

# Beyond Ambition

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# Beyond Ambition

Action means nothing without ambition, but at Ambeon Holdings we believe that going beyond ambition has revitalised our actions to take what we do to a whole new level of growth. With a diverse and well-honed portfolio, leadership that has already placed us in the trajectory of success and the experience of established and experienced entities, we're following a transformed path that is result-driven and we look forward to the future which holds endless potential and development in all that we do.

**AMBEON**  
HOLDINGS PLC



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

## Introduction to the Report

This is our first integrated annual report and has been compiled to enhance transparency and disclosure by sharing in-depth information regarding the Group's activities during the year under review. The information provided in this report provides a clear picture of the operations of Ambeon Holdings PLC and its subsidiaries. It also provides strategic indications of the Group's future direction and objectives through alignment of subsidiaries with the overall Group vision.

### Scope and Boundary

This report contains a range of information extending from quantitative to qualitative data covering the various capitals and operational aspects of the Group.

- The compilation of this annual report is based on the International Integrated Reporting Framework of 2013
- The financial statements have been audited by the external auditors of the Group and the report of the auditors have been included herewith
- The Group adheres to the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, December 2017

### Reporting Guidelines

- The Group has voluntarily adopted the International Integrated Reporting Framework in compiling this report
- The Group adheres to the Companies Act No.7 of 2007
- The Group adheres Listing Requirements of the Colombo Stock Exchange advocated by Security Exchange Commission
- The Sri Lanka Accounting standard (SLFRS/LKAS) issued by the institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

### Assurance

Assurance on the financial statements have been provided by Messrs. Ernst & Young, Chartered Accountants.

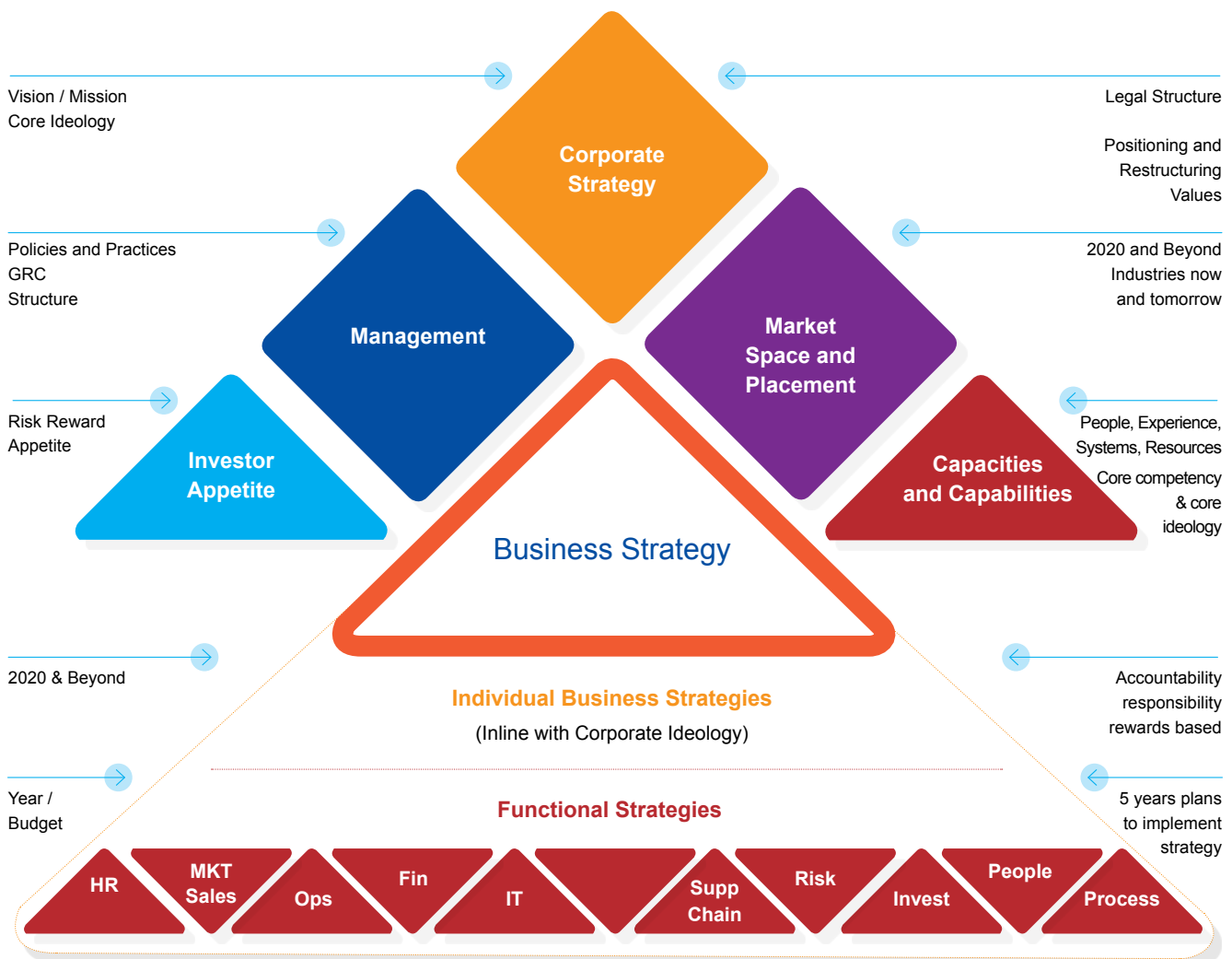
### Reporting Cycle

- Reporting period is for one year from April 1, 2017 to March 31, 2018
- Reporting cycle is annual

## Ambeon Business Model

The Ambeon story might be in its initial chapters. However, it is a complex narrative of partnership, innovation, enterprise and endurance. A balance between corporate prudence, entrepreneurship and the satisfaction of societal needs has underlined, and is reflected in, our business model, resulting in our present dominance in several of the nation's valuable industry sectors. Today we are benchmarked by many, as one of Sri Lanka's respected diversified companies with interests in varied sectors such as financial services, property development, retail, financial services, information technology, manufacturing and brokering. We have a pool of exceptionally talented employees who bring a variety of skills, experience and innovative ideas to the work we do each day.

In order to stay ahead and become a leader in the sectors in which we are present, we need to constantly evolve. Our business model has been restructured and invigorated to reflect this visionary direction. Within this futuristic outlook, our business model is built upon the business strategy of addressing investor appetites based on a risk/reward matrix, on both investments and returns through a strategic process of venturing into the market space of 2020 and beyond. Our focuses remains within industries of now and tomorrow, through tech related acquisitions and financial services that drive fintech, which are aimed at driving technocentric consumerism across all businesses while enhancing business capabilities. This business model is also supported by excellence in management. Guided by a prudent corporate strategy to enhance capabilities of people and processes. As a responsible corporate citizen we have instilled a holistic and comprehensive framework of corporate governance to ensure the highest standards are been maintained in all our business activities across the Group. While individual business strategies have been developed and deployed across each subsidiary which are directly aligned with the overall corporate vision and ideology. Further, all subsidiaries have developed functional strategies for human resources management, marketing and sales, finances, IT, supply chain, risk management, investments, people and processes, to ensure the successful deployment of strategic objectives.



# Introduction to the Report

## Ambeon Strategy Triangle

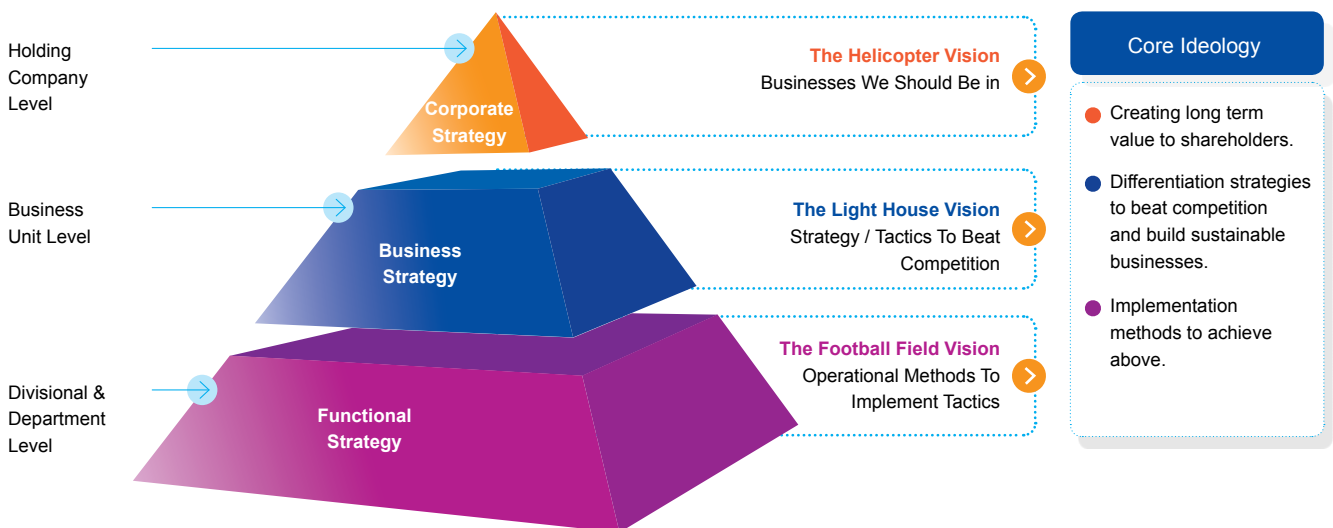
The Ambeon Business Strategy Triangle (as depicted below) has been segregated into three levels in order to ensure that the group ideology and strategy is trickled down with the same intensity it is intended to bear. The first tier of the business model which is aimed at creating value to the shareholders is aligned to the Group's holistic corporate strategy. It gives the shareholders and Board of Directors an eagles eye view of the lucrative business sectors and units the company should be capitalising on, in order to ensure growth.

While the second tier melts down to the individual business sectors, in order that the business model is fine tuned in order to fit into the parameters of the individual sectors in which the Group is present. It ensures that the business stands out among its peers, while creating sustainable business value.

The third and final tier as depicted by 'functional strategies' further fine tunes the model in order that it is adapted into the framework of each business unit. These are followed up by divisional and departmental level strategies that encompass implementation methods to achieve the above, hence ensuring the accomplishment of the Groups holistic corporate objectives.

The overarching business strategy is to outsmart competition in the chosen fields at subsidiary level aimed at building a future centric business, supported by individual business strategies for clearly demarcated short, medium and long term objectives, along with accountability, responsibility and rewards. The functional strategies will integrate at each individual business strategy to drive it at business level. The focus of the Group is in building and connecting standard operating procedures along with policies and procedures so that growth, value and synergies are derived through this holistic process and disseminated across the Group.

## Building the Future The Strategy Triangle



The five pillars of the Ambeon corporate strategy are:

- **Corporate Strategy** - This includes the corporate identity, its legal structure, positioning, values, goals along with the business verticals of the Group. In essence it is all about creating a unique positioning for the Group and its subsidiaries.
- **Market Space and Placement** - Which denotes to the Ambeon vision of 2020 and beyond. It also includes identifying future oriented investments, businesses and the industries that the Group will focus on including the Group's customer value proposition by year 2020 and beyond.
- **Management** - This identifies the structure policies, procedures and GRC framework which is implemented in order that good governance is inculcated into all levels of business.
- **Company Capacities and Capabilities** - This includes a very important asset of the company – its human resources. Identifying and harnessing the existing capabilities of people, their experiences, systems processes, systems and related resources whilst ensuring gaps are identified and filled through quality skill acquisitions and upgrades. In addition to this, the core competencies and ideologies for each business segment and the Group were identified and nurtured as part of this process.
- **Investor Appetite** - Based on risk reward appetites it ensures that risks are well planned for, thus ensuring the sustainability of the business while gaining trust across all stakeholder groups..

## Our Purpose

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

## Our Corporate Values

### Moving First

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

### Channelling Teamwork

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

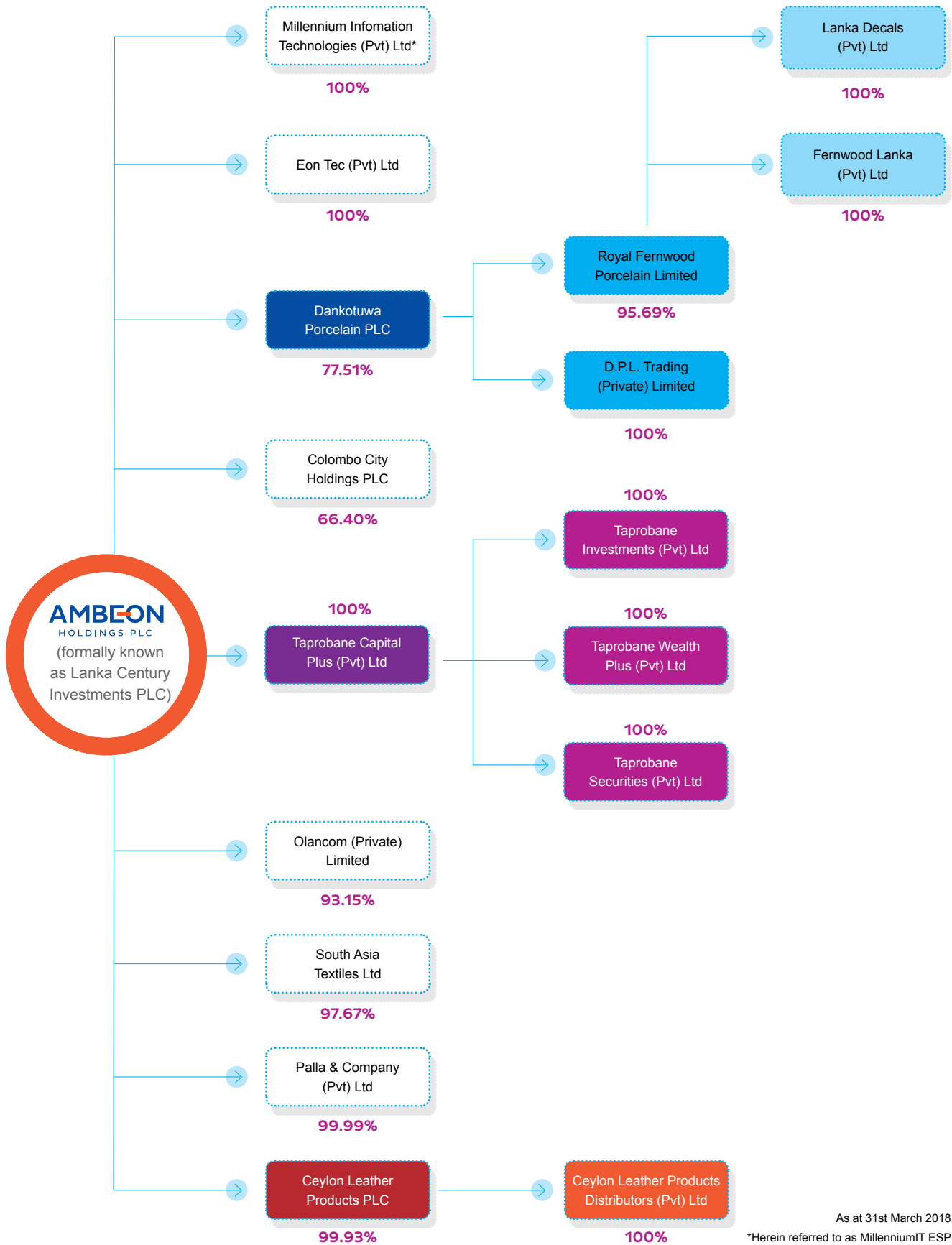
### Actioning Results

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

### Seeing Beyond

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

# Organisation Structure



As at 31st March 2018

\*Herein referred to as MillenniumIT ESP

## Financial Highlights

# 43.5%

### Assets

Rs. 19,800 Mn

# 14.0%

### Revenue

Rs. 12,272 Mn

# 72.8%

### Profit after Taxation

Rs. 680 Mn

# 130.2%

### Total Comprehensive Income

Rs. 1,139 Mn

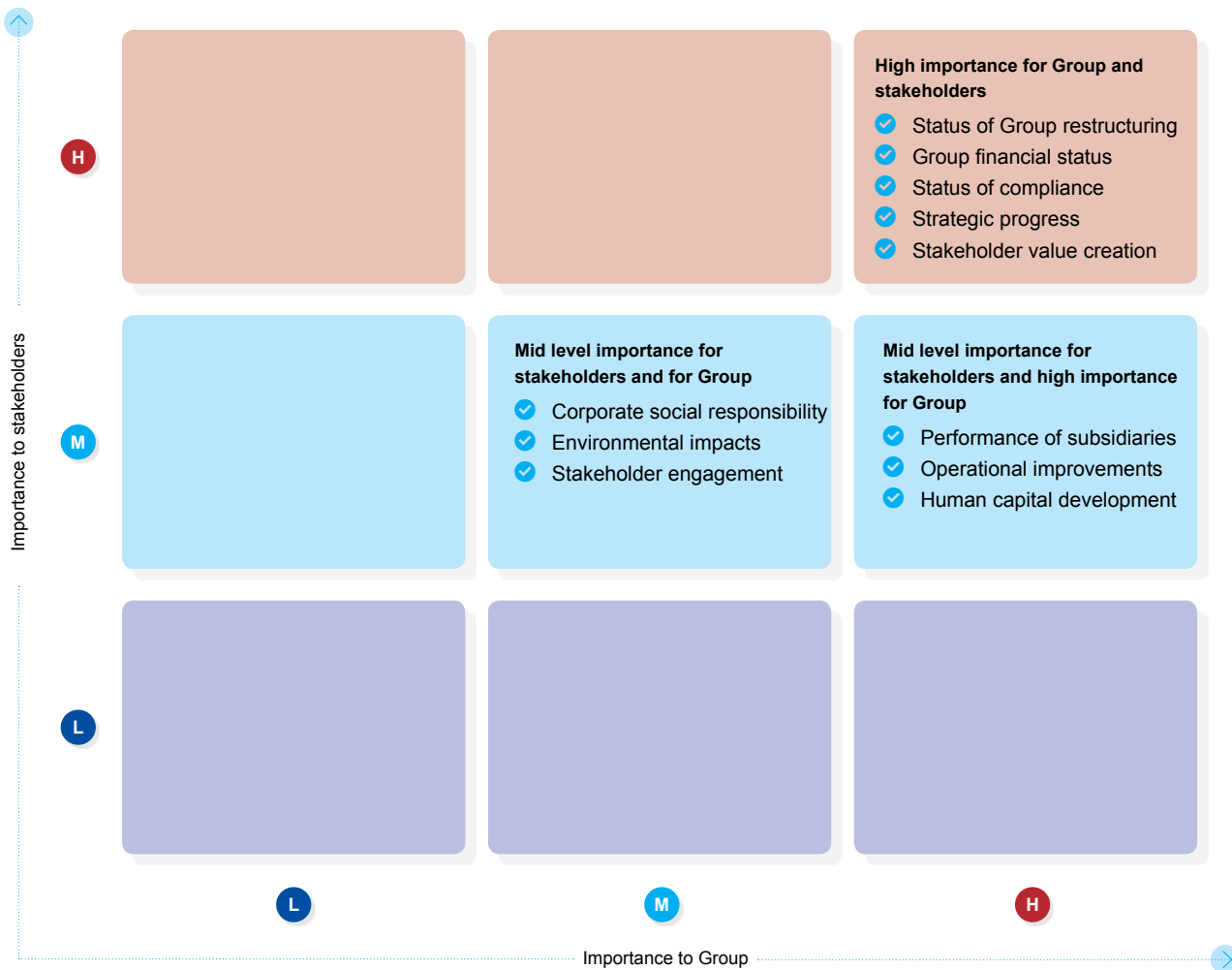
	2017/18 Rs.	2016/17 Rs.	Change %
<b>Financial Performance (Continuing Operations)</b>			
Revenue	12,272,997,840	10,762,067,753	14.04
Gross Profit	2,197,664,454	1,663,461,321	32.11
Profit Before Interest and Tax	975,650,858	652,019,124	49.64
Profit Before Tax	571,740,684	367,218,600	55.69
Profit After Tax - Continuing Operations	670,948,331	263,252,264	154.87
Profit After Tax - including Discontinued Operations	680,818,420	394,103,931	72.75
Interest Cover	2.42	2.29	5.51
Return On Equity	7.54%	3.35%	125.23
Return On Capital Employed	6.64%	5.58%	19.04
<b>Financial Position</b>			
Total Assets	19,800,641,609	13,797,443,447	43.51
Total Debts	5,803,524,340	3,833,006,204	51.41
Total Equity	8,893,369,763	7,859,158,888	13.16
No of Shares in Issue	356,869,666	349,367,119	2.15
Net Assets per Share	21.96	19.67	11.68
Debt/Equity	65.26%	48.77%	33.80
Debt/Total Assets	29.31%	27.78%	5.50
Current Ratio	1.41	1.56	(9.92)
Quick Asset Ratio	0.92	0.99	(6.76)
Market Price of Share	10.9	10.5	3.81
Market Capitalisation	3,889,879,359	3,668,354,750	

# Materiality Mapping

The material topics selected for disclosure within the pages of this report have been selected by the senior management of the Holding company and subsidiaries including the respective Chief Executive Officers and Chief Financial Officers. The topics have been allocated levels of disclosure based on the potential and level of impact upon the Group and its various key stakeholders during the year under review. It is therefore in context of the future sustainability of the Group within the overall strategic vision 2020 formulated for the Group.

Ambeon Holdings and its subsidiaries have in place formal stakeholder engagement mechanisms to facilitate continuous and open communications to ensure that Group strategic decisions accommodate stakeholder concerns and expectations. The stakeholder engagement processes are described in the following page. The identified material concerns are continually monitored through the Groups' centralised risk management and governance processes to ensure protection of various assets and reputational integrity.

## Materiality Mapping of Topics



## Navigating the Material Topics

Material Topic	Reporting Section	Page No.
Status of Group restructuring	■ Group MD's Review	18
	■ Financial Capital	50
Group financial status	■ Financial Capital	50
Status of compliance	■ Governance and Compliance	30
Strategic progress	■ Group MD/CEO Review	18
	■ Capital Management Review	49
Stakeholder value creation	■ Capital Management Review	49
Performance of subsidiaries	■ Sectoral Performance	72
Operational improvements	■ Sectoral Performance	72
Human capital development	■ Sectoral Performance	72
	■ Capital Management Review	49
Corporate social responsibility	■ Sectoral Performance	72
	■ Capital Management Review	49
Environmental impacts	■ Sectoral Performance	72
	■ Capital Management Review	49
Stakeholder engagement	■ Stakeholder Engagement	10

# Stakeholder Engagement

Ambeon Holdings PLC has identified key stakeholder groups that are impacted and have influence upon the Group's activities. These core stakeholders are essential for the sustainability of the Holding Company as well as its various subsidiaries. Therefore, robust systems along with formal and informal channels have been implemented to facilitate regular communications and interactions with these stakeholders as a means of understanding their expectations from the Holding company as well its various subsidiaries and ways and means of how the various businesses can meet these expectations.



**Objective**

- ✓ Customer retention
- ✓ Attracting new customers
- ✓ Customer satisfaction
- ✓ Market intelligence

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**Engagement and Frequency**

- ✓ Customer surveys
- ✓ Advertisements
- ✓ Press releases
- ✓ Website
- ✓ Social media
- ✓ Showroom interactions



**Objective**

- ✓ Industrial harmony
- ✓ Productivity improvements
- ✓ Team building
- ✓ Work-life balance

---

**Engagement and Frequency**

- ✓ Trade union meetings
- ✓ Joint consultative committee meetings
- ✓ Welfare events
- ✓ Performance appraisals
- ✓ Grievance management
- ✓ Social events



**Objective**

- ✓ Supplier retention
- ✓ Attracting new suppliers
- ✓ Supplier satisfaction
- ✓ Market intelligence

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**Engagement and Frequency**

- ✓ Regular meetings
- ✓ Email and other forms of communication



**Objective**

- ✓ Ensure market access
- ✓ Ensure brand visibility
- ✓ Drive sales

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**Engagement and Frequency**

- ✓ Regular Dealer and agent meetings
- ✓ On- site inspections
- ✓ Workshops
- ✓ Awareness programs



Communities

**Objective**

- ✓ Build social capital through goodwill and trust
- ✓ Support community welfare

**Engagement and Frequency**

- ✓ CSR activities
- ✓ Recruitments



Regulators

**Objective**

- ✓ Regulatory compliance
- ✓ Renewal of licenses
- ✓ Reputational integrity

**Engagement and Frequency**

- ✓ Reports and document submissions
- ✓ Meetings with regulators
- ✓ Renewal of licenses



Investors

**Objective**

- ✓ Enhance transparency
- ✓ Wealth creation

**Engagement and Frequency**

- ✓ Quarterly Financial Statements
- ✓ Regular Press releases
- ✓ Annual reports
- ✓ Annual General Meeting



Other Key Partners  
Vendors, Financial Service Providers

**Objective**

- ✓ Enhance Business Synergies
- ✓ Improve mutually beneficial future plans
- ✓ Better cost/profit management

**Engagement and Frequency**

- ✓ Engagement forums
- ✓ Regular meetings and visits
- ✓ Special events



**Beyond  
Elegance**



## Chairman's Review



# Unleashing our True Potential

**“During the financial year 2017-18, Ambeon Holdings PLC emerged as a new force in the Sri Lankan corporate landscape evolving into a restructured, diversified conglomerate”**

During the financial year 2017-18, Ambeon Holdings PLC emerged as a new force in the Sri Lankan corporate landscape evolving from its chrysalis stage as Lanka Century Investments, into a restructured, diversified conglomerate. Against this backdrop of a continued evolution, it gives me great pleasure to present the Annual Report of Ambeon Holdings PLC., for the financial year 2017-18.

As our shareholders are aware, the Ambeon Group commenced a new journey following the 2015 change of ownership at the parent level, whereby a consortium of shareholders namely Navitas Investments, Galle Face Hotel Group and the textile giant Hirdaramani Group combined forces with Ambeon Capital PLC. This change of ownership triggered a new direction for the Ambeon Group under a Vision 2020 Corporate Plan. A strategic restructuring was formally set in motion in mid-2016 targeting the Ambeon Groups’ five major subsidiaries, Dankotuwa Porcelain PLC., its subsidiary Royal Fernwood Limited, Ceylon Leather Products Limited., South Asia Textiles Limited and Colombo City Holdings PLC.

The financial year 2017-18 saw the full deployment of the strategic growth plan across the Group and the acquisition of a new member Millennium Information Technologies (Pvt) Ltd (MillenniumIT ESP) in December 2017, which has now given us a strong foothold in the country’s rapidly growing ICT sector.

Meanwhile, the resultant changes to business models, business processes and organisational cultures due to the transformation program, me have now reshaped our subsidiaries from the traditional business mould into dynamic, innovation-oriented enterprises with a strong future orientation. Our brands have expanded their

presence within the country and beyond Sri Lankan shores and on digital social media platforms, emerging as new age and relevant to local and foreign consumers alike. The process has helped improve financial returns among almost all of the Group’ subsidiaries, to which MillenniumIT ESP has already commenced adding value, through a strong 3-month performance. During the year, earnings per share improved from Rs. 0.78 to Rs. 1.54 with the share price appreciating from Rs.10.50 to Rs.10.90. The return on equity moved up from 3% to 7.54% and return on assets maintained a steady improvement from 4.9% to 5.5%.

## **Our Vision**

The continued improvements to financial performance and operational efficiency gains demonstrated across our companies are indicative that our strategic blue print is now gradually taking hold and has commenced a transformation process from within each company. As these changes continue to be rolled out in the new financial year and business models become more profitable, returns for all stakeholders will improve.

**This change of ownership triggered a new direction for the Ambeon Group under a Vision 2020 Corporate Plan. A strategic restructuring was formally set in motion in mid-2016 targeting the Ambeon Groups’ five major subsidiaries, Dankotuwa Porcelain PLC., its subsidiary Royal Fernwood Limited, Ceylon Leather Products Limited., South Asia Textiles Limited and Colombo City Holdings PLC.**

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**“The Ambeon Group of companies is now poised on the cusp of a new era of growth with a solid foundation of financial stability and leadership to drive this process, and I am extremely positive about the outlook for the company.”**

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The Ambeon Group Vision 2020 is aimed at creating a portfolio of home grown, global brands that represent our nation with pride across the world, contributing towards national wealth creation. With demonstrable improvements across all our subsidiaries, I am confident this objective is within our reach, if we remain focused on our goal and continue to strive towards this objective. The current business sectors comprising financial services, porcelain, footwear, textiles, real estate and ICT solutions, are all poised for growth in the immediate future and we are rapidly positioning our companies to capitalise on emerging market opportunities. I kindly request our stakeholders to peruse the Group Managing Director's review for a summary of the performance of our subsidiaries and the state of the company's financial health.

### Contributions to Stakeholders

I am pleased to report that the Group's value creation has improved year on year, which has increased our contributions to all stakeholders.

During the year under review, the Ambeon Group generated a profit of Rs. 680.8 Mn compared to the profit of Rs. 394.1 Mn in the previous year.

The Group's total comprehensive income for the year under review was Rs. 1.1 Bn from Rs. 494.9Mn in 2016-17 and the loss of Rs. 1.0Bn in 2015-16, indicating the continuous improvements within the Group.

The Group's overall revenue for the current year was Rs. 12.2 Bn, which has grown from Rs. 10.8Bn in 2016-17 and Rs. 9.4Bn in 2015-16.

The loss attributable to equity holders of the parent was Rs. 1.7 Bn in 2015-16 and our strategic blueprint reversed this into a profit of Rs. 271.7 Mn within one year in 2016-17. We continued to enhance shareholder value in the current financial year with profit attributable to equity holders of the parent increasing to Rs. 540.9 Mn.

Ambeon Holdings also channelled approximately Rs. 1.8Bn into its subsidiaries for their future growth and development.

Considering the restructuring and related investments required to create a sustainable growth, we intend utilising and reinvesting the retained earnings to fuel this drive towards achieving greater returns. I can confidently assure our shareholders that Ambeon Holdings PLC is now on its way to becoming a promising investment.

## Future Direction

The Ambeon Group of companies is now poised on the cusp of a new era of growth with a solid foundation of financial stability and leadership to drive this process, and I am extremely positive about the outlook for the company. As Sri Lankan consumer lifestyles continue to improve, domestic market demand for high quality porcelain, textiles and footwear, is set to rise. As the economy expands, we anticipate sustained demand growth for specialised financial services and ICT services to support the national growth drive. On the international front, we have already established a network of global partnerships that will be further leveraged to support export expansion. These external opportunities have been prudently balanced against risk factors and an internal capacity enhancement drive within our companies has been launched to equip our companies to tap into emerging opportunities both locally and globally. Against this backdrop, our shareholders and other stakeholders can anticipate many new and exciting products and services from the Ambeon Group in the new financial year.

On that optimistic note, I wish to conclude by extending my thanks to our shareholders for their continued support in rejuvenating Ambeon Holdings PLC. The Board of Directors, with their collective expertise and dedication have provided unmatched direction in this journey and I am fully appreciative of their efforts. Our bankers and suppliers are partners in this journey and I am grateful for their assistance during the year. I would also like to thank the management and the employees of Ambeon Holdings for embracing change and supporting the company in its transformation.

*Sgd.*

**A G Weerasinghe**

*Chairman*

13 July 2018

**Group Managing Director/ Chief Executive Officer's Review**



# Building Relationships

**“Post balance sheet, the Group was repositioned along with a name change which reflected our new identity while retaining the core values and competencies. Through this transformation the Ambeon Group, continued restructuring in our quest to clearly demarcate organisational focus.”**

It is with great pleasure that we present this year's financials along with the annual report to our valued shareholders. Our performance this year has not only surpassed the prior year, with a significant growth percentage, but has also placed Ambeon Holdings on a firmer footing for sustainable growth into the future. The year was one of continued restructuring, consolidating on the early wins and looking at future based expansions. The techno-centric consumerism that is emerging makes it mandatory for organisations to stay ahead of the curve and therefore it is essential that we upgrade capabilities and acquire/build the required knowledge.

Post balance sheet, the Group was repositioned along with a name change which reflected our new identity while retaining the core values and competencies. Through this transformation the Ambeon Group, continued restructuring in our quest to clearly demarcate organisational focus. Which brought about a much neater and cleaner organisational structure both legally and commercially. The process involved clearing out many cross holdings and aligning business verticals proper while giving impetus to renewed focus and growth and within the process, to enhance stakeholder well-being.

Whilst the internal realignment was progressing, your company also looked at the future requirements in aligning its businesses correctly to be sustainable and future proof. The acquisitions as detailed in this report was a result of this future centric approach where the overall business focus and growth was the key. The structure was strengthened with a dynamic management team at Holding Company level and at subsidiaries.

Your Group today stands as a well rooted and well segmented business power house with manufacturing,



**Rs. 670.9 Mn**  
Profit After Tax



**Rs. 571.7 Mn**  
Profit Before Tax

real estate, technology and financial services as the core verticals and as an active investment management unit. The future aids businesses that understands consumer preferences and brings about a futuristic thought process. With these transformations, we stay ahead of the rest, chartering our course, for others to follow, ready to embrace the future with confidence. Vision 2020/2021 is the stepping stone towards this larger ambition of creating the ultimate value machine.

#### **Restructuring of Ambeon Group**

The financial year commenced with the Group finalising its organisational restructuring both legally and strategically. Ambeon Holdings is now a sustainable, robust, modern, competitive medium sized conglomerate, which professes a brand personality of being astute, driven, nimble and visionary to drive the techno centric businesses of tomorrow. Ambeon Holdings now has a clearly defined set of values in the form of moving first, actioning results, channelling team work and seeing beyond, with clearer reporting and control lines. New business model is detailed on page 3.

## Group Managing Director/ Chief Executive Officer's Review

The restructuring brought about a clearer ownership, demarcating the Holding company and its responsibilities more holistically. This was followed with a share swap between Ceylon Leather Products PLC and Ambeon Holdings PLC based on net asset value. Through this transaction, Ambeon Holdings PLC enhanced its controlling stake in Ceylon Leather Products. In addition to this, South Asia Textiles, which was a subsidiary of Ceylon Leather Products PLC, was acquired by Ambeon Holdings PLC making it a direct subsidiary of the Holding Company. Post this, Ceylon Leather Products PLC, which was listed on the Colombo Stock Exchange was de-listed in June 2018.

The restructuring also brought about a change at the Holding company wherein, the financial services business was aligned as a subsidiary of Ambeon Holdings PLC thus making the latter a clearly focused investment and management company of the group. Consequent to the legal restructuring the group embarked on its five-pillar corporate strategy to build sustainable value across all subsidiaries. Our Corporate Identity was re-launched with Ambeon Holdings PLC encapsulating a focused positioning based on values that we espouse and the core ideology we follow towards 'Reengineering success'. Corporate Identity that created a unique positioning for the individual subsidiaries and the Group, Market Space and Placement is where the Group entities were realigned and repositioned to embrace the changing needs of the future. Management included the implementation of a refocused structure to harness the Group synergies together with accountability and responsibility. This included implementing a proper GRC framework and many SOPs (Standard Operating Procedures) across the Group. Company Capabilities and Capacities included capacity and capability building, quality skill acquisitions and upgrades while concurrently identifying and nurturing core competencies and ideologies for each business segment and the Group while ensuring service delivery and investments are in the correct areas and executed timely. Investor Appetite – meant that risk vs reward matrix was managed and ensuring sustainability of the business while gaining trust across all stakeholder groups. For detailed information on the Business Model of Ambeon Holdings PLC, please refer page 3.

I believe we been able to implement long term reforms at a strong pace to achieve our strategic priorities. This is clearly demonstrated by our financial results stated in this report. I am pleased to state that the Group is now well underway in building stronger more sustainable business models across all subsidiaries.

### Expanding Our Businesses

In December 2017, Ambeon Holdings completed the acquisition of the global IT enterprise solutions provider, Millennium Information Technologies Pvt. Ltd., (MillenniumIT ESP). Under the terms of the agreement, 100% stake of MillenniumIT ESP was acquired from London Stock Exchange Group (LSEG) with management and shareholding control. As part of the acquisition agreement, Ambeon Holdings also entered a wider ownership plan with the employees of MillenniumIT ESP giving them an equity stake and enabling them to play a significant role in shaping the company's future as owner managers. With the acquisition of MillenniumIT ESP, we are now placed firmly on the cutting edge of the modern ICT superhighway. February 2018 saw the acquisition of the financial business from Ambeon Capital PLC. This was aligned under Taprobane Capital Plus (Pvt) Ltd and is now a direct subsidiary of the Holding Company – bringing about the much-needed financial focus to the group.

Our journey of reinvention and rejuvenation is aimed at creating a sustainable, future-centric group of companies with the objective of creating value for all stakeholders and supporting the development drive of the nation.

### Group Financial Performance

The Ambeon Group's two primary business lines of investment management and management of subsidiaries both recorded significant improvements during the year. Revenue at group level improved to Rs. 12.27Bn from Rs. 10.76Bn, indicating a growth of 14%. The gross profit improved from Rs. 1.66Bn to Rs. 2.2Bn along with a 32% increase in operating profits due to controlled expenditure and better margins. Administrative cost increase was mainly due to the acquisition of MillenniumIT ESP as a new business which was not there during the prior year.

Meanwhile, the increase in net cash and cash equivalent from Rs. 13.5 Mn to 1.3 Bn due to proceeds received from fixed asset disposal and access to other sources of funding. Operating cash flow decreased due to increase in inventories and trade receivables, which could be attributed to market expansion activities at subsidiary level where new products/channels and services brought about an increase in the working capital requirements. We have taken necessary action to improve this through stringent cash controls and prudent planning of working capital.

The Group net profit after tax recorded a significant improvement of Rs. 286.7 Mn indicating a growth of 73% over the prior year. The contribution from MillenniumIT ESP, the latest acquisition

Rs. **2.2 Bn**  
Gross Profit

Rs. **12.27 Bn**  
Group Revenue

together with performance resurgence at Royal Fernwood and a threefold increase in profits at South Asia Textiles over a somewhat subdued past year were noteworthy contributions. The other income during the year rose from 177.5 million to Rs. 289.7 Mn, while a change in fair value of financial assets had a positive impact to the P&L during the year.

Total comprehensive income climbed to Rs. 1.1 Bn, which was more than double the profits that was recorded in 2016/2017, which was Rs. 495 Mn. An annual Profit Before Tax (PBT) of Rs. 571.7 Mn was posted for the current year, which was a significant increase over the Group's PBT of Rs. 367.2Mn in 2016/2017. Further Group Profit After Tax (PAT) was more than doubled to Rs. 670.9 Mn in 2017/2018. This is in comparison to a Group PAT of Rs. 263.3 Mn achieved last year. Interest bearing borrowings increased by 51% mainly due to the investments in new acquisitions. As a result, the Group's debt to equity ratio increased from 0.5 times to 0.7 times.

Key ratios such as Return on Assets (5.5% vs prior year 4.9%), Return on Equity (7.5% as against prior year 3.3%) and Return on Capital Employed recording 6.6% against 5.6% in the corresponding period of prior year could be cited as noteworthy. A key performance was the Earning Per Share for Continuing Operations, which moved from Rs. 0.4 in the previous year to a very healthy Rs.1.5 per share thus improving more than three-fold.

The porcelain group consisting of Dankotuwa Porcelain and its subsidiary Royal Fernwood, experienced a decline in the current financial year. This unexpected setback can be attributed to an industrial dispute at Dankotuwa Porcelain, increase in energy costs along with certain corrective action in inventory provisions post ERP implementation

audit along with corrective action on import duty to reflect the local sales component. However, I am happy to report that corrective action has been initiated on all of the above simultaneously by the management and has resulted in a stronger and more solid entity as we see from the results that are emerging post balance sheet. Unfortunately, Dankotuwa closed the year with a disappointing loss of Rs. 80.9 Mn compared to the Rs. 94.6 Mn profit of the previous financial year.

On the other hand, the news pertaining to Royal Fernwood, is extremely favourable. I am pleased to report that Royal Fernwood continues on a growth trajectory under the careful guidance of a professional new management team. Royal Fernwood proudly closed the year with a profit growth of 202% from Rs. 28 Mn to Rs. 84 Mn which has helped cushion the porcelain sector losses for the year.

While our textile manufacturer South Asia Textiles (SAT) too has ended the year on a positive note. I am pleased to report that South Asia Textiles continues to sustain a 12% growth in turnover year-on-year. The topline moved up to Rs. 7.7 Bn in 2017-18, from Rs. 6.9Bn in 2016-17. This growth in revenue was supported by growth in both direct and indirect exports. South Asia Textiles closed the year with Profit After Tax growing by 125% year-on-year. This performance vindicates the management decision to invest in process improvements, new technological enhancements, efficient supply chain management and enhanced customer intimacy.

Our property company, Colombo City Holdings meanwhile, disposed of its 3-acre land development project at Polgasowita and a portion of the property owned by the company at Union Place. Consequently, the company's reserves have grown from Rs. 1.6 Bn to 1.8 Bn with a correspondence increase in shareholder equity.

Business at Ceylon Leather Products changed considerably with the company moving into the retail markets more aggressively whilst discontinuing the tannery operations.

The latest addition to the Ambeon Group, Millennium IT ESP, has justified our decision as a strategic acquisition by reporting an encouraging revenue of Rs. 1.5 Bn for the three months of January to March 2018.

#### Progress at Subsidiary Level

The Dankotuwa Group comprising of Dankotuwa Porcelain and Royal Fernwood has experienced growth within the local market. The two iconic consumer brands have

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**“Operational aspects have been strengthened across the Group with proper functional verticals in place. These have helped build synergies across the Group from a functional point while bringing greater insights and controls.”**

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made significant headway in both the international and local markets. In this regard, the domestic expansion strategy is on track with the opening of the Signature Showroom in Colombo and progressive retail and trade expansions across. In the export business, Dankotuwa made considerable progress in the Middle East, India and other parts of South Asia. Through these expansions, we hope to rebalance our risks within the porcelain sector while enhancing revenues as we continue to expand our business. Royal Fernwood continued with its resurgence through internal process improvements and better go-to-market strategy through product innovations. The company is now focusing on key process compliance improvements. The year under review saw them venturing into the figurine markets in Europe and are exploring other potentials such as India.

The evolving industry and the futuristic vision of Ceylon Leather Products, resulted in the metamorphosis of a completely new brand outlook, which was set to cater to the emerging consumer aspirations, changing generational and retail dynamics. Amidst these new offerings, the brand continues to enhance its core offering of leather-based products known for its quality and durability thus retaining its core segmental offering. The transformation included the DI logo been revamped to add a degree of modernity. The brand also unveiled its new slogan 'I love it'. Aligned to this revival, several showrooms too, underwent a transformation to suit the brand personality.

Currently the South Asia Textiles manufacturing facility is accredited by the Worldwide Responsible Accredited Production (WRAP) standard and is in the process of qualifying for the new ISO 9001 certification along with the ISO 14001 environmentally responsible manufacturing certification by end December 2018. The company has also

decided to invest in environmental improvement project of the existing waste water treatment plant. Under the Group's Vision 2020 Strategy blue print, the Group's real estate entity Colombo City Holdings, is being transformed into a modern niche property developer.

In today's dynamic business environment, digital transformation, fintech and security is mandatory for the sustainability of businesses. The all new financial services and technological businesses aligned under Ambeon Holdings will give the group that competitive edge. An evaluation of the future technology centred business landscape along with the benefits to the group through the acquisition of a tech company is detailed on pages 186 to 187 and perhaps is one of the most crucial and future centric decisions made by the group. This is expected to leverage the entire group business through technology enabled future business strategies while moving to capture the emerging markets in the technology landscape itself.

Operational aspects have been strengthened across the Group with proper functional verticals in place. These have helped build synergies across the group from a functional point while bringing greater insights and controls. The most far reaching change has been the creation of a new position for the Group under the title, Head of Innovation, to drive our companies into a new mindset, which will be contrary to traditional thinking.

### Reshaping Our Future

The new financial year will see Ambeon Holdings consolidating its change process with each subsidiary aligning with its corporate growth strategies and effecting changes to business models. Innovative technological platforms will be unrolled across the Group with specialised solutions for each company aimed at enhancing cost and operational efficiencies. The correct skills and expertise have now been injected into our human resource base, to drive this internal change process.

We will continue to explore new markets and new marketing opportunities, while diversifying and upgrading our product and service portfolios to rebalance product and market risks. Market expansion and new product development will be a thrust area going forward to create new vistas for our companies. We will thus help shift Sri Lankan consumers into a new dimension through a wide range of products and services. Matching processes and right investment, we believe will hold together the group in building a sustained growth.

Emerging technology could pose significant challenges to most businesses. We believe that the core to mitigate such risks is to understand the future and be future proof. Our foray into technology was to ensure the wellbeing of our existing verticals as well as taking advantage of this emerging spaces.

As we face an increasingly unpredictable future with ever changing external dynamics from a macro and micro perspective, the Ambeon Group builds resilience and capabilities to maintain a sustainable growth trajectory. In this regard the Groups' GRC framework has been reviewed and restructured and will be continued to be updated and modifies as required. This now presents a more stable foundation for growth with enhanced control and monitoring systems with real time interconnected information flows.

I maintain that our attitude towards the future must be based on 'think universal and act global'. The growing population of millennials presents our companies with the opportunity in becoming global brands. Our final objective is to build a sustainable business entity that would be geared to operate profitably in any volatile market condition. As we forge ahead in this journey, I would like to extend my gratitude to the Chairman and the Board for their guidance and confidence in me throughout the year. A special note of appreciation to our main shareholder Ambeon Capital PLC, for their continuous trust and confidence placed in Ambeon Holdings and the respective Boards of all the subsidiaries. Our management team and the CEOs of our subsidiaries have been crucial in driving the change process and I acknowledge their hard work. A special thank you to our most valued asset - our employees for being positive change agents. I also thank our suppliers, financial institutions and other stakeholders that directly and indirectly engaged with the company and our customers for their continued patronage. I also thank our shareholders for the continued trust placed in the Group and company as we continue to progress further – together.

*Sgd.*

**Murali Prakash**

*Group Managing Director/ Chief Executive Officer*

13 July 2018



**Beyond  
Precision**



## Board of Directors



**Mr. A. G. Weerasinghe**

*Chairman*

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 PLC.



**Mr. Murali Prakash**

*Group Managing Director/Chief Executive Officer*

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

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

With over 35 years of experience holding key management positions in the areas of general management, strategic restructuring, investments/ credit management, manufacturing, marketing / sales and business

consultancy, some of his previous roles include serving as the Group Managing Director/Chief Executive Officer of Browns Group of Companies, a public quoted conglomerate involved in trading, manufacturing, finance, leisure, plantations, healthcare and strategic investments, the Chairman of Galoya Holdings (Private) Limited and the Sales Director of Singer (Sri Lanka) PLC. He has also served on the Boards of Singer (Sri Lanka) PLC., Singer Finance (Lanka) PLC., and Singer Industries (Ceylon) PLC.

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



**Mr. Ruwan Sugathadasa**

*Director*

Mr. Ruwan Sugathadasa possesses over 20 years' experience in Government and Corporate Debt Markets 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 a 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**

*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. Priyantha Maddumage**

*Director*

Mr. Priyantha Maddumage is the Group Chief Investment Officer of the Galle Face Hotel Group of Companies and counts over 24 years of Finance Management experience. He has a Bachelor of Commerce Special Degree from the University of Sri Jayawardenapura and a Master of Business Management from Edith Cowan University in Australia. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, Member of CPA Australia & Associate Member of the Institute of Certified Management Accountants of Sri Lanka.

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

## Heads of Business Subsidiaries



**Mr. Prithiv Dorai**  
*Managing Director/Chief Executive Officer – South Asia Textiles Limited*



**Dr. Sajeewa Narangoda**  
*Acting Chief Executive Officer – Dankotuwa Porcelain PLC*



**Mr. Ruwan Sugathadasa**  
*Managing Director/Chief Executive Officer – Taprobane Capital Plus (Pvt) Ltd*



**Mr. Ashan Dassanayake**  
*Executive Director – Colombo City Holdings PLC*



**Mr. Sajeewa Ranasinghe**  
*Chief Executive Officer – Ceylon Leather Products PLC*



**Mr. Shanaka Rabel**  
*Chief Executive Officer – EON Tech (Pvt) Ltd*



**Mr. Yoshan Fernando**  
*Chief Operating Officer – Royal Fernwood Porcelain Limited*



**Mr. Nishantha Jayasooriya**  
*Managing Director/Chief Executive Officer – Taprobane Investments (Pvt) Ltd*



**Mr. Niranjana Niles**  
*Chief Executive Officer – Taprobane Securities (Pvt) Ltd*

## Group Management Committee



**Dr. Sajeewa Narangoda**  
*Group Chief Investment and  
Process Officer*



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



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



**Mr. Miyuru Rajapakse**  
*Group Head –  
Manufacturing Processes*



**Ms. Shakila Kamalendiran**  
*Group Head – Corporate  
Communications*



**Mr. Nichula Dias**  
*Group Head –  
Organisational Development*



**Mr. Milinda Perera**  
*Group Head - Innovation*



**Mr. Isuru Fernando**  
*Manager Finance*



**Mr. Charith Hettiarachchi**  
*Manager - Group IT*



**Ms. Giyanie Fernando**  
*Manager - Corporate Affairs*

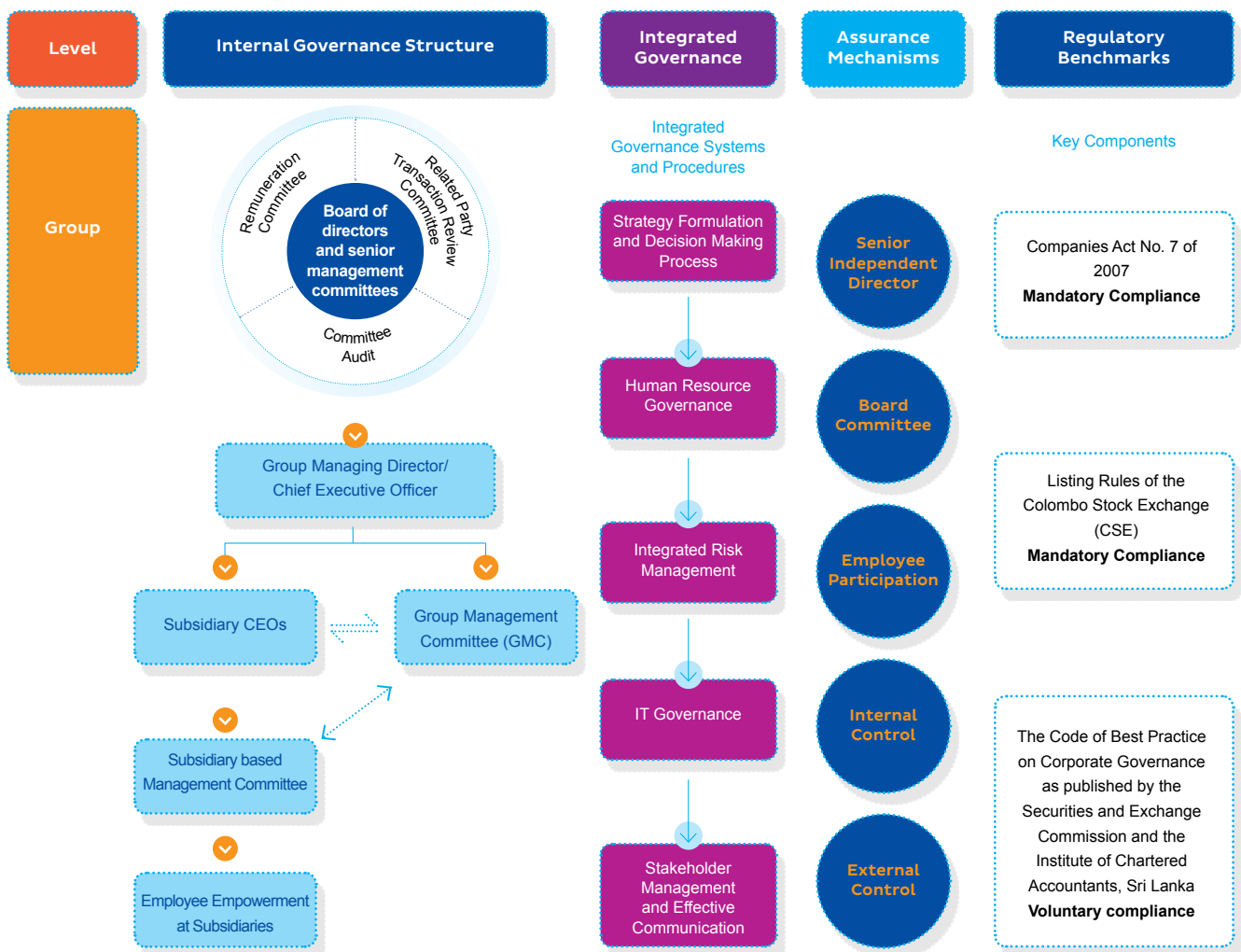


**Ms. Sachini Hulugalle**  
*Group Legal Officer*

# Governance, Risk and Compliance Report

A sound GRC framework is key to managing a diverse portfolio of businesses with operations spanning the local and global communities. Our GRC structures which was implemented during the financial year under review, is keeping pace with regulatory developments and international best practice, carefully balancing legitimate interests of our key stakeholders. A robust framework of structures, policies, codes, procedures and processes ensure that our values and standards are upheld throughout the group.

The Board is the highest decision-making authority and has overall responsibility for determining the strategic direction of the Group, adopting a sound governance framework and setting in place robust risk management and international controls systems. As the parent of a diverse conglomerate the seventeen companies are organised into six sectors, each company is headed by a Chief Executive Officer who is responsible for delivering agreed strategic goals.



These are the components embedded within the Group, and as a result, have an impact on the execution and monitoring of all governance related initiatives, systems and processes.

The Internal Governance Structure encompasses:

- i. The Board of Directors;
- ii. Board Sub-Committees;
- iii. Senior Management Committees; and
- iv. Employee Empowerment.

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

Continually striving to improve the quality of our governance system, the Board confirms that the Company has been and is, fully compliant with all the mandatory provisions of the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka Act (SEC) and all other legislation and rules applicable to the businesses of the Group. Further, the Group's practices are in line with the Code of Best Practices on Corporate Governance jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

### The Board of Directors

In carrying out its responsibilities, the Board promotes a culture of openness, constructive dissent and productive dialogue within an environment which facilitates employee empowerment and engagement.

### The Board's Key Responsibilities Include:

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

### Composition and Balance of the Board

The objective in formulating the Board composition is primarily to ensure regulatory compliance and also to maintain a healthy balance between the Executive, Non-Executive and Independent Directors to facilitate access to in-depth business knowledge, while also ensuring access to experience, objectivity, and independent oversight.

In line with the above objectives, the present Board comprises of Five (05) Directors of whom Four (04) are Non-Executive Directors and One Executive Director. The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences, whilst serving in a variety of public and private companies in various industries. The Board includes one qualified Chartered Accountant who provides the Board with the requisite financial acumen and knowledge on financial matters.

### Board Skills

Collectively, the Board represents a wealth of diverse exposure in the fields of business, finance, economics and marketing which provides the company expert knowledge to develop strategies and interpret market trends. Further details of their qualifications and experience are provided under the Board Profiles section of this Annual Report in pages 26 to 27.

The Board considers that the composition and expertise of the Board is sufficient to meet the present needs of the Group, but will continue to review the composition and the mix of skills and expertise on an ongoing basis to align it to the business needs and complexity of the Group's operations.

The composition of Board of Directors during the financial year and as at date was as follows;

Name of Director	Position
Mr. A G Weerasinghe	Non-Independent Non-Executive Director
Mr. Murali Prakash	Executive Director
Mr. Ruwan Sugathadasa	Non-Independent Non-Executive Director
Mr. Mangala Boyagoda	Independent Non-Executive Director
Mr. Priyantha Maddumage	Independent Non-Executive Director

Table 1 – Composition of the Board

# Governance, Risk and Compliance Report

## ■ Board Independence

The Ambeon Holdings Board accommodates independent Directors in line with regulatory stipulations. Based on the annual declarations made by each of the non-executive directors in accordance with the requirements of the Listing Rules of the CSE, Mr. Mangala Boyagoda and Mr. Priyantha Maddumage are considered independent.

The Board considers the other two non-executive directors, namely Mr. A G Weerasinghe and Mr. Ruwan Sugathadasa as non-independent, as they are nominees of Ambeon Capital PLC, the major shareholder of the Company.

## ■ Division of Responsibilities

The roles of the Chairman and the CEO are separate with a clear distinction of responsibilities between them, which ensures the balance of accountability and authority between the running of the Board, and the executive responsibility for the running of the Group's business.

The role of the Chairman, Mr. A G Weerasinghe, is to provide leadership to the Board, for the efficient organisation and conduct of the Board's function, and to ensure the integrity and effectiveness of the relationship between the non-executive and executive director.

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

## ■ Board Meetings and Attendance

The Board meetings for each financial year are scheduled in advance to enable the directors and management to plan accordingly and fit the year's Board meetings into their respective calendars. The Board's annual meeting calendar is prepared with the consensus of all directors and is tabled at a Board meeting in the final quarter of the financial year of each preceding year.

To ensure that Board meetings are conducted effectively and efficiently, the time allocation for each agenda item is determined. Members of the management and external advisors are invited as and when required to attend Board meetings to present proposals and provide further clarity to the Board.

The Board meets quarterly with a view to discharging its duties effectively. In addition, special Board meetings are also held whenever necessary to deal with specific matters. A total of four meetings were held during the financial year.

The attendance of directors at these meetings is set out in the table below:

Name of Director	Attendance
Mr. A G Weeasinghe	4/4
Mr. N M Prakash	4/4
Mr. R P Sugathadasa	3/4
Mr. Mangala Boyagoda	4/4
Mr. Priyantha Maddumage	1/4

Table 2 – Board Meeting Attendance

## ■ Access to Information

To enable the Board to make informed decisions, the Board is supplied with complete and adequate information in advance of each meeting, which includes an agenda, minutes, board papers with background or explanatory information, financial and operational performance reports. The Board also receives regular review reports and presentations on business development, risk profiles and regulatory updates. Any additional information may be requested by any director as and when required.

The Board has separate and independent access to the Group's Senior Management. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with.

The directors, especially non-executive directors, have access to independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

## ■ Professional Development and Performance Evaluation

The directors are provided with the opportunity to update and enhance their skills and knowledge through training conducted by both external and in-house facilitators, and are periodically briefed on changes to relevant laws, regulations and accounting standards which impact the Group's business and the directors.

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

## Board Sub-Committees

The Board has delegated some of its functions to Board Sub-Committees, while retaining final decision rights. Members of these Sub-Committees are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

The three Board Sub-Committees are as follows:

- i. Audit Committee
- ii. Remuneration Committee
- iii. Related Party Transaction Review Committee

All Board Committees have written Terms of Reference approved by the Board and the Board, receives reports of their proceedings and deliberations. In instances where committees have no authority to make decisions on matters reserved for the Board, recommendations are highlighted for approval by the Board. The Chair Persons of each of the Board Committees report the outcome of the Committee meetings to the Board and the relevant decisions are incorporated in the minutes of the Board meetings. M/s PW Corporate Secretarial (Private) Limited acts as the secretary to all Board Committees.

A brief description of each Board Committee is provided below:

### **1. Audit Committee**

The Audit Committee ensures that the Company and the Group complies with applicable financial standards and laws. In addition, it ensures high standards of transparency and corporate disclosure and endeavours to maintain appropriate standards of corporate responsibility, integrity and accountability to the shareholders. The appointed members of the Audit Committee are required to exercise independent judgement in carrying out their functions.

The activities conducted by the Audit Committee are set out in the Audit Committee Report on pages 98 to 99.

### **2. Remuneration Committee**

The role of the remuneration committee is to formulate, review, approve and make recommendations to the Board with regard to the remuneration of the executive and non-executive directors and key positions within the senior management.

The Remuneration Committee also ensures that it receives updates from the HR Division on staff related matters as and when required.

### **3. Related Party Transactions Review Committee**

The primary function of the Related Party Transactions Review Committee is to review related party transactions as prescribed by Section 09 of the Listing Rules of the Colombo Stock Exchange.

The activities conducted by the Related Party Transactions Review Committee are set out in the Related Party Transactions Review Committee Report on page 101.

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

### **■ Re-appointment and Re-election**

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

### **Employee Empowerment**

Given the importance the Group places on its employees for the growth of the organisation, policies, processes and systems are in place to ensure effective recruitment, development and retention of this vital stakeholder. Constant dialogue and facilitation are also maintained ranging from work related issues to matters pertaining to general interest that could affect employees and their families. Therefore, the Group follows an open door policy for its employees and this is promoted at all levels of the Group

### **Accountability and Audit**

#### **■ Financial Reporting**

The Board believes that the independent verification is necessary to safeguard the integrity of the Group's accounting and financial reporting.

The Board aims to provide and present a balanced and understandable assessment of the Group's position and prospects. Therefore, the Board has established a formal and transparent process to independently verify and safeguard the integrity of the Group's accounting and financial reporting and internal control systems which are periodically reviewed and monitored to ensure effectiveness.

The Head of Finance declare in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and that operational results are stated in accordance with relevant accounting standards.

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**“The risk management programmes have allowed greater visibility of risk appetites. Risks and impacts are identified from a triple bottom line perspective, emanating from the socio/economic environment the Group operates in.”**

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## Integrated Risk Management

Keeping with the Group’s sustainability principles, Ambeon decided to invest in a fully-fledged ERM (Enterprise Risk Management) solution to support the Group in its future strategic decision making. CAMMS ERM solution is coupled with preconfigured risk, incident and hazard management templates, matrices, registers, controls and key risk indicators. The system enabled implementation of best practices with regards to ERM by deploying frameworks that comply with the COSO Enterprise Risk Management Integrated Framework. This system also ensures compliance with the ISO 1000:2009 international risk management standard.

The steps taken towards promoting the Group’s integrated risk management process are:

- Integrating and aligning activities and processes related to planning, policies/procedures, culture, competency, internal audit, financial management, monitoring and reporting with risk management.
- Supporting executives/ managers in moving the organisation forward in a cohesive integrated and aligned manner to improve performance, while operating effectively, efficiently, ethically and legally within the established limits for risk taking.

The risk management programmes have allowed greater visibility of risk appetites. Risks and impacts are identified from a triple bottom line perspective, emanating from the socio/economic environment the Group operates in. Risks emanating from its value chain are also assessed in order to consider the entire value chain and not just the operations of the Group. From an economic perspective, the Group identified the weakened global economy, political instability as well as epidemics, possible volatility in interest and foreign exchange rates and ambiguous and out dated laws as key areas of risk impacting the business operations of the Group.

## Treasury and Financial Operations

The Financial and Treasury management was subject to greater supervision and management oversight to maximise returns for shareholders, while ensuring commensurate benefits for other key stakeholder groups. Hence the design and development of a modern, centralised, treasury function and formulating a policy for strategic investments was implemented under the expert guidance of KPMG. This process which has been broken down into three phases, transmit the following objectives;

The scope of work for each of these phases are as follows.

**Phase 1- Developing a Treasury Policy and Centralist Monitoring Mechanism**



Centralised to-be Processes	Group Policies	Treasury Reporting Formats
<p>Current operating processes were re-engineered and restructured with common controls and approval levels which was standardised across the group. Processes which were standardised are:</p> <ul style="list-style-type: none"> <li>i. Short term Liquidity Management                             <ul style="list-style-type: none"> <li>✔ Cash flow Forecasting</li> <li>✔ Working capital monitoring</li> </ul> </li> <li>ii. Corporate Finance                             <ul style="list-style-type: none"> <li>✔ Borrowings Management</li> <li>✔ Intra Group Funding</li> </ul> </li> <li>iii. Investment Management</li> <li>iv. Foreign Currency Management</li> </ul>	<p>The Policies would cover aspects of Treasury function and Roles &amp; Responsibilities, Grant of Authority for transactions and managing relationship with counter parties.</p> <ul style="list-style-type: none"> <li>✔ Group Treasury Policy</li> <li>✔ Investment Policy (IPS)</li> </ul>	<p>Formats were standardised across the group in order to support in evaluating subsidiary treasury performance.</p>

# Governance, Risk and Compliance Report

## Phase 2 – Developing a Policy and Procedures for Finance Process Integration



### Centralised to-be Processes

Current operating processes were re-engineered and restructured with common controls and approval levels which were standardised across the group. Processes which were standardised are:

- i. Procure to Pay
  - ✔ Sourcing and Contracting
  - ✔ Requisition and Procurement
  - ✔ Payments
  - ✔ Production Planning and Reporting (Management Reporting)
- ii. Order to Cash
  - ✔ Customer Acceptance (Credit Management and Customer Creation)
  - ✔ Order Management and Fulfilment (Invoicing and Quote Management)
  - ✔ Collection Strategy
- iii. Record to Report
  - ✔ Fixed Assets
  - ✔ Petty Cash
  - ✔ General Accounting
  - ✔ Payroll

### Group Policies

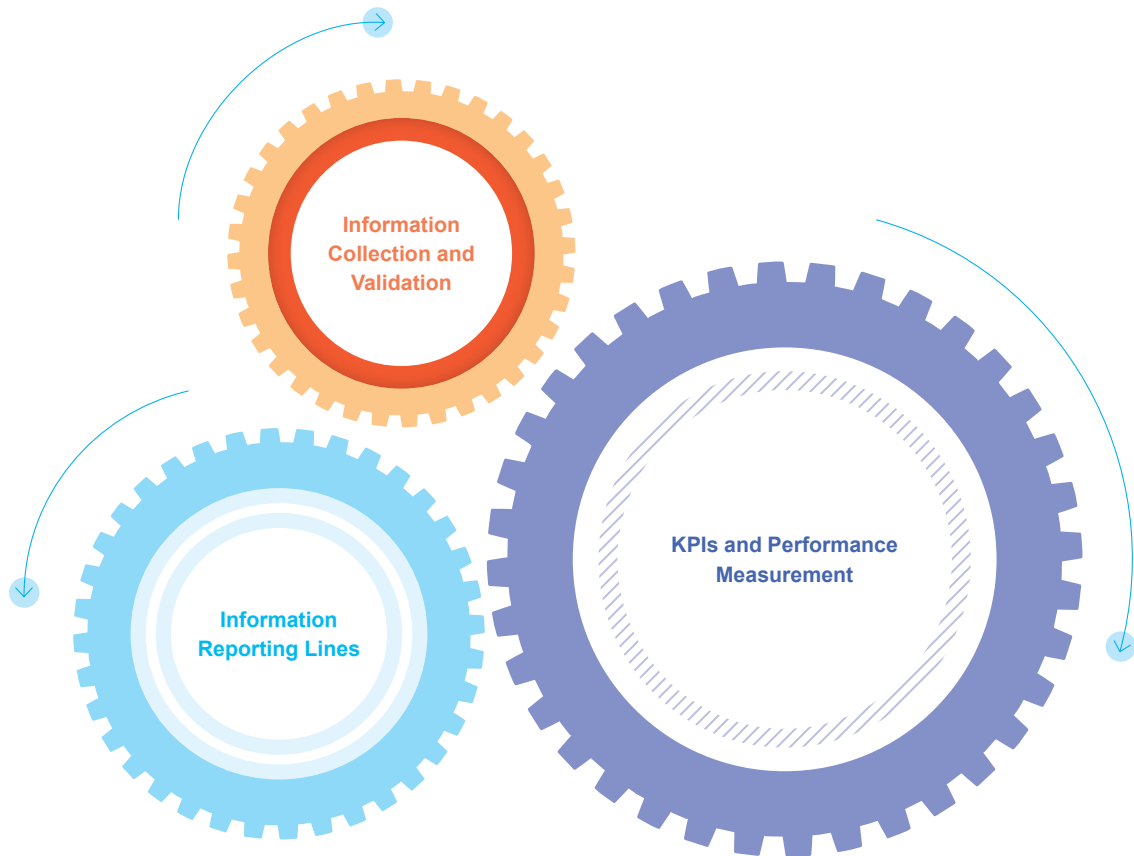
Current group policies were revised and new policies were introduced based on the identified dissimilarities and control weaknesses, which will help the lower level management to deal with problems and issues without consulting top level management every time for decisions.

- ✔ Group Credit Policy
- ✔ Fixed Asset Policy (Acquisition, Capitalisation and Disposal)
- ✔ Accounts Payable and Procurement Policy
- ✔ General Accounting and Management Reporting Policy

### Group Reporting Formats

Financial reporting formats were standardised across the Group centred on the best practices within and outside the Group, which will support the holding company in comparing and evaluating.

### Phase 3 – Facilitating Group Finance Monitoring Policy



#### Finance Monitoring Policy

- ✓ A standardised reporting process which shall include periodic reporting requirements
- ✓ Mapping reporting lines and information validation between the entities and the relevant personnel in the group
- ✓ Ensuring a focused reporting mechanism which would be relevant to holding company decisions
- ✓ Designing entity level KPI's on financial performance
- ✓ Identifying information reporting barriers in terms of technology and process to devise alternatives in order to receive the required information on a timely manner for the successful implementation and escalate any issues identified to the Steering Committee for resolution.

- **Workstream Leads:** The selected personnel from each finance function of the Group will undertake responsibility for the implementation of the target operating model. They were directly responsible for the implementation of the processes and reported to the Project Management team and the Project Champion.

# Governance, Risk and Compliance Report

## Information Technology Security

The Group places great emphasis on harnessing Information Technology to obtain a competitive advantage, whilst also recognising the need for internal controls, IT governance policies and the appropriateness and the return on IT investments. The Group's IT governance structures and policies were revisited and strengthened during the year.

## Enterprise Risk Management

Enterprise risk management in the Group was intrinsically interwoven into its framework during the financial year under review. This was launched internally with a series of 'Risk Management Awareness Workshops', involving all CEOs and Senior Managers of the subsidiaries. The key objective of these workshops was to identify the different types of risks faced by the subsidiaries within the Group in relation to strategic, operational and project risks. Subsequently the 'Camms Risk Templates' were circulated among the companies to ascertain their existing position with regards to these risk areas.

The treatment of risk across Group companies occurs through a process of mitigation, acceptance and/or transfer of risk and is implemented at each business unit through operational and management controls. Mitigation plans are subjected to periodic verification by an independent internal audit. Business units are the ultimate risk owners, responsible for the identification and mitigation of risks pertaining to their specific businesses on an ongoing basis.

During the year under review the following risk management framework was implemented in order to comply with the Risk Management Objectives.

Steps	Activities
Data Collection and Analysis	<ul style="list-style-type: none"><li>■ The Management Information System (MIS) to pick-up relevant business-critical information.</li><li>■ Review and validation before it is submitted to senior management.</li></ul>
Assess	<ul style="list-style-type: none"><li>■ Agree and implement measurement and reporting standards and methodologies.</li></ul>
Control	<ul style="list-style-type: none"><li>■ Establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements.</li><li>■ Monitor the operation of the controls and adherence to risk direction and limits.</li><li>■ Provide early warning of control or appetite breaches.</li><li>■ Ensure that risk management practices and conditions are appropriate for the business environment.</li></ul>
Report	<ul style="list-style-type: none"><li>■ Interpret and report on risk exposures, concentrations and risk-taking outcomes.</li><li>■ Interpret and report on sensitivities and Key Risk Indicators.</li><li>■ Communicate with relevant parties.</li></ul>
Manage	<ul style="list-style-type: none"><li>■ Review aspects of the Company's risk profile.</li><li>■ Assess new risk-return opportunities.</li><li>■ Advise on optimising the Company's risk profile.</li><li>■ Review and challenge risk management practices.</li></ul>

## Internal, External and Corporate Audit

Internal, external and corporate audits are crucial in the risk management process. Reports on the Group's operational and financial systems by these audits are reviewed and action taken to manage any risks that have been identified. Significant audit findings by the Auditors are immediately reviewed by the Board appointed Audit Committee. The Group's system of internal controls covers all policies and procedures, enabling significant strategic and operational risks to be managed.

The Internal Audit team meets with the Finance Department every month to share information and exchange perspectives. Issues identified at these discussions as being a potential risk are immediately subjected to a fuller investigation.

Risk	Mitigation Activity
<b>Economic Environment</b>	
<p>The Group's business operations are sensitive to economic conditions and in particular to levels of consumer spending. Any delay in economic recovery could affect consumer expenditure and therefore our revenue. There is an ongoing risk to our business in terms of increases in the cost of products due to rupee depreciation.</p>	<ul style="list-style-type: none"> <li>■ A diversified portfolio of products and brands with a wide range of offers targeted at different consumer groups.</li> <li>■ The Board and the Senior Management team regularly review the impact of the economic conditions on the Group's budget and strategic plans.</li> <li>■ Emphasise excellent quality, service, value for money and up-to-date product offers, we aim to broaden our appeal to customers.</li> <li>■ Renewal and transformation plan to improve our business performance irrespective of macroeconomic factors strategy and business planning which takes into account varying economic scenarios.</li> </ul>
<p>Seasonality – A substantial proportion of revenue and operating profit is generated during the fourth financial quarter, which includes the Christmas and New Year season.</p> <p>Adverse trading in this relatively short period is likely to significantly impact the full year's results.</p>	<ul style="list-style-type: none"> <li>■ Financial planning takes into account expected peaks and troughs during the year and the business is run accordingly.</li> <li>■ Increasing the proportion of internal promotion and various offers, which gives a regular stream of income over the course of the year.</li> </ul>
<p>Price Deflation – Price deflation has been a common feature across most consumer categories for a number of years, primarily driven by technological advancement</p>	<ul style="list-style-type: none"> <li>■ Effective launches of new technologically evolved products</li> <li>■ Growth of services-related business to increase the number and value of non-product sales.</li> <li>■ Improve gross profit in renovated showrooms.</li> <li>■ Control of stock and strong management of clearance and exit routes.</li> </ul>
<b>Competition</b>	
<p>Competitors reduce the Group's market share and/or drive down margins in specific markets.</p>	<ul style="list-style-type: none"> <li>■ Renovation and transformation plan is improving our showrooms, cost structure and service across all channels.</li> <li>■ Ensuring our prices offer good value, including a customer price index.</li> <li>■ Building stronger relationships with suppliers.</li> </ul>
<b>Product Risk</b>	
<p>Products could turn out to be defective or inappropriate for the market in terms of price, functionality or perceived value. They are also liable to be rendered obsolete. In such instances, the Company is exposed to market risks arising from consumer dissatisfaction and consequent rejection of its products.</p>	<ul style="list-style-type: none"> <li>■ The Company's plant and machinery are rigorously maintained and upgraded whenever necessary.</li> <li>■ Established quality control measures as well as product testing through sampling are performed on all product lines.</li> </ul>

# Governance, Risk and Compliance Report

Risk	Mitigation Activity
Operational Risk	
<b>People</b>	
<p>failure to attract, retain, develop and motivate the best employees across all our showrooms and head office may impact our ability to deliver our operational and strategic objectives. Labour issues can affect product quality, output, market share as well as the Company goodwill and reputation.</p>	<ul style="list-style-type: none"> <li>■ Company endeavours to recruit the best people with the right skills at all times.</li> <li>■ Offer training and development programs to ensure that we retain them.</li> <li>■ Remuneration packages are benchmarked to ensure that they remain competitive, including incentive arrangements where appropriate.</li> <li>■ Collective agreements are in place with the labour unions to maintain an equitable balance between the interests of employer and employee and provide a basis for negotiations when issues arise.</li> <li>■ Procedures have also been laid down in responding to grievances and staff complaints.</li> </ul>
<p>As the business grows in size and geographical scope, the potential for fraud and dishonest activity by our suppliers, customers and employees increase</p>	<ul style="list-style-type: none"> <li>■ Clear behavioural guidance given to employees through operational manuals.</li> <li>■ Appropriate procedures and controls set out and audited across the business to reduce fraud risks; Internal Audit and Corporate Audit undertake detailed investigations into all business areas and report their findings to the Audit Committee.</li> <li>■ Regular update and new introduction of relevant policies and procedures.</li> <li>■ Whistle-blower policy.</li> <li>■ Periodical review of the internal controls by outsourced consultants.</li> </ul>
IT Systems and Infrastructure	
<p>Any significant failure in the IT processes of our retail operations would impact our ability to trade.</p>	<ul style="list-style-type: none"> <li>■ The Company has installed comprehensive network security.</li> <li>■ Regular backups of all databases and mission-critical information.</li> <li>■ Off-site disaster-recovery system.</li> <li>■ Regular follow-up review are conducted on recommendations given by external IT risk assessment team.</li> <li>■ Investment in IT system improvements and innovating to improve business efficiency.</li> <li>■ Extensive controls and reviews to maintain integrity and efficiency of IT infrastructure and data.</li> </ul>
Supply Chain	
<p>Timely distribution of products to our retail outlets is crucial. We work with a number of key overseas and local suppliers, our business could be at risk of both interruption of supply and of failure of such key suppliers and service providers.</p>	<ul style="list-style-type: none"> <li>■ Regular review of distribution plan.</li> <li>■ Monthly operational meeting to review the forecast, level of inventory and procurement requirement etc.</li> <li>■ Long-standing relationships with many suppliers help to minimise risks in this area.</li> <li>■ Reduce dependability on a single service provider.</li> </ul>

Risk	Mitigation Activity
<b>Asset Risk</b>	
Risks associated with the physical assets of the Company include the destruction, loss or theft as well as technical and other defects.	<ul style="list-style-type: none"> <li>■ All such assets are insured against all identifiable risks.</li> <li>■ The relevant insurance policies are subject to a comprehensive annual review, with modifications made as deemed necessary.</li> <li>■ Procedures in place to control technical and other defects include purchasing from reputable suppliers who comply with acceptable standards on product and service quality; active, standards-based (ISO 9001) quality assurance at all manufacturing facilities, distribution centres and service centres.</li> <li>■ Provisioning is also made against obsolete inventory, warranty claims and doubtful debtors</li> </ul>
<b>Financial Risk</b>	
<b>Liquidity Risk</b>	
Inadequate liquidity can have an adverse impact on ongoing operations, marketing and investment in new products and brands.	<ul style="list-style-type: none"> <li>■ The liquidity position of the Company is regularly reviewed and reported to the Board.</li> <li>■ Projected net borrowings are covered by committed banking facilities and a healthy industry-related gearing ratio is maintained.</li> <li>■ The Company's good relationships and facilities with many banks and other sources of finance ensure reliable access to funds.</li> </ul>
<b>Interest Rate Risk</b>	
Increase in interest rates will have an adverse impact to the profitability.	<ul style="list-style-type: none"> <li>■ Fluctuating interest rates are minimised by striking a balance between short and long-term borrowings.</li> <li>■ The Company's strong brand strength and financial dependability help ensure ready access to funds at attractive rates.</li> </ul>
<b>Investment Risk</b>	
While investment in new products and geographical expansion is vital for the Company to remain competitive, it raises fresh risks.	<ul style="list-style-type: none"> <li>■ Appraisals are carried out before an investment is made.</li> <li>■ A due diligence study ensures that projected budgets and forecasts can be met and examines the impact of technological and other factors on the investment decision.</li> <li>■ Post-investment analysis and performance tracking is in place including financial and customer measures through balance scorecard.</li> </ul>
<b>Other Risk</b>	
<b>Governance Risk</b>	
These are risks to the Company arising from non-compliance with relevant health, safety and environmental statutes and leading to loss of reputation and goodwill, possible litigation and financial loss.	<ul style="list-style-type: none"> <li>■ Preventive action has been designed by the Company's Legal Department.</li> <li>■ Frequent internal, external and corporate audits-monitor compliance.</li> <li>■ The Company's management culture stresses ethical performance in this area.</li> <li>■ International best practices are followed wherever possible.</li> <li>■ Detailed, established procedures to ensure product integrity.</li> <li>■ Group Chief Investment and Process Officer reviews reports forwarded to the Audit Committee to ensure compliance with laws and policies.</li> </ul>

# Governance, Risk and Compliance Report

Risk	Mitigation Activity
<b>Socioeconomic Risks</b>	
Sri Lanka's socioeconomic and political environment has an impact on the consumer as well as the investment climate.	<ul style="list-style-type: none"> <li>■ Management reviews prices in comparison to inflation and negotiates with suppliers for lower prices and credit terms.</li> </ul>
<b>Environment and Climate Change</b>	
Aside from the general risks to humankind posed by climate change, a specific business risk to which the Company is exposed concerns possible shortages of essential raw materials, such as clay or leather for the manufacture of porcelain and leather footwear and risks of environment pollution due to waste material.	<ul style="list-style-type: none"> <li>■ The use of alternative materials mitigates this risk while simultaneously opening up new marketing opportunities.</li> <li>■ All factories, warehouse and service centres complied with the requirement of environment regulations.</li> <li>■ Introduction of energy saving equipment.</li> </ul>

## Responsible Decision Making

The Board of Directors are fully aware of their responsibilities in the capacity of directors and adopt an attitude of prudent responsibility with regards to all decision making in relation to Group activities. The Group's Code of Business Ethics and Employee Code of Conduct actively promotes ethical and responsible decision-making and endeavours to influence and guide the directors, employees and other stakeholders of the practices necessary to maintain confidence in the Group's integrity and to demonstrate the commitment of the Group to ethical practices.

## Respect for the Rights of Shareholders

The Company is committed to having regular, proactive and effective communication with the investors and shareholders. The Company respects the rights of the shareholders and seeks to empower them by communicating effectively and providing ready access to balanced information about the Company.

### ■ Communication with Shareholders

The Company communicates with the shareholders through the following means of communication;

#### a) Annual General Meeting

The AGM is the main event for the shareholders to meet with the Board which allows reasonable opportunity for informed shareholders to communicate their views on various matters affecting the Company and the forthcoming AGM will be used to effectively communicate with shareholders. The AGM is also attended by the Management, External Auditors and Company Lawyers.

#### b) Announcements to the Colombo Stock Exchange (CSE)

Announcements of quarterly interim financial results and announcements on corporate actions are disclosed to the CSE in a prompt and timely manner in compliance with the Listing Rules of the CSE.

#### c) Media Releases

The Company ensures that media releases are made to the media on all significant Group developments and business initiatives through its Group Companies.

### ■ **Investor Relations**

The Group Investor Relations (IR) Team proactively disseminates relevant information about the Group Companies to the investor community, specifically the institutional fund managers and analysts. The IR team maintains close contact with the investor community by means of one-on-one meetings, teleconferences, emails etc. to ensure that the Group's strategies, operational activities and financial performance are well understood and that such information is made available to them in a timely manner.

### ■ **Major Transactions**

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

Royal Fernwood Porcel



**Beyond  
Artistry**



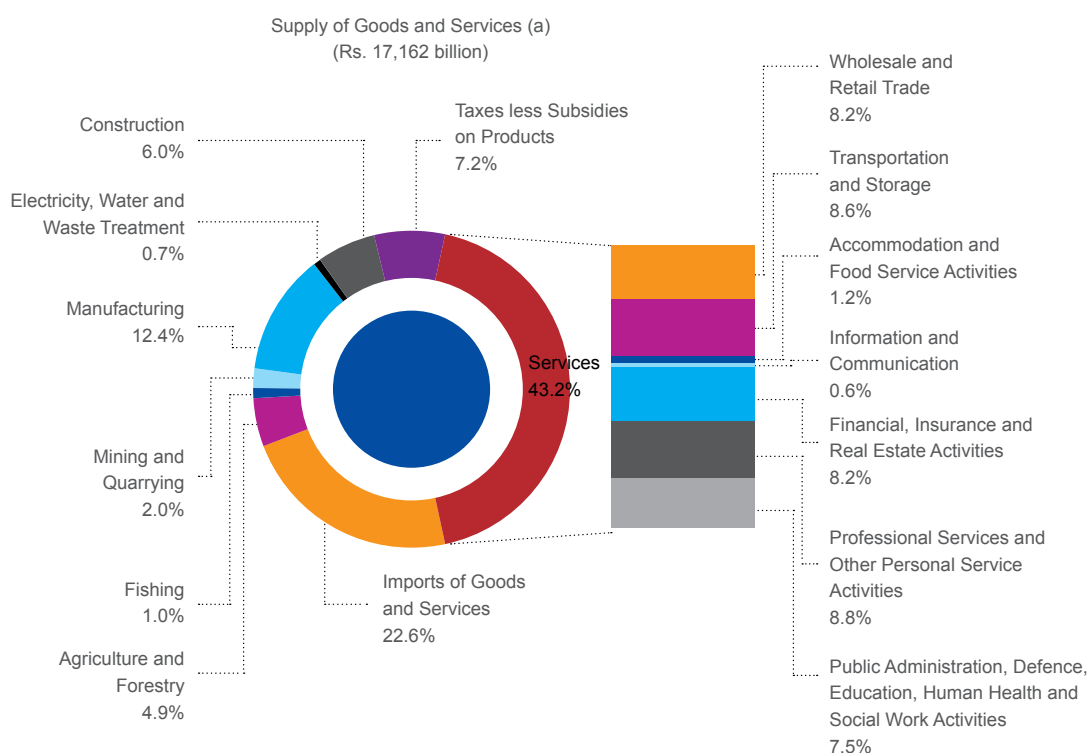


## Operating Environment

(Source-Central Bank of Sri Lanka)

The global economy was seen to have picked up from the lows experienced in 2016. This cylindrical recovery was mainly attributed to a rebound in global investments, increased manufacturing activity, and improved world trade. The global GDP growth estimated for 2017 was 3% compared to the 2.4% recorded in 2016. This increasing growth is mainly attributed to the favourable financing costs, rising profits, and improved business sentiment across both advanced economies and Emerging Market and Developing Economies (EMDEs) which in turn fuelled increases in world imports and exports. However, the growth realised by advanced economies in 2017 was only 2.3% driven mainly by Euro region from capital spending, increased external demand and turnaround in inventories.

**Chart 2.10**  
**The Economy in 2017 (at Current Market Prices) (a)**



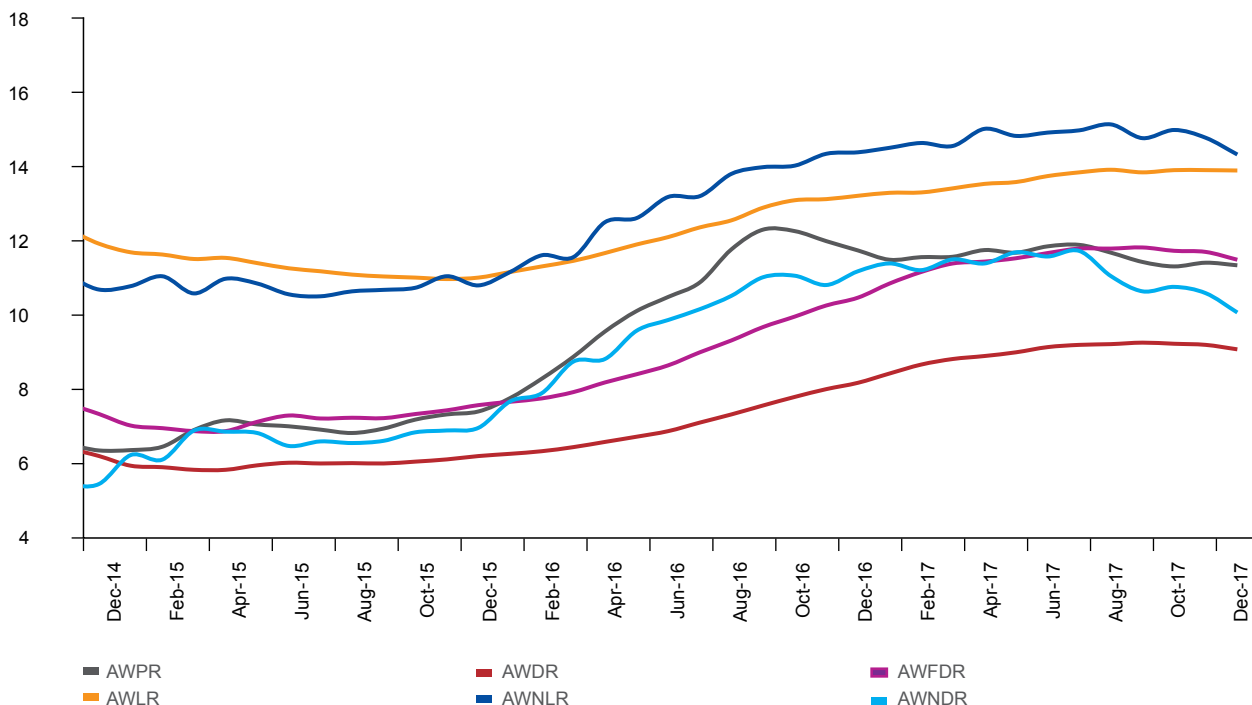
Source: Central Bank Annual Report, Chapter 6

EMDEs contributed 4.3% to the increased global economic growth mainly due improvements from commodity exporters and further strengthening of commodity importers. 2018 is expected to further strengthen the cylindrical recovery of the global economy. Economic growth is expected to reach 3.1% although advanced economies are projected to slow down further. The global economic growth is expected to be achieved from the EMDEs accelerated growth projection in 2018, with commodity exporters expected to bring in 2.7% of this projected growth. Commodity importers growth is expected to remain stable, while China's contribution to growth is expected to be slowing down. However, growth from other large economies as well as growth in low-income countries is expected to contribute to this forecasted growth of the global economy.

The local economy while benefiting from the stabilisation policy measures taken by the Central Bank and the government in the last couple of years, resulted in improvements, although this was not realised in real economic growth which only recorded a 3.1% growth, indicating a continued slowdown and a growth below that experienced in 2016 and projected for 2017. The main reason for this slowdown was the prevailing high interest rates and the adverse weather conditions which were reflected in the continued negative impact on real economic activity. However, the depreciation of the Sri Lankan rupee again the dollar by 2% raised the competitiveness of the local currency which in turn was reflected in the increased

export earnings during 2017. In terms of industry growth, the agricultural sector recorded a contraction of 8%, while the industrial and services sectors too realised a slowdown in growth. The 3.9% growth of the industrial sector was supported by manufacturing, construction, and mining and quarrying. However, the slowdown was attributed to the contraction in the construction industry compared previous years. The main reason for the slowdown in growth in the services sector was due to reduced activities from public administration and defence, while the 3.2% growth realised is attributed to the growth in financial service activities, wholesale and retail trade, and other personal service activities.

**Chart 7.8**  
**Commercial Bank Lending and Deposit Rates**



Source: Central Bank Annual Report, Chapter 7

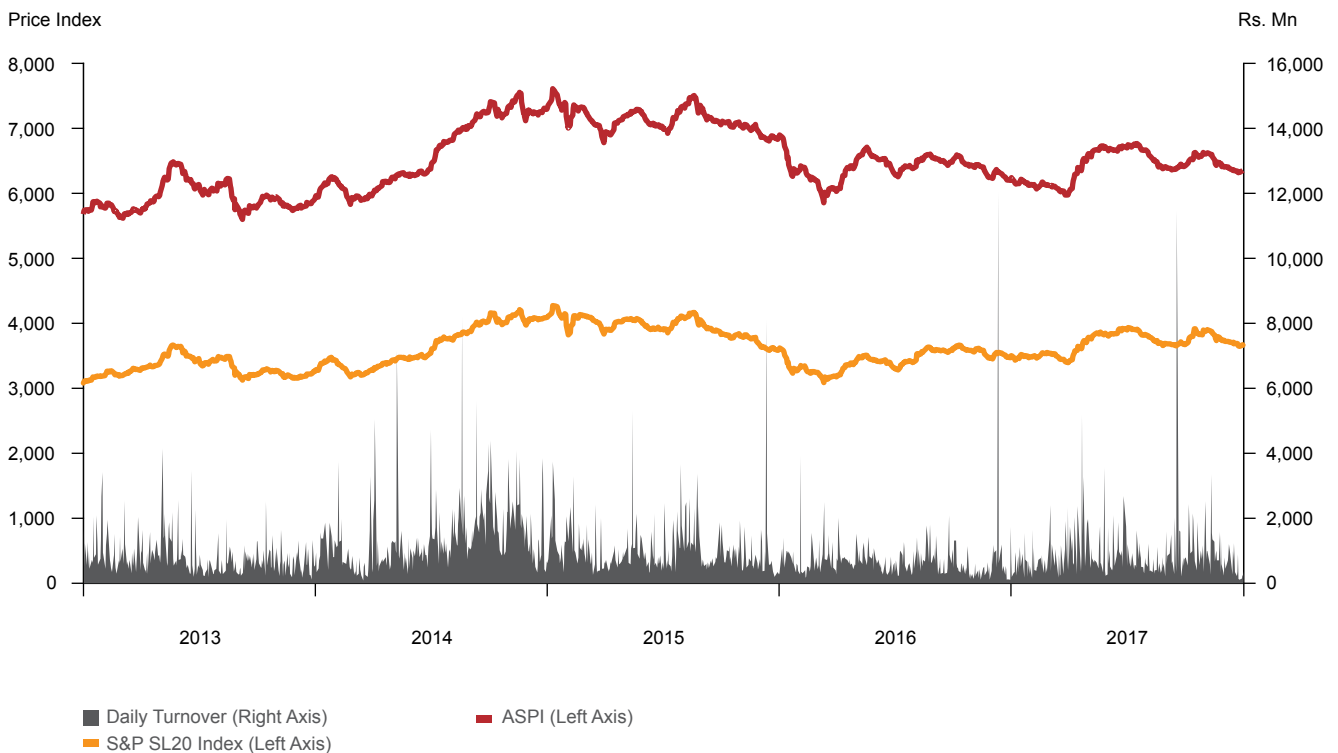
From an expenditure perspective economic growth realised was due to consumption investment expenditure during 2017. Consumption expenditure continues to remain the largest expenditure category of the economy having recorded a growth of 9% during the year compared to 3.1% in 2016. Investment expenditure however expanded by 16.6% although the growth recorded is below that of 2016 mainly due to the slowdown in construction sector activities.

Headline inflation was well above expected levels during 2017 was mainly a result of the increase in food inflation due to the disruptions caused by adverse weather conditions. Furthermore, revision to Value Added Tax (VAT) and Nation Building Tax (NBT), as well as higher commodity prices in the global market also contributed to high inflation levels experienced during 2017. Despite the fluctuations experienced throughout year, year-on-year headline inflation based on the National Consumer Price Index (NCPI) moderated to 7.3% by the end of 2017, while the year-on-year headline inflation based on the Colombo Consumers Price Index (CCPI) was 7.1% by the end of 2017. Core inflation rates were relatively stable during the year, with the NCPI based core inflation declining to 2.7% by the end of 2017 compared to the 6.7% recorded at the end of 2016. Inflation rates further reduced in the first quarter of 2018, with year-on-year headline inflation based on the NCPI decelerating to 3.2% in February 2018, while headline inflation based on the CCPI receded to 4.2% in March 2018. Year-on-year core inflation based on the NCPI further improved in February 2018 to 2%.

## Operating Environment

Interest rates remained high throughout 2017, with the Central Bank increasing the interest rates by 25 basis points to counter increasing inflation in the country which still remained at levels than those desirable. Resultantly, market interest rates continued to increase further during 2017 although some stabilisation was seen during the latter part of 2017. The Average Weighted Call Money Rate (AWCMR) remained close to 9% during most of 2017, only stabilising to 8.15% in the latter part of the year, and further reducing to 8% in mid-April 2018.

**Chart 8.18**  
**ASPI, S&P SL20 Index & Daily Turnover at the Equity Market**



Source: Central Bank Annual Report, Chapter 8

## Capital Management Review

Financial Capital

**Rs.  
19.8 Bn**

**Total Assets**

Natural Capital

**USD  
1.3 Mn**

**Waste Water Treatment Plant**

Manufactured Capital

**Rs.  
3,799 Mn**

**Plant and Machinery**



Social Capital

**Increasing in  
Social Presence**

Human Capital

**3,222**

**Employees**



Intellectual Capital

**Brand, Designs  
and Softwares**

## Capital Management Review



# Financial Capital

The financial capital chapter of this annual report sets out the financial status of the Ambeon Holdings PLC as at end March 2018 and explains the changes to this capital base during the 12 months under review.

The Group's financial capital base continued to evolve in the 2017-18 financial year due to the restructuring process initiated in the 2016-17 financial year. These changes were primarily in relation to equity and shareholdings in subsidiaries, which are explained in the section 'Changes to equity and other financial capitals' below.

### Managing Our Financial Capital

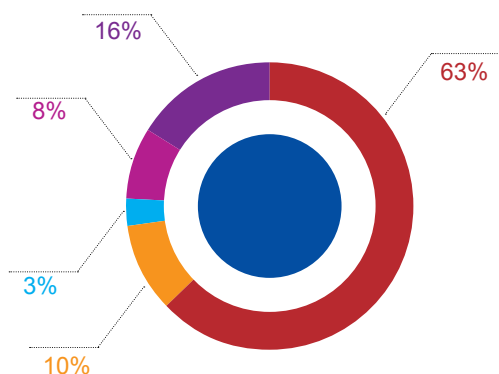
Prudent financial management is crucial to ensure survival and shareholder wealth creation. Therefore, Ambeon Holdings has in place a formal structure of financial governance and internal controls to address the financial risks faced by the Group.

### Value Creation

The Ambeon Group's economic value creation increased from Rs. 2,967 Mn to Rs. 4,204 Mn year-on-year. This wealth was distributed among our stakeholders as tabulated below.

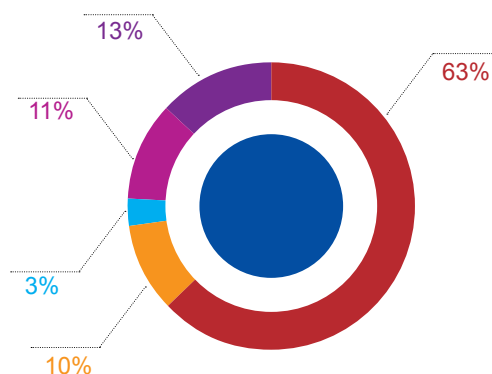
	2017/18 Rs.	2016/17 Rs.
<b>Direct Value Generated</b>		
Revenue	12,272,997,840	10,762,067,753
Finance income	109,573,048	73,574,000
Other income	310,656,923	337,998,193
Change in Fair value of Financial Assets Held for Trading	211,322,064	(94,982,942)
Fair Value Gain on Investment Property	185,734,192	235,500,262
	13,090,284,067	11,314,157,266
(Less) Operating and other costs	(8,886,211,838)	(8,347,047,435)
<b>Total value generated</b>	<b>4,204,072,229</b>	<b>2,967,109,831</b>

### Value Distributed and Retained 2018



■ Employee wages and benefits  
 ■ Payments to providers of funds  
 ■ Payments to government

### Value Distributed and Retained 2017



■ Depreciation  
 ■ Amortisation  
 ■ Profit retain

■ Employee wages and benefits  
 ■ Payments to providers of funds  
 ■ Payments to government

# Capital Management Review

## Changes to Equity and Other Financial Capitals in 2017-18

Capital component	Group		
	Value in 2016-17 Rs.	Value in 2017-18 Rs.	% Change
Equity			
- Ordinary voting shares	7,724, 138,656	7,871,563,705	2%
Debt			
- Preference shares	873,146	897,086	3%
- Long term debt	913,471,559	1,562,021,994	70%
Revenue	10,762,067,753	12,272,997,840	14%
PAT	394,103,931	680,818,20	73%
Retained loss	(1,369,018,534)	(963,749,378)	30%
Shareholder's equity	7,859,158,888	8,893,369,763	13%
Market value	3,668,354,750	3,889,879,359	6%
Share price	10.5	10.9	4%

### Changes to Equity

During the financial year under review, Ambeon Holdings PLC continued with its planned restructure and realignment of the holding structure of the Company and its subsidiaries.

1. A share swap was executed between Ceylon Leather Products PLC and Ambeon Holdings PLC. Shares of Ceylon Leather Products was swapped for shares of Ambeon Holdings PLC, based on net asset value. Through this transaction, Ambeon Holdings PLC enhanced its controlling stake in Ceylon Leather Products.
2. South Asia Textiles, which was a subsidiary of Ceylon Leather Products PLC, was acquired by Ambeon Holdings PLC making it a direct subsidiary of the Holding Company
3. Ambeon Holdings continued its acquisition spree by acquiring Palla and Company, which was a subsidiary of Ceylon Leather Products. This was also made a direct subsidiary of Ambeon Holdings PLC.
4. Ceylon Leather Products PLC, which was listed on the Colombo Stock Exchange was de-listed in June 2018.
5. In February 2018, Ambeon Holdings acquired the financial business from Ambeon Capital PLC for a consideration of Rs. 671,345,000.
6. A capital reduction of Ambeon Holdings was in effect in May, 2018.

Following the share swap with Ceylon Leather Products, the issued share capital of Ambeon Holdings increased from 7,724,138,656 to Rs. 7,871,563,705 as at March 31 2018.

### Acquisitions

- In December 2017, Ambeon Holdings PLC acquired Millennium Information Technologies (Pvt) Ltd (MillenniumIT ESP) at a cost of Rs. 1.1 Bn from the London Stock Exchange.

### Debt

In a move to strengthen financial sustainability of the Group, during the current financial year the debt portfolio was restructured to address the mismatch between long term investments vs long-term financing. The previous practice of using short term financing tools for strategic investments has been replaced by a new and a more sustainable financing policy. Overall, Group borrowings increased due to borrowings required to finance the acquisition of MillenniumIT ESP and its accumulated loans. Another subsidiary South Asia Textiles also reported a loan growth accompanying its requirement for increase in inventory.

As at end March 2018, the interest-bearing loans and borrowings increased from Rs. 3.8 Bn in 2016-17 to Rs. 5.8 Bn. As a result, the debt to equity ratio moved from 0.49 in 2016-17 to 0.65 in 2017-18.

### Shareholder's Wealth

Shareholder wealth increased from Rs. 7.9 Bn to Rs. 8.9 Bn, due to prudent cost management and strategic investment contributions made across the group. The EPS improved from 0.78 to 1.54.

### Assets

Total assets of the Group increased by 44% to Rs. 19.8 Bn due to structural changes, new acquisitions and prudent investment decisions.

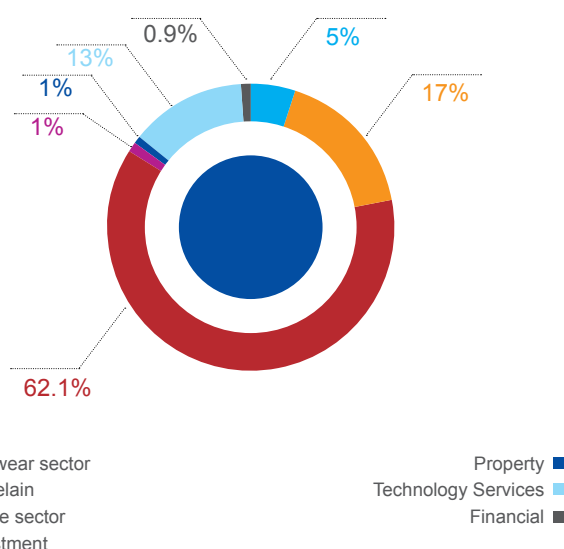
### Revenue

The Group revenue increased by Rs. 1.5 Bn to Rs. 12.2 Bn. This was a result from contributions made by MillenniumIT ESP and South Asia Textiles for the said year.

### Segmental Revenue

The following segmental revenues contributed towards the cumulative revenue of Ambeon Holdings PLC.

### Segmental Revenue



- The above includes the revenues contributed by the financial services business for a period of one month
- The above also includes the revenues contributed by the technology sector for a period of three months

### Earnings Before Interest and Tax (EBIT)

EBIT of the Group reached Rs. 975 Mn from Rs. 652 Mn from the previous financial year due to efficient management of cost structures and prudent investment decisions.

### Taxes

The Group total tax outflows increased from Rs. 94 Mn to Rs. 129 Mn due to taxable profit growth within subsidiaries.

### Profits

Group profit after tax increased by 73% compared to the prior year fuelled by MillenniumIT ESP's three-month profits and South Asia's textile's profit growth over the period.

### Distribution of Profits

During the reporting period, Ceylon Leather Products Limited distributed Rs. 253 Mn in dividends while South Asia Textiles declared Rs. 250 Mn. Colombo City Holdings PLC also declared Rs. 19 Mn resulting in Ambeon Holdings receiving Rs. 536.6 Mn into its reserves.

### Status of Cashflows

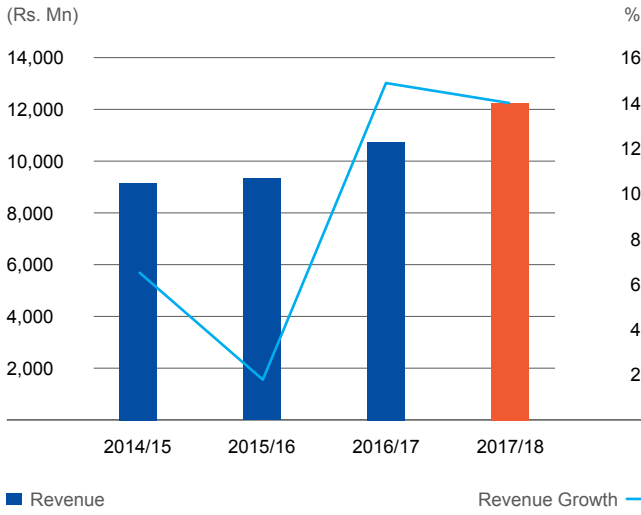
For the reported financial year, the net cash flow increased from Rs. 13.5 Mn to Rs. 1.3 Bn which was experienced through proceeds received from fixed asset disposal and access to other sources of funding. However, operating decreased due to increase in inventory and trade receivables which could be attributable to market expansion activities at subsidiary level where new products/channels and services brought about an increase in working capital requirement.

### Capital Investments on Expansion

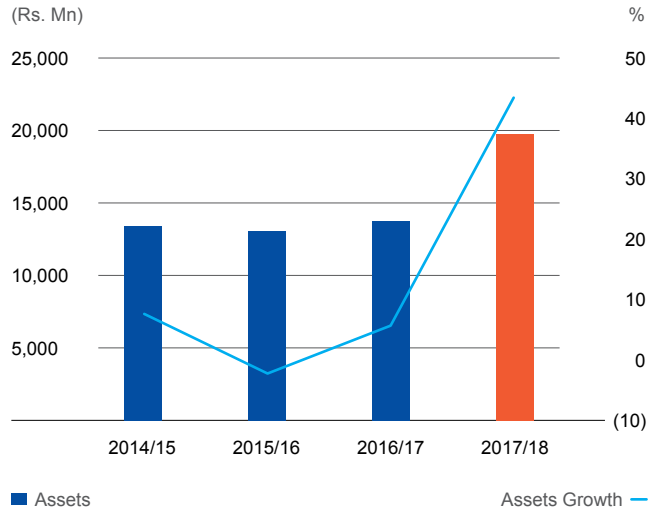
During the year the Company invested Rs. 200.2 Mn on capital expenditure to support growth plans over the short to medium term. The main investments were made on modernisation of plant, upgrading of machinery and investment in solutions related to compliance.

# Capital Management Review

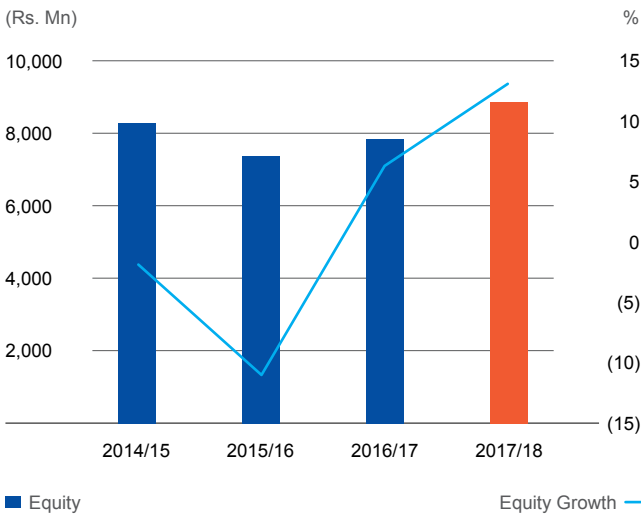
## Revenue



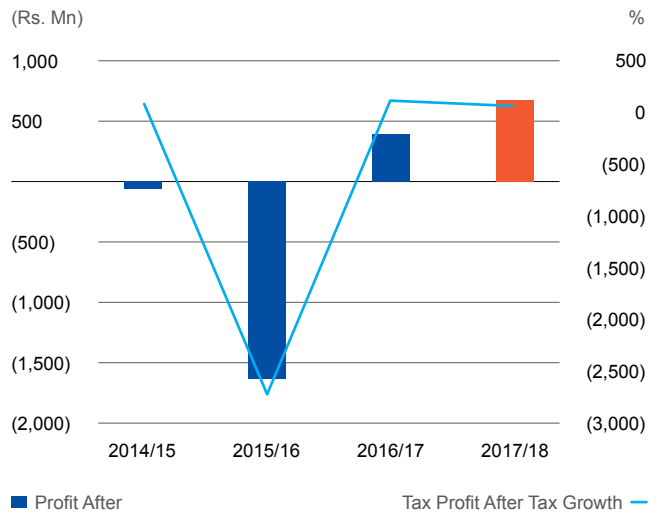
## Assets



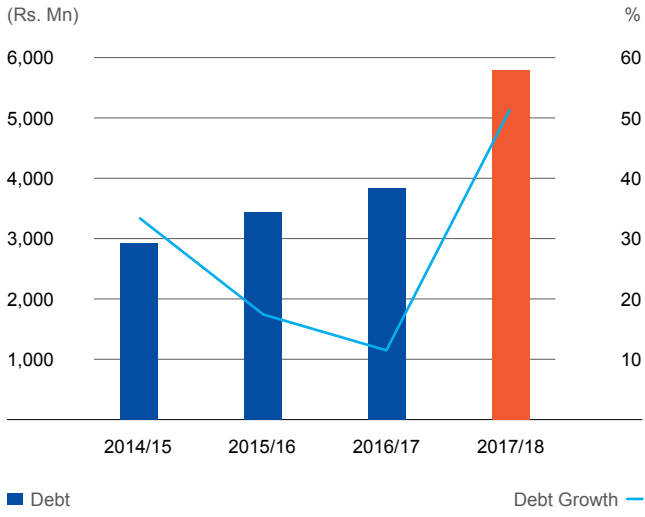
## Equity



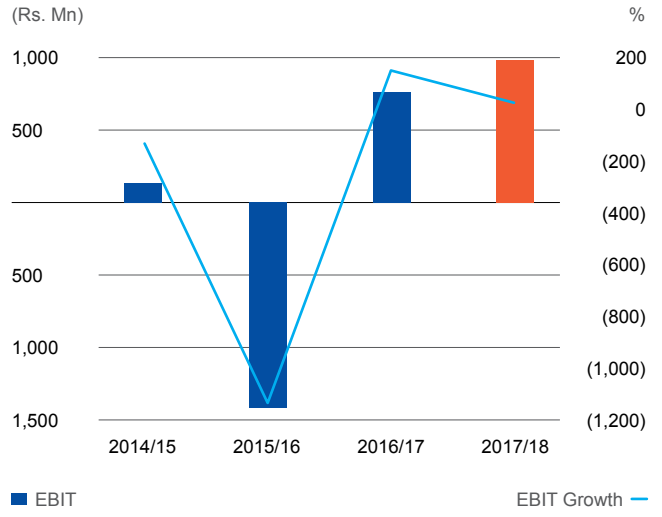
## Profit After Tax



## Debt



## EBIT





# Manufactured Capital

This chapter explains the status of manufactured assets of the Group. The material manufactured capitals of the Group comprises factory facilities, plant and equipment, inventory and the Group distribution network of warehouses and showrooms. Both Dankotuwa and Royal Fernwood also unveiled new designs, shapes and products for the international market.

### Changes to Manufactured Assets

	2016-17 Rs.	2017-18 Rs.	% Change
Factory buildings	1,438,117,670	1,616,452,009	12%
Plant and machinery	3,726,812,501	3,799,745,686	2%
Inventory	2,407,814,065	3,758,051,548	56%

#### Buildings

The Ambeon Holdings operates (owned and leased) over 100 buildings, including factories and office premises across the Group companies. During the year, our subsidiary Colombo City Holdings divested a physical asset in the form of an office premises in Union Place. This transaction reduced the value of Group physical assets; however, the overall value of this asset group has increased year-on-year due to the increase in per square foot replacement cost.

#### Ambeon Group Factories

No new factory premises were added during the year.

- Dankotuwa Porcelain located in Dankotuwa
- Royal Fernwood located in Kosgama
- Ceylon Leather products located in Gampaha
- South Asia Textiles located in Pugoda

#### Plant and Machinery

Value of Group plant and machinery increased by a Rs. 105 Mn due to investment into new machinery for South Asia Textile and Ceylon Leather Products. All existing machinery of all subsidiaries were subject to regular maintenance and repairs for optimum efficiency.



#### Inventory

Value of Group inventory increased sharply in the current financial year due to acquisition of MillenniumIT ESP which brought in new inventory in the form of work in progress for existing projects and hardware supplies for future projects and the requirement of South Asia Textiles to increased inventory in order to meet the demand of the textile industry.

The Group's physical inventory of manufactured products also increased due to production increase by Royal Fernwood Limited.

#### Distribution Network

The Ambeon Group distribution network comprises warehouses for storage of manufactured products and showrooms for porcelain and DI branded goods. The assets are on lease rental agreements and are not owned by the Group or subsidiary companies. The network expanded in 2017-18 with the addition of new showrooms for both DI and Dankotuwa Porcelain.





# **Natural Capital**

Ambeon Holdings does not own any specific form of natural capital except for land and ground water sources located within these lands. This includes 5 acres of coconut cultivation and fertile land suitable for paddy cultivation within the Dankotuwa property. Therefore, the natural capital component of the Company's reporting refers to the Group's utilisation of natural resources and how the Group attempts to be environmentally responsible through compliance with environmental regulations and improvements to the manufacturing processes and business model to conserve natural resources and reduce negative environmental impacts.

### Environmental Regulatory Compliance

We continuously update and upgrade facilities to comply with all applicable Central Environmental Authority (CEA) and other regulations. We did not face any fines or penalties for non-compliance.

### Responsible Business Practices

Out of the Group's companies, the porcelain manufacturers – Dankotuwa and Royal Fernwood – crush the porcelain waste and bury it within the premises. However, this does not generate any environmentally harmful or toxic waste due to the use of natural clays in the manufacturing process.

As of the new financial year, Ceylon Leather Products is no longer operating its tannery, which will significantly reduce environmental impacts from this subsidiary.

The Group's remaining subsidiaries are commercial businesses and are not involved in operations that generate significant negative environmental impacts through air and water emissions.

Potentially hazardous waste generation is limited to e-waste which could be generated through the groupwide shift towards a digital administration model and the acquisition of MillenniumIT ESP which is a software and hardware services provider. However, there was no significant E-waste generation during the current financial year.

### Waste Water Treatment

Ceylon Leather Products has invested on a new water treatment plant at its tannery in 2017. However, the tannery was discontinued in May 2018. The water treatment plant can be reused by other subsidiaries within the group or will be sold.

With an investment of over \$ 1.2 Mn, South Asia Textiles is in the process of completing its state-of-the-art water treatment plant at its factory premises. This plant includes a comprehensive water treatment mechanism which will release clean water into the environment.

### Energy Conservation

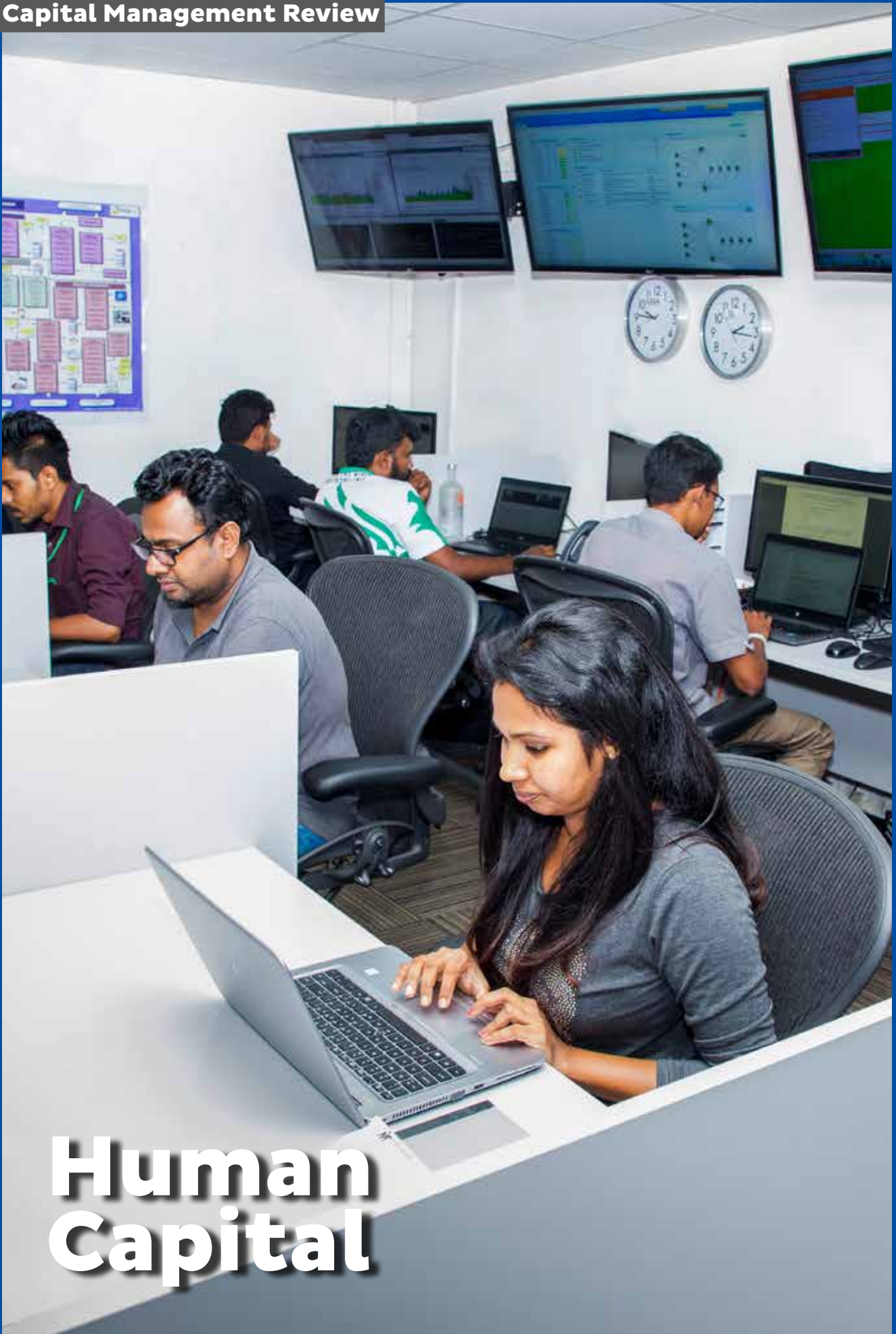
Overall, at Group level, electricity, fuel, gas kerosene, furnace oil consumption has seen a favorable reduction during the year due to accrued benefits from converting Dankotuwa and Royal Fernwood porcelain fuel kilns into gas. Dankotuwa Porcelain also discontinued the use of a less energy efficient kiln by enhancing the capacity of two others, which has also contributed significantly towards lower energy utilisation. The Group will continue to focus on enhancing energy efficiencies through new techniques and production restructuring to contain energy costs and natural resource consumption.

### E-waste Disposal

The Group is currently in the process of developing solutions for disposal of electronic waste, which is estimated to increase due to the acquisition of MillenniumIT ESP. Therefore, new waste management solutions for e-waste will be implemented and monitored in the new financial year.



Royal Fernwood Porcelain Limited



# **Human Capital**

The Human Capital Chapter describes the Human Resources of Ambeon Holdings and how the Human Resource is enriched by empowering them to deliver objectives base of the Group.

We define human capital as the knowledge, skill and ability that people bring into the organisation. As technology, information and capital becomes readily accessible and disruption becomes the norm, organisations will rely more and more on its human capital to deliver the competitive advantage navigating through incredible levels of uncertainty. Disruption transcends beyond change. It necessitates human capital to understand and integrate change to be relevant in a fast-changing business landscape through agility and innovation.

At Ambeon Holdings we engage with and facilitate engagements with our employees as an essential aspect of human capital development. Employee engagement is looked at in a broader sense. First the need to recognise and understand employees and encourage them to be worthy stakeholders. Second to continuously upgrade the technical and professional skill and competency. Third to provide the opportunity to develop in their sphere of work as well as other spheres of interest. Fourth to align the employees to move first, channel team work, action results and move beyond.

### Status of Compliance

Ambeon Holdings continuously strives to maintain a safe, competitive and supportive work place by adhering to compliance, maintaining transparency in all dealings and promoting conservation and sustainability. Ambeon Holdings and its subsidiaries are fully compliant with the Factories Ordinance, Shop & Office Act, the Wages Board Ordinance and Labour Laws applicable to the respective industries.

### HR Development Objectives for the Year

Ambeon Holdings added value to our human resource base through the realignment of human resource policy and adopting a systemised human resource management process driven by performance to support the repositioning of Ambeon Holdings.

### Labour Relations

The Ambeon Holdings is a member of the Employers' Federation of Ceylon and maintains industrial harmony with all its employees across the various subsidiaries. Labour relations across the Group developed into a more harmonious relationship through direct engagement between the management and the work force via platforms for regular communication and the positive change in the transformation of the business. Relationships have also been reinforced with the participatory engagement at all levels in the activities of each entity.



# Capital Management Review

## Group HR Profile

	2016-17	2017-18	% Change
Ambeon Group total employees	3,098	3,222	4%
Total Labour Costs	1,405,640,450.13	1,705,851,309.00	21%*
Training Investment	2,986,313	4,063,904	36%

\*With the acquisition of MillenniumIT ESP in December 2017

## Changes to the Total Number of Employees of the Group

Entity	Employees	
	2016-17	2017-18
Ambeon Holdings PLC	30	38
Colombo City Holdings PLC	3	3
South Asia Textiles Ltd	1,184	1,209
Dankotuwa Porcelain PLC	889	742
Royal Fernwood Porcelain Ltd	427	490
Millennium Information Technologies (Pvt) Ltd	0	232
Ceylon Leather Products Ltd	565	508
<b>Total Employee Count</b>	<b>3,098</b>	<b>3,222</b>

## Total Employees of the Company by Employee Grade

Entity	Executive	Non-Executive
	Ambeon Holdings PLC	34
Colombo City Holdings PLC	3	0
South Asia Textiles Ltd	120	1,089
Dankotuwa Porcelain PLC	69	673
Royal Fernwood Porcelain Ltd	39	451
Millennium Information Technologies (Pvt) Ltd	226	6
Ceylon Leather Products Ltd	67	441
<b>Total employees by grade</b>	<b>558</b>	<b>2,664</b>

## Recruitment 2017-18

An 'internal first' approach is adopted across all subsidiaries where existing staff are always given priority in filling any vacancies. However, the growth of the Group has enabled the Company to extend a substantial number of employment opportunities to the Sri Lankan Job market.

## Grievance Management

A formal grievance handling policy was introduced across the Group and channels for redress were established and made accessible to employees of all levels.

## Performance Evaluations

Performance appraisal and evaluation was completed on the Performance Management System for executives and non-executives in March 2018.

### **Employee Benefits**

Employees are encouraged to be the owners of their wellbeing and are given the opportunity to benefit from medical and life insurance schemes subsidised by Ambeon Holdings and subsidiaries.

### **Employee Development Plans**

Enhancing efficiency through review and improving HR processes and practices, uplifting employee engagement by developing and benchmarking technical skills, opening avenues for internal career progression via professional development opportunities would be pursued.

### **Employee Events**

National and religious festivals are celebrated at Group and subsidiaries and each subsidiary hosts a sports day for employees annually. Employees are also taken on an excursion to a place of interest of their choice by each subsidiary annually. In addition, our subsidiaries stage entertainment events during the year.



*Religious Ceremony at Dankotuwa Porcelain*



*Dansal at Dankotuwa Porcelain*



*Employee Events*

## Capital Management Review



## Social Capital

The Ambeon Holdings social capital base primarily comprises the brand equity and social presence of its subsidiaries. In the current financial year, the social capital of the Group expanded sharply due to Dankotuwa, Royal Fernwood and Ceylon Leather Products all launching new marketing and brand development campaigns that have expended both the physical and digital footprints of these companies and also enhanced consumer brand awareness regarding these companies.

Our collective brand equity includes the goodwill and reputation that has been built-up through decades of trust, quality service and quality products. In addition, Ambeon Holdings also adopts a policy of acquisition to add value to our brand equity, with our latest acquisition being the ICT services provider MillenniumIT ESP. Our social credibility and licence to operate are reinforced by the external, independent awards won by our subsidiaries and through a stringent compliance framework enforced across the Group.

Our social presence is primarily defined by our physical and digital retail and distribution network through which we interact with the public. Our product portfolios are our main platform of social interaction. The growing supplier base is a key stakeholder group. Our stakeholder engagement strategies and marketing strategies are developed for maximum positive perception among all stakeholders. Customer surveys are conducted regularly, and regular interaction is maintained with business partners and suppliers and other key stakeholders to enhance our social presence. In addition, we conduct many CSR activities to engage with different communities through a non-profit platform.



### Marketing and Brand Development

Domestic and global markets are becoming increasingly competitive. Therefore, continues stakeholder engagements, brand differentiation and market development are essential to retain consumer loyalty and trust. These initiatives include mass media advertising and promotional activities aimed at both retail customers and corporate clients. We believe these initiatives have enhanced the Ambeon Holdings brand equity through enhancement of brand equities of our subsidiaries.

### Ambeon Holdings' Brand Portfolio

As a holding company, a significant share of Ambeon Holdings' wealth is in the form of intangible assets enshrined in its brands. The Group's brand portfolio is a combined base of intellectual and social capital and represents some of Sri Lanka's most prestigious brands in the manufacturing sector and services. Therefore, the company believes building brand equity adds to the market value of the Group.



# Capital Management Review

## Market Expansion

A key component of our social capital growth strategy is the physical expansion drive through which the Group has increased the number of showrooms, warehouses and distributors of the various subsidiaries. This market expansion has enabled our brands to commence market penetration and enhanced brand visibility among consumer and corporate markets. Currently Dankotuwa and Royal Fernwood collectively, account for the lion share of the domestic porcelain tableware market, while DI Leather, through its relaunch in 2017, has now entered the family cum life style footwear market. The supply base of the Group has expanded during the year with new suppliers joining the company due to business expansion and business reorganisation.

## Expanding Our Digital Presence

Our subsidiaries continued to focus on strengthening stakeholder engagements and relationship buildings through the use of social media platforms including subsidiary website, YouTube channels and Facebook pages.

## Customer Engagements

All subsidiaries have formal customer complaints and feedback management processes in operation and some of our subsidiaries conduct ongoing customer surveys

to capture market intelligence regarding customer requirements on products and services. All customer complaints were handled promptly through the existing customer complaints process. In addition, Ambeon Holdings and its subsidiaries implemented many different customer engagement initiatives during the year.

## Supplier Engagements

Ambeon Holdings has a large and diverse base of local and foreign suppliers and has in place a formal supplier policy and supplier engagement formats. The Group has continued to pursue strategic partnerships with product principals and suppliers of raw materials, such as glaze, major machinery suppliers and raw material suppliers, to establish cost effective and long-term relationships. A supplier grievance handling process is in place to respond promptly to any concerns raised by suppliers.

## CSR Events

Ambeon Holdings and its subsidiaries contribute generously towards social welfare, cultural and charitable events. Our subsidiaries regularly aid with local community events within their communities in addition to providing employment opportunities for local youth.



School Educational Programmes conducted at the factories



Medical Camp at South Asia Textiles



*Flood Relief conducted across the Group*



# Intellectual Capital

This chapter explains how the Company has added value to the intellectual capital base during the current financial year. While the Group at present, has not valued its intellectual capital base, we identify our primary intellectual capital asset as the registered trademarks DI, Dankotuwa, Laklain and Royal Fernwood.

Other forms of intellectual capital include the Group's design portfolios for porcelain and leather products, software systems, quality management systems and specialised knowledge and applications (organisational knowledge base) unique to the Group's subsidiary companies that serve as differentiators in the local and international markets.

**Innovation Focus**

In a decisive move towards driving an innovation culture across the group subsidiaries, a new position was created as the Head of Innovation, in October 2017. In its 2020 vision Ambeon Holdings is aiming for end-to-end innovation solutions for all its subsidiary companies from new product development to new processes new technologies, new

techniques and processes, new markets and new human resource skill sets that will transform the Group into a futuristic conglomerate firmly anchored on the global information superhighway. Within this new corporate vision, the Group is aiming at developing and unveiling new products, new ways of creating products and new markets and has already commenced executing a training calendar to uplift its human capital base onto a digital manufacturing future. This process is earmarked to create an ever-growing base of intellectual capitals for the company over the coming years, enhancing overall brand equity at an exponential rate.

Throughout the year we added value to our intellectual capital base through continuous R&D, new product development and technology innovations. These aspects are discussed below. For further information regarding our subsidiaries and their specialisations please refer the Sectoral Performance chapter of this report.



# Capital Management Review

## Organisational Knowledge

Many of our subsidiary companies have a long history in operations and specialisations in their respective areas of manufacturing, which has created a rich base of organisational expertise. This expertise contributes towards unique characteristics and attributes that differentiate their products and contribute towards brand image.

- **Dankotuwa Porcelain:** Dankotuwa porcelain products are renown globally for their unmatched whiteness, achieved through specific production practices, unique to the company. This inhouse capability positions Dankotuwa among premium porcelain manufacturing facilities in the world and differentiates Dankotuwa porcelain products from the international competition.
- **Royal Fernwood:** The subsidiary of Dankotuwa Porcelain specialises in color glazing for any range of colors. Body shapes are another competitive skill of Royal Fernwood. Currently the company offers 12 main body shapes.
- **Ceylon Leather Products:** The DI brand from Ceylon Leather products represents one of the oldest genuine leather brands in Sri Lanka. The company has extensive knowledge and expertise on sole adhesive process and in manufacturing rugged, durable footwear that has been trusted by the armed forces of Sri Lanka from the time of the British Era.

While DI is currently transitioning from a specialist leather footwear manufacturer for men, into a lifestyle brand, the Company will continue to leverage its expertise in leather to gain competitive advantage in the domestic market.

- **South Asia Textiles:** The company has continually invested in developing internal customisation capabilities and is currently one of the most flexible and made-to-measure manufactures of fabric in Sri Lanka with inhouse capability to match almost any type of customer requirement for weft knit fabric in terms of composition, characteristics and performance.
- **Taprobane Capital Plus:** The financial services arm of Ambeon Holdings comprises of three subsidiaries Taprobane Investments, Taprobane Securities and Taprobane Wealth Plus. Collectively the sub-group holds a considerable knowledge base on capital markets and money broking in Sri Lanka and is one of the most trusted and most profitable operators in the bond market.
- **MillenniumIT ESP:** The newest member of the Ambeon Group arrives with one of the most competitive human intellectual capital collectives in Sri Lanka and specialises in enterprise software solutions. Moving forward, strong and continued contributions

to the intellectual property base from this knowledge specialist, both in the form of registered assets under the national Intellectual Property Act that will generate future income for the Group and also in the form of unique ICT solutions to meet the strategic growth objectives of the Group.

## Internal Processes

Many process improvements were introduced during the year at Holding company level and across the subsidiaries. Some of these are described below.

- **Introducing Standard Operating Procedures**  
In a move to enhance overall governance, internal controls and risk management, Ambeon Holdings is in the process of deploying standard operating procedures for the key value functions of supply chain management, financial administration and treasury operations. The objective is to enhance transparency and controls across all its process. During the year under review, the operating protocols for supply chain management was successfully implemented and the operating procedures for financial administrations were implemented across the Group by March 31. Process implementation for treasury operations will commence in July 2018.
- **Revamping Ambeon Holdings web site**  
Ambeon Holdings PLC revamped its website in parallel to the transformation from LCI to Ambeon Holdings. The new state of the art website to reflects what Ambeon stands for and is developed using the latest web technologies.
- **E-Commerce initiatives for Ceylon Leather Products and Dankotuwa Group**  
Ambeon Holdings is in the process of developing E-Commerce portals for both DI and Dankotuwa Group. These sites will showcase all product ranges from both brands and will be equipped with a payment gateway which accepts any digital payment method available up to date and will include delivery services to the customer's doorstep.
- **Centralised IT help desk support**  
When handling several subsidiaries through a central controlling unit, there can be problems left unaddressed if they are not properly logged. To address this issue Ambeon Holdings has implemented a help desk portal using the technology from Spiceworks. Through this support system, personnel from subsidiaries can log their ICT related issues on their designated portal account. These problems will be closely monitors and responded to, by Ambeon ICT executives.

### ■ Canteen Meal Management System.

The Ambeon IT team is introducing a new Canteen Management System which will replace the previous lunch-token system from the factories of the Ambeon Group. This system is far more efficient in handling the lunch hour rush in the Group's factory premises. A cutting-edge meal management system has been implemented at South Asia textiles which helps the subsidiary to manage their two precious resources of time and personnel more efficiently and effectively.

### ■ ERP Dashboard Developments

As a business intelligence initiative for the entire group, the Software Engineering Division of Ambeon Holdings is developing a custom reporting module with a dashboard functionality integrated with the ERP system. With this tool, the management can analyse the Group performance at their fingertips.

### ■ Document Management System

As the world heads towards a paperless business environment, Ambeon Holdings has followed the trend by implementing a document management system for the Group. Developed using Microsoft Sharepoint technologies, this system helps the designing groups from the subsidiaries to share their related artworks, product diagrams and other important documents with the innovation team stationed at the head office. This initiative can also be identified as a business process continuation initiative as all uploaded documents are safely stored on Microsoft cloud servers.

## Quality Systems

Ambeon Holdings has invested in a multiple quality management system among its subsidiaries comprising national and international quality systems to instil international best practices in production, health and safety, environmental safety and management.

Our production quality systems across our manufacturing facilities includes the international ISO 9001 certification and ISO 14001 standard on environmental related production standards. In the technology sector, MillenniumIT ESP is currently ISO 27001:2013 certified and is in the process of upgrading its certification to 27001:2015.

## Software Systems

The Ambeon Group is in the process of deploying the IFS Enterprise Resource Planning system among most of its subsidiaries and has also invested in Oracle software.

## Research and Development

Ambeon Holdings allocates funds for R&D among all of the Group's subsidiary companies, which in turn results in



market intelligence, new products and designs, technology related innovations and process innovations. A Group Innovation Team has been established to overlook and guide new applications and solutions in line with overall Group strategic growth objectives.

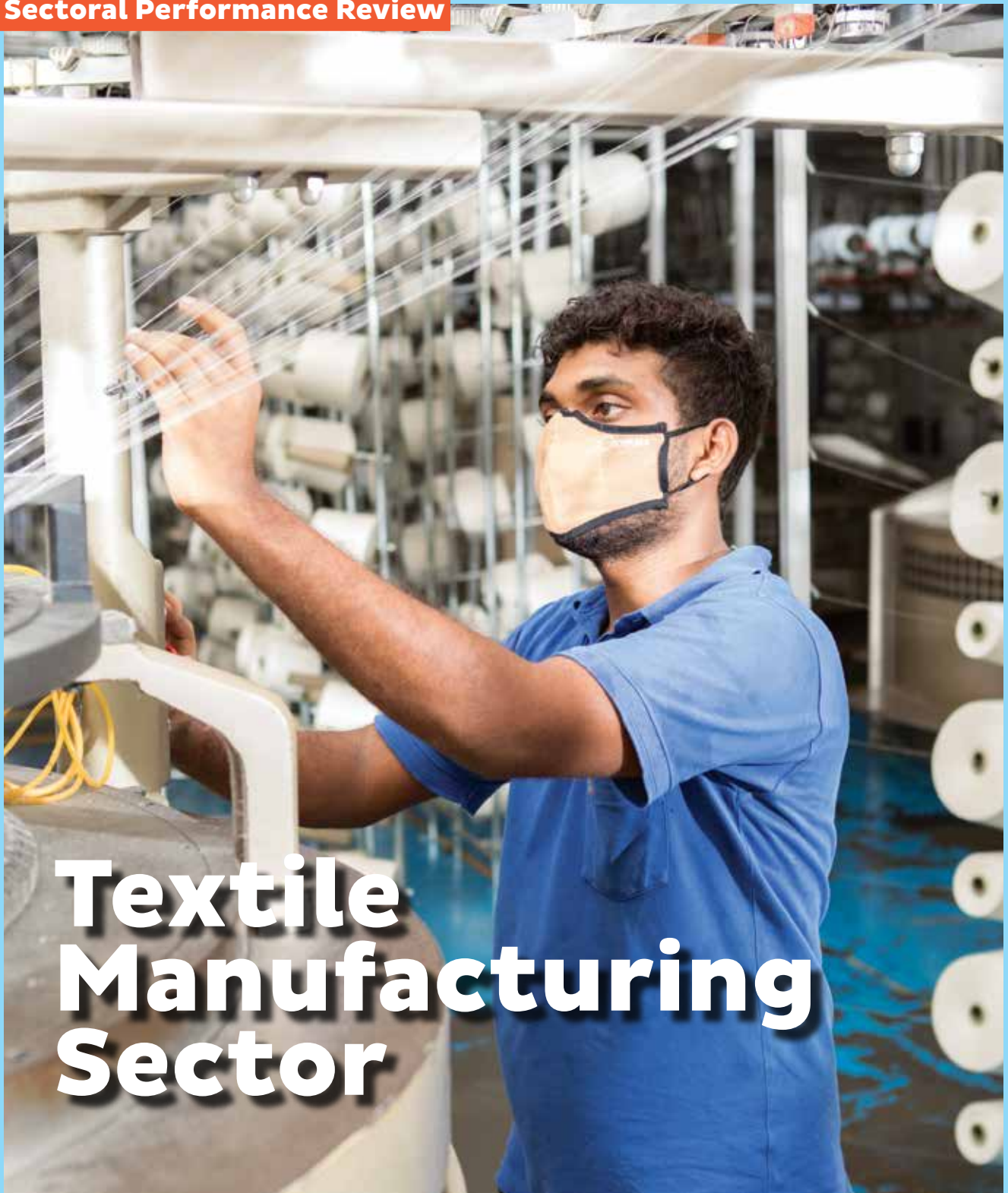
In the current financial year, the Group innovation team was further strengthened. Meanwhile, our subsidiary companies have also continued to market many new products and execute internal innovations. Several subsidiaries are now experimenting with 3D printing technologies and manufacturing based subsidiaries are actively testing and experimenting with process automations to enhance production floor efficiencies.

We believe digital manufacturing is the future for the Group and we are preparing our subsidiaries and future proofing them with what is required to be ready for the future, while also investing in new machinery and technologies.

## New Product Development (NPD)

During the year Dankotuwa Porcelain, Royal Fernwood Porcelain and Ceylon Leather Products introduced many new products to the market in response to customer and market trends that were assessed through ongoing market analysis. The subsidiaries continue to mark their presence at local and international trade fairs (for example Dankotuwa Porcelain and Royal Fernwood continue to be present at the annual Ambiente trade fair held in Germany) which has resulted in these companies continuously innovating new products required for dynamic markets across the globe.

The Ambeon Holdings Group is looking at a whole new way of doing business by incorporating cutting edge sciences into our businesses such as machine learning and Artificial Intelligence. We are preparing for product design which will be the commodity that will be in demand in the future. We are also looking at how people will interact financially in the future to develop our financial services sector into fin tech companies.



# Textile Manufacturing Sector

**12%** ↑

**Revenue**  
LKR 7.7 Bn

**152%** ↑

**Profit After Tax**  
LKR 324 Mn



**SOUTH ASIA TEXTILES LIMITED**

AN AMBEON COMPANY

### About the Company

South Asia Textiles has earned a solid reputation within the Sri Lankan textile manufacturing industry as one of the leading suppliers of weft knitted fabrics. The company also specialises in Knitting, Dyeing, Finishing, Printing, Brushing, Sueding and Preshrunk fabric for leading global brands. Strong competencies in product development, manufacturing and customer service, have been instrumental in bringing significant businesses, tributes and new customers into the Sri Lankan textile industry and even into the apparel industry.

A fully-fledged manufacturing plant with a total monthly capacity of 780 tons owned by South Asia Textiles, is located in a 76-acre land in Pugoda.

Currently, the company produces 100% cotton and polycotton blends, catering to international brands such as Victoria Secret, Next, Marks & Spencer, Tesco, Calvin Klein, Decathlon and Adidas. As Sri Lanka's third largest knit fabric manufacturing plant, over 95% of the capacity is utilised for indirect exports and there is potential for growth in the direct export segment as well.

### Awards and Accolades



South Asia Textiles won the Gold Award at the National Chamber of Exporters (NCE) Awards in the Extra Large Category for Suppliers & Service Providers of Finished and Semi Finished Goods Category



South Asia Textiles won the Runner Up Award in the Manufacturing of Apparel, Textile & Leather Products Sector at the National Business Excellence Awards 2017

### Quality Systems

As a principle, South Asia Textiles maintains a self-critical approach towards quality standards and production systems, continually monitoring processes to identify areas for improvement. Currently the South Asia Textiles manufacturing facility is accredited by the Worldwide Responsible Accredited Production (WRAP) standard and conforms to stringent manufacturing standards set by international brands.



Enhancing quality processes further, in the current financial year SAT commenced implementation of Quality Circles and the company is in the process of qualifying for the new ISO 9001 certification.

# Sectoral Performance Review

## Macro Environment and Financial Performance 2017-18

The 2017-18 financial year was fairly challenging for South Asia Textiles due to a number of unfavorable macro-economic developments. Nevertheless, the 2017-18 financial year is an improvement in terms of topline and bottom-line against the 2016-17 fiscal, which recorded a sharp, unexpected dip in financial performance due to various adverse developments including floods and the explosion at the Salawa Army Camp, which caused extended production disruptions.

The primary challenges in the 2017-18 financial year included changes to the tax regime and the general upward movement in the country's cost structures due to rising interest rates and rupee depreciation. World cotton prices trended upwards in the year under review causing yarn and greige prices to also adopt an upward movement. Coupled with rupee depreciation, this had a cumulative impact on cost of production, although this was cushioned to some extent by exchange gains in exports. However due to the extreme price competitiveness of the industry at global level, South Asia Textiles was constrained in adjusting sales prices to compensate for cost increases. As a seasonal product, revenues and capacity utilisation are also negatively impacted by lower orders during the off-peak season. Overall, the lack of clarity in national policy direction resulted in unfavourable business sentiments, in an environment where major foreign buyers of apparel and textile are already shifting to cheaper fabric suppliers in Asian countries. The Sri Lankan textile manufacturing sector also suffers from high labour turnover and absenteeism, while the lack of skilled labour makes recruitment costly.

The company continued to observe the trend towards performance fabrics, organic and non-woven fabrics and synthetic fabrics, during the year, necessitating investments towards meeting these specialised fabric production facilities.

Within this less than beneficial environment, we are pleased to report that South Asia Textiles has recovered from its 2016-17 downturn and sustained a 12% growth in turnover year-on-year. This growth in revenue was supported by growth in both direct and indirect exports. With production reverting to normal and buoyed by exchange gains in the current financial year, the company has increased export revenues against both 2016-17 and 2015-16. Consequently, South Asia Textiles closed the year with profit after tax growing by 125% year-on-year.

## Improvements to the Business

Enhancing overall governance and risk management, the CAMMS risk management software was implemented for a better risk management framework. We are also in the process of implementing a new ERP system (IFS) in the factory and acquiring a planning tool for the Planning Department to integrate with the IFS system. These modern governance tools are expected to contribute significantly towards faster and more informed decision making, through availability of real-time data from across the production process. The company has also successfully implemented upgrades to the HR system by transitioning it to the all-new HCM cloud system.

With expansions over the last couple of years, the company's dyeing capacity has increased by 15%. However, there remained a bottleneck in finishing capacities which prevented reaping the complete benefit of dyeing expansion, even though the total capacity could be utilised. Taking into consideration of the significant opportunity cost, the company decided to invest on a new Stenter Machine with the latest technology and capacity. This project is ongoing and will start commercial operations in September 2018.

In order to improve productivity, the company has implemented the 5S system in each department and floor level and introduced a productivity week in the premises.

## Productivity and Efficiency Gains

Many efficiency and productivity enhancements were implemented during the year to contain the middle line. These efforts have generated tangible results in enhancing the production capacity by around 20% over the past 3 years.

## Additional Internal Improvements Include:

- Invention of a spray unit to the slitting machine
- Adjustment to the Yield Control System (YCS) unit of the Stenter Machine
- Skew unit to the Stenter Machine.
- Re-engineering fabric structures.

## Human Capital Development

South Asia Textiles gives direct and indirect employment to around 1,200 people, providing them meals whilst at work, medical facilities, staff transport, accommodation, uniforms, safety gear along with on the job and out of site training.

### Environmental Responsibility

The company monitors energy and water consumption in order to minimise wastage of natural resources and introduces more efficient systems to reduce consumption. Replacement of lights with energy saving LED lights, Skylights for daytime use, embarking on a Zero Discharge of Hazardous Chemicals (ZDHC) program, construction of a state of the art waste water treatment plant etc are some of the initiatives the Company had taken to improve the impact it has on the environment.

### Corporate Social Responsibility (CSR)

South Asia Textiles has traditionally adopted the approach of community engagement through community support as its CSR philosophy. This involves providing financial and material assistance for community welfare and community events such as cultural and religious functions conducted throughout the year. During the year under review South Asia Textiles continued to uphold this principle by contributing towards numerous community activities held at different times of the year.

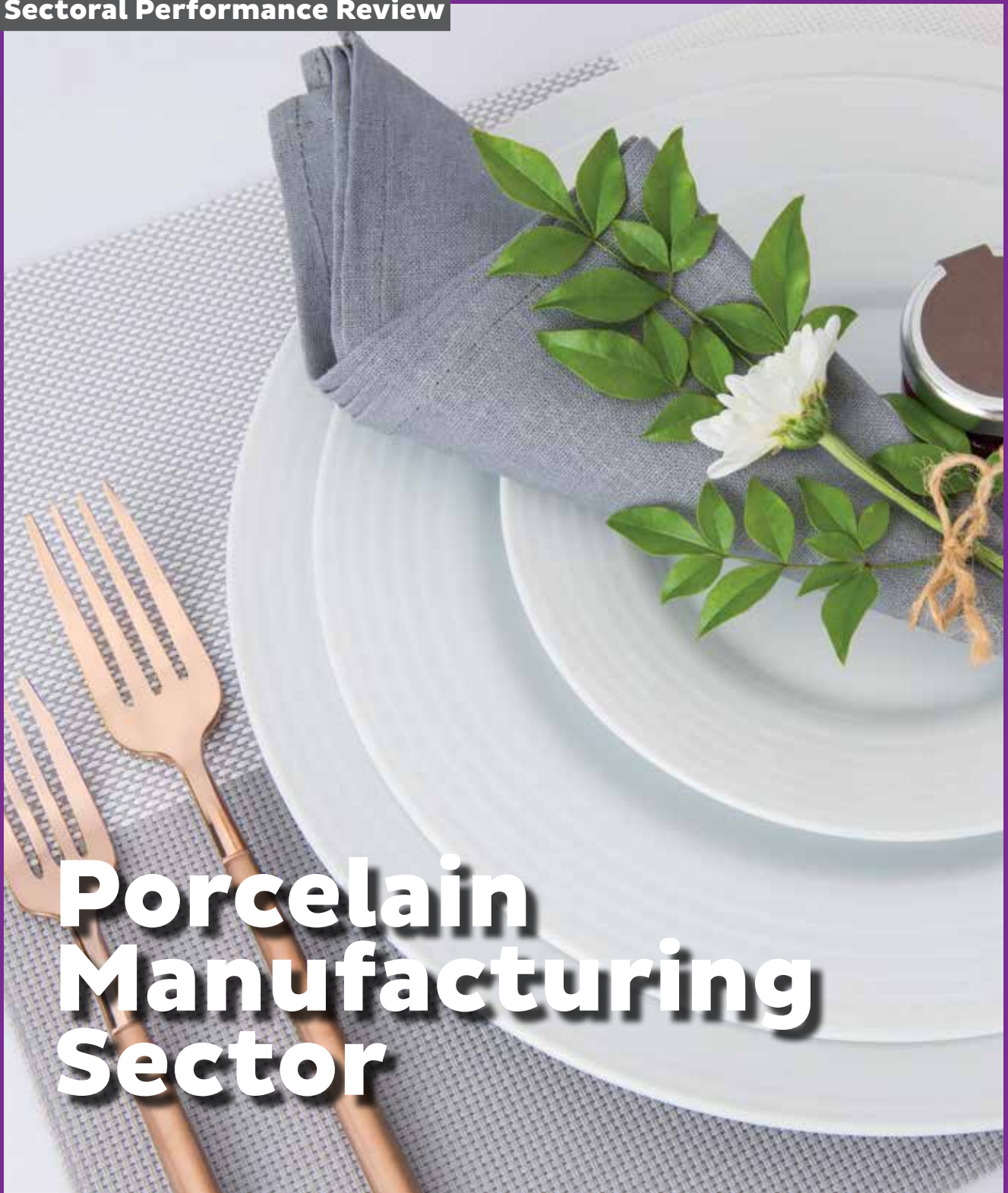
In addition, South Asia Textiles maintains an animal shelter, in a demarcated area within its lands. As Sri Lanka does not have national initiatives to provide shelter for animals in need, the unusual facility provides much needed sanctuary, including food, for many different types of animals in need of kindness and a safe home.



Blood Donation Camp



Felicitation for two students of Owitigama Maha Vidyalaya, Pugoda who won 4th place in the Island in Grade 5 scholarship



# Porcelain Manufacturing Sector

**12%** ↓

**Revenue**  
LKR 2 Bn

**81%** ↓

**Profit After Tax**  
LKR 26 Mn

# DANKOTUWA

World-class tableware

AN AMBEON COMPANY

## About the Company

With over three decades of expertise in porcelain, Dankotuwa Porcelain has made its mark not only in Sri Lanka but across the globe exceeding the exacting tastes of tableware connoisseurs from all ends of the earth. Established in 1984, the name Dankotuwa Porcelain is synonymous for its elegant tableware and is differentiated by the brilliant whiteness of its porcelain. Under its 2020 vision the company is now poised to commence a new era of growth and modernisation by harnessing latest technology, process automation and strengthening the skill base.

These qualities have made Dankotuwa Porcelain a preferred choice for gifts, both as extravagant indulgences and also as smaller tokens of appreciation. The portfolio of shapes and motifs have evolved over the past three decades to accommodate modern trends in tableware and changes in consumer tastes, while catering to the diversity of the international palate within the scope of casual eating to high-end dinner services.

Enhanced by superior glazing, decal prints and bespoke designs, Dankotuwa Porcelain has created a timeless and modern collection of porcelain. The state-of-the-art designs and shapes complement individual lifestyles. The creations

are unique but are also practical, aimed up uplifting lifestyles cross the globe.

The company has a strong and growing export customer base and is now focussed on growing its footprint in the local market under a new corporate strategy. Revenue streams remained strong including all sales categories that extended into branded sales, co-branded and unbranded sales, through a wide distribution network including showrooms and prominent dealers, rural dealers and pop-up sales. The market segments of the company are broadly households and families that purchase porcelain for own-use or for gifting, and the B2B customer segment comprises businesses such as hotels, restaurants and cafes.

## Dankotuwa Porcelain Factory

The fully-fledged porcelain manufacturing factory in Dankotuwa has a production capacity of roughly 5.4 Mn pieces annually. The manufacturing process and raw material mix imparts a high whiteness level which is unmatched by competitors and helps to differentiate Dankotuwa Porcelain from the crowd. The highly trained and experienced workforce provides a skill base with tried and tested capabilities for intricate hand paintings and luxurious gold and platinum applications. The company's strengths in delivering international quality coupled



## Sectoral Performance Review

with exquisite designs, allows Dankotuwa Porcelain to maintain a broad global client base for brands such as Macy's Department Stores, 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, Weissesstaland Galeria Kaufhof.

### Awards and Accolades

Portmerion tableware manufactured by Dankotuwa, was selected for display at the Victoria and Albert Museum, UK, demonstrating the exceptional quality and beauty of Dankotuwa products. Portmerion is an iconic British tableware brand from Stoke-on-Trent, UK. Portmerion is recognised as one of the best hotel tableware brands and is placed as the third best in the world.

### Quality Systems

#### Quality Standards

Dankotuwa Porcelain has the unparalleled distinction of being the first tableware manufacturer in Sri Lanka to obtain ISO 9001/2008 certification. The company also complies with the California Proposition 65, also known as the Prop 65 Standard, USA.

All products at Dankotuwa Porcelain conform to European as well as American quality standards and all international food health and safety standards. All products and raw materials are cadmium and lead free and are regularly tested for compliance. Many product ranges are manufactured to also be microwave and dishwasher safe. In addition, the Dankotuwa production facilities

are continually audited by large international buyers for systemic, labour and environmental compliance.

The company is currently in the process of qualifying for Business Social Compliance Initiative (BSCI) Monitoring System accreditation, which demonstrates the company's commitment towards maintaining overall social standards while conducting its business.

### Macro Environment and Financial Performance 2017-18

The Sri Lankan economy continued to slow down in the financial year under review while also being burdened by rising interest rates and overall rising rate of inflation. While rupee depreciation contributed towards boosting export revenues this did not generate significant advantages for the company due to high costs of imported materials and the rising cost of energy. The company also experienced a significant setback due to production disruptions in the 2nd quarter of the financial year which had extended impacts across the 2nd and 3rd quarters of the year. However, the company reversed the negative trend by earning a revenue of Rs. 300 Mn in 4th quarter helping it to comprehend a loss of Rs. 80.9 Mn for the financial year 2017-18, from the profit of Rs. 94 Mn in 2016-17.

In December 2017, under the Dankotuwa 2020 Strategy, the Dankotuwa business model was recalibrated apportioning equal weight between exports and the domestic market, deviating from the previously predominantly export oriented focus. The supply chain was reorganised for cost and efficiency gains. Production capacity and the product portfolio were rationalised



Dankotuwa Porcelain Signature Showroom @ Guildford Crescent

according to cost-benefit assessments in line with the new target customer segments and an automation plan across the factory floor was initiated. Factory energy efficiency was increased by discontinuing an older less-energy efficient kiln and increasing outputs from the two remaining kilns.

Dankotuwa made further gains in the international market in the past year and our long-term business strategy to establish our own brand by retailing products under the Dankotuwa brand is gaining traction with our efforts in the Middle East, India and other parts of South Asia.

The cumulative impacts of these changes are demonstrated in the 4th quarter results. The final quarter of the year shows a marked improvement in overall capacity utilisation while overheads of the Company have reduced, which has resulted in the average gross profit margin showing an upward movement.

### **Improvements to the Business Productivity and Efficiency Gains**

Widespread productivity and efficiency improvement strategies were deployed successfully during the year to support future growth. While the company experienced a 50% decline in capacity due to production disruptions, this has now been enhanced by enhancing kiln efficiency and overall productivity. This remarkable efficiency gain has contributed towards significant savings on energy utilisation. These improvements have been accompanied by per person productivity improvements despite a reduction in workforce. The company also invested in new machinery with modern technology to obtain the capability to manufacture extremely thin porcelain.

### **Market Expansion**

Within the strategic framework of Dankotuwa the company places equal emphasis upon both global and domestic markets. This contributes towards a more efficient revenue and systemic risk management model. Within this framework, during the current financial year the company expanded its footprint aggressively within the local market and continued to forge ahead in export market.

New marketing and distribution strategies were unrolled within the country in line with the enhanced domestic focus, utilising traditional distribution channels and digital platforms, to reposition the Dankotuwa brand and enhance customer access to products. In our drive to demarcate new global growth avenues the global map was reviewed to identify new and emerging market opportunities across the world with considerable success. Fuelled by the focused marketing drive, expansion of showrooms and the dealer network, both exports and local markets have been rejuvenated in a new era of growth.

During the year the company launched its first Signature Showroom in Colombo, which was followed up with two more showrooms in Negombo and the Crescat Boulevard.

### **Dankotuwa Signature Showroom**

The highlight of the year was the opening of the Dankotuwa Signature Showroom in Guildford Crescent. This elegant store is ideally suited to house the premier Dankotuwa products including international brands of porcelain and our very own products from Royal Fernwood Porcelain Limited. The interior design and décor have been carefully defined to provide consumers with a unique shopping



*Dankotuwa Porcelain Signature Showroom @ Guildford Crescent*

## Sectoral Performance Review

experience that offers choices in terms of patterns and styles. The entire showroom concept has been developed to differentiate the Dankotuwa brand within the consumer perception for its elegance and elite qualities that distinguishes Dankotuwa products from all other porcelain generics and brands. Alongside local brands Dankotuwa and Royal Fernwood, the store also houses international brands including Portmeirion which is a UK brand and Lenox which is an American brand.

### Export Market Growth

A significant stride in global markets is the fact that the Dankotuwa brand is gaining traction with our efforts in the Middle East, India and other parts of South Asia. The company is also actively looking into emerging markets such as South Asia, South East Asia along with the customers emerging from the US and Scandinavian countries which is a very positive trend that presents global growth opportunities.

### Product Development

A key component driving future strategic growth will be continuous innovation and product development for which a development pipeline has already been established. During the year we relooked at product development, reengineering and designing aspects with greater emphasis on new shapes, designs, decals, glazing that are already being tested under senior management supervision and the design committee. Many new prototypes have been developed through the strategic incorporation of cutting-edge technologies such as 3D Printing that will ensure the sustainability of the company's product portfolio into the future.

During the year we also released many new products and designs to both domestic and export markets, including microwave friendly gold designs that are not only user friendly and practical but also retains the elite elegance associated with Dankotuwa porcelain.



### Process Improvements

Within the macro environment of rising cost structures and heightening competition it is essential that the company enhances production efficiencies to remain competitive and sustainable over the long term. In this regard production and process reengineering has gained importance and was a central strategic focus during the year. The company has reviewed, reassessed and reorganised many traditional systems and processes for heightened efficiency and productivity through innovative automation solutions, integration of new technologies and process reengineering, which has generated tangible returns in terms of energy and cost efficiency gains during the year. In addition, the company has upped its investment in human capital development to ensure a more cooperative and higher-skilled workforce that enhances overall production efforts.

### Human Capital Development

Our new business strategy was accompanied by extensive changes to human resource management. A two year collective agreement was signed and employee engagement mechanisms, such as the grievance handling process, suggestion schemes and performance evaluations, were strengthened. Clearly defined top-down and bottom-up communication lines were established to facilitate clear, unhindered communications and build up intra-personnel trust and cooperation.

Training and development for up-skilling and new skills integration was emphasised across the business model to ensure all personnel were properly equipped with the knowledge and technical skills set to support the company's transition towards a more technology-based manufacturer. Employees in new product development, the factory floor and front-end personnel were exposed to emerging new systems, automations and technologies and gradually introduced to new applications that will set in motion the overarching changes that are envisaged for the company in achieving its strategic objectives.

### Future Outlook

With the retail expansion strategy in place, Dankotuwa Porcelain is well poised for rapid growth to enhance value for all stakeholders in the short to medium term.

As per the new strategic production overhauls planned for the factory, current production facilities will continue to be replaced and reinvented with modern technologies and machinery to support cost efficient capacity expansion, coupled with new product developments. A complete technology overhaul in selected areas will unleash hitherto untapped potential for future growth. In addition to this, the company is currently executing an extensive plan to modernise and automate production facilities to transform into a less labour intensive, high-tech operational model.

Dankotuwa Porcelain has traditionally played a secondary role in the international markets as a contract manufacturer for leading brands across the world. However, under the new vision for the company, Dankotuwa Porcelain is gearing to leverage its existing global networks to gradually upscale into a recognised international brand, under its own brand name. Brand building will be emphasised locally and globally to position the Dankotuwa Porcelain as a premium international brand.

In the face of ever changing international market trends, global marketing efforts are now refocusing towards emerging economies in Asia and the Middle East and Dankotuwa Porcelain is set to capitalise in these regions, with the rapidly evolving domestic market earmarked for immediate attention. In this regard, specific marketing strategies will be developed to target premium and mainstream customer categories.

The dual transformation of people together with the technology initiatives at Dankotuwa is aimed at evolving the company into a modern producer of porcelain with production capabilities on par with the best in the world.

Additionally, the company's product portfolio diversification into gift items, thin porcelain tableware and hand painted porcelain will expand the traditional consumer segments and capture emerging consumer segments. All efforts will be made to create a unique consumer experience and to raise consumer awareness regarding elegant dining and plating customs associated with the use of high quality porcelain tableware.

The management is fully cognisant of the role of an effective distribution system in gaining market share and distribution strategies are currently being unrolled. The distribution system will be extended for market penetration through branch and dealer network expansion and also by tapping new digital platforms to enhance consumer accessibility, both locally and internationally. In addition to these, improvements to processes are being pursued for delivery on time, better sample lead time and reduced working capital through supply chain improvements. This includes plans to move into 3D based design and development and sampling, along with techno driven global distribution of Dankotuwa brand.

Within this overall vision for growth, Dankotuwa Porcelain's transformation will be driven by the transformation of people and attitudes to elevate the company into a 21st century manufacturer, where skilled and competent personnel will be the drivers of change, growth and innovation.



**Royal Fernwood Porcelain**  
AN AMBEON COMPANY

### About the Company

Royal Fernwood Porcelain Ltd., was incorporated in 1994, while commercial production began in 1997. The first export consignment successfully entered the UK in the same year. Subsequently, the company was acquired by Dankotuwa Porcelain PLC., in order to expand its product portfolio. Today, Royal Fernwood Porcelain enjoys a global reputation in the porcelain tableware industry as a reliable supplier to many premium brand names.

The company has manufactured products for most of the prestigious porcelain tableware manufacturers in Europe, Japan, Australia, Scandinavia and the USA. The international customer base includes brand names such as Debenhams, Portmeirion, 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 Galeria Kaufhof.

In addition, several up-market department stores in many countries are customers of Royal Fernwood Porcelain and its export map covers over 40 countries around the globe, confirming the international quality standards of Royal Fernwood Porcelain products.

The major raw materials used in the manufacture of porcelain tableware include Kaolin, ball clay, Feldspar,

Quartz and Dolomite. In value terms 20% of the raw materials are imported from countries such as New Zealand, UK, Japan and China, while the world's best quality Quartz and Feldspar is available in Sri Lanka.

At present Royal Fernwood Porcelain has 480 employees and the workforce is relatively young but have been trained stringently on the intricacies of porcelain manufacturing technology to maintain consistent quality, while displaying world standards in design skills. The cadre includes senior technicians who have many years of experience in the porcelain industry and the handpicked senior management are among the best in the porcelain industry in Sri Lanka.

### Royal Fernwood Porcelain Factory

The Royal Fernwood Porcelain factory is situated on a 25-acre property at Kosgama, which is located approximately 35 kms from the Port of Colombo. The factory has a floor area of over 15,000 sq. meters. In 2004 the production facility was upgraded and expanded with additional kilns in the face of escalating demand for premium porcelain products. To ensure exceptional product standards from conception to conclusion, the factory is equipped with the best technologies from world renowned machinery manufacturers, such as Netschz GmbH of Germany, Drayton Kilns Co. Ltd of UK and Kajiseki (Takahama) and S.K.K. of Japan.



The factory has the necessary technology to produce pure white and coloured ranges of porcelain tableware, porcelain figurines and hotel ware. Porcelain is produced using the reduction firing technique, while all whiteware are twice fired with a biscuit firing temperature of 850 degrees and a glost firing temperature of 1,300 degrees centigrade.

Catering to customer demand, the Research and Development Team has been successful in developing new products using coloured glazes to match the body, which is a unique achievement for porcelain tableware and has further consolidated the company's reputation in the specialised global niche for coloured porcelain manufacture.

Royal Fernwood Porcelain products enjoy heightened value addition through a wide range of extremely popular designs and decorations that include in-glaze decorations, on-glaze decorations, under-glaze decorations, hand painted decorations, etching designs and microwave-safe designs including gold and platinum.

Body shapes are another competitive aspect that Royal Fernwood Porcelain 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, Horizon, Sunil, Colorado, Margo, Romantica, Dima, and Maria. In addition to these, another 5 shapes have been developed by the moulding department exclusively for certain customers, tailored to meet unique brand positioning stipulations. New body shapes are developed in line with global market trends that result in the addition of innovative products to the portfolio to gain an edge in the highly competitive operating environment.

**Awards and Accolades**

Royal Fernwood Porcelain won the silver award under the large scale manufacturing category at the NCE awards 2017.



**Quality Systems**

Royal Fernwood obtained the ISO 9000-2015 certification in the 2017-18 Financial Year. The ISO 9000-2015 international standard specifies requirements for a quality management system (QMS). Organisations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.



In addition the company is in the process of qualifying for the SLS -1222 certification and the CTPAT Standard Implementation is in progress.

The company is also aligning with the Customs Trade Partnership Against Terrorism (CTPAT) which is a component of the U.S. Customs and Border Protection's (CBP) multi-layered cargo enforcement strategy.

**Macro Environment and Financial Performance 2017-18**

The performance of Royal Fernwood during the financial year 2017-18 was impacted by the exchange rate, where the continued rupee depreciation caused the cost of imported raw materials to increase. Meanwhile the rising rate of inflation had a direct negative Impact on local material and wages.

However, the company continued its expansion under the Dankotuwa Group's market penetration strategy by adding showroom space at the new Dankotuwa Signature Showroom and other new showrooms in Negombo and the Crescat Boulevard.

Supported by capacity and output gains, Royal Fernwood achieved a sales growth of 11% in 2017-2018 compared to the financial year 2016-2017 with direct exports increasing by 17%.

## Sectoral Performance Review

### Improvements to the Business

Improvements and upgrades to production facilities are essential to remain competitive in the present highly competitive global environment and during the last financial year Royal Fernwood initiated key investments to enhance production facilities. These include building a clay aging room, re building a casting mould dryer room and rebuilding the mould dryer room. These investments have contributed towards product quality management. The company also completed the deployment of the new ERP system.

### Productivity and Efficiency Gains

We are pleased to report a marked improvement in operational efficiencies during the current financial year with key indicators of yield, output per employee, and delivery in first on time showing strong gains while overhead cost per piece and repairs, have recorded a decline. Total customer complaints for the year was reduced to zero, indicating the achievements in meeting customer expectations.

### Capacity Improvements

The company had identified new market for porcelain figurines and has already finalised sample development and is waiting for buyer confirmation to commence production of this new product range. In addition, capacity improvements have been achieved in the operating time of the decoration kiln, in printing and in glaze design, according to customer requirements.

### Production Growth

Sales growth during the year was achieved through improvements to outputs while utilising existing facilities. We have also achieved a growth in new shape developments, sample development and achieved improvements to color glazes and increased high temperature glaze production. We have also added microwave and dishwasher safe products to our portfolio.



### New Product Development

Royal Fernwood makes ongoing investments towards developing new products, shapes and designs to enhance its portfolio in line with market trends. During the financial year the company introduced reactive glaze, solid colours, transparent colour, luster colour, mat glazes and two tone products to the market.



### Human Capital Development

#### Employee Engagement

Employee engagement and relationship building was a priority for the company during the year under review. Consequently, the company has improved its relationship with the workers and the union by facilitating cordial and open discussions that have resulted in a reduction in working hours and a 5 day work-week. However, the overall employee productivity and factory floor efficiency indicators have shown marked improvements against the previous year, demonstrating better employee motivation and a more cooperative work environment. Employee motivation was addressed through a range of participatory activities and a new incentive scheme that recognises performance and contribution by individuals.

#### Performance Evaluations

Performance evaluations was done based on formal, transparent criteria which included setting KPIs for the executive category and based on a skill matrix / evaluation criteria for non-executives. The transparency of this process has enhanced employee confidence in the company and motivated higher performance.

#### Training and Development

Training and development remained an important strategic component to help improve production efficiencies. Training events during the year were primarily focused on employee health and safety and obtaining quality accreditation for the company.

### **Employee Events**

While focusing on workplace benefits, the company also organised informal social events for employees to facilitate networking and relationship building outside the work environment.

An outing/trip and get together was organised for employees to have a day of fun and relaxation.



### **Future Outlook**

Royal Fernwood is now geared to step into an exciting future powered by a motivated workforce and supported by creative and innovative technology solutions. In the new financial year, the company is expecting to grow through 3D printing-based sample development, further automations on the production floor to improve the efficiency and reduce human involvement to get consistent product quality and developing pressure casting for complicated casting products. The company also pledges to continue its quest to explore new markets and growth opportunities, while expanding its existing footprint.



# Technology Sector

LKR **1.5 Bn**  
**Revenue\***

LKR **336 Mn**  
**Profit After Tax\***

\*Acquired during the financial year



Millennium Information Technologies (Private) Limited (MillenniumIT ESP) is one of Sri Lanka's leading system integrators offering a wide range of IT integrated products, services and solutions.

Incorporated in the year 1996, MillenniumIT ESP has evolved through an enriching journey of more than two decades. This has resulted in the company emerging as one of Sri Lanka's the largest IT Infrastructure Solution providers supporting customers from small and medium businesses to blue chip clients here and overseas.

MillenniumIT ESP has experience in delivering high-quality IT Infrastructure solutions for Telecommunications, Banking/Financial Services and Insurance sector, apparel manufacturing, manufacturing sector and hospitality sectors driven by a 'customer first' approach. The company's global partnerships with organisations such as Oracle, CISCO, Microsoft, IBM, Dell, Hitachi and Infosys coupled with focus on absolute standards of operational excellence and integrity has resulted in the company receiving excellence, innovation and performance-based awards across various markets for its services around the globe.

### Company History

Founded in 1996 as a systems integrator and SUN Microsystems authorised reseller, MillenniumIT ESP entered the software design field the following year when

it designed and installed a straight-through processing system for the Colombo Stock Exchange (CSE). The same year, the Company built the first suite of telecom software for Dialog GSM, a leading Sri Lankan telecoms provider.

In the year 2009, MillenniumIT ESP was acquired by London Stock Exchange Group, UK. This acquisition gave the Company a firmer footing in international markets. In December 2017, MillenniumIT ESP was acquired by Ambeon Holdings PLC with management and shareholding control. As part of this acquisition agreement, Ambeon Holdings also entered into a wider ownership plan with the employees of MillenniumIT ESP giving them an equity stake and enabling them to play a significant role in shaping the company's future as owner managers.

The core strength of the company is having a highly committed and skilled set of professionals who add value by design, architect and deploy technically superior, commercially competitive solutions to accelerate business. A key strength of the company is to understand the business challenges and design, architect and deploy end – to- end solutions which will drive customers' vision into the future. The partnerships the company has built over the years with some of the largest entities in the focused industries has resulted in creating a wealth of domain expertise within the company. These factors coupled with the historic foundation of integrity and delivery has



## Sectoral Performance Review

positioned MillenniumIT ESP to become a collaborator and a thought leader on the cutting-edge technologies with the said clients.

Being part of many high impact, but low-profile CSR projects in many remote parts of the country during the last 20 years, MillenniumIT ESP encourages all its employees to actively participate in CSR projects.

### Macro Environment and Financial Performance 2017-18

As MillenniumIT ESP joined the Ambeon Group in December 2017, the current review is limited to the three months of operations within the Group. Within this period, the company contributed Rs. 1.5 Bn in turnover to Group contributions.

Business processes have been improved with MillenniumIT ESP going live on the Oracle Enterprise Resource Planning (ERP) Cloud, which has helped increase visibility into its financial operations. The project was completed within the short period of 10 weeks and has enabled MillenniumIT ESP to reduce IT complexity and increase employee productivity by helping to automate previous manual processes and improving decision making through advanced data analytics. To further boost productivity, new laptops were provided for employees.

### Human Capital

Human capital is the number one asset which the company leverages to create wealth where almost all (98%) employees are knowledge workers. It is the main competitive advantage and differentiator of the company with the team representing one of the most experienced ICT sector expertise pools in the country in terms of cumulative man-years in technology areas and level of expertise which is reflective through certifications in different technology domains to meet certain standards. On certain critical certifications MillenniumIT ESP is at the highest industry standards.

As at end March 2018 the total human resource base of the company was 232 combined with a pool of outsourced specialists. During the 3 months under review the company invested Rs. 1.2 Mn on training for employees.

### Future Outlook

Given MillenniumIT ESP specialisations, the company has high potential to create many and impactful intellectual property rights for the Ambeon Group by introducing new technology driven accelerators to the local and international markets. Therefore, building the Intellectual Capital Base of the Ambeon Group is a primary focus of the company in its future endeavours. However, growth is mapped out through

both organic and inorganic channels including acquisitions, collaborations and joint ventures.

The financial year 2018-19 will be a consolidation year for MillenniumIT, both in Sri Lanka and the Maldives and Bangladesh as the precursor to the expansion stage of the company which will set in thereafter. The target areas for the new financial year includes:

- **Efficiency and productivity:** the company plans to improve internal efficiencies in other support functions, such as supply chains, which will in turn contribute towards improvements to the bottom-line
- **Changes to business model:** MillenniumIT has already commenced assessing the business in terms of specific industries, to build capacity in those specialised verticals. In terms of technology services, in Sri Lanka, the Telecommunications services providers, Banking, Financial Services and insurance companies and apparel manufacturers are the big 3 consumers of specialised ICT services. In addition, MillenniumIT is also targeting the growing hospitality sector as an emerging ICT driven business category. To date, these large economic sectors are served through generic IT solutions. MillenniumIT ESP's strategy is to provide end-to-end enterprise solutions to accelerate the growth of these sectors and to use technology solutions to embark on new business opportunities. This requires in-depth domain knowledge of that particular industry.
- **New growth segments:** MillenniumIT ESP will actively promote new, cutting edge technologies within the country, to transform the entire country onto a modern technology enabled and innovations led economy. These include technologies such as artificial intelligence and cognitive services, the Internet of Things and block chain technology. All these technologies will work on top of the "next generation of gold mines" which are the large pools of "Data" generated and made available through multiple source systems.
- As part of the overall growth strategy, MillenniumIT ESP will build capacity for telecommunications operational and business support systems, which is a very specialised area

### MillenniumIT ESP as a Strategic Member of AMBEON Group

Information Communication Technology (ICT) globally has pushed the boundaries of businesses and brought in the use of the word "disruption" to be synonymous with Technology. Business across industries have embraced the ideology of ICT being an embedded element in every aspect of the businesses. "It's our recognition that if you go to bed as an industrial company, you'll wake up as a Software company" - Jeffrey Immelt CEO, GE. Traditional

industrial organisations are embracing the ICT capabilities to fuse into the DNA of the enterprise rapidly.

The age of ICT systems being used in various functional areas within an organisation such as ERP, Sales, CRM is morphing into an age where technologies are being utilised “diagonally” within the business, creating what is now known as a “symphonic enterprise”

MillenniumIT ESP is a household name in technology services in Sri Lanka and partners with the global technology leaders and the clientele in Sri Lanka consists of the largest enterprises in telecommunications, banking / financial services and insurance and diversified conglomerates sector. MillenniumIT ESP has implemented some of the largest and complex solutions for decades and has undertaken operations and maintenance support for these organisations. MillenniumIT ESP being a member of the AMBEON Group will introduce “high-tech” ICT solutions / capabilities to the operating companies within the AMBEON Group which are primarily into manufacturing. The strategic positioning of MillenniumIT ESP within the Group is to accelerate growth in the Group businesses using technology as a driver.

### ICT in the Manufacturing Sector

Trends in manufacturing across the world which are largely fuelled by ICT innovations such as ubiquitous digital technologies, convergence and integrations, embedded intelligence, digital platforms, data capitalisation and cloud computing, intelligent assets. Convergence of IT and OT (Operational Technologies) and the extensive use of IoT (Internet of Things) to leverage on sensing capabilities are driving the digital transformation within the manufacturing sector. Worldwide, 60% of the G2000 manufacturers by 2020, will work alongside Automated Assistance Technologies such as Robotics, 3D Printing, AI and AR/VR. These will be components within a larger Digital Transformation strategy that will get executed phase-wise in the manufacturing sector

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**The operating companies within the AMBEON Group are now poised to embrace the Digital revolution by collaborating with MillenniumIT ESP. By using ICT components and utilising shared platforms such as data analytics, cognitive capabilities and robotic process automation (RPA) the Production lines can be transformed to bring in better efficiencies, reduce rework by shift-left defect detection, better utilisation of raw materials, efficiencies in energy consumptions.**

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Use of data platforms across the Group, analytics into sales and distribution will give better visibility into the channel execution and the extended sales community. Driving decisions based on facts in real-time will allow the efficient management of the topline while efficiencies on costs and overheads will drive the bottom-line. Cognitive capabilities coupled with use of IoT solutions will allow efficiencies in showroom activities and end customer insights.

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**With an end to end “architecture” first strategy within the Group, technology will focus on shared platforms, API (Applications Programming Interfaces), shared applications in cloud and cyber security embedded into every aspect of the enterprise architecture.**

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### Millennium IT ESP'S Positioning

Transforming MillenniumIT ESP from an ICT services provider to an Enterprise Solutions Provider will position MillenniumIT ESP to leverage its intrinsic domain expertise. The transformations that are driving the telecom sector and the BFSI sector require technology companies to become thought leaders, evangelists and partners with the enterprises to see them through. With the deep understanding of these domains and the much-valued partnerships with global technology product vendors, MillenniumIT ESP is well placed to become the partner of choice for these enterprises. MillenniumIT ESP's approach towards technology is “customer-first” and “customer-last”, which epitomises the focus and commitment to use ICT to accelerate the businesses of the customers. Business and ICT will have to work hand in glove to take advantage of the technology disruptors like block-chain, data analytics, AI with deep Learning, augmented reality, 3D printing and robotic process automation. With MillenniumIT ESP's transformation into an end-to-end enterprise solutions provider, it will be rightfully positioned to deliver on excellence.

To go beyond its ambitions, is to foray into the region and then become a global marquee brand. This will be possible with building IP and solutions based on a focused set of Use Cases across the symphonic enterprise within its industry domains. To differentiate MillenniumIT ESP from global established services provider, it will develop capabilities and solutions using end-to-end platforms in the aforementioned list of high-tech areas.



LKR **5.9 Mn**  
**Revenue\***

LKR **0.8 Mn**  
**Profit After Tax\***

\*Acquired during the financial year



Taprobane Capital Plus (Pvt) Ltd which is the financial services arm of Ambeon Group, has its business interests in two main areas, which are investments and financial services. The investment category could be further broken down into Bond investment and strategic investments while financial services comprise predominantly money and stock broking businesses among others.

Taprobane Capital Plus is a relatively new entity- its existence came into being post Ambeon Holdings' acquisition of Taprobane Financial Services, in line with Group realignment and in a bid to diversify its business interests. Today the Ambeon Group has traversed a long way from its humble beginning, hence in order to further diversify its business interests and optimise synergies across its subsidiaries the acquisition of a Financial Services arm seemed the right choice; while adding financial value to the organisation. The financial services subsidiaries were acquired by Ambeon Holdings PLC in February 2018. Given the recent acquisition, a month's results of the investments and financial services have been consolidated with that of the Ambeon Holdings PLC accounts.

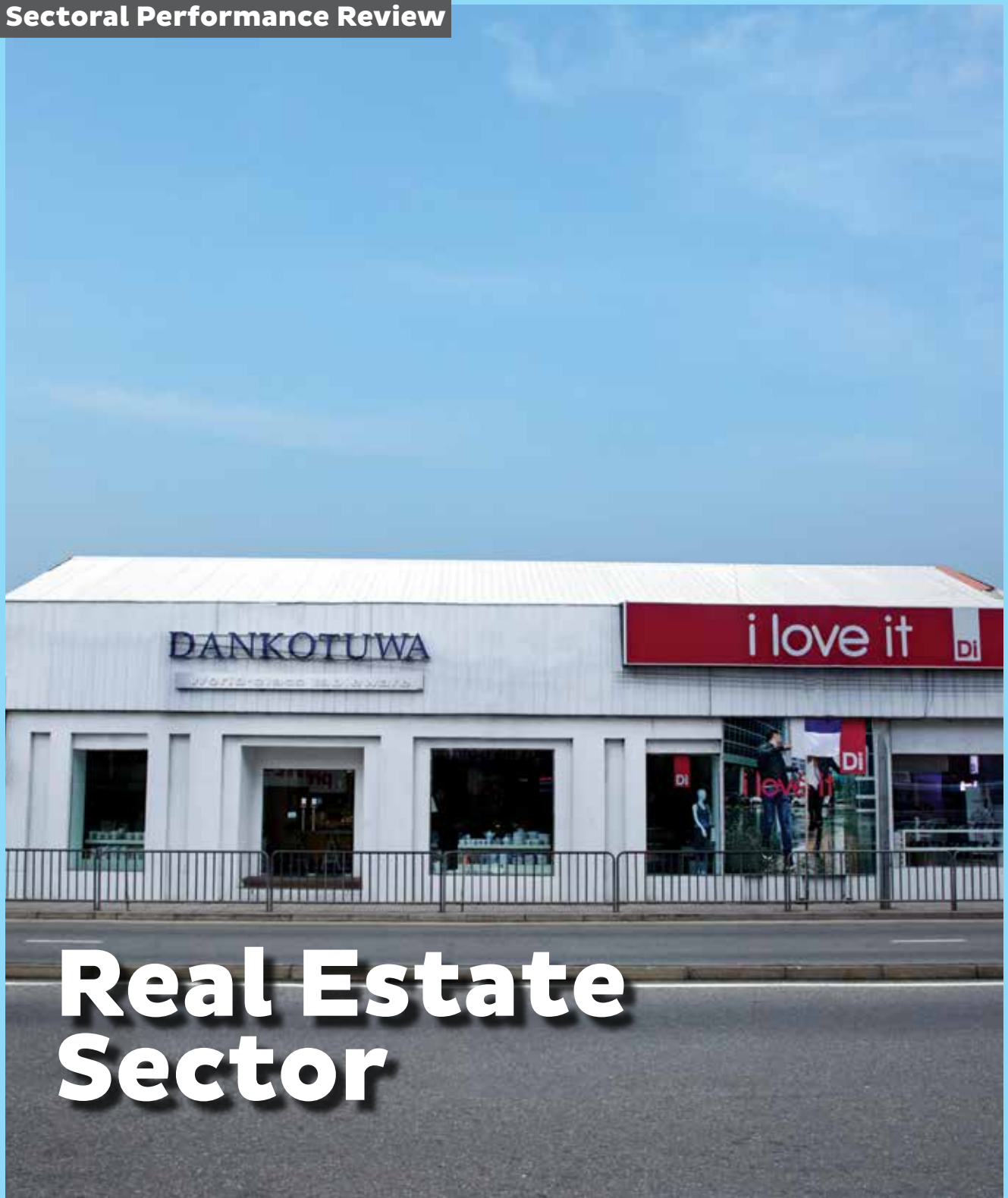
Taprobane Financial Services counts for a wealth of experience in investments, stock broking and money broking. The stock broking arm is a lucrative player in the market, reaping profits through its many years in existence. This entity which consists of a lean structured framework, along with its industry experts will indeed continue its profitability under the group. On the other hand, the money broking arm too is an integral player in the local arena and has created a niche for itself among its peers. The knowledge, expertise and experience in financial markets incorporating treasury management, financial restructuring and advisory services have positioned Taprobane Capital Plus and its subsidiaries as the financial knowledge hub of the Group.

The financial services arm assists the Group companies to restructure their balance sheets, asset utilisation and investment management acting as the focal point for all the financial related services of the Group. While supporting their group peers in achieving financial resilience, Taprobane Financial Services has also mapped out its own short, mid and long-term goals – which entails exploring

avenues in the FinTech space by developing and offering to the market, a range of technology based financial solutions that will spearhead the transformation of Sri Lanka's capital market related financial services.

### **Financial Performance**

While the money broking business performance could be deemed as modest, the stock broking arm had a slightly sluggish year. This is attributable to the pressure bearing down on the retail interest- overall economic growth was slower and the increase in the tax structure too had its adverse effects on this area. The financial services sector witnessed top line improvements, which were a direct reflection on investment gains. While financially the sector's bottom-line did not seem rewarding, this was due to financing of investments made to further diversify the group's portfolio. The management is confident that with the aid of CBSL the economic environment is due to change, resulting in a rewarding future, hence availing the financial services business. The new Foreign Exchange Act and the Liability Management Act and tax consolidation programme are viewed as positive factors that would help improve investor sentiment. However global factors will remain key to future policy decisions, particularly in the context of a rising global interest rate environment which could lead to capital outflows from the domestic market.



# Real Estate Sector

**54%** ↑

**Revenue**  
LKR 105 Mn

**17%** ↑

**Profit After Tax**  
LKR 238 Bn



### **About the Company**

Colombo City Holdings is a 100-year-old company. Formerly known as the Colombo Pharmacy, the organisation ventured into real-estate management in July 2013 and was subsequently renamed Colombo City Holdings PLC. Originally, the company was the manager of a 21.74 perch land at Bambalapitiya Junction, and another 117.05 perch land at Union Place. The land at Bambalapitiya Junction has been divested. In addition to this, the company was managing a 3-acre land development project at Polgasowita, which was also divested in the current financial year. In addition to this, half of the property at Union Place was also divested in the current financial year.

During the financial year 2017/18, the company was involved in re-strategising its business. Consequent to this, while a key asset was divested, they continued to add value by venturing into property trading; thus, enhancing the overall stability of the company. The latter part of the year saw Colombo City Holdings exploring the option of building a robust strategic plan which includes expanding the business into lucrative areas.

### **Financial Performance**

Colombo City Holdings remains a highly cash rich company with reserves rising to Rs. 1.8 Bn in the current financial

year. The total revenues of Colombo City Holdings PLC increased from Rs. 27 Mn in the current financial year, to Rs. 114 Mn. Finance income increased from Rs. 7 Mn to Rs. 41 Mn. Profit after tax increased from Rs. 213 Mn and sale to the Rs. 262 Mn due to increased finance income and sale of Polgasowita Land.

In the short-run, these funds are being managed and divested prudently to ensure risks are minimised and greater returns are brought about. The company also continues to rent out the remaining buildings whilst looking at possible expansions within the rental business area.

### **Future Outlook**

The Group's Vision 2020 strategy blue print has envisioned a unique role for Colombo City Holdings over the medium to long term – one that will reposition the company from its current limited business scope as a rental property holder, into a modern, niche property developer. As part of the future strategy crystallisation process, the company is evaluating options in the real estate sector and other business domains to bring the best to its shareholders. The company being a renown PLC with a long-lasting history has a unique positioning in the property sector and this is an area that is being currently explored to augment.



# Footwear and Accessories Sector

**55%** ↓

**Revenue**  
LKR 637 Mn

**455%** ↑

**Loss for the Year**  
LKR 238 Mn



AN AMBEON COMPANY

### About The Company

Ceylon Leather Products Limited ( Ceylon Leather Products) has a proud history of over 79 years as an award-winning manufacturer of quality leather footwear. Originally established in 1939 by the British Government to produce footwear and accessories for the British Armed Forces it remained under state ownership until 1991 when the Government sold 90% of its stake through a privatisation programme. In 1999, the company began exporting its products starting with the UK, Japan and India.

With a tradition of making shoes for the armed forces, Ceylon Leather Products, has a highly skilled workforce with experience in producing rugged boots and is currently one of the largest suppliers of footwear to key government institutions. The company also holds a small share of the domestic consumer market under the DI brand.

The production facilities include a shoe factory in Gampaha and Sri Lanka's largest tannery located in Mattakkuliya. However, in May 2018 the tannery was closed under the new strategic vision for the company which envisages a broader market outlook by transforming from a mere leather footwear manufacturer into a lifestyle brand.

### A New Identity for DI

The financial year 2017-18 marks a turning point in the history of Ceylon Leather Products as the company launched into a new era of transformation and growth. This rejuvenation was spearheaded by a change to the DI brand logo. The previous 'traditional leather mark' logo has now been replaced by a modern, minimalist brand logo with the tagline 'I love it'. This new look, which was unveiled to the market in November 2017 is aimed at a broader market appeal, shifting the brand perception away from the niche leather goods mindset.

Within the Vision 2020 Growth Strategy of the Ambeon Group, Ceylon Leather Products will be repositioned within the Sri Lankan market as a lifestyle, consumer brand for men, women and children. Marketing and sales will be revamped under a multi-brand, multi-channel strategy to reposition the DI brand as a lifestyle-based fashion brand.

In a landmark change to the business model, the product range and distribution network are being expanded with products for the entire family. The designs will be consistently upgraded with rapid introduction of new designs and offerings through high quality leather and non-leather footwear and accessories. The consumer market footprint of DI is set to expand through the addition of new showrooms, in strategic locations across the country.





Accompanying the launch of the new brand identity, Ceylon Leather Products has now expanded its physical footprint to 12 owned retail outlets, mainly located in the Western Province, with two in Gampaha and one in Kiribathgoda. During the year, five new outlets in Negombo, K Zone - Ja Ela, K Zone - Katubedda, Kirulapone and Malabe were added to the retail network.



### Digital Network

The DI digital footprint has been developed to support and extend the physical expansion strategy. The new DI brand identity of youthful modernism entails digital media presence to reinforce brand identity. Therefore, digital space is also required to increase consumer accessibility to the new range of DI products.

Ceylon Leather commenced a digital marketing campaign as part of their digital strategy by improving its social media presence. This included relaunching the corporate website into an attractive and user-friendly tool which showcases the new DI range. The company has also commenced integrating inventories with the website data bases to implement an e-commerce payment gateway and is targeting 1% of revenue from e-commerce in the short term. In addition, interactive video content and other activities have been launched on Facebook and other social media platforms such as Instagram.

### Marketing and Promotions

The Official relaunch ceremony was held at the OZO Colombo on December 13, 2017 targeting suppliers, employees and other key business partners. This was followed by brand communication campaigns using mass media and digital social media platforms.

### Human Capital Development

Following the closure of the Tannery, the workforce of the factory contracted to 330, which includes 70 executives with the balance representing shop floor employees.

As the company enters a new era, transforming it from its traditional manufacturing focus into a broader lifestyle brand, supported by a complex international supply chain and operating within a highly competitive environment, it is essential that employees are mentally and technologically prepared to face the new challenges that will emerge. Therefore, the company has already commenced a process of training, retraining and up-skilling coupled by automation and new systems and processes to build the facilities and capabilities of our human capital.

### Environmental Responsibility

The closure of the tannery in Mattakkuliya, has reduced the company's environmental impacts, both in terms of environmental discharges as well as resource consumption.

The shoe manufacturing facility in Balummahara is fully compliant with all applicable environmental regulations and all environmental licenses for the factory have been renewed.

### Corporate Social Responsibility (CSR)

Ceylon Leather Products engages in CSR activities by supporting its local communities in diverse ways. Every year the company sponsors the prize giving of the neighboring school, the Bodiraja Mahavidyalaya, Rathupaswala. The company also donates B-grade shoes to surrounding under-served schools.

### Future outlook

The short-term strategy of the company is to strengthen its market presence through increased retail distribution across the country. The company is exploring shop-in-shop and franchise models to speed up this process in the new financial year. Already 20 franchise outlets and 5 shop-in-shops have been earmarked for opening in 2018-19.

A key growth segment will be female footwear and accessories and the company is collating many new designs of shoes and accessories that will be imported to cater to this segment.



## Report of the Audit Committee

### Composition

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

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

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

The profiles of the members are given on pages 26 to 27 of the Annual Report.

### Meetings

During the financial year, the Committee held only two formal meetings but had the quarterly financial statements reviewed by the Members of the Committee before recommending them to the Board of Directors for release to the Stock Exchange.

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

### Role of the Committee

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

1. Overseeing the integrity of the company's financial statements and the company's accounting and financial reporting processes
2. Overseeing the company's systems of disclosure controls and procedures, internal controls over financial reporting and compliance with ethical standards adopted by the company.
3. Evaluating the performance of the company's independent auditor and internal audit functions
4. Overseeing the company's compliance with legal and regulatory requirements.

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

During the financial year the Committee;

- Fulfilled its oversight responsibility on the effectiveness of internal control procedures by providing guidance and inputs to the design and coverage of internal audit programs and by the review of internal audit reports.
- Reviewed the appropriateness of accounting policies and their adherence to statutory and regulatory compliance requirements and applicable Accounting Standards.
- Reviewed the interim and annual financial statements prepared for publication prior to submission to the Board of Directors for approval.
- Examined the adequacy, efficiency and effectiveness of the risk management processes, internal controls and governance processes in place to identify, avoid and mitigate risks.
- Assessed the independence of the external auditors and the effectiveness of the performance of the audit.
- Assessed the Company's ability to continue as a going concern in the foreseeable future.

### Regulatory Compliance

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

### 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 2019 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

*Sgd.*

**Mangala Boyagoda**  
*Chairman*

13 July 2018

# Report of the Remuneration Committee

## Composition

The Remuneration Committee appointed by the Board and as at the end of the financial year comprised of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as given below.

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

The Group Managing Director/CEO attends meetings by invitation.

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

## Policy

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

## Scope and Responsibility

The scope and responsibility of the remuneration committee include;

- To consider internal as well as external remuneration factors and to ensure that the remuneration policy of the company 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.

## Professional Advice

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

## Remuneration Package

### Employees

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

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

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

### Directors

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

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

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

*Sgd.*  
**Mangala Boyagoda**  
*Chairman*

13 July 2018

## Report of the Related Party Transactions Review Committee

The purpose of the Related Party Transactions Review Committee (the Committee) is to assist the Board in meeting its oversight responsibilities to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions and to prevent Directors, Key Management Personnel or substantial shareholders taking advantage of their positions.

### Composition

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

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

The above composition is in compliance with the provisions of the Listing Rules of the Colombo Stock Exchange. Brief profiles of the members are given on pages 26 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

During the financial year, the Committee held only two formal meetings but had related party transactions reviewed by the Members of the Committee before recommending them to the Board of Directors.

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 178 to 179 of this Annual Report.

### Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on pages 102 to 104 of this Annual Report.

Sgd.  
**Mangala Boyagoda**  
Chairman

13 July 2018

# 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 2018, 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 2018 the company had investments in various sectors such as manufacturing, real estate, information technology and investments. A review of the operations of the company during the twelve months period and the results of those operations are contained on pages 112 to 189 of this Annual Report.

## Investments/ Acquisitions

- On 28 December 2017, the Company acquired 2,755,863 ordinary shares of Millennium Information Technologies (Private) Limited for a consideration of LKR 1,081,383,980/-.
- On 29 January 2018, the Company acquired 1,497,973 ordinary shares of Ceylon Leather Products PLC held by the minority shareholders, pursuant to obtaining an order from Court under Section 256 of the Companies Act No. 7 of 2007 (the "Arrangement"). Pursuant thereto, the formalities pertaining to the Arrangement was carried out and the Company issued 7,502,547 new ordinary shares of the Company to such minority shareholders of Ceylon Leather Products PLC.
- On 15 February 2018, the Company invested in 67,134,500 ordinary shares of Taprobane Capital Plus (Private) Limited for a consideration of LKR 671,345,000/-.

- On 28 February 2018, the Company acquired 287,295,495 ordinary shares of South Asia Textiles Limited (SAT) from Ceylon Leather Products PLC for a total consideration of LKR 1,684,280,000/-. Accordingly, the holding percentage of the Company increased to 97.67% of the issued ordinary shares of South Asia Textiles.
- On 30 March 2018, the Company acquired 2,936,243,951 ordinary shares of Palla & Company (Private) Limited for a total consideration of LKR 10,000/-. Palla & Company (Private) Limited is a dormant Company with a negative net asset value.

## Repurchase of Shares by Ceylon Leather Products PLC

On 26 March 2018, Ceylon Leather Products PLC repurchased 13,041,551 ordinary shares held by the Company at a consideration of LKR 94.25 per share in terms of Section 64 of the Companies Act No. 7 of 2007.

Redemption of shares by Ceylon Leather Products PLC  
On 29 March 2018, Ceylon Leather Products PLC redeemed 4,828,794 ordinary shares held by the Company at a consideration of LKR 94.25 per share in terms of Section 68 of the Companies Act No. 7 of 2007.

## Name Change

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

## Financial Statements

The Financial Statements of the Company for the year ended 31 March 2018 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 page 115 of this Annual Report.

## Summarised Financial Statements

	Group		Company	
	2017/2018 Rs. '000	2016/2017 Rs. '000	2017/2018 Rs. '000	2016/2017 Rs. '000
Revenue	12,272,998	10,762,068	713,264	211,711
Profit/(Loss) Before Tax from Continuing Operations	571,741	367,219	696,091	(129,627)
Income Tax Reversal/(Expenses)	99,208	(103,966)	33,906	(27,521)
Profit/(Loss) After Tax from Continuing Operations	670,948	263,252	729,997	(157,148)
Profit/(Loss) after Tax from Discontinued Operations	9,870	130,852	-	-
Profit/(Loss) for the year	680,818	394,104	729,997	(157,148)

## Accounting Policies and Changes

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 119 to 135 as required by Section 168 (1) (d) of the Companies Act.

## Directors

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

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

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

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

The present Directors of the Company and their profiles are shown on pages 26 to 27 of the Annual Report.

## Board Sub Committees

The Directors have formed three Sub Committees and their composition is given in pages 32 to 33 of this Annual Report.

## 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 178 to 179.

### Directors' Remuneration

The Directors' Remuneration is disclosed in Note 29 to the Financial Statements on page 174.

## 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 2018	As at 31 March 2017
Ambeon Capital PLC (Represented by M/s N M Prakash and Ruwan Sugathadasa)	290,597,377	290,597,377
Taprobane Wealth Plus (Private) Limited (Represented by M/s A G Weerasinghe)	85,000	85,000
DOH Investment Lanka (Private) Limited (Represented by Mr. P P Maddumage)	2,153,046	2,153,046
Mr. N M Prakash	200,000	200,000

## 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 30 to 33 of the Annual Report.

## Donations

The Company has made donations to the value of Rs. 127,000 during the twelve month period under review.

## 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.

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

## Capital Expenditure

The total capital expenditure for the twelve-month period amounted to Rs. 1.1 Mn.

## Stated Capital

The stated capital of the Company as at 31 March 2018 was Rs. 7,724,138,656 represented by 349,367,119 fully paid Ordinary Shares.

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

## Shareholdings

The distribution of shareholdings is shown on pages 190 to 192 of the Annual Report.

## 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.

## The Auditors

The Financial Statements of the Company for the twelve months ended 31 March 2018 have been audited by M/s. Ernst & Young, Chartered Accountants and the Independent Auditors' Report thereon is given on pages 109 to 111 of the Annual Report as required by the Section 168 (1) (c) of the Companies Act No. 07 of 2007.

A sum of LKR 1 Mn 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 27 September 2018. The notice of the Annual General Meeting appears on page 198.

For and on behalf of the Board

*Sgd.*

**A G Weerasinghe**  
*Chairman*

*Sgd.*

**Murali Prakash**  
*Group Managing Director/CEO*

*Sgd.*

**P W Corporate Secretarial (Private) Limited**  
*Secretaries*

13 July 2018

## Statement of Directors' Responsibility

The responsibility of the Directors in relation to the financial statements of the Company and the Group is set out in the following statement. The responsibility of the Independent Auditor in relation to the financial statements prepared in accordance with the provisions of the Companies Act No. 07 of 2007, is set out in the Independent Auditors' Report appearing on pages 109 to 111.

The financial statements comprise:

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

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

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

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

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

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

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

By order of the Board of  
**Ambeon Holdings PLC**

*Sgd.*  
**PW Corporate Secretarial (Pvt) Ltd**  
*Secretaries*

Colombo  
13 July 2018

i love it <sup>Di</sup>



**Beyond  
Lifestyle**





## FINANCIAL CALENDAR

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First Quarter Interim Report	17 August 2017
Second Quarter Interim Report	15 November 2017
Third Quarter Interim Report	02 February 2018
Fourth Quarter Interim Report	25 May 2018
Annual Report 2017/18	13 July 2018
Annual General Meeting	27 September 2018

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AMBEON HOLDINGS PLC

Report on the audit of the consolidated Financial Statements

### Opinion

We have audited the Financial Statements of Ambeon Holdings PLC (the "Company"), and the consolidated Financial Statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2018, 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 2018, 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 auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 auditor's 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 *Auditor's responsibilities for the audit of the Financial Statements section of our report*, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

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

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# Independent Auditors' Report

<b>Key Audit Matter</b>	<b>How our Audit Addressed the Key Audit Matter</b>
<b>Annual Impairment of Goodwill and Intangible Assets with Infinite Useful Life</b>	
<p>Intangible assets include Goodwill on consolidation and Brands with infinite useful life.</p> <p>Goodwill and intangible assets are subject to an annual impairment test using significant estimates as disclosed in Note 9 to the Financial Statements. Therefore, we have determined this to be a Key audit matter.</p>	<p>We performed the following procedures amongst others;</p> <ul style="list-style-type: none"> <li>■ We have involved our internal specialists to assist us, in assessing the appropriateness of the models and reasonableness of estimates, used by the management.</li> <li>■ We also assessed the adequacy of the related disclosures given in Note 9 to the Financial Statements.</li> </ul>
<b>Valuation of Land and Building</b>	
<p>As at 31 March 2018, land and buildings carried at fair value amounted to Rs. 4.4 Bn classified as Property, Plant and Equipment and Investment Property. The fair value of such property was determined by external valuers engaged by the Group. The valuation of land and building was significant to our audit due to the use of significant estimates such as per perch price and value per square foot disclosed in notes 6 and 8 to the Financial Statements.</p>	<p>Our audit procedures focused on the valuations performed by external valuers engaged by the Company, and included the following;</p> <ul style="list-style-type: none"> <li>■ Assessed the competency, capability and objectivity of the external valuers engaged by the Company.</li> <li>■ Read the professional valuer's report and understood the key estimates made and the approach taken by the valuers in determining the valuation of each property.</li> <li>■ Engaged our internal experts to assess the reasonableness of the valuation technique, per perch price and value per square foot.</li> <li>■ We have also assessed the adequacy of the disclosures made in note 6 and 8 to the Financial Statements relating to the valuation technique and estimates used by the professional valuers.</li> </ul>

## Other Information Included in the Group's 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's 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 auditor's 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.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with 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 auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

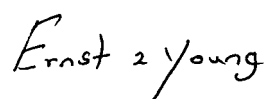
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1864.



13 July 2018  
Colombo

## Statement of Profit or Loss

Year ended 31 March 2018	Notes	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>Continuing Operations</b>					
<b>Revenue</b>	5	12,272,997,840	10,762,067,753	713,263,710	211,710,934
Cost of Sales		(10,075,333,386)	(9,098,606,432)	-	-
<b>Gross Profit</b>		2,197,664,454	1,663,461,321	713,263,710	211,710,934
Other Income	25	289,742,203	177,512,033	140,481,192	9,605,274
Selling & Distribution Expenses		(443,263,481)	(368,165,516)	(658,074)	(61,500)
Administrative Expenses		(1,570,522,777)	(1,034,880,034)	(134,838,244)	(129,376,069)
Change in Fair Value of					
Financial Assets Held for Trading		211,322,064	(94,982,942)	212,057,492	(94,982,942)
Operating Profit/(Loss)		684,942,463	342,944,862	930,306,076	(3,104,303)
Finance Cost	26	(403,910,174)	(284,800,524)	(234,215,154)	(126,522,877)
Finance Income	27	107,384,929	73,574,000	-	-
Change in Fair value of					
Investment Property	8	185,734,192	235,500,262	-	-
Share of Loss From Associate	13	(2,410,726)	-	-	-
<b>Profit/(Loss) before Tax from</b>					
<b>Continuing Operations</b>	29	571,740,684	367,218,600	696,090,922	(129,627,180)
Income Tax Reversal/(Expenses)	28	99,207,647	(103,966,336)	33,906,442	(27,520,878)
<b>Profit/(Loss) for the year from</b>					
<b>Continuing Operations</b>		670,948,331	263,252,264	729,997,364	(157,148,058)
<b>Discontinued Operations</b>					
Profit after Tax for the year from					
Discontinued Operations	4	9,870,089	130,851,667	-	-
Profit/(Loss) for the year		680,818,420	394,103,931	729,997,364	(157,148,058)
<b>Attributable to:</b>					
Equity Holders of the Parent		540,940,920	271,698,127		
Non-Controlling Interests		139,877,500	122,405,804		
		680,818,420	394,103,931		
<b>Earnings/ (Loss) per share</b>					
Basic (LKR)		1.54	0.78	2.08	(0.45)
Diluted (LKR)		1.54	0.78	2.08	(0.45)
<b>Earnings/ (Loss) per share from</b>					
<b>Continuing Operations</b>					
Basic (LKR)		1.51	0.42		
Diluted (LKR)		1.51	0.42		

Figures in brackets indicate deductions.

The accounting policies and notes on pages 119 through 189 form an integral part of the Financial Statements.

## Statement of Comprehensive Income

Year ended 31 March 2018	Notes	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Profit/(Loss) for the Year		680,818,420	394,103,931	729,997,364	(157,148,058)
<b>Other Comprehensive Income</b>					
<i>Other Comprehensive Income to be reclassified to profit or loss in subsequent period</i>					
Currency Translation of Foreign Operation		(40,515)	18,083,393	-	-
Other Comprehensive Income Reclassified to Profit or Loss		-	(18,261,300)	-	-
<i>Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods</i>					
Revaluation Gain of Land and Building	6	949,194,215	93,024,350	-	-
Tax on Revaluation Gain	20	(466,281,914)	(7,485,531)	-	-
Actuarial Gain/(Loss) on Defined Benefit Plans	21	(32,956,251)	21,109,218	156,702	4,222,481
Tax on Actuarial Gain/(Loss) on Defined Benefit Plans	20	8,679,937	(5,599,940)	(43,877)	(1,182,295)
		458,595,472	100,870,190	112,825	3,040,186
Total Comprehensive Income/ (Loss) for the year, net of tax		1,139,413,892	494,974,121	730,110,189	(154,107,872)
<b>Attributable to:</b>					
Equity Holders of the Parent		935,665,657	348,571,291		
Non-Controlling Interest		203,748,235	146,402,830		
		1,139,413,892	494,974,121		

Figures in brackets indicate deductions.

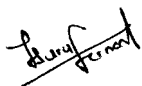
The accounting policies and notes on pages 119 through 189 form an integral part of the Financial Statements.

## Statement of Financial Position

As at 31 March 2018	Notes	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	6	5,211,164,782	4,633,979,689	13,737,684	17,271,638
Investment Property	8	1,130,588,153	580,100,686	-	-
Intangible Assets	9	1,281,495,527	495,080,049	6,170,040	1,684,996
Investment in Subsidiaries	11	-	-	6,775,945,351	4,645,694,806
Other Non-Current Financial Assets	12	25,234,242	-	-	-
Investment in Associate	13	114,846,027	-	-	-
Deferred Tax Asset	20	256,089,596	68,974,307	77,376,542	30,934,216
		8,019,418,327	5,778,134,731	6,873,229,617	4,695,585,656
<b>Current Assets</b>					
Inventories	14	3,758,051,548	2,407,814,065	-	-
Trade and Other Receivables	15	4,101,428,650	1,482,996,425	137,163,365	19,156,874
Other Financial Investments	16	1,784,570,815	1,602,627,072	1,254,747,232	1,570,094,845
Income Tax Receivables		16,476,849	32,258,280	14,860,190	16,597,490
Cash in Hand and at Bank	31	2,120,695,420	1,548,542,561	253,568,819	637,203,600
		11,781,223,282	7,074,238,403	1,660,339,606	2,243,052,809
Assets Classified as Held for Sale	4	-	945,070,313	-	-
		11,781,223,282	8,019,308,716	1,660,339,606	2,243,052,809
<b>Total Assets</b>		19,800,641,609	13,797,443,447	8,533,569,223	6,938,638,465
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Stated Capital	17	7,871,563,705	7,724,138,656	7,871,563,705	7,724,138,656
Other Capital Reserves	18	3,100,000	3,100,000	3,100,000	3,100,000
Other Components of Equity	18	927,299,035	512,518,531	220,140	220,140
Retained Earnings/ (Losses)		(963,749,378)	(1,369,018,534)	(1,809,678,339)	(2,539,788,528)
<b>Equity attributable to equity holders of the parent</b>		7,838,213,362	6,870,738,653	6,065,205,506	5,187,670,268
Non-Controlling Interests		1,055,156,401	988,420,235	-	-
<b>Total Equity</b>		8,893,369,763	7,859,158,888	6,065,205,506	5,187,670,268


As at 31 March 2018	Notes	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>Non-Current Liabilities</b>					
Other Financial Liabilities	24	897,086	873,146	897,086	873,146
Interest Bearing Borrowings	19	1,562,021,994	913,471,559	800,000,000	-
Deferred Tax Liability	20	562,632,083	239,396,646	-	-
Employee Benefits Liabilities	21	405,040,709	249,237,420	3,735,928	3,569,316
Deferred Income	22	-	387,745	-	-
		<b>2,530,591,872</b>	<b>1,403,366,516</b>	<b>804,633,014</b>	<b>4,442,462</b>
<b>Current Liabilities</b>					
Trade and Other Payables	23	3,213,292,578	1,573,515,554	113,071,536	9,592,673
Income Tax Payable		173,734,554	38,135,620	-	-
Deferred Income	22	748,150,496	-	-	-
Interest Bearing Borrowings	19	4,241,502,346	2,919,534,645	1,550,659,167	1,736,933,062
		<b>8,376,679,974</b>	<b>4,531,185,819</b>	<b>1,663,730,703</b>	<b>1,746,525,735</b>
Liabilities Directly Associated with Assets Classified as Held For Sale	4	-	3,732,224	-	-
<b>Total Equity and Liabilities</b>		<b>19,800,641,609</b>	<b>13,797,443,447</b>	<b>8,533,569,223</b>	<b>6,938,638,465</b>

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



**Isuru Fernando**  
Finance Manager

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



**A.G. Weerasinghe**  
Chairman



**Murali Prakash**  
Group Managing Director/ Chief Executive Officer

Figures in brackets indicate deductions.

The accounting policies and notes on pages 119 through 189 form an integral part of the Financial Statements.

13 July 2018  
Colombo

# Statement of Changes in Equity

## GROUP

	Note	Attributable to equity holders of the parent								
		Stated Capital	Revaluation Reserve	Other Reserves	Foreign currency translation Reserve	Revenue Reserve	Retained Earnings/ (Losses)	Total	Non-Controlling Interests	Total Equity
		LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 31 March 2016 (Restated)		7,724,138,656	466,165,040	3,100,000	(20,204,245)	220,140	(1,463,267,385)	6,710,152,206	682,123,664	7,392,275,870
Profit for the Year		-	-	-	-	-	271,698,127	271,698,127	122,405,804	394,103,931
Other Comprehensive Income		-	63,437,409	-	(137,889)	-	13,573,644	76,873,164	23,997,026	100,870,190
Total Comprehensive Income		-	63,437,409	-	(137,889)	-	285,271,771	348,571,291	146,402,830	494,974,121
Changes in Holding		-	-	-	-	-	(207,851,712)	(207,851,712)	207,851,712	-
Transfer of Revaluation Reserve on										
Disposal of Lease Hold Building		-	(16,828,792)	-	-	-	16,828,792	-	-	-
Subsidiary Dividend to Minority Shareholders		-	-	-	-	-	-	-	(33,332,155)	(33,332,155)
Subsidiary Dividend Declared to minority shareholders		-	-	-	-	-	-	-	(14,625,816)	(14,625,816)
Transfer of Foreign currency translation										
Reserve on liquidation of subsidiary		-	-	-	19,866,868	-	-	19,866,868	-	19,866,868
<b>Balance as at 31 March 2017</b>		<b>7,724,138,656</b>	<b>512,773,657</b>	<b>3,100,000</b>	<b>(475,266)</b>	<b>220,140</b>	<b>(1,369,018,534)</b>	<b>6,870,738,653</b>	<b>988,420,235</b>	<b>7,859,158,888</b>
Profit for the Year		-	-	-	-	-	540,940,920	540,940,920	139,877,500	680,818,420
Other Comprehensive Income		-	414,811,903	-	(31,399)	-	(20,055,767)	394,724,737	63,870,735	458,595,472
Total Comprehensive Income		-	414,811,903	-	(31,399)	-	520,885,153	935,665,657	203,748,235	1,139,413,892
Changes in Holding	38	-	-	-	-	-	(23,588,012)	(23,588,012)	(124,763,537)	(148,351,549)
Holding Change through Common Control	37	-	-	-	-	-	(92,027,985)	(92,027,985)	-	(92,027,985)
Share Issue	17	147,425,049	-	-	-	-	-	147,425,049	-	147,425,049
Subsidiary Dividend to Minority Shareholders	38	-	-	-	-	-	-	-	(12,248,532)	(12,248,532)
<b>Balance as at 31 March 2018</b>		<b>7,871,563,705</b>	<b>927,585,560</b>	<b>3,100,000</b>	<b>(506,665)</b>	<b>220,140</b>	<b>(963,749,378)</b>	<b>7,838,213,362</b>	<b>1,055,156,401</b>	<b>8,893,369,763</b>

## COMPANY

Year ended 31 March 2018	Note	Stated Capital	Other Reserves	Other Capital Reserves	Retained Earnings/ (Losses)	Total
		LKR	LKR	LKR	LKR	LKR
Balance as at 31 March 2016 (Restated)		7,724,138,656	220,140	3,100,000	(2,385,680,656)	5,341,778,140
Loss for the Year		-	-	-	(157,148,058)	(157,148,058)
Other Comprehensive income		-	-	-	3,040,186	3,040,186
Total comprehensive income*		-	-	-	(154,107,872)	(154,107,872)
<b>Balance as at 31 March 2017</b>		<b>7,724,138,656</b>	<b>220,140</b>	<b>3,100,000</b>	<b>(2,539,788,528)</b>	<b>5,187,670,268</b>
New Share Issue	17	147,425,049	-	-	-	147,425,049
Profit for the Year		-	-	-	729,997,364	729,997,364
Other Comprehensive income		-	-	-	112,825	112,825
Total comprehensive income		147,425,049	-	-	730,110,189	877,535,238
<b>Balance as at 31 March 2018</b>		<b>7,871,563,705</b>	<b>220,140</b>	<b>3,100,000</b>	<b>(1,809,678,339)</b>	<b>6,065,205,506</b>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 119 through 189 form an integral part of the financial statements.

## Statement of Cash Flows

Year ended 31 March 2018	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>Operating Activities</b>					
Profit/(Loss) before tax from					
Continuing Operations		571,740,684	367,218,600	696,090,922	(129,627,180)
Profit/(Loss) before tax from					
Discontinuing Operations		13,144,636	113,165,327	-	-
<b>Non - Cash Adjustments to Reconcile Profit Before Tax to Net Cash Flows:</b>					
Depreciation of Property, Plant Equipment	6	333,513,809	323,580,886	4,642,457	2,852,713
Impairment of Property, Plant Equipment	6	-	16,007,533	-	-
Amortisation of Intangible Assets	9	12,314,099	8,979,630	239,956	121,832
Impairment of Investment Property	8	-	8,399,713	-	-
Provision for Fall in Value of					
Current Investments		(211,322,064)	94,982,942	(212,057,492)	94,982,942
Debtors provision write back		-	-	(100,000)	(9,416,096)
Allowance for Obsolete and					
Slow Moving Inventories	14	81,134,087	27,702,036	-	-
Provision for Employee Benefit Liabilities	21	62,012,976	48,010,394	1,884,098	1,366,377
Impairment on Trade Receivables		23,486,496	44,520,729	242,000	26,869,000
(Profit)/Loss from Disposal of					
Current Investment		(34,305,355)	-	(34,846,433)	-
(Profit)/Loss from Disposal of					
Property Plant & Equipment	25	1,280,293	(2,558,554)	-	(24,065)
Prepaid Lease Rent Write Off	7	-	25,113,883	-	-
Gain on Fair Value Adjustment of					
Investment Property	8	(185,734,192)	(235,500,262)	-	-
Deferred Income	22	(387,745)	(423,000)	-	-
Share of Loss from Associates	13	2,410,726	-	-	-
Finance Income	27	(107,384,929)	(73,574,000)	-	-
Interest on other Financial Liabilities		23,940	23,940	23,940	23,940
Accrued interest on loans and receivables		-	-	(68,451)	-
Gain on share Redemption		-	-	(35,263,841)	-
Gain on Share Repurchase		-	-	(95,240,175)	-
Finance Cost	26	403,910,174	284,800,524	234,215,154	126,522,877
Loan write back		-	(28,309,107)	-	-
Realisation of liability on liquidation		-	(139,099,946)	-	-
Gain on disposal of Assets Held for Sale	25	(47,223,506)	-	-	-
Exchange (Gain) / Loss		(40,515)	(177,907)	-	-
		918,573,614	882,863,361	559,762,135	113,672,341
<b>Working Capital adjustments:</b>					
Increase in Inventories		(980,719,808)	(16,829,851)	-	-
Increase in Trade and Other Receivables		(693,688,445)	(101,749,454)	(70,133,147)	(29,604,743)
Increase/(Decrease) in Trade and					
Other Payables		347,118,461	26,954,825	103,478,863	(102,825,756)
Increase in Deferred Income		241,731,854	-	-	-
<b>Cash generated/(used in) Operations</b>		<b>(166,984,324)</b>	<b>791,238,881</b>	<b>593,107,851</b>	<b>(18,758,158)</b>
Defined Benefit Plan					
Costs paid net of transfers	21	(35,677,973)	(32,490,792)	(1,560,784)	(371,848)
Interest Paid		(403,910,174)	(284,800,524)	(234,215,154)	(126,522,878)
Income Tax Paid		(128,564,905)	(94,574,703)	(10,842,462)	(27,684,078)
<b>Net Cash Flows from/(used in) Operating Activities</b>		<b>(735,137,376)</b>	<b>379,372,862</b>	<b>346,489,451</b>	<b>(173,336,962)</b>

## Statement Of Cash Flows

Year ended 31 March 2018	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>Investing Activities</b>					
Acquisition of Property, Plant & Equipment	6	(190,329,619)	(208,524,203)	(1,108,504)	(3,456,456)
Acquisition of Intangible Assets	9	(9,948,144)	(14,697,115)	(4,725,000)	(1,082,500)
Proceeds from Sale of Investments	16	561,901,532	508,378,479	566,929,648	-
Proceeds from Sale of Property, Plant and Equipment	6	15,757,586	125,645,113	-	60,042
Acquisition of Subsidiaries	11&37	(803,489,275)	-	(1,852,321,480)	-
Loans Granted to Subsidiaries	15	-	-	(48,046,894)	(45,000,000)
Loans Settled by Subsidiaries	15	-	-	100,000	196,241,139
Proceed from Assets Held for Sales Assets	4	1,000,000,000	-	-	-
Investment in Current Investments		(494,925,355)	(836,210,773)	(4,678,110)	(836,210,893)
Investment in Investment Property	8	(4,835,475)	-	-	-
Investment in Other Financial Investments	16	(210,884)	-	-	-
Net Investment in Asset Held For Sale	4	(7,706,197)	-	-	-
Interest Income on Investment		107,384,929	73,574,000	-	-
<b>Net Cash Flows from/(used in) Investing Activities</b>		<b>173,599,098</b>	<b>(351,834,499)</b>	<b>(1,343,850,340)</b>	<b>(689,448,669)</b>
<b>Financing Activities</b>					
Dividend Paid to Non-Controlling Interest	38	(12,248,532)	(33,332,155)	-	-
Proceeds From Interest Bearing Loans & Borrowings	19	9,245,697,892	6,082,788,858	2,452,576,917	400,000,000
Repayment of Interest Bearing Loans & Borrowings	19	(7,354,655,540)	(6,172,731,883)	(749,661,096)	-
Effect of Exchange Rate Changes in Loans & Borrowings	19	30,783,649	81,737,870	-	-
Repayment of Finance Lease	19	(3,400,000)	(3,400,000)	-	-
<b>Net Cash Flows from/ (used in) Financing Activities</b>		<b>1,906,177,469</b>	<b>(44,937,310)</b>	<b>1,702,915,821</b>	<b>400,000,000</b>
Net Increase / (Decrease) in Cash & Cash Equivalents		<b>1,344,639,191</b>	<b>13,549,740</b>	<b>705,554,932</b>	<b>(462,785,631)</b>
Cash and Short Term Deposits at the beginning of the year		<b>25,151,844</b>	<b>11,602,104</b>	<b>(699,729,459)</b>	<b>(236,942,828)</b>
Cash and Short Term Deposits at the end of the year	31	<b>1,369,791,035</b>	<b>25,151,844</b>	<b>5,825,473</b>	<b>(699,729,459)</b>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 119 through 189 form an integral part of the Financial Statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

Ambeon Holdings PLC (Formerly known as Lanka Century Investments 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 are located at 5th Floor, No 10, Gothami Road, Colombo 08.

### 1.2 Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2018, 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”). 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, 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 2018 were authorised for issue in accordance with a resolution by the board of directors on 13 July 2018.

### 1.5 Principal Activities & Nature of Operations Holding Company

Ambeon Holdings PLC (Ambeon), the Group’s Holding Company, manages a portfolio of Holdings 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 PLC

During the period, the principal activities of the Company were manufacturing and selling of Leather, Leather Footwear and Leather Goods. Company has obtained delisting approval with effect from 01 June 2018, thereby the name change approval is pending from registrar of companies.

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

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

#### Subsidiary – South Asia Textile 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 – Taprobane Capital (Pvt) Limited

The Company is the Investment Holding Company of Royal Fernwood Porcelain (Pvt) Limited. On 25 September 2017 the company merged with Dankotuwa Porcelain PLC.

#### 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 – 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.

#### Subsidiary – Olancom (Pvt) Limited

The Company is the Investment Holding Company of Roomsnet International Limited.

#### Sub-subsidiary through Olancom (Pvt) Limited – Roomsnet International Limited

The principal activity of the Company was to operate an internet based online reservation system for the global travel industry. Company was liquidated with effect from 27 July 2016.

# Notes to the Financial Statements

## Subsidiary – 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 conducting Corporate Finance activities.

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

The principal activity of the company is conducting money brokering transactions in the open market.

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

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

## 1.6 Responsibility for Financial Statements

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

## 2. BASIS OF PREPARATION

### 2.1 Basis of Measurement

The consolidated Financial Statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments, fair value through profit or loss financial assets, available-for-sale 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 Policies 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

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

### 2.5 Presentation and Functional Currency

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

### 2.6 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31st March 2018. The Financial Statements of the subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated.

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.

## Judgements

### Estimates and Assumptions

#### *Revaluation of property, plant and equipment and 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 31st March 2018.

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 8.

#### *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 9.5.1.

#### *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 28.2.

#### *Employee Benefit Liability*

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

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

## 2.10 Summary of Significant Accounting Policies

The presentation and classification of the Financial Statements of the previous period have been amended, where relevant, for better presentation and to be comparable with those of the current period.

These accounting policies have been applied consistently by Group's entities.

### 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. Sale of Goods

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer with the Group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

#### **b. 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 unit of accounting for such arrangement. Design and build software contracts uses percentage of completion method relies on output method, which is the contract milestones, supported by user acceptance confirmation.

#### **c. Rendering of Services**

Revenue from rendering of services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

#### **d. Deferred Income**

Revenue from deferred income is recognised throughout the service agreement period and for Multiple element arrangements such as arrangement to Design and build software contracts, revenue recognise on contract milestones achievement with 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, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree that are 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, losses on disposal of available for- sale financial assets, fair value losses on financial assets at fair value through profit or loss, 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.

# Notes to the Financial Statements

## **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 Lease Rentals Paid in Advance (Leasehold Properties)**

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Details of the pre-paid lease rentals are given in Note 07 to the Financial Statements.

### **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.

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 LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of LKAS 39, 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 2.10.12.

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

#### **2.10.10 Investment in Associate**

Associates are those investments over which the Group has significant influence and holds 20% to 50% of the equity and which are neither subsidiaries nor joint ventures of the Group. The Group's investments in its associates are accounted for using the equity method and ceases to use the equity method of accounting on the date from which, it no longer has significant influence in the associate. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of associate since acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group 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.

#### **2.10.11 Foreign Currencies**

##### ***Foreign Currency Transactions and Balances***

The Group's consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. For each entity the Group determines the functional currency and items included in the Financial Statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss arises from this method.

##### ***Transactions and Balances***

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is 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.

### **2.10.12 Impairment of Non-Financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is higher of asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects

current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are 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.

## 2.10.13 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.

## 2.10.14 Taxes

### a. Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items 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.

### 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.

### 2.10.15 Non-Current Assets Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal Groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Non-current assets and disposal Groups are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded met only when the sale is highly probable and the asset or disposal Group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale/distribution to owners are not depreciated or amortised.

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

### 2.10.16 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

### 2.10.17 Financial Instruments–Initial Recognition and Subsequent Measurement

#### a. Financial Assets

##### *Initial Recognition and Measurement*

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### *Subsequent Measurement*

The subsequent measurement of financial assets depends on their classification as described below:

## Notes to the Financial Statements

### **Financial Assets at Fair Value Through Profit or Loss**

Financial assets at fair value through profit or loss includes financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

The Group evaluates its financial assets held-for-trading, (other than derivatives), to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

### **Held-to-Maturity Investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. 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 in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

### **Available-for-Sale Financial Investments**

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the intention and ability to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

### ***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Group/Company has transferred substantially all the risks and rewards of the asset, or (b) the Group/Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In such case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **b. Impairment of Financial Assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an 'incurred' loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### ***Financial Assets Carried at Amortised Cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

# Notes to the Financial Statements

## c. Financial Liabilities

### **Initial Recognition and Measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantees contracts, 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 acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

#### **Loans and Borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (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 in finance costs in the income statement.

#### **Financial Guarantee Contracts**

Financial guarantee contracts issued by the Group/ Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

#### **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 a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

#### **d. Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **e. Fair Value of Financial Instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

#### 2.10.18 Cash and Short-Term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

#### 2.10.19 Employee Benefits Liabilities

##### Defined Benefit Plan - Gratuity:

Gratuity is a defined benefit plan. The Group is liable to pay gratuity in terms of the relevant statute.

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS 19, Employee Benefits.

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.

#### 2.10.20 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 (LKAS 18)

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

#### 2.10.21 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.

# Notes to the Financial Statements

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 Footwear: Ceylon Leather Products PLC and Palla & Company (Pvt) Limited (Discontinued in 2016)
- Manufacturing Textile: South Asia Textiles Limited
- Manufacturing Porcelain : Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Limited and its Subsidiaries
- Property: Colombo City Holdings PLC
- IT and related Services: Millennium Information Technologies (Pvt) Limited
- Investments: Ambeon Holdings PLC, Taprobane Capital (Pvt) Limited and Olancom (Pvt) Limited,
- Financial Services: Taprobane Securities (Private) Limited, Taprobane Investments (Private) Limited, Taprobane Wealth Plus (Private) limited and Taprobane Capital Plus (Private) Limited

The principal activities of the cash generating units (Companies) related to each segment have been discussed under “Principal activities and nature of operations” section to the Financial Statements.

The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting consolidated Financial Statements of the Group.

### 3. CHANGES IN ACCOUNTING STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards issued but not yet effective up to the date of issuance of the Company's Financial Statements are listed below. The Company intends to adopt these standards when they become effective.

#### SLFRS 9 - Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

The Group has performed a high-level impact assessment of all three aspects of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its financial position and equity. Group will implement changes in classification of certain financial instruments.

#### SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

SLFRS 15 establishes a comprehensive framework for determining whether, how much, and when, revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

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

#### SLFRS 16 - Leases

SLFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model requiring leases recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a lower value. The Lessors continue to classify leases as operating or finance as SLFRS 16's approach for lessor accounting substantially unchanged from its predecessor. SLFRS 16 is effective for financial reporting periods beginning on or after 1st January 2018, with early adoption permitted.

This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its financial position and equity.

### **Changes in Accounting Standards and Standards Issued but not yet Effective**

The following amendments and improvements are not expected to have a significant impact on the Group's Financial Statements..

- Income Taxes (Amendments to LKAS 12)
- Long-term Interests in Associates (Amendments to LKAS 28)
- Prepayment Features with Negative Compensation (Amendments to SLFRS 9 )
- Insurance Contracts (Amendments to SLFRS 4 )
- Share Based Payment (Amendments to SLFRS 2)
- Annual Improvements Cycle - 2014-2016
- Disclosure of Interests in Other Entities (Amendments to SLFRS 12)

## Notes to the Financial Statements

### 4. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Footwear segment includes the clearing activities of Palla and Company (Private) Limited a subsidiary of Ambeon Holdings PLC (until 30 March 2018 owned by Ceylon Leather Products PLC) and a major line of business under the "footwear manufacturing" segment. The Company suspended its operations with effect from 31 August 2015.

Previous year, Discontinued service segment includes Roomsnet International Ltd, a Company incorporated in the United Kingdom was dissolved following liquidation on 27 July 2016.

4.1 The results of the subsidiaries in the "Services" and "manufacturing footwear" after intercompany eliminations is presented below;

	Footwear 2018 LKR	Total 2018 LKR	Services 2017 LKR	Footwear 2017 LKR	Total 2017 LKR
Revenue	-	-	-	-	-
Cost of Sales	-	-	-	-	-
Other Income	20,914,720	20,914,720	-	21,386,214	21,386,214
Gain on realisation of Liabilities upon Liquidation	-	-	139,099,946	-	139,099,946
Administrative Expenses	(9,958,203)	(9,958,203)	-	(45,992,941)	(45,992,941)
Finance Cost	-	-	-	(1,327,892)	(1,327,892)
Finance Income	2,188,119	2,188,119	-	-	-
<b>Profit/(Loss) before Tax from Discontinued Operations</b>	<b>13,144,636</b>	<b>13,144,636</b>	<b>139,099,946</b>	<b>(25,934,619)</b>	<b>113,165,327</b>
Income tax Expense (Reversal)	(3,274,547)	(3,274,547)	-	17,686,340	17,686,340
<b>Profit/(Loss) for the year from discontinued operations</b>	<b>9,870,089</b>	<b>9,870,089</b>	<b>139,099,946</b>	<b>(8,248,279)</b>	<b>130,851,667</b>
<b>Attributable to:</b>					
Equity Holders of the Parent	11,982,400	11,982,400	129,571,600	(2,088,575)	127,483,025
Non Controlling Interest	(2,112,311)	(2,112,311)	9,528,346	(6,159,704)	3,368,642
Basic Earnings/ (Loss) per Share from Discontinued Operation		0.03			0.36
Diluted Earnings/ (Loss) per Share from Discontinued Operation		0.03			0.36
<b>Statement of Cash Flows</b>					
Net Cash Flows from Operating Activities	(75,618,326)	(75,618,326)	-	(41,587,538)	(41,587,538)
Net Cash Flows used in Investing Activities	8,835,369	8,835,369	-	128,546,845	128,546,845
Net Cash Flows from Financing Activities	-	-	-	(23,266,660)	(23,266,660)
	(66,782,957)	(66,782,957)	-	63,692,647	63,692,647

Roomsnet International Ltd, a Company incorporated in the United Kingdom was dissolved following liquidation on 27 July 2016 in the Company's House United Kingdom. Results of the Company up to the date of dissolution is presented below;

	2018 LKR	2017 LKR
Trade and Other Receivables	-	(591,691)
Investments	-	(2,680,604)
Interest Bearing Borrowings	-	14,702,509
Trade and Other Payables	-	129,275,300
Reclassification from Other Comprehensive Income	-	18,261,300
Reclassification from Foreign currency translation Reserve	-	(19,866,868)
Total identifiable Net Assets Liquidated	-	139,099,946
Non-Controlling Interest Derecognised	-	-
Gain on Liquidated	-	139,099,946

## Group

### 4.2 Assets Classified as Held for Sale

The Board of Directors at the meeting held on 14 October 2015 decided in principle to dispose the land and buildings owned by the Company at Union Place, Colombo 02 subject to obtaining offers from prospective buyers and approval from shareholders. On 1st March 2017, a registered license surveyor segregated the investment property to 3 lots. The Board considered one of the lots to meet the criteria to be classified as held for sale. The Assets and Associate Liabilities are as follows:

	2018 LKR	2017 LKR
<b>Assets</b>		
Investment Property (Note 8)	945,070,313	945,070,313
Additions	7,706,197	-
Disposal	(952,776,510)	-
	-	945,070,313
<b>Liabilities</b>		
Refundable Deposits	3,732,224	3,732,224
Payments made during the year	(3,732,224)	-
	-	3,732,224

During the year, Colombo City Holdings PLC disposed the above land and building and received proceeds amounting to LKR 1,000,000,000/-.

# Notes to the Financial Statements

## 5. REVENUE

### 5.1 Summary

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Gross Revenue (Note 5.1.1)	12,272,997,840	10,762,067,753	713,263,710	211,710,934
	12,272,997,840	10,762,067,753	713,263,710	211,710,934

#### 5.1.1 Company

Rendering of Services	81,611,921	31,965,488
Dividend Income	536,660,529	95,259,546
Interest Income	94,991,260	84,485,900
	713,263,710	211,710,934

### 5.2 Segment Information

Group	Manufacturing Footwear		Manufacturing Porcelain		Manufacturing Textile	
	2018	2017	2018	2017	2018	2017
	LKR	LKR	LKR	LKR	LKR	LKR
Total Revenue	636,698,891	1,398,761,497	2,082,525,521	2,364,252,984	7,744,924,982	6,894,244,210
Segment Results Gross Profit/(Loss)	(35,886,814)	167,265,566	485,780,370	561,367,746	1,063,202,700	834,755,519
Finance Costs	(13,640,682)	(33,277,923)	(48,493,995)	(38,515,056)	(68,588,493)	(72,963,988)
Finance Income	45,227,007	26,508,131	30,357,506	31,288,172	2,513,918	8,228,021
Change in Fair value of Investment Property	-	-	-	-	-	-
Net Results of the Associate	-	-	-	-	-	-
Profit/(Loss) before Income Tax	(293,707,512)	(36,807,374)	(54,695,799)	174,083,679	387,832,863	172,645,841
Income Tax Expense	45,811,837	2,141,167	80,851,294	(34,133,568)	(63,561,715)	(43,727,509)
Profit/(Loss) after tax for the year from continuing operations	(247,895,675)	(34,666,207)	26,155,495	139,950,111	324,271,148	128,918,332
Profit/(Loss) after tax for the year from discontinued operations	9,870,089	(8,248,279)	-	-	-	-
Profit/(Loss) for the year	(238,025,586)	(42,914,486)	26,155,495	139,950,111	324,271,148	128,918,332
Purchase and construction of Property Plant and Equipment	43,332,963	89,621,747	78,112,623	41,310,206	51,936,651	72,931,333
Additions to intangible assets	-	-	5,223,142	13,614,615	-	-
Depreciation of Property Plant and Equipment	46,437,300	50,926,686	85,677,161	103,605,195	182,286,839	166,127,625
Amortisation of Intangible Assets	1,013,866	643,292	11,036,573	8,214,506	-	-
Gratuity provision and related costs	9,521,188	9,132,320	26,845,551	22,827,068	19,614,025	14,469,631
<b>Assets and Liabilities</b>						
Non-Current Assets *	1,565,735,992	1,204,915,199	1,793,728,583	1,392,477,539	2,088,841,885	2,067,263,817
Current Assets	1,010,772,374	1,064,122,173	1,532,372,784	1,441,690,425	3,241,177,927	2,227,263,402
Assets Classified as Held For Sale	-	-	-	-	-	-
<b>Total Assets</b>	<b>2,576,508,366</b>	<b>2,269,037,372</b>	<b>3,326,101,367</b>	<b>2,834,167,964</b>	<b>5,330,019,812</b>	<b>4,294,527,219</b>
Non-Current Liabilities	327,983,033	95,645,672	680,449,047	615,458,419	617,108,112	686,127,848
Current Liabilities	776,563,991	365,930,052	914,575,580	640,657,956	2,844,753,969	1,731,481,940
Liabilities Directly Associated with Assets Classified as Held For Sale	-	-	-	-	-	-
<b>Total Liabilities **</b>	<b>1,104,547,024</b>	<b>461,575,724</b>	<b>1,595,024,627</b>	<b>1,256,116,375</b>	<b>3,461,862,081</b>	<b>2,417,609,788</b>

\*Segment Non current Assets do not include goodwill, investment in subsidiary and intercompany receivables.

\*\*Segment Liabilities do not include intercompany receivables including loans.

Investment		Property		IT and related Services		Financial Services		Total	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
134,894,065	87,795,917	105,536,054	17,013,143	1,562,444,695	-	5,973,632	-	12,272,997,840	10,762,067,753
134,894,065	87,795,917	26,443,441	12,276,573	517,797,759	-	5,432,931	-	2,197,664,454	1,663,461,321
(234,814,460)	(139,977,806)	(183,158)	(65,753)	(37,371,125)	-	(818,262)	-	(403,910,174)	(284,800,526)
-	186,928	24,244,469	7,362,750	5,042,029	-	-	-	107,384,929	73,574,002
-	-	185,734,192	235,500,262	-	-	-	-	185,734,192	235,500,262
(2,410,726)	-	-	-	-	-	-	-	(2,410,726)	-
(14,544,687)	(146,101,237)	262,362,420	203,397,692	283,258,824	-	1,234,575	-	571,740,684	367,218,600
8,206,707	(27,520,878)	(24,664,669)	(725,546)	53,019,246	-	(455,054)	-	99,207,647	(103,966,336)
(6,337,980)	(173,622,115)	237,697,751	202,672,146	336,278,070	-	779,521	-	670,948,331	263,252,264
-	-	-	-	-	139,099,946	-	-	9,870,089	130,851,667
(6,337,980)	(173,622,115)	237,697,751	202,672,146	336,278,070	139,099,946	779,521	-	680,818,420	394,103,931
1,108,504	9,013,258	89,500	-	16,455,425	-	86,700	-	191,122,366	212,876,544
4,725,000	-	-	-	-	-	-	-	9,948,144	13,614,615
4,642,457	2,852,713	57,393	68,668	14,412,659	-	-	-	333,513,809	323,580,887
239,956	121,832	-	-	23,702	-	-	-	12,314,099	8,979,630
1,884,098	1,366,377	229,926	214,999	2,432,523	-	1,485,665	-	62,012,976	48,010,395
1,216,942,908	495,243,142	793,134,010	618,235,054	220,585,139	-	340,449,810	-	8,019,418,327	5,778,134,731
1,526,359,801	2,230,216,333	578,074,098	110,946,071	3,522,836,522	-	369,629,777	-	11,781,223,282	7,074,238,403
-	-	-	945,070,313	-	-	-	-	-	945,070,313
2,743,302,709	2,725,459,475	1,371,208,108	1,674,251,438	3,743,421,661	-	710,079,587	-	19,800,641,609	13,797,443,447
804,632,979	5,342,436	1,088,185	792,140	92,682,497	-	6,648,019	-	2,530,591,872	1,403,366,516
867,909,985	1,763,040,645	36,573,822	30,075,235	2,915,380,801	-	20,921,826	-	8,376,679,974	4,531,185,819
-	-	-	3,732,224	-	-	-	-	-	3,732,224
1,672,542,964	1,768,383,081	37,662,007	34,599,599	3,008,063,298	-	27,569,845	-	10,907,271,846	5,938,284,559

# Notes to the Financial Statements

## 6. PROPERTY, PLANT & EQUIPMENT

### 6.1 Gross Carrying Amounts

Group	Balance As at 01 April 2017 LKR	Additions LKR	Disposals LKR	Transfers LKR	Acquisition of Subsidiaries LKR	Revaluations LKR	Carrying Value As at 31 March 2018 LKR
<b>Cost or Valuation</b>							
Freehold Land	1,286,670,513	-	-	(280,917,800)	-	677,894,887	1,683,647,600
Land Development Cost	20,361,232	-	-	-	-	-	20,361,232
Freehold Building	829,628,761	11,842,135	(183,732)	-	-	44,464,844	885,752,008
Roadways & Fence	2,687,404	-	-	-	-	-	2,687,404
Plant & Machinery	3,726,812,501	61,016,856	(32,163,318)	7,767,296	36,312,351	-	3,799,745,686
Motor Vehicle	125,174,653	-	(34,924,717)	-	1,140,208	-	91,390,144
Office Equipment	217,887,532	12,006,037	(2,921,784)	-	7,447,752	-	234,419,537
Wells & Tanks	1,663,985	-	-	-	-	-	1,663,985
Lab Equipment	2,641,610	360,614	-	-	-	-	3,002,224
Furniture & Fittings	53,685,340	11,612,222	(762,936)	-	48,218,977	-	112,753,603
Welfare Equipment	1,953,226	199,254	-	-	-	-	2,152,480
Factory Equipment	301,625,417	7,328,007	(26,345,929)	2,832,212	-	-	285,439,707
Security Equipment	11,045,312	548,245	-	-	-	-	11,593,557
Shop Asset	12,755,313	14,799,733	-	-	-	-	27,555,046
Telephone	3,890,345	-	-	-	-	-	3,890,345
Network Internet	-	-	-	-	618,032	-	618,032
New Camera System	840,750	-	(840,750)	-	-	-	-
Computer Equipment	108,791,323	15,215,944	(2,210,022)	-	312,812,492	-	434,609,737
Kumarimulla River							
Embankment Project	44,838,651	-	-	-	-	-	44,838,651
Water Purification Project	40,753,710	-	-	-	-	-	40,753,710
Waste Water Project	36,873,616	-	-	-	-	-	36,873,616
	6,830,581,194	134,929,047	(100,353,188)	(270,318,292)	406,549,812	722,359,731	7,723,748,304

### Assets on Finance Leases

#### Cost or Valuation

Building on Leasehold Land	608,488,909	5,373,996	(47,309,974)	11,334,849	-	152,812,221	730,700,001
	608,488,909	5,373,996	(47,309,974)	11,334,849	-	152,812,221	730,700,001

### In the Course of Construction

Capital Working Progress	-	11,793,887	-	-	3,175,632	-	14,969,519
Computer Equipment	3,433,698	-	-	-	-	-	3,433,698
Effluent Water Treatment Plant	41,200,688	5,416,850	-	-	-	-	46,617,538
Dyeing Machine Installation	49,764,563	33,608,586	-	(22,727,104)	-	-	60,646,045
	94,398,949	50,819,323	-	(22,727,104)	3,175,632	-	125,666,800
	7,533,469,052	191,122,366	(147,663,162)	(281,710,547)	409,725,444	875,171,952	8,580,115,105

## 6.2 Accumulated Depreciation

<b>At Cost or Valuation</b>	Balance As at 01 April 2017 LKR	Charge for the Year LKR	Disposals LKR	Transfers LKR	Acquisition of Subsidiaries LKR	Revaluations LKR	Carrying Value As at 31 March 2018 LKR
Land Development Cost	20,067,727	293,505	-	-	-	-	20,361,232
Freehold Building	37,375,721	40,904,682	(13,918)	-	-	(74,022,264)	4,244,221
Roadways & Fence	1,720,750	73,165	-	-	-	-	1,793,915
Plant & Machinery	2,121,683,554	200,416,689	(24,277,150)	-	24,129,161	-	2,321,952,254
Motor Vehicle	76,090,432	15,347,826	(25,272,164)	-	1,140,207	-	67,306,301
Office Equipment	184,324,640	8,751,089	(2,265,440)	-	4,192,933	-	195,003,222
Wells & Tanks	1,054,963	39,502	-	-	-	-	1,094,465
Lab Equipment	1,976,342	-	-	-	-	-	1,976,342
Furniture & Fittings	38,101,043	8,952,795	(759,740)	-	25,998,612	-	72,292,710
Welfare Equipment	1,317,408	-	-	-	-	-	1,317,408
Factory Equipment	212,261,586	11,726,146	(25,893,022)	-	-	-	198,094,710
Security Equipment	6,027,051	-	-	-	-	-	6,027,051
Shop Assets	7,473,631	1,353,285	-	-	-	-	8,826,916
Telephone	3,733,065	-	-	-	-	-	3,733,065
Network Internet	-	-	-	-	618,032	-	618,032
New Camera System	840,750	-	(840,750)	-	-	-	-
Computer Equipment	83,440,199	20,618,833	(2,210,022)	-	284,515,764	-	386,364,774
Kumarimulla River							
Embankment Project	26,923,492	2,989,243	-	-	-	-	29,912,735
Water Purification Project	24,318,629	2,716,914	-	-	-	-	27,035,543
Waste Water Project	15,760,986	2,458,241	-	-	-	-	18,219,227
	2,864,491,967	316,641,915	(81,532,206)	-	340,594,709	(74,022,264)	3,366,174,123
<b>Assets on Finance Leases</b>							
Building on Leasehold Land	34,997,383	16,871,894	(49,093,077)	-	-	-	2,776,200
	34,997,383	16,871,894	(49,093,077)	-	-	-	2,776,200
	2,899,948,389	333,513,809	(130,625,283)	-	340,594,709	(74,022,264)	3,368,950,323

## Notes to the Financial Statements

### 6. PROPERTY, PLANT & EQUIPMENT (CONTD...)

#### 6.3 Net Book Values

	As at 31 March 2018 LKR	As at 31 March 2017 LKR
<b>Cost or Valuation</b>		
Freehold Land	1,683,647,600	1,286,670,513
Land Development Cost	-	293,505
Freehold Building	881,507,787	792,253,040
Roadways & Fence	893,489	966,654
Plant & Machinery	1,477,793,432	1,605,128,947
Motor Vehicle	24,083,843	49,084,221
Office Equipment	39,416,315	33,562,883
Wells & Tanks	569,520	609,022
Lab Equipment	1,025,882	665,268
Furniture & Fittings	40,460,893	15,584,297
Welfare Equipment	835,072	635,818
Factory Equipment	87,344,997	89,363,831
Security Equipment	5,566,506	5,018,261
Shop Assets	18,728,130	5,281,682
Telephone	157,280	157,280
Computer Equipment	48,244,963	25,351,124
Kumarimulla River Embankment Project	14,925,916	17,915,159
Water Purification Project	13,718,167	16,435,078
Waste Water Project	18,654,389	21,112,630
	<b>4,357,574,181</b>	<b>3,966,089,214</b>
<b>Assets on Finance Leases</b>		
<b>Cost or Valuation</b>		
Building on Leasehold land	727,923,801	573,491,526
	<b>727,923,801</b>	<b>573,491,526</b>
<b>In the Course of Construction</b>		
Capital Working Progress	14,969,519	-
Computer Equipment	3,433,698	3,433,698
Effluent Water Treatment Plant	46,617,538	41,200,688
Dyeing Machine Installation	60,646,045	49,764,563
	<b>125,666,800</b>	<b>94,398,949</b>
	<b>5,211,164,782</b>	<b>4,633,979,689</b>

**6.4** During the Financial Year the Group acquired Property, Plant & Equipment to the aggregate value of LKR 191,122,366/- (2017- LKR 212,876,544/-).

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

## 6.6 Revaluation of Land and Building

**6.6.1** The Group uses the revaluation model of measurement of Land and Buildings. The Group engaged independent expert valuer to determine the fair value of its land and buildings.

Details of Group's Land, Building and other Properties stated at valuation are indicated below;

Company	Property	Method of Valuation	Value		Valuers Details	Effective Date of Valuation
			2018 LKR	2017 LKR		
Ceylon Leather Products PLC	Land at Mattakkuliya	Market Approach	934,875,000	598,320,000	Mr.Chulananda Wellappili, Independent Incorporated Valuer	31 March 2018
	Buildings at Mattakkuliya	Cost Approach	38,706,025	33,579,500		
	Land at Mattakkuliya	Market Approach	10,500,000	7,500,000	Mr.Chulananda Wellappili, Independent Incorporated Valuer	
	Buildings at Mattakkuliya	Cost Approach	6,030,000	4,824,000		
	Land at Balummahara	Market Approach	144,256,500	113,033,750	Mr.Chulananda Wellappili, Independent Incorporated Valuer	
	Building at Balummahara	Cost Approach	213,868,894	242,785,100		
Dankotuwa Porcelain PLC	Land at Dankotuwa	Market Approach	409,720,000	341,206,763	Mr.Chulananda Wellappili, Independent Incorporated Valuer	31 March 2018
	Buildings at Dankotuwa	Cost Approach	324,461,825	258,116,100		
South Asia Textiles Ltd	Buildings at Pugoda	Income Approach	730,700,000	578,900,000	Mr.Chulananda Wellappili, Independent Incorporated Valuer	31 March 2018
Royal Fernwood Porcelain Ltd	Land at Kosgama	Market Approach	184,296,100	226,610,000	Mr.Chulananda Wellappili, Independent Incorporated Valuer	31 March 2018
	Buildings at Kosgama	Cost Approach	290,929,395	274,098,594		

### 6.6.2 Description of Significant Unobservable Inputs to Valuation

The significant assumptions used by the valuer for valuations are as follows;

Property	Method of Valuation	Inputs used for measurement	Area	Range	Sensitivity of Fair Value to unobservable inputs
<b>South Asia Textiles Ltd</b>					
<b>2018</b>					
Building on Leasehold Land (Remaining leasehold period - 36 years)	Income Approach	Per sq.ft. rate	405,430 sq.ft	LKR 12 - 25	Positively correlated
<b>2017</b>					
Building on Leasehold Land (Remaining leasehold period - 37 years)	Income Approach	Per sq.ft. rate	353,145 sq ft	LKR 96 - 240	Positively correlated
<b>Royal Fernwood Porcelain Ltd</b>					
<b>2018</b>					
Freehold Land	Market Approach	Per perch rate	2,178 Perches	LKR 40,000 - 150,000	Positively correlated
Freehold Buildings	Cost Approach	Per sq.ft. rate	177,630 sq. ft	LKR 300 - 2,800	Positively correlated
<b>2017</b>					
Freehold Land	Market Approach	Per perch rate	4,006 Perches	LKR 35,000-75,000	Positively correlated
Freehold Buildings	Cost Approach	Per sq.ft. rate	172,255 sq.ft	LKR 300-2750	Positively correlated

## Notes to the Financial Statements

### 6. PROPERTY, PLANT & EQUIPMENT (CONTD...)

#### 6.6.2 Description of Significant Unobservable Inputs to Valuation

	Method of Valuation	Inputs used for measurement	Area	Range	Sensitivity of Fair Value to unobservable inputs	
<b>Dankotuwa Porcelain PLC</b>						
<b>2018</b>						
Freehold Land	Market Approach	Per perch rate	3,277.76 Perches	LKR 125,000	Positively correlated	
Freehold Buildings	Cost Approach	Per sq.ft. rate	260,015sq. ft	LKR 500 - 4,000	Positively correlated	
<b>2017</b>						
Freehold Land	Market Approach	Per perch rate	7,481 Perches	LKR 90,000-250,000	Positively correlated	
Freehold Buildings	Cost Approach	Per sq.ft. rate	260,015sq. ft	LKR 500 - 3,250	Positively correlated	
<b>Ceylon Leather Products PLC</b>						
<b>2018</b>						
Freehold Land	Balummahara	Market Approach	Per perch rate	474 Perches	Rs.150,000 - 400,000	Positively correlated
	Mattakkuliya - Factory	Market Approach	Per perch rate	748 Perches	Rs. 1,250,000	Positively correlated
	Mattakkuliya Tannery House	Market Approach	Per perch rate	6 Perches	Rs. 1,750,000	Positively correlated
Freehold Buildings	Balummahara	Cost Approach	Per sqft. rate	76,720 sq ft	Rs. 1,400 - 4,700	Positively correlated
	Mattakkuliya - Factory	Cost Approach	Per sqft. rate	75,010 sq. ft	Rs. 650 - 3,250	Positively correlated
	Mattakkuliya -Tannery House	Cost Approach	Per sqft. rate	2,010 sq. ft	Rs. 3,750	Positively correlated
<b>2017</b>						
Freehold Land	Balummahara	Market Approach	Per perch rate	471 Perches	Rs.125,000 - 300,000	Positively correlated
	Mattakkuliya - Factory	Market Approach	Per perch rate	748 Perches	Rs. 800,000	Positively correlated
	Mattakkuliya Tannery House	Market Approach	Per perch rate	6 Perches	Rs. 1,200,000	Positively correlated
Freehold Buildings	Balummahara	Cost Approach	Per sqft. rate	76,460 sq feet	Rs. 1,250 - 4,400	Positively correlated
	Mattakkuliya - Factory	Cost Approach	Per sqft. rate	75,010 sq. feet	Rs. 400 - 3,000	Positively correlated
	Mattakkuliya -Tannery House	Cost Approach	Per sqft. rate	2,010 sq. feet	Rs. 3,000	Positively correlated

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:

Class of Asset	Ceylon Leather Products PLC			
	Cost LKR	Cumulative Depreciation If assets were carried at cost LKR	Net Carrying Amount 2018 LKR	Net Carrying Amount 2017 LKR
Land-Freehold	32,046,453	-	32,046,453	32,046,453
Buildings on Freehold Land	126,026,497	42,637,441	83,389,056	84,856,526
	158,072,950	42,637,441	115,435,509	116,902,979

Class of Asset	Dankotuwa Porcelain PLC			
	Cost LKR	Cumulative Depreciation If assets were carried at cost LKR	Net Carrying Amount 2018 LKR	Net Carrying Amount 2017 LKR
Land-Freehold	250,000	-	250,000	250,000
Building - Freehold	165,081,657	91,823,169	73,258,488	82,419,409
	165,331,657	91,823,169	73,508,488	82,669,409

<b>South Asia Textile Ltd</b>		Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2018	Net Carrying Amount 2017
Cost LKR	LKR	LKR	LKR	LKR
<b>Class of Asset</b>				
Building on Leasehold Land	304,113,567	67,226,597	236,886,970	226,223,323
	304,113,567	67,226,597	236,886,970	226,223,323

## 6.6 Revaluation of Land and Building

<b>Royal Fernwood Porcelain Ltd</b>		Cumulative Depreciation If assets were carried at cost	Net Carrying Amount 2018	Net Carrying Amount 2017
Cost LKR	LKR	LKR	LKR	LKR
<b>Class of Asset</b>				
Land-Freehold	18,590,108	-	18,590,108	18,590,108
Buildings-Freehold	16,730,181	880,536	15,849,645	15,893,672
	35,320,289	880,536	34,439,753	34,483,780

## 6.7 Company

	As at 01.04.2017 LKR	Additions LKR	Disposals LKR	As at 31.03.2018 LKR
Furniture, Fixtures & Other Equipment	2,515,241	86,004	-	2,601,245
Computer	13,578,685	1,022,500	(2,210,022)	12,391,163
Motor Vehicle	13,549,904	-	-	13,549,904
<b>Total Assets</b>	29,643,830	1,108,504	(2,210,022)	28,542,312

### Capital - Work in Progress

Computer Equipment	3,433,698	-	-	3,433,698
	3,433,698	-	-	3,433,698
<b>Total Assets</b>	33,077,528	1,108,504	(2,210,022)	31,976,010

<b>Depreciation</b>	Balance As at 01.04.2017 LKR	Charge for the Year LKR	Disposals LKR	Balance As at 31.03.2018 LKR
<b>At Cost</b>				
Furniture, Fixtures & Other Equipment	1,809,597	359,466	-	2,169,063
Computer	5,916,006	2,482,583	(2,210,022)	6,188,567
Motor Vehicle	8,080,288	1,800,408	-	9,880,696
<b>Total Depreciation</b>	15,805,891	4,642,457	(2,210,022)	18,238,326

## Notes to the Financial Statements

### 6. PROPERTY, PLANT & EQUIPMENT (CONTD...)

Net Book Values	2018 LKR	2017 LKR
<b>At Cost</b>		
Furniture, Fixtures & Other Equipment	432,182	705,644
Computer	6,202,596	7,662,680
Motor Vehicles	3,669,208	5,469,616
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<b>10,303,986</b>	<b>13,837,940</b>
<b>Capital - Work in Progress</b>	<b>3,433,698</b>	<b>3,433,698</b>
Computer Equipment	3,433,698	3,433,698
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<b>13,737,684</b>	<b>17,271,638</b>

6.8 During the Financial Year the Company acquired Property, Plant & Equipment to the aggregate value of LKR 1,108,504/- (2017- LKR 3,456,456/-).

#### Group

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

	2018	2017
Land Development Cost	10 Years	10 Years
Building on Freehold Land	10-50 Years	10-50 Years
Leasehold Properties	Over the lease period	Over the lease period
Telephone	5 Years	5 Years
New Camera System	2 Years	2 Years
Factory Equipment	8-18 Years	8-18 Years
Tools	5 Years	5 Years
Lab Equipment	6 2/3 Years	6 2/3 Years
Office Equipment	4-5 Years	4-5 Years
Furniture & Fittings	4-10 Years	4-10 Years
Electrical Equipment	5 Years	5 Years
Motor Vehicles	4-6 Years	4-6 Years
Kumarimulla River Embankment Project	10 Years	10 Years
Water Purification Project	10 Years	10 Years
Waste Water Project	10 Years	10 Years
Roadways & Fence	40 Years	40 Years
Sound Equipment	6.67 Years	6.67 Years
Wells & Tanks	40 Years	40 Years
Welfare Equipment	6.67 Years	6.67 Years
Power Supply Equipment	50 Years	50 Years
Security Equipment	2-6.67 Years	2-6.67 Years
Shop Assets	10 Years	10 Years
Computer Equipment	1-4 Years	1-4 Years
Market Promotional Equipment	1 Years	1 Years
<b>Plant &amp; Machinery</b>		
Plant & Machinery	10 Years	10 Years
Kiln Furniture	3 Years	3 Years
Kilns	15 Years	15 Years

#### Company

The useful lives of the assets of the 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. LEASEHOLD PROPERTY

	2018 LKR	2017 LKR
Balance as at the beginning of the year	-	25,113,883
Amortisation for the year	-	-
Disposal during the year (Note 7.1)	-	(25,113,883)
Balance as at the end of the year	-	-

**7.1** Previous year Group disposed the building together with leasehold right to use the land of Palla & Co. (Pvt) Limited for consideration of LKR 142 Million. At the time of disposal the land right had a remaining lease period of 76 years. The operations of Palla & Co. (Pvt) Ltd was presented as a discontinued operation (Note 04).

## 8. INVESTMENT PROPERTY

		Group	
	Note	2018 LKR	2017 LKR
Balance as at the beginning of the year		580,100,686	1,298,070,450
Business Acquisition	37	79,000,000	-
Additions		4,835,475	-
Transfer from Property, Plant and Equipment	8.3	280,917,800	-
Net gain from fair value adjustment		185,734,192	235,500,262
Impairment	8.4	-	(8,399,713)
		1,130,588,153	1,525,170,999
Asset classified to held for sale	4	-	(945,070,313)
Balance as at the end of the year		1,130,588,153	580,100,686

**8.1** Group's Investment Property comprise that of Colombo City Holdings PLC (Located at Union Place), Dankotuwa porcelain PLC and Royal Fernwood Limited and Taprobane Securities (Pvt) Limited. Investment Properties are stated at fair value, which have been determined on the basis of a market value of land and building. Investment Property is appraised in accordance with SLFRS 13, LKAS 40 and International Valuation Standards. Professional valuation was performed on the Investment Property of Colombo City Holdings PLC as at 31 December 2017 by Incorporated Valuer, Mr. S. Sivaskantha, the valuation was re-assessed as at 31 March 2018 and the valuations for Dankotuwa Porcelain PLC and Royal Fernwood Porcelain Ltd were performed by Mr. Chulananda Wellappili as at 31 March 2018 respectively. The Valuation for Taprobane Securities (Pvt) Ltd was performed by Mr. W.M. Chandrasena.

**8.2** The Company has reported rental income amounting to LKR 9,279,413/- (2017 - LKR 17,013,143/-) from this investment property and incurred direct operating expenses (including repairs and maintenance) amounting to LKR 3,994,642/- (2017 - LKR 4,736,570/-).

**8.3** During the year, two of the subsidiaries (Dankotuwa Porcelain PLC and Royal Fernwood Limited) transferred some of the land classified under Property, Plant and Equipment's to Investment Properties due to the change in the use of assets.

**8.4** Upon segregating the Property of Colombo City Holdings PLC to 3 Lots the extent of the property decreased by 0.7 Perches which resulted in impairment.

(Further explained in Note 4.2)

## Notes to the Financial Statements

### 8. INVESTMENT PROPERTY (CONTD...)

8.5 The significant assumptions used by the valuer in the years 2018 and 2017 are as follows.

Company	Property	Method of Valuation	Inputs used for measurement	2018 LKR	2017 LKR
Colombo City Holdings PLC	Land and Buildings (Union Place, Colombo)	Open Market Value Replacement Cost	Per perch rate Per sq.ft. rate	16,000,000 4,750 - 2,000	12,000,000 6,250 - 2,000
Dankotuwa Porcelain PLC	Land and Buildings (Dankotuwa)	Open Market Value	Per perch rate	3,125-65,000	-
Royal Fernwood Porcelain Ltd	Land (Kosgama)	Open Market Value	Per perch rate	40,000	-
Taprobane Securities (Pvt) Ltd	Land (Kosgama)	Open Market Value	Per perch rate	68,000-70,000	-

#### 8.5.1 Description of Significant Unobservable Inputs to Valuation:

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 March 2018 and 2017 are as shown below;

Investment Property	Valuation Technique	Significant Unobservable Inputs	Rate	Sensitivity of Input to Fair Value
<b>Colombo City Holdings PLC</b>				
<b>As at 31 March 2018</b>				
Land 47.2 perches (Street line 13.38 Perches)	Open Market value	Per perch rate	LKR 16,000,000 Per Perch	Positively correlated
Building 4,344 sqft	Replacement Cost	Per sqft. rate	LKR 4,750 Per Sqft.	Positively correlated
Mezzanine floor 1,100 sqft	Replacement Cost	Per sqft. rate	LKR 2,000 Per Sqft.	Positively correlated
<b>As at 31 March 2017</b>				
- Land 105.05 perches (Street line 12 Perches)	Open Market Value	Per perch rate	LKR 12,000,000 Per Perch	Positively correlated
- Main Building 28,498.5sqft	Replacement Cost	Per sqft. rate	LKR 6250 per Sqft	Positively correlated
- Building 4,344 sqft	Replacement Cost	Per sqft. rate	LKR 4,750 Per Sqft.	Positively correlated
- Mezzanine floor 1,100 sqft	Replacement Cost	Per sqft. rate	LKR 2,000 Per Sqft.	Positively correlated
<b>Dankotuwa Porcelain PLC</b>				
<b>As at 31 March 2018</b>				
Land 3,985.95 perches	Open Market Value	Per perch rate	LKR 3,125 - 65,000	Positively Correlated
<b>Royal Fernwood Porcelain Ltd</b>				
<b>As at 31 March 2018</b>				
Land 1,753.07 perches	Open Market Value	Per perch rate	LKR 40,000 Per Perch	Positively Correlated
<b>Taprobane Securities (Pvt) Ltd</b>				
<b>As at 31 March 2018</b>				
Land 1,162.37 perches	Open Market Value	Per perch rate	LKR68,000 - 70,000 Per Perch	Positively Correlated

## 9. INTANGIBLE ASSETS

	Note	2018 LKR	2017 LKR
Goodwill	9.1	1,201,952,357	435,628,678
Computer Software	9.2	46,303,004	48,645,257
Brand Name	9.3	9,723,614	9,723,614
License Fees	9.4	23,516,552	1,082,500
		1,281,495,527	495,080,049

### 9.1 Goodwill

Balance at the beginning of the year		435,628,678	435,628,678
Acquired during the year	37	766,323,679	-
Balance at the end of the year	9.1.1	1,201,952,357	435,628,678

**9.1.1** 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 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 whether there is an indication that 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.

### 9.2 Software

	Note	2018 LKR	2017 LKR
Balance at the beginning of the year		48,645,257	44,010,272
Additions during the period		9,948,144	13,614,615
Amortisation during the period		(12,290,397)	(8,979,630)
Balance at the end of the year	9.2.1	46,303,004	48,645,257

**9.2.1** Software of the group represents Microsoft Office and new ERP system.

### 9.3 Brand Name

	Note	2018 LKR	2017 LKR
Balance at the beginning of the year		9,723,614	9,723,614
Balance at the end of the year	9.3.1	9,723,614	9,723,614

**9.3.1** The management identified the brand name of "Royal Fernwood Porcelain Ltd" as an intangible asset with an indefinite useful life arising from business combination. Management is of the opinion that the brand name will be a key attraction in the porcelain sector. The brand name has been tested for impairment along with other intangible assets of the Royal Fernwood Porcelain Ltd Group as further explained under note 9.5.1.

## Notes to the Financial Statements

### 9. INTANGIBLE ASSETS (CONTD...)

#### 9.4 License Fees

	Note	2018 LKR	2017 LKR
Balance at the beginning of the year		1,082,500	-
Acquired during the year		22,457,754	-
Amortisation		(23,702)	-
Additions During the year	9.4.1	-	1,082,500
Balance at the end of the year		23,516,552	1,082,500

**9.4.1** License fee represents License fee paid for solar power project through sustainable energy authority and License cost pertaining to the software application purchased. License fee for software applications have finite useful life and carried at cost less accumulated amortisation. Amortisation is calculated using straight line method to allocate cost of license over there estimated useful life of 5 years.

#### 9.5 Impairment Testing of Goodwill and Intangible Assets with Indefinite Lives

The aggregate carrying amount of Goodwill and Brand Name allocated to each entity is as follows;

	Note	Goodwill		Brand Name	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
South Asia Textiles Ltd		96,241,963	96,241,963	-	-
Ceylon Leather Products PLC		171,371,894	171,371,893	-	-
Colombo City Holdings PLC		37,726,060	37,726,060	-	-
Royal Fernwood Porcelain Limited		130,288,761	130,288,762	9,723,614	9,723,614
Millennium Information Technologies (Pvt) Ltd	37	766,323,679	-	-	-
		1,201,952,357	435,628,678	9,723,614	9,723,614

#### 9.5.1 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 0% growth rate.

## **9.6 Company**

	2018 LKR	2017 LKR
Computer Software (Note 9.6.1)	5,087,540	602,496
License Fees ( Note 9.6.2 )	1,082,500	1,082,500
	6,170,040	1,684,996

### **9.6.1 Software**

	2018 LKR	2017 LKR
Balance at the beginning of the year	602,496	724,327
Acquired during the period	4,725,000	-
Amortisation during the period	(239,956)	(121,832)
Balance at the end of the year	5,087,540	602,496

### **9.6.2 License Fees**

	2018 LKR	2017 LKR
Balance at the beginning of the year	1,082,500	-
Additions During the year	-	1,082,500
Balance at the end of the year (Note 9.4.1)	1,082,500	1,082,500

# Notes to the Financial Statements

## 10. FAIR VALUE MEASUREMENT GROUP

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The Group held the following assets and liabilities carried at fair value in the Statement of Financial Position:

	Notes	Level 1		Level 2		Level 3	
		2018	2017	2018	2017	2018	2017
		LKR	LKR	LKR	LKR	LKR	LKR
<b>Assets Measured at Fair Value</b>							
Investment Properties	8	-	-	-	-	1,130,588,153	580,100,686
Assets classified as Held for Sale	12	-	-	22,451,836	-	-	945,070,313
Land	6	-	-	-	-	1,683,647,600	1,286,670,513
Freehold Buildings	6	-	-	-	-	873,996,139	813,403,294
Building on Leasehold Land	6	-	-	-	-	730,700,001	578,900,000
<b>FVTPL - Financial Assets</b>							
Financial Assets Held for Trading:	16	1,257,388,427	1,570,035,591	-	-	-	-
Total		1,257,388,427	1,570,035,591	22,451,836	-	4,418,931,893	4,204,144,807

## COMPANY

	Notes	Level 1		Level 2		Level 3	
		2018	2017	2018	2017	2018	2017
		LKR	LKR	LKR	LKR	LKR	LKR
<b>Assets Measured at Fair Value</b>							
<b>FVTPL - Financial Assets</b>							
Financial assets held for trading:	16	1,254,688,427	1,570,035,591	-	-	-	-
Total		1,254,688,427	1,570,035,591	-	-	-	-

### Financial Assets and Liabilities measured or disclosed at Fair Value

The Fair Value of the Financial Assets and Liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted equities are based on price quotations at the reporting date.
- Long-term fixed-rate borrowings are evaluated by the Group based on interest rates.

Those assumptions for assets categorised as Level 3 has been described under respective note numbers.

During the reporting period ended 31 March 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

## 11. INVESTMENT IN SUBSIDIARIES

### Company

#### 11.1 Investments in Equity Securities - Quoted

	Effective Holding		2018	2018	2017	2017
	2018	2017	Cost LKR	Market Value LKR	Cost LKR	Market Value LKR
Ceylon Leather Products PLC*	-	95.48%	-	-	2,827,215,676	2,043,950,312
Colombo City holdings PLC	66.40%	66.40%	555,395,635	776,363,057	555,395,635	564,481,696
Dankotuwa Porcelain PLC	77.51%	77.51%	1,055,003,155	907,116,336	1,055,003,155	856,720,984
			1,610,398,790	1,683,479,393	4,437,614,466	3,465,152,992

\* Trading was suspended from 27th September 2017.

#### 11.2 Investments in Equity Securities - Unquoted

	Note	Effective Holding		2018	2017
		2018	2017	Cost LKR	Cost LKR
Ceylon Leather Products PLC	11.3 & 38	99.90%	-	1,420,864,724	-
Olancom (Pvt) Ltd		93.15%	93.15%	200,000,000	200,000,000
South Asia Textiles Ltd	11.4	97.67%	94.07%	1,892,360,340	208,080,340
Millennium Information Technologies (Pvt) Ltd.	11.5 & 37	100.00%	-	1,180,966,497	-
Palla & Company (Pvt) Ltd.		99.90%	86.67%	10,000	-
Taprobane Capital Plus (Pvt) Ltd.	37	100.00%	-	671,345,000	-
				5,365,546,561	408,080,340
Provision for Impairment				(200,000,000)	(200,000,000)
<b>Total Carrying Value of Investments</b>				<b>6,775,945,351</b>	<b>4,645,694,806</b>

#### 11.3 Share repurchase and redemption in Ceylon Leather Products PLC

##### 11.3.1 Repurchase of Shares by Ceylon Leather Products PLC (CLPL)

On 26 March 2018, Ceylon Leather Products PLC repurchased 13,041,551 ordinary shares held by the Company at a consideration of LKR 94.25 per share in terms of Section 64 of the Companies Act No. 7 of 2007.

##### 11.3.2 Redemption of Shares by Ceylon Leather Products PLC (CLPL)

On 29 March 2018, Ceylon Leather Products PLC redeemed 4,828,794 ordinary shares held by the Company at a consideration of LKR 94.25 per share in terms of Section 68 of the Companies Act No. 7 of 2007.

Pursuant to and as a consequence of the redemption of shares, Ceylon Leather Products reduced its Stated Capital to LKR 1,542,180,402/- in terms of section 59 (4) of the Companies Act.

#### 11.4 South Asia Textiles Ltd

On 28 February 2018, the Company acquired 287,295,495 ordinary shares of South Asia Textiles Limited from Ceylon Leather Products PLC for a total consideration of LKR 1,684,280,000/-. Accordingly, the total holding percentage increased to 97.67% of the issued ordinary shares of South Asia Textiles Ltd.

**11.5** The Company acquired Millennium Information Technologies (Pvt) Ltd for a consideration of Rs. 1,165,403,975 on 28 December 2018.

## Notes to the Financial Statements

### 12. OTHER NON-CURRENT FINANCIAL ASSETS

#### 12.1 Non Current Investments

		Group	
		2018 LKR	2017 LKR
Deposit with Colombo Stock Exchange		2,782,406	-
Investments in Government Securities	Note 12.2	22,451,836	-
		25,234,242	-

#### 12.2 Held to Maturity Financial Assets

Investments in Government Securities		22,451,836	-
		22,451,836	-

### 13. INVESTMENT IN ASSOCIATE

#### Group

Lexinton Holdings (Pvt) Ltd ( 28%)

On 15 February 2018 Ambeon Holdings PLC invested in Taprobane Capital Plus (Pvt) Ltd through which Ambeon Holdings PLC holds 28% stake in Lexinton Holding (Pvt) Ltd through its sub subsidiary of Thaprobane Investment (Pvt) Ltd. The Group apply equity method of accounting in consolidate financial statements.

The Group's interest in Lexinton Holding (Pvt) Ltd is accounted for using the equity method in the consolidated Financial Statements. The following table illustrates the summarised Financial Information of the Group's investment in Lexinton Holding (Pvt) Ltd.

Summarised Financial Information-Associate	2018 LKR	2017 LKR
<b><i>The Associate's Statement of Financial Position</i></b>		
Non-Current Assets	264,062,573	-
Current Assets	255,917,052	-
<b>Total Assets</b>	<b>519,979,625</b>	<b>-</b>
Non-Current Liabilities	53,264,748	-
Current Liabilities	56,550,498	-
Non Controlling Interest	-	-
	109,815,246	-
Equity	410,164,379	-
<b>Carrying amount of the Investment</b>	<b>114,846,027</b>	<b>-</b>
<b><i>Share of the Associate's Revenue and Profit</i></b>		
Revenue	3,649,294	-
Profit	(8,609,736)	-
Share of Profit/(Loss) for the Year	(2,410,726)	-

### 13.1 Equity Reconciliation

	Group	
	2018 LKR	2017 LKR
<b>Un-Quoted</b>		
Lexinton Holdings (Pvt) Ltd	28%	-
Carrying amount as at the acquisition	117,256,753	-
Carrying amount as at the beginning of the year	117,256,753	-
Share of Loss of Associate Company After Tax	(2,410,726)	-
Total Comprehensive Income	(2,410,726)	-
Carrying amount as at the end of the year	114,846,027	-

### 14. INVENTORIES

	Note	2018 LKR	2017 LKR
Raw Material		1,817,822,245	1,166,915,356
Real Estate Stock	14.3	-	72,082,832
Work in Progress		780,233,446	325,297,199
Finished Goods		921,538,075	562,749,753
Indirect Material		30,380,247	25,172,165
Spares Stocks		31,381,652	33,157,824
General Stock		15,889,549	9,984,449
Consumables		53,442,313	59,111,300
Semi Finished Goods		173,270,980	204,948,771
Packing Material		20,849,063	13,523,575
Others		20,949,387	30,797,315
Less : Allowance for Obsolete & Slow Moving Inventories	14.2	(440,201,391)	(359,067,304)
		3,425,555,566	2,144,673,235
Consumables and Spares		105,415,187	102,727,205
Goods Held for Resale and Maintenance Inventory	14.1	81,669,021	-
Goods-In-Transit		145,411,774	160,413,625
		3,758,051,548	2,407,814,065
<b>Total Inventories at the Lower of Cost and Net Realisable Value</b>		<b>3,758,051,548</b>	<b>2,407,814,065</b>
14.1 Goods Held for Resale		300,603,810	-
Maintenance Inventory		81,812,466	-
		382,416,276	-
Less : Allowance for Obsolete & Slow Moving Inventories		(300,747,255)	-
		81,669,021	-

## Notes to the Financial Statements

### 14. INVENTORIES (CONTD...)

#### 14.2 Allowance for Obsolete & Slow Moving Inventories

	Group	
	2018 LKR	2017 LKR
Balance at the beginning of the year	359,067,304	360,186,941
Business Combination	300,747,255	-
Provision/(Reversal) made during the year	81,134,087	(1,119,637)
Balance at the end of the year	740,948,646	359,067,304

14.2.1 Details of inventories pledged for borrowings are disclosed in Note 33.

14.3 Group Subsidiary Colombo City Holdings PLC, purchased a 3 Acre Land ('Batapandurawatta') situated at Siyambalagoda within the Pradeshiya Saba Limits of Homagama. Amount includes others costs such as the cost of Land Survey, Stamp Duty and Development Cost incurred in bringing the Land to its present condition. This land was sold during the year.

### 15. TRADE AND OTHER RECEIVABLES

#### 15.1 Summary

	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Trade Debtors - Other		4,247,997,159	1,307,614,905	-	-
Less: Allowance for Bad & Doubtful Debtors		(1,006,743,418)	(145,978,386)	-	-
		3,241,253,741	1,161,636,519	-	-
Other Receivables - Related Party	15.2	69,867,932	-	278,246,858	208,333,304
- Other		305,238,606	156,660,473	18,528,898	18,370,440
Loan Receivables	15.3	240,705,870	26,207,132	716,089,692	668,074,347
Less: Allowance for Bad & Doubtful Debtors		(37,583,933)	(36,687,728)	(877,510,180)	(877,368,180)
		3,819,482,216	1,307,816,396	135,355,268	17,409,911
Advances and Prepayments		281,946,434	175,180,029	1,808,097	1,746,963
		4,101,428,650	1,482,996,425	137,163,365	19,156,874

\*Details of Trade Debtors pledged for borrowing are disclosed in Note 33.

#### 15.1.1 Allowance for Bad & Doubtful Debtors

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Balance at the beginning of the year	182,666,114	408,906,480	877,368,180	859,823,249
Business Combination	838,174,741	-	-	-
Provision/(Reversal) made during the year	23,486,496	44,520,729	242,000	26,961,027
Write-off balances	-	(270,761,095)	(100,000)	(9,416,096)
Balance at the end of the year	1,044,327,351	182,666,114	877,510,180	877,368,180

## 15.2 Other Receivables - Related Party

	Relationship	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Ceylon Leather Products PLC	Subsidiary	-	-	26,777,602	5,855,676
South Asia Textiles Ltd	Subsidiary	-	-	20,015,301	2,121,837
Palla & Co. (Pvt) Ltd	Subsidiary	-	-	-	4,800
Dankotuwa Porcelain PLC	Subsidiary	-	-	9,192,920	2,577,107
Royal Fernwood Porcelain Ltd	Subsidiary	-	-	18,254,886	3,842,565
Colombo City Holdings PLC	Subsidiary	-	-	-	1,388,475
Olancom (Pvt) Ltd	Subsidiary	-	-	192,738,449	192,496,449
Ambeon Capital PLC	Parent Company	69,235,932	-	99,556	46,395
Lexinton Holdings (Pvt) Ltd	Associate	632,000	-	632,000	-
Taprobane Capital (Pvt)Ltd	Subsidiary	-	-	160,716	-
D P L Trading (Pvt) Ltd	Subsidiary	-	-	50,000	-
Millennium Information Technologies (Pvt) Ltd	Subsidiary	-	-	10,325,428	-
		69,867,932	-	278,246,858	208,333,304

## 15.3 Loan Receivables - Group

	2018 Amount Repayable Within 1 Year LKR	2018 Amount Repayable After 1 Year LKR	2018 Total LKR	2017 Amount Repayable Within 1 Year LKR	2017 Amount Repayable After 1 Year LKR	2017 Total LKR
D.B. Exim (Pvt) Ltd	19,307,143	-	19,307,143	19,407,143	-	19,407,143
CHC Investments (Pvt) Ltd	40,106,849	-	40,106,849	-	-	-
Ambeon Capital PLC (Taprobane Holdings PLC) *	178,918,109	-	178,918,109	-	-	-
Loans to Company Officers (Note 15.3.2)	2,373,769	-	2,373,769	6,799,990	-	6,799,990
	240,705,870	-	240,705,870	26,207,132	-	26,207,132

\*Terms and Conditions : Rate of interest at 13% per annum with on demand.

	Relationship	Interest Rate	As at 01 April 2017 LKR	Loans Granted LKR	Loans Settled LKR	Interest Accrued During the year LKR	As at 31 March 2018 LKR
D.B. Exim (Pvt) Ltd	Other	10%	19,407,143	-	(100,000)	-	19,307,143
			19,407,143	-	(100,000)	-	19,307,143

## Notes to the Financial Statements

### 15. TRADE AND OTHER RECEIVABLES (CONTD...)

#### 15.3.1 Loan Receivables – Company

Relationship	2018	2018	2018	2017	2017	2017	
	Amount	Amount	Total	Amount	Amount	Total	
	Repayable	Repayable		Repayable	Repayable		
	Within 1 Year	After 1 Year		Within 1 Year	After 1 Year		
	LKR	LKR	LKR	LKR	LKR	LKR	
D.B. Exim (Pvt) Ltd	Other	19,307,143	-	19,307,143	19,407,143	-	19,407,143
Olancom (Pvt) Ltd	Subsidiary	648,667,204	-	648,667,204	648,667,204	-	648,667,204
Ceylon Leather Products PLC	Subsidiary	48,115,345	-	48,115,345	-	-	-
		716,089,692	-	716,089,692	668,074,347	-	668,074,347

Payment on or Before	Interest Rate	As at	Loans	Loans	Interest Accrued	As at	
		01 April 2017	Granted	Settled	During the year	31 March 2018	
		LKR	LKR	LKR	LKR	LKR	
D.B. Exim (Pvt) Ltd	15 September 2018	10%	19,407,143	-	(100,000)	-	19,307,143
Olancom (Pvt) Ltd	28 Sep 2015	AWPLR + 1%	648,667,204	-	-	-	648,667,204
Ceylon Leather Products PLC	-	13%	-	48,046,894	-	68,451	48,115,345
			668,074,347	48,046,894	(100,000)	68,451	716,089,692

\*In the High Court of the Western Province it was agreed to settle the outstanding amount on or before 15 March 2018. However, the Company (D.B. Exim (Pvt) Limited) requested further 6 months to settle the outstanding.

#### 15.3.2 Loans to Company Officers

	Group	
	2018	2017
	LKR	LKR
Balance at the beginning of the year	8,247,248	10,911,454
Loans granted during the year	6,750,675	5,399,219
Less : Repayments during the year	(11,176,896)	(8,063,425)
	3,821,027	8,247,248
Less : Provision for the Loan	(1,447,258)	(1,447,258)
Balance at the end of the year	2,373,769	6,799,990

## 16. OTHER FINANCIAL INVESTMENTS

	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR

### Financial Instrument - Fair Value through Profits or Losses

Quoted Equities at Market Value

(Note 16.1 and 16.2)	1,257,388,427	1,570,035,591	1,254,688,427	1,570,035,591
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### Financial Instrument - Loans & Receivables

Bank Deposits	374,997,868	59,254	58,805	59,254
Commercial Paper -*	152,184,520	20,103,430	-	-
Investments in Call Deposits	-	12,428,797	-	-
	1,784,570,815	1,602,627,072	1,254,747,232	1,570,094,845

\*Terms and conditions ; Rate of interest at 14.5%.

### 16.1 Investments in Equity Securities - Group

	No of Shares		Cost	Market Value	Cost	Market Value
	2018	2017	2018	2018	2017	2017
			LKR	LKR	LKR	LKR
<b>Incorporated in Sri Lanka</b>						
B P P L Holdings PLC	645,100	1,051,400	7,578,680	8,515,320	12,616,800	12,616,800
Pan Asia Banking Corporation PLC	43,930,641	43,930,641	823,593,973	720,462,512	823,593,973	676,531,871
Seylan Bank PLC	2,122,122	2,079,160	203,356,714	184,200,190	198,678,604	180,886,920
Browns Investments PLC	127,485,335	500,000,000	432,832,160	344,210,405	700,000,000	700,000,000
			1,467,361,527	1,257,388,427	1,734,889,377	1,570,035,591
<b>Total Carrying Value of Investment</b>			1,467,361,527	1,257,388,427	1,734,889,377	1,570,035,591

### 16.2 Investments in Equity Securities - Company

	No of Shares		Cost	Market Value	Cost	Market Value
	2018	2017	2018	2018	2017	2017
			LKR	LKR	LKR	LKR
B P P L Holdings PLC	645,100	1,051,400	7,578,680	8,515,320	12,616,800	12,616,800
Pan Asia Banking Corporation PLC	43,930,641	43,930,641	823,593,973	720,462,512	823,593,973	676,531,871
Seylan Bank PLC	2,122,122	2,079,160	203,356,714	184,200,190	198,678,604	180,886,920
Browns Investments PLC	126,485,335	500,000,000	429,707,160	341,510,405	700,000,000	700,000,000
			1,464,236,527	1,254,688,427	1,734,889,377	1,570,035,591

# Notes to the Financial Statements

## 17. STATED CAPITAL

	2018 Number	2018 LKR	2017 Number	2017 LKR
Fully Paid Ordinary Shares beginning of the year	349,367,119	7,724,138,656	349,367,119	7,724,138,656
New Shares Issue During the Year	7,502,547	147,425,049	-	-
Fully Paid Ordinary Shares end of the year	356,869,666	7,871,563,705	349,367,119	7,724,138,656

## 18. OTHER COMPONENTS OF EQUITY

	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Revaluation Reserves	18.1	927,585,560	512,773,657	-	-
General Reserve	18.2	220,140	220,140	220,140	220,140
Foreign Currency Translation Reserve	18.3	(506,665)	(475,266)	-	-
		927,299,035	512,518,531	220,140	220,140

	Attributable to Equity Holders of Parent	
	Revaluation Reserves	Foreign Currency Translation
Beginning of the year	512,773,657	(475,266)
Revaluation Gain	414,811,903	-
Loss from Foreign Currency Translation during the year	-	(31,399)
	927,585,560	(506,665)

**18.1** Land & Buildings of subsidiaries have been revalued during the period 31 March 2018 by Mr.Chulananda Wellappli, an independent Incorporated Valuer. The said land and buildings were valued based on Market Approach, Cost Approach and Income Approach as further explained in Note 6.6 The result of such valuations were incorporated in the Financial Statements by transferring the surplus arisen thereon to the revaluation reserve.

**18.2** General Reserve represents amounts set aside by the Directors for general application.

**18.3** As at the reporting date, the assets and liabilities of Indian Branch Operation by Dankotuwa Porcelain PLC were translated into the presentation currency at the rate of exchange prevailing at the reporting date and the Income Statement is translated at the average exchange rate for the period. The exchange differences arising on the translation were taken directly to Currency Conversion Reserve, which is classified as part of Equity.

### 18.4 Other Capital Reserve

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Capital Reserve (Note 18.4.1)	3,100,000	3,100,000	3,100,000	3,100,000
	3,100,000	3,100,000	3,100,000	3,100,000

**18.4.1** Capital Reserve represents amounts set aside by the Directors for further expenditure to meet any contingencies.

## 19. INTEREST BEARING LOANS AND BORROWINGS

### Summary - Group

	Note	2018 Amount Repayable Within 1 Year LKR	2018 Amount Repayable After 1 Year LKR	2018 Total LKR	2017 Amount Repayable Within 1 Year LKR	2017 Amount Repayable After 1 Year LKR	2017 Total LKR
Finance Lease	19.1	3,400,000	17,491,528	20,891,528	1,191,679	20,891,528	22,083,207
Bank Loans	19.2	1,212,859,592	1,227,610,805	2,440,470,397	297,682,381	591,861,275	889,543,656
Short Term Loan	19.3	2,254,332,824	-	2,254,332,824	1,092,848,231	-	1,092,848,231
Loans from Non - Financial Institutions	19.4	-	316,919,661	316,919,661	-	300,718,756	300,718,756
Bank Overdraft		750,904,385	-	750,904,385	1,523,390,717	-	1,523,390,717
Loans from Related Parties	19.5	20,005,545	-	20,005,545	4,421,637	-	4,421,637
		4,241,502,346	1,562,021,994	5,803,524,340	2,919,534,645	913,471,559	3,833,006,204

### 19.1 Finance Leases

	01.04.2017 LKR	As At New Leases LKR	Repayment LKR	As At 31.03.2018 LKR
Board of Investments of Sri Lanka	37,400,000	-	(3,400,000)	34,000,000
Gross Liability	37,400,000	-	(3,400,000)	34,000,000
Gross Liability	37,400,000			34,000,000
Finance Charges allocated to future periods		(15,316,793)		(13,108,472)
Net liability		22,083,207		20,891,528

**Security:** Absolute ownership of the assets under lease will be with the lessor till the expiration of the lease period.

**19.1.1** This represents finance lease arrangement between Board of Investment of Sri Lanka and South Asia Textiles Ltd., which has remaining lease of 36 years.

# Notes to the Financial Statements

## 19. INTEREST BEARING LOANS AND BORROWINGS (CONTD...)

### 19.2 Bank Loans

	As At 01.04.2017 LKR	Business Acquisition LKR	Loans Obtained LKR	Repayment LKR	Exchange Gain/(Loss) LKR	Accrued Interest LKR	As At 31.03.2018 LKR
Hatton National Bank PLC -							
Term loan USD	154,527,076	-	-	(19,998,500)	(3,803,680)	-	130,724,896
Hatton National Bank PLC	37,870,227	-	-	(2,571,485)	-	-	35,298,742
Bank of Ceylon-Term Loan	5,002,696	-	-	(5,002,696)	-	-	-
National Development Bank PLC							
Term Loan (FCBU)	10,930,235	-	-	(11,008,612)	78,377	-	-
Sampath-Term Loan (FCBU)- TL 03	105,594,292	-	-	(54,258,262)	1,721,235	-	53,057,265
People's Bank- Import loan	553,181,484	-	-	(123,183,120)	10,871,320	-	440,869,684
People's Bank- Packing loan	22,437,645	-	-	-	-	-	22,437,645
Hong Kong & Shanghai Banking							
Corporation Sri Lanka - Import loan (Note 37)	-	824,578,467	-	(560,666,319)	-	-	263,912,148
Hatton National Bank - import loan USD	-	-	6,756,131	-	-	-	6,756,131
Hatton National Bank - Packing loan	-	-	70,805,945	(31,181,870)	1,212,308	-	40,836,383
Seylan Bank - Term 1	-	-	1,200,000,000	(293,224,246)	-	93,224,246	1,000,000,000
Seylan Bank - Term 2	-	-	300,000,000	(10,466,877)	-	10,466,877	300,000,000
Pan Asia Banking							
Corporation PLC - Short Term Loan	-	-	184,030,500	(48,421,425)	1,275,506	-	136,884,581
People's Bank- Import loan	-	-	85,117,819	(79,191,965)	-	-	5,925,854
People's Bank- Packing loan	-	-	51,581,251	(49,017,683)	1,203,500	-	3,767,068
	889,543,656	824,578,467	1,898,291,646	(1,288,193,060)	12,558,566	103,691,123	2,440,470,397

#### 19.2.1 Terms and conditions

Company	Lender/rate of interest (p.a.)	2018 LKR	2017 LKR	Repayment	Security
<b>Royal Fernwood Porcelain Ltd</b>	Hatton National Bank PLC				
	-Term Loan USD (LIBOR + 5.25%)	130,724,896	154,527,076	83 Equal monthly Instalments of Rs. 14,473/	Primary mortgage bond over immovable property in the factory at Kosgama
	- Term Loan LKR (AWPLR + 2.0% p.a.)	13,406,995	15,978,480	83 Equal monthly Instalments of Rs. 235,490/	
	- Packing Credit loan (AWPLR+2%)	56,796,850	15,960,467	Settlements through sales proceeds	
	- Import Loan (AWPLR+2%)	-	5,931,280	Settlements through sales proceeds	
	People's Bank				
	- Packing Credit Loan (Sight : commission of 0.25%) (Usance : commission of 0.325%)	26,204,712	22,437,646	90 days from the loan granted	Title of goods shipped and indemnity of the company
	- Import loan (AWPLR + 2.0% to 4%)	27,142,338	21,216,485	90 days from the loan granted	Corporate guarantee of Parent company - Ambeon Holdings PLC

Company	Lender/rate of interest (p.a.)	2018 LKR	2017 LKR	Repayment	Security
<b>South Asia Textiles Limited</b>	National Development Bank Term Loan				Machineries, Leasehold Building and Inventory
	Term Loan - 1 (6 Month LIBOR + 6.45%)	-	10,930,235	Monthly LKR 998,574.30	
	Sampath Bank PLC				
	Term Loan - 3 (4 % p.a + 3 Months LIBOR with a Floor rate of 4.75% p.a.)	53,057,266	74,041,169	Monthly LKR 1,895,208	
	Term Loan - 4 (4 .5% p.a + 3 Months LIBOR with a Floor rate of 4.75% p.a.)	-	31,553,124	Monthly LKR 2,766,218	
	People's Bank				
	- Term Loan - 5 (4 .5% p.a + 6 Months LIBOR with a Floor rate of 5.25% p.a.)	419,653,200	531,965,000	Monthly LKR 11,358,800	
<b>Dankotuwa Porcelain PLC</b>	Bank of Ceylon				
	-Term Loan (AWPLR+2.5% additional 4% p.a for overdue)	-	5,002,696	48 monthly instalments	Mortgage over machinery
	- Packing Credit Loan (3 months LIBOR +4% p.a for overdue)	-	-	Maximum 4 months	Floating hypothecation over stocks and book debts of the company
	Short Term Loan	136,884,581	-	3 months LIBOR +4.0% subject to minimum of 4.25% p.a.	Mortgage bond for US \$ 1,000,000 over stocks and book debts for the value of 1.5 times of the facility.
<b>Ambeon Holdings PLC</b>	Seylan Bank				
	Term Loan 1 ( 01M AWPLR + 2.5%)	1,000,000,000	-	12 quarterly equal installments of LKR 100 Mn each	Quoted Shares
	Term Loan - 2 (01M AWPLR + 3.0%)	300,000,000	-	12 quarterly equal installments of LKR 25 Mn each	
Millenium Information Technologies (Pvt) Ltd	HSBC				
	Import Finance Loan (Tenor linked COF+2.5% per annum )	276,599,560	-	Within 180 Days	Letter of Guarantee from Seylan Bank PLC

### 19.3 Short Term Loan

	As At 01.04.2017 LKR	Loans Obtained LKR	Repayment LKR	Exchange Gain/(Loss) LKR	Accrued Interest LKR	As At 31.03.2018 LKR
Bank of Ceylon	58,678,489	171,778,099	(112,783,289)	-	-	117,673,299
Hatton National Bank PLC	53,805,161	183,856,269	(80,549,299)	-	-	157,112,131
Peoples' Bank - Short Term Loan	31,307,371	621,515,137	(423,652,026)	-	-	229,170,482
Peoples' Bank - Trust Receipt Loans	279,680,771	1,785,174,887	(1,877,767,002)	7,976,079	-	195,064,735
Seylan Bank PLC - Revolving Import Loans	-	921,935,670	(425,969,973)	-	-	495,965,697
Nation Trust Bank PLC - Revolving Import Loans	269,376,439	2,209,640,924	(2,394,633,284)	4,894,286	-	89,278,365
Seylan Bank PLC - Revolving Loan	400,000,000	-	(410,863,996)	1,908,506	25,969,973	17,014,483
Import/Export Finance Loan - DFCC Vardhana Bank	-	581,753,794	(489,146,375)	3,446,213	-	96,053,632
Seylan Bank PLC - Short Term Loan	-	857,000,000	-	-	-	857,000,000
	1,092,848,231	7,332,654,780	(6,215,365,244)	18,225,084	25,969,973	2,254,332,824

# Notes to the Financial Statements

## 19. INTEREST BEARING LOANS AND BORROWINGS (CONTD...)

### 19.3.1 Terms and Conditions

Company	Lender/Rate of Interest (p.a.)	2018 LKR	2017 LKR	Repayment	Security
South Asia Textiles Ltd	People's Bank				
	- Trust Receipt Loans (3 % p.a + 3 months LIBOR with a Floor rate of 4.25% p.a.)	195,064,735	279,680,770	At maturity bills should be retired by borrower's own funds or from STL proceeds.	Machineries, Leasehold Building and Inventory were pledged as security.
	Seylan Bank				
	Revolving Import Loans (3 months LIBOR + 3.5% p.a)	512,980,180	-	Repaid within a period of 150 days	Machineries, Leasehold Building and Inventory were pledged as security.
	Nations Trust Bank				
- Revolving Import Loan (3.% p.a + 3 months LIBOR with a Floor rate of 3.25% p.a.)	89,278,365	269,376,438	60 monthly equal instalments	Machineries, Leasehold Building and Inventory were pledged as security.	
DFCC Vardhana Bank					
	- Import/Export Finance Loan (3 months LIBOR + 3.5% p.a)	96,053,632	-	48 monthly equal instalments	Machineries, Leasehold Building and Inventory were pledged as security.
Ceylon Leather Products PLC	Peoples Bank				
	- STL (AWPLR+2% p.a)	229,170,483	31,307,371	within a period of 150 days	Mortgage over Land, building and Immovable Machinery at Mattakkuliya
	Hatton National Bank PLC				
	- STL (AWPLR+2.5% p.a)	157,112,131	53,805,161	within a period of 150 days	Mortgage over Land, building and Immovable Machinery at Mattakkuliya
Bank of Ceylon					
	- STL (AWPLR+1.75% p.a)	117,673,298	58,678,489	within a period of 120 days	Series of loan agreement and Mortgage over Stocks and Receivables
Ambeon Holdings PLC	Seylan Bank PLC				
	- Revolving Loan (01M AWPLR +2%)	-	400,000,000	12 months	Quoted Shares
Millenium Information Technologies (pvt) Limited	Seylan Bank PLC				
	- One month AWPLR + 2% per annum	857,000,000	-	Bullet Payment ( interest to be serviced monthly )	Corporate guarantee from Ambeon Holding PLC

### 19.4 Loans from Non Financial Institutions

	Relationship	As At 01.04.2017 LKR	Loans Obtained LKR	Repayment LKR	Interest Payable LKR	As At 31.03.2018 LKR
Browns Investments PLC	Other Related Party	74,223,918	-	-	3,998,735	78,222,653
S.F.L. Services (pvt) Ltd.	Other Related Party	79,518,959	-	-	4,284,000	83,802,959
Browns & Company PLC	Other Related Party	146,975,879	-	-	7,918,170	154,894,049
		300,718,756	-	-	16,200,905	316,919,661

This includes LKR 316,919,661/= represents loan payable by Dankotuwa Porcelain PLC to above parties as explained in Note 34.4.

## 19.5 Loans from Related Parties Group

	As At 01.04.2017 LKR	Addition LKR	Accrued Interest LKR	As At 31.03.2018 LKR
Mr. Eric Wikramanayake *	4,421,637	-	216,503	4,638,140
Ambeon Capital PLC - Immediate Parent	-	14,751,466	615,939	15,367,405
	4,421,637	14,751,466	832,442	20,005,545

\* The above loans were granted by the former Director of Olancom (Pvt) Ltd and his relative to Olancom (Pvt) Ltd.

## 19.6 Company

### 19.6.1 Interest Bearing Loans and Borrowings - Repayable Within 1 year

Note	Amount Repayable Within 1 Year 2018 LKR	Amount Repayable After 1 year 2018 LKR	Total 2018 LKR	Amount Repayable Within 1 Year 2017 LKR	Amount Repayable After 1 year 2017 LKR	Total 2017 LKR
Short Term Loan	500,000,000	800,000,000	1,300,000,000	400,000,000	-	400,000,000
Related Party - Commercial Paper***	787,947,852	-	787,947,852	-	-	-
Related Party - Loan **	14,967,969	-	14,967,969	-	-	-
Bank Overdraft*	247,743,346	-	247,743,346	1,336,933,062	-	1,336,933,062
	1,550,659,167	800,000,000	2,350,659,167	1,736,933,062	-	1,736,933,062

\*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 14% per annum with on demand (Ambeon Capital PLC).

\*\*\*Colombo City Holdings LKR. 510,370,075 at 12% Dankotuwa Porcelain PLC LKR. 72,390,038 at 13% and South Asia Textile Ltd LKR. 205,187,745 at 12%

### 19.6.2 Short Term Loans

	As at 01.04.2017 LKR	Loan Obtained LKR	Repayments LKR	Accrued Interest LKR	As at 31.03.2018 LKR
Revolving Loan	400,000,000	-	(425,969,973)	25,969,973	-
Term - Loan 1	-	1,200,000,000	(293,224,246)	93,224,246	1,000,000,000
Term - Loan 2	-	300,000,000	(10,466,877)	10,466,877	300,000,000
	400,000,000	1,500,000,000	(729,661,096)	129,661,096	1,300,000,000

## Notes to the Financial Statements

### 20. DEFERRED TAX LIABILITY/(ASSET)

#### 20.1 Group

	Note	Asset		Liability	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
At the beginning of the year		(68,974,307)	(75,646,239)	239,396,646	250,395,290
Business Acquisition	37	(91,839,883)	-	-	-
Transfer from/(to) Income Statement	20.2	(95,459,555)	5,451,876	(134,182,391)	(5,177,719)
Assets Classified as Held for Sale/ Discontinued Operations	4	-	-	-	(17,686,340)
Transfer from/(to) Equity Statement		184,149	1,220,056	457,417,828	11,865,415
At the end of the year		(256,089,596)	(68,974,307)	562,632,083	239,396,646

#### 20.2 Transfer from/(to) Statement of Profit or Loss

Transfer from accelerated depreciation and others	28	(229,641,946)	274,157
		(229,641,946)	274,157

#### Transfer from/(to) Other Comprehensive Income

Tax on Revaluation Gain		(466,281,914)	(7,485,531)
Employee Benefit Liability		8,679,937	(5,599,940)
		(457,601,977)	(13,085,471)

#### The Closing Deferred Tax Asset and Liability Balances Relate to the Following;

Fair Valuation of Land and Buildings	-	-	632,774,201	166,492,287
Accelerated depreciation and amortisation for tax purposes	16,818,225	784,097	293,046,712	279,456,229
Employee Benefit Liability	(24,818,866)	(1,209,601)	(75,912,253)	(46,667,379)
Losses available for offset against future taxable Income	(175,899,244)	(68,548,803)	(211,750,357)	(108,252,338)
Others*	(72,189,711)	-	(75,526,220)	(51,632,153)
	(256,089,596)	(68,974,307)	562,632,083	239,396,646

The above deferred tax asset arising from carried forward tax losses and Employee Benefit Liability has been determined based on a financial budget approved by Senior Managements to the extent of sufficient taxable profit are available.

The above deferred tax arising 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 341 Mn has not been recognised as the Management is not certain whether there will be sufficient taxable profit to utilised the same.

\*Others represent Deferred Tax Asset recognised on provision for debtors and provision for inventory.

## 20.3 Company

	Statement of Financial Position		Other Comprehensive Income		Statement of Profit or Loss	
	2018	2017	2018	2017	2018	2017
	LKR	LKR	LKR	LKR	LKR	LKR
<b>Deferred Tax Liability</b>						
Accelerated Depreciation for Tax purposes	669,518	430,293	-	-	(239,225)	115,268
<b>Deferred Tax Assets</b>						
Defined Benefit Plans	(1,046,060)	(999,409)	43,877	1,182,295	90,528	(278,468)
Losses available for offset against future taxable income	(77,000,000)	(30,365,100)	-	-	46,634,900	-
Deferred Income Tax (Reversal)/Expense			43,877	1,182,295	46,486,203	(163,200)
Net Deferred Tax Liability/(Asset)	(77,376,542)	(30,934,216)				

## 21. EMPLOYEE BENEFITS LIABILITIES

	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Current Service Cost	30,379,884	24,509,167	1,437,933	686,650
Interest Cost on Benefit Obligation	31,633,092	23,501,227	446,165	679,727
	62,012,976	48,010,394	1,884,098	1,366,377
Net Actuarial (Gain) / Loss	32,956,251	(21,109,218)	(156,702)	(4,222,481)
Total Expenses	94,969,227	26,901,176	1,727,396	(2,856,104)

	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
<b>Balance as at 1 April</b>	249,237,420	254,827,037	3,569,316	6,797,268
Current Service Cost	30,379,884	24,509,167	1,437,933	686,650
Interest Cost on Benefit Obligation	31,633,092	23,501,227	446,165	679,727
Actuarial Losses / (Gain) on Obligation	32,956,251	(21,109,218)	(156,702)	(4,222,481)
Benefit Paid	(35,677,973)	(32,490,792)	(1,560,784)	(371,848)
Business acquisitions during the year	96,215,035	-	-	-
Transfers	297,000	-	-	-
<b>Balance as at 31 March</b>	405,040,709	249,237,420	3,735,928	3,569,316

## Notes to the Financial Statements

### 21. EMPLOYEE BENEFITS LIABILITIES (CONTD...)

**21.1** The cost of gratuity is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, staff withdrawals, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

	Group		Company	
	2018	2017	2018	2017
Discount Rate	10%	10.0%	10%	12.5%
Salary Increment rates used	7.5%	8.0%	7.5%	7.5%
Staff Turn Over Rate	5%	5%-10%	5%	5%
Retirement Age	55 Years	55 Years	55 Years	55 Years

### 21.2 Maturity Profile of the Defined Benefit Plan

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Within Next 12 Months	62,850,188	44,584,845	122,458	211,443
Between 1 - 2 Years	67,967,490	33,713,524	302,838	359,422
Between 2 - 5 Years	100,444,222	60,739,360	685,955	1,289,002
Between 5- 10 Years	98,519,323	98,443,758	915,259	435,919
Beyond 10 years	75,259,485	11,755,933	1,709,418	1,273,531
	405,040,709	249,237,420	3,735,928	3,569,316

### 21.3 Break up of the Actuarial Gain/ Loss

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Actuarial (Gain)/ Loss Resulting from Changes in Financial Assumptions	35,704,215	(30,948,354)	453,254	(4,222,481)
Actuarial (Gain)/ Loss Resulting from Changes in Demographic Assumptions	(2,658,765)	(353,896)	-	-
Actuarial (Gain)/ Loss Resulting from Changes in Experience Adjustments	(89,199)	10,193,032	(609,956)	-
	32,956,251	(21,109,218)	(156,702)	(4,222,481)

## 21.4 Sensitivity Analysis

	Group			
	2018		2017	
	LKR		LKR	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount Rate	(25,079,509)	27,415,471	(10,784,184)	11,735,048
Salary Increment Rate	27,579,446	(14,354,965)	13,074,567	(12,203,859)

	Company			
	2018		2017	
	LKR		LKR	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount Rate	(328,573)	375,634	(256,494)	289,699
Salary Increment Rate	397,906	(352,519)	315,136	(282,292)

## 22. DEFERRED INCOME

### 22.1 Deferred Income -Grant

	2018	2017
	LKR	LKR
Balance at the beginning of the year	387,745	810,745
Amortisation for the year	(387,745)	(423,000)
Balance at the end of the year	-	387,745

The Waste Water treatment project of Dankotuwa Porcelain PLC was completed on March 2008 & it is capitalised under the relevant classification of Property, Plant & Equipment hence corresponding grant component is reflected under Deferred Income -Grant is amortised over the useful life of (10 years), which is the estimated life of the asset.

### 22.2 Deferred Income -Service Agreements

	2018	2017
	LKR	LKR
Balance at the beginning of the year	-	-
Business Acquisition (Note 37)	506,418,642	-
Deferred During the year	1,003,611,016	-
Transferred to revenue during the year	(771,257,634)	-
Derecognised during the year	9,378,472	-
Balance at the end of the year	748,150,496	-

Revenue from deferred income is recognised by periodically throughout the service agreement period entered between Millennium Information Technologies (Pvt) Ltd and service clients.

# Notes to the Financial Statements

## 23. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Trade Payable - Other	2,728,084,840	981,020,054	-	-
Other Payables - Other	267,037,028	231,883,295	108,760,157	9,592,673
- Related Parties (Note 23.1)	-	350,000	4,311,379	-
Sundry Creditors Including				
Accrued Expenses	218,170,710	360,262,205	-	-
	3,213,292,578	1,573,515,554	113,071,536	9,592,673

### 23.1 Other Payable -Related Parties

	Relationship	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Colombo City Holdings PLC	Subsidiary	-	-	4,311,379	-
ARRC Capital (Pvt) Ltd	Other Related Party	-	350,000	-	-
		-	350,000	4,311,379	-

## 24. OTHER FINANCIAL LIABILITIES

	Note	No. of Shares	Group		Company	
			Carrying Value	Carrying Value	Carrying Value	Carrying Value
			2018	2017	2018	2017
			LKR	LKR	LKR	LKR
<b>Financial Liabilities at amortised cost</b>						
Preference Shares	24.1	170,625	897,086	873,146	897,086	873,146
			897,086	873,146	897,086	873,146

## 25. OTHER INCOME

	Note	Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
Profit from disposal of Property, Plant & Equipment		1,280,293	2,558,554	-	24,065
Rent Income		4,276,378	4,572,600	-	-
Scrap Sales		-	45,432,291	-	-
Gain on share Redemption	25.1	-	-	35,263,841	-
Gain on Share Repurchase	25.2	-	-	95,240,175	-
Write back of Interest Bearing Borrowings	25.3	-	96,176,752	-	-
Reversal of impairment for Trade Debts		-	12,848,158	-	9,416,096
Other Income		70,456,840	15,923,678	9,977,176	165,113
Reversal of Provisions		166,505,186	-	-	-
Gain on disposal of Assets Held for Sale	4	47,223,506	-	-	-
		289,742,203	177,512,033	140,481,192	9,605,274

- 25.1** Pursuant to a proposal to restructure the apparel manufacturing and leather products and foot wear manufacturing business of the Ambeon Holdings Group of Companies on 29th March Ceylon Leather Products PLC redeemed 4,828,794 ordinary shares held by the Company at a consideration of LKR 94.25 per share in terms of Section 68 of the Companies Act No 7 of 2007.
- 25.2** Pursuant to a proposal to restructure the apparel manufacturing and leather products and foot wear manufacturing business of the Ambeon Holdings Group of Companies, on 26 March 2018, Ceylon Leather Products PLC repurchased 13,041,551 ordinary shares held by the company at a consideration of LKR 94.25 per share in terms of Section 64 of the Companies Act No. 7 of 2007.
- 25.3** Write back of Interest Bearing Borrowings 2016/17 includes Short Term Loan write back of LKR 28,309,107/- and overdraft write back of LKR 67,867,645/-.

## 26. FINANCE COST

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Bank Overdraft Interest	80,689,970	133,197,600	64,597,140	117,689,951
Exchange Loss	853,291	67,249	-	-
Bank Charges	2,618,425	2,909,259	-	-
Discount Interest	-	47,642	-	-
Import Bill Interest	-	9,074,154	-	-
Loan Interest	309,290,201	137,164,025	162,518,070	8,808,986
Interest on Preference Shares	23,940	23,940	23,940	23,940
Interest on Related Party Loan	-	-	216,503	-
Interest on BOI Lease	2,208,321	2,316,655	-	-
Guarantee Commission Charges	8,226,026	-	6,859,501	-
	403,910,174	284,800,524	234,215,154	126,522,877

## 27. FINANCE INCOME

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Interest on;				
- Debenture	-	13,399,723	-	-
- FCBU Accounts	1,296,970	866,259	-	-
- Short Term Investments	35,459,100	48,776,260	-	-
- Staff Loan	1,241,724	1,210,485	-	-
- Commercial Paper	3,742,375	6,751,677	-	-
- REPO Investment	-	320,086	-	-
- Gain on Investment in Unit Trust	-	290,986	-	-
- Others	109,349	1,958,524	-	-
Subsidiary Loans	13,688,103	-	-	-
Interest Income on Fixed Deposits/Bank Deposits	51,847,308	-	-	-
	107,384,929	73,574,000	-	-

## Notes to the Financial Statements

### 28. INCOME TAX EXPENSE / (REVERSAL)

	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>Current Income Tax</b>					
Current Tax Expense on Ordinary Activities for the Year	28.1	118,438,034	76,203,058	249,441	-
Under / (Over) Provision of current taxes in respect of prior years		11,996,265	27,489,121	12,330,320	27,684,078
<b>Deferred Income Tax</b>					
Deferred Taxation Charge / (Reversal)	20	(229,641,946)	274,157	(46,486,203)	(163,200)
Income tax charge / (Reversal) reported in the Profit or Loss statement		(99,207,647)	103,966,336	(33,906,442)	27,520,878

#### 28.1 Reconciliation between Current Tax Expense and the product of Accounting Profit.

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Accounting Profit / (Loss) before Tax from Operations	571,740,684	367,218,600	696,090,920	(129,627,180)
Profit / (Loss) before Tax from Discontinuing Operations	13,144,636	113,165,327	-	-
	584,885,320	480,383,927	696,090,920	(129,627,180)
Income Exempt from Tax	(439,401,326)	(329,394,942)	(880,592,541)	(95,454,340)
Aggregate Disallowed Items	446,392,701	549,474,804	8,049,157	139,708,221
Aggregate Allowable Credits	(618,652,326)	(639,316,969)	(5,753,887)	(3,303,691)
Other income included in Profit From Operation	(41,242,795)	(7,362,750)	-	-
Business Profit / (Loss)	(68,018,426)	53,784,070	(182,206,351)	(88,676,990)
Taxable Profit	695,409,792	97,600,170	-	-
Other Income	5,042,029	2,095,764	-	-
Interest Income	150,846,419	90,567,581	1,370,553	-
	851,298,239	190,263,515	1,370,553	-
Less : Carried Forward Tax Loss utilised (Note 28.2)	(114,302,789)	(28,409,685)	(479,694)	-
Less : Qualified Payments	(14,631,555)	(36,897,894)	-	-
Taxable Income	722,363,895	124,955,936	890,859	-
Applicable Rate - 12%	67,789,284	11,151,309	-	-
Applicable Tax Rate - 28%	24,949,016	33,011,416	249,441	-
Income tax on dividend Income	25,699,734	32,040,332	-	-
Income Tax Attributable to Continuing Operations	118,438,034	76,203,058	249,441	-
Income Tax Attributable to Discontinued Operations (Note 4)	3,274,547	-	-	-
Income Tax Expense	121,712,581	76,203,058	249,441	-

## 28.2 Tax Losses Carried Forward

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Tax losses brought forward	1,148,509,481	1,012,680,299	212,662,974	123,985,984
Tax losses arising during the year	588,020,995	264,960,219	182,206,351	88,676,990
Tax Filing differences	(23,011,199)	(21,800,482)	-	-
Utilisation of tax losses	(114,302,789)	(28,409,685)	(479,694)	-
Tax losses of discontinued operations	-	(78,920,870)	-	-
Tax losses carried forward	1,599,216,488	1,148,509,481	394,389,631	212,662,974

### 28.2.1 Dankotuwa Porcelain PLC

As per the BOI agreement No. 261 supplemented by agreement No. 32 & 303 the export profits and income from the “export business” is chargeable to tax at a concessionary rate of 12% (2017 - 12%), that from local sales and other business income are chargeable to income tax at 28% (2017 - 28%) under the Inland Revenue Act No 10 of 2006 and subsequent amendments there to.

The Company entered into a supplementary agreement with Board of Investment of Sri Lanka (BOI) on 30 December 2009 whereby the Company has been permitted to maintain the local sales up to twenty percent (20%) of the quantity exported as an average for the cumulative local sales for the period of five (05) years commencing from year 2009 and ending on year 2013 subject to the payment of customs duty and other applicable levies subject to the terms and conditions stipulated in the agreement.

On 30 November 2016 the Company signed the supplementary agreement to convert to Temporary Import and Export Procedure (TIEP scheme) for a period of two years.

### 28.2.2 Ambeon Holdings PLC

The following tax assessments are outstanding against which the Company has duly appealed;

(I) Income Tax for the year of assessment 2011/12 - Assessment No. ITA 14281100043 V1

As per assessment the interest on corporate loans and dividend income which the Company considered as exempted is required to be included as part of the assessable / taxable income. The Company is of the view that the above assessments will not have any material impact on the financial statements.

## Notes to the Financial Statements

### 29. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Stated after Charging/(Crediting)				
- Included under Cost of Sales				
- Depreciation & Amortisation	268,737,137	274,524,492	-	-
- Salaries	1,674,404,942	1,033,839,639	-	-
- Bonus	-	1,337,220	-	-
- Employee Benefits Liability	37,566,355	29,342,894	-	-
- Defined Contribution Plan Costs - EPF & ETF	98,298,772	103,667,636	-	-
- Research & Development cost	13,200	174,220	-	-
- Other Staff Costs	86,666,671	117,624,259	-	-
- Allowance for Obsolete & Slow Moving Inventories	41,728,163	27,702,036	-	-
- Minimum Lease payments on operating lease	3,639,957	22,148,196	-	-
- Included under Administration Expenses				
- Depreciation & Amortisation	71,545,203	53,076,236	4,882,414	2,852,713
- Directors' Remuneration	41,032,379	39,469,973	3,600,000	3,600,000
- Salaries	391,980,045	317,483,937	49,651,173	46,561,852
- Bonus	9,017,330	1,835,054	5,245,297	1,770,054
- Employee Benefits Liability	58,978,029	15,277,131	1,884,098	1,366,377
- Defined Contribution Plan Costs - EPF & ETF	128,032,919	41,522,287	10,957,187	7,259,003
- Other Staff Costs	28,075,860	10,462,879	-	-
- Auditors Remuneration	6,700,194	6,600,194	996,000	968,865
- Legal fees	1,158,762	-	-	-
- Clearing Expenses	2,269,892	-	-	-
- Fall in Value of Investments	-	94,982,942	-	94,982,942
- Included under Selling & Distribution Expenses				
- Depreciation & Amortisation	5,545,568	1,170,984	-	121,831
- Salaries	74,487,240	66,661,732	-	-
- Employee Benefits Liability	4,537,204	-	-	-
- Defined Contribution Plan Costs - EPF & ETF	9,030,903	9,585,739	-	-
- Other Staff Costs	2,842,172	71,631,885	-	-
- Rent	1,951,750	-	-	-
Allowances for Obsolete & Slow Moving Inventories	39,405,928	-	-	-
Impairment on Investment	-	5,083,623	-	-
Impairment of Property Plant & Equipment	906,899	2,277,832	-	-
(Profit) / Loss from disposal of Property, Plant & Equipment	(1,280,293)	1,535,932	-	-
Consultancy Fee	-	21,518,202	-	-
Impairment on Trade Receivables	(10,163,439)	44,520,729	-	26,869,000
Advertising Cost	1,890,616	-	-	-

### 30. EARNINGS PER SHARE

**30.1** Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares.

**30.2** The following reflects the income and share data used in the basic Earnings Per Share computations.

	Group	
	2018 LKR	2017 LKR
<b>Amount Used as the Numerator:</b>		
Net Profit from continuing operations attributable to equity holders of the parent for basic Earnings per share	528,958,520	144,215,102
Net Profit attributable to equity holders of the parent for basic Earnings per share	540,940,920	271,698,127
<b>Number of Ordinary Shares Used as Denominator:</b>		
Ordinary shares at the beginning of the year	349,367,119	349,367,119
Weighted Average number of shares Issued during the year	1,274,405	-
Weighted average number of ordinary shares adjusted for the Basic EPS	350,641,524	349,367,119
Weighted average number of ordinary shares adjusted for the effect of dilution	350,641,524	349,367,119

#### New Share Issue

On 29 January 2018, the Company acquired 1,497,973 ordinary shares of Ceylon Leather Products PLC held by the minority shareholders, pursuant to obtaining an order from Court under section 256 of the Companies Act No. 7 of 2007 (the Arrangement). Pursuant thereto, the formalities pertaining to the Arrangement was carried out and the Company issued 7,502,547 new ordinary shares to such minority shareholders.

### 31. CASH AND SHORT TERM DEPOSITS

#### 31.1 Favourable Cash and Short Term Deposits

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Cash and Bank Balances	1,137,297,628	280,815,297	253,568,819	905,816
Short Term Investments	983,397,792	631,429,480	-	-
Commercial Paper Investments *	-	636,297,784	-	636,297,784
	2,120,695,420	1,548,542,561	253,568,819	637,203,600

#### 31.2 Unfavourable Cash and Cash Equivalents Deposits

Bank Overdraft (Note 19)	(750,904,385)	(1,523,390,717)	(247,743,346)	(1,336,933,062)
Cash & Short term Deposits at the end of the year for the Purpose of Statement of Cash Flow	1,369,791,035	25,151,844	5,825,473	(699,729,459)

\*Terms and conditions - Rate of interest at AWPLR+2% to 2.5%

## Notes to the Financial Statements

### 32. CONTINGENT LIABILITIES AND COMMITMENTS

#### 32.1 Ambeon Holdings PLC

	2018 LKR Mn	2017 LKR Mn
<b>Bank Guarantees</b>		
Guarantees given to Tax Appeal Commission on behalf of the company	8.25	8.25
Guarantees given to following facilities on behalf of South Asia Textiles Ltd; Habib Bank Ltd (USD 750,000)	-	110
Guarantees given to following facility on behalf of Royal Fernwood Porcelain Ltd; People's Bank PLC	65	65
Guarantees given to following facility on behalf of Millennium Information Technologies (Pvt Limited); Seylan Bank PLC	2,000	-

#### 32.2 Ceylon Leather Products PLC

	2018 LKR Mn	2017 LKR Mn
<b>Letters of Credit and Bank Guarantees</b>		
Letters of Credit Opened with Banks favouring suppliers	24.30	6.50
Guarantees Issued by Banks on behalf of the Company	33.40	49.90
Guarantees given to following facilities on behalf of South Asia Textiles Ltd; People's Bank of Sri Lanka (USD 4,500,000)	-	677.10
DFCC Bank PLC (USD 2,500,000)	-	384.75
Guarantees given to Palla & Company (Pvt) Ltd;	-	138.51

#### 32.3 Royal Fernwood Porcelain Limited

	2018 LKR Mn	2017 LKR Mn
<b>Letter of Credit</b>		
Letter of credit opened with Banks favouring suppliers	50	50

#### 32.4 South Asia Textiles Limited

##### Operating Lease Commitments

The Company has an operating lease of land. This lease has a term of renewal but no purchase option and escalation clause. Renewals are at the option of the specific entity that holds the lease. Future lease payments under operating lease contract are as follows;

	2018 LKR Mn	2017 LKR Mn
Within one year	3	3
After one year but not more than five years	15	15
More than five years	12	15
Present value of minimum lease payments	30	33

### 32.5 Millennium Information Technologies (Pvt) Limited

	2018 LKR Mn	2017 LKR Mn
Performance Bonds	138	-
Tender Bonds	10	-
	USD Mn	USD Mn
Performance Bonds	1.40	-
Tender Bonds	0.05	-

### 32.6 Taprobane Securities (Pvt) Ltd

Bank guarantee given to Colombo Stock Exchange on behalf of the company.

32.7 There is no material issues pertain to the Employee and Industrial Relation of the Group.

## 33. ASSETS PLEDGED

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2018 LKR Mn	2017 LKR Mn	
<b>33.1 Assets Pledged by Ambeon Holdings PLC</b>				
Quoted Equity Investments	Overdraft Facility, Revolving Loan for Loans and Borrowings	2,228	3,530	Investments in Subsidiaries and Other Current Financial Assets
<b>33.2 Assets Pledged by Ceylon Leather Products PLC</b>				
Immovable Properties	Floating Mortgage for Loans and Borrowings	1,323	968	Property, Plant & Equipment
Plant & Machinery other than leased	Floating Mortgage for Loans and Borrowings	36	55	Property, Plant & Equipment
Raw Materials, Finished Goods and Work in Progress	Floating Mortgage for Loans and Borrowings	531	326	Inventory
Trade Debtors	Floating Mortgage for Loans and Borrowings	225	179	Debtors
		2,115	1,528	
<b>33.3 Assets Pledged by South Asia Textiles Limited</b>				
Buildings	Primary Mortgage for Loans and Borrowings	-	577	Property, Plant & Equipment
Machineries	Primary Mortgage for Loans and Borrowings	1,199	1,326	Property, Plant & Equipment
Raw Materials, Finished Goods and Work in Progress	Primary/Concurrent Mortgage for Loans and Borrowings	1,877	1,272	Inventories
Trade Debtors	Primary/Concurrent Mortgage for Loans and Borrowings	890	757	Trade and Other Receivables
Margin Accounts	Primary Mortgage for Loans and Borrowings	13	12	Other Financial Assets
		3,979	3,945	
<b>33.4 Assets Pledged by Dankotuwa Porcelain PLC</b>				
Inventory and Trade Debtors	For Loans and Borrowings	93	6	Inventory and Trade Debtors
Machinery	Primary Mortgage for Loans and Borrowings	137	5	Property, plant and equipment
		230	11	
<b>33.5 Royal Fernwood Porcelain Limited</b>				
Land and Buildings & Immovable Machinery	Term Loans and Short Term Borrowings	580	507	Property, plant and equipment
		580	507	

# Notes to the Financial Statements

## 34. RELATED PARTY DISCLOSURES

### 34.1 Transaction with Related Entities

Nature of transactions	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
<b>34.1.1 Parent</b>				
Uplift of Investment in Commercial Papers	691,593,534	-	691,593,534	-
Interest Earned on Investment in Commercial Papers*	93,367,959	95,063,132	93,367,959	80,392,372
Investment in Subsidiary	671,345,000	-	-	-

\*Terms and conditions - Rate of interest at 14.5%

### 34.1.2 Transaction with Subsidiaries

<b>Balance as at 01st April</b>	-	-	857,519,054	964,653,906
Interest Income on Loans	-	-	68,451	3,855,129
Staff Support & Server Utilisation fees	-	-	54,877,870	37,381,466
Settlement of Dues	-	-	-	(10,045,669)
Settlement Current Account Balance	-	-	(71,692,377)	(220,119,532)
Reimbursement of Expenses	-	-	7,015,302	9,924,754
Cost sharing arrangement	-	-	78,235,439	-
Loans / Financial Assistance provided	-	-	48,388,894	71,869,000
Commercial Paper Obtained	-	-	(787,947,852)	-
Commercial papers interest	-	-	30,748,120	-
Commercial Paper Interest settlement / Capitalisation	-	-	(34,556,180)	-
<b>Balance as at 31 March</b>	-	-	182,656,721	857,519,054

### 34.1.3 Other Related Parties

	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Receivable / (Payable) as at 01st April	-	-	-	-
Sale of Goods	990,813,277	910,579,966	-	-
Receiving of Services	-	(15,372,719)	-	-
Loan Interest Receivable / (Payable)	(1,620,000)	-	-	-
Investment in Shares	533,358	618,584,315	-	-
(Receipts) / Payments for Goods / Services	(907,519,434)	(948,858,412)	-	-

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, CHC Investments (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.

Key Management Personnel Compensation	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Short-Term employee benefits	142,224,465	124,779,635	33,219,047	19,521,397
Post Employment Benefit	-	89,184	-	-
Long Term Benefits	-	-	-	-
	142,224,465	124,868,819	33,219,047	19,521,397

### 34.3 Terms and Conditions of Transactions with Related Parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

### 34.4 Debt Novation Agreement

Dankotuwa Porcelain PLC a subsidiary of Ambeon Holdings PLC (the Parent Company) upon acquisition of Taprobane Capital (Pvt) Ltd & Royal Fernwood Porcelain Ltd (the Acquire) ,agrees to assume the debt liabilities of Acquire amounting to Rs.253,615,255/- towards Brown Investments PLC, S.F.L. Services (Pvt) Ltd & Browns & Company Ltd, by way of a "debt novation agreement". Pursuant to the "debt novation agreement" a "further debt novation agreement" gives the option to the subsidiary company to transfer the said debt obligation novated from the acquisition to the Parent Company at the discretion of the Parent.

### 34.5 Disclosure Section 9.3.2 of the Listing Rules of Colombo Stocks Exchange - Company

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year LKR	Aggregate value of Related Party Transactions as a % of Net Revenue/ Equity and Assets	Terms and Conditions of the Related Party Transactions	Rational to enter into Transaction
<b>Non Recurrent</b>						
Ceylon Leather Products PLC	Subsidiary	Share purchase of South Asia Textile Limited	1,684,280,000	20% (Total Assets), 28% (Equity)	Net Asset Value	Group restructuring
Millennium Information Technologies (Pvt) Ltd	Subsidiary	Corporate Guarantee given to Seylan Bank PLC	2,000,000,000	23% (Total Assets), 33% (Equity)	2% p.a.	To support working capital
<b>Recurrent</b>						
Aggregate value of the recurrent Related Party Transactions does not exceeds 10% of the Group entity consolidated revenue.						

## Notes to the Financial Statements

### 35. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require to or disclosure in the financial statements, except for the following.

#### Ambeon Holdings PLC

##### 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.

##### Millennium Information Technologies (Pvt) Limited (MIT) - Management buyout

As a part of MillenniumIT ESP management buyout the company disposed 20% holding to MillenniumIT ESP management for the consideration of LKR 132 Mn.

On 13 June 2018 MillenniumIT ESP reduced its stated capital to LKR 415,849,344/ in accordance with the provisions of Section 59 of the Companies Act No. 07 of 2007. 296,307 shares held by Ambeon Holdings PLC be cancelled and that cash amounting to LKR. 125 Mn were returned to Ambeon Holdings PLC consequent to the Reduction of Stated Capital.

#### Proposed Dividend

The Board of Directors of the company has proposed interim Dividend of LKR 1.25 per share for the financial year 2018/19. Date of Announcement is 12th July 2018 and Date of Payment will be on 02nd August 2018.

### 36. FINANCIAL ASSETS AND LIABILITIES

#### 36.1 Fair values of Financial Assets and Liabilities -Group

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Notes	2018		2017		
	Carrying Value LKR	Fair Value LKR	Carrying Value LKR	Fair Value LKR	
<b>Financial assets</b>					
<b>Financial Instruments in Current Assets</b>					
Fair Value through Profit and Loss					
Other Financial Investment	16	1,257,388,427	1,257,388,427	1,570,035,591	1,570,035,591
Total		1,257,388,427	1,257,388,427	1,570,035,591	1,570,035,591

Methods and assumptions use to estimate fair value are disclosed under note 10 to the Financial Statements.

#### 36.2 Categories of Financial Assets and Liabilities - Company

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Notes	2018		2017		
	Carrying Value LKR	Fair Value LKR	Carrying Value LKR	Fair Value LKR	
<b>Financial Assets</b>					
<b>Financial Instruments in -Current Assets</b>					
<b>Fair Value Through Profit and Loss</b>					
Other Financial Investment	16	1,254,688,427	1,254,688,427	1,570,035,591	1,570,035,591
Total		1,254,688,427	1,254,688,427	1,570,035,591	1,570,035,591

Methods and assumption use to estimate fair value are disclosed under note 10 to the Financial Statements.

### **Financial Assets and Liabilities for which Fair Value Approximates Carrying Value**

The following describes the methodologies and assumptions used to determine the fair values for those Financial Assets & Liabilities which are not already recorded at fair value in the Financial Statements.

The Following is a list of Financial Assets and Liabilities whose carrying amount is a reasonable approximation of fair value due to short-term maturities of these instruments.

#### **Assets**

- Other Non-Current Financial Assets
- Trade and Other Receivables
- Other Financial Investments
- Held to maturity Financial Assets
- Cash in Hand and at Bank

#### **Liabilities**

- Other Financial Liabilities
- Interest Bearing Borrowings (Current)
- Trade and Other Payables

#### **Reclassification of Financial Assets**

There have been no reclassifications during 2017 & 2018.

### **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 hold financial assets at 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 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.

## Notes to the Financial Statements

### 36. FINANCIAL ASSETS AND LIABILITIES (CONTD...)

#### Risk Exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

#### Risk Exposure - Group

	Notes	2018 LKR	% of allocation	2017 LKR	% of allocation
Call Deposits	16	-	0%	12,428,797	0%
Bank Deposits	16	374,997,868	6%	59,254	0%
Commercial Paper Investments	16	152,184,520	2%	20,103,430	1%
Trade and Other receivables	15	3,819,482,216	59%	1,307,816,396	45%
Cash and Short term Deposits	31	2,120,695,420	33%	1,548,542,561	54%
Total credit risk exposure		6,467,360,024	100%	2,888,950,438	100%
Financial assets at fair value through profit & loss	16	1,257,388,427		1,570,035,591	
Total equity risk exposure		1,257,388,427		1,570,035,591	
Total		7,724,748,451		4,458,986,029	

#### Risk Exposure - Company

	Notes	2018 LKR	% of allocation	2017 LKR	% of allocation
Bank Deposits	16	58,805	0%	59,254	0%
Trade and other receivables	15	135,355,268	35%	17,409,911	3%
Cash in hand and at bank	31	253,568,819	65%	637,203,600	97%
Total credit risk exposure		388,982,893	100%	654,672,765	100%
Financial assets at fair value through profit & loss		1,254,688,427		1,570,035,591	
Total equity risk exposure		1,254,688,427		1,570,035,591	
Total		1,643,671,319		2,224,708,354	

#### 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 and Other receivables	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Neither past due, not impaired	737,022,658	760,247,359	-	-
<b>Past due but not impaired</b>				
31-60 days	1,203,328,907	153,601,709	-	-
61-90 days	123,817,012	66,126,548	-	-
>90 days	1,177,085,164	181,660,903	-	-
Allowance for Bad & Doubtful Debtors	1,006,743,418	145,978,386	-	-
<b>Gross Carrying Value</b>	<b>4,247,997,159</b>	<b>1,307,614,905</b>	<b>-</b>	<b>-</b>
Less: Allowance for Bad & Doubtful Debtors	(1,006,743,418)	(145,978,386)	-	-
<b>Total</b>	<b>3,241,253,741</b>	<b>1,161,636,519</b>	<b>-</b>	<b>-</b>

#### **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 2.120 Billion as at 31 March 2018 (2017 - LKR1.549 Billion).

#### **36.3.2 Liquidity Risk**

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

#### **Liquidity Risk Management**

The business units attempt to match contracted cash outflows in each time bucket using a combination of operational cash inflows and other inflows that can be generated through the liquidation of short term investments, repurchase agreements or other secured borrowings.

## Notes to the Financial Statements

### 36. FINANCIAL ASSETS AND LIABILITIES (CONTD...)

#### Contractual Maturity Analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2018 based on contractual undiscounted payments.

Group	Less than 3 months LKR	3 to 12 months LKR	1 to 5 years LKR	> 5 Years LKR	Total LKR
Other Financial Liabilities	-	-	-	897,086	897,086
Interest Bearing Borrowings	2,147,573,363	2,254,228,446	1,702,593,172	12,888,675	6,117,283,656
Trade and Other Payables	2,023,222,870	1,176,735,034	13,280,424	54,250	3,213,292,578
	4,170,796,233	3,430,963,480	1,715,873,596	13,840,011	9,331,473,320

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2018 based on contractual undiscounted payments.

Company	Less than 3 months LKR	3 to 12 months LKR	1 to 5 years LKR	> 5 Years LKR	Total LKR
Other Financial Liabilities	-	-	-	897,086	897,086
Interest Bearing Borrowings	1,550,659,167	154,646,020	946,333,125	-	2,651,638,312
Trade and Other Payables	113,071,536	-	-	-	113,071,536
	1,663,730,703	154,646,020	946,333,125	897,086	2,765,606,934

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2017 based on contractual undiscounted payments.

Group	Less than 3 months LKR	3 to 12 months LKR	1 to 5 years LKR	> 5 Years LKR	Total LKR
Other Financial Liabilities	-	-	-	873,146	873,146
Interest Bearing Borrowings	2,428,802,160	553,061,590	868,680,658	54,807,886	3,905,352,294
Trade and Other Payables	1,281,824,800	262,020,146	29,670,608	-	1,573,515,554
	3,710,626,960	815,081,736	898,351,266	55,681,032	5,479,740,994

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2017 based on contractual undiscounted payments.

Company	Less than 3 months LKR	3 to 12 months LKR	1 to 5 years LKR	> 5 Years LKR	Total LKR
<b>Restated</b>					
Other Financial Liabilities	-	-	-	873,146	873,146
Interest Bearing Borrowings	1,736,933,062	-	-	-	1,736,933,062
Trade and Other Payables	9,592,673	-	-	-	9,592,673
	1,746,525,735	-	-	873,146	1,747,398,881

## 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 to it in light of changes in economic conditions to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2018.

### 36.3.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices ( specially due to currency risk and interest rate risk)

The objective of market risk management is to manage and control market risk exposures within the acceptable parameters while optimising the return.

The sensitivity analysis in the following sections related to the position as at 31 March 2018 and 2017.

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 2018 and 2017.

### 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 basic points	Effect on Profit before Tax (LKR)	
		Group	Company
2018	+100	(11,466,804)	-
	-100	11,466,804	-
2017	+100	(7,683,222)	-
	-100	7,683,222	-

The assumed spread of the interest rate is based on the current observable market environment.

# Notes to the Financial Statements

## 36. FINANCIAL ASSETS AND LIABILITIES (CONTD...)

### Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the profit before tax.

	Increase/(Decrease) in basic points	Effect on Profit before Tax (LKR)	
		Group	Company
2018	5%	(16,324,751)	-
	-5%	16,324,751	-
2017	5%	(16,611,635)	-
	-5%	16,611,635	-

The assumed spread of the interest rate is based on the current observable market environment.

### Other Price Risk

The Group is exposed to equity price risk in respect of its listed equity securities. The Group manages those risks by monitoring the markets closely.

According to Group policies amounts invested in volatile assets such as shares are restricted by limits set by Group management.

## 37. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

### Business Combination

#### Acquisition through Taprobane Capital Plus (Private) Limited

Taprobane Capital Plus (Private) Limited was incorporated on 9 October 2017 to acquire the entirety of the shares held by Ambeon Capital PLC (Formally Know as Taprobane Holdings PLC) in Taprobane Securities (Private) Limited, Taprobane Investments (Private) Limited and Taprobane Wealth Plus (Private) Limited. On 15 February 2018, Taprobane Capital Plus (Private) Limited acquired 100% of the voting share in Taprobane Securities (Private) Limited, Taprobane Investments (Private) Limited and Taprobane Wealth Plus (Private) Limited.

#### Acquisition of Millennium Information Technologies (Pvt) Limited

On 28 December 2017, the company acquired 100% of the voting shares of Millennium Information Technologies (Pvt) Limited, an unlisted company specialising in the Integration Business provides a host of specialised, scalable solutions ranging from Core Infrastructure, Information Security, Business Collaboration, Near-Field Communications, Business Productivity, Managed Solutions and Customer Relationship Management. The Group acquired Millennium Information Technologies (Pvt) Limited to expand its presence in Information Technology industry.

The Group has elected to measure the non-controlling interest in the acquiree at proportionate share of its interest in the acquiree.

## Assets Acquired and Liabilities Assumed

The fair values of the identifiable assets and liabilities of acquisition through Taprobane Capital Plus -Taprobane Securities (Private) Limited, Taprobane Investments (Private) Limited and Taprobane Wealth Plus (Private) limited and Millennium Information Technologies (Pvt) Limited as at the date of acquisition were:

	Acquisition through Taprobane Capital Plus (Pvt) Limited LKR	Millennium Information Technologies (Pvt) Limited LKR	Acquisition for the period LKR
<b>Assets</b>			
Property, Plant & Equipment	4,918,366	64,212,371	69,130,737
Intangible Assets	22,161,458	296,296	22,457,754
Investment Property	79,000,000	-	79,000,000
Investments in Equity Accounted Investees	117,256,753	-	117,256,753
Other Financial Assets	22,273,358	-	22,273,358
Deferred Tax Asset	1,406,029	90,433,851	91,839,880
Deposit with Colombo Stock Exchange	2,750,000	-	2,750,000
Inventories	-	450,651,762	450,651,762
Other Financial Assets	3,292,500	-	3,292,500
Trade & Other Receivables	367,686,199	1,557,085,844	1,924,772,044
Cash & Cash Equivalents	276,776	1,042,719,907	1,042,996,682
	621,021,439	3,205,400,031	3,826,421,470
<b>Liabilities</b>			
Retirement Benefit Obligations	6,449,064	89,765,971	96,215,035
Deferred Tax Liability	10,658	-	10,658
Deferred Income	-	506,418,642	506,418,642
Trade and Other Payables	18,950,239	1,277,440,574	1,296,390,813
Income Tax Payable	6,557,481	108,116,081	114,673,562
Interest Bearing Loans & Borrowings	-	824,578,467	824,578,467
Bank overdraft	9,736,982	-	9,736,982
	41,704,424	2,806,319,735	2,848,024,159
<b>Total identifiable net assets at fair value</b>	<b>579,317,015</b>	<b>399,080,297</b>	<b>978,397,311</b>
Non-controlling interest measured at fair value	-	-	-
Provisional Goodwill arising on acquisition (Note 09)	-	766,323,679	766,323,679
Holding Change through Common Control	92,027,985	-	92,027,985
<b>Purchase consideration transferred</b>	<b>671,345,000</b>	<b>1,165,403,975</b>	<b>1,836,748,975</b>
Net Cash Acquired with the subsidiary	(9,460,207)	1,042,719,907	1,033,259,700
<b>Net Cash outflow from the Acquisition</b>	<b>680,805,207</b>	<b>122,684,068</b>	<b>803,489,275</b>

From the date of acquisition, Millennium Information Technologies (Pvt) Limited has contributed LKR 1,562,444,695/- of revenue and LKR 283,258,823/- to the profit before tax from continuing operations of the Group.

From the date of acquisition, Taprobane Securities (Private) Limited, Taprobane Investments (Private) Limited and Taprobane Wealth Plus (Private) Limited have contributed LKR 5,973,632/- of revenue and LKR 1,234,575/- to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been LKR 114,539,601/- and the profit from continuing operations for the Group would have been LKR 125,205,037/-.

The Group elected to report provisional amounts for items to which accounting is incomplete. During the measurement period, the Group shall adjust the provisional amounts recognised at the acquisition to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date as stated by SLFRS 3 - Business Combinations.

# Notes to the Financial Statements

## 38. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below;

### 38.1 Proportion of Equity Interest Held by Non-Controlling Interests:

Name	Proportion of NCI		Accumulated Balances of NCI		Profit allocated to NCI	
	2018	2017	2018	2017	2018	2017
			LKR	LKR	LKR	LKR
<b>Non-Controlling Interests material individually</b>						
South Asia Textiles Limited	2.33%	5.93%	47,839,086	73,530,349	16,795,745	8,163,068
Ceylon Leather Products PLC	0.10%	4.48%	1,427,941	115,131,832	36,142,862	9,171,405
Dankotuwa Porcelain PLC	22.49%	22.49%	415,904,332	416,652,549	(18,220,046)	21,762,281
Colombo City Holdings PLC	33.60%	33.60%	631,930,009	550,205,699	88,155,505	71,696,799
Non-controlling interest material in aggregate			(41,944,967)	(167,100,195)	17,003,434	11,612,251
Total			1,055,156,401	988,420,235	139,877,500	122,405,804

Dividend Paid to NCI Shareholders	2018	2017
South Asia Textiles Limited	5,833,333	19,914,220
Dankotuwa Porcelain PLC	-	9,141,135
Colombo City Holdings PLC	6,415,199	4,276,800
	12,248,532	33,332,155

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

### 38.2 Summarised Statement of Profit or Loss for the Period Ending 31 March

	South Asia Textiles Limited		Ceylon Leather Products PLC		Dankotuwa Porcelain PLC		Colombo City Holdings PLC	
	2018	2017	2018	2017	2018	2017	2018	2017
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Revenue	7,744,989,024	6,894,378,960	640,108,270	1,402,197,708	1,276,617,363	1,652,871,366	114,879,413	27,678,986
Operating Income/(Costs)	(7,314,434,205)	(6,672,183,559)	(85,215,159)	(1,190,887,222)	(1,456,641,351)	(1,557,583,907)	131,093,192	(57,212,710)
Finance Costs	(68,588,493)	(72,963,988)	(48,359,914)	(37,133,049)	(21,776,925)	(18,574,725)	(183,158)	(65,753)
Finance Income	8,900,140	8,228,021	51,841,571	26,508,131	48,546,894	49,464,135	41,242,795	7,362,750
Change in FV of IP	-	-	-	-	-	-	-	235,500,263
Tax Expense	(63,561,715)	(20,721,571)	109,918,734	9,497,626	72,254,183	(31,525,283)	(24,664,668)	119,793
Profit or Loss from								
Continuing Operations	307,304,752	136,737,865	668,293,502	210,183,194	(80,999,836)	94,651,586	262,367,575	213,383,329
Other Comprehensive Income	121,504,268	9,614	90,597,016	6,011,902	203,626,284	(22,699)	(47,605)	64,167
Total Comprehensive Income	428,809,020	136,747,479	758,890,518	216,195,095	122,626,448	94,628,887	262,319,970	213,447,496

	South Asia Textiles Limited		Ceylon Leather Products PLC		Dankotuwa Porcelain PLC		Colombo City Holdings PLC	
	2018	2017	2018	2017	2018	2017	2018	2017
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR

### 38.3 Summarised Statement of Financial Position for the Period 31 March

Current Assets	3,446,910,557	2,227,307,402	1,008,237,687	958,316,844	1,051,687,796	1,169,450,652	1,126,707,288	112,651,787
Non-current Assets	2,088,841,886	2,067,263,817	1,560,178,944	2,055,606,609	1,884,777,667	1,551,153,671	793,133,994	618,235,054
Asset Classified as Held for Sale	-	-	-	-	-	-	-	945,070,313
<b>Total Assets</b>	<b>5,535,752,442</b>	<b>4,294,571,219</b>	<b>2,568,416,631</b>	<b>3,013,923,453</b>	<b>2,936,465,463</b>	<b>2,720,604,323</b>	<b>1,919,841,282</b>	<b>1,675,957,154</b>
Current Liabilities	2,865,464,656	1,733,919,697	876,599,209	311,613,086	553,688,328	446,547,683	38,009,021	33,915,827
Non-current Liabilities	617,108,112	686,127,848	263,876,136	95,645,673	533,491,529	424,035,762	1,088,184	792,140
Liabilities Directly associated with the Asset Classified as Held for Sale	-	-	-	-	-	-	-	3,732,224
<b>Total Liabilities</b>	<b>3,482,572,767</b>	<b>2,420,047,545</b>	<b>1,140,475,345</b>	<b>407,258,759</b>	<b>1,087,179,857</b>	<b>870,583,445</b>	<b>39,097,206</b>	<b>38,440,191</b>

### 38.4 Summarised Cash Flow Information for the Year Ending 31 March

Operating	920,332,893	309,914,755	(504,830,615)	525,105,287	(47,747,462)	90,727,901	24,031,528	(89,626,222)
Investing	(278,153,174)	290,287,517	26,114,009	37,826,985	(15,100,927)	11,918,590	(10,819,280)	49,416,971
Financing	(115,908,395)	(548,751,192)	185,567,718	(287,554,964)	65,585,211	(57,267,498)	(183,157)	(12,728,570)
Net increase/(decrease) in cash and cash equivalents	526,271,325	51,451,080	(293,148,888)	275,377,308	2,736,822	45,378,993	13,029,092	(52,937,821)

### 38.5 Increase in Interests in Material Subsidiaries

#### 2018 Ceylon Leather Products PLC

On 29 January 2018, the Company acquired 1,497,973 ordinary shares of Ceylon Leather Products PLC (CLPL) held by the minority shareholders of Ceylon Leather Products, pursuant to obtaining an order from Court under section 256 of the Companies Act No. 7 of 2007 (the Arrangement). Pursuant thereto, the formalities pertaining to the Arrangement was carried out and the Company issued 7,502,547 new ordinary shares to such minority shareholders of Ceylon Leather Products.

#### 2018 South Asia Textiles Limited

On 28 February 2018, the Company acquired 287,295,495 ordinary shares of South Asia Textiles Limited from Ceylon Leather Products PLC for a total consideration of LKR 1,684,280,000/-. Accordingly, the total holding percentage increased to 97.67% of the issued ordinary shares of South Asia Textiles.

#### 2018 Palla & Company (Pvt) Ltd

On 30 March 2018, the Company acquired 2,936,243,951 ordinary shares of Palla & Company (Private) Limited for a total consideration of LKR 10,000/-. Palla & Company (Pvt) Ltd was a dormant Company with a negative net asset value.

#### 2017 Palla & Company (Pvt) Ltd

Loss recorded within parent's equity includes LKR 207,851,712/- losses arising from the conversion of preference shares of Palla & Company (Pvt) Ltd from debt to equity.

#### 2018 Taprobane Capital Plus (Pvt) Ltd

On 15 February 2018, the Company invested in 67,134,500 ordinary shares of Taprobane Capital Plus (Private) Limited at LKR 10 per share.

## 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 2018

Range of Shareholding	Number of Shareholders	No. of Shares	%
1 to 1,000 shares	2,998	971,547	0.28
1,001 to 10,000 shares	1,881	6,686,029	1.87
10,001 to 100,000 shares	515	15,717,849	4.40
100,001 to 1,000,000 shares	64	16,174,285	4.53
Over 1,000,000 shares	11	317,319,956	88.92
<b>Total</b>	<b>5,469</b>	<b>356,869,666</b>	<b>100.00</b>

### Public Shareholding

The Percentage of Public Holdings as at	31 March 2018	31 March 2017
Float adjusted Market Capitalisation (LKR)*	695,899,417.40	N/A
Ordinary Shares	63,834,243	56,331,696
Percentage	17.89	16.12%
No. of Shareholders	5,464	4,519

\*The Company is Listed on the Main Board of the Colombo Stock Exchange. Its float adjusted marketed capitalisation is less than Rs. 2.5 Billion (option 5). the company is required to maintain a minimum public holding of 20%. As at 31 March 2018 the Company was not in compliance with the minimum public holding requirement.

The Ordinary Voting Shares of Ambeon Holdings PLC were transferred from the Main Board to the Diri Savi Board of the Colombo Stock Exchange on 29 June 2018 at the request of the Company.

### Market Price Per Share (Traded Dates)

Ordinary Shares	31 March 2018	31 March 2017
Highest value per share recorded during the period (LKR)	14.50 (11.07.2017)	13.80 (07.10.2016)
Lowest value per share recorded during the period (LKR)	10.20 (04.04.2017)	9.80 (07.03.2017)
Market value per share as at last traded date (LKR)	10.90 (29.03.2018)	10.50 (31.03.2017)

### Share Trading

No. of transactions	6,988	3,846
No. of shares traded	26,877,526	15,743,557
Value of shares traded (LKR)	341,467,574	187,611,249

There were 5,469 registered shareholders as at 31 March 2018 (4,526 as at 31 March 2017).

### Director's Shareholdings

Name	as at 31 March 2018	as at 31 March 2017
Mr. A G Weerasinghe	Nil	Nil
Mr. N M Prakash	200,000	200,000
Mr. R P Sugathadasa	Nil	Nil
Mr. M Boyagoda	Nil	Nil
Mr. P P Maddumage	Nil	Nil

### Major Ordinary Shareholders as at 31 March 2018

Name of Shareholder	As at 31 March 2018		As at 31 March 2017	
	No. of shares	%	No. of shares	%
1. Pan Asia Banking Corporation PLC/Taprobane Holdings PLC	177,807,255	49.82	117,501,646	33.63
Seylan Bank PLC/Taprobane Holdings PLC (Collateral)	112,790,122	31.61	173,095,731	49.54
<b>Total</b>	<b>290,597,377</b>	<b>81.43</b>	<b>290,597,377</b>	<b>83.17</b>
2. Ceylinco General Insurance Limited	9,443,196	2.65	9,443,196	2.70
3. Seylan Bank PLC/Carlines Holdings (Private) Limited	5,087,782	1.43	3,826,831	1.10
4. Amana Bank PLC/Almas Organisation (Private) Limited	2,759,385	0.77		
5. DOH Investment Lanka (Private) Limited	2,153,046	0.60	2,153,046	0.62
6. Mr. N Balasingam	1,906,500	0.53	1,906,500	0.55
7. Associated Electrical Corporation Limited	1,874,000	0.53	1,485,000	0.43
8. Mr. K V Hewavitarne	1,382,401	0.39	1,382,401	0.40
9. Mr. M M Fuad	1,104,436	0.31	1,074,686	0.31
10. J B Cocoshell (Private) Limited	1,011,833	0.28	1,111,833	0.32
11. People's Leasing & Finance PLC/LP Hapangama	955,836	0.27	604,200	0.17
12. Mr. B U Hettiarachchi	723,973	0.20	12,152	0.00
13. Hatton National Bank PLC/Sanka Ramoorthy Nadaraj Kumar	687,526	0.19	75,100	0.02
14. Mr. C R Perera	577,904	0.16	524,300	0.15
15. Mr. D F G Dalpethado	572,587	0.16	783,215	0.22
16. Dr. S Yaddehige	557,127	0.16	-	-
17. Merchant Bank of Sri Lanka & Finance PLC 01	540,062	0.15	400,000	0.11
18. Mr. H P C R Priyadarshana	528,848	0.15	204,310	0.06
19. Hatton National Bank PLC/Chokshanada Kumara Sangakkara	470,451	0.13	68,800	0.02
20. Seylan Bank PLC/Mohamed Subair Fouzal Haqqe	430,000	0.12	615,048	0.18

### Preference Share

Analysis of Shareholders according to the number of shares as at 31 March 2018

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	-	-	-
<b>Total</b>	<b>89</b>	<b>170,625</b>	<b>100.00</b>

# Shareholder Information

## Major Preference Shareholders as at 31 March 2018

Name of shareholder	as at 31 March 2018		as at 31 March 2017	
	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 Administratrix 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 Maheswari 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 Felsing	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 Wijewardenephipil Seevali	2,194	1.29	2,194	1.29

## DISCLOSURE SECTION 9.3.2 OF THE LISTING RULES OF COLOMBO STOCKS EXCHANGE - COMPANY Non Recurrent Related Party Transactions

Name of the Related Party	Relationship	Value of the Related Party Transactions entered into during the financial year LKR	Value of Related Party Transactions as a % of Equity and as a % of Total Assets	Terms and Conditions of the Related Party Transactions	The rationale for entering into the Transaction
Ceylon Leather Products PLC	Subsidiary	1,684,280,000	20% (Total Assets), 28% (Equity)	Net Asset Value	Group restructuring
Millennium Information Technologies (Pvt) Ltd	Subsidiary	2,000,000,000	23% (Total Assets), 33% (Equity)	2% p.a.	To support working capital

## Recurrent Related Party Transactions

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate Value of Related Party Transactions entered into during the Financial Year	Aggregate Value of Related Party Transactions as a % of Net Revenue/Income	Terms and Conditions of the Related Party Transactions
Aggregate value of the recurrent Related Party Transactions does not exceed 10% of the Group entity consolidated revenue.					

## Decade at a Glance

LKR "000"	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Operating Results**</b>										
Revenue	12,272,998	10,762,068	9,394,710	9,359,565	8,636,013	7,184,808	5,997,944	2,208,050	233,722	1,614
Profit/(Loss) before taxation	584,885	480,384	(1,657,676)	(14,645)	(618,543)	(184,252)	138,433	571,239	134,718	26,553
Profit/(Loss) after taxation	680,818	394,104	(1,641,605)	(58,090)	(677,790)	(226,104)	75,944	480,675	108,814	13,680
<b>Attributable to:</b>										
Equity Holders of the Parents	540,941	271,698	(1,698,267)	22,539	(662,873)	(237,172)	107,459	443,402	103,801	13,680
Non-Controlling Interest	139,878	122,406	56,662	(80,629)	(14,917)	11,068	(31,515)	37,273	5,013	-
	680,818	394,104	(1,641,605)	(58,090)	(677,790)	(226,104)	75,944	480,675	108,814	13,680
<b>Capital Employed</b>										
Stated Capital	7,871,564	7,724,139	7,724,139	7,724,139	7,724,139	7,724,139	7,724,139	6,850,114	2,469,164	382,835
Reserves	930,399	515,619	449,281	143,133	7,957	59,474	50,357	17,175	3,320	3,320
Retained Earnings/(Losses)	(963,749)	(1,369,019)	(1,463,267)	12,037	(401,648)	241,242	501,019	497,085	71,347	(12,611)
Non-Controlling Interest	1,055,156	988,420	682,124	433,400	1,025,477	1,097,935	1,231,968	1,394,018	439,073	-
	8,893,370	7,859,159	7,392,276	8,312,709	8,355,925	9,122,790	9,507,483	8,758,392	2,982,904	373,544
<b>Assets Employed</b>										
<b>Non Current Assets</b>										
Excluding Deferred Tax	7,763,329	5,709,160	6,607,653	8,291,740	7,677,501	8,037,152	6,166,071	8,352,939	952,407	118
Current Assets	11,781,223	8,019,309	6,380,048	5,060,516	4,638,518	3,994,455	6,640,974	3,814,272	2,444,574	384,636
Deferred Tax	256,090	68,974	75,646	24,342	15,558	14,138	5,994	5,084	7,199	-
	19,800,642	13,797,443	13,063,347	13,376,598	12,331,577	12,045,745	12,813,039	12,172,295	3,404,180	384,754
<b>Liabilities</b>										
Non Current Liabilities	2,530,592	1,403,367	1,090,278	1,018,061	1,075,072	502,599	462,017	522,766	150,179	-
Current Liabilities	8,376,680	4,534,918	4,580,793	4,045,828	2,900,581	2,603,615	2,843,539	2,891,138	271,097	11,210
	10,907,272	5,938,285	5,671,071	5,063,889	3,975,653	3,106,214	3,305,556	3,413,904	421,276	11,210
<b>Key Indicators</b>										
<b>Basic Earnings/(Loss)</b>										
Per Share (LKR)	1.54	0.78	(4.86)	0.06	(1.90)	(0.68)	0.03	1.51	0.57	63.00
Net Assets Per Share (LKR)	21.96	19.67	19.21	22.55	20.98	22.97	23.69	23.56	21.45	10.74

## Details of Group Properties

Company	Property	Location	Extent	No of Buildings	Cost/Valuation LKR
Colombo City Holdings PLC	Freehold Land & Building	Union Place	47.2 p	1	768,900,400
Ceylon Leather Products PLC	Freehold Land	Mattakkuliya	747.9 p	-	934,875,000
	Freehold Building	Mattakkuliya	75,010 sq.ft	16	38,706,025
	Freehold Land	Mattakkuliya	6p	-	10,500,000
	Freehold Building	Mattakkuliya	2010 sqft	1	6,030,000
	Freehold Land	Belummahara	474 p	-	144,256,500
Dankotuwa Porcelain PLC	Freehold Building	Belummahara	76,720 sq.ft	11	213,868,894
	Freehold Land	Dankotuwa	3,277.76 p	-	409,720,000
	Freehold Building	Dankotuwa	260,015 sq.ft	29	324,461,825
South Asia Textiles Ltd	Freehold Land	Dankotuwa	3,985.95 p	-	210,795,000
	Building on Leasehold Land	Pugoda	405,430 sq.ft	24	730,700,000
Royal Fernwood Porcelain Ltd	Freehold Land	Kosgama	2,178 p	-	184,296,100
	Freehold Building	Kosgama	177,630 sq.ft	19	290,929,395
	Freehold Land	Kosgama	1,753.07 p	-	70,122,800
Taprobana Securities (Pvt) Ltd	Freehold Land	Kosgama	1,162.37 p	-	80,000,000
					4,418,161,939

## Glossary of Financial Terminology

### ACCRUAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

### CAPITAL EMPLOYED

Shareholders' funds plus minority interest and total debt.

### CONTINGENT LIABILITIES

A condition or situation existing at the reporting date due to past events, where the financial effect is not recognised, because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events, or
2. A probable outflow of economic resources is not expected, or
3. It is unable to be measured with sufficient reliability.

### CURRENT RATIO

Current assets divided by current liabilities.

### DEBT-EQUITY RATIO

Debt as a percentage of shareholders' funds, including minority interest.

Diluted Earnings/(Loss) Per Share (DPS) Profit/(Loss) attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

### EBIT

Earnings before interest and tax (includes other operating income).

### EARNINGS/(LOSS) PER SHARE

Net profit/(Loss) attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

### INTEREST COVER

Consolidated profit before interest and tax over finance expenses.

### MARKET CAPITALISATION

Number of shares in issue at the end of period multiplied by the market price at end of period.

### NET ASSETS

Total assets minus current liabilities, minus long-term liabilities, minus minority interest.

### NET ASSETS PER SHARE

Net assets as at the particular financial year divided by the number of shares in issue as at the current financial year end.

### NET PROFIT MARGIN

Profit after tax divided by turnover inclusive of share of associate company turnover.

### NET WORKING CAPITAL

Current assets minus current liabilities

### OPERATING MARGIN

Operating profit as a percentage of total sales.

### QUICK RATIO

Cash plus short-term investments plus receivables divided by current liabilities.

### RETURN ON ASSETS

Profit after tax divided by the total assets.

### RETURN ON CAPITAL EMPLOYED

Consolidated profit before interest and tax as a percentage of capital employed.

### RETURN ON EQUITY

Profit/(Loss) attributable to shareholders as a percentage of shareholder's funds including minority interest.

### SHAREHOLDERS' FUNDS

Total of stated capital, capital reserves and revenue reserves.

### TOTAL DEBT

Long-term loans plus short-term loans and overdrafts.

### TOTAL EQUITY

Shareholders' funds plus minority interest.

## Subsidiaries of Ambeon Holdings PLC

Subsidiary Companies	Director*
<p><b>Ceylon Leather Products PLC</b> 64, Belummahara Mudungoda</p> <p>Tel: 033 5 228 228 Fax: 033 2 258 751 E-mail: info@di.lk</p>	<p>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</p>
<p><b>Colombo City Holdings PLC</b> No. 10, 5th Floor, Gothami Road Colombo 8</p> <p>Tel: 011 5 960 000 Fax: 011 2 680 225 E-mail: info@colombocityholdings.com</p>	<p>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</p>
<p><b>Dankotuwa Porcelain PLC</b> No. 10, 5th Floor, Gothami Road Colombo 8</p> <p>Tel: 011 5 700 700 Fax: 011 2 680 225 Email: info@dankotuwa.com</p>	<p>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</p>
<p><b>Eon Tec (Private) Limited</b> No. 10, 5th Floor, Gothami Road Colombo 8</p> <p>Tel: 011 5 700 700 Fax: 011 2 680 225 Email: info@eontec.lk</p>	<p>Mr. A L Devasurendra Mr. N M Prakash</p>
<p><b>Millennium Information Technologies (Private) Limited</b> No. 48, Sir Marcus Fernando Mawatha Colombo 7</p> <p>Tel: 011 7 484 000 Fax: 011 2 691 322 Email: info@millenniumit.com</p>	<p>Mr. S E Gardiner Mr. N M Prakash Mr. P D J Fernando Mr. Y Kanagasabai</p>
<p><b>Olancom (Private) Limited</b> No. 10, 5th Floor, Gothami Road Colombo 8</p> <p>Tel: 011 5 700 700 Fax: 011 2 680 225</p>	<p>Mr. S P Ranasinghe</p>
<p><b>Palla &amp; Company (Private) Limited</b> No. 10, 5th Floor, Gothami Road Colombo 8</p> <p>Tel: 011 5 700 700 Fax: 011 2 680 225</p>	<p>Mr. A G Weerasinghe Mr. S P Ranasinghe</p>

## Subsidiaries of Ambeon Holdings PLC

Subsidiary Companies	Director*
<p><b>South Asia Textiles Limited</b> No. 70, Felix R Dias Bandaranayake Mawatha Pugoda</p> <p>Tel: 011 5 223 200 Fax: 011 2 405 237 Email: info@satextile.com</p>	<p>Mr. A L Devasurendra (Chairman) Mr. P S Dorai (Managing Director/CEO) Mr. A G Weerasinghe Mr. R P Sugathadasa Mr. N C Peiris Mr. K C E Wijesuriya Mr. S E Gardiner Mr. P P Maddumage Mr. W M R S Dias Mr. N M Prakash</p>
<p><b>Taprobane Capital Plus (Private) Limited</b> No. 10, 5th Floor, Gothami Road Colombo 8</p> <p>Tel: 011 5 328 100 Fax: 011 5 328 109 Email: contact@taprobane.lk</p>	<p>Mr. A L Devasurendra Mr. R P Sugathadasa (Managing Director/CEO) Mr. N M Prakash</p>
Sub-Subsidiary Companies	Director*
<p><b>Ceylon Leather Products Distributors (Private) Limited</b> 64, Belummahara Mudungoda</p> <p>Tel: 033 5 228 228 Fax: 033 2 258 751 E-mail: info@di.lk</p>	<p>Mr. N C Peiris (Chairman) Mr. A G Weerasinghe Mr. S S Senaratne</p>
<p><b>D P L Trading (Private) Limited</b> No. 10, 5th Floor, Gothami Road Colombo 8</p> <p>Tel: 011 5 700 700 Fax: 011 2 680 225</p>	<p>Mr. A L Devasurendra Mr. N M Prakash</p>
<p><b>Taprobane Investments (Private) Limited</b> No. 10, Gothami Road Colombo 8</p> <p>Tel: 011 5 328 100 Fax: 011 5 328 109 E-mail: contact@taprobane.lk</p>	<p>Mr. A G Weerasinghe (Chairman) Mr. C N Jayasooriya (Managing Director) Mr. D A B Dassanayake</p>
<p><b>Taprobane Wealth Plus (Private) Limited</b> No. 10, Gothami Road Colombo 8</p> <p>Tel: 011 5 328 100 Fax: 011 5 328 109</p>	<p>Mr. A G Weerasinghe</p>

Sub-Subsidiary Companies	Director*
<p><b>Taprobane Securities (Private) Limited</b>            No. 10, Gothami Road            Colombo 8</p> <p>Tel: 011 5 328 100            Fax: 011 5 328 177            Email: contact@taprobane.lk</p>	<p>Mr. A G Weerasinghe (Chairman)            Mr. N S Niles            Mr. D A B Dassanayake</p>
<p><b>Royal Fernwood Porcelain Limited</b>            No. 10, 5th Floor, Gothami Road            Colombo 8</p> <p>Tel: 011 5 700 700            Fax: 011 2 680 225            Email: fernwood@fernwoodporcelain.com</p>	<p>Mr. A G Weerasinghe            Dr. L J A Peiris            Mr. R P Sugathadasa            Mr. E M M Boyagoda</p>
<p><b>Fernwood Lanka (Private) Limited</b>            No. 10, 5th Floor, Gothami Road            Colombo 8</p> <p>Tel: 011 5 700 700            Fax: 011 2 680 225</p>	<p>Mr. A G Weerasinghe            Mr. R P Sugathadasa            Dr. L J A Peiris</p>
<p><b>Lanka Decals (Private) Limited</b>            No. 10, 5th Floor, Gothami Road            Colombo 8</p> <p>Tel: 011 5 700 700            Fax: 011 2 680 225</p>	<p>Mr. A G Weerasinghe            Mr. R P Sugathadasa            Dr. L J A Peiris</p>

## Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Ambeon Holdings PLC will be held at Havelock City Club House, No. 324, Havelock Road, Colombo 6 on Thursday, 27 September 2018 at 10.00 a.m. for the purpose of considering and if thought fit to pass the following resolutions:

- 1) To receive and consider the Report of the Board of Directors and the Statement of Accounts for the year ended 31 March 2018 together with the Report of the Auditors thereon (Resolution 1).
- 2) To re-appoint Mr. E M M Boyagoda, Director who retires by rotation, in terms of Article 25 (6) of the Articles of Association of the Company (Resolution 2).
- 3) To pass the ordinary resolution set out below to re-appoint Mr. A. G. Weerasinghe, who is 76 years of age, as a Director of the Company (Resolution 3).

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. A. G. Weerasinghe, who is 76 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 7 of 2007.”

- 4) To re-appoint Messrs. Ernst & Young, Chartered Accountants the retiring auditors who have consented to be re-appointed as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration (Resolution 4).
- 5) To authorise the Directors to determine and make donations for charitable and other purposes for the year 2018/2019 as set out in the Companies' Donation Act [CAP147] (Resolution 5).

By Order of the Board  
Ambeon Holdings PLC

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

Colombo  
13 July 2018

Note:

- a) A shareholder who is entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him/her.
- b) A proxy need not be a shareholder of the Company.
- c) A Form of Proxy accompanies this notice.
- d) Shareholders are requested to bring their National Identity Card or any valid source of identification (eg: Driving License, Passport) when attending the meeting.
- e) Shareholders appointing persons (other than Directors of the Company) to attend the meeting as their proxy holders are requested to indicate the number of the National Identity Card or any valid source of identification (eg: Driving License, Passport) number of the proxy holder on the Form of Proxy and request the proxy holder/s to bring with them their National Identity Card or any valid source of identification (eg: Driving License, Passport) when attending the meeting.
- f) The completed form of Proxy should be deposited at the office of the Registrars at No. 101, Inner Flower Road, Colombo 3 [not less than 48 hours before the time appointed for the holding of the meeting].

## Form of Proxy

\*I/We ..... of  
 ..... being\* a member/ members  
 of AMBEON HOLDINGS PLC, do hereby appoint ..... of  
 ..... or failing \*him/her

Mr. A G Weerasinghe or failing him  
 Mr. N M Prakash or failing him  
 Mr. R P Sugathadasa or failing him  
 Mr. M Boyagoda or failing him  
 Mr. P P Maddumage

as \*my/our Proxy to represent \*me/us and to speak and vote for \*me/us on \*my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held on Thursday, 27 September 2018 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	For	Against
1) To adopt the Audited Accounts for the year ended 31 March 2018		
2) To re-appoint Mr. E M M Boyagoda		
3) To re-appoint Mr. A G Weerasinghe		
4) To re-appoint auditors Messrs. Ernst & Young		
5) To authorise the Directors to make donations		

Signed this ..... day of ..... Two Thousand and Eighteen.

.....  
 \*Signature/s

Note:

- 1) \*Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.

Please furnish the following information:

Share Certificate No: .....

NIC No: .....

No. of Shares: .....

### INSTRUCTIONS AS TO THE COMPLETION OF FORM OF PROXY

- i. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company.
- ii. Kindly perfect the Form of Proxy after filling legibly your full name and address by signing in the space provided and dating same.
- iii. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his/her Attorney duly authorised in writing or if such appointer is a company/corporation, either under its common seal, or under the hand of an officer/s or Attorney duly authorised in terms of the Articles of Association/Statute.
- iv. In the case of a proxy signed by an Attorney, the original Power of Attorney must be deposited at the office of the Registrars (i.e. SSP Corporate Services (Private) Limited, No. 101, Inner Flower Road, Colombo 3. Telephone: 011 2573894) for registration.
- v. The completed form of Proxy should be deposited at the office of the Registrars at No. 101, Inner Flower Road, Colombo 3 [not less than 48 hours before the time appointed for the holding of the meeting].

# Corporate Information

## NAME OF THE COMPANY

Ambeon Holdings PLC

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## COMPANY REGISTRATION NUMBER

PQ 26

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## NATURE OF BUSINESS

Investment Holding & Management Company

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## 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

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## REGISTERED OFFICE

No. 10, 5th Floor  
Gothami Road, Colombo 8, Sri Lanka

Telephone: +94 11 5700700

Fax: +94 11 2680225

Email: [info@ambeongroup.com](mailto:info@ambeongroup.com)

Web: [www.ambeongroup.com](http://www.ambeongroup.com)

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## 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

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## AUDITORS

Ernst & Young  
Chartered Accountants  
201, De Saram Place, Colombo 10, Sri Lanka

Telephone: +94 11 2463500

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## BANKERS

Nations Trust Bank PLC  
Pan Asia Banking Corporation PLC  
Seylan Bank PLC

**Ambeon Holdings PLC**

No. 10, 5th Floor, Gothami Road,

Colombo 08, Sri Lanka

Tel: +94 11 5700700

Fax: +94 11 2680225

Email: [info@ambeongroup.com](mailto:info@ambeongroup.com)

Web: [www.ambeongroup.com](http://www.ambeongroup.com)

