BREATH OF LIFE

CONTENT

BREATH OF LIFE

Every time you choose to power through life, you count on one thing: the planet we call home. At LAUGFS Eco Sri, we believe that a thriving environment forms the cornerstone of progress. Being a pioneer air quality management and eco solutions provider in Sri Lanka, we're contributing to build a cleaner, safer air for everyone, steadily paving the path for a greener tomorrow.

Despite braving a challenging operating environment last year, we managed to record significant growth owing to our astute strategies aimed at increasing our operational efficiencies. With a business model supporting the greater good and a committed team executing a shared vision, we commit ourselves to become the breath of life to our nation, building a sustainable future for everyone.

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.

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’.

ENSURING CLEANER AIR FOR ALL

Air is a basic necessity for all living beings. The air we breathe is the fuel that energizes us and keeps us healthy. The quality of the air we breathe is as important as the food and water we consume to continue the journey of life.

Despite the many challenges and trials that were encountered, at LAUGFS Eco Sri, we were determined and committed to ensure that we reduce the amount of polluted vehicle emissions being released to the air around us.

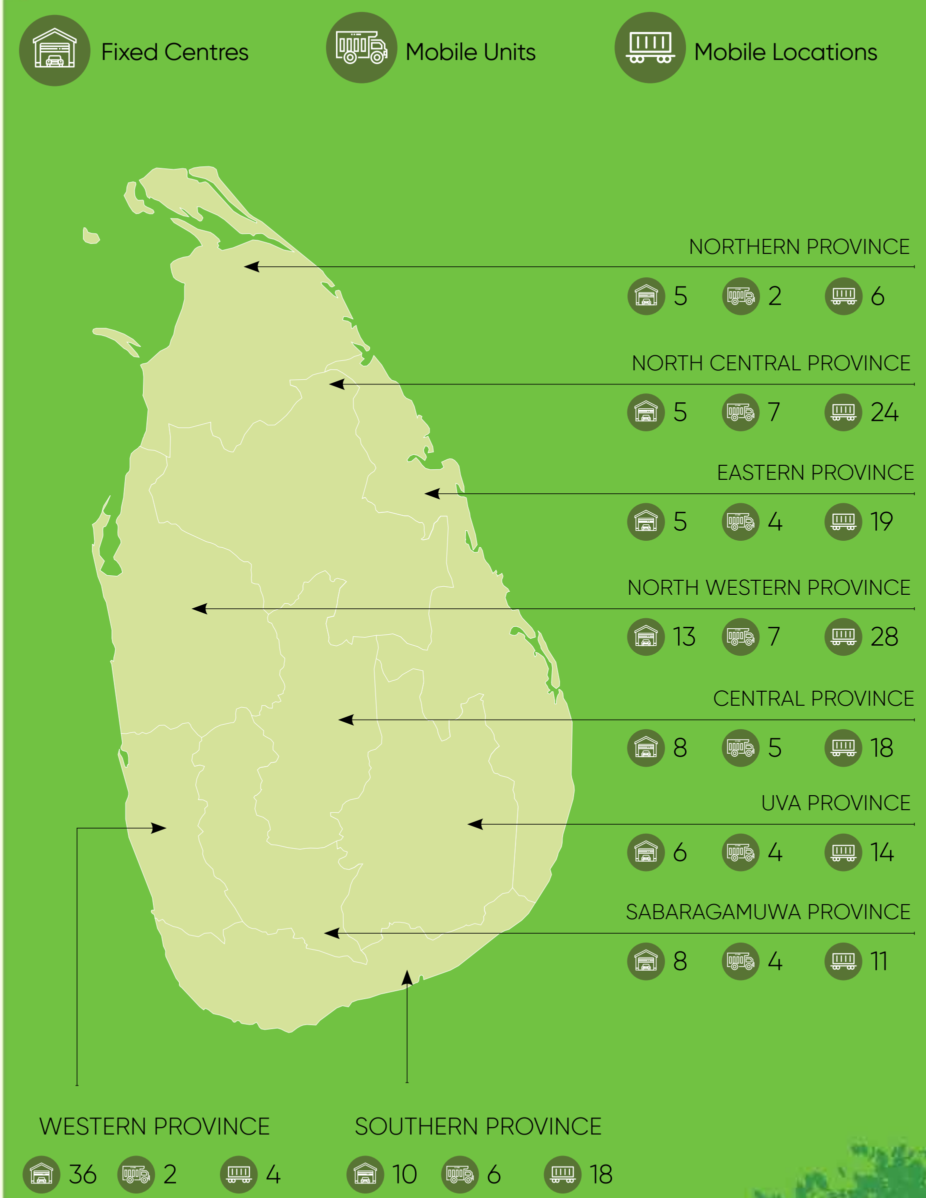
In compliance with the World Health Organisation's recommendations, the air quality in Sri Lanka is considered moderate and data indicates that when compared with other sources, vehicle emissions is a key determinant of the air quality in the country.

Hence, LAUGFS Eco Sri embarked upon minimising air pollution with the assistance of expertise, advanced technology and years of experience. It would undoubtedly contribute towards a cleaner and safer air for everyone to breathe.

ABOUT LAUGFS ECO SRI

LAUGFS Eco Sri Ltd is a fully owned subsidiary of LAUGFS Holdings established in 2008, as part of the collaboration with the Department of Motor Traffic (DMT) to support a safer, cleaner environment through efficient Vehicle Emission Testing (VET).
With over a decade of experience in specialised vehicle emission testing, LAUGFS Eco Sri is present in over 238 customer touch points across Sri Lanka.

> AS AN ISO 9001 CERTIFIED COMPANY WE PROVIDE OUR CLIENTS WITH A SUPERIOR QUALITY SERVICE COMBINED WITH RELIABILITY



Revenue	Profit After Tax	Total Assets
Rs.1,649 Mn	Rs.506 Mn	Rs.1,836 Mn
Operating Profit	**Equity**	**Total Touch Points**
Rs.547 Mn	Rs.1,267 Mn	238
Fixed Emission Test Centers	**Mobile Emission Test Units**	**Mobile Locations**
96	41	142
Emission Tests Conducted	**Total Workforce**	**Average Staff Per Center**
3,016,850	746	5

ABOUT LAUGFS ECO SRI

The testing facilities are equipped with advanced technology and trained personnel to test and certify that all vehicles undergoing emission tests comply with environmental regulations. This in turn ensures that harmful emissions which are released to the environment by vehicles get controlled and that they remain within applicable benchmarked levels.

Known for reliability, superior service quality, efficiency and expertise in skills and technology, the Company has been certified as an ISO 9001 compliant entity for its superior service quality standards.

Qualified Teams

We are proud of our efficient and competent team of service providers who are both skilled and experienced in delivering excellent service to our customers.

Continuous knowledge enhancement and training is provided to our center teams to maintain high-quality service delivery and technical expertise.

LAUGFS Eco Sri maintains a strict recruitment policy that necessitates National Vocational Qualification (NVQ) / Automobile Level 3 as the basic entry requirement for team members at the testing centers. This ensures that our employee skill levels are above average.

Advanced Technology

Since its inception, the company has invested in advanced emission testing technology software including Class Zero technology from Europe and installed supporting equipment across all centers for accurate and efficient vehicle emission testing.

Our real time connectivity and troubleshooting system has enabled island-wide devices to connect simultaneously and obtain real time information and support during vehicle emissions tests. This is further supported by the automated in-house vehicle identification system in place that has increased the efficiency and reliability of our service.

Gas Analysers

Multifunctional exhaust gas analysers are used to test vehicles based on microprocessor electronics.

Infrared analysers are used to test cars and motorcycles. All analysers are aligned to comply with DMT's emission testing standard measures.

Smoke Meters

Smoke Meters are used to measure exhaust fumes with partial flow. All equipment used are built in Italy making sure that they comply with the norms set by the Department of Motor Traffic of Sri Lanka (DMT) and the Department of Measurement Units, Standards & Services (MUSSD).

All upgrades and periodic maintenance are carried out in a timely manner with the use of an effective monitoring system to make certain that they are functioning at optimal levels.

We continue to explore innovative industry trends to increase efficiency and service delivery of our testing procedures and service quality.

Superior Customer Service

As a service oriented organisation, customer service is our number one priority. Our teams are frequently trained in technical and soft skills to provide both advanced technical support and an efficient service. The superior customer service offered to our customers extend to all touch points from testing bay, certificate counter and even at our cashier points.

The large island-wide network of LAUGFS Eco Sri managed by regional staff ensures that customers can obtain assistance in their own local language and at their own convenience.

To support our large customer base with prompt assistance, the company maintains a call center service which ensures quick response and guidance to customer queries, issues and complaints.

In addition, the service team ensures that customers whose emission tests have failed are not returned disappointed. Instead, the team guides and advice customers on corrective actions for their vehicles.

GROUP CHAIRMAN'S MESSAGE

"REFLECTING AN UNWAVERING COMMITMENT TO ITS STRATEGIC GOALS, THE COMPANY REPORTED A PROFIT GROWTH OF 9.1% AT RS. 506 MN, A COMMENDABLE BOTTOM LINE UNDER CHALLENGING CONDITIONS."

Dear Shareholders,

I take pride in sharing with you that the LAUGFS Eco Sri team once again has delivered a reassuring performance despite the challenging socio-economic conditions in the Country. LAUGFS Eco Sri Limited recorded Rs. 506 Mn profit after tax for the financial year ending 31st March 2022. The continued commendable performance of the company was driven by the dedication of its inventive and tireless team.

Socio-economic Impact

The lingering effects of the COVID-19 pandemic continued to be felt even though vaccination was made mandatory and lockdowns were eased. Schools and offices operated online affecting school and public transportation services. The significantly affected tourism industry employed lesser number of vehicles in tour operations. Additionally, the challenging socio-economic status of the country called for strict measures to control trade deficit and exchange rate pressure, such as the continuing ban on the import of vehicles, impacting the growth of businesses.

Regulation

Vehicle emission testing in Sri Lanka is regulated by the Department of Motor Traffic which works in partnership with LAUGFS Eco Sri to conduct the vehicle emission testing. The Department of Motor Traffic regulates the price of emission testing for each category of vehicle. However, prices have not been revised for 11 years which is a grave challenge for the company, especially amidst the increasing cost of operations.

As a result, the company focused on the growth of business volume and improving the efficiencies of its operations to drive business growth sustainably. To that effect, LAUGFS Eco Sri focused on relocating certain fixed and mobile centers to provide an enhance customer service experience and convenience. Additionally, the testing centres adapted on lean staffing and employee efficiency in order to manage operational costs whilst offering the best service to customers.

Profit After Tax

Rs.506 Mn

Net Profit Margin

31%

Net Assets per Share

Rs.3.27

Operating Conditions

The registration of vehicles declined to 33,850 in 2021, as against 367,303 in 2019 and 202,628 in 2020 due to the ongoing restrictions on vehicle imports imposed by the Government.

LAUGFS Eco Sri also noted a lower interest in vehicle emission testing due to the several extensions granted for revenue license renewal by the Department of Motor Traffic during the COVID-19 lockdowns. The extension led vehicle owners to delay revenue license renewal which required the emissions testing certificates.

Since 2011, the fee structure for vehicle emission testing continues to be disproportionate to the increased cost of operations, pushing the company to depend on business volume to grow its earnings. LAUGFS Eco Sri continues to engage with the Department of Motor Traffic to obtain price revisions for vehicle emission testing services.

Performance

Reflecting an unwavering commitment to its strategic goals, the company reported a profit growth of 9.1% at Rs. 506 Mn, a commendable bottom line under challenging conditions. However, the topline reported 2.8% lower at Rs. 1,649 Mn despite efforts to increase volumes through regional centre service excellence.

Our People

At LAUGFS Eco Sri, we believe in the importance of caring for our staff's wellbeing. Measures were taken to maintain a good rapport with the staff, provide health and safety, and ensure timely payment of salaries. The continuous efforts of the company to look after the staff and keep up the morale supported both the top and bottom line to remain favourable.

Future Outlook

LAUGFS Eco Sri maintains a positive outlook for the coming year and is committed to growing the emission testing service towards our goal of cleaner air to breathe. We plan to continue the dialogue with state authorities to revise testing fee structures and offer favourable import conditions to grow the business.

Appreciations

I extend my gratitude to the team at LAUGFS Eco Sri for their unwavering effort to ensure a significant performance during the year under review. I thank our loyal customers for continuing their trust in our services and for patronising our testing centres. My sincere appreciation is extended to the officials at the Department of Motor Traffic and the Ministry of Transport for their continued cooperation on regulatory matters.

I wish to also thank all the members of the Board for their invaluable contribution during the year under review. Finally, I thank our shareholders for their persistent confidence in the performance and prospects of LAUGFS Eco Sri.

Deshabandu W.K.H. Wegapitiya
Group Chairman
31 August 2022

GROUP DEPUTY CHAIRMAN'S MESSAGE

OUR TRAINED STAFF WORKED TIRELESSLY CONTRIBUTING TO MAINTAIN A POSITIVE TOP AND BOTTOM LINE DURING THIS TOUGH PERIOD. LAUGFS ECO SRI CONTINUES ITS COMMITMENT TO ENSURE THE WELL-BEING OF ALL ITS EMPLOYEES.

Dear Shareholders,

I am pleased to report that LAUGFS Eco Sri Limited concluded another year with a commendable performance despite the lingering effects of the global pandemic and the challenging macroeconomic status in the Country. The business of testing vehicle emissions is an important step towards reducing our carbon footprint and ensuring greener living, benefitting us all. Equally important is to keep the air we breathe as clean as possible for good health leading to a better quality of life, not only for us but also for generations to come

An Invisible Menace

Air pollution is as much a health risk as it is an environmental risk. Polluted air is linked to respiratory diseases such as asthma, lung cancer, heart disease and even strokes. The World Health Organization (WHO) guidelines on air quality shares the tolerable thresholds of air pollutants that pose serious health risks. According to the guidelines, reducing air pollution caused by particulate matter (PM10) upto 20 micrograms per cubic metre (μg/m3) can cut down air pollution-related deaths by as much as 15%.

The International Agency for Research on Cancer (IARC), the specialised cancer agency of the World Health Organization in its Scientific Publication No. 161 states that the particulate component of air pollution is closely linked to cancers, especially lung cancer. These findings solidify the importance of maintaining healthy air quality.

Vehicle emission testing plays an important role in controlling the release of harmful particulates to the environment. The emission tests assess the quality and volume of emissions of registered vehicles except electric, hybrid and agricultural land vehicles which were manufactured before 31.12.1975 and brand new vehicles in their first year of registration.

Emission testing helps to create awareness among vehicle owners regarding the condition of their vehicles and encourages them to maintain vehicles to function at optimum level. In return, this ensures that the emissions of vehicles on the road are within the 'safe level'. Making the test mandatory has been an important step in bringing the country closer to reducing its carbon footprint as well as protecting the health of its citizens.

Condition of the Operational Environment

In 2021, a decline of approximately 83% in the registration of motorcars and of almost 95% decline in motorcycle registrations were observed. Many businesses and schools continued to operate online due to various challenges, leading to a continued decline in the number of vehicles registering for emission testing in the year under review. The dip in business and the fewer business opportunities saw many vehicle owners deferring registration of vehicles until business prospects improved. The ban on motor vehicle imports had the greatest impact on emission testing due to its direct impact on the growth of the country's vehicle population, resulting in a stagnation of demand for emission testing requirements.

Staying Afloat

The economy of the Country continued to reel under the residual impacts of the pandemic as well as macroeconomic challenges. To face these challenges, LAUGFS Eco Sri adopted a strategy to optimise existing capacities. Measures included the relocation of mobile and fixed centers to provide a better service, keeping customer convenience in mind. Currently, vehicle emission testing services are carried out at 96 fixed testing centres and 142 mobile centres serviced by 41 mobile service units, situated around Sri Lanka.

Our trained staff worked tirelessly contributing to maintain a positive top and bottom line during this tough period. LAUGFS Eco Sri continues its commitment to ensure the well-being of all its employees. The loyalty of our employees has enabled us to achieve a top line of Rs.1,649 Mn and supported a bottom line growth during the year.

Future Prospects

Vehicle emission testing is a sustainable and stable business generating a steady influx of cash flow. Continuation of the ban on vehicle imports is our biggest challenge for the future leading to the stagnant growth in the vehicle population. However, LAUGFS Eco Sri continues to maintain a positive outlook focusing on improving its operational efficiencies and accessibility as a way of driving business growth.

Appreciations

My appreciation is extended to all staff, for their commitment, diligence and positive attitude in facing the challenges during this financial year. Thank you to our customers, business partners and officials of the Department of Motor Traffic for their continued patronage and cooperation during the concluded year. I thank our shareholders for their support and look forward to their continued confidence in LAUGFS Eco Sri in the year ahead.

U.K. THILAK DE SILVA
Group Deputy Chairman
31 August 2022

GROUP MANAGING DIRECTOR/ GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

DESPITE NOT RECEIVING ANY RELIEF FROM THE FEE STRUCTURE, WE HAVE ACHIEVED A SATISFACTORY PERFORMANCE AMIDST AN ENVIRONMENT OF DRASTIC COST INCREASES, BY MANAGING OUR COSTS AND INCREASING OUR COST EFFICIENCY WITHIN THE COMPANY.

Dear Shareholders,

As you are aware, the FY 2021/22 has been a challenging year with the continuation of the COVID-19 pandemic and the Country's economic predicament impacting businesses and organisations across almost all sectors of the economy and business. Despite these hurdles, I am pleased to report that your Company, LAUGFS Eco Sri, has reported a profitable year recording a profit after tax (PAT) of Rs. 506 Mn as the Company expanded our regional presence and consolidated our customer base.

We are proud of LAUGFS Eco Sri's achievement, especially under the current economic conditions that have increased our operational costs whilst state-regulated emission testing fees, which is our sole source of revenue, has remained constant since 2011.

Our vision towards healthy and clean air for all through our vehicle emission testing was achieved through operational efficiencies and dedication of our service teams in the fixed and mobile centres island-wide.

Innovative Approach

LAUGFS Eco Sri has continuously innovated to overcome barriers, extending our service in ways that increased customer convenience and efficient service delivery. As a result, we are pleased that our market share in the industry has remained strong.

Supporting Our People

The COVID-19 pandemic no doubt caused concern for staff health even during 2021/22 FY as new variants and increased spread of the disease increased the risk to the LAUGFS Eco Sri field staff. The Company supported our employees and their families by assisting them to get themselves vaccinated, providing COVID-19 treatment assistance, and supporting them during quarantine with household provisions. In addition, health and safety measures were implemented in all our workplaces and branches for the safety of our staff as well as of our customers.

Regulatory Impacts

The vehicle emission testing industry was particularly impacted by the state-imposed restriction on vehicle imports which adversely affected our business growth. Coupled with the strict state-regulated fee structure for testing, the overall industry has experienced a tough two years since 2019.

Despite not receiving any relief from the fee structure, we have achieved a satisfactory performance amidst an environment of drastic cost increases, by managing our costs and increasing our cost efficiency within the Company.

Financial Performance

I am pleased that the overall performance of the Company has met our forecasts at the beginning of the financial year and that we have achieved our expected top and bottom-line.

LAUGFS Eco Sri reported a revenue of Rs. 1,649 Mn, which is 2.8% lower than the revenue reported last year of Rs. 1,696 Mn due to poor market growth during the year. Revenue suffered from five months of lockdowns during which no vehicle emission testing was possible while economic uncertainties and vehicle import limitations in the balance months limited purchases of second-hand vehicles and vehicle registration renewals.

The company made a net profit of Rs. 506 Mn, which is 9.1% higher than the Rs. 464 Mn during the same period last year. The Company's expansion plans for the year were on hold due to policy and economic uncertainties in the sector. As a result, gross profit margins for the year were at Rs. 890 Mn, which is 7% lower than last year.

Despite cost restructuring and other streamlining of operations, operating profits declined by 7.9% during the 2021/22 FY.

This year we are pleased to have offered our shareholders total dividend payment to the value of Rs 580,500,129 consisting two interim dividends at .0.75 (75 cents) per share pertaining to 2020/21 and 2021/22

Looking Forward

While the future is uncertain given the current economic, social and political circumstances, LAUGFS Eco Sri is optimistic that the new financial year will offer new opportunities for the Company.

We continue to advocate for cleaner air to breathe and hope to expand our offering to industrial emission testing in the future. As a signatory to multiple United Nations conventions on environmental pollution, air pollution, carbon footprint and climate change, the Sri Lanka Government's role in promoting cleaner emissions from factories and industrial zones is of paramount importance.

While we attempt to introduce emission testing for the industry, in the absence of a regulatory requirement to do so, making industries accountable for cleaner emissions will be a challenge.

As in any business, growth is fundamental to sustainability. With the current unfavourable external conditions, the industry has been stinted. Managing prospective expenditure is also becoming a challenge in the current high inflationary environment.

However, the company aims to proceed with our planned listing on the Colombo Stock Exchange to raise capital to grow the LAUGFS Eco Sri business in the future.

Acknowledgement

I thank our shareholders for the faith and confidence they placed in the leadership during this uncertain and challenging year. I admire and commend the dedication of the LAUGFS Eco Sri team for reaching out to our customers at a community level, at a time when personal health and safety were at risk. Their continued commitment has been a strength for the growth and success of LAUGFS Eco Sri. I wish to also appreciate the cooperation extended by the officials at the Department of Motor Traffic in resolving any regulatory matters.

P. KUDABALAGE
Group Managing Director/ GCEO

31 August 2022

BOARD OF DIRECTORS

DESHABANDU W.K.H. WEGAPITIYA
Group Chairman

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

MR. P. KUDABALAGE
Group Managing Director/GCEO

MR. P. M. B. FERNANDO
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 Eco Sri Limited, 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 Eco Sri Ltd 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 Jayewardenepura, 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 extraordinary 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 panellist 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 Council member of University of Sri Jayewardenepura.

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 in 2020 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 programmes conducted in the country and overseas. He was a recipient of a scholarship from the Association for Overseas Technical (AOTS) programmes 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.

MR. P. KUDABALAGE
Group Managing Director/GCEO

Mr. P. 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 awarded to Mr. Kudabalage by the Institute of Chartered Management Accountants of Sri Lanka in year 2014 and also "Prasada Sambawana" award was granted to him by the University of Kelaniya in year 2014 for the excellent service rendered to the Government of Sri Lanka.

MR. P. M. B. 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 LAUGFS Power PLC, LAUGFS Gas PLC, LAUGFS Leisure Limited, Lanka Hospitals Corporation PLC, and Evoke International Limited.

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 the University of Sri Jayawardenepura.

OPERATING ENVIRONMENT

The financial year under review posed several challenges for the automotive sector as Sri Lanka's economic policies, economic slowdown and the ripple effects of the pandemic led to lower vehicle registrations and usage by vehicle owners.

Domestic Economy

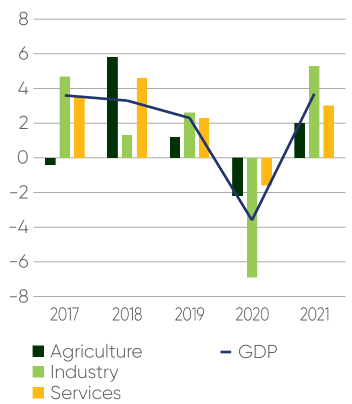
The Sri Lankan economy rebounded in 2021, from the COVID-19 induced contraction in 2020. As per the provisional national accounts estimates of the Department of Census and Statistics (DCS), the Sri Lankan economy recorded a growth of 3.7 % in 2021, in real terms, compared to the contraction of 3.6% recorded in 2020.

Prolonged economic challenges, including the high debt burden and weak external buffers impacted all industries during the last quarter of 2021/22 FY.

The Central Bank's efforts to contain the rising inflationary pressures, and the widening balance of payment deficits through import restriction, exchange rate controls and policy saw manufacturing, transport and logistics, and services sectors marginally recover during the year further supported by influx of economic activity post COVID.

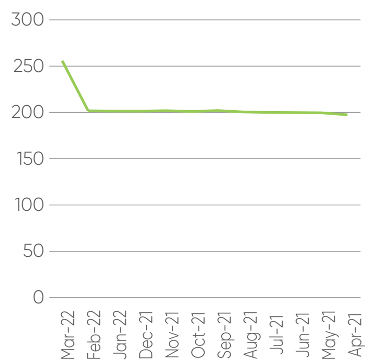
According to the Central Bank of Sri Lanka the manufacturing sector increased 1.1% in 2021, while the service sector increased 1.7% and the wholesale and retail trade, transportation and storage, accommodation and food service activities also increased to 0.3% compared with 2021.

Annual GDP Growth Rate



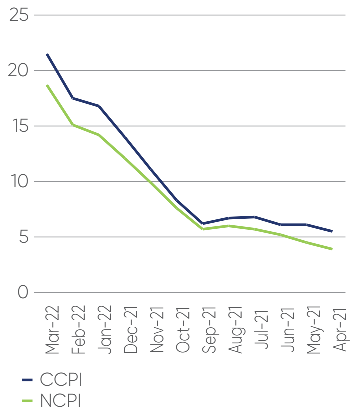
* Source: Annual Report 2021 - CBSL

Exchange Rate Movements



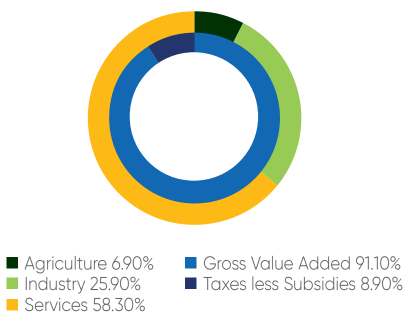
*Source - Monthly Economic Indicators - CBSL

Headline Inflation: CCPI and NCPI
Y-o-Y Percentage Change



*Source - Monthly Economic Indicators - CBSL

Constant (2010) Prices



* Source: Annual Report 2021 - CBSL

Motor Vehicle Sector

The number of new vehicle registrations dropped drastically during the year under review due to state curtailment of vehicle imports. At the same time, months of lockdown due to the pandemic and subsequent grace period offered for renewal of revenue licenses decreased the number of motorists obtaining emission testing certificates. Irrespective of the vehicle type, the trend in vehicle registration was similar across all categories during the last two years leading to a neutral industry growth.

New Vehicle Registrations

2017	2018	2019	2020	2021
451,653	480,799	367,303	202,628	33,850

Type of vehicle	2020	2021
Buses	578	281
Motor Cars	21,021	3,495
Three Wheelers	7,150	2,093
Dual Purpose Vehicles	9,532	771
Motor Cycles	151,634	8,011
Goods Transport Vehicles	3,941	4,432
Land Vehicles	8,302	14,764
Quadricycles and Motor Homes	470	3

Re-registration (transferring) of Vehicles

2017	2018	2019	2020	2021
708,201	666,752	675,018	n/a	n/a

(Source: Central Bank Annual Report 2021)

The trickledown effect of lower vehicle registrations was immensely felt in the Vehicle Emission Testing (VET) sector. The VET sector reported a decline in volumes and values compared with pre-covid (2019) figures. The slowdown from pandemic lockdown in complementary industries such as travel and tourism, logistics, construction and manufacturing further contributed towards this decline.

Air Pollution

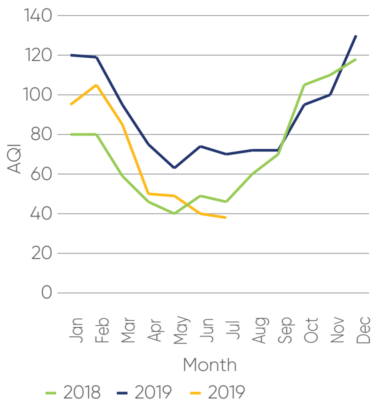
Hazardous emissions from vehicles are key contributors to air pollution in urban areas. Poor air quality has been cited as a serious health hazard by the World Health Organisation leading to breathing related difficulties and illnesses. As a signatory to multiple conventions on environment pollution, climate changes and sustainability and energy efficiency, Sri Lanka's efforts towards improving the quality of the air we breathe has been a main reason to introduce vehicle emission management to the country.

During the last 10 years, Sri Lanka's PM10 (Particulate Matter) concentrations show a steady increase and within a range of 50-120 µg m-3 (concentration of air pollutant given in micrograms) exceeding the Sri Lanka annual air quality standard of 50 µg m-3.

The World Health Organization (WHO) recommends that the average annual ambient PM10 level and AQI values above 100 are categorised as unhealthy to sensitive groups such as asthmatics and heart patients who could suffer adverse health issues.

Air Pollution

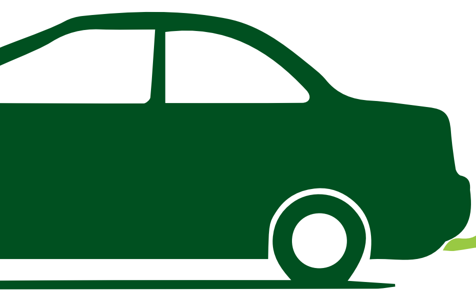
YVariation of AQI based on PM2.5 for Colombo for the period 2018-2020



*Source - Ceylon Journal of Science

MANAGEMENT DISCUSSION & ANALYSIS

THE VEHICLE POPULATION ONLY SAW A STAGNATED GROWTH OF 0.4% AS IMPORT RESTRICTIONS AND THE ONGOING PANDEMIC HAD A NEGATIVE IMPACT ON NEW REGISTRATIONS.



Total Work Force

746

Turnover Per Employee

Rs. 2.2 Mn

Earnings Per Share

Rs. 1.31

Despite the financial year under review being one of the toughest for the vehicle emission sector, we are pleased to report that LAUGFS Eco Sri continued to enjoy a significant market share and recorded an impressive net profit growth of 9.1% for 2021/2022 FY.

With the onset of the COVID-19 pandemic, state imposed vehicle import ban, grace period offered by the government for vehicle registration renewals combined with COVID led mobility restrictions, exchange rate fluctuations and other economic concerns, the sector faced multiple challenges during the year. However, LAUGFS Eco Sri reported a profit of Rs.506 Mn during the year under review compared with Rs.464 Mn reported last year

Factors Affecting Performance

Factor	Impact	Result
Import Restriction	Lack of new vehicles entering into the market annually	• Low vehicle emission test growth compared to last year • Vehicles being bought by car sale owners for higher prices and are stranded at car sales due to abnormal prices
	Inability to import spare parts needed for vehicle repairs	• Vehicles are stranded in garages due to unavailability of spare parts
Constant Prices	Revenue after accounting for inflation is lower	• Lower profitability
Grace Period for Vehicle Registrations	Registration renewals were delayed and expected volumes didn't come through	• Lower income generation from core business activity
Exchange Rate Instability	Increase in maintenance cost	• Difficulty in maintaining equipment
	Increase in fuel prices	• Motorists discouraged to use own vehicles
COVID-19	Work from home trends	• Less vehicles in use and needing renewal of vehicle revenue licenses
	Lockdown for five months	• Inability to function the centers • Inability for vehicle owners to visit the centers
	Fear of the pandemic	• Low turnout at centers
	Lower industry-wide activities	• As construction, travel and tourism, transport and logistics and other industries were grounded for most part of the year, the number of vehicles that were tested for emissions were lower.

Our Strategy

Having understood the challenges of the year, the Company's management took steps to identify strategic priorities and address them swiftly. A strategy was put in place to mitigate the impacts of the operating and policy environment that hindered growth.

The LAUGFS Eco Sri business strategy focused on:

Cost Efficiency

A cost restructuring was implemented across the company to address the financial crunch during the year.

Expansion of Local Presence and Accessibility

We ensured that our existing fixed testing centers were maintained continuously so that they will be ready once the pandemic related lockdown was lifted. This proved to be a positive measure as the centers were prepared to service the influx of vehicles that came in soon after the island-wide lockdown ended, which helped boost the revenues for the year.

In addition, the Company also optimised our mobile units to meet the vehicle emission testing requirements of the provinces and cities that were not serviced through the fixed center network. This enabled the Company to reach a larger customer base post lockdown.

Increase in Branding and Awareness

Having identified that lack of public awareness on the importance of vehicle emission testing and its health benefits through cleaner air to breathe, the company implemented awareness campaigns on the impacts of air pollution on health. Raising awareness, prompted the public who avoided vehicle emission testing to take action by ensuring their vehicles emitted minimum amounts of pollutants to the air by testing their vehicles frequently.

During this period, LAUGFS Eco Sri branding efforts were also strengthened to support the awareness initiatives.

Improve Customer Service

During the lockdown period, the company strategically implemented customer service improvement and technical skill development workshops and online trainings for center teams. By optimising the lockdown time to improve skills and knowledge, LAUGFS Eco Sri was able to improve the efficiency of service delivery and the overall customer service experience once the centers recommenced.

MANAGEMENT DISCUSSION & ANALYSIS

Value Chain

Customers
All motorists owning a VET-liable vehicle

→

Process
Trained staff
Advanced technology
Reliable equipment

→

Distribution
96 fixed centres
142 mobile locations
41 mobile units

Stakeholder Value Creation

Stakeholder	Value Delivered
Customers	• Convenience through increased testing centers
	• 3,016,850 number of tests performed
Employees	• Training and development opportunities
	• Benefit schemes during the pandemic
Community	• Employment opportunities provided
Shareholders/ Investors	• Rs.580,500,129 worth of dividend payments

Financial Performance

LAUGFS Eco Sri reported a revenue of Rs.1,649 Mn in 2021/22FY, which is 2.8 % lower than the revenue reported last year of Rs.1,696 Mn as the pandemic led lockdown and grace period offered by government for revenue license renewal slowed vehicle testing during the year.

Performance was affected by poor market growth during the year. Revenue suffered from five months of lockdowns during which no vehicle emission testing was possible while economic uncertainties and vehicle import limitations in the balance months limited purchases of second hand vehicles and vehicle registration renewals. As a result, gross profit margins for the year was at Rs. 890 Mn, 7% lower than last year.

However, the Company made a net profit of Rs. 506 Mn, a 9.1 % growth from Rs. 464 Mn recorded during the same period last year owing to increase in share of Associate results.

The Company optimised the mobile testing units to reach a larger customer base despite fears of pandemic spread. But the Company's expansion plans for the year were on hold due to policy and economic uncertainties for the sector.

Despite cost restructuring and other streamlining of operations, operating profits also declined by 7.9% from Rs. 594 Mn to Rs. 547 Mn during the 2020/21 FY.

Decline in operating profit was also caused by the extensions offered by the government to renew revenue licenses, the restrictions imposed on vehicle imports, pandemic led health and safety guidelines that increased costs of PCR and antigen tests, safety measures in centers and provision of safety gear, escalation of costs from maintenance, rent and other operations, and state regulated pricing of emission tests which have remained constant over the years.

		2021/22	2020/21	%
Financial Performance				
Revenue	Rs.000	1,648,600	1,696,333	(2.81%)
Gross Profit	Rs.000	889,693	959,951	(7.31%)
Operating Profit	Rs.000	546,765	593,829	(7.92%)
Profit before tax	Rs.000	614,708	586,490	4.81%
Profit after tax	Rs.000	505,843	463,654	9.09%
Earnings per share	Rs.	1.31	1.20	9.09%
Gross profit margin	%	54%	57%	
Operating profit margin	%	33%	35%	
Net profit margin	%	31%	27%	
Return on assets	%	26%	25%	
Return on equity	%	39%	37%	
Financial Position				
Total asset	Rs.000	1,836,407	2,042,380	(10.08%)
Capital expenditure	Rs.000	33,429	51,148	(34.64%)
Debt	Rs.000	387,075	422,294	(8.34%)
Shareholder's equity	Rs.000	1,266,502	1,329,754	(4.75%)
Gearing	%	23%	24%	
Net assets per share	Rs.	3.27	3.43	
Current ratio	Times	3.11	3.10	
Quick ratio	Times	3.03	3.01	

MANAGEMENT DISCUSSION & ANALYSIS

Assets and Liabilities

Total asset base decreased by 10 % to Rs.1836 Mn due to decreasing cash and cash equivalent with the payment of Rs.580 Mn dividend during the financial year. Total liabilities decreased by 20% to Rs.570 Mn from Rs.713 mainly due settling of Rs.120 Mn worth of other payables during this financial year.

Cash Flow Management

During the year, cash flow from operating activities totalled Rs. 500 Mn, while net cash outflow from investing activities totalled Rs. 24 Mn. Due to dividend payments, the company experienced a net outflow of Rs. 743 Mn from financing activities.

Capital Structure

Gearing decreased to 23% from 24% last year. Compared to 2020/21 FY, debt decreased from Rs. 422 Mn to Rs. 387 Mn and shareholder's equity decreased from Rs. 1,330 Mn to Rs. 1,267 Mn.

Looking Forward

Amidst the challenging business environment, LAUGFS Eco Sri strives to maintain a positive outlook for the future. With increasing awareness on the importance of safer and cleaner air, and the harmful effects of air pollution, we are hopeful that emission testing will become a self-driven activity rather than a state-imposed requirement.

However, the Company is concerned by the unchanged pricing structure of vehicle emission testing in the face of increased inflation and exchange rate figures. LAUGFS Eco Sri is also watchful of the exchange rate crisis developing in the domestic economy, which has led to shortages in fuel, that has a direct impact on the number of vehicles in use.

As a sector relying on and requiring conformity with government policies for growth, we are cautious in planning for the future. The Company will consider state decisions on vehicle importation, emission testing price revisions, inflationary and exchange rate pressures in the coming year in strategising for the medium to long term.

In the meantime, LAUGFS Eco Sri will continue to solidify our local presence and build brand loyalty as a reliable and reputed service provider, whilst keeping an eye open for opportunities for growth and expansion.

AUDIT COMMITTEE REPORT

Report of the Board Audit Committee

The Audit Committee is a formally constituted Sub- Committee of the Board of Directors. This report outlines how the Committee discharged its responsibilities during the year in relation to financial and other reporting, risk management and internal control, the internal audit function and our relationship and interaction with the external auditor.

The primary function of the committee is to overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of LAUGFS Eco Sri Ltd, in accordance with Sri Lanka Accounting Standards, in order to provide additional assurance to the Board of Directors on the reliability of its financial statements and processes set.

Role of the Committee

The Audit Committee's primary responsibility is to assist the Board in carrying out its oversight duties in areas such as the risk management process, effectiveness of the prevailing internal control system, regulatory and statutory compliance and the integrity of financial reporting of LAUGFS Eco Sri Ltd, in accordance with Sri Lanka Accounting Standards. The Audit Committee is also in charge of evaluating the quality of audit conducted by the external auditor, as well as the independence and objectivity of the external auditor, and making a recommendation to the Board on the external auditor's appointment or reappointment. The Committee also assesses the adequacy and performance of the Internal Audit function, established by the Company.

The terms of reference of the Committee are clearly set out in the Audit Committee charter. The Audit Committee charter is periodically reviewed and revised with the concurrence of the Board of Directors to ensure that new developments relating to the function of the Committee are adopted.

Mandate

To review and monitor:

The scope of functions and responsibilities are adequately set out in the terms of reference of the Committee which has been approved by the Board and is reviewed periodically.

- External financial reporting obligations of the Company, including its obligations under the Colombo Stock Exchange Listing Rules, Rules/Regulations of the Securities and Exchange Commission and Companies Act No. 7 of 2007.
- Review & evaluate the performance of the Company's internal audit function. Ensuring the efficiency, effectiveness and adequacy of the Company's internal controls and risk management measures.
- Maintaining an effective system of internal control, compliance with legal and regulatory requirements that may have a material impact on the Company and its financial statements.
- Ensuring that high standards of Corporate Governance are in place by adopting and adhering to policies and procedures of the Company which are in compliance with Code of Best Practices on Corporate Governance jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
- Evaluating and reviewing the independence of the External Auditors. Making a recommendation to the Board on the appointment or re-appointment, Dismissal, service period and audit fee of the external auditor.
- Review and evaluate all auditing and non-audit services performed by the external auditors to ensure that their independence is not impaired.

Composition of the Audit Committee

The Audit Committee is comprised of the following Independent Non-Executive Directors:

Name of the KMP	Directorship status
Mr. P. M. B. Fernando	Chairman/Non-Executive Director
Mr. N Murali Prakash	Member/Non-Executive Director (Resigned W.E.F 31/05/2022)

The Board is satisfied that together, the members of the Committee, as set out in their biographical details on pages 14-15 bring a broad range of relevant skills, experience and expertise, from a wide variety of industries and backgrounds, and as a whole have competence relevant to the sectors in which the Group operates. The Chief Internal Auditor, Mr Prasenna Balachandran serves as the Secretary of the committee.

Committee Meetings

The Committee met four times during the financial year and attendance of the members is setout in the table below,

Name of the KMP	Attended/ Eligibility
Mr. P. M. B. Fernando	4/4
Mr. N Murali Prakash	4/4

Group Chairman, Group Deputy Chairman, Group Managing Director/ Group CEO, Group Finance Director, Chief Financial Officer, Chief Operational Officer, Senior Manager-Finance and the Chief Legal Officer, attend meetings at the invitation of the Committee. As well as representatives of the external auditor are invited to attend meetings of the committee. Other key executives and senior management are invited to attend to present and provide deeper insight on various topics as are required by the Committee to discharge its duties.

AUDIT COMMITTEE REPORT

The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee meetings.

Financial Reporting

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure the reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards.

The Audit Committee reviewed the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements before submitting them to the Board of Directors with a recommendation to approve. When annual financial statements are considered, the External Auditors are also invited to attend discussions and to obtain clarifications.

The Committee, in its evaluation of the financial reporting system also recognised the sufficiency of the content and quality of periodic management information reports forwarded to its members.

Internal Audit

The Audit Committee is responsible for monitoring and reviewing the operation and effectiveness of the Group Internal Audit function including its focus, plans, activities and resources. To fulfill these duties the Committee:

- reviewed and approved the Group Internal Audit function's charter, strategy and annual plan;
- considered and were satisfied that the competencies, experience and level of resources within the Internal Audit team were adequate to achieve the proposed plan;
- considered the role and effectiveness of Internal Audit in the overall context of the Group's risk management framework and was satisfied that the function has appropriate standing within the Group;
- received quarterly updates from the Internal Audit function on the delivery of the 2021/22 plan and on the principal findings from the work of Internal Audit and management's actions to remediate issues identified;
- considered the impact of remote versus on-site auditing in certain jurisdictions as a result of COVID-19 travel restrictions;

External Audit

- The External Auditors' Letter of Engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and management prior to the commencement of the audit.
- The Committee also met the External Auditors, prior to the finalisation of the financial statements. The External Auditors' reports on the audit of the Company and Group financial statements for the year, were discussed with both Management and Auditors. The members of the Committee had a separate meeting with the auditors to discuss issues of a sensitive nature that may have arisen during the audit if any.

The Committee reviewed the management letter issued by them based on their audit and considered actions to be taken to rectify any weaknesses in internal controls based on their recommendations.

The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka. The Committee is satisfied that the independence of the External Auditors has not been impaired by any non-audit services performed by them.

The performance of the External Auditors and the quality of their work has been evaluated and discussed with the senior management of the Company and the Committee has recommended to the Board that Messer Ernst & Young be re-appointed as the auditors of the Group for the financial year ending 31st March 2023, subject to approval by the shareholders at the Annual General Meeting, at a remuneration to be decided by the Management.

P. M. B. Fernando
Chairman,
Audit Committee

LAUGFS Eco Sri Ltd
31 August 2022

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

This report of the Related Party Transactions Review Committee for the year ended 31st March 2022 envisages an overview of the committee's work in discharging its responsibilities.

Purpose of the Committee Composition and Attendance

The Committee comprises a combination of Executive and Non-Executive Directors, the majority of whom are independent and non-Executive. The Chairman of the Committee is an Independent Non-Executive Director,

Name of the Board Committee member	Membership Status
Mr N Murali Prakash – (Resigned w.e.f 31.05.2022)	Chairman
Mr P. M. B. Fernando	INED/Member

* INED- Independent Non-Executive Director

Regular Attendees by invitation	
Group Chairman	Group Deputy Chairman
Group Managing Director/GCEO	Chief Operating Officer
Group Director - Finance	Chief Financial Officer
Senior Manager - Finance	Chief Legal Officer

Mr Prasenna Balachandran, Chief Internal Auditor, served of the Secretary to the Committee.

Committee Meetings

The Committee met four (04) times during the financial year ended March 31, 2022, and the proceedings of the Committee meetings have been regularly reported through verbal briefings and by tabling the minutes of the Committee's meetings.

The meeting attendance of the members is set out in the table below,

Name of the Board Committee member	Attended/ Eligibility
Mr N Murali Prakash	4/4
Mr P. M. B. Fernando	4/4

Duties and Responsibilities

The Related Party Transactions Review Committee carries out the following duties and responsibilities:

- Reviewing Related Party Transactions of the Company except those explicitly exempted under the Listing Rules.
- Adopting policies and procedures to review Related Party Transactions of the Company and set out guidelines and methods for the capturing and reviewing of Related Party Transactions,
- Assessing whether the Related Party Transactions are in the best interests of the Company and its shareholders as a whole.
- Defining and establishing threshold values for listed companies as per the Code, which requires discussion in detail of RPTs that have to be pre-approved by the Board, those that require immediate market disclosure, and those that require Shareholder approval and RPTs which require disclosure in the Annual Report.
- To review all proposed Related Party Transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Providing guidelines that Senior Management must follow in dealing with Related Parties, including conformance with the Transfer Pricing regulations and the Code.
- Where necessary, to escalate matters to the Board for review prior to the execution of any Related Party Transaction.
- To review and recommend the acquisition or disposal of substantial assets between related parties, including but not limited to obtaining 'competent advice' from independent professional experts on valuations and related aspects as deemed required.

Methodology Adopted by the Committee

Keeping in line with the guiding principles, self-declarations are obtained from each Director and Key Management Personnel (KMP) of the Company to identify parties related to the Directors & KMPs. Through this, the Company adopts a disclosure-based approach to identifying the related parties.

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Committee introduced policies and guidelines for adopting RPT for LAUGFS Eco Sri Ltd in complying with the Code of Best Practices & Section 09 of the listing rules. In doing so, transaction threshold values that required detailed discussion, prior approvals, and Recurrent RPTs requiring annual reviews were established, and reporting templates were approved by the Committee.

Key Functions Performed During the Year Under Review

Continuous initiatives were taken by the committee in making awareness of strict compliance with section 09 of the listing rules. During the year, the Committee reviewed the process and recognised the adequacy of the content and quality of the information forwarded to its members by the management.

The committee reviewed and strengthened the RPTR Charter within the financial year to provide more clarity on the current business context. The committee quarterly monitored the recurrent transactions and their compliance with the approved values and, where required, directed them to the relevant Boards for further directions. The training was conducted for all KMPs and other functional heads to increase awareness of all regulations under the RPTR scope by an industry specialist.

There are no non-recurrent transactions and recurrent transactions that exceeded the threshold values during the period under review, treated under section 9.3.2.b Disclosures in the Annual Report.

The Committee has put the necessary processes in place to identify, review, disclose and monitor Related Party Transactions in accordance with the provisions in Section 09 of the Listing Rules and in so far as to the knowledge of the Committee, such transactions submitted for review have been verified for compliance.

P. M. B. Fernando
Related Party Transaction Review Committee

LAUGFS Eco Sri Ltd
31 August 2022

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 2022.

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 Company 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 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 37 to 63 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. P. Kudabalage
- Group Managing Director/GCEO

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

* Mr. N. M. Prakash
- Director
(Resigned w.e.f. 31st May 2022)

*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 2022 amounted to Rs. 400,000,000/- represented by 387,000,086 ordinary voting and ordinary non-voting shares.

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

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2022 are as follows:

	Shareholding as at 31/03/2022		Shareholding as at 31/03/2021	
	Voting	Non Voting	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 (Resigned w.e.f. 31st May 2022)	17,000 (0.01%)	-	17,000 (0.01%)	-
*Mr. P. M. B. Fernando	100 (0.00%)	-	100 (0.00%)	-
Mr. P. Kudabalage	-	-	-	-

* Independent Non-Executive Directors

Major Shareholders, Distribution Schedule and Other Information

Information on the twenty largest shareholders, are given on pages 64 and 65.

Auditors

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

A sum of Rs. 402,545 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.

Dividend

An interim dividend pertaining to 2020/21 and 2021/22 was paid at Rs. 0.75 (cents 75) per share totalling to Rs. 580.50 Mn. to the shareholders on 12th October 2021 and 17th February 2022 respectively.

The directors have confirmed that the Company has satisfied the solvency test requirement under Section 56 of the Companies Act No. 7 of 2007 for the interim dividend paid and a solvency certificate was obtained from the Auditors in respect of the interim dividend paid.

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 63 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 has been scheduled to be held on 27th September 2022, at 10.30 a.m. at the LAUGFS Head Office, 101, Maya Avenue, Colombo 06 via electronic means.

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

31 August 2022

FINANCIAL INFORMATION

INDEPENDENT AUDITORS' REPORT

Building a better working world

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

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: 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 2022, 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 2022 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 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

31 August 2022
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	2022 Rs.	2021 Rs.
Revenue from Contracts with Customers	3	1,648,599,997	1,696,333,374
Cost of Sales		(758,906,608)	(736,382,516)
Gross Profit		889,693,389	959,950,858
Other Operating Income	4.1	5,266,742	5,724,003
Administrative Expenses		(341,371,980)	(365,096,285)
Promotional Expenses		(6,823,126)	(6,749,817)
Operating Profit		546,765,025	593,828,759
Finance Costs	4.2	(35,271,271)	(43,009,016)
Finance Income	4.3	8,618,786	8,044,716
Share of Associates' Results	9.2.3	94,595,113	27,625,920
Profit before Tax		614,707,653	586,490,379
Income Tax Expense	5.1	(108,864,176)	(122,835,967)
Profit for the Year		505,843,478	463,654,412
Earning Per Share - Basic/Diluted	6	1.31	1.20

The accounting policies and notes on pages 37 through 63 form an integral part of the financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March	Note	2022 Rs.	2021 Rs.
Profit for the Year		505,843,478	463,654,412
Net Actuarial Gain/(Loss) on Defined Benefit Plans	16.2	13,859,097	7,170,452
Share of Associates' Other Comprehensive Income	9.2.3	318,097	(6,681)
Income Tax Effect	5.2	(2,771,819)	(1,434,090)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods		11,405,374	5,729,681
Other Comprehensive Income for the Year Net of Tax		11,405,374	5,729,681
Total Comprehensive Income for the Year Net of Tax		517,248,852	469,384,093

The accounting policies and notes on pages 37 through 63 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	2022 Rs.	2021 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7.3	174,412,125	188,355,051
Intangible Assets	8	71,502	243,107
Right-to-use asset	7.6	306,820,690	373,917,891
Investments in Associates	9.2.3	578,711,352	483,798,142
Deferred Tax Assets	5.5	-	4,615,595
		1,060,015,669	1,050,929,786
Current Assets			
Inventories	10	21,475,208	28,861,689
Trade and Other Receivables	11	623,993,453	592,065,949
Cash and Cash Equivalents	12.1	130,923,140	370,522,600
		776,391,801	991,450,238
Total Assets		1,836,407,470	2,042,380,024
EQUITY AND LIABILITIES			
Equity			
Stated Capital	13	400,000,000	400,000,000
Retained Earnings		866,502,290	929,753,567
Total Equity		1,266,502,290	1,329,753,567
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	15.1	247,981,689	311,881,571
Refundable Deposits		700,000	700,000
Employee Benefit Liability	16.2	71,130,571	79,991,677
Deferred Tax Liability	5.5	601,305	-
		320,413,565	392,573,248
Current Liabilities			
Trade and Other Payables	17	86,740,531	184,387,127
Interest Bearing Loans and Borrowings	15.1	139,093,098	110,412,077
Income Tax Payable		23,657,986	25,254,005
		249,491,615	320,053,209
Total Equity and Liabilities		1,836,407,470	2,042,380,024

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

31 August 2022
Colombo

The accounting policies and notes on pages 37 through 63 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March	Note	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
As at 01 April 2020		400,000,000	750,619,539	1,150,619,539
Profit for the Year		-	463,654,412	463,654,412
Other Comprehensive Income		-	5,729,681	5,729,681
Total Comprehensive Income		-	469,384,093	469,384.093
Dividend Paid -2019/20	14	-	(290,250,065)	(290,250,065)
As at 31 March 2021		400,000,000	929,753,567	1,329,753,567
Profit for the Year		-	505,843,478	505,843,478
Other Comprehensive Income		-	11,405,374	11,405,374
Total Comprehensive Income		-	517,248,852	517,248,852
Dividend Paid -2020/21 & 2021/22	14	-	(580,500,129)	(580,500,129)
As at 31 March 2022		400,000,000	866,502,290	1,266,502,290

The accounting policies and notes on pages 37 through 63 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	2022 Rs.	2021 Rs.
Cash Flows Generated from / (Used in) Operating Activities			
Cash Flows from Operating Activities			
Net Profit before Tax		614,707,653	586,490,379
Adjustments for			
Depreciation of Property, Plant and Equipment	7.2	46,496,522	48,655,650
Amortisation of Intangible Assets	8	171,605	171,605
(Gain)/Loss on Disposal of Property, Plant and Equipment		469,186	(162,741)
Depreciation of Right-of-Use-Assets	7.6	131,552,700	131,292,088
Share of Results of Associates	9.2.3	(94,595,113)	(27,625,920)
Interest Income	4.3	(8,618,786)	(8,044,716)
Finance Costs	4.2	35,271,271	43,009,016
Transfer of Employee Benefit Liability	16.2	-	(418,478)
Provision for Employee Benefit Liability	16.1	12,663,104	16,926,907
Operating Profit before Working Capital Changes		738,118,142	790,293,790
(Increase) / Decrease in Inventories		7,386,480	(1,483,476)
(Increase) / Decrease in Trade and Other Receivables		(31,927,504)	(196,341,489)
Increase / (Decrease) in Trade and Other Payables		(97,738,436)	29,176,398
Cash Generated from Operations		615,838,682	621,645,223
Tax Paid		(108,015,109)	(124,037,942)
Employee Benefit Liability Cost Paid	16.2	(7,665,113)	(2,697,097)
Net Cash Flows Generated from Operating Activities		500,158,460	494,910,184
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment	7.1	(33,428,739)	(51,148,253)
Proceeds from Disposal of Property, Plant and Equipment		405,958	413,683
Interest Received	4.3	8,618,786	8,044,716
Net Cash Flows Used in Investing Activities		(24,403,995)	(42,689,854)
Cash Flows from Financing Activities			
Lease Payments	15.1	(162,169,355)	(157,186,357)
Dividends Paid	14	(580,500,129)	-
Net Cash Flows Used in Financing Activities		(742,669,484)	(157,186,357)
Net Increase/(Decrease) in Cash and Cash Equivalents		(266,915,020)	295,033,973
Cash and Cash Equivalents at the Beginning of the Year	12	367,345,317	72,311,344
Cash and Cash Equivalents at the End of the Year	12	100,430,297	367,345,317

The accounting policies and notes on pages 37 through 63 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 private 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 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 31 August 2022.

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 investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value and 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 is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

In determining the basis of preparing the Financial Statements for the year ended 31 March 2022, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group companies and the appropriateness of the use of the going concern basis. In March 2022, the Company evaluated the resilience of its businesses considering a wide range of factors, relating to expected revenue, cost management, profitability, ability to defer non-essential capital expenditure, debt repayment and potential sources of financing facilities.

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 adjustment 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 16.4.

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 sell 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

In accordance with and subject to the powers conferred on the Board under Section 17 of the said Law No. 4 of 1978 and regulations the Company was exempted from income tax for a period of five (5) years reckoned from the year of assessment as may be determined by the Board ("the tax exemption period") the provisions of the Inland Revenue Act No. 10 of 2006 relating to the imposition payment and recovery of income tax shall not apply in respect of the profits and income of the enterprise.

For the above purpose the year of assessment shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years from the date of commencement of commercial operations of the enterprise, whichever year is earlier, as specified in the certificate issued by the Board of Investment. The Board of Investment has issued a certificate confirming the tax exemptions for the year of assessments 2009/2010 -2013/2014. The Company has obtained the certificates for the remaining periods on submission of audited Financial Statements to the board.

After the expiration of the aforesaid tax exemption period referred to in sub-clause (i), the profits and income of the enterprise shall be charged at the rate of ten per cent (10%) for a period of two (02) years immediately succeeding the last date of the tax exemption period during which the profits and income of the enterprise is exempted from the income tax (the concessionary tax rate of ten per cent (10%).

After the expiration of the aforesaid concessionary tax rate of ten per cent (10%) referred to in sub-clause (ii), the profits and income of the Enterprise shall be charged for any year of assessment at the rate of twenty per cent (20%).

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 is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

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 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 investment 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.

2.3.5 Financial Instruments - Initial Recognition and Subsequent Measurement

2.3.5.1 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 marketplace (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 LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the 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.

2.3.5.2 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 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 15.1

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.

2.3.5.3 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 is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the 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.

2.3.5.4 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. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company's financial liabilities include trade and other payables, bank overdrafts & finance lease.

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.

2.3.5.5 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.

2.3.5.6 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

2.3.6 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.

2.3.7 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.

2.3.8 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.

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.

2.3.9 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 asset 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.

2.3.10 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.

2.3.11 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 such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's 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 Company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, 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 makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 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 Statement of Profit or Loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.3.12 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

2.3.13 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.4.1 New and Amended Standards and Interpretations

Amendment to SLFRS 16- COVID-19 Related Rent Concession

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions, arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The company has applied practical expedient for COVID-19 related rent concessions which have been extended up to June 2022.

2.4.2 Standards issued but not yet effective

The new and amended standards that are issued, but not yet effective to the date of issuance of these Financial Statements are disclosed below. None of the new or amended pronouncements are expected to have a material impact on the Consolidated Financial Statements of the Company in the foreseeable future. The Company intends to adopt these amended standards, if applicable, when they become effective.

Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

On 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use

On 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Amendments to SLFRS 3: Definition of a Business – Referred to the Conceptual Framework

On 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

SLFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Year ended 31 March	2022 Rs.	2021 Rs.
Rendering of Services	1,648,599,997	1,696,333,374
	1,648,599,997	1,696,333,374

4. OTHER INCOME AND EXPENSES

4.1 Other Operating Income

Year ended 31 March	2022 Rs.	2021 Rs.
Sundry Income	5,266,742	5,724,003
	5,266,742	5,724,003

4.2 Finance Costs

Year ended 31 March	2022 Rs.	2021 Rs.
Interest Expense on Lease Liability	35,271,271	43,009,016
	35,271,271	43,009,016

4.3 Finance Income

Year ended 31 March	2022 Rs.	2021 Rs.
Interest Income	8,618,786	8,044,716
	8,618,786	8,044,716

NOTES TO THE FINANCIAL STATEMENTS

4.4 Profit Before Tax

Year ended 31 March Stated after Charging/(Crediting)	2022 Rs.	2021 Rs.
Included in Cost of Sales/Service and Operational Expenses		
VET Certificate Charges	8,433,479	9,632,789
Employee Benefit including the following ;	333,423,094	310,938,576
- Salaries and Allowances	296,667,744	272,923,089
- Defined Contribution Plan Costs - EPF & ETF	29,615,101	27,707,792
- Other Staff Related Expenses	7,140,248	10,307,695
Depreciation of Property, Plant and Equipment	33,551,604	34,651,707
Land Rent	176,000	488,000
Spare Parts and Consumables	19,792,970	20,865,081
Depreciation of ROUA	118,785,258	117,597,422
Included in Administration Expenses		
Directors' Fees and Emoluments	92,827,833	87,005,000
Auditors' Remuneration - Fees	402,545	385,000
Depreciation of Property, Plant and Equipment	12,944,919	14,003,943
Amortisation of Intangible Assets	171,605	171,605
Depreciation of ROUA	12,767,442	13,694,666
Employee Benefit including the following ;	142,461,720	148,450,713
- Salaries and Allowances	95,222,919	100,626,728
- Defined Benefit Plan Costs - Gratuity	12,663,104	16,926,907
- Defined Contribution Plan Costs - EPF & ETF	10,399,262	9,177,868
- Other Staff Related Expenses	24,176,434	21,719,210
Shared Service Fee	7,830,000	7,680,160
Loss/(Profit) on Sale of Property, Plant & Equipment	469,186	(162,741)
Included in Promotional Expenses		
Advertising and Promotional Cost	6,934,802	8,900,119

4.5 Components of Other Comprehensive Income

Year ended 31 March	2022 Rs.	2021 Rs.
Employee Benefit Liability		
Actuarial Gain/(Loss) arising during the Year	13,859,097	7,170,452

5. INCOME TAX

The major components of income tax expense for the years ended 31 March 2022 and 31 March 2021 are:

5.1 Statement of Profit or Loss

Year ended 31 March	2022 Rs.	2021 Rs.
Current Income Tax:		
Current Income Tax Expense (Note 5.3)	106,393,048	122,740,188
Under/(Over) Provision of Current Taxes in respect of Prior Years	26,047	1,920,772
	106,419,095	124,660,960
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 5.5)	2,445,081	(1,824,993)
	2,445,081	(1,824,993)
Income Tax Expense Reported in the Statement of Profit or Loss	108,864,176	122,835,967

5.2 Statement of Comprehensive Income

Year ended 31 March	2022 Rs.	2021 Rs.
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 5.5)	2,771,819	1,434,090
Income Tax Charged Directly to Comprehensive Income	2,771,819	1,434,090

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 2021 and 31 March 2022 are as follows:

Year ended 31 March	2022 Rs.	2021 Rs.
Accounting Profit before Income Tax	614,707,653	586,490,379
Adjustments in respect to Current Income Tax		
Aggregate Disallowed Items	230,390,781	262,202,125
Aggregate Allowable Expenses	(315,941,365)	(237,745,308)
Investment Income	(14,040,857)	(13,768,718)
Business Income	515,116,212	597,178,478
Investment Income	14,040,857	13,768,718
Assessable Income	529,157,069	610,947,196
Less: Qualifying Payments	`	-
Taxable Income	529,157,069	610,947,196
At the Statutory Income Tax Rate - Business Income	20%	20%
- Other Taxable Income	24%	24%
Current Income Tax Expenses - Business Income	103,023,242	119,435,696
- Other Taxable Income	3,369,806	3,304,492
	106,393,048	122,740,188

NOTES TO THE FINANCIAL STATEMENTS

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

Year ended 31 March	Statement of Financial Position 2022 Rs.	Statement of Financial Position 2021 Rs.	Statement of Profit or Loss 2022 Rs.	Statement of Profit or Loss 2021 Rs.	Statement of Other Comprehensive Income 2022 Rs.	Statement of Other Comprehensive Income 2021 Rs.
Deferred Tax Liabilities						
Undistributed Profits of Associates	23,045,279	19,563,105	(3,482,174)	(3,502,229)	-	-
Capital Allowances for Tax Purposes	1,770,539	917,814	(852,725)	(355,072)	-	-
	24,815,818	20,480,919	(4,334,899)	(3,857,301)	-	-
Deferred Tax Assets						
Employee Benefit Liability	(14,226,114)	(15,998,335)	999,598	2,762,270	(2,771,819)	(1,434,090)
Trade & Other Receivables	(36,148)	(58,484)	(22,336)	(502,925)	-	-
ROUA	(9,952,250)	(9,039,695)	912,556	3,422,949	-	-
	(24,214,512)	(25,096,514)	1,889,818	5,682,294	(2,771,819)	(1,434,090)
Deferred Tax Income/(Expense)			(2,445,081)	1,824,993	(2,771,819)	(1,434,090)
Net Deferred Tax (Assets)/Liabilities	601,305	(4,615,595)				

5.5 Reconciliation of Net Deferred Tax Asset

Year ended 31 March	2022 Rs.	2021 Rs.
As at 01 April	(4,615,595)	(4,224,692)
Tax (Income)/Expense during the year recognised in Statement of Profit or Loss	2,445,081	(1,824,993)
Tax (Income)/Expense during the year recognised in Statement of Comprehensive Income	2,771,819	1,434,090
As at 31 March	601,305	(4,615,595)

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 Amount Used as the Numerator:	2022 Rs.	2021 Rs.
Net Earnings attributable to Ordinary Shareholders for Basic/Diluted Earnings Per Share	505,843,478	463,654,412

Year ended 31 March Number of Ordinary Shares used as Denominator:	2022 Number	2021 Number
Weighted Average Number of Ordinary Shares for Basic/Diluted Earning Per Share	387,000,086	387,000,086

Year ended 31 March	2022 Rs.	2021 Rs.
Basic/Diluted Earnings Per Share	1.31	1.20

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

	Balance as at 01.04.2021 Rs.	Additions during the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2022 Rs.
At Cost					
Buildings on Leasehold Land	447,193,253	12,136,433	135,509	(6,012,370)	453,452,824
Office Equipment	4,294,710	521,678	-	(91,221)	4,725,167
Computer and Accessories	73,755,751	8,766,909	-	(3,832,532)	78,690,127
Furniture and Fittings	17,966,867	1,015,800	-	(316,875)	18,665,795
Plant, Machinery & Equipment	282,173,707	10,255,738	-	(2,947,910)	289,481,535
Motor Vehicles	54,873,388	-	-	-	54,873,388
	880,257,676	32,696,559	135,509	(13,200,908)	899,888,836
In the Course of Construction					
Capital Work-in Progress	135,509	732,180	(135,509)	-	732,180
	135,509	732,180	(135,509)	-	732,180
Total Gross Carrying Amount	880,393,185	33,428,739	-	(13,200,908)	900,621,016

7.2 Depreciation

	Balance as at 01.04.2021 Rs.	Charged for the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2022 Rs.
At Cost					
Buildings on Leasehold Land	361,397,052	15,236,061	-	(5,357,281)	371,275,832
Office Equipment	2,788,429	373,772	-	(87,586)	3,074,615
Computer and Accessories	54,536,571	9,655,515	-	(3,760,528)	60,431,558
Furniture and Fittings	13,559,865	1,702,553	-	(311,721)	14,950,696
Plant, Machinery & Equipment	206,884,485	17,885,117	-	(2,808,648)	221,960,955
Motor Vehicles	52,871,731	1,643,504	-	-	54,515,235
Total Depreciation	692,038,133	46,496,522	-	(12,325,764)	726,208,891

7.3 Net Book Values

Year ended 31 March	2022 Rs.	2021 Rs.
At Cost		
Buildings on Leasehold Land	82,176,992	85,796,201
Office Equipment	1,650,552	1,506,281
Computer and Accessories	18,258,569	19,219,180
Furniture and Fittings	3,715,099	4,407,002
Plant, Machinery & Equipment	67,520,580	75,289,221
Motor Vehicles	358,153	2,001,657
	173,679,945	188,219,542
In the Course of Construction		
Capital Work-in Progress	732,180	135,509
Total Carrying Amount of Property, Plant and Equipment	174,412,125	188,355,051

7.4 The Rates of Depreciation are Estimated as Follows:

Year ended 31 March	2022	2021
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.33,428,739/- (2021 - Rs.51,148,253/-) for cash.

7.6 RIGHT-OF-USE-ASSETS

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

Year ended 31 March Cost	2022 Rs.	2021 Rs.
Balance As at 01 April	637,229,989	482,490,403
Effect of Adoption of SLFRS 16	-	-
Addition and Improvement	65,764,340	156,628,782
Retirement of Lease	(11,491,795)	(1,889,196)
Balance As at 31 March	691,502,534	637,229,989

Year ended 31 March Accumulated Amortisation	2022 Rs.	2021 Rs.
Balance As at 01 April	263,312,098	133,034,470
Charge for the year	131,552,700	131,292,088
Retirement of Lease	(10,182,954)	(1,014,460)
Balance As at 31 March	384,681,844	263,312,098
Net Book Value As at 31 March	306,820,690	373,917,891

8. INTANGIBLE ASSETS

Year ended 31 March Cost	2022 Rs.	2021 Rs.
As at 01 April	15,893,848	15,893,848
Acquired during the Year	-	-
As at 31 March	15,893,848	15,893,848
Amortisation		
As at 01 April	15,650,741	15,479,136
Amortisation during the Year	171,605	171,605
As at 31 March	15,822,346	15,650,741
Net Book Value	71,502	243,107

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 Cost	2022 Rs.	2021 Rs.
Revenue	99,500,336	99,995,845
Operating Expenses	(29,621,491)	(44,177,890)
Other Income	1,588,870	4,711,264
Finance Income	285,438	45,987
Finance Costs	(15,401,545)	(17,375,193)
Fair Value Gain on Investment Properties	455,907,500	85,044,367
Income Tax Expense	(133,878,656)	(17,740,699)
Net Profit for the Year ended 31 March	378,380,454	110,503,681
Share of Associates' Profit or Loss	94,595,113	27,625,920

NOTES TO THE FINANCIAL STATEMENTS

9.2.2 Summarised Statement of Financial Position

Year ended 31 March	2022 Rs.	2021 Rs.
Non-Current Assets	2,623,067,865	2,171,398,437
Current Assets	389,646,548	367,660,603
Non-Current Liabilities	551,144,614	445,178,595
Current Liabilities	146,724,390	158,687,877
Equity	2,314,845,409	1,935,192,567
Company's Carrying Amount of the Investment	578,711,352	483,798,142

9.2.3 Equity Reconciliation

Year ended 31 March	2022 Rs.	2021 Rs.
Carrying Value as at 01 April	483,798,142	456,178,903
Share of Associates' Profit or Loss	94,595,113	27,625,920
Share of Associates' Results recognised in Profit or Loss	94,595,113	27,625,920
Share of Other Comprehensive Income	318,097	(6,681)
Carrying Value as at 31 March	578,711,352	483,798,142

10. INVENTORIES

Year ended 31 March	2022 Rs.	2021 Rs.
Inventories	21,475,208	28,861,689
	21,475,208	28,861,689

11. TRADE AND OTHER RECEIVABLES

Year ended 31 March	2022 Rs.	2021 Rs.
Trade Receivables - Others	2,026,052	2,226,810
Less- Provision for Impairment	(180,742)	(292,418)
	1,845,310	1,934,392
Other Receivables - Related Parties (Note 11.1)	593,743,163	570,039,675
- Others	7,652,822	7,321,097
	603,241,295	579,295,164
Advances and Prepayments	20,175,547	12,234,274
Loans to Company Officers	576,611	536,511
	623,993,453	592,065,949

11.1 Other Receivables from Related Parties

Year ended 31 March	Relationship	2022 Rs.	2021 Rs.
LAUGFS Solutions Ltd	Group Company	59,233	59,233
LAUGFS Property Developers (Pvt) Ltd	Associate Company	-	8,193,194
Anantaya Passekudah (Pvt) Ltd	Group Company	11,070,380	11,070,380
LAUGFS Engineering (Pvt) Ltd	Group Company	496,931	-
LAUGFS Holdings Ltd	Ultimate Parent	433,681,400	431,181,400
LAUGFS Terminals (Pvt) Ltd	Group Company	15,724,511	15,724,511
LAUGFS Leisure Ltd	Group Company	103,707,567	103,707,567
LAUGFS Gas PLC	Group Company	29,003,140	103,390
		593,743,163	570,039,675

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

	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.
2022	2,026,052	-	924,415	573,862	369,691	158,084
2021	2,226,810	-	859,736	741,392	373,854	251,828

12. CASH AND SHORT TERM DEPOSITS

12.1 Favourable Cash and Cash Equivalent Balances

Year ended 31 March	2022 Rs.	2021 Rs.
Cash and Bank Balances	130,923,140	370,522,600
	130,923,140	370,522,600

12.2 Unfavourable Cash and Cash Equivalent Balances

Year ended 31 March	2022 Rs.	2021 Rs.
Bank Overdraft (Note 15.1.1)	(30,492,843)	(3,177,283)
Cash and Cash Equivalent for the Purpose of Statement of Cash Flow	100,430,297	367,345,317

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	2022		2021	
	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	2022		2021	
	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	2022		2021	
	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

Declared and Paid during the Year:

Year ended 31 March	2022	2021
	Rs.	Rs.
Dividends on Ordinary Shares:		
Interim Dividend for 2019/2020: 0.75 Rupees per Share	-	290,250,065
Interim Dividend for 2020/2021: 0.75 Rupees per Share	290,250,065	-
Interim Dividend for 2021/2022: 0.75 Rupees per Share	290,250,065	-

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

15.1 Financial Liabilities

15.1.1 Interest Bearing Loans and Borrowings

Year ended 31 March	2022			2021		
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total	Amount Repayable Within 1 Year	Amount Repayable After 1 Year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Lease Liability (Note 15.1.2)	108,600,255	247,981,689	356,581,944	107,234,794	311,881,571	419,116,365
Bank Overdraft (Note 12.2)	30,492,843	-	30,492,843	3,177,283	-	3,177,283
	139,093,098	247,981,689	387,074,787	110,412,077	311,881,571	422,293,648

15.1.2 Right to Use - Lease Liability

Year ended 31 March	2022	2021
	Rs.	Rs.
Balance As at 01 April	419,116,365	377,539,662
Additions	64,363,662	155,754,044
Accretion of Interest	35,271,271	43,009,016
Payments	(162,169,355)	(157,186,357)
Balance As at 31 March	356,581,943	419,116,365

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	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Trade and Other Receivables	A	603,241,295	579,295,164	603,241,295	579,295,164
Cash in Hand and at Bank	A	130,923,140	370,522,600	130,923,140	370,522,600
		734,164,435	949,817,764	734,164,435	949,817,764
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	247,981,689	311,881,571	247,981,689	311,881,571
Interest Bearing Loans and Borrowings (Current)	A	139,093,098	110,412,077	139,093,098	110,412,077
Trade and Other Payables	A	55,884,500	41,761,018	55,884,500	41,761,018
		442,959,287	464,054,666	442,959,287	464,054,666

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 2022, the carrying amounts of such borrowings are not materially different from their calculated fair values.

16. EMPLOYEE BENEFIT LIABILITY

16.1 Net Benefit Expense

Year ended 31 March	2022 Rs.	2021 Rs.
Current Service Cost	7,637,946	10,325,335
Interest Cost on Benefit Obligation	5,599,417	6,601,572
Past Service Cost	(574,259)	-
Total Expense	12,663,104	16,926,907

16.2 Employee Benefit Liability

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

Year ended 31 March	2022 Rs.	2021 Rs.
As at 1 April	79,991,677	73,350,797
Current Service Cost	7,637,946	10,325,335
Past Service Cost	(574,259)	-
Interest Cost on Benefit Obligation	5,599,417	6,601,572
Adjustment due to Transfer of Employees in to/(out of) Company	-	(418,478)
Actuarial (Gain)/Loss on Obligation	(13,859,097)	(7,170,452)
Benefits Paid	(7,665,113)	(2,697,097)
As at 31 March	71,130,571	79,991,677

16.3 Messrs. Smiles Global (Pvt) Limited actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2022. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31 March 2022 are as follows:

Year ended 31 March	2022	2021
Method of Actuarial Valuation:	Projected Unit Credit Method	Projected Unit Credit Method
Discount Rate:	14%	7%
Salary Increment Rate:	10%	10%
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:	21%	20%
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 2022.

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.

Increase/(Decrease)		2022		
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%		2,371,615	(2,371,615)	68,758,956
-1%		(2,556,666)	2,556,666	73,687,237
	+1%	(2,950,773)	2,950,773	74,081,344
	-1%	2,777,797	(2,777,797)	68,352,774

16.5 Changes in the Defined Benefit Obligation

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

2022		Amounts Charged to Profit or Loss				Remeasurement Gains/(Losses) in Other Comprehensive Income						
	01 April 2021	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 2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	79,991,677	7,063,687	5,599,417	12,663,104	(7,665,113)	-	417,023	(24,354,003)	10,077,883	(13,859,097)	-	71,130,571
	79,991,677	7,063,687	5,599,417	12,663,104	(7,665,113)	-	417,023	(24,354,003)	10,077,883	(13,859,097)	-	71,130,571

2021		Amounts Charged to Profit or Loss				Remeasurement Gains/(Losses) in Other Comprehensive Income						
	01 April 2020	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 2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	73,350,797	10,325,335	6,601,572	16,926,907	(2,697,097)	(418,478)	11,166,044	(11,960,521)	(9,375,975)	(7,170,452)	-	79,991,677
	73,350,797	10,325,335	6,601,572	16,926,907	(2,697,097)	(418,478)	11,166,044	(11,960,521)	(9,375,975)	(7,170,452)	-	79,991,677

16.6 Following Payments are Expected Contributions to the Defined Benefit Plan Obligation on the Future Years:

Year ended 31 March	2022	2021
	Rs.	Rs.
Less than or equal to 2 years	1,547,806	2,264,657
Over 2 year and less than or equal 5 years	69,582,764	77,727,020
	71,130,570	79,991,677

The average duration of the defined benefit plan obligating at the end of the reporting period is 5.84 years. (2021: 5.55 years)

17. TRADE AND OTHER PAYABLES

Year ended 31 March	2022 Rs.	2021 Rs.
Trade Payable - Related Parties (Note 17.1)	4,217,340	1,532,045
Trade Payable - Others	826,200	1,711,800
Other Payable - Related Parties (Note 17.2)	2,839,668	601,663
- Others	48,001,292	37,915,510
	55,884,500	41,761,018
Sundry Creditors including Accrued Expenses	30,856,031	142,626,109
	86,740,531	184,387,127

17.1 Trade Payables to Related Parties

Year ended 31 March	Relationship	2022 Rs.	2021 Rs.
LAUGFS Petroleum (Pvt) Ltd	Group Company	1,045,839	742,912
LAUGFS Property Developers (Pvt) Ltd	Associate Company	2,524,001	-
LAUGFS Business Solution (Pvt) Ltd	Group Company	647,500	647,500
LAUGFS Leisure Ltd	Group Company	-	115,318
LAUGFS Supermarket (Pvt) Ltd	Group Company	-	7,871
LAUGFS Lubricants Ltd	Group Company	-	18,444
		4.217,340	1,532,045

17.2 Other Payables to Related Parties

Year ended 31 March	Relationship	2022 Rs.	2021 Rs.
LAUGFS Property Developers (Pvt) Ltd	Associate Company	876,916	447,985
Southern Petroleum (Pvt) Ltd	Group Company	75,000	-
LAUGFS Lubricants Ltd	Group Company	138,633	92,836
LAUGFS Gas PLC	Group Company	237,448	55,842
LAUGFS Holdings Ltd	Ultimate Parent	1,506,671	-
LAUGFS Supermarket (Pvt) Ltd	Group Company	5,000	5,000
		2,839,668	601,663

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

	Total Rs.	< 30 Days Rs.	31-60 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2022	5,043,540	2,911,304	2,132,236	-	-
2021	3,243,845	1,532,045	1,711,800	-	-

NOTES TO THE FINANCIAL STATEMENTS

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

The company had initiated an arbitration case against the Commissioner of Motor Traffic (CMT) which was awarded in the company's favour. The Commissioner of Motor Traffic (CMT) has appealed against the said arbitration award in the high court of Colombo.

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 2021 and 31 March 2022, refer to Notes 11 and 17).

20.1 Transaction with the Related Entities

	Parent		Associate		Other Group Companies		Total	
Year ended 31 March	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nature of Transaction								
Balance as at 01 April	431,181,400	330,692,499	7,745,210	21,658,753	128,979,357	193,073,103	567,905,967	545,424,355
Purchase of Goods / Services	(41,744,295)	(39,783,333)	(19,281,301)	(17,903,814)	(20,113,836)	(18,121,710)	(81,139,434)	(75,808,857)
Dividend	(371,970,075)	(185,985,037)	-	-		-	(371,970,075)	(185,985,037)
Payment Made for Purchase Of Good & Services	464,707,699	464,583,333	8,135,175	3,990,271	99,246,822	112,268,984	572,089,696	580,842,588
Payment Received from purchase Good & Services	(50,000,000)	(185,000,000)	-	-	(50,203,140)	(96,341,580)	(100,203,140)	(281,341,580)
Gratuity-Adjustment	-	-	-	-	3,140	(225,502)	3,140	(225,502)
Balance Written - Off	-	-	-	-		(15,000,000)	-	(15,000,000)
Adjustment due to Transfer of	-	46,673,938		-		(46,673,938)	-	-
As at 31 March	432,174,729	431,181,400	(3,400,916)	7,745,210	157,912,343	128,979,357	586,686,154	567,905,967

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 Solution (Pvt) Ltd
LAUGFS Salt & Chemical Ltd
LAUGFS Life Sciences (Pvt) Ltd
LAUGFS Leisure Ltd
Anantaya Passekudah (Pvt) Ltd
LAUGFS Solutions Ltd
LAUGFS Property Developers (Pvt) Ltd
LAUGFS Terminals (Pvt) 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	2022 Rs.	2021 Rs.
Emoluments and Fees - Cash Benefits	89,218,333	83,960,000
Emoluments and Fees - Non Cash Benefits	3,609,500	3,045,000
Total compensation paid to Key Management Personnel	92,827,833	87,005,000

* 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

Interest Rate risk is the risk that the Fair Value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term lease obligations. Central Treasury department monitors the fluctuations on regular basis and ensure such risks are managed on a timely manner.

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 material exchange rate risk as majority of the transactions are done within the country and in Sri Lankan Rupees.

22. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events subsequent to the reporting date, which require disclosure in the financial statements, but the Company has been closely monitoring the impact of the current economic conditions on the Company's business operations.

As the situation evolves, the company will keep its risk management measures under continual review, and pro-actively take measures to ensure that business operations continue as seamlessly as possible.

SHAREHOLDERS INFORMATION

TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2022 - 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) LIMITE	1,953,696	0.583
4	AMANA BANK PLC/ALMAS ORGANISATION (PVT) LTD	1,547,795	0.462
5	MR W.K.H. WEGAPITIYA	1,411,536	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
		319,669,049	95.424
	OTHERS	15,331,037	4.576
	TOTAL	335,000,086	100.000

TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2022 - 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	MR M.A. JAFFERJEE	2,653,032	5.102
5	SEYLAN BANK PLC/CARLINES HOLDINGS (PRIVATE) LIMITE	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
		38,409,718	73.865
	OTHERS	13,590,282	26.135
	TOTAL	52,000,000	100.000

NOTICE OF MEETING

Notice is hereby given that the 5th Annual General Meeting of the Company will be held by way of electronic means on 27th September 2022 at 10.30 a.m. 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 2022 and the Report of the Auditors thereon.
2. To 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 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 2023 and upto the date of the next Annual General Meeting.

By Order of the Board

LAUGFS ECO SRI LTD

P W Corporate Secretarial (Pvt) Ltd
Secretaries
At Colombo
31 August 2022

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

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. 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 27th September 2022 at 10.30 a.m. and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To 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 re-appoint M/s. Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.		
3. To authorise the Directors to determine and make donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.		

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

....

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 by 48 hours before the AGM.

FORM OF PROXY - NON-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. P. M. B. Fernando	of Colombo or failing him
Mr. P. Kudabalage	of Colombo

as *my/our proxy to represent me/us at the Annual General Meeting of the Company to be held on 27th September 2022 at 10.30 a.m. and any adjournment thereof and at every poll which may be taken in consequence thereof.

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

....
Signature

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FORM OF PROXY - NON-VOTING

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Designed & produced by
emagewise

LAUGFS ECO SRI LTD.

No: 101, Maya Avenue, Colombo 06,
Sri Lanka.
www.ecosri.lk