***EQUILL was created with the challenge to demonstrate the viability and profitability of equity capital investment through the introduction of the venture capital concept in Sri Lanka.***

***EQUILL would continue to be a model venture capital company, a leader in the industry and an efficient and effective facilitator in creating wealth through venture capital financing by promoting and assisting private sector enterprises, encouraging and developing entrepreneurial talent, establishing quality relationships, innovative deal structuring and maximizing the return on investment to its shareholders while contributing towards employment creation and economic development of Sri Lanka.***

# CORPORATE INFORMATION

**Name of the Company**
Equity Investments Lanka Limited

**Legal Form**
An unquoted Public Company with limited liability incorporated in Sri Lanka on 8th August 1990 and re-registered under the Companies Act No. 07 of 2007 on 25th June 2008.

**Company Registration Number**
PB 375

**Principal Activities**
Providing venture capital funds to qualifying unlisted companies

**Accounting year end**
31st December

**Directors**
Mr. M.J.C. Amarasuriya (Chairman)
Deshamanya S.E. Captain
Mr. J.D. Peiris
Mr. J.B. Abu Baker
Mr. W.I. Arambage
Mr. K.C. Vignarajah
Mr. M.H. Wijewardene

**Secretary**
Mrs. R.R. Dunuwille

**Registered Office**
Level 2/1,
No. 108A, Maya Avenue,
Colombo 06.

**Business Office**
Level 2/1,
No. 108A, Maya Avenue,
Colombo 06.

| | |
|---|---|
| Telephone | 2507605, 2507606, 5373745, 5373746 |
| Telefax | 2507606 |
| E-mail | equill@sltnet.lk |
| Website | www.equill.lk |

**Bankers**
Commercial Bank of Ceylon PLC
Hatton National Bank PLC

**Auditors**
KPMG
Chartered Accountants,
No.32A, Sir Mohamed Macan Markar Mawatha,
Colombo 03.

# CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I welcome all our valued shareholders to the Thirty First Annual General Meeting of Equity Investments Lanka Limited (EQUILL) and take pleasure in presenting to you the Annual Report and Audited Accounts for the year ended 31st December 2020.

**COMPANY REVIEW**

***REVENUE***

The revenue of the Company for the period from 1st January 2020 to 31st December 2020 was Rs. 32.63 million, compared with Rs. 22.67 million during the past year.

Profit from operations was Rs. 6.35 million for the year ended 31st December 2020, compared with the profit of Rs. 1.22 million during the year ended 31st December 2019.

The Post-Tax loss was Rs. 5.09 million, compared with the loss of Rs. 1.48 million in the last year. This was mainly due to the realized gain in venture investments of Rs. 16.53 million being shown in the Other Comprehensive Income instead of in the profit and loss statement. Hence the total comprehensive Income for the year was Rs. 9.90 million compared to the last year loss of Rs. 5.60 million. In addition, an amount of Rs. 3.1 million was also charged to the Profit and Loss account as deferred tax expense.

**REVENUE COMPOSITION**

***Dividend Income***

The dividends received for the year ended 31st December 2020 was Rs. 5.56 million an increase from Rs. 5.51 million in 2019. The dividends were mainly from LVL Energy Fund PLC and Sampath Bank PLC.

***Interest Income***

The Interest Income from investments made in Money Market Instruments, Short Term Loans and Treasury Bonds was Rs. 17.72 million in 2020 compared with Rs. 12.59 million recorded in 2019. The increase was mainly due to the interest income earned through investments in Treasury Bonds.

***Other Income***

***Gain on Sale of Quoted Shares***

The Company engaged actively in trading of Listed Equities in the Colombo Stock Exchange. We were able to realize Capital gains of Rs. 4.15 million compared with Rs 1.87 million earned during last year.

***Capital Gain on Sale of Treasury Bonds***

Company earned Capital Gains through trading in Treasury Bonds amounting to Rs. 5.02 million compared to the last year gain of Rs. 2.5 million. Equill entered the Government Securities Market after carefully evaluating and screening the opportunities available.

***Management Fees***

Management Fees were received by providing Accounting Services. This amounted to Rs. 0.18 million during 2020.

**BASIC EARNINGS PER SHARE**

Basic Earnings per Share for the year ended 31st December 2020 is a negative Rs. 0.28 compared to a negative Rs. 0.08 for the last year, as per the reasons explained under post tax losses.

**NET ASSET VALUE**

Total Assets of the Company increased to Rs. 478.85 million from Rs. 243.91 million during the last year due to leveraged based bond positions.

Total Equity Attributable to Shareholders of the Company was Rs. 264.97 million as at 31st December 2020 compared to Rs. 238.47 million a year before. The increase in total assets and equity attributable to Shareholders is due to leverage portfolio's and realized gains and the Fair value adjustment made for Portfolio Equity Securities, respectively.

The Net Asset Value per share was Rs.14.77 as at 31st December 2020, compared to Rs. 13.29 as at 31st December 2019.

# CHAIRMAN'S REVIEW (CONTINUED)

## INVESTMENTS

***The Movements in Portfolio Companies***

Company Values its Investments at Fair Values. The year-end Investment Portfolio at Fair Value was Rs. 65.30 million compared to Rs. 137.39 million for the last year. The reduction was mainly due to the sale of venture investments in LVL Energy PLC and part of Access Engineering PLC.

***Investments in Quoted Shares***

Company's trading portfolio of quoted shares consists of 17 Listed Securities in Colombo Stock Exchange. The cost of the portfolio as at 31st December 2020 was Rs. 27.45 million and the fair value for same was Rs. 27.32 million as at 31st December 2020.

***The Movements in Short Term Investments***

Short Term Investments are the investments made in Money Market instruments. Short Term Investments stood at Rs. 119.60 million as at 31st December 2020, compared with Rs. 27.00 million in 2019.

## SRI LANKA'S ECONOMY IN 2020

The Sri Lankan economy faced significant challenges in 2020, arising from movements in the global economy as well as domestic socio economic conditions greatly impacted by the COVID 19 pandemic. Sri Lanka's economic growth in year 2020 contracted by -3.6% as against an anticipated contraction rate of around -4%.

In order to stimulate the economy which has been greatly impacted by the adverse effects of the new Coronavirus on top of the slowdown in global economies caused by prevailing conditions in the global trade cycle, rising trade barriers, political uncertainties and numerous structural challenges, monetary and fiscal policies were eased, across the globe.

Sri Lankan economy also followed a similar economic patterns and the continuing spillover effects of the Easter Sunday attacks in particular, were felt across almost all the areas of economic activity.

With the gloomy global outlook CBSL cut policy rates in end of January and followed by additional reductions during the year lowering the short term interest rates to unprecedented levels resulting in excess liquidity in the market leading to a sharp decline in the government bond and bill market. High liquidity caused overnight rates towards the lower band of the policy corridor throughout 3Q and 4Q.

Followed by the increase in sovereign credit risk coupled up with dampened economic activity, Sri Lanka's sovereign rating downgrades by international agencies intensified pressure for bond yields to rise.

Pandemic worries and interest rate cuts caused the capital to flow out of treasury and equity markets especially during March. ICRA Lanka's estimates around USD 800 Mn outflows on net basis for 2020. Despite bullish local investor sentiment in CSE, the foreign investors continued to exit. By the end of the year 2020, the Benchmark All Share Price Index (ASPI) was up by 10.90% to 6,774 when compared with the beginning of the year. Market declined in its yearly turnover and market capitalization in 2020 compared to the previous year. The Net Foreign Outflow was Rs. 51.35 billion compared with Rs. 11.73 billion in 2019.

Despite the low levels of interest rates, credit growth was pressured by the pandemic outbreak during the year. A positive movement on the private sector credit growth was noted during the latter part of the year with partial lifting of the lockdown.

Financial sector was among the most affected in 2020. Credit demand plummeted at the onset of the pandemic and remained subdued for two quarters. The CBSL's COVID response included slew of measures to facilitate credit to revive the economy and ensure adequate liquidity in the financial system. These actions include policy rate cuts, releasing capital and liquidity buffers, relaxing administrative and supervisory compliance requirements, and implementing a debt moratorium.

## FUTURE OUTLOOK

Sri Lanka has commenced its vaccination drive and despite the recent surge in infections, sentiments remain upbeat. Though Sri Lanka has been able to successfully manage first and second wave of new Coronavirus a third wave is on the rise and the government agencies are working to identify the magnitude and to be ready with required responses. As per the government announcements, despite the magnitude of the third wave, no total country-wide lockdown will possibly take place. Identified high risk areas will be isolated. Possibility of provincial lockdown and district lockdown may take place depending on the situation.

# CHAIRMAN'S REVIEW (CONTINUED)

Tourism sector is expected to be the most dampened sector due to the adverse impact of COVID coupled up with the Easter Attacks on 2019. Similar third wave in the European markets will exert pressure on the export segment of the country. By the end of the year most sectors are expected to have returned back to normalcy.

Sri Lankan Government has developed many strategies for short, medium and long term economic growth to help the Island's economy bounce back. International agencies predict the GDP growth in the year to be around 4%.However, the CBSL predicts Sri Lankan Economy to grow at 6.0% for 2021.

The CBSL, in its 2021 road map indicated that it is committed to maintaining single digit interest rate throughout the year. Hence, we do not expect the CBSL to carry out changes to current policy rates. As such the interest rates are expected to stabilize. We expect the AWPR to fluctuate between 5.50-to-6% for the year. Inflation level is expected to be subdued in 1H as a result of the combined effect of high food inflation and low non-food inflation. But with the gradual pick up of aggregate demand along with constrained supply (due to import restriction) and lower production levels, the prices will move up in 2H. However, we feel the CCPI (Y/Y) inflation will be contained well within 4-to-6%.

In the short-term, actions have been taken to help companies increase liquidity through funding schemes, reduction/removal of taxes, reduction of interest rates, debt moratoriums, relief on personal loans and credit card payments etc. In addition settling foreign debts have been a key consideration in the short term.

Another medium-term aim of the government should be to resume infrastructure development as soon as possible.

Long-term measures suggested to companies by the government include skill development of workers, investing in technologies that improve process efficiency, venturing into new export markets and innovative products and processes etc.

At the same time the Government needs to encourage new businesses in order to overcome possible future economic crises in the Country.

EQUILL should pay attention to the above factors when identifying and deciding on Venture Capital and other Investments in the future.

In light of these developments EQUILL should invest in Venture Capital Sectors such as Agriculture, Education, Health Care, IT and New Inventions and increase investments in Listed Securities considering the medium term potential of the market whilst trading in Government Securities/ Bonds when the markets are conducive for such trades as well as other areas Bills/ Invoice discounting etc. need to be looked at.

**CONCLUSION**

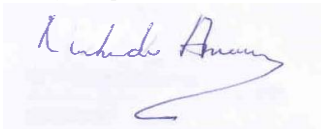
I am grateful to the shareholders of the Company who have placed their confidence in our ability to direct the affairs of the Company.

I extend my deep appreciation to my other fellow Directors on the Board of EQUILL for their support towards the development of the Company.

I wish to thank the management and staff for their efforts and commitment in implementing operations during a difficult year and creating a positive growth for the shareholders.

I also thank our investee companies for their contribution made towards our development.

Finally, I wish to thank our Auditors and Tax Advisors, KPMG for their co-operation and assistance in ensuring the timely completion of the audit.



M. J. C. Amarasuriya
**Chairman**

22nd June 2021
Colombo

# ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2020

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON AFFAIRS OF THE COMPANY AND STATEMENT OF COMPLIANCE OF THE CONTENTS AS REQUIRED BY SECTION 168 OF THE COMPANIES ACT NO. 07 OF 2007

The Directors have pleasure in presenting to the members their Report, together with the audited Financial Statements of Equity Investments Lanka Limited, for the year ended 31st December 2020.

This report provides the information as required by the Companies Act No. 07 of 2007 and was approved by the Board of Directors on 27th July 2021.

## PRINCIPAL ACTIVITIES

The principal activity of Equity Investments Lanka Limited continued to be project financing in the form of equity, quasi equity and other corporate debt instruments of new and existing ventures in Sri Lanka, which engaged in projects with a high growth potential. The Company also engaged in monitoring the performance and adding value to those companies in which venture capital investments have been made.

## REVIEW OF THE TWELVE MONTH PERIOD

The Chairman's Statement on pages 3 to 5 describes in detail the Company's affairs and important events during the said twelve month period. This report forms an integral part of the Annual Report of the Board of Directors.

| **OPERATING RESULTS** | **31st Dec 2020 Rs.000's** | **31st Dec 2019 Rs.000's** |
|---|---|---|
| Pre Tax Loss for the period | (1,986) | (1,380) |
| Taxation **(Refer Note 10)** | (3,106) | (101) |
| Net Loss for the period | (5,093) | (1,481) |
| Total other comprehensive income | 14,989 | (4,109) |
| Equity instruments at FVOCI - fair value transferred to retained earnings | 16,533 | 1 |
| Retained Profit / (Loss) for the period | 26,429 | (5,589) |
| Retained Profit brought forward | 40,116 | 45,211 |
| Dividend Writeback | 73 | 494 |
| Retained Profit carried forward | 66,618 | 40,116 |

# ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2020 (CONTINUED)

## TAXATION

The rate of Corporate Income Tax applicable to the Company is 12%. The taxable income is net of claimed qualifying relief available under the Inland Revenue Act No. 24 of 2017. Details are disclosed in Note 09 on page 28.

It is the Company's policy to provide for deferred taxation on all known timing differences on the liability method. Details are disclosed in Note 14 on page 32.

## FINANCIAL STATEMENTS

Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flows Statement and Notes to the Financial Statements appear from page 13 to 39 in the Annual Report.

## PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are shown in Note 11 on page 30.

## STATED CAPITAL

The stated capital as at 31st December 2020 was Rs.198,352,905/-

## SHAREHOLDING

There were 83 registered shareholders holding Ordinary Shares of the Company as at 31st December 2020. Details of the distribution are given below:

## MAJOR SHAREHOLDERS AS AT 31ST DECEMBER 2020

| Name of Shareholder | No. of Shares | % |
|---|---|---|
| Gulf East Finance Ltd. | 4,333,500 | 24.16 |
| Commercial Bank of Ceylon PLC | 4,110,938 | 22.92 |
| AHB International Berhad | 2,260,052 | 12.60 |
| Singer (Sri Lanka) PLC | 1,665,000 | 9.28 |
| Paints & General Industries Ltd. | 925,000 | 5.16 |
| Best Real Invest Co. Services (Pvt) Ltd. | 900,500 | 5.02 |
| Capital Alliance Holdings Ltd. | 615,000 | 3.43 |
| | 14,809,990 | |
| Others (76 Shareholders) | 3,128,272 | 17.43 |
| | 17,938,262 | 100.00 |

## AUDITORS' REPORT

Auditors' Report appears on pages 11 & 12.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2020 (CONTINUED)

## PARTICULARS OF THE INTEREST REGISTER

The particulars of the Interest Register are disclosed in Note 22.2 under "Other Related Party Transactions" on page 39.

## DIRECTORS

The following were the Directors of the Company during the year ended 31st December 2020:

Mr. M.J.C. Amarasuriya (Chairman)
Deshamanya S.E. Captain
Mr. J.D. Peiris
Mr. J.B. Abu Baker
Mr. W.I. Arambage
Mr. K.C. Vignarajah
Mr. M.H. Wijewardene

### DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007.

## DIRECTORS' INTERESTS IN ORDINARY SHARES

There were 62,500 Ordinary Shares registered in the name of Mr. K.C. Vignarajah.

## DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect, are disclosed in Note 22.2 to the Financial Statements classified under "Other Related Party Transactions". Directors have no direct or indirect interest in any other contracts or proposed contracts with the Company.

## RECOMMENDATIONS TO RE-ELECT THE FOLLOWING DIRECTORS WHO ARE RETIRING BY ROTATION OR OTHERWISE:

**1. Mr. M.J.C. Amarasuriya**

Mr. M.J.C. Amarasuriya reached 80 years of age on 19th December 2020 and will be required, in terms of Section 210 of the Companies Act No. 07 of 2007, to vacate the Office of Director at the Annual General Meeting to be held on 23rd December 2021. Section 211 of the Companies Act No. 07 of 2007 provides that if the appointment was approved by a resolution passed by the Company at a general meeting declaring that the aforesaid age limit shall not apply to the relevant director, Section 210 of the Companies Act No. 07 of 2007 shall not prevent his reappointment.

Accordingly, the following resolution has been recommended by the Board of Directors for shareholders' consideration and adoption, if thought fit:

> **THAT** the age limit of 70 years stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Mr. M.J.C. Amarasuriya, who, as at the date of this Resolution is 80 years of age (having reached the age of 70 years on 19th December 2010) and accordingly, that Mr. M. J. C. Amarasuriya be and is hereby re-elected as a Director of Equity Investments Lanka Limited, in terms of Section 211 of the Companies Act No. 7 of 2007.

**2. Deshamanya S.E. Captain**

Deshamanya S.E. Captain reached 87 years of age on 5th September 2020 and will be required, in terms of Section 210 of the Companies Act No. 07 of 2007, to vacate the Office of Director at the Annual General Meeting to be held on 23rd December 2021. Section 211 of the Companies Act No. 07 of 2007 provides that if the appointment was approved by a resolution passed by the Company at a general meeting declaring that the aforesaid age limit shall not apply to the relevant director, Section 210 of the Companies Act No. 07 of 2007 shall not prevent his reappointment.

Accordingly, the following resolution has been recommended by the Board of Directors for shareholders' consideration and adoption, if thought fit:

> **THAT** the age limit of 70 years stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Deshamanya S.E. Captain, who, as at the date of this Resolution is 87 years of age (having reached the age of 70 years on 5th September 2003) and accordingly, that Deshamanya S. E. Captain be and is hereby re-elected as a Director of Equity Investments Lanka Limited, in terms of Section 211 of the Companies Act No. 7 of 2007.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2020 (CONTINUED)

**3. Mr. K.C. Vignarajah**

Mr. K.C. Vignarajah reached 80 years of age on 2nd October 2020 and will be required, in terms of Section 210 of the Companies Act No. 07 of 2007, to vacate the Office of Director at the Annual General Meeting to be held on 23rd December 2021. Section 211 of the Companies Act No. 07 of 2007 provides that if the appointment was approved by a resolution passed by the Company at a general meeting declaring that the aforesaid age limit shall not apply to the relevant director, Section 210 of the Companies Act No. 07 of 2007 shall not prevent his reappointment.

In terms of Articles 83 & 84 of the Articles of Association of the Company, one-third of the Directors, or if their number is not a multiple of three, the number nearest to (but not greater than) one-third shall retire from office by rotation at every Annual General Meeting. Accordingly, Mr. K.C. Vignarajah also retires in terms of the said Articles and offers himself for re-election, as recommended by the Board of Directors.

Accordingly, the following resolutions have been recommended by the Board of Directors for shareholders' consideration and adoption, if thought fit:

> **THAT** the age limit of 70 years stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Mr. K.C. Vignarajah, who, as at the date of this Resolution is 80 years of age (having reached the age of 70 years on 2nd October 2010) and accordingly, that Mr. K.C. Vignarajah be and is hereby re-elected as a Director of Equity Investments Lanka Limited, in terms of Section 211 of the Companies Act No. 7 of 2007.
>
> **THAT** the re-election of Mr. K.C. Vignarajah (who retires from office by rotation, in terms of Articles 83 & 84 of the Articles of Association of the Company and offers himself for re-election, as recommended by the Board of Directors) as a Director of the Company be and is hereby approved.

**4. Mr. J.D. Peiris**

In terms of Articles 83 & 84 of the Articles of Association of the Company, one-third of the Directors, or if their number is not a multiple of three, the number nearest to (but not greater than) one-third shall retire from office by rotation at every Annual General Meeting. Accordingly, Mr. J.D. Peiris retires in terms of the said Articles and offers himself for re-election, as recommended by the Board of Directors.

Accordingly, the following resolution has been recommended by the Board of Directors for shareholders' consideration and adoption, if thought fit:

> **THAT** the re-election of Mr. J.D. Peiris (who retires from office by rotation, in terms of Articles 83 & 84 of the Articles of Association of the Company and offers himself for re-election, as recommended by the Board of Directors) as a Director of the Company be and is hereby approved.

**REMUNERATION AND OTHER BENEFITS OF DIRECTORS**

During the year no payment has been made to the Directors.

## ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of Financial Statements are given on pages 17 to 26.

## AUDIT FEES AND PAYMENTS FOR OTHER SERVICES

The Auditors, KPMG were paid Rs.301,860/- for the year ended 31st December 2020 as Audit Fees by the Company. In addition, they were paid Rs.194,391/- for Tax Advisory Services during this period.

## STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments due to the Government have been paid up to date.

## EVENTS AFTER THE REPORTING DATE

No such events have taken place which require adjustment or disclosure in the Financial Statements, except as disclosed in Note 24 on page 39.

## GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the "going concern" concept.

## RE-APPOINTMENT OF AUDITORS

The retiring Auditors, KPMG have expressed their willingness to continue in office and the following Resolutions to re-appoint them as Auditors and authorising the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting:-

> **THAT** KPMG, Chartered Accountants be re-appointed External Auditors of the Company, from the conclusion of the Annual General Meeting scheduled to be held on 23rd December 2021, until the conclusion of the next Annual General Meeting of the Company.
>
> **THAT** the Board of Directors be authorised to determine the remuneration of KPMG, Chartered Accountants, Auditors re-appointed to the Company, from the conclusion of the current Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2020 (CONTINUED)

**AUDITORS' INTEREST**

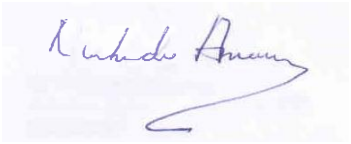
The Auditors have been independent and have no interest in the Company.

**ADOPTION OF THE ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020, WITH THE REPORT OF THE AUDITORS THEREON**

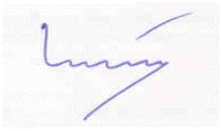
The following resolution has been recommended by the Board of Directors for shareholders' consideration and adoption, if thought fit:

> **THAT** the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st December, 2020 with the Report of the Auditors, submitted to the meeting be approved and adopted.

By Order of the Board



**Director**



**Director**



**R.R. Dunuwille**
**Company Secretary**

27th July 2021
Colombo

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

Tel : +94 - 11 542 6426
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# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF EQUITY INVESTMENTS LANKA LIMITED

### Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Equity Investments Lanka Limited, ("the Company"), which comprise the statement of financial position as at December 31 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 13 to 39 of the Annual Report.

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

### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

**Principals** - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. P. M. K. Sumanasekara FCA, W. A. A. Weerasekara CFA, ACMA, MRICS

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: http://slaasc.com/auditing/auditorsresponsibility.php. This description forms part of our auditor's report.

**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.



Chartered Accountants
Colombo, Sri Lanka

22 June 2021

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

***Values are in Rupees***

| FOR THE YEAR ENDED 31ST DECEMBER | Note | 2020 Rs. | 2019 Rs. |
|---|---|---|---|
| **Revenue** | **5** | **32,632,353** | **22,672,344** |
| Gain / (Loss) on fair value through profit or loss - Equity Instruments | **13** | 159,063 | (297,658) |
| Gain / (Loss) on fair value through profit or loss treasury bonds | | (3,744,757) | - |
| Personnel Cost | **6** | (14,964,498) | (13,857,755) |
| Administrative Expenses | | (7,733,469) | (7,298,551) |
| **Profit / (Loss) from Operations** | **7** | **6,348,692** | **1,218,380** |
| Finance Expenses | **8** | (8,335,101) | (2,598,731) |
| **Profit / (Loss) Before Taxation** | | **(1,986,409)** | **(1,380,351)** |
| Income Tax Expense | **9** | (3,106,441) | (100,598) |
| **Profit / (Loss) After Taxation** | | **(5,092,850)** | **(1,480,949)** |
| **Other Comprehensive Income : Net of Tax** | | | |
| **Items that will not be re-classified to Profit / Loss** | | | |
| Equity instruments at FVOCI - Gain / (Loss) on sale | | 19,272,220 | (731) |
| Equity instruments at FVOCI - Net change in fair value - Gain / (Loss) | **12.1** | 12,250,000 | (4,107,596) |
| Equity instruments at FVOCI - fair value transferred to retained earnings | **12.1** | (16,532,802) | (801) |
| Other comprehensive income for the year, net of Tax | | **14,989,418** | **(4,109,128)** |
| **Total Comprehensive Income / (Loss) For The Year** | | **9,896,568** | **(5,590,077)** |
| Basic (Loss) per Share | **10** | **(0.28)** | **(0.08)** |

**The notes to the Financial Statements are an integral part of these Financial Statements.**

# STATEMENT OF FINANCIAL POSITION

***Values are in Rupees***

| AS AT 31ST DECEMBER | Note | 2020 Rs. | 2019 Rs. |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | **11** | 355,948 | 500,685 |
| Investment securities designated at FVOCI - Equity Investments | **12.1** | 65,300,000 | 137,394,630 |
| Investment securities designated at FVOCI - Debt Investments | **12.2** | - | - |
| Investment securities designated at FVTPL - Debt Investments | **12.3** | 238,154,375 | - |
| Loans and Advances measured at Amortised Cost- Debt Investments | **12.4** | 10,352,848 | 2,300,000 |
| Deferred Tax | **14** | 3,413,377 | 6,519,818 |
| **Total Non-Current Assets** | | 317,576,548 | 146,715,133 |
| **Current Assets** | | | |
| Investment securities Mandatorily at FVTPL - Equity Investments | **13** | 27,319,599 | 18,877,987 |
| Receivable from Commissioner General of Inland Revenue | **15** | 1,179,235 | 1,179,236 |
| Other Receivables | **16** | 9,928,140 | 7,820,780 |
| Receivable from First Capital Treasuries | | - | 36,885,195 |
| Cash and Cash Equivalents | **17** | 122,843,869 | 32,427,280 |
| **Total Current Assets** | | 161,270,843 | 97,190,478 |
| **TOTAL ASSETS** | | **478,847,391** | **243,905,611** |
| **EQUITY & LIABILITIES** | | | |
| **EQUITY** | | | |
| Stated Capital | **18** | 198,352,905 | 198,352,905 |
| FVOCI Reserves | | 9,855,414 | (5,134,004) |
| Retained Earnings | | 56,763,020 | 45,249,595 |
| **Total Equity** | | 264,971,339 | 238,468,496 |
| **LIABILITIES** | | | |
| **Non-Current Liabilities** | | | |
| Employee Benefit Obligations | **19** | 1,596,500 | 1,470,500 |
| **Total Non-Current Liabilities** | | 1,596,500 | 1,470,500 |
| **Current Liabilities** | | | |
| Funding for Treasury Bonds | | 208,448,667 | - |
| Income Tax Payable | **20** | - | - |
| Unclaimed Dividend Payable | | 974,474 | 1,057,306 |
| Softlogic Stockbrokers | | - | 1,644,219 |
| Employee Benefits Payable | | 600,000 | - |
| Accrued Expenses | | 2,256,411 | 1,257,155 |
| WHT Payable | | - | 7,935 |
| **Total Current Liabilities** | | 212,279,552 | 3,966,615 |
| **Total Liabilities** | | 213,876,052 | 5,437,115 |
| **TOTAL EQUITY AND LIABILITIES** | | **478,847,391** | **243,905,611** |

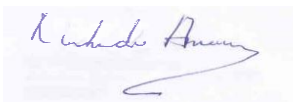
**The notes to the Financial Statements are an integral part of these Financial Statements.**

**I certify that the Financial Statements have been prepared in compliance with the requirments of Companies Act No. 07 of 2007.**

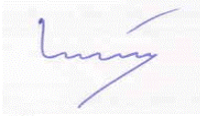


**A.H.M. Riyaz**
**Chief Executive Officer/CFO**

**The Board of Directors is responsible for the preparation and presentation of these Financial Statements.**
**Signed for and on behalf of the Board**



**Director**



**Director**

**22nd June 2021**
**Colombo**

# STATEMENT OF CHANGES IN EQUITY

***Values are in Rupees***

| | Stated Capital Rs. | Retained Earnings Rs. | FVOCI Reserve Rs. | Total Rs. |
|---|---|---|---|---|
| Balance as at 1st January 2019 | 198,352,905 | 46,235,958 | (1,024,876) | 243,563,987 |
| Loss After Tax | - | (1,480,949) | - | (1,480,949) |
| **Other Comprehensive Income for the year** | | | | |
| Equity instruments at FVOCI - Gain / (Loss) on sale | - | - | (731) | (731) |
| Equity instruments at FVOCI - Net change in fair value | - | - | (4,107,596) | (4,107,596) |
| Equity instruments at FVOCI - fair value transferred to retained earnings | - | 801 | (801) | - |
| **Total comprehensive income / (loss) for the year** | - | (1,480,147) | (4,109,128) | (5,589,276) |
| **Transactions with owners of the Company, recognised directly in equity** | | | | |
| **Contributions by and distributions to owners of the Company** | | | | |
| Dividend Writeback | - | 493,785 | - | 493,785 |
| **Balance as at 31st December 2019** | **198,352,905** | **45,249,595** | **(5,134,004)** | **238,468,496** |
| Balance as at 1st January 2020 | 198,352,905 | 45,249,595 | (5,134,004) | 238,468,496 |
| Loss After Tax | - | (5,092,850) | - | (5,092,850) |
| **Other Comprehensive Income for the year** | | | | |
| Equity instruments at FVOCI - Gain on sale | - | - | 19,272,220 | 19,272,220 |
| Equity instruments at FVOCI - Net change in fair value | - | - | 12,250,000 | 12,250,000 |
| Equity instruments at FVOCI - fair value transferred to retained earnings | - | 16,532,802 | (16,532,802) | - |
| **Total comprehensive income for the year** | - | 11,439,952 | 14,989,418 | 26,429,370 |
| **Transactions with owners of the Company, recognised directly in equity** | | | | |
| **Contributions by and distributions to owners of the Company** | | | | |
| Dividend Writeback | - | 73,474 | - | 73,474 |
| **Balance as at 31st December 2020** | **198,352,905** | **56,763,020** | **9,855,414** | **264,971,339** |

**The notes to the Financial Statements are an integral part of these Financial Statements.**

# STATEMENT OF CASH FLOW

***Values are in Rupees***

| FOR THE YEAR ENDED 31ST DECEMBER | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **Cash Flow from Operating Activities** | | |
| Profit / (Loss) before Taxation | (1,986,409) | (1,380,351) |
| **Adjustments for:** | | |
| Interest Income (Note 05) | (11,564,003) | (3,579,687) |
| Finance Expenses (Note 08) | 8,335,101 | 2,598,731 |
| Depreciation (Note 11) | 317,345 | 293,361 |
| Provision for Employee Benefits (Note 19) | 726,000 | 605,500 |
| Profit on Disposal of Property, Plant & Equipment | - | - |
| Gain on sale of financial assets | (4,153,913) | (1,876,584) |
| Gain on sale of Treasury Bonds | (5,022,484) | (2,513,193) |
| (Gain) / Loss on fair value through profit or loss Treasury Bonds | 3,744,757 | - |
| (Gain) / Loss on fair value through profit or loss financial assets | (159,063) | 297,658 |
| | (9,762,671) | (5,554,565) |
| **Changes in** | | |
| Other Receivables | 34,777,836 | (37,346,167) |
| Other Payables | (135,730) | 1,720,818 |
| **Cash generated from / (used in) Operating Activities** | 24,879,435 | (41,179,914) |
| Employee Benefits Paid (Note 19) | - | (945,000) |
| Tax Paid | - | (78,468) |
| Interest Paid | (3,287,852) | (2,598,731) |
| **Net cash from / (used in ) Operating Activities** | **21,591,583** | **(44,802,113)** |
| **Cash Flow from Investing activities** | | |
| Acquisition of Property, Plant & Equipment (Note 11) | (172,608) | (132,498) |
| Interest received | 10,655,198 | 3,585,020 |
| Proceeds from Disposal of Property, Plant & Equipment | - | - |
| Granting a Loan | (10,000,000) | (1,000,000) |
| Recovery of the Loan | 1,947,152 | 1,200,000 |
| Investment in Treasury Bonds | (1,217,794,066) | (307,616,307) |
| Proceeds from disposal of Treasury Bonds | 1,190,321,836 | 310,129,500 |
| Purchase of Shares | (43,734,658) | (38,688,390) |
| Proceeds from disposal of Quoted Shares | 137,602,151 | 21,392,098 |
| **Net cash from / (used in) Investing activities** | **68,825,006** | **(11,130,577)** |
| **Cash Flow from Financing activities** | | |
| Dividend paid | - | - |
| **Net cash used in Financing activities** | **-** | **-** |
| **Net Increase / (Decrease) in Cash and Cash equivalents** | 90,416,589 | (55,932,690) |
| Cash and Cash equivalents as at 1st January | 32,427,280 | 88,359,970 |
| **Cash and Cash equivalents as at 31st December (Note 17)** | **122,843,869** | **32,427,280** |

**The notes to the Financial Statements are an integral part of these Financial Statements.**

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Reporting Entity

Equity Investments Lanka Ltd., (the "Company") is a Company incorporated and domiciled in Sri Lanka. Company was incorporated on 8th August 1990. The registered office and the principal place of business is situated at Level 2/1, No.108A, Maya Avenue, Colombo 06.

The principal activity of the Company is project financing in the form of Equity, Quasi Equity and other corporate debt instruments of new and existing ventures in Sri Lanka.

## 2. Basis of Preparation

### 2.1 Statement of Compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with these Sri Lanka Accounting Standards (LKASs and SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No. 07 of 2007.

The Company owns 20% ownership in Standard Industrial Solutions (Pvt) Ltd. as at the year end. However, the Company did not apply the equity method to its investment in this associate due to the following reasons.

(a) The Company's debt or equity instruments are not traded in a public market and did not file, nor is it in the process of filing, its Financial Statements with a securities commission, for the purpose of issuing any class of instruments in a public market.

(b) The Company may be liquidated and therefore a full provision has been made against the ordinary shares of the entity.

### 2.2 Approval of Financial Statements by Directors

The Company's Financial Statements were authorized for issue by the Board of Directors on 22 June 2021

### 2.3 Basis of measurement

The financial statements have been prepared on a historical cost basis and accounting policies are applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for financial statements assets carried at fair value.

## 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 3.1 Financial instruments

**(i) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**(ii) Classification and subsequent measurement**

***(a) Classification***

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

* it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
* its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets classified under amortised cost includes trade and other receivable and cash and cash equivalents.

*A debt investment is measured at FVOCI if it meets both of the following conditions:*

* it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
* its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Financial assets – Business model assessment**

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio levels because this best reflects the way the business is managed and information is provided to management. The information considered includes:

* the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

* how the performance of the portfolio is evaluated and reported to the Company's management;

* the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

* how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

* contingent events that would change the amount or timing of cash flows;
* terms that may adjust the contractual coupon rate, including variable-rate features;
* prepayment and extension features; and
* terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***(b)Subsequent measurement and gains and losses***

| | |
|---|---|
| *Financial assets at FVTPL* | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| *Financial assets at amortised cost* | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| *Debt investments at FVOCI* | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| *Equity investments at FVOCI* | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

**(iii) Fair value measurement**

SLFRS 13 defines fair value as the price that would be received to sell and asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

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

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

**Determination of fair values**

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

* Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
* Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices); and
* Level 3 - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

**(iv) Derecognition**

**Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**(v) Offsetting**
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**(vi) Impairment**
For trade receivables, the Company applies a simplified approach in calculating Expected Credit Losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Evidence that a financial asset is credit-impaired includes the following observable data:–
– Significant financial difficulty of the borrower or issuer;
– The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
– It is probable that the borrower will enter bankruptcy or other financial reorganisation.

**Presentation of allowance for ECL in the statement of financial position**

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

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

**Write-offs**
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

**(vii) Impairment of Non-financial assets**
The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**3.2 Property, plant and equipment**

Property, plant and equipment are tangible items that are held for use in the production or supply of goods and services, for rental to others or for administrative purposes and are expected to be used during more than one period.

**3.2.1 Basis of recognition**

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

**3.2.2 Measurement**

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate Items (major components) of property, plant and equipment.

**3.2.3 Subsequent costs**

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are charged to the Statement of profit or loss as incurred. Costs incurred in using or redeploying items are not included under carrying amount of an item.

**3.2.4 De-recognition**

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in Statement of Income when the item is derecognised.

**3.2.5 Depreciation**

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

| **Category** | **Years of depreciation** |
|---|---|
| Office Equipment | 6.67 years |
| Furniture & Fittings | 6.67 years |
| Computers & Peripherals | 3 years |

**3.3 Liabilities and provisions**

**(i) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(ii) Commitments and contingencies**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statements of Financial Position but are disclosed unless they are remote.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**3.4 Stated capital (ordinary share capital)**
Ordinary shares are classified as equity.

**3.5 Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company contributes 12% and 3% of gross emoluments of employees as provident fund (EPF), and trust fund (ETF) contribution respectively.

**(ii) Defined benefit plan**
Gratuity is provided for all employees of the Company at the rate of half of the basic salary for the last month of the financial year, for each year of completed service. An acturial method is not used as the balance is insignificant.

The provision is not externally funded, nor has it been actuarially valued.

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

**3.6 Revenue**

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

The following specific criteria are used for the purpose of recognition of revenue.

**(i) Interest**
Interest income is recognized using the effective interest rate method.

**(ii) Dividends**
Dividend income is recognized in profit or loss on the date that the right to receive payment is established.

**Disaggregation of revenue**

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company's contracts with customers are similar in nature and therefore, the Company believes objective of this requirement will be met by using two types of categories – Service lines and timing of revenue recognition.

**3.7 Expenses**
Expenses are recognized in profit or loss as they are incurred, in the period to which they relate.

**3.8 Finance expense**
Finance costs comprise bank charges.

**3.9 Tax expense**
Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**(i) Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017.

**(ii) Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**3.10 Earnings per Share**

The Company presents basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

**3.11 Cash Flows Statement**

The Cash Flows Statement has been prepared using the indirect method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 7 "Statement of Cash Flows". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

**3.12 Events occurring after the reporting date**

Events after the reporting period date are those events, favourable and unfavourable, that occur between the reporting date and the date the Financial Statements are authorised for issue.

All material events up to the reporting date have been considered and where appropriate, adjustments or disclosures have been made in respective notes to the Financial Statements.

**3.13 Standards issued but not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements

i) Onerous contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)-The amendments apply for annual reporting periods beginning on or after 1 January 2022.

ii) Interest Rate Benchmark Reform – Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16) This amendment is effective for annual periods beginning on or after 1 January 2021.

iii) Other Standards

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

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16). The amendment applies to annual reporting periods beginning on or after 1 January 2022.

- Reference to Conceptual Framework (Amendments to SLFRS 3). The amendment applies to annual reporting periods beginning on or after 1 January 2022.

- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 1 January 2023.

- Annual Improvements to SLFRS Standards 2018–2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 4. Financial Risk Management

### 4.1 Introduction and overview

The Company has exposure to the following risks from financial instruments:
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

### 4.2 Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

### 4.3 Credit risk

**(i) Trade & other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each client. However, management also considers the demographics of the Company's client base, including the default risk of the industry and country in which clients transact, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

**(ii) Investments**

Company limits its exposure to credit risk by investing mainly in Companies which has a potential for listing in the Colombo Stock Exchange. Additional funds are invested in liquid securities such as Repos and Fixed Deposits with commercial banks.

### 4.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Some of the Company's investments are in unlisted Companies whose shares may not be readily marketable. Therefore, Company prefers to invest in Companies which have a potential for listing in the Colombo Stock Exchange.

### 4.4.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

### 4.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### 4.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Operational risk of the Company is affected by long term maturity period in venture capital business and non availability of collateral or security taken in venture capital funding. Therefore, Company analyses the investment proposals in depth before investing.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

**4.7 Capital management**

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

There were no changes in the Company's approach to capital management during the year. Company wishes to raise additional capital to invest in more diversified investments to mitigate the future operational risk.

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

| | 2020 | 2019 |
|---|---|---|
| | Rs. | Rs. |
| Total liabilities | 213,876,052 | 5,437,115 |
| Less: cash and cash equivalents | 122,843,869 | 32,427,280 |
| Net debt | 91,032,183 | (26,990,165) |
| Total equity | 264,971,339 | 238,468,496 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

| FOR THE YEAR ENDED 31ST DECEMBER | 2020 Rs. | 2019 Rs. |
|---|---|---|
| **5. Revenue** | | |
| Dividend Income | 5,557,672 | 5,512,739 |
| Interest on Fixed Deposits and Short Term Investments | 11,164 | 3,352,524 |
| Interest on Money Market Account | 6,143,116 | 5,657,617 |
| Interest on Treasury Bonds | 9,806,262 | 3,221,687 |
| Interest on the Loan | 1,757,742 | 358,000 |
| | 23,275,956 | 18,102,567 |
| **Other Income** | | |
| Gain on Sale of Quoted Shares | 4,153,913 | 1,876,584 |
| Gain on Sale of Treasury Bonds | 5,022,484 | 2,513,193 |
| Management Fees | 180,000 | 180,000 |
| | 9,356,397 | 4,569,777 |
| **Total Revenue** | **32,632,353** | **22,672,344** |
| **6. Personnel Cost** | | |
| Salaries | 11,024,583 | 11,047,167 |
| Staff Bonus | 902,500 | - |
| Staff Welfare | 657,727 | 548,013 |
| Contribution to EPF & ETF | 1,653,688 | 1,657,075 |
| Provision for Employee Benefit Obligations | 726,000 | 605,500 |
| | **14,964,498** | **13,857,755** |
| Average number of employees | 6 | 5 |
| **7. Profit from Operations is stated after charging** | | |
| Depreciation | 317,345 | 293,361 |
| Legal & Professional Expenses | 245,000 | 125,000 |
| **8. Finance Expenses** | | |
| Bank Charges | 39,730 | 23,585 |
| Interest expense on Repo Borrowings | 8,295,371 | 2,575,146 |
| | **8,335,101** | **2,598,731** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

| FOR THE YEAR ENDED 31ST DECEMBER | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **9. Income Tax Expenses** | | |
| **Current Tax Expense** | | |
| Current Year | - | - |
| Self assessment tax paid | - | 78,468 |
| (Over)/ Under Provision | - | - |
| | - | 78,468 |
| **Deferred Tax Expense** | | |
| Origination and reversal of temporary difference (Note 14) | 3,106,441 | 22,130 |
| | | - |
| | **3,106,441** | **100,598** |
| **Reconciliation between Accounting Profit and Taxable Income** | | |
| **Profit / (Loss) Before Tax** | **(1,986,409)** | **(1,380,351)** |
| Expenses not deductible | 10,293,383 | 4,689,464 |
| Allowable Expenses | (370,732) | (1,189,408) |
| Exempt Income | (8,425,829) | (7,389,321) |
| Income from Other sources | (15,960,542) | (12,231,828) |
| Gain on sale of Treasury Bonds | 3,836,561 | 3,222,482 |
| **Taxable Income/(Loss) from business (a)** | **(12,613,568)** | **(14,278,962)** |
| Income from other sources | 15,960,542 | 12,231,828 |
| Allowable expense on income from other sources | (8,295,371) | (2,575,146) |
| Losses utilised | (7,665,171) | (9,656,682) |
| **Taxable Income from other sources (b)** | - | - |
| Total Taxable income/(loss) (a+b) | (12,613,568) | (14,278,962) |
| **Income tax expense at 12%** | - | - |
| Tax Loss B/F from Previous Year | 81,286,539 | 76,582,171 |
| Difference of tax loss claimed as per final tax return | 4,801 | 82,088 |
| Loss incurred during the year | 12,613,568 | 14,278,962 |
| Loss utilised during the year | (7,665,171) | (9,656,682) |
| **Tax Loss C/F** | **86,239,737** | **81,286,539** |

Deferred tax on part of the above losses has not been recognised since 31.12.2016 due to the uncertainty of the income stream being affected by the investment climate. Unrecognised Deferred tax asset on tax losses as at 31.12.2020 amounted to Rs. 7,147,021/-

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

**FOR THE YEAR ENDED 31ST DECEMBER**

**10. Basic Loss per Share**

The calculation of Loss per Share is based on the net profit / (loss) attributable to Ordinary Shareholders divided by the weighted average number of Ordinary Shares outstanding during the period as per the requirements of the Sri Lanka Accounting Standards (LKAS 33) - Earnings per Share.

| | 2020 | 2019 |
|---|---|---|
| **Net Profit / (Loss) attributable to Ordinary Shareholders** | | |
| Net Profit / (Loss) for the year (Rs.) | (5,092,850) | (1,480,949) |
| **Weighted Average Number of Ordinary Shares** | | |
| No. of Ordinary Shares in issue | 17,938,262 | 17,938,262 |
| Basic Loss per Share (Rs.) | **(0.28)** | **(0.08)** |

Diluted Loss per Share is same as above.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

**AS AT 31ST DECEMBER**

**11. Property, Plant and Equipment**

| Cost | Office Equipment Rs. | Furniture & Fittings Rs. | Computers Rs. | Total Rs. |
|---|---|---|---|---|
| Balance as at 1st January 2020 | 631,538 | 412,247 | 1,171,278 | 2,215,063 |
| Additions | 120,970 | 51,638 | - | 172,608 |
| Disposals/Written Off | - | - | - | - |
| Balance as at 31st December 2020 | 752,508 | 463,885 | 1,171,278 | 2,387,671 |
| **Depreciation** | | | | |
| Balance as at 1st January 2020 | 470,286 | 344,088 | 900,004 | 1,714,378 |
| Depreciation for the year | 41,475 | 15,346 | 260,523 | 317,345 |
| Disposals/Written Off | - | - | - | - |
| Balance as at 31st December 2020 | 511,761 | 359,434 | 1,160,527 | 2,031,723 |
| **Carrying Amounts as at** | | | | |
| 31st December 2020 | **240,747** | **104,451** | **10,751** | **355,948** |
| 31st December 2019 | **161,252** | **68,159** | **271,274** | **500,685** |

Property, plant & equipment includes fully depreciated assets, the cost of which as at 31st December 2020 amounted to Rs. 1,868,590/- (2019 - Rs. 1,131,227/-)

**12. Investments**

| | 2020 Rs. | 2019 Rs. |
|---|---|---|
| Investment securities designated at FVOCI - Equity Investments (12.1) | 65,300,000 | 137,394,630 |
| Investment securities designated at FVOCI - Debt Investments (12.2) | - | - |
| Investment securities designated at FVTPL - Debt Investments (12.3) | 238,154,375 | - |
| Loans and Advances measured atAmortsed Cost- Debt Investments (12.4) | 10,352,848 | 2,300,000 |
| | **313,807,223** | **139,694,630** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

**AS AT 31ST DECEMBER**

**12. Investments (Continued)**

**12.1 Investment securities designated at FVOCI - Equity Investments**

| Business Entity | No. of Shares | FV @ 2020 | Cost as at 31/12/2020 | FV @ 2019 | Cost as at 31/12/2019 | Equity instruments at FVOCI - fair value transferred to retained earnings | Gain / (Loss) |
|---|---|---|---|---|---|---|---|
| | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Access Engineering PLC | 1,000,000 | 24,600,000 | 25,000,000 | 26,160,000 | 30,000,000 | (54,886) | 2,800,000 |
| LVL Energy Fund PLC | 3,500,000 | 35,700,000 | 26,991,131 | 111,234,630 | 114,375,179 | (16,477,916) | 9,450,000 |
| Standard Industrial Solutions (Pvt) Ltd. | 250,000 | - | 2,500,000 | - | 2,500,000 | - | - |
| Grains 'N' Green Ltd. | 445,083 | 5,000,000 | 5,000,000 | - | - | - | - |
| | | **65,300,000** | **59,491,131** | **137,394,630** | **146,875,179** | **(16,532,802)** | **12,250,000** |

The Equity securities in Standard Industrial Solutions are fully impaired as recovery is not expected.

**12.2 Investment securities designated at FVOCI - Debt Investments**

| | | | | | |
|---|---|---|---|---|---|
| Corporate debt securities - at FVOCI | - | 17,500,000 | - | 17,500,000 | - |

The Investments in Corporate Debt Securities (i.e. Standard Industrial Solutions) was fully impaired in 2018.

**12.3 Investment securities designated at FVTPL - Debt Investments**

| ISIN | Maturity Date | Interest rate | Face Value | 2020 Carrying Value (Rs.) | 2020 Fair Value (Rs.) | 2019 Carrying Value (Rs.) | 2019 Fair Value (Rs.) |
|---|---|---|---|---|---|---|---|
| LKB01530E152 | 15/05/2030 | 11% | 100,000,000 | 126,192,514 | 123,201,373 | - | - |
| LKB01628G019 | 01/07/2028 | 9% | 100,000,000 | 115,706,664 | 114,953,002 | - | - |
| | | | | **241,899,178** | **238,154,375** | - | - |

**12.4 Loans and Advances measured at Amortised Cost- Debt Investments**

| | Carrying Value (Rs.) 2020 | Carrying Value (Rs.) 2019 |
|---|---|---|
| Grains 'N' Green Ltd | 8,484,848 | - |
| Global Medical Supplies | 1,868,000 | 2,300,000 |
| | **10,352,848** | **2,300,000** |

**12.5 Equity Securities designated as at FVOCI**

| | FV as at 31 December 2020 | Dividend Income recognised during 2020 |
|---|---|---|
| Access Engineering PLC | 24,600,000 | 600,000 |
| LVL Energy Fund PLC | 35,700,000 | 3,511,131 |
| Grains 'N' Green Ltd | 5,000,000 | - |
| | **65,300,000** | **4,111,131** |

Grains 'N' Green Ltd investment was made on 20 August 2020. The directors are of the view that there is no significant loss in fair value as of the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

**AS AT 31ST DECEMBER**

**12.6 Summary of Financial Information on Grains N Green (Pvt) LTD**

| Grains N Green (Pvt) LTD | Audited 31 March 2019 | Audited 31 March 2018 |
|---|---|---|
| | Rs. | Rs. |
| Non current assets | 4,632,108 | 2,231,202 |
| Current assets | 21,355,386 | 14,846,409 |
| **Total assets** | **25,987,494** | **17,077,611** |
| Non current liabilities | - | - |
| Current liabilities | 78,498 | 2,635,857 |
| **Total liabilities** | **78,498** | **2,635,857** |
| Net assets | 25,908,996 | 14,441,754 |
| Profit/(Loss) before tax | 3,153,406 | 1,501,670 |

**13. Investment securities Mandatorily at FVTPL - Equity Investments**

| Company | No. of Shares | Cost as at 31/12/2019 Rs. | Additions / (Disposals) Rs. | Cost as at 31/12/2020 Rs. | Fair Value as at 31/12/2020 Rs. | Fair Value as at 31/12/2019 Rs. | Gain / (Loss) recognised through profit or loss Rs. |
|---|---|---|---|---|---|---|---|
| Aitken Spence PLC | 4,000 | 890,260 | (729,309) | 160,952 | 231,200 | 930,000 | 30,509 |
| Aitken Spence Hotel Holdings | 30,000 | 1,531,671 | (799,883) | 731,788 | 969,000 | 1,600,255 | 168,628 |
| Asian Hotels & Properties PLC | 50,000 | 2,295,311 | (387,893) | 1,907,418 | 2,145,000 | 2,281,406 | 251,487 |
| Central Finance Company PLC | 10,000 | 12,423 | 796,810 | 809,233 | 830,000 | 13,520 | 19,670 |
| CIC Holdings PLC (Non Voting) | - | 318,528 | (318,528) | - | - | 357,000 | (38,472) |
| Commercial Bank of Ceylon PLC | 5,000 | - | 387,290 | 387,290 | 404,500 | - | 17,210 |
| DFCC Bank PLC | 25,000 | - | 1,604,471 | 1,604,471 | 1,632,500 | - | 28,029 |
| Hatton National Bank PLC | 20,000 | - | 2,233,775 | 2,233,775 | 2,530,000 | - | 296,225 |
| John Keells Holdings PLC | - | 515,857 | (515,857) | - | - | 570,846 | (54,989) |
| Lanka IOC PLC | 22,000 | - | 486,151 | 486,151 | 492,800 | - | 6,649 |
| Lanka Walltiles PLC | 1,000 | 638,315 | (555,772) | 82,543 | 145,900 | 632,200 | 69,472 |
| Melstacorp PLC | 5,000 | - | 156,774 | 156,774 | 260,000 | - | 103,226 |
| National Development Bank PLC | 35,000 | 835,114 | 2,078,905 | 2,914,019 | 2,733,500 | 806,400 | (151,805) |
| Nations Trust Bank PLC | 10,000 | - | 612,605 | 612,605 | 600,000 | - | (12,605) |
| People's Leasing & Finance PLC | 26,558 | - | 310,831 | 310,831 | 329,319 | - | 18,488 |
| Royal Ceramics Lanka PLC | - | 445,434 | (445,434) | - | - | 442,500 | 2,934 |
| Sampath Bank PLC | 92,300 | 10,578,397 | 3,113,940 | 13,692,337 | 12,515,880 | 10,117,520 | (715,580) |
| Seylan Bank PLC | 20,000 | 522,588 | 389,272 | 911,860 | 920,000 | 525,000 | 5,728 |
| Sri Lanka Telecom PLC | 8,000 | 213,491 | 15,534 | 229,025 | 268,000 | 223,779 | 28,687 |
| Vallibel One PLC | 12,000 | 378,257 | (151,133) | 227,123 | 312,000 | 377,563 | 85,571 |
| | | **19,175,646** | **8,282,550** | **27,458,196** | **27,319,599** | **18,877,987** | **159,063** |

**14. Deferred Taxation**

**Recognised deferred tax assets and liabilities**

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 31.12.2020 Rs. | 31.12.2019 Rs. | 31.12.2020 Rs. | 31.12.2019 Rs. | 31.12.2020 Rs. | 31.12.2019 Rs. |
| Property, Plant & Equipment | 20,049 | 12,892 | - | - | 20,049 | 12,892 |
| Employee Benefit Obligations | 191,580 | 176,460 | - | - | 191,580 | 176,460 |
| Tax Losses | 3,201,747 | 6,330,466 | - | - | 3,201,747 | 6,330,466 |
| | **3,413,377** | **6,519,818** | **-** | **-** | **3,413,377** | **6,519,818** |

**Movement in temporary differences during the year**

| | Balance as at 01.01.2020 Rs. | Recognised in profit or loss Rs. | Recognised in OCI Rs. | Balance as at 31.12.2020 Rs. |
|---|---|---|---|---|
| Property, Plant & Equipment | 12,892 | 7,158 | - | 20,049.34 |
| Employee Benefit Obligations | 176,460 | 15,120 | - | 191,580 |
| Tax Losses | 6,330,466 | (3,128,719) | - | 3,201,747 |
| | **6,519,818** | **(3,106,441)** | **-** | **3,413,377** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

**AS AT 31ST DECEMBER**

**15. Receivable from Commissioner General of Inland Revenue**

Income Tax paid on interest income during the period of Tax exemption granted under Section 22DDD of the Inland Revenue Act No.28 (expired on 31st March 2000) has not been charged to the Income Statement. However, the following settlements have taken place since then.

During the year 2004 the Company received a refund of Rs.9.8 million out of Rs.15.3 million, under Inland Revenue Act No. 28 of 1979 for the years of assessment 1993/1994 to 1999/2000, excluding 1996/1997 and 1997/1998. Rs.3,872,311/- was written off as per the conclusion received by CGIR on the above, during 2009. Due to irrecoverability Rs.359,552/- was written off during 2012. The remaining balance of Rs.1,179,235/- relates to 1996/1997 and 1997/1998 taxes under appeal.

| | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **16. Other Receivables** | | |
| Withholding Tax Receivable | 6,518,790 | 6,518,790 |
| Refundable Deposits | 604,100 | 1,104,100 |
| Other Receivables | 216,940 | 136,557 |
| Interest Receivable on the Loan | 244,854 | 61,333 |
| John Keells Stock Brokers | 2,036,928 | - |
| Softlogic Stockbrokers | 306,528 | - |
| | **9,928,140** | **7,820,780** |
| **17. Cash and Cash Equivalents** | | |
| Short Term Investments **(Note 17.1)** | 119,591,782 | 26,999,426 |
| Cash at Bank and in Hand | 3,252,087 | 5,427,854 |
| Cash and Cash Equivalents for the Cash Flows Statement | **122,843,869** | **32,427,280** |
| **17.1 Short Term Investments** | | |
| First Capital Money Market Fund | 62,041,820 | 26,572,586 |
| CAL Investment Grade Fund | 57,549,962 | 426,840 |
| | 119,591,782 | 26,999,426 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

**AS AT 31ST DECEMBER**

| | | 2020 Rs. | 2019 Rs. |
|---|---|---|---|
| **18.** | **Stated Capital** | | |
| | 17,938,262 Ordinary Shares | **198,352,905** | **198,352,905** |

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meeting of shareholders or one vote per share in case of a poll.

**19. Employee Benefit Obligations**

| | | |
|---|---|---|
| Balance at beginning of the year | 1,470,500 | 1,810,000 |
| Provision for the year | 726,000 | 605,500 |
| Payments during the year | - | (945,000) |
| Payable to former employee | (600,000) | - |
| Balance at end of the year | **1,596,500** | **1,470,500** |

**20. Income Tax**

| | | |
|---|---|---|
| Balance at beginning of the year | - | - |
| Provision for the year | - | - |
| Set off against WHT | - | - |
| Balance at end of the year | - | - |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

**21. Financial Instruments**

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows. Credit risk principally arise from the Company's receivables from customers and debt securities.

| | Note | Carrying amount 2020 Rs. | 2019 Rs. |
|---|---|---|---|
| Investment securities designated at FVOCI - Debt Investments | 12.2 | - | - |
| Investment securities designated at FVTPL - Debt Investments | 12.3 | 238,154,375 | - |
| Loans and Advances measured at Amortised Cost- Debt Investments | 12.4 | 10,352,848 | 2,300,000 |
| Other receivables | 16 | 9,928,140 | 7,820,780 |
| Cash and cash equivalents | 17 | 122,843,869 | 32,427,280 |
| Receivable from Commissioner General of Inland Revenue | | 1,179,235 | 1,179,236 |
| Receivable from First Capital Treasuries | | - | 36,885,195 |
| | | 382,458,466 | 80,612,491 |

All of the Company's receivables comprise of local receivables and arise from it's venture capital business.

**Debt securities**

The movement in the allowance for impairment in respect of corporate debt securities – FVOCI during the year was as follows.

| | 2020 Rs. | 2019 Rs. |
|---|---|---|
| Balance at 1st January | - | - |
| Impairment loss (recognised)/reversed | - | - |
| Reclassification from equity securities | - | - |
| Disposals during the year | - | - |
| Written off during the year | - | - |
| Balance at 31st December | - | - |

The Company's trade receivables were neither past due or credit impaired as at 31st December 2020.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Cash and cash equivalents**

The Company held cash and cash equivalents of Rs.122,843,869- as at 31st December 2020 (2019: Rs.32,427,280/-), which presents its maximum credit exposure on these assets.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

The following are the contractual maturities of financial liabilities at the reporting date. The following amounts are gross and undiscounted.

| Non-Derivative financial liabilities 2020 | | Contractual cash flows | | |
|---|---|---|---|---|
| | Carrying amount (Rs) | Less than 6 months | 6 to 12 months | 12 months or more |
| Unclaimed dividend payable | 974,474 | 974,474 | - | - |
| Softlogic Stockbrokers | - | - | - | - |
| WHT payable | - | - | - | - |
| Funding for Treasury Bonds - Repo | 208,448,667 | 208,448,667 | - | - |

| Non-Derivative financial liabilities 2019 | | Contractual cash flows | | |
|---|---|---|---|---|
| | Carrying amount (Rs) | Less than 6 months | 6 to 12 months | 12 months or more |
| Unclaimed dividend payable | 1,057,306 | 1,057,306 | - | - |
| Softlogic Stockbrokers | 1,644,219 | 1,644,219 | - | - |
| WHT payable | 7,935 | 7,935 | - | - |
| Funding for Treasury Bonds - Repo | - | - | - | - |

**Exposure to market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to change in obligator/issuer's credit standing) will affect the Company's income or the values of its holdings of financial instruments .The objective of market risk management is to manage and control market risk management and control market risk exposures within acceptable parameters, while optimising the return on risk.

Assets subject to market risk

| **2020** | Carrying Amount | Trading Portfolios | Non Trading Portfolios |
|---|---|---|---|
| | Rs. | Rs. | Rs. |
| Investment securities Mandatorily at FVTPL - Equity Investments | 27,319,599 | 27,319,599 | - |
| Investment securities designated at FVOCI - Equity Investments | 65,300,000 | 65,300,000 | - |
| | 92,619,599 | 92,619,599 | - |

| **2019** | Carrying Amount | Trading Portfolios | Non Trading Portfolios |
|---|---|---|---|
| | Rs. | Rs. | Rs. |
| Investment securities Mandatorily at FVTPL - Equity Investments | 18,877,987 | 18,877,987 | - |
| Investment securities designated at FVOCI - Equity Investments | 137,394,630 | 137,394,630 | - |
| | 156,272,617 | 156,272,617 | - |

**Market Risk Sensitivity**

The following table demonstrate the sensitivity of the Company's equity portfolio.

| 2020 | 5% increase in market price | 5% decrease in market price |
|---|---|---|
| | P&L Impact (Rs) | P&L Impact (Rs) |
| Investment securities Mandatorily at FVTPL - Equity Investments | 1,365,980 | (1,365,980) |
| Investment securities designated at FVOCI - Equity Investments | 3,265,000 | (3,265,000) |

| 2019 | 5% increase in market price | 5% decrease in market price |
|---|---|---|
| | P&L Impact (Rs) | P&L Impact (Rs) |
| Investment securities Mandatorily at FVTPL - Equity Investments | 943,899 | (943,899) |
| Investment securities designated at FVOCI - Equity Investments | 6,869,732 | (6,869,732) |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

**21. Financial Instruments (Continued)**

**21.1 Accounting classifications and fair values**

**Fair values vs carrying amounts**
The fair values of financial assets and liabilities, together with carrying amounts shown in the Statement of Financial Position, are as follows.

| 2020 | Note | Fair value hierarchy | Equity securities - FVTPL | Amortized cost | Equity Securities - FVOCI | Total |
|---|---|---|---|---|---|---|
| | | | Rs. | Rs. | Rs. | Rs. |
| Cash and cash equivalents | 17 | N/A | - | 3,252,087 | - | 3,252,087 |
| Short term investments | 17.1 | N/A | - | 119,591,782 | - | 119,591,782 |
| Debt investments | 12.3 | N/A | 238,154,375 | - | - | 238,154,375 |
| Loans and Advances measured at Amortised Cost- Debt Investments | 12.4 | N/A | - | 10,352,848 | - | 10,352,848 |
| Quoted equity securities | 12.1/13 | Level 1 | 27,319,599 | - | 65,300,000 | 92,619,599 |
| | | | 265,473,974 | 133,196,717 | 65,300,000 | 463,970,690 |
| Unclaimed Dividend Payable | | N/A | - | 974,474 | - | 974,474 |
| Softlogic Stockbrokers | | N/A | - | - | - | - |
| WHT Payable | | N/A | - | - | - | - |
| Funding for Treasury Bonds - Repo | | N/A | - | 208,448,667 | - | 208,448,667 |
| | | | - | 209,423,141 | - | 209,423,141 |

| 2019 | Note | Fair value hierarchy | Equity securities - FVTPL | Amortized cost | Equity Securities - FVOCI | Total |
|---|---|---|---|---|---|---|
| | | | Rs. | Rs. | Rs. | Rs. |
| Cash and cash equivalents | 17 | N/A | - | 5,427,854 | - | 5,427,854 |
| Short term investments | 17.1 | N/A | - | 26,999,426 | - | 26,999,426 |
| Debt investments | 12.3 | N/A | - | - | - | - |
| Loans and Advances measured at Amortised Cost- Debt Investments | 12.4 | N/A | - | 2,300,000 | - | 2,300,000 |
| Quoted equity securities | 12.1/13 | Level 1 | 18,877,987 | - | 137,394,630 | 156,272,617 |
| | | | 18,877,987 | 34,727,280 | 137,394,630 | 190,999,897 |
| Unclaimed Dividend Payable | | N/A | - | 1,057,306 | - | 1,057,306 |
| Softlogic Stockbrokers | | N/A | - | 1,644,219 | - | 1,644,219 |
| WHT Payable | | N/A | - | 7,935 | - | 7,935 |
| Funding for Treasury Bonds - Repo | | N/A | - | - | - | - |
| | | | - | 2,709,460 | - | 2,709,460 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

**21. Financial Instruments (Continued)**

**21.2.2 Movement of the financial assets, classified as "Level 3" in the fair value hierarchy**

**2020**

| | Rs. |
|---|---|
| Balance as at 1st January 2020 | - |
| Additions | 5,000,000 |
| (Disposals) | - |
| Gain / (loss) included in Other Comprehensive Income | - |
| Impairment | - |
| Net change in fair value | - |
| Balance as at 31st December 2020 | 5,000,000 |

**2019**

| | Rs. |
|---|---|
| Balance as at 1st January 2019 | - |
| Additions | - |
| (Disposals) | - |
| Gain / (loss) included in Other Comprehensive Income | - |
| Impairment | - |
| Net change in fair value | - |
| Balance as at 31st December 2019 | - |

**22. Key Management Personnel/ Related Party Transactions**

**22.1 Transactions with key management personnel**

* Equity Investments Lanka Ltd. considers its Board of Directors as listed out below and the Chief Executive Officer Mr. A.H.M. Riyaz as the key management personnel of the Company:

* Mr. M.J.C. Amarasuriya, Deshamanya S.E. Captain, Mr. J.D. Peiris, Mr. J.B. Abu Baker, Mr. W.I. Arambage, Mr. K.C. Vignarajah and Mr. M.H. Wijewardene are Directors of the Company.

* Compensation paid to/on behalf of key management personnel of the company was as follows:

| | 2020 | 2019 |
|---|---|---|
| | Rs. | Rs. |
| Short term employee benefits | 11,944,000 | 10,495,500 |
| Post employment benefits paid and payable | 1,125,000 | 660,000 |

The Directors emoluments for the year ended 31st December 2020 is Nil.

No retirement benefits were paid to the Directors of Equity Investments Lanka Ltd. during the financial year, under review.

The Directors of the Company and their immediate family members did not have substantial shareholdings in the company as at 31st December 2020 except for Mr. Vignarajah who holds 62,500 shares of the Company.

The Company did not have any material transactions with its key management personnel and/or their close family members during the year except for the investment in Standard Industrial Solutions (Pvt) Ltd. being considered impaired in which Company Mr. Arambage is a Shareholder-Director.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

***Values are in Rupees***

**22. Key Management Personnel/ Related Party Transactions (Continued)**

**22.2 Other Related Party Transactions**

**Commercial Bank of Ceylon PLC**

Equity Investments Lanka Ltd. is an Associate Company of Commercial Bank of Ceylon PLC.
Commercial Bank of Ceylon PLC holds 22.92% of the Company's Issued Share Capital.

| Company | Relationship | Nature of Transaction | Amount paid/ received | Balance | Amount paid/ received | Balance |
|---|---|---|---|---|---|---|
| | | | 2020 | | 2019 | |
| | | | Rs. | Rs. | Rs. | Rs. |
| Commercial Bank of Ceylon PLC | Parent | Money Market Deposit | - | 1,358,011 | - | 5,393,228 |
| | | Current Account | - | 199,750 | - | 199,750 |
| | | Dividend Account | - | 121,404 | - | 101,761 |
| | | Ordinary Shares held in Commercial Bank - Voting (no. of shares 5,000) | - | 404,500 | - | - |

**23. Impact of COVID 19**

Impact on Financial Assets due to COVID - 19 mainly affects listed equities. There can be volatilities on the listed equities. However, it is tolerable. There is no necessity to make any impairment provisions on other assets due to COVID - 19. Dues from customers will be recovered in the short term. Demand for Company services should improve due to the pandemic situation. The Company is aiming to increase its investment income in future periods in order to boost its profits. Other than the areas given above there is no other impact from COVID - 19 which affects the company, based on the information that is currently available.

**24. Events occurring after the reporting date**

There are no material events occurring after the reporting date that require adjustments to, or disclosure in the Financial Statements.

**25. Contingent Liabilities & Commitments**

There were no Contingent Liabilities and Commitments which require adjustments to, or disclosure in the Financial Statements.

**26. Going Concern**

No events or conditions have been identified that may cast significant doubt on the Company's liability to continue as a going concern, whether they arise during the period or after the end of the reporting period. Financial Statements of the Company have been prepared by the Board of Directors based on the assumption that the Company will continue as a going concern.

**27. Comparative Information**

The comparative information is re-classified wherever necessary to conform with the current year’s presentation in order to provide a better presentation.

**28. Directors' Responsibility**

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

# INVESTMENT PORTFOLIO

**AS AT 31ST DECEMBER 2020**

***Values are in Rupees***

| Sector | Name of Business Entity | Investment Value Rs. | % of Investment by Sector | |
|---|---|---|---|---|
| Capital Goods | Access Engineering PLC | 24,600,000 | | |
| | | 24,600,000 | 33 | |
| Utilities | LVL Energy Fund PLC | 35,700,000 | | |
| | | 35,700,000 | 46 | |
| Manufacturing | Standard Industrial Solutions (Pvt) Ltd. | - | | |
| | | - | 0 | * |
| Health | Global Medical Supplies | 1,868,000 | | |
| | | 1,868,000 | 2 | |
| Food & Staples Retailing | Grains 'N' Green Ltd. | 13,484,848 | | |
| | | 13,484,848 | 18 | |
| | Total | 75,652,848 | 82 | |

* This was fully impaired during the year 2018.

# PORTFOLIO SUMMARY

**AS AT 31ST DECEMBER 2020**

| Name of Business Entity | Nature of Business | Initial Investment Date | Type of Investment | Investment Value Rs. | Present Holding | State of Investment | |
|---|---|---|---|---|---|---|---|
| Access Engineering PLC | Construction | Jun-11 | Ordinary Shares | 24,600,000 | 0.10% | Operating Profitably | |
| LVL Energy Fund PLC | Providing Venture Capital Funds to the Power & Energy Sector | Nov-12 | Ordinary Shares | 35,700,000 | 0.60% | Operating Profitably | |
| Standard Industrial Solutions (Pvt) Ltd. | Manufacturing of Wood Pellets | Dec-14 | Cumulative, Redeemable Preference Shares | - | | In the process of Liquidation | * |
| | | | Ordinary Non Voting Shares | - | | | |
| | | | | - | | | |
| Global Medical Supplies | Importing & Distributing of Medical Devices | Feb-18 | Loan | 1,868,000 | | Operating Profitably | |
| Grains 'N' Green Ltd. | Selling non-genetically modified rice & related products | Feb-20 | Loan | 8,484,848 | | | |
| | | Aug-20 | Ordinary Shares | 5,000,000 | 11.33% | | |
| | | | | 13,484,848 | | Operating Profitably | |

* This was fully impaired during the year 2018.

# FINANCIAL HIGHLIGHTS

***Values are in Rupees***

| | 2020<br>Rs. | 2019<br>Rs. | 2018<br>Rs. | 2017<br>Rs. | 2016<br>Rs. |
|---|---|---|---|---|---|
| **Revenue** | **32,632,353** | **22,672,344** | **21,533,256** | **21,049,572** | **28,000,024** |
| Gain / (Loss) on fair value through profit or loss - Equity Instruments | 159,063 | (297,658) | (610,538) | (281,329) | (273,477) |
| Gain / (Loss) on fair value through profit or loss treasury bonds | (3,744,757) | - | - | - | - |
| Impairment allowance on available-for-sale financial assets | - | - | (10,000,000) | (7,560,000) | - |
| Personnel Cost | (14,964,498) | (13,857,755) | (13,677,258) | (15,166,486) | (11,290,884) |
| Administrative Expenses | (7,733,469) | (7,298,551) | (7,386,449) | (4,130,101) | (5,245,030) |
| **Profit / (Loss) from Operations** | **6,348,692** | **1,218,380** | **(10,140,989)** | **(6,088,344)** | **11,190,633** |
| Finance Expenses | (8,335,101) | (2,598,731) | (27,364) | (22,158) | (24,340) |
| **Profit / (Loss) Before Taxation** | **(1,986,409)** | **(1,380,351)** | **(10,168,353)** | **(6,110,502)** | **11,166,293** |
| Income Tax Expense | (3,106,441) | (100,598) | (1,073,110) | (605,128) | 782,536 |
| **Profit / (Loss) After Taxation** | **(5,092,850)** | **(1,480,949)** | **(11,241,463)** | **(6,715,630)** | **11,948,829** |
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, Plant and Equipment | 355,948 | 500,685 | 661,548 | 179,280 | 8,388 |
| Investments | 313,807,223 | 139,694,630 | 144,072,392 | 194,327,149 | 189,604,259 |
| Deferred Tax | 3,413,377 | 6,519,818 | 6,541,948 | 7,248,047 | 4,531,157 |
| **Total Non-Current Assets** | 317,576,548 | 146,715,133 | 151,275,888 | 201,754,476 | 194,143,804 |
| **Current Assets** | | | | | |
| Investment securities Mandatorily at FVTPL - Equity Investments | 27,319,599 | 18,877,987 | - | 4,898,228 | 4,819,150 |
| Receivable from Commissioner General of Inland Revenue | 1,179,235 | 1,179,236 | 1,179,236 | 1,179,236 | 1,179,236 |
| Other Receivables | 9,928,140 | 7,820,780 | 7,298,475 | 6,169,045 | 5,920,260 |
| Receivable from First Capital Treasuries | - | 36,885,195 | - | - | - |
| Cash and Cash Equivalents | 122,843,869 | 32,427,280 | 88,359,970 | 85,655,352 | 102,278,630 |
| **Total Current Assets** | 161,270,843 | 97,190,478 | 96,837,681 | 97,901,861 | 114,197,276 |
| **TOTAL ASSETS** | **478,847,391** | **243,905,611** | **248,113,569** | **299,656,337** | **308,341,080** |
| **EQUITY & LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Stated Capital | 198,352,905 | 198,352,905 | 198,352,905 | 198,352,905 | 198,352,905 |
| FVOCI Reserves | 9,855,414 | (5,134,004) | (1,024,876) | 35,209,848 | 22,910,957 |
| Retained Earnings | 56,763,020 | 45,249,595 | 46,235,958 | 55,974,210 | 78,128,102 |
| **Total Equity** | 264,971,339 | 238,468,496 | 243,563,987 | 289,536,963 | 299,391,964 |
| **LIABILITIES** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Employee Benefit Obligations | 1,596,500 | 1,470,500 | 1,810,000 | 1,447,500 | 5,975,000 |
| **Total Non-Current Liabilities** | 1,596,500 | 1,470,500 | 1,810,000 | 1,447,500 | 5,975,000 |
| **Current Liabilities** | | | | | |
| Funding for Treasury Bonds | 208,448,667 | - | - | - | - |
| Income Tax Payable | - | - | - | - | - |
| Unclaimed Dividend Payable | 974,474 | 1,057,306 | 1,551,091 | 1,551,091 | 888,017 |
| Softlogic Stockbrokers | - | 1,644,219 | - | - | - |
| Employee Benefits Payable | 600,000 | - | - | 6,325,000 | - |
| Accrued Expenses | 2,256,411 | 1,257,155 | 1,180,556 | 795,783 | 2,086,099 |
| WHT Payable | - | 7,935 | 7,935 | - | - |
| **Total Current Liabilities** | 212,279,552 | 3,966,615 | 2,739,582 | 8,671,874 | 2,974,115 |
| **Total Liabilities** | 213,876,052 | 5,437,115 | 4,549,582 | 10,119,374 | 8,949,116 |
| **TOTAL EQUITY AND LIABILITIES** | **478,847,391** | **243,905,611** | **248,113,569** | **299,656,337** | **308,341,080** |

# NOTICE OF MEETING

NOTICE is hereby given that the Thirty First Annual General Meeting (AGM) of Equity Investments Lanka Limited will be held by electronic means on Thursday, 23rd December 2021 at 2.30 p.m. centered at Level 2/1, No.108A, Maya Avenue, Colombo 06 for the following purposes:

1 To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended December 31, 2020, with the Report of the Auditors thereon. (Please refer to the related resolution on page 10)

2 To re-elect the following Directors who are retiring by rotation or otherwise:
   a) Mr. M.J.C. Amarasuriya (Please refer to the related resolution on page 08)
   b) Deshamanya S.E. Captain (Please refer to the related resolution on page 08)
   c) Mr. K.C. Vignarajah (Please refer to the related resolutions on page 09)
   d) Mr. J.D. Peiris (Please refer to the related resolution on page 09)

3 a) To re-appoint KPMG, as recommended by the Board of Directors, as External Auditors to the Company from the conclusion of the Annual General Meeting scheduled to be held on 23rd December 2021, until the conclusion of the next Annual General Meeting of the Company. (Please refer to the related resolution on page 09)

   b) To authorise the Board of Directors to determine the remuneration of the Auditors from the conclusion of the current Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company. (Please refer to the related resolution on page 09)

By Order of the Board,
Equity Investments Lanka Ltd.

**R.R. Dunuwille**
**Company Secretary**

05th November 2021
Colombo

**Notes:**

*A shareholder entitled to attend, speak and vote at the AGM is entitled to appoint a Proxy (proxyholder) to attend, speak and vote in his/her stead by electronic means, as morefully explained in the attached Circular to Shareholders-Annual General Meeting of Equity Investments Lanka Ltd.-2021. A proxyholder need not be a shareholder of the Company.*

# FORM OF PROXY

**EQUITY INVESTMENTS LANKA LIMITED**

I/We ..... (NIC No/Nos…..... / Company Reg No.....) of ..... ……..being a shareholder/s of Equity Investments Lanka Limited hereby appoint Mr/Mrs/Miss……..……..……..…..…..……(NIC No.……..……) of……..……..……..……

whom failing:

| | | |
|---|---|---|
| Mr. M.J.C. Amarasuriya | of No: 70, Fife Road, Colombo - 05 or | failing him |
| Deshamanya S.E. Captain | of No: 8, Clifford Place, Colombo - 03 or | failing him |
| Mr. J.D. Peiris | of No: 114, Lake Drive, Colombo - 08 or | failing him |
| Mr. J.B. Abu Baker | of No: 8-3, Jalan Batai, Bukit Damansara, 50490 Wilayah Persekutuan, Kuala Lumpur or | failing him |
| Mr. W.I. Arambage | of No: 201/2/1, Dharmapala Mawatha, Colombo - 07 or | failing him |
| Mr. K.C. Vignarajah | of No: 9/10, Cambridge Place, Colombo - 07 or | failing him |
| Mr. M.H. Wijewardene | of No: 35/22, St. Rita's Road, Mount Lavinia | |

as my/our Proxy to represent me/us and to speak at the meeting and to vote on a show of hands and/or on a poll on my/our behalf as indicated below at the Thirty First Annual General Meeting of the Company to be held on Thursday, 23rd December 2021 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting. I/We, the undersigned, hereby direct my/our Proxy to vote on my/our behalf on the resolutions to be passed in relation to the matters given below: (Please indicate your preference with an 'X' in the relevant box)

| | | For | Against |
|---|---|---|---|
| 1 | To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended December 31, 2020 with the Report of the Auditors thereon. | ☐ | ☐ |
| 2 | To re-elect Directors who are retiring by rotation or otherwise: | | |
| | a) Mr. M.J.C. Amarasuriya | ☐ | ☐ |
| | b) Deshamanya S.E. Captain | ☐ | ☐ |
| | c) Mr. K.C. Vignarajah | ☐ | ☐ |
| | d) Mr. J.D. Peiris | ☐ | ☐ |
| 3 | a) To re-appoint KPMG as recommended by the Board of Directors, as Auditors to the Company from the conclusion of the Annual General Meeting scheduled to be held on 23rd December 2021, until the conclusion of the next Annual General Meeting of the Company. | ☐ | ☐ |
| | b) To authorise the Board of Directors to determine the remuneration of the Auditors from the conclusion of the current Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company. | ☐ | ☐ |

Signed on this …… day of ……..Two Thousand and Twenty One.

…..……..
Signature/s of the Shareholder/s

**Notes:**

(i) Instructions as to completion of this Form of Proxy are given on page 44.

(ii) As regards voting on the Resolutions indicated in the Form of Proxy, if no words are struck out or there is in the view of the Proxy (Proxyholder) doubt (by reason of the way in which the instructions in the Form of Proxy have been stated by the Shareholder) as to the way in which the Proxy should vote, the Proxy will vote as he/she thinks fit.

(iii) If the Form of Proxy is signed by an Attorney, the relative Power of Attorney (POA) should accompany the completed Form of Proxy for registration, if such POA has not already been registered with the Company.

(iv) If the shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal, if any, or signed by its Attorney or by an Officer on behalf of the company/corporate body, in accordance with its Articles of Association/Statute.

(v) Every alteration or addition to the Form of Proxy must be duly authenticated by full signature of the Shareholder signing the Form of Proxy. Such signature should be as far as possible be placed in close proximity to the alteration or addition intended to be authenticated.

## Instructions as to completion of Form of Proxy

(i) Article 67 of the Articles of Association of the Company provides that:

"An instrument appointing a proxy shall be in writing and -

(a) In the case of an individual shall be signed by the appointor or by his attorney; or in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer authorised to do so on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.

(b) A proxy need not be a Member of the Company."

(ii) The full name and address of the Proxy and of the Shareholder appointing the Proxy should be entered legibly in the Form of Proxy.

(iii) The completed Form of Proxy should be deposited at the Registered Office of the Company, No.108A, Level 2/1, Maya Avenue, Colombo 06, not less than 48 hours before the time fixed for the holding of the Meeting.

(iv) Articles 56 to 59 of the Articles of Association of the Company, dealing with voting are quoted below, for information of shareholders.

**"56. Method of Voting**

At any General Meeting a resolution put to the vote of the Meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by-

(i) The Chairman of the meeting; or
(ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote; or
(iii) A Member or Members present in person or by attorney or representative or by proxy and representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the Meeting.

A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn) a declaration by the Chairman of the Meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

**57. How poll to be taken**

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall) appoint scrutineers and may adjourn the Meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

**58. Chairman's casting vote**

In the case of an equality of votes, whether on a show of hands or poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

**59. Time for taking a poll**

A poll demanded on the election of a Chairman of the Meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately."