A CLEARER FUTURE

LAUGFS ECO SRI LIMITED | ANNUAL REPORT 2022/23

A CLEARER FUTURE

There's no life, without the air we breathe, and there's no future without the planet we call home. That's why at LAUGFS Eco Sri our perspective of a prosperous future revolves around a cleaner planet. At a juncture where the air we breathe continues to deteriorate, we are actively contributing to build a cleaner, safer environment for everyone, steadily realising our mission of creating a greener tomorrow.

This year, we yet again leveraged our pioneering position as an air quality management solutions provider, to create an eco-sustainable future for everyone. Equipped with advanced technology and trained personnel, we delivered commendable results across our 237 touchpoints, with increased efficiencies recorded across the value chain. With a clear conscience in mind and a green mission at heart, we are ready to create a clearer future for all.

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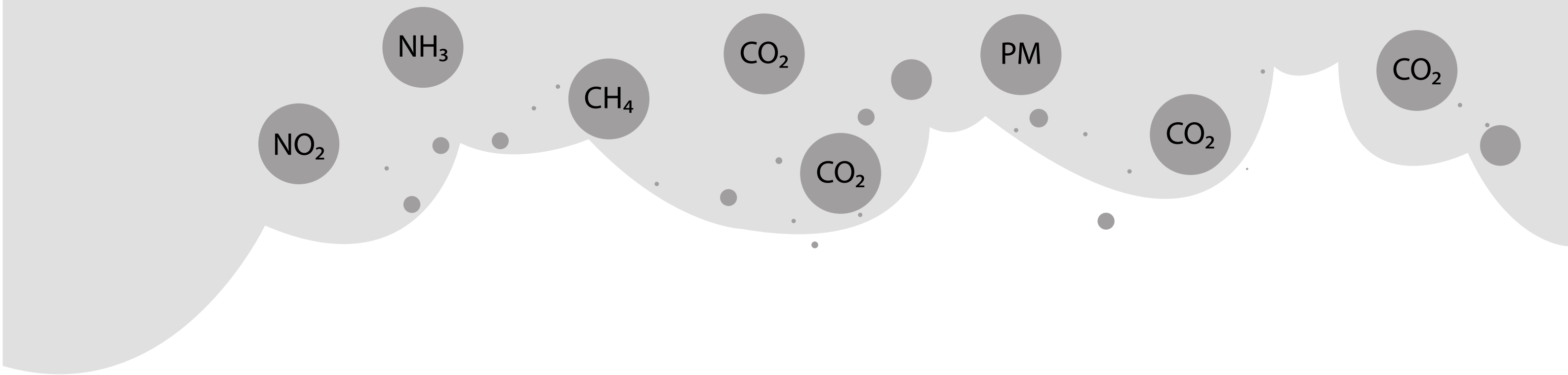
VISION & MISSION



LAUGFS GROUP **VISION**

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

LAUGFS GROUP **MISSION**

Be the leader in the market segments we operate in.

Introduce latest innovations, technology and solutions to add value to the consumer.

Promote a safety culture, encompassing People, Products and Processes.

Ensure fair returns to all our stakeholders.

Lead by example as a responsible corporate entity.

Foster a culture of one 'LAUGFS family'.

FINANCIAL HIGHLIGHTS

Revenue
Rs.1,755 Mn

Revenue Growth
6%

Total Assets
Rs.1,780 Mn

Equity
Rs.1,167 Mn

Profit Before Tax
Rs.493 Mn

Profit After Tax
Rs.382 Mn

3,002,906
Total Number of Tests

748
Total Workforce

237
Total Touch Points

ABOUT OUR COMPANY

Building a safer, cleaner environment through efficient Vehicle Emission Testing (VET), LAUGFS Eco Sri Limited a fully-owned subsidiary of LAUGFS Holdings, offers a valuable service to control air pollution in Sri Lanka from vehicle emissions, thereby ensuring cleaner air for all. In collaboration with the Department of Motor Traffic (DMT), LAUGFS Eco Sri was established in 2008 and has since widened its footprint to over 237 customer touch points across Sri Lanka.

LAUGFS Eco Sri's VET facilities are well-equipped with the latest technology and skilled personnel to test and certify vehicles undergoing emission tests comply with environmental regulations. This valuable service controls harmful vehicle emissions from being released into the environment and ensures that vehicle emissions are within benchmarked levels.

CUSTOMER-CENTRIC APPROACH

As a service-oriented organisation, customer service is our number one priority. Reputed for reliability, superior service quality, efficiency and technological expertise, the Company has been certified as an ISO 9001 compliant entity for its superior service quality standards.

LAUGFS Eco Sri's teams are trained in technical and soft skills to provide both advanced technical support and an efficient service. Their superior customer service offered to customers extends to all touch points covering the testing bay, certificate counter, and even the cashier points.

The large island-wide network of LAUGFS Eco Sri is managed by regional staff to ensure that customers can obtain assistance in their own local language and at their convenience. In order to offer prompt assistance, the company maintains a call centre which ensures a quick response to customer queries, issues and complaints.

Moreover, the service team ensures that customers whose vehicles failed emission tests are guided on corrective actions for their vehicles to meet compliance standards.

TEAM SPIRIT

All LAUGFS Eco Sri testing centres are managed by efficient teams who are experienced in delivering excellent service to customers. Continuous knowledge enhancement and training sessions are arranged to maintain high-quality service delivery and technical expertise.

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

LEVERAGING ON ADVANCED TECHNOLOGY

Since inception, the company has invested in advanced emission testing technology software including Class Zero technology from Europe and installed supporting equipment across all centres 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.

STATE-OF-THE-ART TESTING EQUIPMENT

All LAUGFS Eco Sri testing centres are equipped with the latest technology brought in from Italy.

All equipment comply with the standards set by the DMT and the Department of Measurement Units, Standards & Services (MUSSD). Multifunctional exhaust gas analysers are used to test vehicles based on microprocessor electronics. Infrared analysers are used to test cars and motorcycles. All analysers comply with the DMT's emission testing standard measures. Smoke meters are used to measure emissions of diesel vehicles.

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 function at optimal levels. We continue to explore innovative industry trends to increase efficiency and service delivery of our testing procedures and service quality to achieve our vision to ensure cleaner air for all.

GROUP CHAIRMAN'S REVIEW

Dear Shareholders,

I am pleased to place before you the Annual Report and Audited Financial Statement of LAUGFS Eco Sri Limited for the year ended 31st March 2023. The period under consideration witnessed volatility and turbulence in the economy, however, LAUGFS Eco Sri posted a satisfactory performance by exercising prudent controls.

Staff safety, health and comfort were prioritised during the year considering the unprecedented socio-economic circumstances impacted them.

Deshabandu W.K.H. Wegapitiya,
Group Chairman

11th August 2023

OPERATING ENVIRONMENT

Although the COVID-19 pandemic had eased by the start of the year under review and economic recovery seemed imminent, the severe economic crisis blindsided the nation and crushed prospects for growth in new business across most sectors. The year witnessed acute fuel shortages and long queues amidst other challenges, which resulted in most vehicle owners keeping their vehicles off the road, while schools and offices reverted to work from home mode yet again.

Profit After Tax
Rs. 382 Mn

The forex crunch, high interest rates and soaring inflation further served to shrink disposable incomes due to which vehicle emission testing became less of a priority. These difficult conditions led vehicle owners to delay revenue license renewal which requires an emissions testing certificate. The import ban on vehicles further restricted growth for the company, while the registration of all classes of vehicles declined to 20,510 in 2022 as against 33,850 in 2021 due to the restrictions.

Fortunately, a price increase was imposed for vehicle emission testing during the year, which resulted in a total revenue increase of 6%. Vehicle emission testing in Sri Lanka is regulated by the Department of Motor Traffic in partnership with LAUGFS Eco Sri. The Department of Motor Traffic, which regulates the price of emission testing for each vehicle category, introduced the price revision after a period of 12 years.

Notwithstanding the challenges on multiple fronts, the company focused on growing business volumes and improving the efficiencies of its operations.

Notwithstanding the challenges on multiple fronts, the company focused on growing business volumes and improving the efficiencies of its operations.

PERFORMANCE

LAUGFS Eco Sri Limited recorded Rs. 382 Mn of Profit After Tax (PAT) for the financial year ending 31st March 2023 amidst challenging macroeconomic conditions. Although the PAT reflects a decrease of 25% this was mainly resulting from the acute fuel shortages during the year, which kept vehicles off the road for many months at a stretch as many companies switched to work from home. Despite this adversity, the LAUGFS Eco Sri team managed to service existing and new customers while enhancing its operations.

PEOPLE-CENTRIC APPROACH

At LAUGFS Eco Sri, our staff remains the force behind our operations and their wellbeing and welfare is a responsibility we take seriously. Staff safety, health and comfort were prioritised during the year considering the unprecedented socio-economic circumstances impacted them. Salaries were paid in a timely manner to support our people while a host of welfare measures were taken to ensure an optimal work-life balance.

Net Profit Margin
22%

FUTURE OUTLOOK

LAUGFS Eco Sri remains committed to its sustainability focused operation of testing vehicle emissions to mitigate the impact of pollution on society and the environment. We continuously encourage authorities to take the necessary steps to encourage motorists to get their vehicle emissions testing certificate in a timely manner. We are hopeful that the import ban on new vehicles will be eased as many livelihoods depend on the industry.

Going ahead, we will evaluate how we can expand our scope of operations to testing emissions of the industrial sector to further reduce Sri Lanka's carbon footprint. Innovation, technology and sustainability are our key pillars on which our competitiveness and future growth will depend.

APPRECIATIONS

The guidance and counsel provided by fellow Directors on the Board proved invaluable. The efforts of the senior management and entire staff need to be lauded for facing a challenging year with a resolute outlook.

I would like to thank our loyal customers for placing their trust in our expertise and for patronising our testing centres. I also thank our shareholders for their unwavering support for LAUGFS Eco Sri's sustainable operations.

Further, I would like to place on record my appreciation to the officials at the Department of Motor Traffic and the Ministry of Transport for their cooperation through the year.

The World Health Organization (WHO) has declared Air Pollution as a global public health emergency, and we are committed to mitigating this serious threat to human health to ensure a sustainable future.

GROUP DEPUTY CHAIRMAN'S REVIEW

Dear Shareholders,

LAUGFS Eco Sri Limited posted a moderate performance given the challenging nature of the financial year under review, during which Sri Lanka was faced with an unprecedented economic crisis almost immediately after two years of the pandemic. Although the unfavourable headwinds through the year made it difficult to sustain the performance of the previous year, the company stayed resilient to make the best of a situation outside of its control. The advantage for the company is that vehicle emission testing remains a critical requirement for reducing air pollution while ensuring cleaner air for all.

Currently, vehicle emission testing services are carried out at the company's 95 fixed testing centres and 142 mobile centres serviced by 41 mobile units, situated around Sri Lanka.

U.K.Thilak De Silva,
Group Deputy Chairman

11th August 2023

Our employees are inspired by the sustainable nature of the business and feel like valued contributors in the nation's fight against air pollution and combatting climate change, which is aligned to the UN Sustainable Development Goals.

EXTERNAL CONDITIONS

The economy contracted by 7.8% year-on-year in 2022 as all key sectors contracted amid shortages of inputs and supply chain disruptions. Year-on-year inflation reached an unprecedented 50.3% by year-end due largely to high food inflation of 94.9%. This reflects the impact of rising global commodity prices, monetization of the fiscal deficit and currency depreciation. The Central Bank of Sri Lanka raised policy rates by 700 basis points in April to stabilise the economy. The high interest rate regime deterred potential car buyers from new leases at substantially higher LTVs. The forex crunch and fuel shortages further exacerbated the situation.

Sales Growth 6%

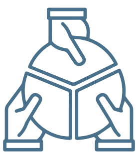
The vehicle import ban continued in 2022, causing a drop of 57% in the registration of motorcars and almost 13% decline in motorcycle registrations comparing with 2021. The fuel shortage and mile-long queues at fuel stations forced offices and schools to go online, leading to a continued decline in the number of vehicles registering for emission testing in the year under review. Many vehicle owners were obviously deferring registration of vehicles due to a lack of fuel. Currently, vehicle emission testing services are carried out at the company's 95 fixed testing centres and 142 mobile centres serviced by 41 mobile service units, situated around Sri Lanka.

EMISSION TESTING IS A SINE QUA NON

Air quality in Sri Lanka is affected by vehicle emissions, organic waste burning, by-products from the agricultural industry, and petroleum refining. Available data indicates that Colombo often experiences high levels of air pollution, which worsened sharply mid-way through the year due to atmospheric depression in the Bay of Bengal which caused poor air quality in Sri Lanka due to air pollution from India travelling to Sri Lanka.

Unfortunately, the importance of emissions testing is still to be ingrained amongst the population in general as many older and poorly maintained cars do not pass current regulations on emission control. Vehicles contribute to over 60 percent of global oil consumption and over 20 percent of total global carbon emission. In Sri Lanka, vehicular emissions are one of the key factors of air pollution.

World Health Organization (WHO)'s Air Quality Monitoring Guidelines (2021) require countries to establish air pollution monitoring systems and enhance public access to air quality data. WHO provided three ambient air quality monitoring stations to the Ministry of Environment on the World Health Day in April 2022 to enhance the availability of air quality data to inform efforts aimed at mitigation of air pollution. Combined with the sustainable services provided by the company, all these are positive steps to ensure cleaner air for all.



Net Asset per Share Rs. 3.01

Climate change is the greatest challenge of our time and LAUGFS Eco Sri is proud to be contributing towards its mitigation by reducing the health and environmental risks it poses. Polluted air is linked to respiratory diseases such as asthma, lung cancer, heart disease and even strokes.

OUR PEOPLE

Our employees are inspired by the sustainable nature of the business and feel like valued contributors in the nation's fight against air pollution and combatting climate change, which is aligned to the UN Sustainable Development Goals. The daunting external conditions put immense pressure on staff to exert extraordinary efforts to maintain profitability to the best extent possible. In turn, the company remains committed towards the wellbeing and welfare of its team.

FUTURE PROSPECTS

LAUGFS Eco Sri is determined to take urgent action to combat climate change and its impacts by expanding vehicle emission testing to every corner of the country and to instil the importance of greening our carbon footprint. We look ahead with hope to see economic revival and resurgence in the vehicle sector if the import ban is lifted. As always, we remain upbeat for the prospects of our business and will continue to seize opportunities as they arise.

ACKNOWLEDGEMENTS

I wish to thank the Chairman and Directors for their commitment to navigate the year successfully. Our staff has demonstrated agility and dedication to seek opportunity amidst adversity and need to be commended. I am grateful to our customers, business partners and officials of the Department of Motor Traffic for their continued support. A resilient company, we take strength from the confidence placed in us by our valued shareholders as we move ahead with optimism.

GROUP MANAGING DIRECTOR/GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders,

The year 2022/23 witnessed the Sri Lankan economy at a tipping point, weakened by one of the worst economic and political crises the nation has seen in its history. Macro-economic instability, economic stagnation and a volatile business environment triggered by a forex crunch and shortage of fuel and cooking gas rendered the operating climate extremely challenging. Nevertheless, LAUGFS Eco Sri was able to mitigate the impact on its operations by seizing opportunities in the market and strengthening its presence.

I believe the worst of the economic crisis is behind us and that the year ahead will witness improved market conditions as the economy recovers. LAUGFS Eco Sri is well-equipped to capitalise on new avenues

P. Kudabalage
Group Managing Director/ GCEO

11th August 2023

INDUSTRY CONDITIONS

The ongoing vehicle import ban continued to impact the registration of new vehicles, which dropped to 20,510 in 2022 from 33,850 in 2021. Somewhat recovering from the effects of stringent pandemic induced lockdowns, the emissions testing industry was almost immediately affected by the acute fuel shortages which kept vehicles off the road for many months in the year under review.

Operating Profit Rs. 489 Mn

Simultaneously, the high inflation and skyrocketing cost of living put a squeeze on disposable incomes restricted use of vehicles and further compounded by increased fuel prices. Fortunately, the regulator implemented a tariff increase during the year in response to requests to raise fees for emissions testing to cover operational costs and facilitated imported equipment.

FINANCIAL PERFORMANCE

LAUGFS Eco Sri posted a revenue of Rs. 1,755 million which is 6% higher than revenue reported in the previous year mainly due to the price increase received during the year. However gross profit for the year stood at Rs. 865 million which is 3% lower than last year due to higher operating cost. The company continued to sustain optimisation and other measures to control operational cost. Operating profit declined by 10% during 2022/23. The company's expansion plans continued to be placed on hold in light of the unfavourable industry conditions.

Despite the stagnant market climate, the company focused on enhancing its customer services and efficient emission testing. Adding further value to the customer experience

OUR STRATEGY

Despite the stagnant market climate, the company focused on enhancing its customer services and efficient emission testing. Adding further value to the customer experience, a new Online Booking System was launched during the year, thereby reducing the wait times for customers. LAUGFS Eco Sri continued to strengthen its customer service standards and exercise prudent cost management to control its cost of operations amidst adverse conditions.

LAUGFS Eco Sri offers advanced emission testing technology software from Europe for accurate and efficient vehicle emission testing. The company's island-wide devices connect simultaneously and obtain real time information and support during vehicle emissions tests due to its real-time connectivity and troubleshooting system. In addition, an automated in-house vehicle identification system has helped to enhance efficiency and reliability of the company's services.

Operating Profit Margin 28%

Our vision for healthy and cleaner air for all remained at the front and centre of our operations through 2022/23. LAUGFS Eco Sri centres span every province in the country - with 237 touch-points providing easy access for customers.

OUR PEOPLE

The Company took the utmost care to ensure the health and safety of its staff through the pandemic period and extended the same concern in 2022/23 by ensuring optimal health and hygiene rules were followed to protect staff. Apart from paying salaries on time despite the economic crisis, the company invested in Training and Development programmes through its training academy to upskill staff. The company continued to hold regional level celebrations, including birthdays, best practices and important events such as International Women's Day, the highly anticipated annual staff get-together for front-end staff and other fun events to drive employee engagement. The staff underwent tremendous challenges due to the fallout of the economic crisis and the company continued to support their mental and physical wellbeing throughout the year.

LOOKING FORWARD

I believe the worst of the economic crisis is behind us and that the year ahead will witness improved market conditions as the economy recovers. LAUGFS Eco Sri is well-equipped to capitalise on new avenues to expand the business locally and globally as and when market conditions are ripe. We will continue our brand building efforts at our centres to enhance brand presence while leveraging on social media and digital platforms. Our advocacy for cleaner air inspires us to reach all corners of the country. Our plans to expand our offering to industrial emission testing in the future remain on track and the company will continue to lobby authorities in this regard.

ACKNOWLEDGEMENT

I would like to place on record my gratitude to the Chairman, Deputy Chairman and Directors on the Board for their guidance. The senior management and staff of the Company have been exceptional in demonstrating their commitment to achieve our goals. I thank our shareholders for the confidence they have vested in the company. I also thank the officials at the Department of Motor Traffic for their cooperation. LAUGFS Eco Sri remains committed to its sustainable vision for providing cleaner air for each and every citizen in Sri Lanka.

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

MR. H. L. S. V. E. SILVA
Independent Non-Executive Director
(Appointed w.e.f 14.11. 2022)

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 most highly-diversified business groups in Sri Lanka, Having a wide spectrum business presence in the areas of LPG distribution, petroleum, lubricants, power generation, property development, shipping, heavy engineering, automobile services, leisure and restaurants, consumer retailing, manufacture of industrial solid tyres and salt. 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). He also holds a PhD from the Post Graduate Institute of Management (PIM).

In 1995 he was instrumental in creating Gas Auto Lanka (Private) Limited, the initial enterprise of the now diversified LAUGFS Holdings Limited. His visionary leadership, remarkable entrepreneurship and his extraordinary personal strength to withstand and overcome all adversities thrown in his way, enabled him to succeed in all his endeavours to create the "LAUGFS" business conglomerate, in a relatively short period of time. A popular figure in the local entrepreneurial community in Sri Lanka as a true success story,

He has been recognised as the best entrepreneur in the country many times over. 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 also a well-known personality in the global LP gas and energy circles and a regular participant and speaker at international forums on LP gas and energy management. He presently serves as a Council member of University of Sri Jayewardenepura.

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

Mr. Thilak De Silva presently serves 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, the manufacture and export of solid tyres, pharmaceuticals and IV solutions, and the generation of hydro, solar and other types of renewable energy.

He was instrumental in the phenomenal growth of "LAUGFS", a household brand in Sri Lanka with over 50,000 customers across the country looking 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 amazing charisma has driven the business operations to greater heights and made an indelible imprint on 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 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 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 has been a member, mover and participant in a number of entrepreneurship and management development programmes conducted across the country and overseas. He was a recipient of a scholarship from the Association for Overseas Technical (AOTS) programme in Japan in the year 2003. He is a regular participant in many LP gas business forums conducted in various parts of the world over the years and is widely connected to industry personalities in the energy sector.

MR. P. KUDABALAGE
Group Managing Director/GCEO

Mr. Kudabalage has an extensive and impressive career spanning over 35 years, in 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 manufacturing.

Mr. Kudabalage had occupied top-rung positions in all the sectors he has 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 also the former Chairman of Merchant Bank of Sri Lanka, Ceylon Asset Management PLC and E-Channelling PLC. Presently, Mr. Kudabalage serves as the Chairman of Piccadilly Cafe Limited. He is heads his own reputable audit firm as a sole proprietorship in his name. He is a well-qualified and experienced professional and an alumni of the University of Kelaniya from where he graduated in Business Administration and Management. He is a Fellow member of the Institute of

BOARD OF DIRECTORS

Chartered Accountants of Sri Lanka and a Fellow member of the Institute of Certified Management Accountants and the Institute of Chartered Professional Managers of Sri Lanka.

He was awarded the "Professional Excellence Award" in 2014 by the Institute of Chartered Management Accountants of Sri Lanka in consideration of his outstanding career achievements and the "Prasada Sambawana" award by the University of Kelaniya in 2014 for the excellence of his 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 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 Leisure Limited, LAUGFS Eco Sri Limited, LAUGFS Gas PLC, 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.

MR. H. L. S. V. E. SILVA
Independent Non-Executive Director

Mr. H. L.V. S. E. Silva Is an Attorney-at-Law of the Supreme Court of the Democratic Socialist Republic of Sri Lanka having more than 25 years practice. He Is also a Notary Public,a qualified registered Company Secretary, and holds a Bachelor of Law Degree (LL.B). He served as the Inspector of Companies at the Department of Registrar of Companies of Sri Lanka from 1988 to 2004, and as the General Manager/ Director of Ceylinco Lexcon Services (Py) Ltd from 2005 to 2009. Mr Silva has served as the Company Secretary to the Board of various companies Including Paranthan Chemicals Company Ltd, National Paper Company Ltd, Ceylon Ceramic Corporation and has served as Consultant to companies Including LAUGFS Holdings Limited, E CD Group of Companies, International Organization for Migration (IOM) and the Association of Small & Medium Enterprise in Tourism of Sri Lanka (ASMET).

He was appointed as an Independent Non-Executive Director of LAUGFS Eco Sri Limited and LAUGFS Leisure Limited w.e.f. 14.11.2022.

MANAGEMENT DISCUSSION AND ANALYSIS

LAUGFS Eco Sri has been nurturing a cleaner environment by implementing the Vehicle Emission Testing (VET) programme in coordination with the Department of Motor Traffic (DMT). Commencing operations with only 19 testing centres in the Western Province in the year 2008, LAUGFS Eco Sri centres have since expanded to cover every province of the country with 237 customer touch-points.

MACRO-ECONOMIC BACKDROP

Sri Lanka struggled with immense challenges during 2022/23, ranging from a shortage of foreign currency to runaway inflation and a steep recession. This necessitated some painful monetary and fiscal measures to put the country on the path of macroeconomic recovery. Monetary policy was tightened by an unprecedented adjustment in interest rates to prevent inflationary pressures from worsening while arresting any adverse inflation expectations.

Shortages of fuel and cooking gas, extended power cuts, a lack of medicines and food items led to a wave of social unrest. Selected foreign debt was suspended by the Government amidst the dire foreign exchange shortage, while requesting support from the International Monetary Fund for an extended fund facility arrangement. As a result, economic activity was significantly dampened across all sectors of the economy. The Agriculture sector recorded a contraction of 4.6% during the period under review, owing to shortages in agricultural inputs, particularly fertiliser and agrochemicals, increased cost of inputs as well as fuel shortages. The contraction of 16% recorded by the Industrial sector was driven by the subdued performance of construction and manufacturing activities, stemming from the scarcity of raw materials, soaring input costs, fuel shortages, and prolonged power outages. Meanwhile, the Services sector witnessed a marginal contraction of 2% in the first half of 2022 as earnings from tourism showed a notable improvement during the second half of the year, while workers' remittances too recorded a considerable rebound.

The adverse impact of these unfavourable macro-economic conditions on the Vehicle Emission Testing (VET) sector continued throughout the year under review as well. The VET sector showed a downward trend in volumes and values compared to the previous year. The acute lack of fuel during the year resulted in owners keeping their vehicles off the road and was compounded by rising inflation. Vehicle emissions testing became less of a priority for customers, making it a difficult operating environment for the company.

SUSTAINABILITY COMMITMENT

The Company is committed to monitoring vehicle emissions through vehicle testing services and has a plan to support air quality monitoring in all major cities in the country. As part of its commitment to ensuring cleaner air, the Company promotes vehicle emission standards and provides suitable inspection and testing while constantly educating the public through social media on maintaining vehicle emissions and the adverse effects of air pollution.

Air pollution is a serious environmental risk to the health of Sri Lankans. Emissions from vehicle tail pipes contain a heterogeneous mixture of pollutants and these emissions together with street dust suspensions make up dangerous fumes. People in cities report a higher prevalence of respiratory illnesses due to greater exposure to these vehicle emissions. Sri Lanka is a signatory to multiple conventions on environment pollution, climate change, sustainability and energy efficiency, and have introduced vehicle emission management as part of its commitment to combat air pollution.

According to IQ Air, Sri Lanka's PM10 (Particulate Matter) concentrations show a steady increase in air pollution from both indoor and outdoor sources over the last decade. Although there are many chemicals and other substance suspended in the air, it is the microscopic particulate matter known as PM 2.5which is the most dangerous. In 2022, the average PM 2.5 concentration in Sri Lanka was 4.1 times higher, which reflects the extent of the problem. Sri Lanka is globally placed 46th out of 131 countries in terms of air pollution. Against this alarming backdrop, LAUGFS Eco Sri works hard towards its vision of delivering cleaner air for all by raising awareness on the importance of vehicle emissions testing and offering superior customer care.

CHALLENGES IN THE AUTOMOTIVE SECTOR

The number of new vehicle registrations across all categories declined to 20,510 in 2022 from 33,850 in 2021 due to the vehicle import ban, acute fuel shortages, a high interest rate regime and overall weak economic conditions.

CHALLENGES

Factors	Impact	Result
Vehicle import ban	• Lack of new vehicles in the market • Inability to import spare parts needed for vehicle repairs	• Vehicle emission testing growth slowed due to a lower number of vehicles on the road • Vehicle importers held off from selling cars in their possession due to the fluctuating exchange rate
Increase in tariff of emission testing	• Cost of operations remain high due to high inflation	• Prospects for better value creation for all stakeholders
Difficulty in retaining staff	• Inflation and the rising cost of living resulted in staff looking for greener pastures overseas	• Training programmes to upskill staff • Improved welfare incentives to retain staff
Exchange rate instability	• Increase in maintenance cost • Increase in fuel prices	• Difficulty in maintaining equipment • Motorists discouraged from using own vehicles

MANAGEMENT DISCUSSION AND ANALYSIS

OUR STRATEGY

Despite challenging market conditions, the focus on improving customer service was maintained. A new Online Booking System was launched during the year enhancing customer experience and eliminating long waiting times. Against the backdrop of high inflation, cost management controls were implemented to run a lean operation.

In addition to the established centres, the Company also deployed mobile units to meet vehicle emission testing requirements, thereby expanding the outreach of its services to customers and enhancing accessibility. Brand building efforts carried out at its centres to strengthen brand visibility while leveraging social media and digital platforms to convey the importance of vehicle emission testing and its health benefits through cleaner air and the risks of air pollution on health.

Training and development efforts were held to ensure continued development of technical skills of employees and overall enhancement of the efficiency of service delivery and customer service experience.

FUTURE OUTLOOK

The Company is well-positioned to meet its sustainable vision of providing cleaner air for all through efficient services and anticipates an improvement in the number of vehicles coming in for emissions testing due to the availability of fuel and the resolution of some of the wider economic challenges that resulted in lower vehicle usage during the year.

The Company is also well-equipped to enter the industrial emissions testing segment at the first sign from the authorities as yet another step to mitigate air pollution to ensure a healthier future for all citizens of the island.

CSR EFFORTS

As a responsible corporate citizen, the Company engages regularly with the community to support the underprivileged and uplift their prospects for a brighter future. During the year under review, several meaningful CSR projects were undertaken.

Education has been a key pillar in the CSR strategy of the company. The management of LAUGFS Eco Sri, in the presence of Group Deputy Chairman, Mr. U. K. Thilak De Silva as Chief Guest, donated a state-of-the-art 'SMART classroom' to the students of Ira Handa Ketu Wewa Maha Vidyalaya, Diyabeduma, a rural school in the Polonnaruwa District in the North Central Province.

The aim of the project was to enhance learning opportunities for children in underserved regions, thereby empowering young minds with technology and fostering a vibrant learning environment, helping achieve their quest for knowledge. This initiative reflects the Company's vision for providing inclusive and equal educational opportunities for students from all backgrounds, with an emphasis on building a knowledgeable younger generation.

LAUGFS Eco Sri Management led by the CEO Mr. Saliya Dissanayake handed over a fully completed house - "Senehase Piyasa" - to Mrs. Neranjala Kumari, a persevering mother of three from a deserving family from Balangoda (Ratnapura District, Sabaragamuwa Province) who needed a helping hand getting back on their feet.

The Management of Eco Sri also handed over furniture for the house including all educational equipment for the three children and clothes, etc. to make the home complete. This compassionate initiative provided stable housing for the family, which has experienced the hardships of homelessness, thus empowering them.

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 oversee the preparation, presentation and adequacy of disclosures in the financial statements of LAUGFS Eco Sri Limited, 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 role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the financial statements of the Company and the Group, the internal control and risk management systems of the Group, compliance with legal and regulatory requirements, the External Auditors' suitability, performance, and independence, and the adequacy and performance of the Internal Audit function undertaken by the Group Risk & Control Division (GRC). The scope of functions and responsibilities are adequately set out in the charter of the Committee which has been approved by the Board.

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:

If the scope of functions and responsibilities are adequately set out in the charter 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 and 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.
- Reviewing and evaluating all audit 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. Mayura Fernando	Chairman/Independent Non-Executive Director
Mr. N Murali Prakash	Member/ Independent Non-Executive Director (Resigned W.E.F 31/05/2022)
Mr. Vipula Silva	Member/ Independent Non-Executive Director (Appointed W.E.F 14/11/2022)

The Board is satisfied that together, the members of the Committee, as set out in their biographical details on page 14 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 formally met twice during the financial year. The meeting attendance of the members is set out in the table below:

Member	Attendance
Mr. Mayura Fernando	2/2
Mr. N. M. Prakash	1/1
Mr. Vipula Silva	1/1

Group Chairman, Group Deputy Chairman, Group Managing Director/ Group CEO, Group Finance Director, Chief Executive Officer, Chief Financial Officer, AGM-Finance, and the Chief Legal Officer, attend meetings at the invitation of the Committee, together with representatives of the External Audit as needed. Other key executives and senior management may also be invited

AUDIT COMMITTEE REPORT

to attend to present and provide deeper insight on various topics as required by the Committee to discharge its duties.

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 obtain clarifications.

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

INTERNAL AUDIT, RISKS AND CONTROLS

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 fulfil 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 2022/23 plan and on the principal findings from the work of Internal Audit and Management's actions to remediate issues identified.
- The Group Risk and Control Division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group.
- The Committee approved a digital forensic tool to be used by Group Risk and Control Division.
- The Sustainability and Enterprise Risk Management division reported to the Committee on the process of identification, evaluation and management of all significant risks faced by the Group, through "Risk Navigators".

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 Messers Ernst & Young be re-appointed as the auditors of the Group for the financial year ending 31st March 2024, subject to approval by the shareholders at the Annual General Meeting, at a remuneration to be decided by the Management.

Mayura Fernando
Chairman,
Audit Committee
LAUGFS Eco Sri Ltd.

11th August 2023

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

This report of the Related Party Transactions Review Committee for the year ended 31st March 2023 envisages an overview of the committee's work in discharging its responsibilities.

PURPOSE OF THE COMMITTEE COMPOSITION AND ATTENDANCE

The Committee comprises of Independent Non-Executive Directors. The Chairman of the Committee is an Independent Non-Executive Director,

Names of the RPTR Committee members	Membership Status
Mr. Mayura Fernando (Appointed w.e.f 14.11.2022)	Chairman/INED
Mr. Murali Prakash – (Resigned w.e.f 31.05.2022)	Chairman/INED
Mr.Vipula Silva (Appointed w.e.f 14.11.2022)	Member/INED

* INED- Independent Non-Executive Director

Regular attendees by invitation	
Group Chairman	Group Deputy Chairman
Group Managing Director/GCEO	Chief Executive Officer LAUGFS Eco Sri Ltd
Group Director – Finance	Chief Financial Officer
AGM- Finance	Chief Legal Officer

The Committee met two (02) times during the financial year ended March 31, 2023, and the proceedings of the Committee meetings have been regularly reported through verbal briefings and by tabling the minutes of the Committee's meetings.

Mr. Prasenna Balachandran, Chief Internal Auditor, served as the secretary to the Committee.

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

Names of the RPTR Committee members	Attended/ Eligibility
Mr. Murali Prakash	1/1
Mr. Mayura Fernando	2/2
Mr.Vipula Silva	1/1

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,
- 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 that 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.

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. The Committee reviewed and pre-approved all proposed recurrent and non-recurrent Related Party Transactions (RPTs) of the LAUGFS Eco Sri Ltd. Recurrent RPTs as well as the disclosures

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

and assurances provided by the senior management of the company in relation to such transactions, in terms of formulated guidelines so as to validate compliance with sec 9.5(a) of the listing rules and thus exclusion from the mandate for review & pre approval by the Committee, were reviewed annually 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.

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 quarterly monitored the recurrent transactions and their compliance with the approved values and, where required, directed them to the relevant Boards for further directions. 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

Mayura Fernando
Chairman of the Related Party Transaction Review Committee
LAUGFS Eco Sri Ltd

11th August 2023

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 2023.

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 30 to 38 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. H. L. V. S. E. Silva - Director (Appointed w.e.f. 14.11.2022)

*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. Mr. H. L. S. E. Silva is appointed in terms of Articles 26(2) of the Articles of Association of the Company.

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 20.4 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 2023 amounted to Rs. 400,000,000/- represented by 387,000,086 ordinary voting and ordinary non-voting shares.

DIRECTORS' SHAREHOLDING

The relevant interests of Directors in the shares of the Company as at 31st March 2023 are as follows:

	Shareholding as at 31/03/2023		Shareholding as at 31/03/ 2022	
	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. P. M. B. Fernando	100 (0.00%)	-	100 (0.00%)	-
Mr. P. Kudabalage	-	-	-	-
*Mr H. L. S. V. E. Silva (Appointed w.e.f. 14.11.2022)				

* Independent Non-Executive Directors

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

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the twenty largest shareholders, are given on pages 56 and 57.

AUDITORS

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

A sum of Rs. 431,053 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 2022/23 and was paid at Rs. 0.75 (cents 75) per share totalling to Rs. 290.25 Mn. to the shareholders on 29th December 2022 and a final dividend of Rs, 0.50 (cents 50) totalling to Rs. 193.50 Mn. on 22nd March 2023.

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 dividends paid and a solvency certificate was obtained from the Auditors in respect of the dividends paid.

PROPERTY, PLANT AND EQUIPMENT

Details of Property, Plant and Equipment and changes during the year are given in Note 07 of the Financial Statements.

MATERIAL FORESEEABLE RISK FACTORS

Foreseeable risks that may materially impact the business are disclosed in page 55 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 21st September 2023, at 11.00 am. 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

11th August 2023

INDEPENDENT AUDITORS' REPORT

Building a better working world

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

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INDEPENDENT AUDITORS' REPORT 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 of 31 March 2023, 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 of 31 March 2023 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

11th August 2023

Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	2023 Rs.	2022 Rs.
Revenue from Contracts with Customers	3	**1,754,986,548**	1,648,599,997
Cost of Sales		**(889,559,464)**	(758,906,608)
Gross Profit		**865,427,084**	889,693,389
Other Operating Income	4.1	**8,148,833**	5,266,742
Administrative Expenses		**(372,166,073)**	(341,371,980)
Promotional Expenses		**(11,918,818)**	(6,823,126)
Operating Profit		**489,491,026**	546,765,025
Finance Costs	4.2	**(33,225,890)**	(35,271,271)
Finance Income	4.3	**25,257,315**	8,618,786
Share of Associates' Results	9.2.3	**11,751,672**	94,595,113
Profit before Tax		**493,274,123**	614,707,653
Income Tax Expense	5.1	**(111,492,440)**	(108,864,176)
Profit for the Year		**381,781,683**	505,843,478
Earning Per Share - Basic/Diluted	6	**0.99**	1.31

The accounting policies and notes on pages 30 through 55 form an integral part of the financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March	Note	2023 Rs.	2022 Rs.
Profit for the Year		**381,781,683**	505,843,478
Net Actuarial Gains/(Losses) on Defined Benefit Plans	16.2	**3,335,810**	13,859,097
Share of Associates' Other Comprehensive Income	9.2.3	**(12,220)**	318,097
Income Tax Effect	5.2	**(667,162)**	(2,771,819)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods		**2,656,428**	11,405,374
Other Comprehensive Income for the Year Net of Tax		**2,656,428**	11,405,374
Total Comprehensive Income for the Year Net of Tax		**384,438,111**	517,248,852

The accounting policies and notes on pages 30 through 55 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	2023 Rs.	2022 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7.3	**159,993,264**	174,412,125
Intangible Assets	8	**-**	71,502
Right-of-Use Assets	7.5	**237,170,387**	306,820,690
Investments in Associates	9.2.3	**590,450,804**	578,711,352
		987,614,455	1,060,015,669
Current Assets			
Inventories	10	**38,230,157**	21,475,208
Trade and Other Receivables	11	**594,240,673**	623,993,453
Cash and Cash Equivalents	12.1	**159,589,493**	130,923,140
		792,060,323	776,391,801
Total Assets		**1,779,674,778**	1,836,407,470
EQUITY AND LIABILITIES			
Equity			
Stated Capital	13	**400,000,000**	400,000,000
Retained Earnings		**767,190,293**	866,502,290
Total Equity		**1,167,190,293**	1,266,502,290
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	15.1	**182,693,539**	247,981,689
Refundable Deposits		**700,000**	700,000
Deferred Tax Liabilities	5.4	**14,530,491**	601,305
Employee Benefit Liability	16.2	**78,085,361**	71,130,571
		276,009,391	320,413,565
Current Liabilities			
Trade and Other Payables	17	**130,913,890**	86,740,531
Interest Bearing Loans and Borrowings	15.1	**148,630,152**	139,093,098
Income Tax Payable		**56,931,052**	23,657,986
		336,475,094	249,491,615
Total Equity and Liabilities		**1,779,674,778**	1,836,407,470

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

Athula Silva
AGM Finance

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

11th August 2023
Colombo

The accounting policies and notes on pages 30 through 55 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 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 -2021/22	14	-	(580,500,129)	(580,500,129)
As at 31 March 2022		400,000,000	866,502,290	1,266,502,290
Profit for the Year		-	381,781,683	381,781,683
Other Comprehensive Income		-	2,656,428	2,656,428
Total Comprehensive Income		-	384,438,111	384,438,111
Dividend Paid -2022/23	14	-	(483,750,108)	(483,750,108)
As at 31 March 2023		400,000,000	767,190,293	1,167,190,293

The accounting policies and notes on pages 30 through 55 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	2023 Rs.	2022 Rs.
Cash Flows Generated From / (Used in) Operating Activities			
Cash Flow from Operating Activities			
Net Profit before Tax		**493,274,123**	614,707,653
Adjustments for			
Depreciation of Property, Plant and Equipment	7.2	**45,729,833**	46,496,522
Amortisation of Intangible Assets	8	**71,502**	171,605
(Gain)/Loss on Disposal of Property, Plant and Equipment		**276,158**	469,186
Amortisation of Right-of-Use-Assets	7.5	**135,505,303**	131,552,700
Share of Results of Associates	9.2.3	**(11,751,672)**	(94,595,113)
Interest Income	4.3	**(25,257,315)**	(8,618,786)
Finance Costs	4.2	**33,225,890**	35,271,271
Provision for Employee Benefit Liability	16.1	**18,178,911**	12,663,104
Operating Profit Before Working Capital Changes		**689,883,913**	738,118,142
(Increase)/ Decrease in Inventories		**(16,754,949)**	7,386,480
(Increase) / Decrease in Trade and Other Receivables		**(75,638,741)**	(31,927,504)
Increase/ (Decrease) in Trade and Other Payables		**44,173,358**	(97,738,436)
Cash Generated From Operations		**641,663,582**	615,838,682
Interest Paid	4.2	**(483,270)**	-
Tax Paid		**(64,957,353)**	(108,015,109)
Employee Benefit Liability Cost Paid	16.2	**(8,519,491)**	(7,665,113)
Net Cash Flows Generated From Operating Activities		**567,703,468**	500,158,460
Cash Flow From Investing Activities			
Acquisition of Property, Plant and Equipment	7.1	**(31,620,981)**	(33,428,739)
Proceeds from Disposal of Property, Plant and Equipment		**33,851**	405,958
Interest Received	4.3	**25,257,315**	8,618,786
Net Cash Flows Used in Investing Activities		**(6,329,815)**	(24,403,995)
Cash Flow From Financing Activities			
Lease Payments	15	**(172,772,165)**	(162,169,355)
Dividends Paid	14	**(378,358,586)**	(580,500,129)
Net Cash Flows Used in Financing Activities		**(551,130,751)**	(742,669,484)
Net Increase/(Decrease) in Cash and Cash Equivalents		**10,242,902**	(266,915,020)
Cash and Cash Equivalents at the Beginning of the Year	12	**100,430,297**	367,345,317
Cash and Cash Equivalents at the End of the Year	12	**110,673,199**	100,430,297

The accounting policies and notes on pages 30 through 55 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

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 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 11th August 2023.

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 an accrual basis and under historical cost convention, except for investment in associate which is accounted under equity method 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 which comprise the statement of profit of loss, statement of other comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 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 above, significant management judgement, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

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.

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.

d) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

The Company applies significant judgement in identifying uncertainties over income tax treatments and it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

Subsequent Measurement

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

» Financial assets at amortised cost (debt instruments)

» Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

» Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

» Financial assets at fair value through profit or loss

Financial Assets at Amortised Cost (Debt Instruments)

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

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

And

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

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

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

Financial Assets at Fair Value Through OCI (Debt Instruments)

Company measures debt instruments at fair value through

OCI if both of the following conditions are met:

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

And

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

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

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

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

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

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

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

Financial Assets at Fair Value Through Profit or Loss

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

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

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

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

Derecognition

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

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

Or

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

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

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

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

Impairment of Financial Assets

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

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

For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

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

2.3.5.2 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.

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.

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.

2.3.5.3 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.

2.3.5.4 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

There are no significant changes to the accounting standards for the financial year under review.

2.4.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2023.

Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by,

» Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

» Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

Classification of Liabilities as Current or Non-current -Amendments to LKAS 1

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non--current. The amendments clarify,

» What is meant by a right to defer settlement

» That a right to defer must exist at the end of the reporting period

» That classification is unaffected by the likelihood that an entity will exercise its deferral right

» That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

» Disclosures

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Year ended 31 March	2023 Rs.	2022 Rs.
Rendering of Services	1,754,986,548	1,648,599,997
	1,754,986,548	1,648,599,997

4. OTHER INCOME AND EXPENSES

4.1 Other Operating Income

Year ended 31 March	2023 Rs.	2022 Rs.
Sundry Income	8,148,833	5,266,742
	8,148,833	5,266,742

4.2 Finance Costs

Year ended 31 March	2023 Rs.	2022 Rs.
Interest Expense on Overdrafts	483,270	-
Interest Expense on Lease Liability	32,742,620	35,271,271
	33,225,890	35,271,271

4.3 Finance Income

Year ended 31 March	2023 Rs.	2022 Rs.
Interest Income	25,257,315	8,618,786
	25,257,315	8,618,786

NOTES TO THE FINANCIAL STATEMENTS

4.4 Profit Before Tax

Year ended 31 March Stated after Charging/(Crediting)	2023 Rs.	2022 Rs.
Included in Cost of Sales/Service and Operational Expenses		
VET Certificate Charges	13,569,513	8,433,479
Employee Benefit including the following ;	354,392,370	333,423,094
- Salaries and Allowances	315,783,305	296,667,744
- Defined Contribution Plan Costs - EPF and ETF	31,383,435	29,615,101
- Other Staff Related Expenses	7,225,631	7,140,248
Depreciation of Property, Plant and Equipment	33,975,921	33,551,604
Land Rent	2,528,986	176,000
Spare Parts and Consumables	28,417,877	19,792,970
Amortisation of Right-of-Use Assets	121,548,901	118,785,258
Included in Administration Expenses		
Directors' Fees and Emoluments	92,294,000	92,827,833
Auditors' Remuneration - Fees	431,053	402,545
Depreciation of Property, Plant and Equipment	11,753,913	12,944,919
Amortisation of Intangible Assets	71,502	171,605
Amortisation of Right-of-Use Assets	13,956,401	12,767,442
Employee Benefit including the following ;	152,675,493	142,461,720
- Salaries and Allowances	91,291,018	95,222,919
- Defined Benefit Plan Costs - Gratuity	18,178,911	12,663,104
- Defined Contribution Plan Costs - EPF and ETF	10,313,848	10,399,262
- Other Staff Related Expenses	32,891,715	24,176,434
Shared Service Fee	7,670,000	7,830,000
Loss/(Profit) on Sale of Property, Plant and Equipment	276,158	469,186
Included in Promotional Expenses		
Advertising and Promotional Cost	11,870,328	6,934,802

4.5 Components of Other Comprehensive Income

Year ended 31 March	2023 Rs.	2022 Rs.
Employee Benefit Liability		
Actuarial Gains/(Losses) arising during the Year	3,335,810	13,859,097

5. INCOME TAX

The major components of income tax expense for the years ended 31 March 2023 and 31 March 2022 are:

5.1 Statement of Profit or Loss

Year ended 31 March	2023 Rs.	2022 Rs.
Current Income Tax:		
Current Income Tax Expense (Note 5.3)	**98,529,892**	106,393,048
Under/(Over) Provision of Current Taxes in respect of Prior Years	**(299,475)**	26,047
	98,230,417	106,419,095
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 5.5)	**10,840,101**	2,445,081
Due to change in Tax rate Charge/(Reversal)	**2,421,922**	-
	13,262,024	2,445,081
Income Tax Expense Reported in the Statement of Profit or Loss	**111,492,440**	108,864,176

5.2 Statement of Comprehensive Income

Year ended 31 March	2023 Rs.	2022 Rs.
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 5.5)	**667,162**	2,771,819
Income Tax Charged Directly to Comprehensive Income	**667,162**	2,771,819

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 2023 and 31 March 2022 are as follows:

Year ended 31 March	2023 Rs.	2022 Rs.
Accounting Profit before Income Tax	**493,274,123**	614,707,653
Adjustments in respect to Current Income Tax		
Aggregate Disallowed Items	**233,353,854**	230,390,781
Aggregate Allowable Expenses	**(245,138,908)**	(315,941,365)
Investment Income	**(28,682,170)**	(14,040,857)
Other Income	**(331,973)**	-
Business Income	**452,474,926**	515,116,212
Investment Income	**29,014,143**	14,040,857
Assessable Income	**481,489,069**	529,157,069
Less: Qualifying Payments	**-**	-
Taxable Income	**481,489,069**	529,157,069
At the Statutory Income Tax Rate		
- Business Income	**20%**	20%
- Other Taxable Income (1st 6 Months)	**24%**	24%
- Other Taxable Income (2nd 6 Months)	**30%**	-
Current Income Tax Expenses		
- Business Income	**90,494,985**	103,023,242
- Other Taxable Income	**8,034,907**	3,369,806
	98,529,892	106,393,048

Current Income Tax Rate

Pursuant to agreement dated 13 November 2008 entered into with Board of Investment Sri Lanka under Section 17 of the Board of Investment Act No. 04 of 1978, the Company was exempt from the payment and recovery of income tax in respect of the profit and income of enterprise for a period of five (05) years with effect from 13 November 2008. This exemption expired on 13 November 2013. Subsequent to the tax exemption, the Company is liable for tax at the rate of 10% for period of two (02) years immediately succeeding the last date of the tax exemption year and thereafter, at the rate of 20%.

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

Year ended 31 March	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liabilities						
Undistributed Profits of Associates	**36,328,837**	23,045,279	**(13,283,558)**	(3,482,174)	**-**	-
Capital Allowances for Tax Purposes	**2,911,973**	1,770,539	**(1,141,434)**	(852,725)	**-**	-
	39,240,810	24,815,818	**(14,424,992)**	(4,334,899)	**-**	-
Deferred Tax Assets						
Employee Benefit Liability	**(15,617,072)**	(14,226,114)	**2,058,121**	999,598	**(667,162)**	(2,771,819)
Trade and Other Receivables	**(45,845)**	(36,148)	**9,697**	(22,336)	**-**	-
Right-of-Use Assets	**(9,047,402)**	(9,952,250)	**(904,848)**	912,556	**-**	-
	(24,710,319)	(24,214,512)	**1,162,969**	1,889,818	**(667,162)**	(2,771,819)
Deferred Tax Income/(Expense)			**(13,262,024)**	(2,445,081)	**(667,162)**	(2,771,819)
Net Deferred Tax (Assets)/Liabilities	**14,530,491**	601,305				

5.5 Reconciliation of Net Deferred Tax Liability

Year ended 31 March	2023 Rs.	2022 Rs.
As at 01 April	**601,305**	(4,615,595)
Tax (Income)/Expense during the year recognised in Statement of Profit or Loss	**13,262,024**	2,445,081
Tax (Income)/Expense during the year recognised in Statement of Comprehensive Income	**667,162**	2,771,819
As at 31 March	**14,530,491**	601,305

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:	2023 Rs.	2022 Rs.
Net Earnings attributable to Ordinary Shareholders for Basic/Diluted Earnings Per Share	**381,781,683**	505,843,478

Year ended 31 March Number of Ordinary Shares used as Denominator:	2023 Number	2022 Number
Weighted Average Number of Ordinary Shares for Basic/Diluted Earning Per Share	**387,000,086**	387,000,086

Year ended 31 March	2023 Rs.	2022 Rs.
Basic/Diluted Earnings Per Share	**0.99**	1.31

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 01.04.2022 Rs.	Additions during the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2023 Rs.
At Cost					
Buildings on Leasehold Land	453,452,824	2,225,805	16,089,744	(5,000)	**471,763,373**
Office Equipment	4,725,167	-	526,400	(741,627)	**4,509,940**
Computer and Accessories	78,690,127	1,122,000	-	(9,230,062)	**70,582,065**
Furniture and Fittings	18,665,795	420,676	-	(701,437)	**18,385,034**
Plant, Machinery and Equipment	289,481,535	11,739,736	228,800	(3,152,916)	**298,297,155**
Motor Vehicles	54,873,388	-	-	-	**54,873,388**
	899,888,836	15,508,217	16,844,944	(13,831,042)	**918,410,955**
In the Course of Construction					
Capital Working Progress	732,180	16,112,764	(16,844,944)	-	**-**
Total Gross Carrying Amount	900,621,016	31,620,981	-	(13,831,042)	**918,410,955**

7.2 Depreciation

	Balance as at 01.04.2022 Rs.	Charged for the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2023 Rs.
At Cost					
Buildings on Leasehold Land	371,275,832	15,915,003	-	(5,000)	**387,185,835**
Office Equipment	3,074,615	367,690	-	(709,837)	**2,732,468**
Computer and Accessories	60,431,558	8,914,994	-	(9,058,485)	**60,288,067**
Furniture and Fittings	14,950,696	1,494,835	-	(678,945)	**15,766,586**
Plant, Machinery and Equipment	221,960,955	18,958,620	-	(3,068,766)	**237,850,809**
Motor Vehicles	54,515,235	78,691	-	-	**54,593,926**
Total Depreciation	726,208,891	45,729,833	-	(13,521,033)	**758,417,691**

7.3 Net Book Values

Year ended 31 March	2023 Rs.	2022 Rs.
At Cost		
Buildings on Leasehold Land	**84,577,538**	82,176,992
Office Equipment	**1,777,472**	1,650,552
Computer and Accessories	**10,293,998**	18,258,569
Furniture and Fittings	**2,618,448**	3,715,099
Plant, Machinery and Equipment	**60,446,346**	67,520,580
Motor Vehicles	**279,462**	358,153
	159,993,264	173,679,945
In the Course of Construction		
Capital Working Progress	**-**	732,180
Total Carrying Amount of Property, Plant and Equipment	**159,993,264**	174,412,125

7.4 The Rates of Depreciation are Estimated as follows:

Year ended 31 March	2023	2022
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 and Equipment	**Over 7 Years**	Over 7 Years
Motor Vehicles	**Over 7 Years**	Over 7 Years

7.5 RIGHT-OF-USE-ASSETS

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

Year ended 31 March Cost	2023 Rs.	2022 Rs.
Balance As at 01 April	**691,502,534**	637,229,989
Addition and Improvement	**65,854,999**	65,764,340
Retirement of Lease	**(110,522,085)**	(11,491,795)
Balance As at 31 March	**646,835,448**	691,502,534

Year ended 31 March Accumulated Amortisation	2023 Rs.	2022 Rs.
Balance As at 01 April	**384,681,844**	263,312,098
Charge for the year	**135,061,603**	131,552,700
Retirement of Lease	**(110,078,386)**	(10,182,954)
Balance As at 31 March	**409,665,061**	384,681,844
Net Book Value As at 31 March	**237,170,387**	306,820,690

NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS

Year ended 31 March Cost	2023 Rs.	2022 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	**15,822,346**	15,650,741
Amortisation during the Year	**71,502**	171,605
As at 31 March	**15,893,848**	15,822,346
Net Book Value As at 31 March	**-**	71,502

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	2023 Rs.	2022 Rs.
Revenue	**99,330,318**	99,500,336
Operating Expenses	**(30,765,445)**	(29,621,491)
Other Income	**1,760,857**	1,588,870
Finance Income	**25,705,146**	285,438
Finance Costs	**(35,031,083)**	(15,401,545)
Fair Value Gain on Investments Properties	**165,400,000**	455,907,500
Income Tax Expense	**(179,393,104)**	(133,878,656)
Net Profit for the Year ended 31 March	**47,006,689**	378,380,454
Share of Associates' Profit or Loss	**11,751,672**	94,595,113

9.2.2 Summarised Statement of Financial Position

Year ended 31 March	2023 Rs.	2022 Rs.
Non-Current Assets	**2,788,469,050**	2,623,067,865
Current Assets	**411,752,945**	389,646,548
Non-Current Liabilities	**697,817,960**	551,144,614
Current Liabilities	**140,600,814**	146,724,390
Equity	**2,361,803,221**	2,314,845,409
Company's carrying amount of the Investment	**590,450,805**	578,711,352

9.2.3 Equity Reconciliation

Year ended 31 March	2023 Rs.	2022 Rs.
Carrying Value as at 01 April	**578,711,352**	483,798,142
Share of Associates' Profit or Loss	**11,751,672**	94,595,113
Share of Associates' Results recognised in Profit or Loss	**11,751,672**	94,595,113
Share of Other Comprehensive Income	**(12,220)**	318,097
Dividend Received	**-**	-
Carrying Value as at 31 March	**590,450,804**	578,711,352

10. INVENTORIES

Year ended 31 March	2023 Rs.	2022 Rs.
Inventories	**38,230,157**	21,475,208
	38,230,157	21,475,208

11. TRADE AND OTHER RECEIVABLES

Year ended 31 March	2023 Rs.	2022 Rs.
Trade Receivables - Others	**2,616,394**	2,026,052
Less- Provision for Impairment	**(229,232)**	(180,742)
	2,387,162	1,845,310
Other Receivables - Related Parties (Note 11.1)	**550,117,049**	593,743,163
- Others	**7,280,442**	7,652,822
	559,784,653	603,241,295
Advances and Prepayments	**33,665,247**	20,175,547
Loans to Company Officers	**790,773**	576,611
	594,240,673	623,993,453

11.1 Other Receivables from Related Parties

Year ended 31 March	Relationship	2023 Rs.	2022 Rs.
LAUGFS Solutions Ltd.	Group Company	**59,233**	59,233
Anantaya Passekudah (Pvt) Ltd.	Group Company	**11,070,380**	11,070,380
LAUGFS Engineering (Pvt) Ltd.	Group Company	**-**	496,931
LAUGFS Holdings Ltd.	Parent Company	**418,889,878**	433,681,400
LAUGFS Terminals 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
LAUGFS Supermarkets (Pvt) Ltd.	Group Company	**665,480**	-
		550,117,049	593,743,163

NOTES TO THE FINANCIAL STATEMENTS

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

Year ended 31 March	Total	Neither Due nor Impaired	Past Due but not Impaired			
			< 30 Days	31-60 Days	61-90 Days	> 90 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2023	2,616,394	-	1,132,152	937,632	349,881	196,729
2022	2,026,052	-	924,415	573,862	369,691	158,084

12. CASH AND SHORT TERM DEPOSITS

12.1 Favourable Cash and Cash Equivalent Balances

Year ended 31 March	2023	2022
	Rs.	Rs.
Cash and Bank Balances	**159,589,493**	130,923,140
	159,589,493	130,923,140

12.2 Unfavourable Cash and Cash Equivalent Balances

Year ended 31 March	2023	2022
	Rs.	Rs.
Bank Overdraft (Note 15.1.1)	**(48,916,294)**	(30,492,843)
Cash and Cash Equivalent for the Purpose of Statement of Cash Flow	**110,673,199**	100,430,297

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	2023		2022	
	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	2023		2022	
	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	2023		2022	
	Number	Rs.	Number	Rs.
As at 01 April	**52,000,000**	**53,746,758**	52,000,000	53,746,758
As at 31 March	**52,000,000**	**53,746,758**	52,000,000	53,746,758

13.3 Rights, Preference and Restrictions of Classes of Capital

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

14. DIVIDENDS PAID AND PROPOSED

Year ended 31 March	2023 Rs.	2022 Rs.
Declared and Paid during the Year:		
Dividends on Ordinary Shares:		
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
Interim Dividend for 2022/2023: 0.75 Rupees per Share	**290,250,065**	-
Final Dividend for 2022/2023: 0.50 Rupees per Share	**193,500,043**	-

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

15.1 Financial Liabilities

15.1.1 Interest Bearing Loans and Borrowings

	2023 Amount Repayable Within 1 Year Rs.	2023 Amount Repayable After 1 Year Rs.	2023 Total Rs.	2022 Amount Repayable Within 1 Year Rs.	2022 Amount Repayable After 1 Year Rs.	2022 Total Rs.
Lease Liability (Note 15.1.2)	**99,713,858**	182,693,539	**282,407,397**	108,600,255	**247,981,689**	356,581,944
Bank Overdraft (Note 12.2)	**48,916,294**	-	**48,916,294**	30,492,843	-	30,492,843
	148,630,152	182,693,539	**331,323,691**	139,093,098	**247,981,689**	387,074,787

15.1.2 Lease Liability

Year ended 31 March	2023 Rs.	2022 Rs.
Balance As at 01 April	**356,581,943**	419,116,365
Additions	**65,854,999**	64,363,662
Accretion of Interest	**32,742,620**	35,271,271
Payments	**(172,772,165)**	(162,169,355)
Balance As at 31 March	**282,407,397**	356,581,944

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	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Trade and Other Receivables	A	**559,784,653**	603,241,295	**559,784,653**	603,241,295
Cash in Hand and at Bank	A	**159,589,493**	130,923,140	**159,589,493**	130,923,140
		719,374,146	734,164,435	**719,374,146**	734,164,435
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	**182,693,539**	247,981,689	**182,693,539**	247,981,689
Interest Bearing Loans and Borrowings (Current)	A	**148,630,152**	139,093,098	**148,630,152**	139,093,098
Trade and Other Payables	A	**65,328,561**	55,884,500	**65,328,561**	55,884,500
		396,652,252	442,959,287	**396,652,252**	442,959,287

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 2023, 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	2023	2022
	Rs.	Rs.
Current Service Cost	**8,220,631**	7,637,946
Interest Cost on Benefit Obligation	**9,958,280**	5,599,417
Past Service Cost	**-**	(574,259)
Total Expense	**18,178,911**	12,663,104

16.2 Employee Benefit Liability

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

Year ended 31 March	2023 Rs.	2022 Rs.
As at 01 April	**71,130,571**	79,991,677
Current Service Cost	**8,220,631**	7,637,946
Past Service Cost	**-**	(574,259)
Interest Cost on Benefit Obligation	**9,958,280**	5,599,417
Adjustment due to Transfer of Employees in to/(out of) Company	**631,180**	-
Actuarial (Gain)/Loss on Obligation	**(3,335,810)**	(13,859,097)
Benefits Paid	**(8,519,491)**	(7,665,113)
As at 31 March	**78,085,361**	71,130,571

16.3 Messrs. Smiles Global (Pvt) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2023. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31 March 2023 are as follows:

Year ended 31 March	2023	2022
Method of Actuarial Valuation:	**Projected Unit Credit Method**	Projected Unit Credit Method
Discount Rate:	**22%**	14%
Salary Increment Rate:	**15%**	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:	**22%**	21%
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 2023.

The sensitivity of the statement of Profit or Loss and 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)		2023		
in Discount Rate	in Rate of Salary Increment	Effect on Income Statement (Reduction)/ Increase in Results for the Year Rs.	Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End Rs.	Present Value of Defined Benefit Obligation Rs.
+1%		**2,196,191**	**(2,196,191)**	**75,889,170**
-1%		**(2,340,754)**	**2,340,754**	**80,426,115**
	+1%	**(2,809,627)**	**2,809,627**	**80,894,988**
	-1%	**2,669,969**	**(2,669,969)**	**75,415,392**

16.5 Changes in the Defined Benefit Obligation

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

2023		Amounts Charged to Profit or Loss				Remeasurement Gains/(Losses) in Other Comprehensive Income						
	01 April 2022	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 2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	71,130,571	8,220,631	9,958,280	18,178,911	(8,519,491)	631,180	651,319	(5,408,022)	1,420,893	(3,335,810)	-	78,085,361
	71,130,571	8,220,631	9,958,280	18,178,911	(8,519,491)	631,180	651,319	(5,408,022)	1,420,893	(3,335,810)	-	78,085,361

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

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

Year ended 31 March	2023	2022
	Rs.	Rs.
Less than or equal to 2 years	-	1,547,806
Over 2 year and less than or equal 5 years	**80,137,047**	69,582,764
	80,137,047	71,130,570

The average duration of the defined benefit plan obligating at the end of the reporting period is 6.01 years. (2022: 5.84 years)

17. TRADE AND OTHER PAYABLES

Year ended 31 March		2023 Rs.	2022 Rs.
Trade Payable	- Related Parties (Note 17.1)	**4,147,962**	4,217,340
Trade Payable	- Others	**3,417,800**	826,200
Other Payable	- Related Parties (Note 17.2)	**2,139,850**	2,839,668
	- Others	**55,622,949**	48,001,292
		65,328,561	55,884,500
Sundry Creditors including Accrued Expenses		**65,585,329**	30,856,031
		130,913,890	86,740,531

17.1 Trade Payables to Related Parties

Year ended 31 March	Relationship	2023 Rs.	2022 Rs.
LAUGFS Petroleum (Pvt) Ltd	Group Company	**1,242,897**	1,045,839
LAUGFS Property Developers (Pvt) Ltd	Associate Company	**1,400,660**	2,524,001
LAUGFS International (Pvt) Ltd	Group Company	**128,900**	-
LAUGFS Business Solutions (Pvt) Ltd	Group Company	**733,125**	647,500
LAUGFS Leisure Ltd	Group Company	**642,380**	-
		4,147,962	4,217,340

17.2 Other Payables to Related Parties

Year ended 31 March	Relationship	2023 Rs.	2022 Rs.
LAUGFS Property Developers (Pvt) Ltd	Associate Company	**555,312**	876,916
LAUGFS Engineering (Pvt) Ltd	Group Company	**345,000**	-
Southern Petroleum (Pvt) Ltd	Group Company	**75,000**	75,000
LAUGFS Solutions Ltd	Group Company	**791,000**	-
LAUGFS Lubricants Ltd	Group Company	**95,191**	138,633
LAUGFS Gas PLC	Group Company	**-**	237,448
LAUGFS Holdings Ltd	Parent Company	**239,047**	1,506,671
LAUGFS Supermarkets (Pvt) Ltd	Group Company	**39,300**	5,000
		2,139,850	2,839,668

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.

NOTES TO THE FINANCIAL STATEMENTS

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 2023 and 31 March 2022, refer to Notes 11 and 17).

20.1 Transaction with the Related Entities

	Parent		Associate		Other Group Companies		Total	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Nature of Transaction								
Balance as at 01 April	**432,174,729**	431,181,400	**(3,400,916)**	7,745,210	**157,912,343**	128,979,357	**586,686,156**	567,905,967
Purchase of Goods / Services	**(48,830,534)**	(41,744,295)	**(6,807,916)**	(19,281,301)	**(687,555,548)**	(20,113,836)	**(743,193,998)**	(81,139,434)
Dividend	**(291,376,559)**	(371,970,075)	**-**	-	**-**	-	**(291,376,559)**	(371,970,075)
Leases	**-**	-	**(15,041,866)**	-	**(900,000)**	-	**(15,941,866)**	-
Payment Made for Purchase Of Good and Services	**326,683,195**	464,707,699	**23,294,727**	8,135,175	**1,681,088,735**	99,246,822	**2,031,066,657**	572,089,696
Payment Received from purchase Good and Services	**-**	(50,000,000)	**-**	-	**(1,024,060,331)**	(50,203,140)	**(1,024,060,331)**	(100,203,140)
Gratuity-Adjustment	**-**	-	**-**	-	**631,179**	3,140	**631,179**	3,140
Adjustment due to Transfer of	**-**	-	**-**	-	**18,000**	-	**18,000**	-
As at 31 March	**418,650,831**	432,174,729	**(1,955,971)**	(3,400,916)	**127,134,378**	157,912,343	**543,829,238**	586,686,154

20.2 Associate Company

LAUGFS Property Developers (Pvt) Ltd

20.3 Other Group Companies include the following Companies;

LAUGFS Supermarkets (Pvt) Ltd
LAUGFS International (Pvt) Ltd
LAUGFS Lubricants Ltd
LAUGFS Business Solutions (Pvt) Ltd
LAUGFS Leisure Ltd
LAUGFS Solutions Ltd
LAUGFS Terminals Ltd
LAUGFS Petroleum (Pvt) Ltd
LAUGFS Power PLC
LAUGFS Gas PLC
LAUGFS Engineering (Pvt) Ltd
LAUGFS Restaurants (Pvt) Ltd
Anantaya Passekudah (Pvt) Ltd
Southern Petroleum (Pvt) Ltd
Anorchi Lanka (Pvt) Ltd

20.4 Transactions with Directors/ Key Management Personnel *

	2023 Rs.	2022 Rs.
Emoluments and Fees - Cash Benefits	**88,940,000**	89,218,333
Emoluments and Fees - Non Cash Benefits	**3,354,000**	3,609,500
Total compensation paid to Key Management Personnel	**92,294,000**	92,827,833

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

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

21.1 Introduction

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

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

21.1.1 Interest Rate Risk

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

21.1.2 Liquidity Risk

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

21.1.3 Credit Risk

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

21.1.4 Exchange Rate Risk

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

22. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no events after the reporting date which require adjustments to or disclosures in the Financial Statements.

SHAREHOLDERS INFORMATION

TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2023 - VOTING

	Name	No. of Shares	%
1	LAUGFS HOLDINGS LIMITED	247,980,050	74.024
2	EMPLOYEES PROVIDENT FUND	57,897,800	17.283
3	SEYLAN BANK PLC/CARLINES HOLDINGS (PRIVATE) LIMITED	1,953,696	0.583
4	AMANA BANK PLC/ALMAS ORGANISATION (PVT) LTD	1,547,795	0.462
5	MR W.K.H. WEGAPITIYA	1,411,536	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 2023 - 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- ALLIANCEVERNSTEIN NEXT 50 EMERGING MARKETS (MASTER) FUND SICA V-SIF S.C.SP.	3,846,247	7.397
3	BANK OF CEYLON NO. 1 ACCOUNT	3,420,538	6.578
4	DEUTSCHE BANK AG AS TRUSTEE FOR JB VANTAGE VALUE EQUITY FUND	2,505,696	4.82
5	SEYLAN BANK PLC/CARLINES HOLDINGS (PRIVATE) LIMITED	2,213,417	4.257
6	AMANA BANK PLC/ALMAS ORGANISATION (PVT) LTD	1,249,845	2.404
7	J.B. COCOSHELL (PVT) LTD	1,247,549	2.399
8	MR A.M. WEERASINGHE	813,471	1.564
9	COMMERCIAL BANK OF CEYLON PLC/DUNAMIS CAPITAL PLC	793,906	1.527
10	SEYLAN BANK PLC/S.R. FERNANDO	704,992	1.356
11	DEUTSCHE BANK AG-NATIONAL EQUITY FUND	663,000	1.275
12	MR S. SIVASHANTH	404,447	0.778
13	GOLD INVESTMENT LIMITED	390,000	0.750
14	MRS C.N.G. NARAYANA	378,800	0.728
15	MRS S.D. AMARASINGHE	372,400	0.716
16	NARATHA VENTURES PRIVATE LIMITED	308,000	0.592
17	PERSHING LLC S/A AVERBACH GRAUSON & CO.	307,604	0.592
18	MR M.A. VALABHJI	280,000	0.538
19	PEOPLE'S LEASING & FINANCE PLC/C.D.KOHOMBANWICKRAM	167,934	0.323
20	MR S.G.H.I. JAFFERJEE	153,236	0.295
		38,262,382	73.58
	OTHERS	13,737,618	26.42
	TOTAL	52,000,000	100.000

NOTICE OF MEETING

Notice is hereby given that the 6th Annual General Meeting of the Company will be held by way of electronic means on 21st September 2023 at 11.00 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 2023 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 Mr. H. L.V. S. E Silva in terms of Article 26(2) as a Director of the Company.

4. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.

5. To authorise the Directors to determine and make donations for the year ending 31st March 2024 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
11th August 2023

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 or failing him
Mr, H. L.V. S. E. Silva	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 21st September 2023 at 11.00 am 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 Mr H. L.V. S. E. Silva In terms of Article 26 (2) of the Articles of Association of the Company		
3. To re-appoint M/s. 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 ended 31st March 2024 and up to the date of the next Annual General Meeting.		

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

………………………………

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 or failing him
Mr, H. L.V. S. E. Silva	of Colombo

as *my/our proxy to represent me/us at the Annual General Meeting of the Company to be held on 21st September 2023 at 11.00 am and any adjournment thereof and at every poll which may be taken in consequence thereof.

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

………………………………
Signature

1) *Please delete the inappropriate words.

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

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Designed & produced by
emagewise

LAUGFS ECO SRI

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