Seylan Bank PLC	50,000,000	-	(50,000,000)	-	-
	904,000,000	1,090,500,000	(754,620,579)	160,960,579	1,400,840,000

19.5.3 Related Party - Loan /Commercial Paper

	Rate	As at 01.04.2019	Loan Obtained	Repayments	Accrued interest	As at 31.03.2020
	LKR	LKR	LKR	LKR	LKR	LKR
2020 (Note 19.5.4)	9% - 12.5%	1,100,283,057	880,306,380	(489,977,127)	157,876,814	1,648,489,124
2019	12% - 14%	802,915,821	521,251,879	(367,602,771)	143,718,128	1,100,283,057

19.5.4 Related party loan and commercial paper details

Company	Rate	Period	Amount 2020	Amount 2019
			LKR	LKR
Loan Payable				
Colombo City Holdings PLC	12.5%	3 years	420,234,189	583,973,472
South Asia Textiles Ltd.	12%	3 years	330,567,549	231,053,206
Taprobane Investments (Pvt) Ltd.	12%	3 years	74,368,131	65,980,925
MilleniumIT ESP (Pvt) Ltd.	AWPLR+3%	3 years	220,614,295	219,275,455
Eon tec (Pvt) Ltd.	9.00%	withn 1 year	83,163,402	-
Commercial Paper Payable				
MilleniumIT ESP (Pvt) Ltd.	AWPLR+3.35%	3 months	519,541,557	-
			1,648,489,124	1,100,283,057

20. DEFERRED TAX LIABILITY/(ASSET)

	Note	Asset		Liability	
		2020	2019	2020	2019
		LKR	LKR	LKR	LKR
20.1 Group					
At the beginning of the year		(143,559,149)	(256,089,596)	805,173,965	562,632,083
Exchange Equalisation Reserve		-	-	(21,832,534)	(52,957,057)
Impairment Provision		-	(33,302,256)	(5,585,005)	(9,552,373)
Business Acquisition/ (Disposal)			-	(8,737,088)	56,405,032
Transfer from/(to) Profit or Loss		43,705,912	67,224,064	(68,199,611)	169,188,773
Transfer from/(to) Equity statement		(3,864,586)	(1,129,375)	103,796,005	159,195,485
Transfers between Deferred Tax Liability and (Asset)		21,839,415	79,738,014	(21,839,415)	(79,737,978)
At the end of the year		(81,878,408)	(143,559,149)	782,776,317	805,173,965

20.2 Transfer from/(to) Statement of Profit or Loss

	Note	2020	2019
Transfer from accelerated depreciation and others	28	53,839,611	(236,412,837)
		53,839,611	(236,412,837)

Transfer from/(to) Other Comprehensive Income

	2020	2019
Tax on Revaluation Gain	(68,703,210)	(145,989,359)
Employee Benefit Liability	5,960,229	(12,076,751)
Effect of Cashflow Hedge Accounting	6,476,630	-
Translation of foreign operations	(21,832,534)	52,957,057
	(78,098,885)	(105,109,053)
Foreign currency Translation impact	(15,023,819)	-

The Closing Deferred Tax Asset and Liability Balances Relate to the following;

Fair Valuation of Land and Buildings	450,000	150,000	960,347,721	860,062,599
Accelerated depreciation and amortisation for tax purposes	10,523,354	67,775,305	445,048,753	374,179,892
Employee Benefit Liability	(22,934,314)	(35,338,593)	(62,151,614)	(55,772,720)
Losses available for offset against future taxable income	(9,287,427)	(80,117,522)	(392,891,205)	(238,125,670)
Provision for Debtors	(36,442,616)	(54,449,163)	(29,482,264)	(6,541,835)
Provision for Inventory	(16,855,710)	(41,579,176)	(96,153,795)	(61,654,284)
Others*	(7,331,695)	-	(41,941,280)	(66,974,017)
	(81,878,408)	(143,559,149)	782,776,317	805,173,965

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, unutilised portion of carried forward tax losses and gratuity. The deferred tax arising from the unused tax losses amounting to LKR 872 million has not been recognised as the management is not certain whether there will be sufficient taxable profit to utilised.

* "Others" represent Deferred Tax Asset/Liability recognised on provision for other claims and liabilities related provisions and exchange reserve.

20.3 Company

Deferred Tax Liability	Statement of Financial Position		Other Comprehensive Income		Statement of Profit or Loss	
	2020	2019	2020	2019	2020	2019
	LKR	LKR	LKR	LKR	LKR	LKR
Tax on Accelerated Depreciation	1,707,328	1,566,397	-	-	140,931	896,879
Fair Valuation of investment in subsidiaries	392,658,953	336,041,784	-	-	56,617,173	336,041,784
Deferred Tax Assets						
Defined Benefit Plans	(1,607,169)	(1,222,478)	27,040	(264,111)	(411,731)	87,693
Losses available to offset against future Taxable Income	(17,000,000)	(17,000,000)	-	-	-	60,000,000
Deferred Income Tax (Reversal)/Expense			27,040	(264,111)	56,346,373	397,026,356
Net Deferred Tax Liability/(Asset)	375,759,112	319,385,704				

21. EMPLOYEE BENEFIT LIABILITIES

	Group		Company	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Balance as at 1 April	400,384,420	405,040,709	4,365,992	3,735,928
Current Service Cost	44,099,795	38,835,227	1,703,497	1,413,218
Interest Cost on Benefit Obligation	41,823,748	41,931,072	491,174	373,593
Actuarial Losses / (Gain) on Obligation	26,133,877	(26,647,072)	(96,571)	943,253
Benefit Paid	(35,981,743)	(62,910,528)	(724,204)	(2,100,000)
Business Disposal during the year	(34,814,792)	-	-	-
Transfers	-	6,138,765	-	-
Employee Transfer	(1,136,235)	-	-	-
Exchange Adjustment	1,848,377	(2,003,753)	-	-
Balance as at 31 March	442,357,447	400,384,420	5,739,888	4,365,992

	Group		Company	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Current Service Cost	44,099,795	38,835,227	1,703,497	1,413,218
Interest Cost on Benefit Obligation	41,823,748	41,931,072	491,174	373,593
	85,923,543	80,766,299	2,194,671	1,786,811
Net Actuarial (Gain) / Loss	26,133,877	(26,647,072)	(96,571)	943,253
Total Expenses	112,057,420	54,119,227	2,098,100	2,730,064

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.An actuarial valuation of the retirement gratuity payable was carried out as at March 31, 2020 by Messrs. Actuarial & Management Consultants (Pvt) Ltd. Actuaries.

	Group		Company	
	2020	2019	2020	2019
Discount Rate	10.00%	11.25%	10.0%	11.25%
Salary Increment rates used	7.0%	7% - 7.5%	7.0%	7.0%
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	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Within Next 12 Months	58,592,397	67,232,393	190,732	171,907
Between 1 - 2 Years	75,484,195	84,936,783	548,387	366,711
Between 2 - 5 Years	114,020,925	104,074,008	777,297	1,000,840
Between 5 - 10 Years	102,908,979	90,605,685	2,258,936	1,323,593
Beyond 10 years	91,350,951	53,535,552	1,964,536	1,502,941
	442,357,447	400,384,420	5,739,888	4,365,992

21.3 Break up of the Actuarial (Gain)/ Loss

	Group		Company	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Actuarial (Gain)/ Loss Resulting from Changes in Financial Assumptions	30,482,760	(26,134,674)	415,626	(478,987)
Actuarial (Gain)/ Loss Resulting from Changes in Demographic Assumptions	(4,892,568)	(3,965,424)	-	-
Actuarial (Gain)/ Loss Resulting from Changes in Experience Adjustments	543,685	3,453,026	(512,197)	1,422,240
	26,133,877	(26,647,072)	(96,571)	943,253

21.4 Sensitivity Analysis

	Group			
	2020		2019	
	LKR		LKR	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount Rate	(24,920,978)	20,221,354	(17,019,507)	18,793,174
Salary Increment Rate	24,237,036	(29,191,502)	22,804,581	(21,210,016)

	Company			
	2020		2019	
	LKR		LKR	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount Rate	(493,866)	562,931	(341,163)	385,129
Salary Increment Rate	575,239	(512,113)	416,533	(373,130)

22. CONTRACT LIABILITY - SERVICE AGREEMENTS

	2020	2019
	LKR	LKR
Balance at the beginning of the year	706,864,079	748,150,496
Deferred During the year	908,427,192	705,392,568
Transferred to revenue during the year	(691,118,311)	(746,678,985)
Balance at the end of the year	924,172,960	706,864,079

Revenue from deferred income is recognised 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	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Trade Payable - Other	2,217,821,406	3,838,541,519	-	-
Other Payables - Other	372,217,523	354,374,269	19,585,489	23,632,940
- Related Parties (Note 23.1)	29,588,687	-	3,718,615	11,587,290
Sundry Creditors Including Accrued Expenses	1,298,359,117	699,985,003	-	-
	3,917,986,733	4,892,900,791	23,304,104	35,220,230

Sundry creditors including accrued expenses : includes statutory payments, other payable, accrual expenses and other creditors.

23.1 Other Payables -Related Parties

	Relationship	Group		Company	
		2020	2019	2020	2019
		LKR	LKR	LKR	LKR
Colombo City Holdings PLC	Subsidiary	-	-	744,100	215,637
Ceylon Leather Products Ltd.	Subsidiary	-	-	18,291	10,018,291
Dankotuwa Porcelain PLC	Subsidiary	-	-	2,343,636	1,249,356
South Asia Textiles Ltd.	Subsidiary	-	-	101,088	101,088
Lexinton Holdings (Pvt) Ltd.	Sub-Subsidiary	-	-	511,500	-
Lexinton Financial Services (Pvt) Ltd.	Sub-Subsidiary	-	-	-	-
Ambeon Capital PLC	Immidiate Parent	29,588,687	-	-	-
Taprobane Investments (Pvt) Ltd.	Sub-Subsidiary	-	-	-	2,918
		29,588,687	-	3,718,615	11,587,290

24. OTHER FINANCIAL LIABILITIES

	Note	No. of Shares	Group		Company	
			Carrying Value	Carrying Value	Carrying Value	Carrying Value
Financial Liabilities at amortised cost			2020	2019	2020	2019
			LKR	LKR	LKR	LKR
Preference Shares	24.1	170,625	944,966	921,026	944,966	921,026
			944,966	921,026	944,966	921,026

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		Company	
		2020	2019	2020	2019
		LKR	LKR	LKR	LKR
Profit from disposal of Property, Plant & Equipment		-	4,943,871	-	-
Scrap Sales		23,280,443	23,895,824	-	-
Write back of Interest Bearing Borrowings	25.1	-	153,859,921	-	153,859,921
Other miscellaneous Income		22,704,480	22,227,039	-	2,755,482
Dividend Income		998	-	-	-
Gain on Bargain Purchase		-	3,129,259	-	-
Gain on Disposal of investment		7,579,142	-	-	114,486,986
Gain on Reimbursement of Expenses		-	-	27,190,475	31,577,050
		53,565,063	208,055,914	27,190,475	302,679,439

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 in previous year.

26. FINANCE COST

	Group		Company	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Bank Overdraft/ Loan Interest	136,563,672	91,539,580	46,667,541	33,971,452
Exchange Loss	-	5,398,913	-	-
Bank Charges	9,380,939	16,852,010	2,133,262	1,532,002
Lease Interest	23,058,458	-	-	-
Loan Interest	526,852,610	421,720,692	166,754,301	210,801,164
Interest on Preference Shares	23,940	23,940	23,940	23,640
Interest on Related Party Loan	-	7,813,923	138,775,576	84,425,238
Interest on BOI Lease	-	2,090,853	-	-
Interest Expense on Staff welfare fund	148,948	612,595	-	-
Interest on Commercial Paper	-	-	28,290,907	-
	696,028,567	546,052,506	382,645,527	330,753,496

27. FINANCE INCOME

	Group		Company	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Interest on;				
- FCBU Accounts	442,125	1,936,694	-	-
- Short Term Investments	27,139,345	39,457,570	-	-
- Staff Loan	119,928	384,333	-	-
- Commercial Paper	3,807,209	-	-	-
- Repo Investment	350,202	1,666,735	-	-
- Loan to Parent and ulimate parent	51,676,507	46,974,219	-	-
Interest income on delayed settlement	22,052,673	20,072,054	-	-
Interest Income on Fixed Deposits/bank deposits	95,040,811	95,586,836	-	-
	200,628,800	206,078,441	-	-

28. INCOME TAX EXPENSE / (REVERSAL)

	Note	Group		Company	
		2020	2019	2020	2019
		LKR	LKR	LKR	LKR
Current Income Tax					Restated
Current Tax Expense on Ordinary Activities for the Year	28.1	206,645,125	177,233,163	-	-
Under / (Over) Provision of current taxes in respect of prior years		(20,263,252)	(31,509,939)	-	-
Deferred Income Tax					
Deferred Taxation Charge / (Reversal)	20	(53,839,611)	236,412,837	56,346,373	397,026,356
Income tax charge / (Reversal) reported in the Profit or Loss statement		132,542,262	382,136,061	56,346,373	397,026,356

28.1 Reconciliation between Current Tax Expense and the product of Accounting Profit.

		Group		Company	
		2020	2019	2020	2019
		LKR	LKR	LKR	LKR Restated
Accounting Profit before Tax from Continuing Operations		843,394,138	1,637,883,846	619,368,753	3,779,064,166
Profit / (Loss) before Tax from Discontinuing Operations	Note 4	(262,959,210)	(391,230,087)	-	-
		580,434,928	1,246,603,759	619,368,753	31,606,998
Income Exempt from Tax		(1,134,180,886)	(1,104,382,518)	(806,034)	(448,857,654)
Aggregate Disallowed items		891,267,888	1,196,760,785	98,613,913	251,023,087
Aggregate Allowable credits		(545,537,212)	(925,236,617)	(1,034,510,753)	(3,756,807,148)
Other income included in profit from operation		(172,179,678)	(132,619,573)	-	-
Business Profit / (Loss)		(380,194,960)	281,125,836	(317,334,121)	(175,577,549)
Taxable Profit		1,015,388,217	868,395,973	-	-
Other Income		-	14,646,967	-	15,361,578
Interest Income		200,382,914	209,447,118	-	-
		1,215,771,131	1,092,490,058	-	15,361,578
Less : Tax Loss utilised	Note 28.2	(162,846,099)	(577,906,437)	-	(15,361,578)
Taxable Income		1,052,925,032	514,583,621	-	-
Applicable Rate - 14%		147,154,659	46,738,433	-	-
Applicable Tax Rate - 28%		46,106,599	79,010,188	-	-
Income tax on dividend Income		13,383,867	51,484,542	-	-
Income Tax Attributable to Continuing Operations		206,645,125	177,233,163	-	-
Income Tax Expense		206,645,125	177,233,163	-	-

28.2 Tax Losses Carried Forward

	Group		Company	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Tax losses brought forward	1,583,903,043	1,599,216,488	554,605,602	394,389,631
Tax losses arising during the year	766,445,367	555,327,724	317,334,121	175,577,549
Tax filing differences	-	5,618,426	-	-
Utilisation of tax losses	(162,846,099)	(577,906,437)	-	(15,361,578)
Business acquisition	-	1,646,842	-	-
Tax losses carried forward	2,187,502,311	1,583,903,043	871,939,723	554,605,602

28.2.1 Group Tax rates

All Subsidiaries are taxed at 28% except for South Asia Textiles Limited and Millinium I.T.E.S.P. (Pvt) Limited , these are taxed at 14%.

29. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

	Group		Company	
	2020	2019	2020	2019
Stated after Charging/(Crediting)	LKR	LKR	LKR	LKR
Included under Cost of Sales				
- Depreciation & Amortisation	330,583,104	283,862,780	-	-
- Salaries	1,092,529,492	1,069,227,498	-	-
- Employee Benefits Liability	34,197,171	35,488,201	-	-
- Defined Contribution Plan Costs - EPF & ETF	68,541,582	93,013,950	-	-
- Bonus	3,238,179	-		
- Other Staff Costs	52,166,283	88,111,218	-	-
- Allowance for Obsolete & Slow Moving Inventories	80,240,029	76,275,387	-	-
- Minimum Lease payments on operating lease	3,784,668	3,400,000	-	-
Included under Administration Expenses				
- Depreciation & Amortisation	171,191,786	72,739,596	7,525,253	5,217,124
- Directors' Remuneration	40,693,092	35,627,015	3,600,000	3,600,000
- Salaries	1,208,856,923	1,132,114,340	35,379,725	30,486,055
- Bonus	22,427,666	16,615,330	16,768,688	9,095,819
- Employee Benefits Liability	49,779,181	40,935,312	2,194,671	1,786,811
- Defined Contribution Plan Costs - EPF & ETF	161,388,613	147,692,234	17,082,814	16,993,084
- Other Staff Costs	21,205,801	26,897,854	-	-
- Exchange Loss				
- Auditors Remuneration	8,958,688	8,110,352	1,178,727	1,186,827
- Legal fees	3,265,909	2,121,375	-	-
Included under Selling & Distribution Expenses				
- Depreciation & Amortisation	8,189,959	29,881,618	-	-
- Salaries	72,953,873	69,163,808	-	-
- Employee Benefits Liability	1,947,192	4,765,692	-	-
- Defined Contribution Plan Costs - EPF & ETF	5,656,858	8,166,684	-	-
- Other Staff Costs	12,467,972	9,513,044	-	-
- Rent	18,134,322	1,311,750	-	-
Allowances for Obsolete & Slow Moving Inventories	102,069,444	47,411,371	-	-
Impairment Goodwill	126,536,713	171,371,894	-	-
Impairment of Property Plant & Equipment	45,802,799	906,899	-	-
Loss from disposal of Property, Plant & Equipment	1,636,604	-	-	-
Impairment of Trade and Other receivable	238,735,462	-	85,000,000	366,118

30. EARNINGS PER SHARE

30.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

30.2 The following reflects the income and share data used in the basic Earnings Per Share computations.

	Group	
	2020	2019
Amount Used as the Numerator:	LKR	LKR
Net Profit from continuing operations attributable to equity holders of the parent for basic Earnings per share	155,800,920	528,969,137
Net Profit attributable to equity holders of the parent for basic Earnings per share	155,800,920	528,309,944
Net Profit attributable continuing operations	457,633,141	919,540,031
Number of Ordinary Shares Used as Denominator:		
Ordinary shares at the beginning of the year	356,869,666	356,869,666
Weighted Avarage number of shares Issued during the year	-	-
Weighted average number of ordinary shares adjusted for the Basic EPS	356,869,666	356,869,666
Weighted average number of ordinary shares adjusted for the effect of dilution	356,869,666	356,869,666

31. CASH AND SHORT TERM DEPOSITS

31.1 Favourable Cash and Short term Deposits

	Group		Company	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Cash and Bank Balances	455,484,184	327,063,242	8,006,406	6,581,243
Short Term Investments	298,107,777	283,503,932	104,000,000	-
	753,591,961	610,567,174	112,006,406	6,581,243

31.2 Unfavourable Cash and Cash Equivalent

Bank Overdraft (Note 19)	(1,508,268,148)	(1,388,576,558)	(511,880,406)	(355,147,404)
Cash & Short term Deposits at the end of the year for the Purpose of Statement of Cash Flow	(754,676,187)	(778,009,384)	(399,874,000)	(348,566,161)

32. CONTINGENT LIABILITIES AND COMMITMENTS

32.1 Ambeon Holdings PLC

Bank Guarantees	2020 LKR Mn	2019 LKR Mn
Guarantees given to Tax Appeal Commission on behalf of the company		
Guarantees given to following facilities on behalf of South Asia Textiles Ltd.;		
People's Bank (USD 4.4 million)	832	804
Guarantees given to following facility on behalf of Royal Fernwood Porcelain Ltd.;		
People's Bank PLC	65	65
DFCC Bank PLC	20	-
Guarantees given to following facility on behalf of Millennium I.T.E.S.P (Pvt) Ltd.;		
Seylan Bank PLC	2,000	2,000
Guarantees given to following facility on behalf of Ceylon Leather Products Distributors (Pvt) Ltd.		
People's Bank PLC	205	-
Guarantees given to following facility on behalf of Ceylon Leather Products Ltd.		
Bank of Ceylon	60	-

32.2 Ceylon Leather Products Ltd.

Letters of Credit and Bank Guarantees	2020 LKR Mn	2019 LKR Mn
Letters of Credit Opened with Banks favouring suppliers	-	10.15
Guarantees Issued by Banks on behalf of the Company	-	33.86

32.3 Royal Fernwood Porcelain Ltd.

Letter of Credit	2020 LKR Mn	2019 LKR Mn
Letter of credit opened with Banks favouring suppliers	50	50

32.4 South Asia Textiles Ltd.

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;

	2020 LKR Mn	2019 LKR Mn
Within one year	-	3
After one year but not more than five years	-	15
More than five years	-	12
Present value of minimum lease payments	-	30

During the year the company has adopted SLFRS 16, accordingly a right to use liability has recognised .

32.5 Millennium I.T.E.S.P (Pvt) Ltd.

	2020	2019
	LKR Mn	LKR Mn
Performance Bonds	331	109
Tender Bonds	15	18
Advance payments guarantees	28	-

	USD Mn	USD Mn
Performance Bonds	0.96	0.96
Tender Bonds	0.37	0.05

32.6 Taprobane Securities (Pvt) Ltd.

Bank guarantee given to Colombo Stock Exchange on behalf of the company (LKR 1.75 million).

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		Included under
		2020	2019	
		LKR	LKR	
33.1 Assets Pledged by Ambeon Holdings PLC				
Quoted Equity Investments	Overdraft Facility, Term Loan	2,243	1,975	Investments in Subsidiaries and Other Current Financial Assets
		2,243	1,975	
33.2 Assets Pledged by Ceylon Leather Products Limited				
Immovable Properties	Floating Mortgage for Loans and Borrowings	2,098	1,917	Property, Plant & Equipment
Raw Materials, Finished Goods and Work in Progress	Floating Mortgage for Loans and Borrowings	39	350	Inventory
Trade Debtors	Floating Mortgage for Loans and Borrowings	37	200	Debtors
		2,174	2,467	
33.3 Assets Pledged by South Asia Textiles Limited				
Machineries	Primary Mortgage for Loans and Borrowings	1,207	1,040	Property, Plant & Equipment
Raw Materials, Finished Goods and Work in Progress	Primary/Concurrent Mortgage for Loans and Borrowings	2,550	2,102	Inventories
Trade Debtors	Primary/Concurrent Mortgage for Loans and Borrowings	925	811	Trade and Other Receivables
Margin Accounts	Primary Mortgage for Loans and Borrowings	16	14	Other Financial Assets
		4,698	3,967	
33.4 Assets Pledged by Dankotuwa Porcelain PLC				
Inventory and Trade Debtors	For Loans and Borrowings	853	730	Inventory and Trade Debtors
		853	730	

Nature of Assets	Nature of Liability	Carrying Amount Pledged 2020 LKR	Carrying Amount Pledged 2019 LKR	Included under
33.5 Royal Fernwood Porcelain Limited				
Land and Buildings & Immovable Machinery	Term Loans and Short Term Borrowings	592	566	Property, plant and equipment
		592	566	

34. RELATED PARTY DISCLOSURES

34.1 Transaction with related entities

Nature of transactions	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
34.1.1 Ultimate Parent				
Investment in Commercial Papers	-	21,200,000	-	21,200,000
Loan Granted	103,178,981	54,500,000	103,178,981	-
Interest on Loans	24,644,383	9,342,268	9,846,299	-
Interest Earned on Investment in Commercial Papers	-	827,306	-	827,306
34.1.2 Immediate Parent				
Loan Granted	606,831,063	1,052,842,586	400,000,000	387,478,123
Loan Settled	(282,031,335)	(656,846,216)	(163,375,487)	(319,000,000)
Interest on Loans	145,461,268	104,749,828	32,664,866	6,470,077

* Terms and conditions are disclosed in note 14.3.1.

Nature of transactions	Group 2020 LKR	Group 2019 LKR	Company 2020 LKR	Company 2019 LKR
34.1.3 Transaction with subsidiaries				
Balance as at 01st April	-	-	243,492,266	182,656,721
Interest Income on Loans	-	-	47,931,751	25,145,508
Staff Support & Server Utilisation fees	-	-	110,773,057	106,634,858
Settlement Current Account Balance	-	-	(143,762,669)	(242,172,487)
Reimbursement of Expenses	-	-	130,839,265	1,640,566
Cost sharing arrangement	-	-	41,820,676	175,780,381
Loans / Financial Assistance provided	-	-	115,369,710	532,057,668
Loans / Financial Assistance Settlements	-	-	-	(152,592,323)
Commercial Paper Obtained	-	-	(508,806,380)	(250,000,000)
Commercial papers interest	-	-	(19,101,238)	(32,545,096)
Commercial Paper Interest settlement / Capitalisation	-	-	8,366,061	50,881,703
Commercial Paper Conversion to Loan	-	-	-	732,784,469
Loan obatined though Commercial Paper Conversion	-	-	(371,500,000)	(847,784,469)
Novation of Loan/Current Ac	-	-	(285,329,624)	-
Loan Interst	-	-	(138,775,576)	(88,995,234)
Loan Settle	-	-	481,611,066	50,000,000
Balance as at 31 March	-	-	(287,071,635)	243,492,266

34.1.4 Other Related Parties

Receivable / (Payable) as at 01st April				
Sale of Goods	1,204,661,751	1,109,224,225	-	-
(Receipts) / Payments for Goods / Services	(1,090,635,028)	(1,033,989,541)	-	-

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 KMP's 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	
	2020	2019	2020	2019
Key Management Personnel Compensation	LKR	LKR	LKR	LKR
Short-Term employee benefits	162,817,176	141,876,392	49,556,291	48,068,438
Post Employment Benefit	-	-	-	-
Long Term Benefits	-	-	-	-
	162,817,176	141,876,392	49,556,291	48,068,438

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 Disclosure Section 9.3.2 of the Listing Rules of Colombo Stocks Exchange - Company

Non-Recurrent

Name of the Related Party	Relationship	Nature of the Transaction	Value of Related Party Transactions entered during the financial year LKR Mn	Value of Related Party Transactions as a % of Equity or Assets	Terms and Conditions of the Related Party Transactions	Rational to enter into Transaction
Millennium I.T.E.S.P. (Pvt) Ltd.	Subsidiary	Corporate Gurantee given to Seylan Bank PLC	2,000	Total Asset 14% Equity 19%	Period of 1 year	To support working capital
South Asia Textiles Ltd.	Subsidiary	Corporate Gurantee given to Seylan Bank PLC	831	Total Asset 6% Equity 8%	Period of 1 year	To support working capital
Royal Fernwood Porceilane Ltd.	Subsidiary	Corporate Gurantee given to DFCC Bank PLC	20	Total Asset 0.1% Equity 0.2%	Period of 1 year	To support working capital

Recurrent

Name of the Related Party	Relationship	Nature of the Transaction	Value of Related Party Transactions entered during the financial year LKR Mn	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.

36. FINANCIAL ASSETS AND LIABILITIES

36.1 Fair values of Financial Assets and Liabilities -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

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

	Note	2020			2019		
		Fair Value Hierarchy	Carrying Value	Fair Value	Fair Value Hierarchy	Carrying Value	Fair Value
			LKR	LKR		LKR	LKR
Assets Measured at Fair value							
Investment Properties		Level 3	3,829,940,525	3,829,940,525	Level 3	3,039,977,150	3,039,977,150
Financial Instrument at Amortised Cost		Level 2	14,009,154	14,009,154		23,236,379	23,236,379
Land		Level 3	1,136,188,150	1,136,188,150	Level 3	1,174,550,550	1,174,550,550
Freehold Buildings		Level 3	814,446,954	814,446,954	Level 3	1,015,835,490	1,015,835,490
Building on Lease Hold Land		Level 3	805,500,000	805,500,000	Level 3	805,500,000	805,500,000
Fair Value through Profit and Loss							
Other Financial Investment	15	Level 2	54,452,647	54,452,647	Level 1	167,447,647	167,447,647
Fair Value through OCI							
Other Financial Investment	15	Level 2	557,919,141	557,919,141	Level 1	566,705,269	566,705,269
Total			612,371,788	612,371,788		734,152,916	167,447,647

36.2 Categories of Financial Assets and Liabilities - Company

Financial assets and liabilities in the tables below are split into categories in accordance SLFRS 9.

	Note		2020			2019	
			Carrying Value	Fair Value		Carrying Value	Fair Value
			LKR	LKR		LKR	LKR
Financial Assets							
Financial Instruments in - Current Assets							
Fair Value Through Profit and Loss							
Other Financial Investment	15	Level 2	54,440,398	54,440,398	Level 1	155,454,222	155,454,222
Fair Value Through OCI							
Other Financial Investment	15	Level 2	557,919,140	557,919,140	Level 1	566,705,269	566,705,269
Iinvestment in subsidiaries		Level 3	-	12,672,340,280	Level 3	-	11,496,269,560
Total			612,359,538	13,284,699,818		722,159,491	12,218,429,051

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 market prices reported between 31 December 2019 and 20 March and prior year based on market value 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 2020 and 2019,Investment in quoted shares has been classified from level 1 to level 2 in Fair Value hierarchy. Since the Group used market prices reported between 31 December 2019 and 20 March 2020 as fair value due to the unavailability of information in the equity market as at the reporting date.

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
- Cash in Hand and at Bank

Liabilities
- Other Financial Liabilities
- Interest Bearing Borrowings (Current)
- Trade and Other Payables

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 minimising 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 recognised, 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

	Note	2020 LKR	% of allocation	2019 LKR	% of allocation
Bank Deposits	15	307,219,166	5%	265,375,932	5%
Commercial Paper Investments	15	-	0%	22,027,306	0%
Trade and Other receivables	14	4,941,893,080	82%	4,597,287,466	84%
Cash and Short term Deposits	31	753,591,961	13%	610,567,174	11%
Total credit risk exposure		6,002,704,207	100%	5,495,257,878	100%
Financial assets at fair value through profit & loss	15	54,452,647	1%	167,447,647	3%
Financial assets at fair value through OCI	15	557,919,141	9%	566,705,269	9%
Total equity risk exposure		612,371,788	100%	734,152,916	100%
Total		6,615,075,995		6,229,410,794	

Risk Exposure - Company

	Note	2020 LKR	% of allocation	2019 LKR	% of allocation
Bank Deposits	15	50,058,805	6%	58,805	0%
Trade and other receivables	14	666,777,962	80%	548,943,431	99%
Cash in hand and at bank	31	112,006,406	14%	6,581,243	1%
Total credit risk exposure		828,843,173	100%	555,583,479	100%
Financial assets at fair value through profit & loss	15	54,440,398	9%	155,454,222	22%
Financial assets at fair value through OCI	15	557,919,141	91%	566,705,269	78%
Total equity risk exposure		612,359,539	100%	722,159,491	100%
Total		1,441,202,712		1,277,742,970	

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.

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.

Trade receivables	Group		Company	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Neither past due, not impaired	1,780,255,145	2,636,541,445	-	-
Past due but not impaired				
31-60 days	1,077,117,816	328,961,888	-	-
61-90 days	309,943,294	287,934,221	-	-
>90 days	1,715,420,739	1,129,595,014	-	-
Allowance for Bad & Doubtful Debtors	910,509,752	895,908,186	-	-
Gross Carrying Value	5,793,246,746	5,278,940,754	-	-
Less: Allowance for Bad & Doubtful Debtors	(1,297,398,586)	(1,217,502,346)	-	-
Total	4,495,848,160	4,061,438,408	-	-

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 754 Million as at 31 March 2020 (2019 - LKR 610 Million)

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 summarises the maturity profile of the Group's financial liabilities at 31 March 2020 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	-	-	-	944,966	944,966
Interest Bearing Borrowings	1,508,268,148	5,608,682,781	1,979,339,766	-	9,096,290,695
Trade and Other Payables	3,366,209,410	519,269,079	32,508,244	-	3,917,986,733
	4,874,477,558	6,127,951,860	2,011,848,010	944,966	13,015,222,394

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2020 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	-	-	-	944,966	944,966
Interest Bearing Borrowings	1,255,012,256	444,428,956	2,459,491,219	-	4,158,932,431
Trade and Other Payables	23,304,097	-	-	-	23,304,097
	1,278,316,353	444,428,956	2,459,491,219	944,966	4,183,181,494

The table below summarises 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 summarises 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
Restated					
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

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 maximised.

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 2020.

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 2020 and 2019.

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 2020 and 2019.

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
2020	+100	(16,651,420)	-
	-100	16,651,420	-
2019	+100	(11,850,311)	-
	-100	11,850,311	-

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.

During the year the Group applied the cashflow hedge to manage the fluctuation of foreign exchange rate. The Group is expecting to hedge the variability in the cash flows corresponding to the repayment of the term loan capital, packing credit loans and import loan capital attributable to changes in exchange rates over the period.

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)	Effect on Profit before Tax (LKR)	
		Group	Company
2020	5%	(51,479,018)	-
	-5%	51,479,018	-
2019	5%	(30,267,872)	-
	-5%	30,267,872	-

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. DISPOSAL OF SUBSIDIARY

37.1 Assets and liabilities disposed

On 24 of October 2019 the company disposed the Ceylon Lether Product Distributors (Pvt) Ltd. to Vast Holdings (Pvt) Ltd. The fair value of the identifiable assets and liabilities of Ceylon Lether Product Distributors as at the date of disposal were:

	Ceylon Lether Product Distributors (Pvt) Limited LKR
Assets	
Property, Plant & Equipment	493,320,203
Inventories	228,445,021
Debtors & Receivables	304,407,758
Cash & Cash Equivalents	2,112,711
Deferred Tax Liability	8,737,088
	1,037,022,781
Liabilities	
Defined Benefit Obligation	34,814,792
Trade and Other Payables	487,605,671
Interest Bearing Loans & Borrowings	401,529,860
Bank Overdraft	74,199,447
	998,149,770
Total identifiable net assets at fair value	38,873,011
Purchase consideration	10,000
Loss on Disposal	38,863,011
Cash Flow Impact from Disposal of Subsidiary	
Purchase consideration	10,000
Cash & Cash Equivalents	(2,112,711)
Bank Overdraft	74,199,447
Net Cash inflow from the Disposal	72,076,736

38. IMPACT OF FAIR VALUE OF SUBSIDIARIES - RESTATEMENT

The Company re-assessed its accounting for investments in subsidiaries in separate financial statements. The Company had previously measured all investments in subsidiaries at cost whereby, after initial recognition the asset was carried at cost less accumulated impairment losses. During the year, the Company elected to change the method of accounting for investments in subsidiaries retrospectively, as the Company believes that the accounting for investments in subsidiaries in accordance with SLFRS 9 provides more relevant information to the users of its financial statements. In addition, available valuation techniques provide reliable estimates of fair value of the investments in subsidiaries. The Company applied the change retrospectively.

	2018 As Reported	Impact	2018 Restated
	LKR	LKR	LKR
Investment in subsidiary	6,775,945,351	-	6,775,945,351
Fair Valuation Gain	-	1,334,790,859	1,334,790,859
	6,775,945,351	1,334,790,859	8,110,736,210
Deferred Tax	77,376,542	-	77,376,542
	77,376,542	-	77,376,542
Retained earning	(1,706,546,878)	1,334,790,859	(371,756,019)

	2019 As Reported	Impact	2019 Restated
	LKR	LKR	LKR
Investment in subsidiary	6,414,021,533	-	6,414,021,533
Fair Valuation Gain 2018	-	1,334,790,859	1,334,790,859
Fair Valuation Gain 2019		3,747,457,168	3,747,457,168
	6,414,021,533	5,082,248,027	11,496,269,560
Deferred Tax	16,656,081	-	16,656,081
Deferred tax Charge on fair value Gain 2019	-	(336,041,784)	(336,041,784)
	16,656,081	(336,041,784)	(319,385,703)

	2019 As Reported	Impact	2019 Restated
	LKR	LKR	LKR
Change in Fair value of Investment in Subsidiary			
Fair value gain	-	3,747,457,168	3,747,457,168
	-	3,747,457,168	3,747,457,168

Earning per Share	2019 As Reported	Impact	2019 Restated
	LKR	LKR	LKR
Amount Used as the Numerator:			
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	(29,377,574)	3,747,457,168	3,718,079,594
Amount Used as the Numerator:			
Weighted Average Number of Ordinary Shares in Issue	356,869,666	356,869,666	356,869,666
Earnings Per Share (LKR)	(0.08)	10.50	10.42

39. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below;

39.1 Proportion of equity interest held by non-controlling interests:

Name	Proportion of NCI		Accumulated Balances of NCI		Profit allocated to NCI	
	2020	2019	2020	2019	2020	2019
			LKR	LKR	LKR	LKR
Non-Controlling Interests material individually						
Dankotuwa Porcelain PLC	22.49%	22.49%	528,734,572	523,813,727	(14,023,870)	53,693,160
Colombo City Holdings PLC	22.37%	33.60%	481,706,926	677,335,751	33,315,787	58,247,366
Millennium I.T.E.S.P (Private) Limited	39.76%	39.76%	302,123,873	142,665,309	216,202,026	160,172,050
Non-controlling interest material in aggregate			297,491,446	266,242,030	17,724,792	(272,112,576)
Total			1,610,056,817	1,610,056,817	253,218,735	-

Dividend Paid to NCI Shareholders	2020	2019
	LKR	LKR
South Asia Textiles Limited	-	5,833,335
Colombo City Holdings PLC	-	12,830,940
Millennium I.T.E.S.P (Private) Limited	28,000,949	69,676,594
	28,000,949	88,340,869

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

39.2 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	
	2020	2019	2020	2019	2020	2019
	LKR	LKR	LKR	LKR	LKR	LKR
Revenue	1,328,425,465	1,233,709,907	10,149,770	8,893,895	8,023,314,226	6,533,340,789
Operating Income/(Costs)	(1,354,470,794)	(908,770,138)	68,792,360	71,541,045	(7,251,584,396)	(5,922,025,700)
Finance Costs	(104,246,762)	(63,093,475)	(20,139,268)	(2,315,262)	(189,924,740)	(155,907,739)
Finance Income	24,622,117	36,590,018	112,347,432	139,447,437	95,394,302	61,218,932
Share of result of equity account investee					(3,070,456)	
Tax Expense	43,324,843	(59,735,649)	(33,688,722)	(44,211,859)	(130,359,959)	(108,652,999)
Profit or Loss from Continuing Operations	(62,345,130)	238,700,664	137,461,572	173,355,256	543,768,977	407,973,283
Other Comprehensive Income	84,221,414	249,804,622	19,533	(33,408)	(19,737,488)	576,873
Total Comprehensive Income	21,876,284	488,505,286	137,481,105	173,321,848	524,031,489	408,550,156

39.3 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	
	2020	2019	2020	2019	2020	2019
	LKR	LKR	LKR	LKR	LKR	LKR
Current Assets	1,305,654,036	1,194,304,817	307,178,701	498,774,648	5,108,769,743	5,007,942,552
Non-current Assets	2,693,933,446	2,462,644,637	1,909,138,131	1,803,119,630	1,004,395,004	423,492,332
Total Assets	3,999,587,482	3,656,949,454	2,216,316,832	2,301,894,276	6,113,164,747	5,431,434,884
Current Liabilities	1,282,836,869	981,335,364	29,978,906	263,955,646	5,011,628,988	4,961,681,720
Non-current Liabilities	366,185,051	346,924,852	32,976,610	22,058,420	341,665,036	110,936,131
Total Liabilities	1,649,021,920	1,328,260,216	62,955,516	286,014,066	5,353,294,024	5,072,617,851

39.4 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	
	2020	2019	2020	2019	2020	2019
	LKR	LKR	LKR	LKR	LKR	LKR
Operating	(245,756,550)	(265,625,876)	(82,504,419)	(8,336,490)	666,683,837	(633,080,756)
Investing	(28,126,558)	(12,363,150)	268,609,122	(147,606,768)	(1,071,545,106)	(43,001,541)
Financing	193,605,152	(13,052,327)	-	(38,185,710)	481,235,654	(148,900,991)
Net increase/(decrease) in cash and cash equivalents	(80,277,956)	(291,041,353)	186,104,703	(194,128,968)	76,374,388	(824,983,288)

39.5 Increase in interests in Material Subsidiaries

Ambeon Holidngs PLC

On 30 September 2019, Ambeon Holdings PLC acquired 142,901 ordinary shares of Colombo City Holdings PLC for a total consideration of LKR 151 million.

40. IMPACT OF COVID-19

Consequent to the COVID-19 outbreak, the Company and Group have taken appropriate precautions to ensure the safety and security of both its staff and business interests. The Group considers the safety and welfare of its staff as paramount and thus, all decisions relating to its businesses have been, and are taken underlined by the aforesaid considerations.

As a holding and management company of a diversified portfolio of Investments, the Group has, in the past, demonstrated resilience at times of challenge. This is particularly so in the case of its Technology and Financial Services clusters through which approximately 40% of the Group revenue is earned and which is expected, in large part, to withstand the brunt of the COVID-19 impact. Regrettably, the impact on the manufacturing and retail sectors is expected to bring about substantially subdued results which are likely to have a significant impact on the overall performance.

Future –

The full impact this global pandemic might have on the economy in the future cannot be predicted at this point of time, although it has had a significant impact already on the Sri Lankan economy. In this context, the following factors are likely to affect the Company/Group given that over 45% of Group revenue is earned through direct and indirect exports.

In terms of positives, the depreciation of the rupee and the ongoing cost rationalisations will increase the Company's competitiveness in the export market. In addition, the demand for new products such as fabric for masks in the textile cluster, steam inhalation related products in the Porcelain cluster and new connectivity requirements and applications in the Technology cluster have opened up new business opportunities in respect of which the Group has already commenced work.

This must however be tempered with the subdued demand due to the global slowdown in the apparel sector, negative changes to customer profiles due to business disruptions and the reduced spending by B2B and B2C.

Operations and Response
Amidst the current pandemic, the future of the Company is being modelled under four C's; Cash flows, Cost rationalisation, Customers and Continuity.

Cashflows and conserving cash is the paramount factor required to ensure healthy operations and minimum disruption to employment and work. The Company is particularly focused on working capital management and many action plans are already being implemented and explored in order to ensure better controls and cashflow improvements.

With regard to Cost structures and the rationalisation, the Company has implemented many measures ranging from salary cuts of executives to suspension of certain cost items and strict controls on discretionary expenditure. Detailed action programs such as collaborative manufacturing in the Porcelain cluster (rationalising between two factories) and reimagining higher productivity structures to bring better total factor productivity are also being studied.

In regard to the third C, the Customer, the Company has embarked on several new products based on the current shift in demand and is closely monitoring shifts in consumer trends and delivery, in line with the new normal. Some of such trends have been briefly dealt with under the segmental notes below.

Finally, the Continuity and business sustainability activities of the Company/Group are also being pursued in a bid to make course corrections as required, taking into account a medium-term view and rationalising and refocusing as required.

As of now, the Group and the Company have adequate facilities in hand to meet its operational cash flow requirements but are being reviewed constantly against externalities unraveling.

From an internal customer perspective, social distancing norms and other safety and health care aspects are also being studied within the parameters of clearly defined guidelines.

Technology Cluster -
In this Industry, the financial year 2019/20 is expected to conclude close to projections, as this Industry has the potential to wade through these difficult times due to the very nature of its business; ramping up faster and efficient information flow and deliveries. However, given the cash flow and cost implications; cost cutting, and delayed commencement of projects need to be taken into account. At this point of time, with future projects, its materialisation and completion targets are subject to the improvement of the work environment and our forecast is to operate at around 65-70% level of revenue against projections.

The long project cycles and possible cash flow implication to customers, places a stress on the current receivable portfolio of this cluster and this remains a key area of focus into the 1st quarter.

Financial Services and Real Estate -
We have thus far seen minimal impact to the business of money broking; the capital markets however remain volatile. While the stockbroking arm has not been functioning since the lockdown, they are not expected to make significant losses given the cost structures and other income from margin lending. However, the Company is mindful of the outstanding from its clients and will closely monitor collection.

Real estate, being primarily on rentals and investments could have an impact due to downward pressure on the rental income and reduction in interest income due to lower interest rates.

Manufacturing Cluster -
Porcelain: Given the current status and the export-oriented business structure, this cluster has been the most affected by the COVID-19 pandemic. The Porcelain cluster experienced a deeply subdued final quarter for the last year and results are expected to be significantly lower than projected. This cluster is expected to operate at around 30-35% of the usual revenue levels during the 1st quarter; a forecast made based on orders at hand, new products and trend assessments. With import restrictions and given the ex-stock availability, local orders are expected to bring some revenues both in B2B and B2C segments. Nevertheless, since over 65% of the orders are exports, given the current global negative sentiments, subdued demand is expected to continue for a while.

Textile: The textile cluster being a near one hundred percent export-oriented entity, had a deeply subdued final quarter for the last year in view of the detrimental impact the COVID-19 pandemic has had on the apparel sector. However, based on currently available information, feedback from customers and our pending order book, we expect a revenue of approximately 35% of the plan during the first quarter. The entity has also embarked on new products based on the current demand for manufacturing healthcare products such as face masks. These along with other pending orders which we intend fulfilling no sooner operations resume, are the basis on which predictions have been made for the next quarters.

SUPPLEMENTARY

INFORMATION

SHAREHOLDER 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 2020.

Range of Shareholding	Number of Shareholders	No. of Shares	%
1 to 1,000 shares	2,861	897,979	0.25
1,001 to 10,000 shares	1,685	5,928,597	1.66
10,001 to 100,000 shares	440	13,105,772	3.67
100,001 to 1,000,000 shares	61	15,519,394	4.35
Over 1,000,000 shares	10	321,417,924	89.72
TOTAL	5,057	356,869,666	100.00

Public Shareholding

Information pertaining to public shareholding is as follows;

	31 March 2020	31 March 2019
Number of public shares	65,401,748	63,584,243
Public holding percentage	18.33%	17.82%
Number of public shareholders	5,053	5,257
Float adjusted market capitalisation (LKR)	529,855,099.20	585,066,405.23

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	2019/2020	2018/2019
Highest value per share recorded during the period (LKR)	14.00 (14.10.2019)	12.00 (02.11.2018)
Lowest value per share recorded during the period (LKR)	7.90 (16.05.2019)	8.60 (29.08.2018)
Market value per share as at last traded date (LKR)	8.10 (20.03.2019)	9.20 (29.03.2019)

The last traded share price represents the share price as at 20 March 2020 which in effect was the last traded date of the Colombo Stock Exchange (CSE) before the year ended. Due to the COVID-19 pandemic, CSE was closed from 20 March 2020 to 06 May 2020. It should be further noted that an active market may not have existed on the last traded date due to the uncertain conditions that may have prevailed at that time. Therefore the last traded share price may not be an accurate representation of the fair value of the company's shares as at that date.

Share Trading

No. of transactions	6,851	6,465
No. of shares traded	25,834,991	20,785,380
Value of shares traded (LKR)	317,037,860.70	220,754,815.70

There were 5,057 registered shareholders as at 31 March 2020 (5,262 as at 31 March 2019).

Director's Shareholdings as at

Name	31 March 2020	31 March 2019
Mr. S. E. Gardiner (appointed on 01 June 2020)	N/A	N/A
Mr. A. L. Devasurendra (appointed on 01 June 2020)	N/A	N/A
Mr. N. M. Prakash	785,541	450,000
Mr. A. G. Weerasinghe	Nil	Nil
Mr. R. P. Sugathadasa	Nil	Nil
Mr. M. Boyagoda	Nil	Nil
Mr. P. P. Maddumage (resigned on 01 June 2020)	Nil	Nil
Mr. R. P. Pathirana (appointed on 01 June 2020)	N/A	N/A
Mr. R. T. Devasurendra (appointed on 10 June 2020)	N/A	N/A

Twenty Major Ordinary Shareholders as at

	Name of Shareholder	31 March 2020		31 March 2019	
		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	7,408,955	2.08	7,756,037	2.17
4.	Hatton National Bank PLC/Carlines Holdings (Private) Limited	5,439,845	1.52	* 4,977,882	1.40
	Carlines Holdings (Private) Limited	21	0.00	21	0.00
	TOTAL	5,439,866	1.52	4,977,903	1.40
5.	Hotel International (Private) Limited	2,154,986	0.60	-	-
6.	Associated Electrical Corporation Limited	1,955,000	0.55	1,955,000	0.55
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.	Mr. D. F. G. Dalpethado	1,129,664	0.32	240,833	0.07
10.	People's Leasing & Finance PLC/LP Hapangama	955,836	0.27	955,836	0.27
11.	Hatton National Bank PLC/Sanka Ramoorthy Nadaraj Kumar	797,282	0.22	608,015	0.17
12.	Mr. N. M. Prakash	785,541	0.22	450,000	0.13
13.	Mr. C. R. Perera	727,381	0.20	673,695	0.19
14.	Sampath Bank PLC/Dr. T. Senthilverl	675,000	0.19	675,000	0.19
15.	Merchant Bank of Sri Lanka & Finance PLC 01	650,000	0.18	600,000	0.17
16.	Dr. S. Yaddehige	557,127	0.16	557,127	0.16
17.	Mr. M. K. C. Perera	526,772	0.13	14,500	0.00
18.	People's Merchant Finance PLC/H. P. C. R. Priyadarshana	500,000	0.14	194,275	0.05
19.	Hatton National Bank PLC/Biswajith Udayapriya Hettiarachchi	465,931	0.13	784,294	0.22
20.	Mr. Y. L. Farook	429,000	0.12	230,000	0.06

* held through Amana Bank PLC/Carlines Holdings (Private) Limited

Preference Share

Analysis of Shareholders according to the number of shares as at 31 March 2020

Shareholdings	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

Twenty Major Preference Shareholders as at

	Name of shareholder	31 March 2020		31 March 2019	
		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

DECADE AT A GLANCE

LKR "000"	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating Results**										
Revenue"	19,693,287	17,231,736	12,272,998	10,762,068	9,394,710	9,359,565	8,636,013	7,184,808	5,997,944	2,208,050
Profit/(Loss) before taxation	541,562	1,246,604	584,885	480,384	(1,657,676)	(14,645)	(618,543)	(184,252)	138,433	571,239
Profit/(Loss) after taxation	409,020	864,468	680,818	394,104	(1,641,605)	(58,090)	(677,790)	(226,104)	75,944	480,675
Attributable to:										
Equity Holders of the Parents	155,801	528,310	540,941	271,698	(1,698,267)	22,539	(662,873)	(237,172)	107,459	443,402
Non-Controlling Interest	253,219	336,158	139,878	122,406	56,662	(80,629)	(14,917)	11,068	(31,515)	37,273
	409,020	864,468	680,819	394,104	(1,641,605)	(58,090)	(677,790)	(226,104)	75,944	480,675
Capital Employed										
Stated Capital	5,331,775	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
Reserves	678,720	761,355	930,399	515,619	449,281	143,133	7,957	59,474	50,357	17,175
Retained Earnings/(Losses)	2,154,042	1,650,091	(963,749)	(1,369,019)	(1,463,267)	12,037	(401,648)	241,242	501,019	497,085
Non-Controlling Interest	1,610,303	1,610,057	1,055,156	988,420	682,124	433,400	1,025,477	1,097,935	1,231,968	1,394,018
	9,353,278	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
Assets Employed										
Non-Current Assets Excluding Deferred Tax	12,177,586	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
Current Assets	12,202,483	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
Deferred Tax	81,878	143,559	256,090	68,974	75,646	24,342	15,558	14,138	5,994	5,084
	24,461,948	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
Liabilities										
Non-Current Liabilities	3,025,479	2,036,469	2,530,592	1,403,367	1,090,278	1,018,061	1,075,072	502,599	462,017	522,766
Current Liabilities	11,661,629	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
	14,687,108	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
Key Indicators										
Basic Earnings/(Loss) Per Share (LKR)"	0.44	1.48	1.54	0.78	(4.86)	0.06	(1.90)	(0.68)	0.03	1.51
Net Assets Per Share (LKR)	22.88	21.70	21.96	19.67	19.21	22.55	20.98	22.97	23.69	23.56

Details of the Group Properties 2019/20

Company	Property	Location	Extent	No of Buildings	Cost/Valuation LKR
Colombo City Holdings PLC	Freehold Land & Building	Union Place	47.2 p	1	958,800,000
Lexinton Holdings (Pvt) Ltd.	Freehold Land	Colombo 08	17.15 Perches	1	145,775,000
	Freehold Building	Colombo 08	17,150 sq.ft		128,625,000
Ceylon Leather Products PLC	Freehold Land	Mattakkuliya	747.9 p	-	2,067,012,000
	Freehold Building	Mattakkuliya	75,010 sq.ft	16	31,692,375
Dankotuwa Porcelain PLC	Freehold Land	Dankotuwa	3,277.76 p	-	753,884,800
	Freehold Building	Dankotuwa	260,015 sq.ft	29	393,858,909
	Freehold Land	Dankotuwa	3,985.95 p	-	565,721,250
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	-	238,728,350
	Freehold Building	Kosgama	177,630 sq.ft	19	299,278,638
	Freehold Land	Kosgama	1,753.07 p	-	122,714,900
Taprobane Securities (Pvt) Ltd.	Freehold Land	Kosgama	1,162.37 p	-	84,000,000
					6,595,591,222

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.

NETASSETS 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 OF AMBEON HOLDINGS PLC

Subsidiary Companies	Directors
Ceylon Leather Products Limited No. 10, 5th Floor, Gothami Road, Colombo 8 Tel : 011 5 700 700 Fax : 033 2 258 751 E-mail : info@ambeongroup.com	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 5 700 000 Fax : 011 2 680 225 E-mail : info@ambeongroup.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 Mr. C. S. Karunasena (Alternate Director to Mr. P P Maddumage)
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. P. P. Maddumage Mr. W. M. R. S. Dias Mr. N. M. Prakash Mr. C. S. Karunasena
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 (Chairman) Mr. N. M. Prakash Mr. M. S. Hamzadeen Mr. S. E. Gardiner Mr. R. P. Pathirana Mr. F. A. Azhar (Alternate Director to Mr. M. S. Hamzadeen) Mr. R. T. Devasurendra (Alternate Director to Mr. A. L. Devasurendra)
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 OF
AMBEON HOLDINGS PLC

Subsidiary Companies	Directors
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@millenniumitesp.com	Mr. S. E. Gardiner (Chairman) Mr. N. M. Prakash Mr. P. D. J. Fernando Mr. Y. Kanagasabai Mr. G. S. M. Goonetilleke Dr. K. S. Narangoda (Alternate Director to Mr. N. M. Prakash)
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. C. N. Jayasooriya (Managing Director) Mr. D. A. B. Dassanayake Mr. H. C. P. Goonetilleke
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	Dr. 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

Subsidiary Companies	Directors
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 Mr. S. Y. E. Fernando
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

Taking into consideration the current regulations/ restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors of Ambeon Holdings PLC has decided to hold the Annual General Meeting (AGM) as a Virtual Meeting on Thursday, 26 November 2020 at 2.00 p.m. in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs.

Hence, Notice is hereby given that the Annual General Meeting of the Company will be held by way of electronic means on Thursday, 26 November 2020 at 2.00 p.m. centered at the Boardroom of the Company at No. 10, Gothami Road, Colombo 8, Sri Lanka, for the following business:

1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31 March 2020 together with the Report of the Auditors thereon (Resolution 1).
2. To re-elect Mr. A. L. Devasurendra, Director appointed since the last Annual General Meeting, in terms of Article No. 27 (2) of the Articles of Association (Resolution 2).
3. To re-elect Mr. S. E. Gardiner, Director appointed since the last Annual General Meeting, in terms of Article No. 27 (2) of the Articles of Association (Resolution 3).
4. To re-elect Mr. R. P. Pathirana, Director appointed since the last Annual General Meeting, in terms of Article No. 27 (2) of the Articles of Association (Resolution 4).
5. To re-appoint Mr. R. P. Sugathadasa, Director who retires by rotation in terms of Article No. 27 (8) of the Articles of Association (Resolution 5).
6. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A. G. Weerasinghe who has reached the age of 78 years (Resolution 6).

   "IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. A. G. Weerasinghe, who has reached the age of 78 years prior to the Annual General Meeting and that he shall accordingly be re-appointed."
7. To re-appoint M/s. Ernst & Young, Chartered Accountants, the retiring auditors and to authorize the Directors to determine their remuneration (Resolution 7).
8. To authorise the Directors to determine donations for charitable and other purposes for the year 2020/2021 as set out in the Companies' Donation Act [CAP147] (Resolution 8).

By Order of the Board

Sgd.

P W Corporate Secretarial (Pvt) Ltd.
Secretaries

Colombo
02 October 2020

Notes:

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

NOTES

NOTES

FORM OF PROXY

I/We ....

holder of NIC No. .... of ....

... being a Shareholder/Shareholders of Ambeon Holdings PLC, do hereby appoint ....

.... holder of

NIC No. .... of .... or

failing him/her

Mr. S. E. Gardiner	or failing him
Mr. A. L. Devasurendra	or failing him
Mr. N. M. Prakash	or failing him
Mr. A. G. Weerasinghe	or failing him
Mr. R. P. Sugathadasa	or failing him
Mr. E. M. M. Boyagoda	or failing him
Mr. R. P. Pathirana	

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 26 November 2020 and any adjournment thereof and at every poll which may be taken in consequence thereof.

Resolutions	For	Against
1. To adopt the Audited Accounts for the year ended 31 March 2020		
2. To re-elect Mr. A. L. Devasurendra		
3. To re-elect Mr. S. E. Gardiner		
4. To re-elect Mr. R. P. Pathirana		
5. To re-appoint Mr. R. P. Sugathadasa		
6. To re-appoint Mr. A. G. Weerasinghe		
7. To re-appoint auditors		
8. To authorise Directors to make donations		

Mark your preference with "X"

Signed on this .... day of .... 2020.

....

Signature

a) * Please delete the inappropriate words.

b) Instructions as to completion are noted on the reverse thereof

FORM OF PROXY

Instructions as to the completion of Proxy

1. The full name, national identity card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –
   a. In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
   b. In the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate/statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a "X" how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy must be deposited with the Registered Office of the Company at No. 10, 5th Floor, Gothami Road, Colombo 8, Sri Lanka or must be emailed to agm2020@ambeongroup.com by 2.00 p.m. on Tuesday, 24 November 2020.

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
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank

AMBEON
HOLDINGS PLC

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Email: info@ambeongroup.com
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