# Geared for the Future

**LAUGFS ECO SRI LTD**

ANNUAL REPORT 2019/20

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## FINANCIAL INFORMATION

# GEARED FOR THE FUTURE

With a vision to nurture a cleaner and safer environment, LAUGFS Eco Sri Limited coordinated with the Department of Motor Traffic (DMT) in implementing the Vehicle Emission Testing programme in 2008.
The broad aim of the programme is to minimise air pollution by ensuring vehicle emissions are within applicable emission standards. We started operations with 19 testing centres in the Western province and today LAUGFS Eco Sri centres cover every province of the country, providing easy access to consumers.
In addition, modern testing techniques and equipment ensure that our emission tests are of high quality, reliable and efficient. With this excellence in customer care, LAUGFS Eco Sri maintains a market share of 55% over the last 10 years despite being in a highly competitive duopoly market.

LAUGFS ECO SRI

# ABOUT US

## LAUGFS GROUP VISION

To be the most preferred and trusted Sri Lankan conglomerate that touches the day-to-day lives of people in Sri Lanka and beyond, through a diverse range of businesses that extends across transnational borders.

## LAUGFS GROUP MISSION

- Be the leader in the market segments we operate in.
- Introduce latest innovations, technology and solutions to add value to the consumer.
- Promote a safety culture, encompassing People, Products and Processes.
- Ensure fair returns to all our stakeholders.
- Lead by example as a responsible corporate entity.
- Foster a culture of one 'LAUGFS family'.

**Revenue**
Rs. 1,561 Mn

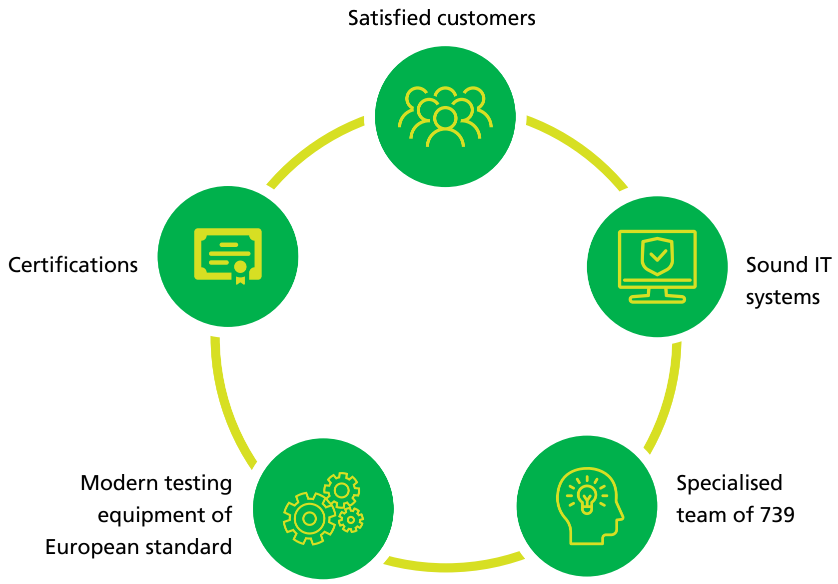
**Operating Profit**
Rs. 457 Mn

**Profit After Tax**
Rs. 396 Mn

**Assets**
Rs. 1,682 Mn

**Equity**
Rs. 1,151 Mn

**Liabilities**
Rs. 532 Mn




## Economic Contribution

### Number of Emission Tests

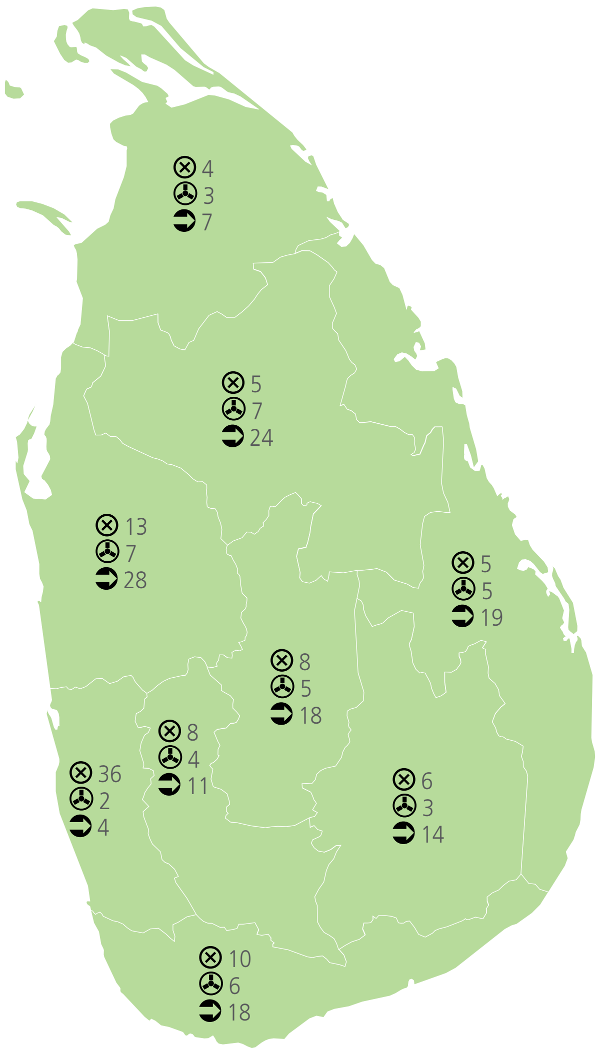
**2.8**Mn

### Taxes and Levies

Rs.**463**Mn

### Value of Infrastructure Development of VET Centres

Rs.**86**Mn




## Our island-wide presence

**A network of 95 fixed centres, 143 mobile locations and 42 mobile units.**

| | |
|---|---|
| Fixed | 95 |
| Mobile Units | 42 |
| Mobile locations | 143 |

**With a vision to nurture a cleaner and safer environment, LAUGFS Eco Sri Limited's broad aim is to minimise air pollution by ensuring vehicle emissions are within applicable emission standards.**

All our Vehicle Emission Testing centres have consistently performed, addressing issues in a timely and effective manner.

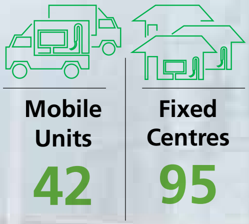
1

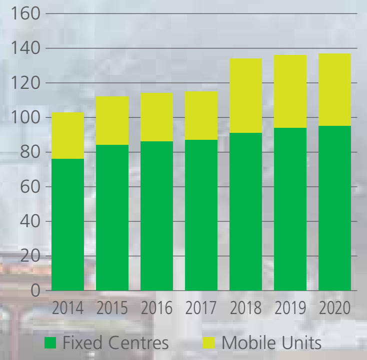
Air pollutants can harm human health and the environment, and which is why we coordinated with the Department of Motor Traffic (DMT) in implementing the Vehicle Emission Testing Programme in 2008 to promote a safe environment, encompassing people and nature.

3

Our staff has worked tirelessly to ensure that our emission testing measures are of the best quality.

**2** Our vehicle emission testing centres are set up in every province of the country, providing easy access to consumers.

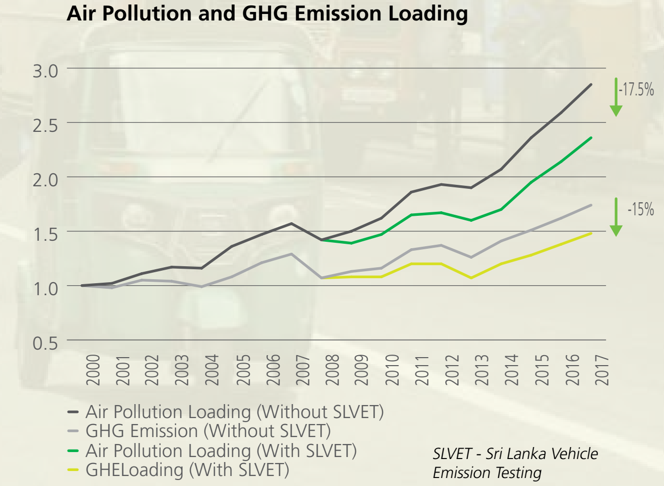

### Improved Emission Testing Standards

| Vehicle Category | 2008 | 2014 |
|---|---|---|
| Motor Bikes (Petrol) | CO (%v/v) - 6.0%<br>HC (ppm v/v) - 9,000 | CO (%v/v) - 4.0%<br>HC (ppm v/v) - 6,000 |
| Three wheelers (Petrol) | CO (%v/v) - 6.0%<br>HC (ppm v/v) - 9,000 | CO (%v/v) - 4.0%<br>HC (ppm v/v) - 6,000 |
| Cars, SUVs, and all other vehicles excluding Motor Bikes and Three wheelers (Petrol) | CO (%v/v) - 4.5%<br>HC (ppm v/v) - 1,200 | CO (%v/v) - 3.0%<br>HC (ppm v/v) - 1,000 |
| All Diesel Vehicles | K factor - 8.0% | K factor - 4.0% |

*Source: Gazette 1557/14 - 2008 | Gazette 1887/20 - 2014*

*CO - Carbon Monoxide | HC - Hydrocarbon*
*K factor - Smoke Opacity on Snap Acceleration*

In 2014, the previously set permissible vehicular exhaust emission limits were revised, ensuring that all motor vehicles are regularly maintained thus preventing air pollution.




Estimated reduction of Air Pollution and Green House Gas (GHG) emission loadings as a result of the VET Project
*Source: CBSL (2020); SLSEA (2019); Dr. A. G. T. Sugathapala, University of Moratuwa.*

**4** Today, we are living up to our vision of minimising air pollution by ensuring low pollution levels through exceptional emission standards.

# GROUP CHAIRMAN'S REVIEW

# "LAUGFS ECO SRI LIMITED, HAS DELIVERED A PROFIT OF RS.396MN FOR THE FINANCIAL YEAR ENDING 31ST MARCH 2020 IN AN EXTREMELY CHALLENGING YEAR WITH UNPRECEDENTED BUSINESS INTERRUPTIONS."

**Dear Shareholder,**

LAUGFS Eco Sri Limited, has delivered a profit of Rs. 396Mn for the financial year ending 31st March 2020 in an extremely challenging year with unprecedented business interruptions. This reflects the resilience of our business model as the year witnessed lost working days due to business closures at the beginning and the end of the year as well as a moderation in growth of the vehicle population. We increased the number of customer touchpoints to 238 as we added one new fixed centre and converted three mobile centres in to fixed centres. Our services are available island-wide at 95 fixed centres and 143 mobile locations and 42 mobile service units. Customers are able to access our services through this network which is key to our growth as our customers are geographically dispersed throughout the island.

### Reducing Emissions

Air pollution is a major environmental risk to health and countries can reduce the burden of disease from stroke, heart disease, lung cancer, and both chronic and acute respiratory diseases, including asthma, by improving the quality of air. The World Health Organisation (WHO) has issued air quality guidelines with guidance on thresholds and limits for key air pollutants that pose health risks which indicate that air pollution-related deaths can be reduced by around 15% by reducing particulate matter (PM10) pollution from 70 to 20 micrograms per cubic metre (µg/m). Additionally, World Health Organization's (WHO)

### Vehicle Population

Vehicle Population grew at a pace of 4.8% to reach 8 Mn Vehicles by end of 2019.

# Group Chairman's Review

## "THE OUTLOOK FOR LAUGFS ECO SRI REMAINS POSITIVE DESPITE THE CONCERNS ON PRICE REVISIONS AND COVID-19 DUE TO THE REGULATORY NATURE OF THE BUSINESS."

International Agency for Research on Cancer (IARC) concluded in 2013 that outdoor air pollution is carcinogenic to humans, with the particulate matter component of air pollution most closely associated with increased cancer incidents, especially lung cancer. They also observed an association between outdoor air pollution and increase in cancer of the urinary tract/bladder. All this is reason enough to ensure that our country's ambient air quality is maintained at healthy levels.

Our business is key to supporting the country's goals for reducing emissions as it assesses the quality and volume of emissions of all registered vehicles excluding electric and hybrid vehicles. Accordingly, the business has a positive impact on the environment and society with no negative impacts making it a business for good.

### Regulation

Emission testing is regulated by the Department of Motor Traffic, who issue licenses for operation of the business. Prices for tests are fixed varying only according to the type of vehicle and have been at the same level for the past 9 years. Consequently the critical success factors are customer access to our services to drive volume growth and operational efficiencies to manage costs and enhance customer satisfaction. Focusing of these strategic priorities has enabled us to increase our top line and operating profit consistently.

### Operating Context

Vehicle registrations declined by 24% in 2019 to 367,303 vehicles as the government implemented certain measures to curtail imports during the first half of the year. The vehicle population grew at a slower pace of 4.8% to 8 Million vehicles by end 2019, gradually picking up during the second half of 2019 with the removal of restrictions. Motor car registrations declined by 53% while motor cycles declined by 16%, reflecting a change in the vehicle mix. The impact was worsened with the outbreak of COVID-19 pandemic with registrations further declining in January 2020 by 6.3%.

As stated in my previous year's message as well, price revisions remain a key concern as they have not been revised since 2011 while costs have increased significantly. We continue to negotiate for price revisions as our costs are fixed in nature and expansion is necessary to provide accessibility to our services.

## A Positive Outlook

The outlook for LAUGFS Eco Sri remains positive despite the concerns on price revisions and COVID-19 due to the regulatory nature of the business. The Department of Motor Traffic granted an extension for renewal of revenue licenses until 30th September for those that expired during the time of the lockdown and I believe that there will be some pent up demand pushing the numbers up in May, June 2020 and to a certain extent until 30th September 2020, till the expiry of the extensions granted for renewal of revenue licences.

Growth potential of the business is likely to be dampened in the long term as customers seek to preserve cashflow by curtailing purchases of new vehicles in the next few months. Additionally, the government has re-imposed measures to curtail imports of non-essential items and motor vehicles which will also impact growth of vehicle populations. We will reassess our plans to expand the customer touchpoints when there is greater clarity on future forecasts. We will continue to maintain high standards of testing and customer service to increase market share and value to stakeholders.

## Appreciations

Our customers drive our growth and we are grateful for their continued patronage. The team at LAUGFS Eco Sri continue to focus on driving operational efficiencies and I commend their performance despite significant challenges. I also wish to thank the officials of the Department of Motor Traffic and the Ministry of Transport for their cooperation on regulatory matters.

I thank the members of the Board for their guidance during the year as we progress to list the company on the Colombo Stock Exchange. We thank our shareholders for their continued confidence in the prospects of this agile company.

Deshabandu W.K.H. Wegapitiya
Group Chairman

05th October 2020

# GROUP DEPUTY CHAIRMAN'S REVIEW

## Dear Shareholder,

LAUGFS Eco Sri has delivered a profit of Rs. 396Mn in an extremely challenging year marked by business interruptions which included the Easter Sunday terror attacks, Presidential elections, and the COVID-19 contagion. Having crossed the Rs.1Bn threshold in the previous financial year, we also recorded asset growth of 42% as Total Assets increased to Rs.1.6Bn by year end. These achievements were recorded with the operation of a single line of business without price revisions since 2011. A relentless focus on efficient customer service, operational efficiencies and enhancing accessibility have driven the growth of this business model which contributes significantly to maintaining the ambient air quality in the country.

## Increasing Footprint

An island-wide network of 238 customer touch points gives us significant reach to drive volumes. It comprises 95 fixed centres and 143 mobile locations and 42 mobile units. Business growth is driven only through volume growth as testing prices have remained the same for 9 years out of the 12 years of operations. We continue to offer two free tests if the first paid test is a failure to ease the regulatory cost for customers, which is beyond the requirements of our operating license. Although the vehicle population grew by 4.8% in 2019, our revenue had increased by 5% up to the end of January 2020 reflecting an increase in market share. The business closure from 16th March 2020 in the last quarter was a blow to the top line growth achieved during the financial year but we believe this is a mere deferment of income as we expect to gain this income in September 2020. The Department of Motor Traffic extended the deadline for renewal of revenue licenses until 30th September 2020 in view of the business closures. We are already seeing an uptick in business and have geared up to meet the pent-up demand.

## Our People

The LAUGFS Eco Sri team is a youthful team with over 50% of staff below 25 years of age and they are also spread throughout the country requiring a unique approach to talent management. Many are NVQ Level 3 graduates who are pursuing their studies to realise their

“A RELENTLESS FOCUS ON EFFICIENT CUSTOMER SERVICE, OPERATIONAL EFFICIENCIES AND ENHANCING ACCESSIBILITY HAVE DRIVEN THE GROWTH OF THIS BUSINESS MODEL”

## Group Deputy Chairman's Review

career aspirations, availing themselves of the privileges offered to support their studies such as time-off for classes and educational loans. Our recruitment standards are high to ensure we have people with the required skills on our team. They are given comprehensive training opportunities and are mentored throughout by the senior staff at the various sites. We encounter challenges in retaining them as their marketability increases with their progression through the NVQ levels and the experience gained with us. Despite this, we maintain a retention ratio of 80.34% which is testimony to our holistic employee value proposition.

### Technology

Technology is the core offering, supporting excellence in customer service and operational efficiencies. Our centres are equipped with high tech European Class Zero emission testing equipment. Additionally, all centres are linked to the Head office in real-time enabling our Operations team to monitor performance and address issues in a timely and effective manner. The equipment is calibrated annually by the Department of Measurement Units, Standards & Services (MUSSD) to ensure purity of tests. Eco Sri is supported by LAUGFS Group IT which has ISO 27001 for information security and 22301 business continuity standards.

### Financial Performance

Turnover remained flat at Rs.1.5Bn during the year due to the lockdown from 16th March 2020 resulting in significant loss of income. Growth up to March was positive, supported by our footprint, customer service and the free repeat of failed tests. Operating margins declined marginally as cost of sales and administration costs remained fixed despite the loss of income, exerting pressure on margins. Consequently, operating profit declined by 5% to Rs.457Mn. This does not adequately reflect the considerable measures implemented to reduce costs and make the operation leaner to improve margins but expect this to be reflected in the future performance of the company. Finance costs increased from Rs.1.6Mn in the previous year to Rs.39.6Mn during the year due to implementation of SLFRS 16: Reporting for Leases.

The Share of Associates Profit or loss was Rs.29Mn as LAUGFS Eco Sri has 25% stake in LAUGFS Property Developers (Pvt) Ltd. Profit Before Tax declined by

"THE LAUGFS ECO SRI TEAM IS A YOUTHFUL TEAM WITH OVER 50% OF STAFF BELOW 25 YEARS OF AGE AND THEY ARE ALSO SPREAD THROUGHOUT THE COUNTRY REQUIRING A UNIQUE APPROACH TO TALENT MANAGEMENT."

8% to Rs.502Mn as reduced margins higher finance costs and lower share of profit from associates. Profit After Tax amounted to Rs.396Mn declining by 7% over 2019 in line with the movements discussed above.

## Financial Stability

The balance sheet of the company is strong with zero borrowings in comparison to total assets of Rs.1.6Bn which is a key strength in navigating the present uncharted territory. Balance sheet growth was mainly due to the implementation of SLFRS 16: Leases which added Rs.349Mn to total assets and Rs. 377Mn to liabilities as operational leases were included in the balance sheet. Capex added a further Rs. 85Mn to total assets as we invested in growing our customer touch points.

Equity increased by 10% to Rs.1.1Bn as retained earnings increased by 16% to Rs.751Mn before adjusting for dividends. Equity accounts for 68% of total funding while Non-Current Liabilities and Current Liabilities account for 20% and 12% respectively. The largest liabilities relate to leases and employee benefit liabilities which amount to Rs.377Mn and Rs.73Mn, respectively.

## Outlook

Business sentiments and confidence has changed significantly as we emerge from the great lockdown of our times, LAUGFS Eco Sri commenced operations outside the Western Province on 20th April 2020 and on 11th May in the Western Province. Safety measures have been implemented at all locations to minimise risks to our employees and customers. Many customers were making their arrangements to renew the revenue licences before the deadline set on 30th September 2020. As emissions testing is a regulatory requirement and there are only two operators in the market, we expect the business to remain stable despite the uncertainty. As stated above, volume growth is largely dependent on customer accessibility and customer service. We are confident that we can compete effectively in the market with our existing customer touch points, capable team, and world class technology.

Our balance sheet is strong and there is adequate liquidity within the company to recoup the losses incurred during the lockdown. The fixed nature of our costs relies on efficient capacity utilisation levels to drive profitability. Consequently, we have frozen head count and capital expenditure as a prudential measure until cash flows normalise.

## Acknowledgements

I am deeply appreciative of the work done by the LAUGFS Eco Sri team in readily adapting to new ways of working and running a tight operation to deliver the results set out in this report. I thank the Board for their guidance in charting our course and their diligent oversight. My team and I are grateful for the kind cooperation of the officials of the Department of Motor Traffic. Finally, I thank our shareholders for their continued confidence in managing the performance of LAUGFS Eco Sri.

U.K. Thilak De Silva
Group Deputy Chairman

05th October 2020

# BOARD OF DIRECTORS

**DESHABANDU W. K. H. WEGAPITIYA**
Group Chairman

**MR. U. K. THILAK DE SILVA**
Group Deputy Chairman

**MR. PIYADASA KUDABALAGE**
Group Managing Director/GCEO

**MR. H. A. ARIYARATNE**
Non-Executive Director

**MR. MAYURA FERNANDO**
Independent Non-Executive Director

**MR. MURALI PRAKASH**
Independent Non-Executive Director

## DESHABANDU W.K.H. WEGAPITIYA

Group Chairman

Mr. W.K.H. Wegapitiya is the Founder Chairman of LAUGFS Holdings Limited, the parent company of LAUGFS Gas PLC, one of the highly-diversified business groups in Sri Lanka, having its presence in a wide business spectrum, such as LPG distribution, petroleum, lubricants, power generation, property development, shipping, heavy engineering, automobile services, leisure and restaurants, consumer retailing, manufacturing of salt, and manufacturing of industrial solid tyres. He functioned as the Executive Chairman and the Group CEO of LAUGFS Gas PLC at the time it was listed in the Colombo Stock Exchange in 2011, and as a part of the Group management succession plan, handed over the role of Group CEO to the newly appointed Group MD, and currently functions as Group Chairman. He holds a degree (B.Sc) in Business Administration from the University of Sri Jayawardenepura, and obtained his MBA from the Post Graduate Institute of Management (PIM). Currently, he is reading for his PhD at the Post Graduate Institute of Management (PIM).

In 1995 he was instrumental in creating Gas Auto Lanka (Private) Limited, the initial enterprise of now diversified LAUGFS Holdings Limited. The visionary leadership, remarkable entrepreneurship and his extra-ordinary personal traits to withstand and overcome all adversities thrown in his way, enabled him to succeed in all his endeavours to create the business conglomerate "LAUGFS", during a comparatively short period of time. A popular figure in the local entrepreneurial community in Sri Lanka as a success story, he was recognised as the best entrepreneur of the country many times. He is a frequent speaker, presenter and a panelist on topics such as "Business Excellence", "Leadership" and "Entrepreneurship" organised by a variety of organisations. He is a well-known personality in the global LP Gas and energy circles and also a regular participant and a speaker at international forums on LP Gas and Energy Management. Presently he serves as a Board member of Sri Lanka Telecom PLC. He served on many public and private sector institutes as an honorary member of the management. He was a Board member of Mobitel (Private) Limited, past Chairman of the Chamber of Young Lankan Entrepreneurs (COYLE), former Senior Vice President of FCCISL, Executive council member of FCCISL, Executive Committee member of Ceylon Chamber of Commerce, member of National Pay Commission, and Council member of University of Sri Jayawardenepura.

## MR. U.K. THILAK DE SILVA

Group Deputy Chairman

Mr. Thilak De Silva served as the Group Managing Director of LAUGFS Holdings Limited and all its subsidiaries from the inception in the year 1995, until the new Group MD was appointed as a result of the Group management succession plan. Thereafter, he is presently serving as the Group Deputy Chairman of this highly-diversified business conglomerate. The Group, is engaged with the widest landscape in business in the country, consisting of LP Gas downstream operations, petroleum fuel distribution, blending, storage distribution and sale of lubricants, maritime services including ownership and management of gas carriers, heavy engineering, vehicle emission testing, property development, leisure and hospitality with ownership and management of star class hotels, consumer retail chains, fast food chains, manufacture and export of solid tyres, manufacture and export of pharmaceuticals and IV solutions, hydro, solar and other types of renewable energy generation.

He was instrumental in the phenomenal growth of "LAUGFS", one of the household brands in Sri Lanka with over 50,000 customers across the country looking forward to its products and services on a daily basis for their varying needs. Mr. De Silva's untiring efforts, business acumen and industry knowledge amply supplemented by his undisputed and amazing charisma had driven the business operations to greater heights and had also made an indelible imprint in the glorious story of growth and development of the Group.

Mr. Thilak De Silva hails from a widely known, well-respected family with business interests from Southern Sri Lanka having had its lucrative operations in the South and in the central highlands. He had his primary and secondary education in the country and moved to the United Kingdom for his undergraduate studies in the sphere of Engineering Technology in the first instance, followed by a study in operations management. Having qualified from the prestigious institutions in the United Kingdom in both disciplines he returned to Sri Lanka to take up the mantle of the family business as its Executive Director. In the year 1995, however he was compelled to leave the business in the able hands of the rest of the family to join with his erstwhile colleague to commence the ground breaking initiative of "LAUGFS" to convert the vehicles driven by traditional fuels into LPG driven ones. This initiative proved to be the turning point that laid the foundation for the creation of a massive business conglomerate, and the rest is history.

Mr. De Silva had been a member, mover and a participant of number of entrepreneur and management development programs conducted in the country and overseas. He was a recipient of a scholarship from the Association for Overseas Technical (AOTS) programs in Japan in the year 2003. He is a regular participant in many LP Gas business forums conducted at various parts of the world over the years and widely connected to the industry personalities in the energy sector.

# Board of Directors

### MR. PIYADASA KUDABALAGE

Group Managing Director/GCEO

Mr. Piyadasa Kudabalage was appointed as the Group Managing Director and Group Chief Executive Officer of LAUGFS Holdings Limited and all its subsidiary companies with effect from 21st May 2020. He performs the overall provision of supervisory and leading the management of all the subsidiary companies under LAUGFS Holdings Limited.

Mr. Kudabalage has an extensive and impressive career spanning well over 35 years, both in the leading and reputable public and private sector organisations in a diverse landscape of businesses across, plantation management, insurance, banking and finance, leisure and hospitality, power and energy and industrial manufacture.

Mr. Kudabalage had occupied the top-rung positions in all sectors he was engaged with. He was the Managing Director/Chief Executive Officer of Sri Lanka Insurance Corporation Limited, Litro Gas Lanka Limited and Canwill Holdings (Private) Limited (Hyatt Hotel Group); former Director of People's Bank and all its subsidiaries, People's Leasing & Finance PLC and all its subsidiaries, Seylan Bank PLC, Ceybank Asset Management Limited and Colombo Dockyard PLC; and was also the former Chairman of Merchant Bank of Sri Lanka, Ceylon Asset Management PLC and E-Channeling PLC. Presently, Mr. Kudabalage serves as the Chairman of Alerics Dairy Product (Private) Limited and Piccadilly Cafe Limited. He is also carrying out a reputable audit firm as a sole proprietorship under his name. He is a well-qualified and experienced professional and also an alumni of the University of Kelaniya from where he was graduated in Business Administration and Management. Besides, he is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and also a Fellow member of the Institute of Certified Management Accountants and the Institute of Chartered Professional Managers of Sri Lanka.

In consideration of his outstanding career achievements, the "Professional Excellence Award" was been awarded to Mr. Kudabalage by the Institute of Chartered Management Accountants of Sri Lanka in year 2014 and also "Prasada Sambawana" award was been granted to him by the University of Kelaniya in year 2014 for the excellent service rendered to the government of Sri Lanka.

### MR. H.A. ARIYARATNE

Non-Executive Director

Mr. Ariyaratne possesses over 35 years of experience in the banking industry as a well-known banker. He is a First Class Honours Science Graduate with a wide exposure to the fields of development banking, investment banking, asset management, venture capital, corporate restructuring, etc. Mr. Ariyaratne served as the Executive Vice President of DFCC Bank in charge of overall lending and was the former Chief Executive Officer of Lanka Ventures PLC. In addition to that he has served in Director positions in other companies representing Lanka Ventures PLC and DFCC Bank, and he also served as an Independent Director at DFCC Bank. He has also served for many years as the Chairman of the Banking, Finance and Insurance Committee of the National Chamber of Sri Lanka.

He is the Chairman of the Remuneration Committee of LAUGFS Gas PLC and is a Director of LAUGFS Holdings Limited, the parent company of LAUGFS Gas PLC and serves on the Boards of several subsidiaries in the LAUGFS Group of Companies and Finagle Lanka (Private) Limited.

### MR. MAYURA FERNANDO

Independent Non-Executive Director

Mr. P.M.B. Fernando started his professional career at KPMG Ford Rhodes Thornton & Company and was a Partner of the Firm. He has extensive experience as Head of Finance, holding positions of Senior Vice President – Finance of Vanik and Forbes Ceylon Group, Group Finance Director of Confifi Group and Director Finance – Asian Region of Virtusa (An Information Technology Company based in Boston USA).

Moving on to General Management Mr. Fernando was the Managing Director of Capital Reach Holdings Ltd, Director/ Chief Executive Officer of Softlogic Finance PLC, Director/Chief Executive Officer of LAUGFS Capital Ltd and Chief Executive Officer of Orient Finance PLC. He is a Non-Executive Independent Director of DFCC Bank PLC, LAUGFS Power PLC, LAUGFS Eco Sri Limited, LAUGFS Leisure Limited and Lanka Hospitals Corporation PLC.

Mr. Fernando is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants of UK. He holds a Bachelor of Science (Applied Science) Degree from University of Sri Jayawardenepura.

### MR. MURALI PRAKASH

Independent Non-Executive Director

Mr. Murali Prakash is currently the Group Managing Director/Chief Executive Officer of Ambeon Capital PLC and Ambeon Holdings PLC. Ambeon Capital PLC is the investment company and the parent of Ambeon Holdings PLC, the investment holding and management company of Colombo City Holdings PLC, Ceylon Leather Products Limited, Dankotuwa Porcelain PLC, Millennium I.T.E.S.P. (Private) Limited, Royal Fernwood Porcelain Limited, South Asia Textiles Limited and Taprobane Capital Plus (Private) Limited. Mr. Prakash serves as a Director on the respective boards of all these private and public quoted subsidiaries within the Group. He also serves as a Non-Executive Independent Director of LAUGFS Gas PLC, and several other subsidiaries of the LAUGFS Group.

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

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

# CORPORATE MANAGEMENT

**MR. SALIYA DISSANAYAKE**
Deputy General Manager - Operations

**MR. ATHULA SILVA**
Senior Manager Finance

**MR. NALINDA DAMION**
Senior Manager - Logistics

**MR. OSHADH DE SILVA**
Manager - Marketing

**MR. THUSITHA DE SILVA**
Manager - Human Resources

**MR. RASIKA PERERA**
Manager - Technical

**MR. NIRAN MADUSHANKA**
Assistant Manager - Projects

**MR. SAJITH WICKRAMAARACHCHI**
Director/ Group Chief Human Resource Officer

**MR. DHAMMIKA CABRAL**
Director/ Group Head of Supply Chain

**MR. SHANAKA INDRADASA**
Chief Financial Officer

**MR. BUDDHIKA MATHEW**
Head of Legal

**MR. SANJEEVA WICKRAMASINGHE**
Head of Group Risk & Control

**MAJ. GEN. DEVINDA PERERA (RTD.)**
Head of Group Security & Administration

**MS. SHEHARA FERDINANDIS**
Senior Manager - Corporate Communications

**MR. GAYAN RANASINGHE**
Senior Manager IT - Development, Data Centre & IT Projects

**MR. BUDDHI WEERASEKERA**
Senior Manager IT – Group IT Infrastructure & SOC

# MANAGEMENT DISCUSSION AND ANALYSIS

## Value Delivered


### Vehicle Population

During 2019, the vehicle industry witnessed a setback as vehicle imports declined due to strict measures implemented by the Government to curtail imports. Total vehicle population at the end of 2019 was 8.09Mn ending with a slow growth of 4.8% compared to last year. There is also a decline of import value of personal vehicles to 149.9Mn compared to 254.4Mn in the last year.

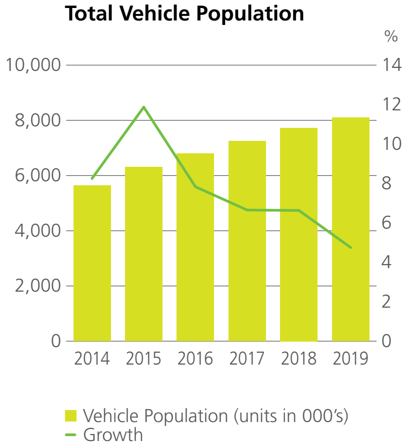
### Vehicle Registrations

Vehicle registrations declined by 24% at the end of 2019 to 367,303 vehicles due to restrictions on imports. The impact was worsened with the outbreak of COVID-19 pandemic with registrations further declining in the last quarter of the financial year by 22%.

### Vehicle Mix

Most vehicle categories witnessed a decline in registrations. Personal vehicles such as Motor cars and Motor-cycles which account for more than 80% of vehicle registrations declined by 53% and 16% during 2019.

**Total Vehicle Population**




**200+**

Customer touch points spread across the island

**The demand for vehicle emission testing services largely depend on the growth and mix of the vehicle population in the country. During 2019, total population growth declined to 4.8% from 6.6%.**

**During the year, we established four fixed centres which were dispersed in various provinces including the Western, Northern, North Central and Sabaragamuwa provinces to enhance our breadth of regional presence.**

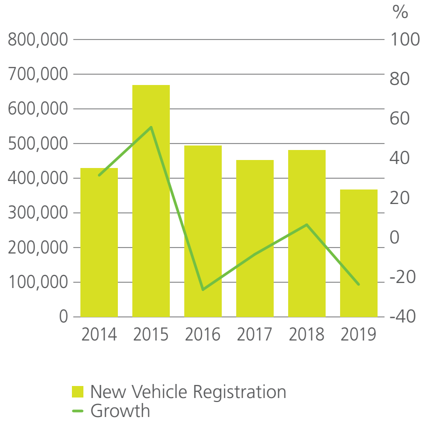

## Key Challenges

- No pricing revisions for vehicle emission testing services over the last 09 years.
- Increasing registration of hybrid and electric vehicles.
- Scarcity of qualified technicians.
- Intense competition

## Opportunities

- Stable demand as emission testing is mandatory for all vehicles (except few categories).
- Easing of monetary policy and declining interest rates reduce the cost of vehicle financing.
- Removal of restrictions on imports of vehicles under concessionary permits in 2019.

**New Registration of Motor Vehicles**



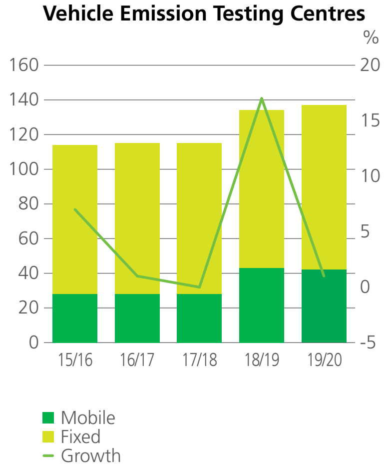

Customer care is key, and we ensured all our employees are well trained with the capability to deliver specialised and high-quality services to customers.

# Management Discussion and Analysis

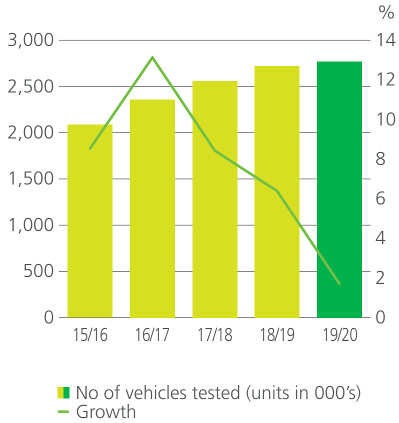
## Operating Environment

### Value Delivered

**Vehicle Emission Testing Centres**




**Number of Initial Tests**




### Our Strategy

**Increasing Reach** — Established four fixed centres which also includes conversion of mobile centres.

**Enhance Brand Visibility** — Visibility enhancements to differentiate Eco Sri centres

**Customer Service Excellence** — Quick and efficient services — Total training hours 15,480

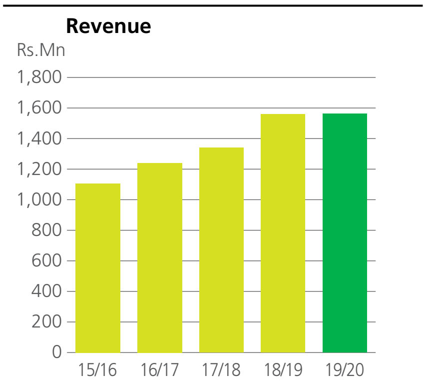
| What We Achieved (Rs. Mn) | 18/19 | 19/20 | Variance |
|---|---|---|---|
| Revenue | 1,558 | 1,561 | 0.2% |
| Operating Profit | 481 | 457 | (5%) |
| Profit Before Tax | 547 | 501 | (8.4%) |
| Profit After Tax | 426 | 396 | (7%) |
| Assets | 1,185 | 1,682 | 42% |
| Liabilities | 137 | 532 | 288% |

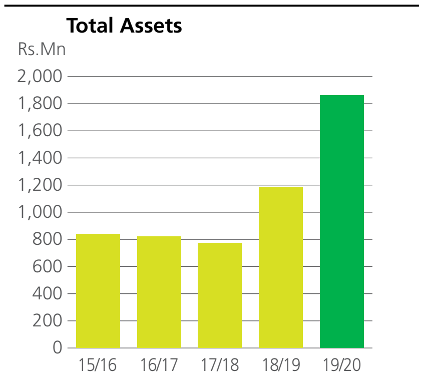
| Value Delivered (Rs. Mn) | 18/19 | 19/20 |
|---|---|---|
| **Providers of Capital Funds** | | |
| Dividend Payments | - | 290 |
| Interest Payments | 0.64 | 0.10 |
| **Employees** | | |
| Training and Development Spent | 3.4 | 1.4 |
| Salaries and Benefits | 409 | 465 |
| **Government** | | |
| Taxes and other levies | 507 | 463 |

## Revenue

Revenue remained in line with last year at Rs. 1,561Mn due to slow paced volume growth and no pricing revisions approved by the DMT over the last nine years. However, we continued to focus on increasing reach, brand visibility and maintaining our excellence in customer care. With this, the number of initial tests remained almost in line with last year at 2,769,413.The outbreak of COVID-19 had a severe effect on business performance especially over the last two weeks of the financial year. Revenue in the last quarter of the year declined by 27% compared to last year.

During the year, we opened four new centres which were dispersed in various provinces including the Western, Northern, North Central and Sabaragamuwa provinces to enhance our breadth of regional presence. Customer care is key, and we ensured all our employees are well trained with the capability to deliver specialised and high-quality services to customers. With this the number of customer complaints significantly reduced during the year.




## Profitability and Efficiency

Gross profits declined by 4% to Rs. 798Mn with the increase in cost of sales due to increasing field staff costs and adoption of SLFRS 16 - leases. As a result, gross margins declined to 51% in 2019/20 from 53% last year. Cost management is key to drive our business performance and we adopted many strategic measures including a linear management structure, centralised services and the outsourcing of certain processes. Administration expenses marginally increased to Rs. 335Mn. Promotional expenses significantly declined during the year to Rs. 11Mn.

Operating profits declined by 5% to Rs. 457Mn. Despite the decline in borrowings, finance costs significantly increased to Rs. 40Mn from Rs. 1.6Mn last year as the group adopted SLFRS 16 – leases with effect from 1 April 2019 leading to the recognition of Rs. 40Mn as notional interest on operating lease liability. In addition, the share of associate results during the year amounted to Rs. 29Mn compared to Rs. 41Mn. With this, Profit Before Tax declined by 8% to Rs. 502Mn. Profit After Tax declined by 7% to Rs. 396Mn with PAT margins declining to 25% from 27% last year. Earnings per share declined by 7% to Rs.1.02 per share.

# Management Discussion and Analysis

| Key Ratios | 17/18 | 18/19 | 19/20 |
|---|---|---|---|
| **Margins** | | | |
| Gross Profit Margins | 61% | 53% | 51% |
| Operating Margins | 37% | 31% | 29% |
| PBT Margins | 43% | 35% | 32% |
| PAT Margins | 35% | 27% | 25% |
| **Other** | | | |
| Interest Coverage Ratio (Times) | 430 | 811 | 6,624 |
| Return on Assets | 60% | 36% | 24% |
| Return on Equity | 75% | 51% | 34% |
| Return on Capital Employed | 86% | 42% | 34% |

## Net Assets and Funding Profile

Assets significantly increased by 42% to Rs. 1,682Mn with the recognition of right to use assets valued at Rs. 349Mn as per the requirements of SLFRS 16 – leases. Non-current assets increased by 72% to Rs. 996Mn, being the key contributor to asset growth during the year. Current assets grew at a moderate pace of 13% to Rs. 686Mn with the increase in trade and other receivables.

## Investments

Property, Plant and Equipment increased by 22% to Rs. 186Mn with capital expenditure of Rs. 85Mn incurred on establishing fixed centres and replacement of assets.

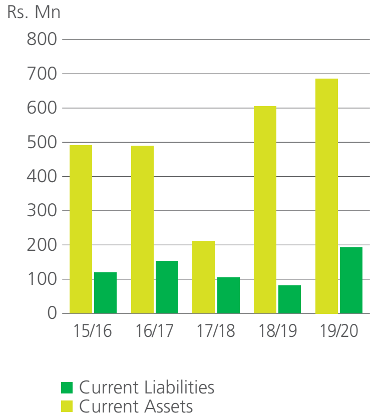
## Liabilities

Total liabilities significantly increased to Rs. 532Mn in 2019/20 compared to Rs. 137Mn last year due to the recognition of lease liabilities as a requirement of SLFRS-16-Leases. Non-current liabilities increased six- fold as lease liabilities of Rs. 267Mn formed 50% of total liabilities. Current liabilities too increased to Rs. 192Mn of which lease liabilities amounted to Rs. 111Mn.

## Equity

The 10% increase in equity to Rs.1,151Mn in 2019/20 was attributable to the growth in retained earnings by 16% to Rs. 751Mn.

**Current Assets & Current Liabilities**




## Liquidity and Solvency

Cash and short-term deposits for the year stood at Rs. 77Mn. Operating cash inflows declined to Rs. 27Mn (Rs. 459Mn in 18/19) due to the increase in trade and receivables. Cash outflows from investing activities amounted to Rs. 30Mn compared to Rs 16Mn last year, due to the capital expenditure. Cash outflows from financing activities increased to Rs. 439Mn due to the lease payments and dividend payment.

## Outlook

Despite a challenging 2020, we will continue to focus on driving volume growth by improving customer accessibility through new centres and enhancing customer care. As modern testing techniques and a skilled team drives our competitive edge, we will continue to invest on developing our technical skills through various training programs while ensuring our testing equipment comply with certifications and standards.

The impacts of COVID-19 pandemic will affect vehicle imports leading to a slowdown in registrations of new vehicles and Government has provided the grace period for revenue license up to 30th September. However, as emission testing services are mandatory, demand will continue to be driven through the existing vehicle fleet.

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

The Directors of LAUGFS Eco Sri Limited have the pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2020.

## General

LAUGFS Eco Sri Limited ("Company") is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 101, Maya Avenue, Colombo 06. The Company has changed its status on 14 February 2018 as a public limited liability company (previously known as "LAUGFS Eco Sri (Private) Limited").

An application was made on 11th September 2018 to list the shares of the Company on the Diri Savi Board of the CSE. The application is currently being processed by the CSE.

## Principal Activities of the Company and Review of Performance During The Year

The principal activity of the Company is providing motor vehicle emission testing services.

This Report and the Financial Statements reflect the state of affairs of the Company.

## Parent Entity and Ultimate Parent Entity

The Company's immediate Parent Company was LAUGFS Gas PLC, whereas the ultimate Parent Company was LAUGFS Holdings Limited, which are incorporated in Sri Lanka. As a result of LAUGFS Gas PLC applying for a scheme of arrangement under section 256 of the Companies Act, the Company was vested with the shareholders of LAUGFS Gas PLC with effect from 31st March 2018. Accordingly, LAUGFS Holdings limited became the present Parent Company of LAUGFS Eco Sri Limited.

## Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board of Directors and the Auditors, are included in this Annual Report and form part and parcel hereof.

## Auditors' Report

The Report of the Auditors on the group Financial Statements is attached with the Financial Statements.

## Accounting Policies

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). and the accounting policies adopted thereof are given on pages 35 to 68 which are consistent with those of the previous year.

## Directors

The names of the Directors of the Company who held office as at the end of the accounting period are given below:

Mr. W. K. H. Wegapitiya
- Executive Chairman

Mr. U. K. Thilak De Silva
- Executive Deputy Chairman

*Mr. N. M. Prakash
- Director

*Mr. P. M. B. Fernando
- Director

Mr. H. A. Ariyaratne
- Director

*Independent Non-Executive Directors

During the year under review Mr. P. M. B. Fernando retires by rotation in terms of Article 26(6) of the Articles of Association

## Interests Register

The Company maintains an Interests Register in terms of the Companies Act, No.7 of 2007.

## Directors' Remuneration

The Directors remuneration is disclosed under Key Management Personnel of the Company in Note No 20.3 to the Financial Statements.

## 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.

## Stated Capital

The Stated Capital of the Company as at 31st March 2020 amounted to Rs. 400,000,000/- represented by 387,000,086 ordinary voting and ordinary non-voting shares.

## Directors' shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2020 are as follows:

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

| | Shareholding as at 31/03/2020 Voting | Non Voting | Shareholding as at 31/03/2019 Voting | Non Voting |
|---|---|---|---|---|
| Mr. W. K. H. Wegapitiya | 1,411,536(0.42%) | - | 1,411,536(0.42%) | - |
| Mr. .U K. Thilak De Silva | 1,077,897(0.32%) | - | 1,077,897(0.32%) | - |
| *Mr. N. M. Prakash | 17,000(0.01%) | - | 17,000(0.01%) | - |
| *Mr. P. M. B. Fernando | 100(0.00%) | - | 100(0.00%) | - |
| Mr. H. A. Ariyaratne | 3,900(0.00%) | 3,400(0.01%) | 3,900(0.00%) | 3,400(0.01%) |

* Independent Non-Executive Directors

## Major Shareholders, Distribution Schedule and other information

Information on the twenty largest shareholders, are given on pages 69, and 70.

## Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors of the Company and its subsidiaries, during the year under review.

A sum of Rs. 305,169/- was payable by the Company to the Auditors as Audit and non audit related services for the year under review.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

## Donations

The Company made donations of Rs. 45,000 during the year under review.

## Dividend

The Company has not declared a dividend for the period under review.

## Property, Plant and Equipment

Details of Property, Plant and Equipment and changes during the year are given in Note 7 of the Financial Statements.

## Material Foreseeable Risk Factors

Foreseeable risks that may materially impact the business are disclosed in page no 68 of this report.

## Employees and industrial relations

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

## Statutory Payments

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for.

## Annual General Meeting

The Annual General Meeting will be held on 29th October 2020, 5.30 pm at the LAUGFS Head Office, 101, Maya Avenue, Colombo 06.

The notice of the Annual General Meeting along with proxy forms are enclosed herewith.

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

**W.K.H. Wegapitiya**
Group Chairman

**U.K. Thilak De Silva**
Group Deputy Chairman

**P W Corporate Secretarial (Pvt) Ltd**
Secretaries
Colombo

05th October 2020

# FINANCIAL INFORMATION

# INDEPENDENT AUDITORS' REPORT

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

## TO THE SHAREHOLDERS OF LAUGFS ECO SRI LIMITED

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of LAUGFS Eco Sri Limited, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss, statement of 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 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.

### 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.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## 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.

Ernst & Young

04th September 2020
Colombo

# STATEMENT OF PROFIT OR LOSS

| Year ended 31 March | Note | 2020 Rs. | 2019 Rs. |
|---|---|---|---|
| Revenue from Contracts with Customers | 3 | 1,561,356,084 | 1,558,286,030 |
| Cost of Sales | | (763,824,066) | (730,039,935) |
| Gross Profit | | 797,532,018 | 828,246,095 |
| Other Operating Income | 4.1 | 4,978,776 | 4,474,134 |
| Administrative Expenses | | (334,986,871) | (328,783,671) |
| Promotional Expenses | | (10,645,487) | (22,841,910) |
| Operating Profit | | 456,878,436 | 481,094,648 |
| Finance Costs | 4.2 | (39,659,905) | (1,642,826) |
| Finance Income | 4.3 | 54,936,776 | 26,943,374 |
| Share of Associates' Results | 9.2.3 | 29,476,806 | 40,555,326 |
| Profit before Tax | | 501,632,113 | 546,950,522 |
| Income Tax Expense | 5.1 | (105,558,871) | (120,604,445) |
| Profit for the Year | | 396,073,242 | 426,346,077 |
| Earning Per Share - Basic/Diluted | 6 | 1.02 | 1.10 |

The accounting policies and notes on pages 35 through 68 form an integral part of the financial statements.

# STATEMENT OF OTHER COMPREHENSIVE INCOME

| Year ended 31 March | Note | 2020 Rs. | 2019 Rs. |
|---|---|---|---|
| Profit for the Year | | 396,073,242 | 426,346,077 |
| Net Actuarial Gains/(Losses) on Defined Benefit Plans | 16.2 | (5,037,568) | (2,538,566) |
| Share of Associates' Other Comprehensive Income | 9.2.3 | (50,305) | 12,996 |
| Income Tax Effect | 5.2 | 1,007,514 | 505,894 |
| Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods | | (4,080,359) | (2,019,676) |
| Other Comprehensive Income for the Year Net of Tax | | (4,080,359) | (2,019,676) |
| Total Comprehensive Income for the Year Net of Tax | | 391,992,883 | 424,326,401 |

The accounting policies and notes on pages 35 through 68 form an integral part of the financial statements.

# STATEMENT OF FINANCIAL POSITION

| As at 31 March | Note | 2020 Rs. | 2019 Rs. |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 7.3 | 186,113,395 | 152,573,648 |
| Intangible Assets | 8 | 414,712 | 903,139 |
| Right-of-use asset | 7.6 | 349,455,933 | - |
| Investments in Associates | 9.2.2 | 456,178,903 | 426,752,402 |
| Deferred Tax Assets | 5.5 | 4,224,692 | - |
| | | 996,387,635 | 580,229,189 |
| **Current Assets** | | | |
| Inventories | 10 | 27,378,212 | 28,391,785 |
| Trade and Other Receivables | 11 | 581,709,497 | 56,714,377 |
| Cash and Short Term Deposits | 12.1 | 77,009,667 | 520,294,807 |
| | | 686,097,376 | 605,400,969 |
| **Total Assets** | | 1,682,485,011 | 1,185,630,158 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Stated Capital | 13 | 400,000,000 | 400,000,000 |
| Retained Earnings | | 750,619,539 | 648,876,720 |
| **Total Equity** | | 1,150,619,539 | 1,048,876,720 |
| **Non-Current Liabilities** | | | |
| Interest Bearing Loans and Borrowings | 15.1 | 266,955,042 | - |
| Deferred Tax Liabilities | 5.5 | - | 107,654 |
| Employee Benefit Liability | 16.2 | 73,350,797 | 55,339,309 |
| | | 340,305,839 | 55,446,963 |
| **Current Liabilities** | | | |
| Trade and Other Payables | 17 | 51,645,703 | 39,717,546 |
| Interest Bearing Loans and Borrowings | 15.1 | 115,282,942 | 10,495,024 |
| Income Tax Payable | | 24,630,988 | 31,093,905 |
| | | 191,559,633 | 81,306,475 |
| **Total Equity and Liabilities** | | 1,682,485,011 | 1,185,630,158 |

These financial statements are in compliance with the requirements of the Companies Act No: 07 of 2007

Shanaka Indradasa
Chief Financial Officer

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the board by:

W.K.H. Wegapitiya
Director

U.K. Thilak De Silva
Director

The accounting policies and notes on pages 35 through 68 form an integral part of the financial statements.

04th September 2020
Colombo

# STATEMENT OF CHANGES IN EQUITY

| Year ended 31 March | Note | Stated Capital Rs. | Retained Earnings Rs. | Total Rs. |
|---|---|---|---|---|
| As at 1 April 2018 | | 400,000,000 | 224,550,319 | 624,550,319 |
| Profit for the Year | | - | 426,346,077 | 426,346,077 |
| Other Comprehensive Income | | - | (2,019,676) | (2,019,676) |
| Total Comprehensive Income | | - | 424,326,401 | 424,326,401 |
| As at 31 March 2019 | | 400,000,000 | 648,876,720 | 1,048,876,720 |
| Profit for the Year | | - | 396,073,242 | 396,073,242 |
| Other Comprehensive Income | | | (4,080,359) | (4,080,359) |
| Total Comprehensive Income | | - | 391,992,883 | 391,992,883 |
| Dividend Paid -2018/19 | 14 | - | (290,250,065) | (290,250,065) |
| As at 31 March 2020 | | 400,000,000 | 750,619,539 | 1,150,619,539 |

The accounting policies and notes on pages 35 through 68 form an integral part of the financial statements.

# STATEMENT OF CASH FLOWS

| Year ended 31 March | Note | 2020 Rs. | 2019 Rs. |
|---|---|---|---|
| **Cash Flows Generated from / (Used in) Operating Activities** | | | |
| **Cash Flow from Operating Activities** | | | |
| Net Profit before Tax | | 501,632,113 | 546,950,522 |
| **Adjustments for** | | | |
| Depreciation of Property, Plant and Equipment | 7.2 | 47,544,023 | 48,274,743 |
| Amortisation of Intangible Assets | 8 | 488,427 | 3,901,960 |
| (Gain)/Loss on Disposal of Property, Plant and Equipment | | 3,524,169 | (298,437) |
| Amortisation of Right-of-Use-assets | | 133,034,470 | - |
| Share of Results of Associates | 9.2.3 | (29,476,806) | (40,555,326) |
| Interest Income | 4.3 | (54,936,776) | (26,943,374) |
| Finance Costs | 4.2 | 39,659,905 | 1,642,826 |
| Transfer of Employee Benefit Liability | 16.2 | - | 821,387 |
| Provision for Employee Benefit Liability | 16.1 | 16,444,895 | 12,839,298 |
| **Operating Profit before Working Capital Changes** | | 657,914,420 | 546,633,599 |
| (Increase)/ Decrease in Inventories | | 1,013,572 | 9,849,718 |
| (Increase) / Decrease in Trade and Other Receivables | | (524,995,120) | 12,853,963 |
| Increase/ (Decrease) in Trade and Other Payables | | 11,904,656 | (3,635,581) |
| **Cash Generated from Operations** | | 145,837,528 | 565,701,699 |
| Interest Paid | 4.2 | (75,704) | (1,642,826) |
| Tax Paid | | (115,346,626) | (103,337,632) |
| Employee Benefit Liability Cost Paid | 16.2 | (3,470,975) | (1,627,733) |
| **Net Cash Flows Generated from Operating Activities** | | 26,944,223 | 459,093,509 |
| **Cash Flow from Investing Activities** | | | |
| Acquisition of Property, Plant and Equipment | 7.1 | (84,873,017) | (42,847,776) |
| Acquisition of Intangible Assets | 8 | - | (686,421) |
| Proceeds from Disposal of Property, Plant and Equipment | | 265,081 | 372,677 |
| Interest Received | 4.3 | 54,936,776 | 26,943,374 |
| **Net Cash Flows Used in Investing Activities** | | (29,671,160) | (16,218,146) |
| **Cash Flow from Financing Activities** | | | |
| Capital Repayment under Finance Lease Liabilities | 15.1 | (4,211,492) | (7,923,857) |
| Lease payments | | (144,511,437) | - |
| Dividends Paid | 14 | (290,250,065) | - |
| **Net Cash Flows Used in Financing Activities** | | (438,972,994) | (7,923,857) |
| **Net Increase/(Decrease) in Cash and Cash Equivalents** | | (441,699,931) | 434,951,505 |
| **Cash and Cash Equivalents at the Beginning of the Year** | 12 | 514,011,275 | 79,059,770 |
| **Cash and Cash Equivalents at the End of the Year** | 12 | 72,311,344 | 514,011,275 |

The accounting policies and notes on pages 35 through 68 form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Corporate Information

### 1.1 General

LAUGFS Eco Sri Limited, formerly known as LAUGFS Eco Sri (Pvt) Limited ("Company") is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 101, Maya Avenue, Colombo 06.

### 1.2 Principal Activities and Nature of Operations

The principal activity of the Company is providing motor vehicle emission testing services.

### 1.3 Parent Entity and Ultimate Parent Entity

The Company's parent entity is LAUGFS Holdings Limited. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is LAUGFS Holdings Limited, which is incorporated in Sri Lanka

### 1.4 Directors' Responsibility Statement

The Board of Directors is responsible for these financial statements.

### 1.5 Date of Authorisation for Issue

The Financial Statements of LAUGFS Eco Sri Limited for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 04 September 2020.

## 2. Accounting Policies

### 2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

### 2.1.1 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for defined benefit obligation which is measured at present value of the obligation.

The financial statements are presented in Sri Lankan Rupees.

### 2.1.2 Statement of Compliance

The financial statements of LAUGFS Eco Sri Limited have been prepared in compliance with Sri Lanka Accounting Standards.

The preparation and presentation of these financial statements are in compliance with the Companies Act No. 07 of 2007.

### 2.1.3 Going Concern

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

### 2.2 Significant Accounting Estimates and Assumption

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets within the next financial year are discussed below. The respective carrying amounts of assets are given in related notes to the financial statements.

#### Defined Benefit Plans

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations. The Actuarial Valuation involves making assumptions about discount rates, future salary increases and other important related data. Due to the long term nature of employee benefits, such estimates are subject to significant uncertainty. Further details of assumptions together with an analysis of their sensitivity as carried out by the management in relation to the above key assumptions and the results of the sensitivity analysis are given in Note 16.

#### Deferred Taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax that can be recognised based upon the likely timing and the levels of future taxable profits.

### 2.3 Summary of Significant Accounting Policies

### 2.3.1 Current Versus Non-Current Classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period.

  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current assets.

A liability is current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.

  Or

- The entity does not have a right at the reporting date to defer settlement of the liability by the transfer of cash or other assets for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities

### 2.3.2 Taxation

#### a) Current Taxes

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

Current income tax relating to items recognised directly in equity or in other comprehensive income is recognised in equity or in other comprehensive income and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Tax withheld on dividend income from Subsidiaries is recognised as an expense in the statement of profit or loss at the same time as the liability to pay the related dividend is recognised.

#### b) Deferred Tax

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except, when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or/and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except, when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or/and In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities arising from investment properties at fair value are measured based on the tax consequence of the presumption that the carrying amount of the investment properties measured at fair value will be recovered entirely through sale. This presumption is consistent with the management's business model for the investment properties.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### c) Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable. Receivable and payable are stated including the amount of sales taxes. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statements of Financial Position.

### 2.3.3 Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

#### a) Rendering of Services

Revenue from rendering of services is recognised in the period in which the services are rendered or performed.

#### b) Other Income

Other income is recognised on an accrual basis.

### 2.3.4 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### a) Company as a lessee

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

#### Right-of-use assets

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

- Lease hold Land 1 to 10 Years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### B) Company as a Lessee

#### Prior to 01 April 2019

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### After 01 April2019

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

# Notes to the Financial Statements

### Right-of-use assets

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

- Lease hold Land 1 to 10 Years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment of non-financial assets.

### Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Right -to-use- Lease Liability (see Note 15.1.3).

### 2.3.5 Investment in Associates

An Associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries. The Company's investments in its Associate is accounted for using the equity method. Under the equity method, the investment in an Associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the Associate since the acquisition date.

Goodwill relating to the Associate is included in the carrying amount of the investment and is not tested for impairment individually.

The Statement of Profit or Loss reflects the Company's share of the results of operations of the Associate. Any change in Other Comprehensive Income of those investees is presented as a part of the Company's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the Associate or Joint Venture, the Company recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the Associate.

The aggregate of the Company's share of Profit or Loss of an Associate is shown on the face of the Statement of Profit or Loss and represents profit or loss after tax.

The Financial Statements of Associate is prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in Associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the Associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value, and then recognises the loss in the 'Share of results of Associates' in the Statement of Profit or Loss.

Upon loss of significant influence over the Associate the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the Associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## 2.3.6 Financial Instruments - Initial Recognition and Subsequent Measurement

### 2.3.6.1 Financial Assets

#### Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

#### Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### Financial Assets at Amortised Cost (Debt Instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

  And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables.

#### Financial Assets at Fair Value Through OCI (Debt Instruments)

Company measures debt instruments at fair value through

OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

  And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company has not designated any financial asset as at fair value through OCI with recycling of cumulative gains and losses (debt instruments).

### Financial Assets Designated at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company has not designated any financial asset as at fair value through OCI (equity instruments).

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Company has not designated any financial asset as at fair value through profit or loss.

Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

  Or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Company applies a simplified approach in calculating 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.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 2.3.6.2 Financial Liabilities

### Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

### Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

### Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SLFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

### Financial Liabilities at Amortised Cost

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category applies to interest-bearing loans and borrowings. For more information, refer to Note 15.2

### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in selling and distribution expenses.

### 2.3.6.3 Impairment of Financial Assets

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

#### a) Financial Assets Carried at Amortised Cost

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

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

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

### 2.3.6.4 Financial Liabilities

#### Initial Recognition and Measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and income tax payable.

#### Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

#### a) Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that is an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### 2.3.6.5 Offsetting of Financial Instruments

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

#### 2.3.6.6 Fair Value of Financial Instruments

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 15.2.

### 2.3.7 Cash and Short Term Deposits

Cash and short term deposits are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and short term deposits consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

### 2.3.8 Property, Plant and Equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing parts of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end

### 2.3.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

# Notes to the Financial Statements

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

## 2.3.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 2.3.11 Employee Benefit Obligations

### a) Defined Benefit Plan – Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every financial year using Projected Unit Cost Method. Actuarial gains and losses are recognised in other comprehensive income (OCI) in the period in which it arises. The liability is not funded.

### b) Defined Contribution Plans – Employee's Provident Fund and Employee's Trust Fund

Employees are eligible for Employee's Provident Fund Contributions and Employee's Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employee's Provident Fund and Employee's Trust Fund respectively.

## 2.3.12 Impairment of Non Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.3.13 Inventories

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

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:-

Consumption Stock - At actual cost on Weighted Average Cost basis

### 2.3.14 Dividend Distribution

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

## 2.4 New and Amended Standards and Interpretations

### 2.4.1 SLFRS 16 – Leases

The Company adopted SLFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019/20, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

Lessor accounting under SLFRS 16 is substantially unchanged from under LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Company is the lessor.

The Company adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application.

The Company has lease contracts for Land & Building before the adoption of SLFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

The effect of adoption SLFRS 16 as at 1 April 2019 is as follows:

| | Rs. |
|---|---|
| Assets | |
| Non Current Assets | |
| Right of Use Assets | 456,355,755 |
| Lease rentals paid in advance | - |
| Total Assets | 456,355,755 |
| Liabilities | 456,355,755 |
| Total Liabilities | 456,355,755 |

#### a) Nature of the effect of adoption of SLFRS 16

Upon adoption of SLFRS 16, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term Leases and Leases of low-value assets. The Company recognised lease liabilities to make lease payments and Right-of-Use Assets representing the right to use the underlying assets.

#### Company as a lessee

For leases previously classified as finance leases, the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The requirements of SLFRS 16 was applied to these leases from 1 April 2019.

#### Leases previously accounted for as operating leases

The Company recognised right of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right of use assets and lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

| | Rs. |
|---|---|
| Operating lease commitments as at 31 March 2019 | 617,129,921 |
| Discounted operating lease commitments at 1 April 2019 | 456,355,755 |
| Less: | |
| Commitments relating to short-term leases | - |
| Add: | |
| Commitments relating to leases previously classified as finance leases | - |
| Payments in optional extension periods not recognised as at 31 March 2019 | - |
| Lease liabilities as at 1 April 2019 | 456,355,755 |

#### b) Estimating the incremental borrowing rate (IBR)

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

### 2.4.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions where the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

### 2.5 Effect of Sri Lanka Accounting Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the group's financial statements are disclosed below. The group intends to adopt these standards, if applicable, when they become effective.

#### Amendments to LKAS 1 and LKAS 8: Definition of Material

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

The amendments are applied prospectively for the annual periods beginning on or after 1 January 2020 with early application permitted.

### Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

### Amendments to references to the conceptual framework in SLFRS standards

Revisions to the Conceptual Framework were made because some important issues were not covered, and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application is permitted.

# Notes to the Financial Statements

## 3. Revenue from Contracts with Customers

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| Rendering of Services | 1,561,356,084 | 1,558,286,030 |
| | 1,561,356,084 | 1,558,286,030 |

## 4. Other Income and Expenses

### 4.1 Other Operating Income

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| Sundry Income | 4,978,776 | 4,474,134 |
| | 4,978,776 | 4,474,134 |

### 4.2 Finance Costs

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| Interest Expense on Finance Lease | 69,323 | 637,775 |
| Interest Expense on Overdrafts | 6,381 | 5,051 |
| Guarantee Commission Charges | - | 1,000,000 |
| Interest Expense on Lease Liability | 39,584,201 | - |
| | 39,659,905 | 1,642,826 |

### 4.3 Finance Income

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| Interest Income | 14,371,788 | 26,943,374 |
| Interest Income on Inter Company | 40,564,988 | - |
| | 54,936,776 | 26,943,374 |

## 4.4 Profit Before Tax

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **Stated after Charging/(Crediting)** | | |
| **Included in Cost of Sales/Service and Operational Expenses** | | |
| VET Certificate Charges | 8,811,163 | 11,800,202 |
| | | |
| Employee Benefit including the following ; | 318,945,444 | 289,845,821 |
| - Salaries and Allowances | 279,535,281 | 253,679,801 |
| - Defined Contribution Plan Costs - EPF & ETF | 27,832,501 | 25,254,074 |
| Depreciation of Property, Plant and Equipment | 32,689,864 | 35,007,982 |
| Land Rent | - | 101,557,831 |
| Spare Parts and Consumables | 21,723,056 | 22,948,272 |
| Depreciation of ROUA | 114,035,700 | - |
| | | |
| **Included in Administration Expenses** | | |
| Directors' Fees and Emoluments | 92,231,586 | 66,981,795 |
| Auditors' Remuneration - Fees | 305,169 | 375,000 |
| Depreciation of Property, Plant and Equipment | 14,854,159 | 13,266,762 |
| Amortisation of Intangible Assets | 316,821 | 3,801,857 |
| Depreciation of ROUA | 18,998,770 | - |
| | | |
| Employee Benefit including the following ; | 146,086,810 | 119,464,430 |
| - Salaries and Allowances | 88,915,857 | 67,005,667 |
| - Defined Benefit Plan Costs - Gratuity | 16,444,895 | 12,839,297 |
| - Defined Contribution Plan Costs - EPF & ETF | 9,108,070 | 6,489,748 |
| Shared Service Fee | 7,764,295 | 7,821,442 |
| Loss/(Profit) on Sale of Property, Plant & Equipment | 3,524,169 | (298,437) |
| | | |
| **Included in Promotional Expenses** | | |
| Advertising and Promotional Cost | 10,600,487 | 22,686,041 |

## 4.5 Components of Other Comprehensive Income

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **Employee Benefit Liability** | | |
| Actuarial Gains/(Losses) arising during the Year | 5,037,568 | 2,538,566 |

## 5. Income Tax

The major components of income tax expense for the years ended 31 March 2020 and 31 March 2019 are:

### 5.1 Statement of Profit or Loss

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **Current Income Tax:** | | |
| Current Income Tax Expense (Note 5.3) | 105,017,489 | 109,308,156 |
| Under/(Over) Provision of Current Taxes in respect of Prior Years | 3,866,217 | (2,974,185) |
| | 108,883,706 | 106,333,971 |
| **Deferred Income Tax:** | | |
| Deferred Taxation Charge/(Reversal) (Note 5.5) | (3,324,835) | 14,270,474 |
| | (3,324,835) | 14,270,474 |
| **Income Tax Expense Reported in the Statement of Profit or Loss** | 105,558,871 | 120,604,445 |

### 5.2 Statement of Comprehensive Income

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **Deferred Income Tax:** | | |
| Deferred Taxation Charge/(Reversal) (Note 5.5) | (1,007,514) | (505,894) |
| **Income Tax Charged Directly to Comprehensive Income** | (1,007,514) | (505,894) |

### 5.3

A Reconciliation between Tax Expense and the Product of Accounting Profit Multiplied by the Statutory Tax Rate for the Years Ended 31 March 2020 and 31 March 2019 are as follows:

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **Accounting Profit before Income Tax** | 501,632,113 | 546,950,522 |
| **Adjustments in respect to Current Income Tax** | | |
| Aggregate Disallowed Items | 243,775,244 | 92,584,030 |
| Aggregate Allowable Expenses | (241,290,354) | (105,075,389) |
| Investment Income | (59,915,552) | (30,204,038) |
| **Business Income** | 444,201,451 | 504,255,125 |
| **Investment Income** | 59,915,552 | 30,204,038 |
| **Assessable Income** | 504,117,003 | 534,459,163 |
| Less: Qualifying Payments | - | - |
| **Taxable Income** | 504,117,003 | 534,459,163 |
| | | |
| At the Statutory Income Tax Rate - Business Income | 20% | 20% |
| - Other Taxable Income | 28% | 28% |
| - Other Taxable Income | 24% | - |
| | | |
| Current Income Tax Expenses - Business Income | 88,840,290 | 100,851,025 |
| - Other Taxable Income - 28% | 12,582,266 | 8,457,131 |
| - Other Taxable Income - 24% | 3,594,933 | - |
| | 105,017,489 | 109,308,156 |

## 5.4 Deferred Tax Assets, Liabilities and Income Tax relates to the following,

| Year ended 31 March | Statement of Financial Position | | Statement of Profit or Loss | | Statement of Other Comprehensive Income | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| **Deferred Tax Liabilities** | | | | | | |
| Undistributed Profits of Associates | 16,060,876 | 15,154,989 | (905,887) | (15,153,170) | - | (1,819) |
| Capital Allowances for Tax Purposes | 562,742 | - | (562,742) | - | - | |
| | 16,623,618 | 15,154,989 | (1,468,629) | (15,153,170) | - | (1,819) |
| **Deferred Tax Assets** | | | | | | |
| Capital Allowances for Tax Purposes | - | (3,509,458) | (3,509,458) | (1,479,144) | - | - |
| Employee Benefit Liability | (14,670,159) | (11,067,863) | 2,594,783 | 2,406,591 | 1,007,514 | 507,713 |
| Trade & Other Receivables | (561,408) | (470,014) | 91,394 | (44,750) | - | - |
| ROUA | (5,616,746) | - | 5,616,746 | - | - | - |
| | (20,848,313) | (15,047,335) | 4,793,464 | 882,697 | 1,007,514 | 507,713 |
| **Deferred Tax Income/(Expense)** | | | | | | |
| Net Deferred Tax (Assets)/Liabilities | (4,224,692) | 107,654 | 3,324,835 | (14,270,473) | 1,007,514 | 505,894 |

## 5.5 Reconciliation of Net Deferred Tax (Asset)/ Liability

| Year ended 31 March | 2020 | 2019 |
|---|---|---|
| | Rs. | Rs. |
| As at 01 April | 107,657 | (13,656,925) |
| Tax (Income)/Expense during the year recognised in Statement of Profit or Loss | (3,324,835) | 14,270,474 |
| Tax (Income)/Expense during the year recognised in Statement of Comprehensive Income | (1,007,514) | (505,894) |
| **As at 31 March** | (4,224,692) | 107,654 |

## 6. Earnings Per Share

Basic/Diluted Earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and the previous period are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

The following reflects the income and share data used in the Basic/Diluted Earnings per share computations.

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **Amount Used as the Numerator:** | | |
| Net Earnings attributable to Ordinary Shareholders for Basic/Diluted Earnings Per Share | 396,073,242 | 426,346,078 |

| Year ended 31 March | 2020<br>Number | 2019<br>Number |
|---|---|---|
| **Number of Ordinary Shares used as Denominator:** | | |
| Weighted Average Number of Ordinary Shares for Basic/Diluted Earning Per Share | 387,000,086 | 387,000,086 |

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **Basic/Diluted Earnings Per Share** | 1.02 | 1.10 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## 7. Property, Plant and Equipment

### 7.1 Gross Carrying Amounts

| Year ended 31 March | Balance as at 01.04.2019 Rs. | Additions during the Year Rs. | Transfers In/(Out) Rs. | Disposals during the Year Rs. | Balance as at 31.03.2020 Rs. |
|---|---|---|---|---|---|
| **At Cost** | | | | | |
| Buildings on Leasehold Land | 388,070,356 | 592,626 | 35,664,359 | (5,047,795) | 419,279,546 |
| Office Equipment | 5,309,173 | 576,814 | - | (1,908,365) | 3,977,622 |
| Computer and Accessories | 83,162,982 | 9,130,606 | - | (23,665,988) | 68,627,600 |
| Furniture and Fittings | 20,525,358 | 1,308,204 | - | (3,150,150) | 18,683,412 |
| Plant, Machinery & Equipment | 255,546,741 | 32,242,730 | - | (24,434,175) | 263,355,296 |
| Motor Vehicles | 19,845,388 | - | 34,628,000 | - | 54,473,388 |
| | 772,459,997 | 43,850,980 | 70,292,359 | (58,206,472) | 828,396,864 |
| **Assets on Finance Lease** | | | | | |
| Motor Vehicles | 34,628,000 | - | (34,628,000) | - | - |
| | 34,628,000 | - | (34,628,000) | - | - |
| **In the Course of Construction** | | | | | |
| Capital Working Progress | - | 41,022,037 | (35,664,359) | - | 5,357,678 |
| | - | 41,022,037 | (35,664,359) | - | 5,357,678 |
| **Total Gross Carrying Amount** | 807,087,997 | 84,873,017 | - | (58,206,473) | 833,754,542 |

### 7.2 Depreciation

| Year ended 31 March | Balance as at 01.04.2019 Rs. | Charged for the Year Rs. | Transfers In/(Out) Rs. | Disposals during the Year Rs. | Balance as at 31.03.2020 Rs. |
|---|---|---|---|---|---|
| **At Cost** | | | | | |
| Buildings on Leasehold Land | 337,713,151 | 13,356,357 | - | (3,515,842) | 347,553,666 |
| Office Equipment | 3,934,677 | 428,593 | - | (1,779,955) | 2,583,315 |
| Computer and Accessories | 60,651,197 | 9,288,343 | - | (23,139,624) | 46,799,916 |
| Furniture and Fittings | 13,787,918 | 2,110,201 | - | (2,824,290) | 13,073,829 |
| Plant, Machinery & Equipment | 195,799,392 | 17,030,657 | - | (23,157,510) | 189,672,539 |
| Motor Vehicles | 19,549,319 | 104,508 | 28,304,059 | - | 47,957,886 |
| | 631,435,655 | 42,318,659 | 28,304,059 | (54,417,221) | 647,641,152 |
| **Assets on Finance Lease** | | | | | |
| Motor Vehicles | 23,078,695 | 5,225,364 | (28,304,059) | - | - |
| | 23,078,695 | 5,225,364 | (28,304,059) | - | - |
| **Total Depreciation** | 654,514,350 | 47,544,023 | - | (54,417,221) | 647,641,152 |

## 7. Property, Plant and Equipment (Contd...)

### 7.3 Net Book Values

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **At Cost** | | |
| Buildings on Leasehold Land | 71,725,880 | 50,357,204 |
| Office Equipment | 1,394,307 | 1,374,496 |
| Computer and Accessories | 21,827,684 | 22,511,785 |
| Furniture and Fittings | 5,609,583 | 6,737,440 |
| Plant, Machinery & Equipment | 73,682,757 | 59,747,349 |
| Motor Vehicles | 6,515,502 | 296,069 |
| | 180,755,713 | 141,024,343 |
| **In the Course of Construction** | 5,357,682 | - |
| Capital Working Progress | 5,357,682 | - |
| **Assets on Finance Lease** | | |
| Motor Vehicles | - | 11,549,305 |
| | - | 11,549,305 |
| **Total Carrying Amount of Property, Plant and Equipment** | 186,113,395 | 152,573,648 |

### 7.4 The Rates of Depreciation are Estimated as follows:

| Year ended 31 March | 2020 | 2019 |
|---|---|---|
| Buildings on Leasehold Land | Over 10 Years | Over 10 Years |
| Office Equipment | Over 7 Years | Over 7 Years |
| Computer and Accessories | Over 4 Years | Over 4 Years |
| Furniture and Fittings | Over 7 Years | Over 7 Years |
| Plant, Machinery & Equipment | Over 7 Years | Over 7 Years |
| Motor Vehicles | Over 7 Years | Over 7 Years |

7.5 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.84,873,017/- (2019 - Rs.42,847,776/-) for cash.

### 7.6 Right-of-use-Assets

Set out below are the carrying amount of Right of use Assets recognised and movements during the year.

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **Cost** | | |
| Balance As at 01 April 2019 | 456,355,755 | - |
| Effect of Adoption of SLFRS 16 as at 01st April 2019 | 26,134,648 | - |
| Transfer | - | |
| Addition and Improvement | - | - |
| Balance As at 31 March 2020 | 482,490,403 | - |
| | | |
| **Accumulated Amortisation** | | |
| Balance As at 01 April 2019 | | |
| Charge for the year | (133,034,470) | - |
| Balance As at 31 March 2020 | (133,034,470) | - |
| | | |
| **Net Book Value As at 31st March 2020** | 349,455,933 | - |

### 8. Intangible Assets

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| **Cost** | | |
| As at 1 April | 15,893,848 | 15,207,427 |
| Acquired during the Year | - | 686,421 |
| **As at 31 March** | 15,893,848 | 15,893,848 |
| | | |
| **Amortisation** | | |
| As at 1 April | 14,990,709 | 11,088,749 |
| Amortisation during the Year | 488,427 | 3,901,960 |
| **As at 31 March** | 15,479,136 | 14,990,709 |
| | | |
| **Net Book Value** | 414,712 | 903,139 |

Intangible assets includes the Enterprise Resource Planning System (SAP ECC 6.0) which is amortised over 4 years.

## 9. Investment in Associates

9.1 LAUGFS Property Developers (Pvt) Ltd is a private company, which involved in providing real estate solutions in Sri Lanka.

9.2 The following table illustrates the summarised financial information of the Company's investment in LAUGFS Property Developers (Pvt) Ltd:

### 9.2.1 Summarised Statement of Profit or Loss

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| Revenue | 127,153,073 | 136,941,363 |
| Operating Expenses | (40,220,121) | (16,749,598) |
| Other Income | 1,600,247 | - |
| Finance Income | 28,539,032 | 180,014 |
| Finance Costs | (35,763,894) | (26,584,451) |
| Fair Value Gain on Investments Properties | 83,616,527 | 123,740,703 |
| Income Tax Expense | (47,017,641) | (55,306,725) |
| Net Profit for the Year ended 31 March | 117,907,223 | 162,221,306 |
| Share of Associates' Profit/(Loss) | 29,476,806 | 40,555,326 |

### 9.2.2 Summarised Statement of Financial Position

| As at 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| Non-Current Assets | 2,085,770,003 | 2,002,558,335 |
| Current Assets | 365,843,121 | 278,384,485 |
| Non-Current Liabilities | 431,067,049 | 421,492,532 |
| Current Liabilities | 195,830,463 | 152,440,680 |
| Equity | 1,824,715,612 | 1,707,009,609 |
| Company's carrying amount of the Investment | 456,178,903 | 426,752,402 |

### 9.2.3 Equity Reconciliation

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| Carrying Value as at 01 April | 426,752,402 | 386,184,080 |
| Share of Associates' Profit or Loss | 29,476,806 | 40,555,326 |
| Share of Associates' Results recognised in Profit or Loss | 29,476,806 | 40,555,326 |
| Share of Other Comprehensive Income | (50,305) | 12,996 |
| Dividend Received | - | |
| Carrying Value as at 31 March | 456,178,903 | 426,752,402 |

## 10. Inventories

| Year ended 31 March | 2020 Rs. | 2019 Rs. |
|---|---|---|
| Inventories | 27,378,212 | 28,391,785 |
| | 27,378,212 | 28,391,785 |

## 11. Trade and other Receivables

| Year ended 31 March | 2020 Rs. | 2019 Rs. |
|---|---|---|
| Trade Receivables - Others | 3,742,944 | 3,705,398 |
| Less- Provision for Impairment | (2,442,719) | (2,350,072) |
| | 1,300,225 | 1,355,326 |
| Other Receivables - Related Parties (Note 11.1) | 547,797,228 | 22,849,598 |
| - Others | 10,764,000 | 11,855,638 |
| | 559,861,453 | 36,060,562 |
| Advances and Prepayments | 20,740,803 | 19,633,069 |
| Loans to Company Officers | 1,107,241 | 1,020,746 |
| | 581,709,497 | 56,714,377 |

## 11.1 Other Receivables from Related Parties

| Year ended 31 March | Relationship | 2020 Rs. | 2019 Rs. |
|---|---|---|---|
| LAUGFS Solutions Ltd | Group Company | - | 34,104 |
| LAUGFS Property Developers (Pvt) Ltd | Associate Company | 22,043,065 | 19,610,636 |
| Anantaya Passekudah (Pvt) Ltd | Group Company | 11,070,380 | - |
| LAUGFS Power PLC | Group Company | 14,890,494 | - |
| LAUGFS Holdings Ltd. | Ultimate Parent Company | 330,692,499 | - |
| LAUGFS Terminals (Pvt) Ltd | Group Company | 15,719,285 | - |
| LAUGFS Salt & Chemicals Ltd | Group Company | 15,000,000 | - |
| LAUGFS Life Sciences (Pvt) Ltd | Group Company | 34,673,938 | - |
| LAUGFS Leisure Ltd | Group Company | 103,707,567 | - |
| Lfinity (Pvt) Ltd | Group Company | - | 3,204,858 |
| | | 547,797,228 | 22,849,598 |

## 11. Trade and other Receivables (Contd.)

As at 31 March, the ageing analysis of trade receivables, is as follows:

| Year ended 31 March | Total | Neither Past Due nor Impaired | Past Due and Impaired | | | |
|---|---|---|---|---|---|---|
| | | | < 30 Days | 31-60 Days | 61-90 Days | > 90 Days |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| 2020 | 3,742,944 | 385,763 | 834,594 | 577,032 | 201,523 | 1,744,032 |
| 2019 | 3,705,398 | 713,443 | 567,053 | 433,185 | 354,330 | 1,637,387 |

## 12. Cash and Short Term Deposits

### 12.1 Favourable Cash and Cash Equivalent Balances

| Year ended 31 March | 2020 | 2019 |
|---|---|---|
| | Rs. | Rs. |
| Cash and Bank Balances | 77,009,667 | 520,294,807 |
| | 77,009,667 | 520,294,807 |

### 12.2 Unfavourable Cash and Cash Equivalent Balances

| Year ended 31 March | 2020 | 2019 |
|---|---|---|
| | Rs. | Rs. |
| Bank Overdraft (Note 15.1.1) | (4,698,323) | (6,283,532) |
| Cash and Cash Equivalent for the Purpose of Statement of Cash Flow | 72,311,344 | 514,011,275 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

## 13. Stated Capital

| Year ended 31 March | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number | Rs. | Number | Rs. |
| Ordinary Voting Shares (Note 13.1) | 335,000,086 | 346,253,242 | 335,000,086 | 346,253,242 |
| Ordinary Non-Voting Shares (Note 13.2) | 52,000,000 | 53,746,758 | 52,000,000 | 53,746,758 |
| | 387,000,086 | 400,000,000 | 387,000,086 | 400,000,000 |

### 13.1 Ordinary Voting Shares

| Year ended 31 March | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number | Rs. | Number | Rs. |
| As at 01 April | 335,000,086 | 346,253,242 | 335,000,086 | 346,253,242 |
| As at 31 March | 335,000,086 | 346,253,242 | 335,000,086 | 346,253,242 |

### 13.2 Ordinary Non-Voting Shares

| Year ended 31 March | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number | Rs. | Number | Rs. |
| As at 01 April | 52,000,000 | 53,746,758 | 52,000,000 | 53,746,758 |
| As at 31 March | 52,000,000 | 53,746,758 | 52,000,000 | 53,746,758 |

### 13.3 Rights, Preference and Restrictions of Classes of Capital

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share (except, non-voting ordinary shares) at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

## 14. Dividends Paid and Proposed

| Year ended 31 March | 2020 | 2019 |
|---|---|---|
| | Rs. | Rs. |
| Declared and Paid during the Year: | | |
| Dividends on Ordinary Shares: | | |
| Final Dividend for 2018/2019: 0.67 Rupees per Share | 290,250,065 | - |

# Notes to the Financial Statements

## 15. Financial Assets and Financial Liabilities

### 15.1 Financial Liabilities

### 15.1.1 Interest Bearing Loans and Borrowings

| Year ended 31 March | 2020 Amount Repayable Within 1 Year Rs. | 2020 Amount Repayable After 1 Year Rs. | 2020 Total Rs. | 2019 Amount Repayable Within 1 Year Rs. | 2019 Amount Repayable After 1 Year Rs. | 2019 Total Rs. |
|---|---|---|---|---|---|---|
| Right of use -Lease Liability (Note 15.1.3) | 110,584,619 | 266,955,042 | 377,539,662 | | | |
| Finance Leases (Note 15.1.2) | - | - | - | 4,211,492 | | 4,211,492 |
| Bank Overdraft (Note 12.2) | 4,698,323 | - | 4,698,323 | 6,283,532 | | 6,283,532 |
| | 115,282,942 | 266,955,042 | 382,237,984 | 10,495,024 | - | 10,495,024 |

### 15.1.2 Finance Leases

| Year ended 31 March | As at 01.04.2019 Rs. | Leases Obtained Rs. | Repayments Rs. | As at 31.03.2020 Rs. |
|---|---|---|---|---|
| Commercial Bank of Ceylon PLC | 4,280,815 | - | (4,280,815) | - |
| | 4,280,815 | - | (4,280,815) | - |

| Year ended 31 March | As at 31.03.2020 Rs. | As at 31.03.2019 Rs. |
|---|---|---|
| Gross Liability | - | 4,280,815 |
| Finance Charges Allocated to Future Periods | - | (69,323) |
| Net Liability | - | 4,211,492 |

| Institution | Facility Amount Rs. | Repayment Terms |
|---|---|---|
| Commercial Bank of Ceylon PLC | 34,628,000 | Monthly installment Rs. 713,469/- Fully Settled during the year |

### 15.1.3 Right of use -Lease Liability

| Year ended 31 March | 2020 Rs. | 2019 Rs. |
|---|---|---|
| Balance As at 01 April 2019 | - | - |
| Effect of Adoption of SLFRS 16 as at 01st April 2019 | 456,355,755 | - |
| Additions | 26,134,648 | - |
| Accretion of Interest | 39,584,202 | - |
| Payments | (144,534,943) | - |
| Balance As at 31st March 2020 | 377,539,662 | - |

## 15.2 Fair Values

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

| Year ended 31 March | | Carrying Amount | | Fair Value | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| | | Rs. | Rs. | Rs. | Rs. |
| **Financial Assets** | | | | | |
| Trade and Other Receivables | A | 559,861,453 | 36,060,562 | 559,861,453 | 36,060,562 |
| Cash in Hand and at Bank | A | 77,009,667 | 520,294,807 | 77,009,667 | 520,294,807 |
| | | 636,871,120 | 556,355,369 | 636,871,120 | 556,355,369 |
| **Financial Liabilities** | | | | | |
| Interest Bearing Loans and Borrowings (Non-Current) | B | 266,955,042 | - | 266,955,042 | - |
| Interest Bearing Loans and Borrowings (Current) | A | 115,282,942 | 10,495,024 | 115,282,942 | 10,495,024 |
| Trade and Other Payables | A | 40,550,866 | 22,017,982 | 40,550,866 | 22,017,982 |
| | | 422,788,851 | 32,513,007 | 422,788,851 | 32,513,006 |

There is no difference between carrying amounts and fair values of the Company's financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values;

A. Cash in hand and at bank, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

B. Long-term variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, risk characteristics of the financed project etc. As at 31 March 2020, the carrying amounts of such borrowings are not materially different from their calculated fair values.

# Notes to the Financial Statements

## 16. Employee Benefit Liability

### 16.1 Net Benefit Expense

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| Current Service Cost | 10,357,571 | 8,762,519 |
| Interest Cost on Benefit Obligation | 6,087,324 | 4,076,779 |
| Total Expense | 16,444,895 | 12,839,298 |

### 16.2 Employee Benefit Liability

Changes in the present value of the defined benefit obligation are as follows:

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| As at 1 April | 55,339,309 | 40,767,791 |
| Current Service Cost | 10,357,571 | 8,762,519 |
| Interest Cost on Benefit Obligation | 6,087,324 | 4,076,779 |
| Adjustment due to Transfer of Employees in to/(out of) Company | - | 821,387 |
| Actuarial (Gain)/Loss on Obligation | 5,037,568 | 2,538,566 |
| Benefits Paid | (3,470,975) | (1,627,733) |
| As at 31 March | 73,350,797 | 55,339,309 |

**16.3** Messrs. Smiles Global (Pvt) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2020. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31 March 2020 are as follows:

| Year ended 31 March | 2020 | 2019 |
|---|---|---|
| Method of Actuarial Valuation: | Projected Unit Credit Method | Projected Unit Credit Method |
| Discount Rate: | 9% | 11% |
| Salary Increment Rate: | 12% | 12% |
| Retirement Age: | 60 Years (for Management Staff) and 55 Years (for Other Staff) | 60 Years (for Management Staff) and 55 Years (for Other Staff) |
| Staff Turnover Ratio: | 19% | 17% |
| Mortality Table: | A67/70 Mortality Table | A67/70 Mortality Table |

## 16.4 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year ended 31 March 2020.

The sensitivity of the statement of Profit or Loss & Other comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year is as follows.

| Year ended 31 March | Increase/(Decrease) | | 2020 | | |
|---|---|---|---|---|---|
| | in Discount Rate | in Rate of Salary Increment | Effect on Income Statement (Reduction)/ Increase in Results for the Year | Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End | Present Value of Defined Benefit Obligation |
| | | | Rs. | Rs. | Rs. |
| | +1% | | 3,551,712 | (3,551,712) | 69,799,087 |
| | -1% | | (3,926,305) | 3,926,305 | 77,277,102 |
| | | +1% | (4,115,017) | 4,115,017 | 77,465,814 |
| | | -1% | 3,795,381 | (3,795,381) | 69,555,416 |

## 16. Employee Benefit Liability (Contd.)

### 16.5 Changes in the Defined Benefit Obligation

The following table demonstrates the changes in the defined benefit obligation.

| 2020 | | Amounts Charged to Profit or Loss | | | | Remeasurement Gains/(Losses) in Other Comprehensive Income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01 April 2019 | Service Cost | Interest Cost | Sub Total included in Profit or Loss | Benefits Paid | Adjustment due to transfer of employees into/(out of) Company | Actuarial Changes arising from Changes in Demographic Assumptions | Actuarial Changes arising from Changes in Financial Assumptions | Experience Adjustments | Subtotal Included in OCI | Contributions by the Employer | 31 March 2020 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Defined Benefit Obligation | 55,339,309 | 10,357,571 | 6,087,324 | 16,444,895 | (3,470,975) | - | (1,258,678) | 7,559,885 | (1,151,639) | 5,037,568 | - | 73,350,797 |
| | 55,339,309 | 10,357,571 | 6,087,324 | 16,444,895 | (3,470,975) | - | (1,258,678) | 7,559,885 | (1,151,639) | 5,037,568 | - | 73,350,797 |

| 2019 | | Amounts Charged to Profit or Loss | | | | Remeasurement Gains/(Losses) in Other Comprehensive Income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01 April 2018 | Service Cost | Interest Cost | Sub Total included in Profit or Loss | Benefits Paid | Adjustment due to transfer of employees into/(out of) Company | Actuarial Changes arising from Changes in Demographic Assumptions | Actuarial Changes arising from Changes in Financial Assumptions | Experience Adjustments | Subtotal Included in OCI | Contributions by the Employer | 31 March 2019 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Defined Benefit Obligation | 40,767,791 | 8,762,519 | 4,076,779 | 12,839,298 | (1,627,733) | 821,387 | 1,682,755 | 1,682,755 | (1,312,192) | 2,538,566 | - | 55,339,309 |
| | 40,767,791 | 8,762,519 | 4,076,779 | 12,839,298 | (1,627,733) | 821,387 | 1,682,755 | 1,682,755 | (1,312,192) | 2,538,566 | - | 55,339,309 |

### 16.6 Following payments are expected contributions to the defined benefit plan obligation on the future years:

| Year ended 31 March | 2020 | 2019 |
|---|---|---|
| | Rs. | Rs. |
| Less than or equal to 2 years | 333,727 | 2,234,372 |
| Over 2 year and less than or equal 5 years | 21,896,656 | 9,544,718 |
| Over 5 year and less than or equal 10 years | 51,120,414 | 43,560,219 |
| | 73,350,797 | 55,339,309 |

The average duration of the defined benefit plan obligating at the end of the reporting period is 5.2 years. (2019: 5.55 years)

## 17. Trade and Other Payables

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| Trade Payable - Related Parties (Note 17.1) | 1,846,336 | - |
| Trade Payable - Others | 342,360 | 1,487,959 |
| Other Payable - Related Parties (Note 17.2) | 526,535 | 3,584,030 |
| - Others | 37,835,636 | 16,945,993 |
| | 40,550,867 | 22,017,982 |
| Sundry Creditors including Accrued Expenses | 11,094,836 | 17,699,564 |
| | 51,645,703 | 39,717,546 |

## 17.1 Trade Payables to Related Parties

| Year ended 31 March | Relationship | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|---|
| LAUGFS Petroleum (Pvt) Ltd | Group Company | 472,562 | - |
| LAUGFS Restaurant (Pvt) Ltd | Group Company | 21,417 | - |
| LAUGFS International (Pvt) Ltd | Group Company | 714,857 | - |
| LAUGFS Business Solutions (Pvt) Ltd | Group Company | 637,500 | - |
| | | 1,846,336 | - |

## 17.2 Other Payables to Related Parties

| Year ended 31 March | Relationship | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|---|
| LAUGFS Property Developers (Pvt) Ltd | Associate Company | 384,312 | - |
| LAUGFS Petroleum (Pvt) Ltd | Group Company | - | 609,249 |
| Southern Petroleum (Pvt) Ltd | Group Company | 75,000 | - |
| LAUGFS Lubricants Ltd | Group Company | 62,223 | 60,182 |
| LAUGFS Holdings Ltd | Ultimate Parent | - | 1,413,423 |
| LAUGFS Supermarkets (Pvt) Ltd | Group Company | 5,000 | 5,000 |
| LAUGFS Business Solutions (Pvt) Ltd | Group Company | - | 1,496,176 |
| | | 526,535 | 3,584,030 |

As at 31 March, the ageing analysis of trade payables, is as follows:

| | Total<br>Rs. | < 30 Days<br>Rs. | 31-90 Days<br>Rs. | 91-120 Days<br>Rs. | > 120 Days<br>Rs. |
|---|---|---|---|---|---|
| 2020 | 2,188,696 | 1,452,422 | 736,274 | - | - |
| 2019 | 1,487,959 | 1,487,959 | - | - | - |

## 18. Commitments and Contingencies

### 18.1 Capital Expenditure Commitments

The Company does not have significant capital commitments as at the reporting date.

### 18.2 Contingent Liabilities

There are no significant contingent liabilities as at the reporting date.

## 19. Assets Pledged

There were no assets pledged as securities for liabilities as at the year end.

## 20. Related Party Disclosures

The following table provides the information pertaining to significant transactions that have been entered into with related parties for the relevant financial year. (for information regarding outstanding balances at 31 March 2020 and 31 March 2019, refer to Notes 11 and 17).

### 20.1 Transaction with the Related Entities

| Year ended 31 March | Parent | | Associate | | Other Group Companies | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| As at 01 April | (1,413,423) | - | 19,610,636 | (247,852) | 1,068,354 | 5,738,535 | 19,265,567 | 5,490,683 |
| Purchase of Goods/Services | (2,909,349) | (15,852,908) | (15,869,753) | (16,644,681) | (24,220,975) | (30,452,006) | (43,000,076) | (62,949,596) |
| Supply of Goods/Services | - | - | - | - | 30,612 | 1,442,267 | 30,612 | 1,442,267 |
| Fund Transfers | 344,102,450 | - | 19,900,000 | - | 197,000,000 | - | 561,002,450 | - |
| Reimbursement | 1,265,337 | - | - | - | 441,481 | 781,131 | 1,706,818 | 781,131 |
| Commission on Corporate Guarantee | - | 1,000,000 | - | - | - | - | - | 1,000,000 |
| Settlements made by Other Companies | (40,000,000) | - | (5,000,000) | - | (18,034,104) | (548,088) | (63,034,104) | (548,088) |
| Payment for Goods/Services by the Company | 5,144,159 | 13,439,485 | 3,017,870 | 36,503,169 | 19,571,295 | 24,106,516 | 27,733,323 | 74,049,170 |
| Interest Income | 24,503,325 | - | - | - | 16,061,664 | - | 40,564,989 | - |
| Other Income | - | - | - | - | 1,154,776 | - | 1,154,776 | - |
| As at 31 March | 330,692,499 | (1,413,423) | 21,658,753 | 19,610,636 | 193,073,103 | 1,068,354 | 545,424,355 | 19,265,567 |

### 20.2 Other Group Companies include the following Companies;

Lfinity (Pvt) Ltd
LAUGFS Beverages (Pvt) Ltd
LAUGFS Supermarkets (Pvt) Ltd
LAUGFS International (Pvt) Ltd
LAUGFS Lubricants Ltd
LAUGFS Business Solutions (Pvt) Ltd
LAUGFS Salt & Chemicals Ltd
LAUGFS Life Sciences (Pvt) Ltd
LAUGFS Leisure Ltd
Anantaya Passekudah (Pvt) Ltd
LAUGFS Solutions Ltd
LAUGFS Property Developers (Pvt) Ltd
LAUGFS Terminals Ltd
LAUGFS Petroleum (Pvt) Ltd
Southern Petroleum (Pvt) Ltd
LAUGFS Power PLC
LAUGFS Holdings Ltd.
LAUGFS Restaurants (Pvt) Ltd

### 20.3 Transactions with Directors/ Key Management Personnel *

| Year ended 31 March | 2020<br>Rs. | 2019<br>Rs. |
|---|---|---|
| Emoluments and Fees - Cash Benefits | 88,915,746 | 66,521,775 |
| Emoluments and Fees - Non Cash Benefits | 3,315,840 | 460,020 |
| **Total compensation paid to Key Management Personnel** | 92,231,586 | 66,981,795 |

* Key Management personnel includes the Board of Directors of the Company.

## 21. Financial Risk Management Objectives and Policies

### 21.1 Introduction

Risk is inherent in Company's business activities, but is managed through a process of on-going identifications, measurements and monitoring, subject to risk limits and other controls. The Board of Directors of the Company places special consideration on the management of such risks as detailed below.

1. Interest Rate Risk
2. Liquidity Risk
3. Credit Risk
4. Exchange Rate Risk

### 21.1.1 Interest Rate Risk

The entity's exposure to interest rate risk was minimised by placing surplus funds in short to medium term deposits in a diverts section of financial institution ie.Commercial Banks, Government Securities and Unit Trust.

### 21.1.2 Liquidity Risk

Liquidity risk arises from the financial liabilities of the entity's subsequent ability to meet their obligation to repay their financial liabilities as and when they fall due. Since the Company has no borrowings, there is no exposure to Liquidity risk.

### 21.1.3 Credit Risk

Credit risk is the risk counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company's not exposed to credit risk, since over 98% of business transaction are on a cash basis. Balance 2% of the business is offered on credit to state institutions and reputed corporates and the risk is insignificant.

### 21.1.4 Exchange Rate Risk

There is no exposure to exchange rate risk as all the transactions are done within the Country and in Sri Lankan Rupees.

## 22. Events Occurring After the Reporting Date

COVID 19

As a result of the outbreak of Coronavirus Disease (COVID-19) in early 2020, the Government of Sri Lanka has implemented a series of measures and controls to safeguard the nation. The company is also continuously followed the given guidelines and developments of COVID-19 outbreak and closely monitored the impact on the business and financials.

As at the date of the financial statements, there were some impact to the financial statements as a result of the COVID-19 outbreak. Our vehicle emission testing operation had to temporarily cease for few weeks in March 2020 and lost some revenue which would have earned in normal circumstances. The imposed curfew and restrictions of the Government during that period had compelled us to close down few center island wide.

As of date of issuance of financial statements, the company has managed to recover the backlog of lost revenue and achieved the budgeted targets for the four months period ended 31 July 2020.

# SHAREHOLDERS INFORMATION

## MAJOR TWENTY SHAREHOLDERS AS AT 31ST MARCH 2020 - VOTING

| | Name | No. Of Shares | % |
|---|---|---|---|
| 1 | LAUGFS HOLDINGS LIMITED | 247,980,050 | 74.024 |
| 2 | EMPLOYEES PROVIDENT FUND | 57,897,800 | 17.283 |
| 3 | SEYLAN BANK PLC/CARLINES HOLDINGS (PRIVATE) LIMITED | 1,953,696 | 0.583 |
| 4 | AMANA BANK PLC/ALMAS ORGANISATION (PVT) LTD | 1,547,795 | 0.462 |
| 5 | MR W.K.H. WEGAPITIYA | 1,411,493 | 0.421 |
| 6 | DEUTSCHE BANK AG AS TRUSTEE FOR NAMAL ACUITY VALUE | 1,339,563 | 0.400 |
| 7 | DEUTSCHE BANK AG-NATIONAL EQUITY FUND | 1,318,182 | 0.393 |
| 8 | DEUTSCHE BANK AG-NAMAL GROWTH FUND | 1,198,934 | 0.358 |
| 9 | MR U.K.T.N. DE SILVA | 1,077,897 | 0.322 |
| 10 | MR G.Y.N. MAHINKANDA | 794,572 | 0.237 |
| 11 | MR H.D.M.P. SIRIWARDENA | 749,000 | 0.224 |
| 12 | SEYLAN BANK PLC/MOHAMED MUSHTAQ FUAD | 625,521 | 0.187 |
| 13 | MR M.K. DE VOS & MRS D.J. DE VOS | 436,000 | 0.130 |
| 14 | MR A. RAJARATNAM | 209,705 | 0.063 |
| 15 | EMPLOYEES TRUST FUND BOARD | 205,304 | 0.061 |
| 16 | MR C.S. KARIYAWASAN | 200,000 | 0.060 |
| 17 | MR H.A. VAN STARREX | 197,098 | 0.059 |
| 18 | J.B. COCOSHELL (PVT) LTD | 187,669 | 0.056 |
| 19 | CEYLON BISCUITS LIMITED | 170,000 | 0.051 |
| 20 | BANK OF CEYLON NO. 1 ACCOUNT | 168,727 | 0.050 |
| | | 319,669,006 | 95.424 |
| | OTHER | 15,331,080 | 4.576 |
| | TOTAL | 335,000,086 | 100.000 |

# Shareholders Information

## MAJOR TWENTY SHAREHOLDERS AS AT 31ST MARCH 2020 - NON VOTING

| | Name | No. Of Shares | % |
|---|---|---|---|
| 1 | EMPLOYEES PROVIDENT FUND | 18,041,300 | 34.695 |
| 2 | HSBC INTL NOM LTD-STATE STREET LUXEMBOURG C/O SSBT | 3,846,247 | 7.397 |
| 3 | BANK OF CEYLON NO. 1 ACCOUNT | 3,420,538 | 6.578 |
| 4 | DEUTSCHE BANK AG AS TRUSTEE FOR JB VANTAGE VALUE E | 2,505,696 | 4.819 |
| 5 | SEYLAN BANK PLC/CARLINES HOLDINGS (PRIVATE) LIMITED | 2,213,417 | 4.257 |
| 6 | AMANA BANK PLC/ALMAS ORGANISATION (PVT) LTD | 1,249,845 | 2.404 |
| 7 | J.B. COCOSHELL (PVT) LTD | 1,247,549 | 2.399 |
| 8 | MR A.M. WEERASINGHE | 813,471 | 1.564 |
| 9 | COMMERCIAL BANK OF CEYLON PLC/DUNAMIS CAPITAL PLC | 793,906 | 1.527 |
| 10 | SEYLAN BANK PLC/S.R. FERNANDO | 704,992 | 1.356 |
| 11 | DEUTSCHE BANK AG-NATIONAL EQUITY FUND | 663,000 | 1.275 |
| 12 | MR S. SIVASHANTH | 404,447 | 0.778 |
| 13 | GOLD INVESTMENT LIMITED. | 390,000 | 0.750 |
| 14 | MRS C.N.G. NARAYANA | 378,800 | 0.728 |
| 15 | MRS S.D. AMARASINGHE | 372,400 | 0.716 |
| 16 | NARATHA VENTURES PRIVATE LIMITED | 308,000 | 0.592 |
| 17 | PERSHING LLC S/A AVERBACH GRAUSON & CO. | 307,604 | 0.592 |
| 18 | MR M.A. VALABHJI | 280,000 | 0.538 |
| 19 | PEOPLE'S LEASING & FINANCE PLC/C.D.KOHOMBANWICKRAM | 167,934 | 0.323 |
| 20 | MR S.G.H.I. JAFFERJEE | 153,236 | 0.295 |
| | | 38,262,382 | 73.582 |
| | OTHER | 13,737,618 | 26.418 |
| | TOTAL | 52,000,000 | 100.000 |

# NOTICE OF MEETING

Taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors of LAUGFS Eco Sri Ltd has decided to hold the 3rd Annual General Meeting (AGM) as a Virtual Meeting on 29th October 2020 at 5.30 pm, in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs.

Hence, Notice is hereby given that the 3rd Annual General Meeting of the Company will be held by way of electronic means on 29th October 2020 at 5.30 pm, centered at the LAUGFS Head Office building located at No. 101, Maya Avenue, Colombo 06, Sri Lanka, for the following business:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2020 and the Report of the Auditors thereon.
2. To re-elect Mr. P. M. B. Fernando, who retires by rotation in terms of Article 26(6) of the Articles of Association, as a Director of the Company;
3. To elect Mr. P. Kudabalage who retires in terms of Article 26 (02) of the Articles of Associations, as a Director of the Company.
4. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
5. To authorise the Directors to determine and make donations for the year ending 31st March 2021 and up to the date of the next Annual General Meeting.

By Order of the Board

LAUGFS ECO SRI LIMITED

P W Corporate Secretarial (Pvt) Ltd
Secretaries

At Colombo
8th September 2020

Notes:

- Below mentioned documents can be now downloaded via the corporate website https://www.laugfs.lk/agm/le/le_notice_of_meeting.pdf
    a. Notice of Meeting
    b. Circular to shareholders
    c. Form of Proxy
    d. Guideline and Registration Process to join the AGM virtually
    e. Registration Form for the AGM
    f. Request Form for the printed copy of the Annual Report
- A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy which can be downloaded as above
- Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
- A proxy need not be a shareholder of the Company.
- For more information on how to participate by virtual means in the above virtual meeting, please refer Registration Process which can be downloaded as above.

# NOTES

# FORM OF PROXY (VOTING)

*I/We………………………………………………………………………………………….……… holder of NIC No……………………………..of

…………...................………………….................….... being a *Shareholder /Shareholders of LAUGFS Eco Sri Ltd, do hereby appoint

……………………….................…………….. holder of NIC No……………………………..... of ………………………….......……or

failing him/her

| | |
|---|---|
| Mr. W. K. H. Wegapitiya | of Colombo or failing him |
| Mr. U. K. T. N. De Silva | of Colombo or failing him |
| Mr. H. A. Ariyaratne | of Colombo or failing him |
| Mr. N. M. Prakash | of Colombo or failing him |
| Mr. P. M. B. Fernando | of Colombo or failing him |
| Mr. P. Kudabalage | of Colombo |

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29th October 2020 at 5.30pm and any adjournment thereof and at every poll which may be taken in consequence thereof.

| | For | Against |
|---|---|---|
| 1. To re-elect Mr. P. M. B. Fernando, who retires by rotation in terms of Article 26 (6) of the Articles of Association, as a Director of the Company. | | |
| 2. To elect Mr. P. Kudabalage, who retires by in terms Article 26(2) of the Articles of Association, as a Director of the Company. | | |
| 3. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration. | | |
| 4. To authorise the Directors to determine and make donations for the year ending 31st March 2021 and up to the date of the next Annual General Meeting. | | |

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

……………......………

Signature

1) *Please delete the inappropriate words.

2) Instructions as to completion are noted on the reverse thereof.

# Form of Proxy (Voting)

## Instructions as to Completion

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. For voting share, please indicate with a ‘X’ how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to laugfsgroup.pwcs@gmail.com, 48 hours before the AGM.

# FORM OF PROXY (NON VOTING)

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| | |
|---|---|
| Mr. W. K. H. Wegapitiya | of Colombo or failing him |
| Mr. U. K. T. N. De Silva | of Colombo or failing him |
| Mr. H. A. Ariyaratne | of Colombo or failing him |
| Mr. N. M. Prakash | of Colombo or failing him |
| Mr. P. M. B. Fernando | of Colombo or failing him |
| Mr. P. Kudabalage | of Colombo |

as *my/our proxy to represent me/us to speak for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29th October 2020 at 5.30pm and any adjournment thereof.

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

……………......………
Signature

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Designed & produced by
emagewise

**LAUGFS Eco Sri Ltd.**
No: 101, Maya Avenue,
Colombo 06,
Sri Lanka.