LAUGFS ECO SRI

E C O

ANNUAL REPORT

2018/19

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FINANCIAL INFORMATION

About
Us

LAUGFS Eco Sri, pioneer in vehicle emission testing services, plays a pivotal role in the economy as a leading market player with a 55% market share. We have always been at the forefront in supporting air quality management in the country through a range of services that ensure vehicle emissions are maintained at a low level directly supporting the country's climate action agenda. We are an ISO 9001 : 2015 certified company, with a highly specialized team who work on world class technology to provide an effective service. Our centres are located island wide providing convenient access to our consumers. This deep market penetration forms a key part of our differentiation.

About LAUGFS

The LAUGFS journey that began in 1995 has seen a humble dream evolve into a dynamic conglomerate within just two decades, propelled by a strong entrepreneurial vision and a firm determination to pioneer and transform industries. The setting up of the first auto gas vehicle conversion business in 1995 marked the beginning of the LAUGFS legacy, revolutionising the automobile industry in the country.

LAUGFS today has expanded across over 20 industries with 4,000 employees and an annual turnover exceeding USD 200 million across power and energy, industrial/manufacturing, consumer retail, services, leisure and logistics sectors in Sri Lanka, Bangladesh, UAE, USA and the Netherlands.

Driven by a deep passion and an unyielding determination, the LAUGFS legacy continues with pride and valour, as a truly global Sri Lankan brand trusted by millions.

Vision

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

Mission

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

Year at a Glance

Revenue

1,558

(Rs. Mn)

Assets

1,185

(Rs. Mn)

Our Brand

LAUGFS ECO SRI

Standards and Certifications

ISO 9001 : 2015

Regulatory Partners

Department of Motor Traffic

Board of Investment of Sri Lanka

Measurement Units, Standards and Services Department

Central Environmental Authority

Information and Communication Technology Agency (ICTA) of Sri Lanka

Profit After Tax

426

(Rs. Mn)

Equity

1,049

(Rs. Mn)

Liabilities

137

(Rs. Mn)

Number of Employees

722

Total Technical Training Hours

21,187

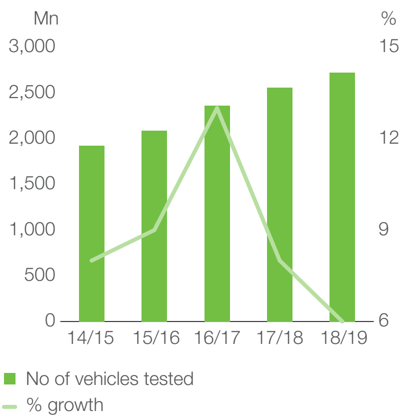
Training hours per Technical person

32

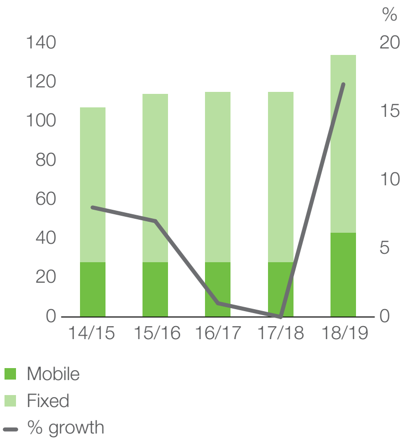
Employee Retention Rate

83%

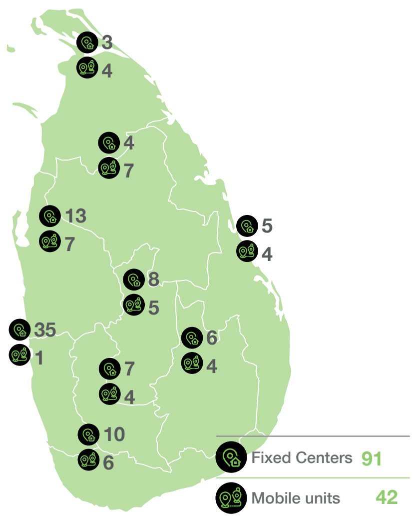
Number of Inital Tests



Vehicle Emission Testing Centers



Islandwide Coverage



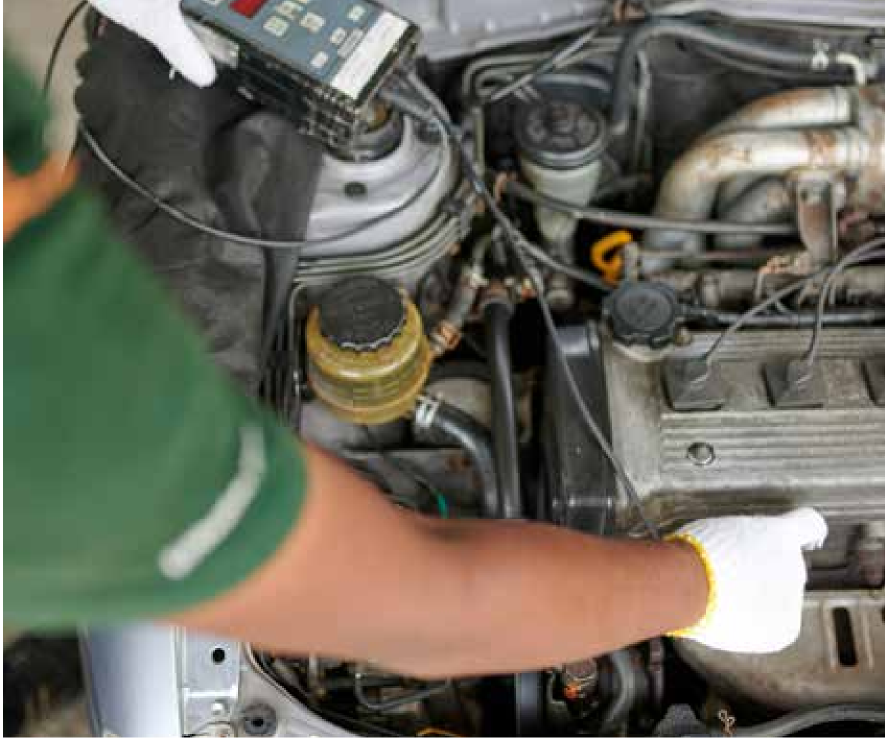
Our Customers

We test all vehicle categories in Sri Lanka except electric, hybrid and agricultural land vehicles. In addition, brand new vehicles are exempted from emission testing on the first year.

WHAT WE DO...

Laugfs Eco Sri Limited offers eco solutions aimed at improving the air quality of the environment. Our vehicle emission testing helps keep emission levels to a minimum by encouraging and assisting vehicle owners and motorists to maintain their vehicles in optimal performance conditions.

LAUGFS
ECO SRI




ATLAS 200


Group Chairman's Review

DEAR SHAREHOLDER,

It is with great pleasure that I welcome you to the 2nd Annual General Meeting of LAUGFS Eco Sri Limited post restructure and present the Annual Report for the financial year ending 31st March 2019. We have recorded a profit of Rs. 426 mn for the financial year and enhanced the earning capacity of the Company despite a challenging operating environment, reflecting the resilience of our business model. Our footprint has grown to cover the entire island with 91 fixed centres and 146 mobile locations serviced by 42 mobile service units thus increasing accessibility, growth and brand reputation.

"We have recorded a profit of Rs. 426 Mn for the financial year and enhanced the earning capacity of the Company despite a challenging operating environment, reflecting the resilience of our business model."

Total Asset Growth

53%

A BUSINESS FOR GOOD

The business of emission testing is one that embeds environment sustainability as its core objective, thus having a positive impact on emissions. We support the government's initiatives to improve air quality and prevent air pollution by monitoring the quality of vehicle emissions which has become a serious issue globally giving rise to increased risks of allergies and respiratory diseases. Accordingly, the business has a positive impact on the environment and society with no adverse effects making it a business for good.

Emission testing is a regulated business and we operate in accordance with the terms of our license issued by the Department of Motor Traffic which includes fixed prices for the tests which vary according to the type of vehicle. Accessibility is key to growth necessitating investments in enhancing our footprint as the service must be available to all vehicle owners. Consequently, profitability is dependent on business volumes and operational efficiencies requiring smart and agile strategies and lean cost structures. This approach to strategy has served us well as we have maintained top line growth despite a challenging operating enviorment.

OPERATING CONTEXT

The focus on air quality increased during the year as the standard for emissions was upgraded as per the Gazette notification no. 1887/20 dated November 2014. New motor vehicles registered increased from 465,943 in 2017 to 493,366 during the year despite policies to curtail growth of imported vehicles. It is noteworthy that the increase was driven largely by the motorcar segment which increased from 39,182 to 80,742 enhancing the future volume growth potential. Motor cycles accounted for 79% of the imports which was a decrease from the previous year. These numbers indicate the product mix for the future of our business. Demand for our services continues to be the regulatory requirement for emissions testing from which the brand new vehicles are exempted for 1 year and hybrids, electric vehicles and agricultural land vehicles are exempted for life time.

Price revisions remain a key concern as the last revision to the price of emissions testing was in 2011 while costs have increased significantly. We continue to negotiate for price revisions as our costs are increasing always and expansion is necessary to provide accessibility to our services.

A POSITIVE OUTLOOK

Our outlook on the business of LAUGFS Eco Sri Ltd remains positive despite the concerns on price revisions. We will continue to expand our footprint to maintain market share and strengthen our brand visibility moving forward. Adherence to high standards of testing and customer service is key to long term sustainability and we continue to invest in driving these value propositions for our key stakeholders. Our efforts to obtain price revisions will continue to bolster operating margins.

ACKNOWLEDGEMENTS

I wish to thank the team at LAUGFS Eco Sri Ltd who have worked with commitment and dedication to deliver the results set out in this annual report. We are also appreciative of the courtesy and co-operation of the officials of the Department of Motor Traffic and the Ministry of Transport in their role as regulators. We are grateful for the confidence and loyalty of our customers who patronize our testing centres.

I record my sincere appreciation of the diligence and counsel of the members of the Board who have been vigilant in reviewing performance of the company. We thank our shareholders for their confidence in us and look to their continued confidence in the future as we work to drive growth.

W K H Wegapitiya
Group Chairman

05th August 2019

Managing Director's Review

DEAR SHAREHOLDER,

During the under review, LAUGFS Eco Ltd Sri has delivered a profit of Rs. 426 Mn and recorded Total Asset growth of 53% reflecting our commitment to growth and creating value for our stakeholders. We mark a key milestone in our company's annals as we cross the Rs.1 Bn threshold on Total Assets which is a significant achievement for a company operating a single line of business without price revisions for the past 7 years. Our performance is the result of distinct strategy, a committed team and lean cost structures which have powered our growth through an economically, socially and environmentally responsible business model.

INCREASING ACCESSIBILITY

Increasing accessibility to our services was a key strategic pillar to enhance capacity in a strategic manner and also to ensure that we grow market share. Our footprint has grown to 91 fixed centres and 146 mobile locations since commencement of operations in

"Balance sheet growth of the Company was encouraging as Total Assets grew by 53% to Rs.1.1 Bn supported by cashflows which have been retained within the Company."

Locations

237

2008 and we added 4 fixed centres and 14 mobile units during the year. The 146 mobile locations are covered by 42 mobile units in order to maintain lean cost structures. This has increased accessibility to our services reducing waiting times for customers while facilitating business volume growth. We continued to offer two free tests if the first paid test is a failure to ease the regulatory cost for customers as part of our mission to exceed customer expections. Moving forward, our plans will focus on converting mobile centres into fixed centres to provide maximum service to our customers, whilst continuing to offer our services to the highest standard.

A COMMITTED TEAM

As a service organisation, our customer service is a key differentiator and we are appreciative of the commitment of the team who deliver our services with courtesy and care every day which has been a key pillar in propelling our growth. We continue to maintain stringent recruitment standards to ensure we have people with the right skills and support them with comprehensive training. A youthful team with over 50% of our staff below 25 years of age is testimony to the value we add to our employees who are typically NVQ Level 3 graduates who are pursuing their studies. We are pleased to observe that an increasing number of our recruits show interest in pursuing their studies to higher levels of skills, availing themselves of the privileges offered to support their studies such as time off for classes and educational loans. Our attrition rate remains moderate at 17% despite the youthful team profile affirming the value delivered to our employees.

FINANCIAL PERFORMANCE

Turnover grew by 16% to Rs.1.6 bn during the year which is largely attributable to volume growth as prices of tests remained constant vis a vis the previous year. This was supported by the growth of our footprint as we were able to attract more customers. Operating margins declined from 37% to 31% as cost of sales increased by 39% due to increased staff costs and costs related to expansion and also due to adjustments necessary to comply with SLFRS 15. Administration and Promotion expenses decreased reflecting the initiatives taken across the company to streamline operations and reduce costs. Profit before tax of Rs.546.9 mn reflects a decline of 4% due to declines in finance income and share of profit of associates. Accordingly, the company delivered a profit after tax of Rs. 426 Mn, 9% below the previous year as the impact of declining margins cascaded to the bottom line.

Balance sheet growth of the Company was encouraging as Total Assets grew by 53% to Rs.1.1 bn supported by positive cashflows which have been retained within the Company. Consequently, current assets increased by 185% to Rs.605 mn while Non-current assets recorded a more modest growth of 3% to Rs. 580 mn. Cash and Short- Term Deposits stands at Rs. 520 mn accounting for 44% of Total Assets reflecting strong cashflows, part of which will be used for the dividend distribution.

Equity increased by 68% to Rs.1049 mn as retained reserves increased by 189% to Rs. 648 Mn. Non-current liabilities amounted to 40% of total Liabilities, the main component being Employee Benefit Liabilities of Rs.55 mn. Current Liabilities account for 60% of Total Liabilities. As Interest Bearing borrowings amount to only Rs.10 mn, the company's financial stability is a key strength, providing a strong launching pad for its growth aspirations.

OUR PLANS

Linked to a regulatory requirement with price controls in place, the business model is significantly impacted by government policy on emission control and vehicle imports. The current focus on emission control by multilateral agencies such as the UNEP (United Nations Environmental Programme) and most member countries is expected to continue in the foreseeable future and is a key opportunity for our business, supporting expansion plans. Policies to curtail imports of motor vehicles and increse in hybrid motor vehicles prove a challenge as it has an adverse impact on business volume growth.

Accessibility, market presence and visibility are the key drivers of growth and as stated above, we will continue growth of our footprint. Sufficient cash has been retained in the business to finance the robust growth plans hance we are capable to deliver growth in top line and bottom line in the coming year, further strengthening our balance sheet.

ACKNOWLEDGEMENTS

Firstly, I wish to acknowledge the contribution of a geographically dispersed team who work together to deliver our strategic goals. Their work is set out in this annual report and requires no further testimony to their commitment and I am sincerely appreciative of the same. I also thank the Board for their insights and counsel which has enabled us to plan our journey. We are grateful for the assistance of the officials of the Department of Motor Traffic who are the issuer of our operating license. I forward by thanking our shareholders for their confidence and look to their continued co-operation in the coming year.

U K Thilak De Silva
Group Managing Director

05th August 2019

Board of Directors

05

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

02 **MR. U. K. THILAK DE SILVA**
Group Managing Director

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

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

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

01 DESHABANDU W. K. H. WEGAPITIYA

Group Chairman

Mr. W K H Wegapitiya is the founder Chairman of LAUGFS Holdings Limited, the parent company of LAUGFS Gas PLC, one of the highly diversified business groups in Sri Lanka, having its presence in a wide business spectrum, such as LPG distribution, Petroleum, Lubricants, Power generation, Property development, Shipping, Heavy Engineering, Automobile services, Leisure and Restaurants, Consumer Retailing, Manufacturing of Salt, and Manufacturing of industrial solid tires. He was appointed as the Executive Chairman and the Group CEO of LAUGFS Gas PLC at the time it was listed in the Colombo Stock Exchange in 2011. He holds a basic degree in (B.Sc) Business Administration from the University of Sri Jayewardenepura, and obtained his MBA from the Post Graduate Institute of Management (PIM). Currently, he is reading for his PhD at the Post Graduate Institute of Management (PIM).

His entrepreneurial journey begun in 1990, starting a small freight forwarding company subsequent to a brief employment at Ceylon Shipping Corporation. Later, in 1995 he was instrumental in creating Gas Auto Lanka (Pvt) Limited, the initial enterprise of now diversified LAUGFS Holdings Limited. The visionary leadership, remarkable entrepreneurship and his extra-ordinary personal traits to withstand and overcome all adversities thrown in his way, enabled him to succeed in all his endeavors to create the business conglomerate "LAUGFS", during a comparatively short period of time. A popular figure in the local entrepreneurial community in Sri Lanka as a success story, he was recognized as the best entrepreneur of the country many times. He is a frequent speaker, presenter and a panelist on topics such as "Business Excellence", "Leadership" and "Entrepreneurship" organized by a variety of organizations. He is a well-known personality in the global LP Gas and energy circles and also a regular participant and a speaker at international forums on LP Gas and Energy Management. Presently he serves as a Board member of Sri Lanka Telecom PLC. He served on many public and private sector institutes as a honorary member of the management. He was a Board member of Mobitel (Pvt) Limited, past Chairman of the Chamber of Young Lankan Entrepreneurs (COYLE), former Senior Vice President of FCCISL, Executive council member of FCCISL, executive committee member of Ceylon Chamber of Commerce, member of National Pay Commission, and council member of University of Sri Jayewardenepura.

02 MR. U. K. THILAK DE SILVA

Group Managing Director

Mr. Thilak De Silva has been the Group Managing Director of LAUGFS Holdings Ltd and all its subsidiaries from the inception in the year 1995, of this highly diversified business conglomerate.

The Group in which Mr. De Silva is the Executive Managing Director, is engaged with the widest landscape in business in the country, consisting of LP Gas downstream operations, petroleum fuel distribution, blending, storage distribution and sale of lubricants, maritime services including ownership and management of gas carriers, heavy engineering, vehicle emission testing, property development, leisure and hospitality with ownership and management of star class hotels, consumer retail chains, fast food chains, manufacture and export of solid tires, manufacture and export of pharmaceuticals and IV solutions, hydro, solar and other types of renewable energy generation and also higher education.

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

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

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

Board of Directors

03 MR. H.A. ARIYARATNE

Non-Executive Director

Mr. Ariyaratne possesses over 35 years of experience in the banking industry as a well-known banker, is a First Class Honours Science Graduate with a wide exposure to the fields of Development Banking, Investment Banking, Asset Management, Venture Capital, Corporate Restructuring, and etc. Mr. Ariyaratne served as the Executive Vice President of DFCC Bank in charge of overall lending and was the former Chief Executive Officer of Lanka Ventures PLC. In addition to that he has served in Director Positions in other companies representing Lanka Ventures PLC and DFCC Bank. He has also served for many years as the Chairman of the Banking, Finance and Insurance committee of the National Chamber of Sri Lanka.

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

04 MR. MURALI PRAKASH

Independent Non-Executive Director

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

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

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

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

05 MR. MAYURA FERNANDO

Independent Non-Executive Director

A former Partner of KPMG Ford Rhodes Thornton & Company, Mr Fernando has extensive experience in financial services. He has functioned as the Group Finance Director of Confifi Group and Finance Director - Asia Region of Virtusa (Pvt) Ltd. In 2005 he became the Managing Director of Capital Reach Group and was appointed as Director/Chief Executive Officer of Softlogic Finance PLC following the consolidation activities of Capital Reach group under Softlogic finance PLC.

He is serving the Board of Directors of DFCC Bank PLC as an Independent Non-Executive Director.

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 BSc (Applied Science) Degree from University of Sri Jayewardenepura.

Corporate Management

01 **BIMAL WEERASINGHE**
Chief Operating Officer

02 **LATE MR. DAHAM DE SILVA**
General Manager

03 **SALIYA DISSANAYAKE**
AGM/ Head of Operations

04 **ATHULA SILVA**
Manager - Finance

05 **RASIKA PERERA**
Manager - Technical

06 **OSHADH DE SILVA**
Manager - Marketing

07 **NALINDA DAMION**
Manager - Logistics

08 **THUSITHA DE SILVA**
Assistant Manager - Human Resourse

09 **NIRAN MADUSHANKA**
Assistant Manager - Projects

Management Discussion and Analysis

OPERATING ENVIRONMENT

Demand for emission tests increased during 2018 with an influx of motor car imports.

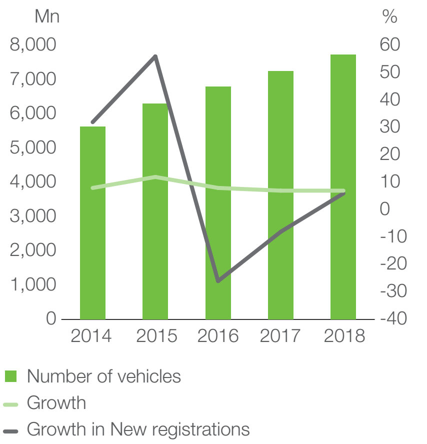
Vehicle registrations increased by 6% reversing the contraction of (8%) reported last year. This was mainly driven by a significant increase in motor car imports as the Budget 2018 proposed a favourable duty structure for small engine capacity vehicles. Motor car registrations increased from 106% to 80,742 units in 2018 (As per the source of Department of Motor Traffic). However, towards the end of the year, registrations slowed as the government implemented measures to curb vehicle imports, which severely affected the trade deficit of the country.

The total VET liable vehicle fleet was 4.9 Mn vehicles compared to 4.6 mn last year. The existing fleet of vehicles continued to provide a steady stream of income to emission testing service providers.

PRICES

The Department of Motor traffic, being the regulator, determines the prices of emission testing services. Over the last seven years, there were no price revisions approved by the regulator. The last price revision was in 2011.

Vehicle Population



COMPETITION

There are two licensed operators to provide emission testing services in Sri Lanka namely LAUGFS Eco Sri Ltd. and Cleanco Lanka (pvt) Ltd. Licenses are provided by the Department of Motor traffic under the VET project which started in 2008. Of the two operators, LAUGFS Eco Sri continued to maintain leading share of 55% in the industry.

Market penetration is key to our growth and competitive positioning. We continuously invest in expanding our regional presence island-wide. During the year, we added 18 testing locations in
9 regions.

Management Discussion and Analysis

VOLUME

6.4% ↑

Total number of initial test incresed by 6.4% to reach 2.7 Mn initial tests.

EQUITY

68% ↑

Total equity incresed to 1,049 Mn from 625 Mn from Last year.

NEW LOCATIONS

18 ↑

Total Location incresed up to 237 from 219 existed in Last year.

OUR PERFORMANCE

The emission testing service is a stable business with volume growth driven through market penetration. Despite the volatility in vehicle markets, the existing vehicle fleet drives the demand for emission testing services. This sustains the top line growth of the company. However, profitability and margins were impacted by inflation, as the price approved by the Department of Motor Traffic for testing services was not increased during the year.

OUR STRATEGY

EXPANDING OUR FOOTPRINT

Market penetration is key to our growth and competitive positioning. We continuously invest in expanding our regional presence island-wide. During the year, we added 18 testing centres in 9 regions. These include four fixed centres and fourteen mobile centres. We also converted 03 mobile locations to fixed centres to improve accessibility, visibility and to provide better customer service. By the end of the year, we had 237 access points located island wide.

DRIVING CUSTOMER SATISFACTION

We offer customers convenience and high-quality services through technically qualified personnel. Our emission centres are located island wide even in the remotest areas of the country providing our consumers easy access. This drives customer satisfaction and enables LAUGFS Eco Sri Ltd. to remain the market leader over the last 10 years.

MAINTAINING A SKILLED TEAM

We have a team of 722 employees primarily comprising of males due to the work involved at the testing centres. Our team is young and dynamic, with over 50% of the workforce below 25 years.

We also focused on upskilling our employees through training programs. This is a continuous initiative at LAUGFS Eco Sri, as we believe that employees play an integral role in customer service. During the year, we budgeted Rs.7.7 Mn as training expenditure. The training programs covered aspects such as organizational culture, technical skills, customer care and customer services. In addition, all our employees have a basic qualification of NVQ level 3 in motor mechanics.

GROSS PROFIT MARGIN

53%

TOTAL ASSETS INCREASED BY

411Mn

OUR FINANCIAL PERFORMANCE

Profitability and Returns

Revenue growth

Revenue improved by 16% in 2018/19 compared to 8% last year with an increase in the number of emission tests performed. The influx of motor car imports, together with our focus on expanding market penetration by setting up testing centres, supported volume growth. Our new testing centres in 9 regions enabled us to reach a wider customer base, enhancing accessibility which is a key driver for business growth. The number of tests performed during the financial year increased by 6.4% to 2.7 Mn tests.

Profitability

Despite revenue growth, profits and margins were affected by the increase in the cost base as the price approved by the regulator was not increased during the year. Several fixed costs, such as land rentals, depreciation, employee salaries and other fixed costs, increased during the year.

Gross profits of the company remained almost in line with last year, with a 2% growth to Rs 828 Mn. Gross profit margins declined to 53 % in 2018/19 compared to 61% last year.

However, Operating profits declined by (4%) to Rs 481Mn due to the significant decline in other operating income. During the last financial year, other operating income included a reclassification gain of Rs 58 Mn. As a result, the income in the current period was seemingly lower at Rs 4.4 Mn compared to Rs 63 Mn last year.

We implemented several measures to drive process efficiencies and manage costs. As a result, administration expenses accounting for 21% of revenue declined by (4%) to Rs 328 Mn. We also reduced promotional expenses by (33%) to Rs 23 Mn. Nevertheless, operating margins declined to 31% in 2018/19 compared to 37% last year.

Management Discussion and Analysis

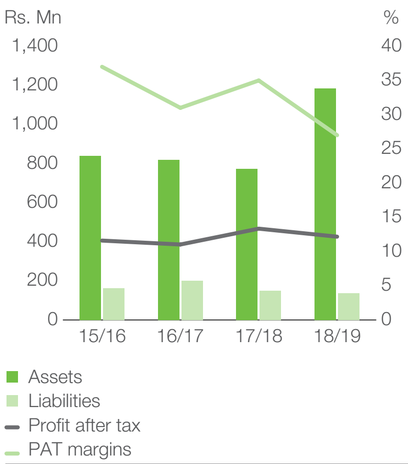
We maintained a healthy funding mix with equity accounting for 88% of total assets. During the year, value of equity increased by 68% supported by the 189% increase in retained earnings to Rs 649 Mn.

Besides lower operating profits, the decline in both finance income and income from associate company, LAUGFS Property developers (pvt) Ltd, further affected profit before tax. Resultantly, profits before taxes declined by (4%) to Rs 547 Mn compared to Rs 572 Mn last year.

- Finance income declined by (7%) to Rs 26.9 Mn. However, finance costs were maintained at a minimal level as the company successfully maintained a low level of borrowings.
- The share of associate income declined by (9%) to Rs 40 mn in 2018/19 compared to Rs 44 mn last year. The associate income of the last financial year included an adjustment of Rs 45 Mn as LAUGFS Property Developers (Pvt) Ltd was considered as an associate company from June 2017. As a result, a net gain of Rs 44 Mn was recognized reflecting the excess of fair value over the investment cost for the associate company.

Revenue Growth

Performance



Profit after tax decreased by (9%) to Rs 426 Mn. Taxes increased by 15% to Rs 120 Mn and the effective tax rate was 22% compared to 18% last year. Despite revenue growth, the lower margins, decline in other operating and non -operating incomes in addition to the increase in taxes affected profitability.

SHAREHOLDER RETURNS

Earnings per share amounted to Rs 1.10 per share compared to Rs 1.21 per share last year, (9%) decline. The ROE was 51% compared to 75% last year.

FINANCIAL POSITION

Assets increased significantly by 53% to Rs 1186 Mn during the financial year. This was mainly driven by the increase in cash and cash equivalents to Rs 520 Mn from Rs 104 Mn last year.

Outlook	Opportunities
Our focus for 2019 is to improve revenue growth by further expanding our touch points. We expect to add a number of new fixed centers and convert several mobile locations to fixed centers during the next financial year. Being in a highly competitive environment, we will also prioritize on upskilling employees, use state of art technology and provide convenience to customers through widespread touch points. We will also focus on enhancing customer experience through new initiatives where this will help to drive our differentiation and market leadership position.	• Growth in vehicle fleet. • Emission testing is mandated for most vehicle categories with a few exceptions. This ensures a steady stream of income for the company
	Challenges
	• Regulated pricing • Changing government policies • Increasing demand for hybrid and electric vehicles • Intense competition. • Rising interest rates • Subdued economic growth

However, several other asset categories declined during the year. Property, plant and equipment (PPE) declined by (3.5%) to Rs 152 Mn. Trade and other receivables declined by (18%) to Rs 56 Mn.

EXPANSION

Capital expenditure amounted to Rs 43 Mn compared to Rs 48 Mn last year. We continued to focus on expanding our market presence by setting up new testing centres at an investment cost of Rs 20 Mn.

FUNDING PROFILE

We maintained a healthy funding mix with equity accounting for 88% of total assets. During the year, value of equity increased by 68% supported by the 189% increase in retained earnings to Rs 649 Mn. Non- current liabilities mainly comprising of employee benefit obligations increased by 36% to Rs 55 Mn. Current liabilities formed a significant 59% of total liabilities and amounted to Rs 81 Mn. However, the company managed to maintain borrowings at a low level of Rs 10 Mn compared to Rs 37 Mn last year supporting a low gearing ratio of 1% in 2018/19 compared to 6% last year.

LIQUIDITY AND SOLVENCY

Cash and short -term deposits increased to Rs 520 Mn compared to Rs 104 Mn last year. Cash flows from operating activities improved to Rs 459 Mn supported by revenue growth and well managed working capital. Cash movements in working capital amounted to Rs 19 Mn compared to Rs (35) Mn last year. With strong cash flows, short term deposits accounted for 44% of total assets.

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 2019.

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").

Plans are underway to obtain a Listing on the Colombo Stock Exchange on the Diri Savi Board. Thereafter, the Shares of the Company will be listed on the Diri Savi Board of the Colombo Stock Exchange.

PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

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

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

PARENT ENTITY AND ULTIMATE PARENT ENTITY

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

FINANCIAL STATEMENTS

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

AUDITORS' REPORT

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

ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). and the accounting policies adopted thereof are given on pages 33 to 45 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 Managing Director
*Mr. N M Prakash	-	Director
*Mr. P M B Fernando	-	Director
Mr. H A Ariyaratne	-	Director

*Independent Non-Executive Directors

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

INTERESTS REGISTER

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

DIRECTORS' REMUNERATION

The Directors remuneration is disclosed under Key Management Personnel of the Company in Note No 21.3 to the Financial Statements.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2019 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 2019 are as follows:

	Shareholding as at 31/03/2019		Shareholding as at 31/03/2018	
	Voting	Non Voting	Voting	Non Voting
Mr. W K H Wegapitiya	1,411,536(0.42%)	-	1,411,536(0.42%)	-
Mr. U K Thilak De Silva	1,077,897(0.32%)	-	1,077,897(0.32%)	-
*Mr. N M Prakash	17,000(0.01%)	-	17,000(0.01%)	-
*Mr. P M B Fernando	100(0.00%)	-	100(0.00%)	-
Mr. H A Ariyaratne	3,900(0.00%)	3,400(0.01%)	3,900(0.00%)	3,400(0.01%)

* Independent Non-Executive Directors

MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION

Information on the twenty largest shareholders, are given on pages 68, and 69.

AUDITORS

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

A sum of Rs 375,000/- 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 authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

DONATIONS

The Company made donations of Rs. 155,876 during the year under review.

DIVIDEND

The Directors have declared an interim dividend of Rs. 0.75 per share for the year under review.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and changes during the year are given in Note 7 of the Financial Statements.

MATERIAL FORESEEABLE RISK FACTORS

Foreseeable risks that may materially impact the business are disclosed in page no 66 to 67 of this report.

EMPLOYEES AND INDUSTRIAL RELATIONS

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

STATUTORY PAYMENTS

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 29th August, 2019 at 3.00 p.m. at the Sri Lanka Foundation, 100, Independence Square ,Colombo 7.

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

Scanned Signature
....
Group Chairman

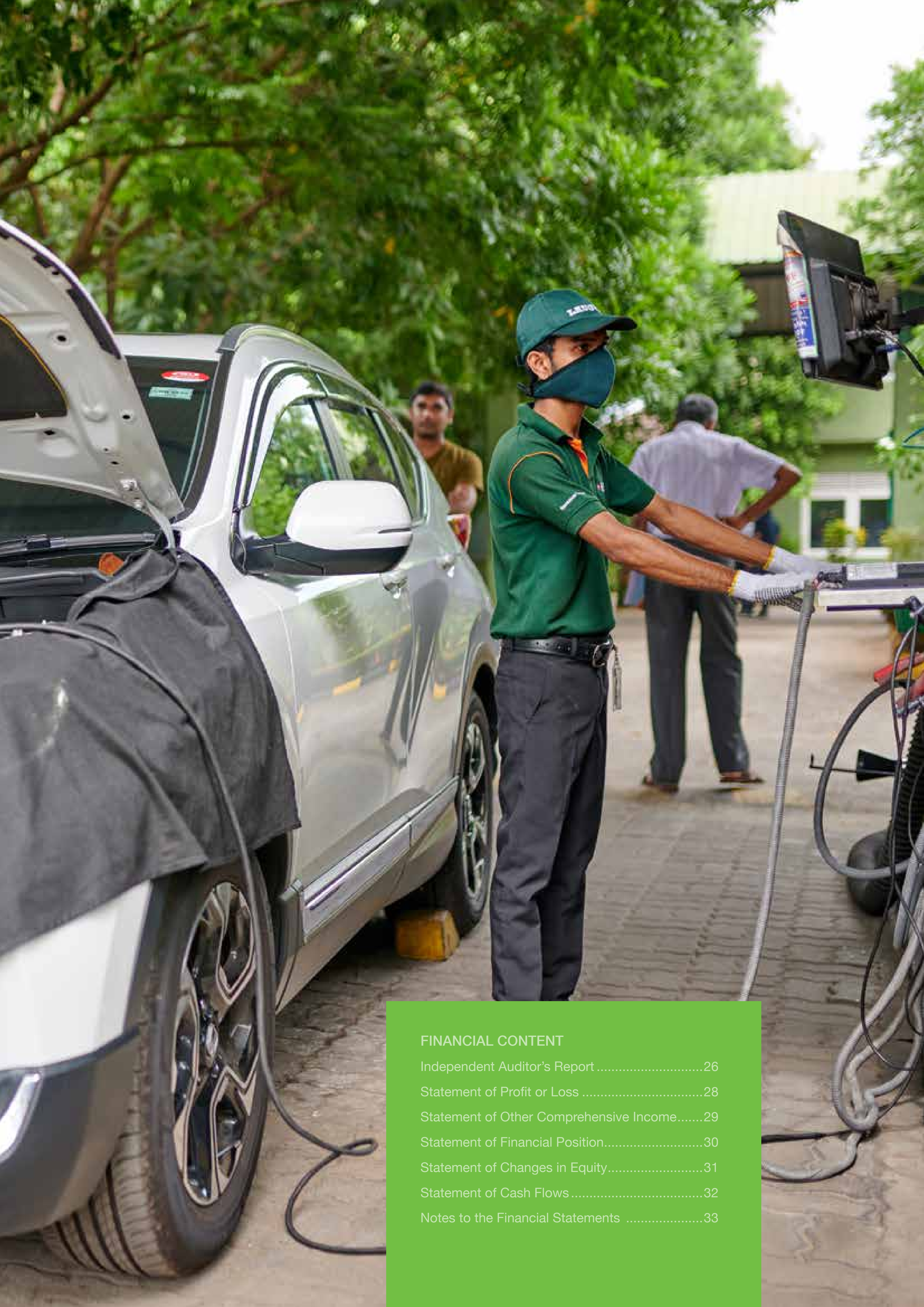
Scanned Signature
....
Group Managing Director

Scanned Signature
....
Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo

5th August 2019

Financial Information



FINANCIAL CONTENT

Independent Auditors' Report

Building a better working world

Ernst & Young
Chartered Accountants
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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 at 31 March 2019, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

30th July 2019
Colombo

Statement of Profit or Loss

Year ended 31 March 2019	Note	2019 Rs.	2018 Rs.
Revenue from Contracts with Customers	3	1,558,286,030	1,339,933,463
Cost of Sales		(730,039,935)	(526,874,492)
Gross Profit		828,246,095	813,058,971
Other Operating Income	4.1	4,474,134	63,048,667
Administrative Expenses		(328,783,671)	(341,580,841)
Promotional Expenses		(22,841,910)	(34,232,353)
Operating Profit		481,094,648	500,294,444
Finance Costs	4.2	(1,642,826)	(1,265,961)
Finance Income	4.3	26,943,374	28,870,597
Share of Associates' Results	9.2.3	40,555,326	44,688,411
Profit before Tax		546,950,522	572,587,491
Income Tax Expense	5.1	(120,604,445)	(105,113,369)
Profit for the Year		426,346,077	467,474,122
Earning Per Share - Basic/Diluted	6	1.10	1.21

The accounting policies and notes on pages 33 through 67 form an integral part of the financial statements.

Statement of other Comprehensive Income

Year ended 31 March 2019	Note	2019 Rs.	2018 Rs.
Profit for the Year		426,346,077	467,474,122
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax) :			
Net Gains/(Losses) on Available for Sale Financial Assets	14.1	-	(1,452,165)
Reclassification during the Year to Profit or Loss	14.1	-	(58,258,565)
Net Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods		-	(59,710,730)
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax) :			
Net Actuarial Gains/(Losses) on Defined Benefit Plans	17.2	(2,538,566)	3,958,038
Share of Associates' Other Comprehensive Income	9.2.3	12,996	(4,152,895)
Income Tax Effect	5.2	505,894	(791,608)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods		(2,019,677)	(986,465)
Other Comprehensive Income for the Year Net of Tax		(2,019,677)	(60,697,195)
Total Comprehensive Income for the Year Net of Tax		424,326,401	406,776,927

The accounting policies and notes on pages 33 through 67 form an integral part of the financial statements.

Statement of Financial Position

As at 31 March 2019	Note	2019 Rs.	2018 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7.3	152,573,648	158,074,858
Intangible Assets	8	903,139	4,118,677
Investments in Associates	9.2.2	426,752,402	386,184,080
Deferred Tax Assets	5.5	-	13,656,925
		580,229,190	562,034,540
Current Assets			
Inventories	10	28,391,785	38,241,504
Trade and Other Receivables	11	56,714,377	69,568,340
Cash and Short Term Deposits	12.1	520,294,807	104,514,848
		605,400,969	212,324,692
Total Assets		1,185,630,158	774,359,232
EQUITY AND LIABILITIES			
Equity			
Stated Capital	13	400,000,000	400,000,000
Retained Earnings		648,876,720	224,550,319
Total Equity		1,048,876,720	624,550,319
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	16.1	-	4,211,492
Deferred Tax Liabilities	5.5	107,654	-
Employee Benefit Liability	17.2	55,339,309	40,767,791
		55,446,963	44,979,283
Current Liabilities			
Trade and Other Payables	18	39,717,546	43,355,760
Interest Bearing Loans and Borrowings	16.1	10,495,024	33,378,934
Income Tax Payable		31,093,905	28,094,936
		81,306,475	104,829,630
Total Equity and Liabilities		1,185,630,158	774,359,232

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

Athula Silva
Finance Officer

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

W.K.H. Wegapitiya
Director

U.K. Thilak De Silva
Director

The accounting policies and notes on pages 33 through 67 form an integral part of the financial statements.

30 July 2019
Colombo

Statement of Changes in Equity

Year ended 31 March 2019	Note	Stated Capital Rs.	Retained Earnings Rs.	Available for Sale Reserve Rs.	Total Rs.
As at 1 April 2017		400,000,000	159,302,707	59,710,730	619,013,437
Profit for the Year		-	467,474,122	-	467,474,122
Other Comprehensive Income		-	(986,465)	(59,710,730)	(60,697,196)
Total Comprehensive Income		-	466,487,657	(59,710,730)	406,776,926
Dividend Paid - 2017/18	15	-	(401,240,045)	-	(401,240,045)
As at 31 March 2018		400,000,000	224,550,319	-	624,550,319
Profit for the Year		-	426,346,077	-	426,346,077
Other Comprehensive Income			(2,019,677)	-	(2,019,677)
Total Comprehensive Income		-	424,326,401	-	424,326,401
As at 31 March 2019		400,000,000	648,876,720	-	1,048,876,720

The accounting policies and notes on pages 33 through 67 form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 March 2019	Note	2019 Rs.	2018 Rs.
Cash Flows Generated from / (Used in) Operating Activities			
Cash Flow from Operating Activities			
Net Profit before Tax		546,950,522	572,587,491
Adjustments for			
Depreciation of Property, Plant and Equipment	7.2	48,274,743	48,610,626
Amortization Intangible Assets	8	3,901,960	3,801,857
(Gain)/Loss on Disposal of Property, Plant and Equipment		(298,437)	(866,159)
Reclassification of Gain on Available for Sale Investment	14.1	-	(58,258,565)
Share of Results of Associates	9.2.3	(40,555,326)	(44,688,411)
Interest Income	4.3	(26,943,374)	(28,870,597)
Finance Costs	4.2	1,642,826	1,265,961
Transfer of Employee Benefit Liability	17.2	821,387	-
Provision for Employee Benefit Liability	17.1	12,839,298	11,683,466
Operating Profit before Working Capital Changes		546,633,599	505,265,668
(Increase)/ Decrease in Inventories		9,849,718	(11,816,718)
(Increase) / Decrease in Trade and Other Receivables		12,853,963	(12,831,876)
Increase/ (Decrease) in Trade and Other Payables		(3,635,581)	(10,267,155)
Cash Generated from Operations		565,701,699	470,349,919
Interest Paid	4.2	(1,642,826)	(1,265,961)
Tax Paid		(103,337,631)	(156,909,879)
Employee Benefit Liability Cost Paid	17.2	(1,627,733)	(3,038,538)
Net Cash Flows Generated from Operating Activities		459,093,509	309,135,541
Cash Flow from Investing Activities			
Acquisition of Property, Plant and Equipment	7.1	(42,847,776)	(48,495,263)
Acquisition of Intangible Assets	8	(686,421)	-
Proceeds from Disposal of Property, Plant and Equipment		372,677	2,437,349
Dividend Received from Associates		-	2,349,000
Interest Received	4.3	26,943,374	28,870,597
Investment in Associates		-	(200,000,000)
Net Cash Flows Used in Investing Activities		(16,218,145)	(214,838,317)
Cash Flow from Financing Activities			
Capital Repayment under Finance Lease Liabilities	16.1	(7,923,857)	(7,258,352)
Dividends Paid	15	-	(401,240,045)
Net Cash Flows Used in Financing Activities		(7,923,857)	(408,498,397)
Net Increase/(Decrease) in Cash and Cash Equivalents		434,951,506	(314,201,174)
Cash and Cash Equivalents at the Beginning of the Year	12	79,059,770	393,260,944
Cash and Cash Equivalents at the End of the Year	12	514,011,275	79,059,770

The accounting policies and notes on pages 33 through 67 form an integral part of the financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Entity and Ultimate Parent Entity

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

1.4 Directors' Responsibility Statement

The Board of Directors is responsible for these financial statements.

1.5 Date of Authorization for Issue

The Financial Statements of LAUGFS Eco Sri Limited for the year ended 31 March 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 30 July 2019.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

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

2.1.1 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value.

The financial statements are presented in Sri Lankan Rupees.

2.1.2 Statement of Compliance

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

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

2.1.3 Going Concern

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.2.1 New and Amended Standards and Interpretations

The Company applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.2.2 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted SLFRS 15 using the modified retrospective method of adoption. The effect of the transition on the current period is, as follows;

The Company is primarily involved in providing motor vehicle emission testing services across Sri Lanka. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangement.

Emission Testing Services

Before adopting SLFRS 15, revenue from emission testing services were recognised in net excluding the commission paid to the Department of Motor Traffic. Under SLFRS 15, the Company is identified as the principle and the revenue from emission testing services are recognised at gross including the commission paid to the Department of Motor Traffic, when services are performed.

Impact to the Statement of Profit and Loss

	2019 Revenue Rs.	2019 Cost of Sales Rs.
As per LKAS 18	1,419,456,912	(591,210,817)
Adjustment	138,829,118	(138,829,118)
As per SLFRS 15	1,558,286,030	(730,039,935)

There was no impact to Gross Profit, Other Comprehensive Income or Retained Earnings from the application of SLFRS 15.

2.2.3 SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

No material effect to the financial statement recognition and presentation for all periods presented, due to the adoption of SLFRS 9, except for following changes in accounting policies.

Classification and Measurement

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: The Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Company. The Company continued measuring at fair value all financial assets previously held at fair value under LKAS 39.

Trade and other receivables previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

Impairment

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

Upon the adoption of SLFRS 9, the Company did not have a significant impact in terms of impairment on Trade receivables and has not recognised additional impairment.

2.3 COMPARATIVE INFORMATION

From 1 April 20 l 8. the Company has adopted SLFRS 15 and SLFRS 9. and has not restated comparative information for the year ended 3 l March 2018 on financial instruments in the scope of SLFRS 15. Therefore. the comparative information for 2018 is reported under LK/\S 18 which is not comparable to the informal ion presented for 2019.

2.4 Significant Accounting Estimates And Assumption

Estimates and Assumptions

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

Defined Benefit Plans

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations. The Actuarial Valuation involves making assumptions about discount rates, future salary increases and other important related data. Due to the long term nature of employee benefits, such estimates are subject to significant uncertainty. Further details of assumptions together with an analysis of their sensitivity as carried out by the management in relation to the above key assumptions and the results of the sensitivity analysis are given in Note 17.

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.

2.5 Summary Of Significant Accounting Policies

2.5.1 Foreign Currency Transaction

The financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2.5.2 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 would obtain the certificate 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 recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized 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 recognized 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 recognized as a part of the cost of the asset or part of the expense items as applicable. Receivable and payable are stated including the amount of sales taxes. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statements of Financial Position.

2.5.3 Revenue Recognition

2.5.3.1 Accounting Policy applied after 1 April 2018

2.5.3.1.1 Revenue from Contracts with Customers

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

- Emission Testing Services

  Revenue from emission testing services is recognized in the accounting period in which the services are rendered or performed.

2.5.3.1.2 Gains and Losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and has been accounted for in the Statement of Profit or Loss.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a Company of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.5.3.1.3 Others

Other Income is recognized on an accrual basis.

2.5.3.2 Accounting Policy applied up to 31 March 2018

Revenue

Revenue is recognized 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 recognized in the period in which the services are rendered or performed.

b) Gains and Losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and has been accounted for in the Statement of Profit or Loss.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a Company of similar transactions which are not material, are aggregated, reported and presented on a net basis.

c) Others

Other income is recognized on an accrual basis.

2.5.4 Operating Leases

Operating Lease payments on land use rights are recognized as an expense in the statement of profit or loss.

2.5.5 Investment in Associates

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

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

2.5.6 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

2.5.6.1 Accounting Policy applied after 1 April 2018

2.5.6.1.1 Financial Assets

Initial Recognition and Subsequent Measurement

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

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

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

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

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

Subsequent Measurement

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

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

Financial Assets at Amortised Cost (Debt Instruments)

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

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

  And

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

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

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

Financial Assets at Fair Value Through OCI (Debt Instruments

Company measures debt instruments at fair value through OCI if both of the following conditions are met:

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

  And

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

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

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

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

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

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

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

Financial Assets at Fair Value Through Profit or Loss

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

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

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

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

Derecognition

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

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

  Or

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

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

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

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

Impairment of Financial Assets

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

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

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

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

2.5.6.1.2 Financial Liabilities

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

Financial Liabilities at Fair Value through Profit or Loss

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

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

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

Financial Liabilities at Amortized 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 16.1

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.

2.5.6.2 Accounting Policy applied up to 31 March 2018

2.5.6.2.1 Financial Assets

Initial Recognition and Measurement

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

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

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

The Company's financial assets include trade and other receivables, available for sale instruments.

Subsequent Measurement

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

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 amortized cost using the effective interest rate method (EIR), less impairment. Amortized 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 amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in selling and distribution expenses.

b) Available-for-Sale Financial Assets (AFS)

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

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

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

- The rights to receive cash flows from the asset have expired,
- 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, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement in it.

In that case, the Company also recognizes 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.

2.5.6.2.2 Impairment of Financial Assets

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

a) Financial Assets Carried at Amortised Cost

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

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

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

2.5.6.2.3 Financial Liabilities

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

a) Loans and Borrowings

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

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

Derecognition

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

2.5.6.3 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 recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.5.6.4 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 16.3.

2.5.7 Cash and Short Term Deposits

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

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

2.5.8 Property, Plant and Equipment

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

An item of property, plant and equipment is derecognized 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 derecognized.

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

2.5.9 Intangible Assets

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

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized 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 recognized in the income statement when the asset is derecognized.

2.5.10 Provisions

Provisions are recognized 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 recognized as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

2.5.11 Employee Benefit Obligations

a) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Company measure the cost of defined benefit plan-gratuity; every financial year using the Projected Unit Credit Method, as recommended by LKAS 19 – Employee Benefits, with the advice of an actuary.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 17. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 - Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

Actuarial gains and losses are recognized in the statement of comprehensive income (OCI) in the period in which it arises.

The item is stated under Employee Benefit Liability in the statement of financial position.

This is not an externally funded defined benefit plan.

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

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

All employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions are covered by relevant contribution funds in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

c) Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

2.5.12 Impairment of Non Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any 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 Companys 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 recognized 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 recognized 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 recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized 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.

2.5.13 Inventories

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

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

Consumption Stock - At actual cost on Weighted Average Cost basis

2.5.14 Dividend Distribution

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

2.6 Effect of Sri Lanka Accounting Standards Issued But Not Yet Effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

2.5.1 SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of financial statements to assess the effect that leases have on the financial position.

SLFRS 16 is effective for the annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

Possible impact on the financial statements

The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019 Rs.	2018 Rs.
Rendering of Services	1,558,286,030	1,339,933,463
	1,558,286,030	1,339,933,463

4. OTHER INCOME AND EXPENSES

4.1 Other Operating Income

	2019 Rs.	2018 Rs.
Sundry Income	4,474,134	4,790,102
Reclassification of Available for Sale Reserve	-	58,258,564
	4,474,134	63,048,667

4.2 Finance Costs

	2019 Rs.	2018 Rs.
Interest Expense on Finance Lease	637,775	1,265,961
Interest Expense on Overdrafts	5,051	-
Guarantee Commission Charges	1,000,000	
	1,642,826	1,265,961

4.3 Finance Income

	2019 Rs.	2018 Rs.
Interest Income	26,943,374	28,870,597
	26,943,374	28,870,597

4.4 Profit Before Tax

	2019 Rs.	2018 Rs.
Stated after Charging/(Crediting)		
Included in Cost of Sales/Service and Operational Expenses		
VET Certificate Charges	11,800,202	12,493,908
Employee Benefit including the following ;	289,845,821	277,566,473
- Defined Contribution Plan Costs - EPF & ETF	25,254,074	23,490,658
Depreciation of Property, Plant and Equipment	35,007,982	38,086,615
Land Rent	101,557,831	84,462,459
Spare Parts and Consumables	22,948,272	23,056,545
Included in Administration Expenses		
Directors' Fees and Emoluments	66,981,795	63,700,000
Auditors' Remuneration - Fees	375,000	357,500
Depreciation of Property, Plant and Equipment	13,266,762	10,509,329
Amortization of Intangible Assets	3,801,857	3,801,857
Employee Benefit including the following ;	119,464,430	124,234,508
- Defined Benefit Plan Costs - Gratuity	12,839,297	11,683,466
- Defined Contribution Plan Costs - EPF & ETF	6,489,748	5,333,402
Loss/(Profit) on Sale of Property, Plant & Equipment	(298,437)	(866,159)
Included in Promotional Expenses		
Advertising and Promotional Cost	22,686,041	29,850,453

4.5 Components of Other Comprehensive Income

	2019 Rs.	2018 Rs.
Available for Sale Financial Assets		
Gains/(Losses) arising during the Year	-	(1,452,165)
Employee Benefit Liability		
Actuarial Gains/(Losses) arising during the Year	2,538,566	(3,958,038)

5. INCOME TAX

The major components of income tax expense for the years ended 31 March 2019 and 31 March 2018 are:

5.1 Statement of Profit or Loss

	2019 Rs.	2018 Rs.
Current Income Tax:		
Current Income Tax Expense (Note 5.3)	109,308,156	104,932,231
Under/(Over) Provision of Current Taxes in respect of Prior Years	(2,974,184)	15,569
Dividend Tax of Associate	-	261,000
	106,333,971	105,208,800
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 5.5)	14,270,474	(95,431)
	14,270,474	(95,431)
Income Tax Expense Reported in the Statement of Profit or Loss	120,604,445	105,113,369

5.2 Statement of Comprehensive Income

	2019 Rs.	2018 Rs.
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 5.5)	(505,894)	791,608
Income Tax Charged Directly to Comprehensive Income	(505,894)	791,608

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 2019 and 31 March 2018 are as follows:

	2019 Rs.	2018 Rs.
Accounting Profit before Income Tax	546,950,522	572,587,491
Adjustments in respect to Current Income Tax		
Aggregate Disallowed Items	92,584,030	110,624,071
Aggregate Allowable Expenses	(105,075,389)	(171,755,864)
Investment Income	(30,204,038)	(33,013,647)
Business Income	504,255,125	478,442,052
Investment Income	30,204,038	33,013,647
Assessable Income	534,459,163	511,455,699
Less: Qualifying Payments	-	-
Taxable Income	534,459,163	511,455,699
At the Statutory Income Tax Rate	20%	20%
- Other Taxable Income	28%	28%
Current Income Tax Expenses	100,851,025	95,688,410
- Other Taxable Income	8,457,131	9,243,821
	109,308,156	104,932,231

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

	Statement of Financial Position		Statement of Profit or Loss		Statement of Comprehensive Income	
	2019	2018	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liabilities						
Undistributed Profits of Associates	15,154,989	-	(15,153,170)	-	(1,819)	-
	15,154,989	-	(15,153,170)	-	(1,819)	-
Deferred Tax Assets						
Capital Allowances for Tax Purposes	(3,509,458)	(4,988,602)	(1,479,144)	(1,851,366)	-	-
Employee Benefit Liability	(11,067,862)	(8,153,558)	2,406,591	1,728,986	507,713	(791,608)
Trade & Other Receivables	(470,014)	(514,764)	(44,750)	217,811	-	-
	(15,047,334)	(13,656,925)	882,696	95,431	507,713	(791,608)
Deferred Tax Income/(Expense)			(14,270,474)	95,431	505,894	(791,608)
Net Deferred Tax (Assets)/Liabilities	107,655	(13,656,925)				

5.5 Reconciliation of Net Deferred Tax Asset

	2019	2018
	Rs.	Rs.
As at 01 April	(13,656,925)	(14,353,101)
Tax (Income)/Expense during the year recognised in Statement of Profit or Loss	14,270,474	(95,431)
Tax (Income)/Expense during the year recognised in Statement of Comprehensive Income	(505,894)	791,608
As at 31 March	107,654	(13,656,925)

Notes to the Financial Statements

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.

	2019 Rs.	2018 Rs.
Amount Used as the Numerator:		
Net Earnings attributable to Ordinary Shareholders for Basic/Diluted Earnings Per Share	426,346,077	467,474,122

	2019 Number	2018 Number
Number of Ordinary Shares used as Denominator:		
Weighted Average Number of Ordinary Shares for Basic/Diluted Earning Per Share	387,000,086	387,000,086

	2019 Rs.	2018 Rs.
Basic/Diluted Earnings Per Share	1.10	1.21

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

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Gross Carrying Amounts

	Balance as at 01.04.2018 Rs.	Additions during the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2019 Rs.
At Cost					
Buildings on Leasehold Land	372,700,901	6,702,723	8,666,732	-	388,070,356
Office Equipment	5,028,278	301,874	-	(20,978)	5,309,174
Computer and Accessories	72,680,148	12,781,754	-	(2,298,920)	83,162,982
Furniture and Fittings	19,893,342	632,016	-	-	20,525,358
Plant, Machinery & Equipment	242,199,170	13,834,904	-	(487,333)	255,546,741
Motor Vehicles	19,845,388	-	-	-	19,845,388
	732,347,226	34,253,271	8,666,732	(2,807,231)	772,459,998
Assets on Finance Lease					
Motor Vehicles	34,628,000	-	-	-	34,628,000
	34,628,000	-	-	-	34,628,000
In the Course of Construction					
Capital Working Progress	72,227	8,594,505	(8,666,732)	-	-
	72,227	8,594,505	(8,666,732)	-	-
Total Gross Carrying Amount	767,047,453	42,847,776	-	(2,807,231)	807,087,998

7.2 Depreciation

	Balance as at 01.04.2018 Rs.	Charge for the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2019 Rs.
At Cost					
Buildings on Leasehold Land	317,627,565	20,085,586	-	-	337,713,151
Office Equipment	3,545,485	400,673	-	(11,481)	3,934,677
Computer and Accessories	55,273,576	7,636,099	-	(2,258,478)	60,651,197
Furniture and Fittings	11,657,608	2,130,310	-		13,787,918
Plant, Machinery & Equipment	183,579,419	12,683,003	-	(463,030)	195,799,392
Motor Vehicles	19,435,612	113,708	-		19,549,319
	591,119,265	43,049,379	-	(2,732,989)	631,435,655
Assets on Finance Lease					
Motor Vehicles	17,853,331	5,225,364	-	-	23,078,695
	17,853,331	5,225,364	-	-	23,078,695
Total Depreciation	608,972,596	48,274,743	-	(2,732,989)	654,514,350

7. PROPERTY, PLANT AND EQUIPMENT CONTD...

7.3 Net Book Values

	2019 Rs.	2018 Rs.
At Cost		
Buildings on Leasehold Land	50,357,204	55,073,336
Office Equipment	1,374,496	1,482,792
Computer and Accessories	22,511,785	17,406,572
Furniture and Fittings	6,737,440	8,235,734
Plant, Machinery & Equipment	59,747,349	58,619,752
Motor Vehicles	296,069	409,776
	141,024,343	141,227,961
In the Course of Construction	-	72,227
Capital Working Progress	-	72,227
Assets on Finance Lease		
Motor Vehicles	11,549,305	16,774,670
	11,549,305	16,774,670
Total Carrying Amount of Property, Plant and Equipment	152,573,648	158,074,858

7.4 The Rates of Depreciation are Estimated as follows:

	2019 Rs.	2018 Rs.
Buildings on Leasehold Land	Over 10 Years	Over 10 Years
Office Equipment	Over 7 Years	Over 7 Years
Computer and Accessories	Over 4 Years	Over 4 Years
Furniture and Fittings	Over 7 Years	Over 7 Years
Plant, Machinery & Equipment	Over 7 Years	Over 7 Years
Motor Vehicles	Over 7 Years	Over 7 Years

7.5 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.42,847,776/- (2018 - Rs.48,495,263/-) for cash.

8. INTANGIBLE ASSETS

	2019 Rs.	2018 Rs.
Cost		
As at 1 April	15,207,427	15,207,427
Acquired during the Year	686,421	-
As at 31 March	15,893,848	15,207,427
Amortization		
As at 1 April	11,088,749	7,286,892
Amortization during the Year	3,901,960	3,801,857
As at 31 March	14,990,709	11,088,749
Net Book Value	903,139	4,118,677

Intangible assets includes the Enterprise Resource Planning System (SAP ECC 6.0) which is amortized 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.

The Company previously had 14% interest in LAUGFS Property Developers (Pvt) Ltd, which was accounted as Available for Sale financial asset in the financial statements. Consequent to the additional investment of Rs.200,000,000/- made on 05 June 2017, Company's interest in LAUGFS Property Developers (Pvt) Ltd has been increased up to 25%. Thus, the investment is accounted for using the equity method in the financial statements thereon. Fair value of the previously held interest at the date of becoming an associate was taken as the deemed cost for initial application of equity accounting.

9. INVESTMENT IN ASSOCIATES CONTD.

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

9.2.1 Summarised Statement of Profit or Loss

	2019 Rs.	2018 Rs.
Revenue	136,941,363	146,403,455
Operating Expenses	(16,749,598)	(65,228,111)
Finance Income	180,014	354,661
Finance Costs	(26,584,451)	(30,713,254)
Fair Value Gain on Investments Properties	123,740,703	74,743,346
Income Tax Expense	(55,306,725)	(117,458,357)
Reversal of Net Income up to 05.06.2017	-	(10,595,850)
Net Profit for the Year ended 31 March	162,221,306	(2,494,110)
Share of Associates' Profit or Loss	40,555,326	(623,527)

9.2.2 Summarised Statement of Financial Position

	2019 Rs.	2018 Rs.
Non-Current Assets	2,002,558,335	1,884,935,642
Current Assets	278,384,485	230,886,016
Non-Current Liabilities	421,492,532	409,157,808
Current Liabilities	152,440,680	161,927,529
Equity	1,707,009,609	1,544,736,321
Company's carrying amount of the Investment	426,752,402	386,184,080

9.2.3 Equity Reconciliation

	2019 Rs.	2018 Rs.
Carrying Value as at 01 April	386,184,080	-
Investment (Deemed Cost)	-	348,258,564
Excess of Associates' Fair Value Over the Investment Cost*	-	45,311,938
Share of Associates' Profit or Loss	40,555,326	(623,527)
Share of Associates' Results recognised in Profit or Loss	40,555,326	44,688,411
Share of Other Comprehensive Income	12,996	(4,152,895)
Dividend Received	-	(2,610,000)
Carrying Value as at 31 March	426,752,402	386,184,080

*Excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment.

10. INVENTORIES

	2019 Rs.	2018 Rs.
Inventories	28,391,785	38,241,504
Total Inventories at the Lower of Cost and Net Realisable Value	28,391,785	38,241,504

11. TRADE AND OTHER RECEIVABLES

	2019 Rs.	2018 Rs.
Trade Receivables - Related Parties (Note 11.1)	-	6,827,994
- Others	3,705,398	4,503,598
Less- Provision for Impairment	(2,350,072)	(2,573,821)
	1,355,326	8,757,772
Other Receivables - Related Parties (Note 11.2)	22,849,598	1,563,652
- Others	11,855,638	16,047,817
	36,060,561	26,369,240
Advances and Prepayments	19,633,069	41,621,835
Loans to Company Officers	1,020,747	1,577,264
	56,714,377	69,568,340

11.1 Trade Receivables from Related Parties

	Relationship	2019 Rs.	2018 Rs.
Lfinity (Pvt) Ltd	Group Company	-	6,827,994
		-	6,827,994

11.2 Other Receivables from Related Parties

	Relationship	2019 Rs.	2018 Rs.
LAUGFS Solutions Ltd	Group Company	34,104	-
LAUGFS Property Developers (Pvt) Ltdv	Associate Company	19,610,636	-
Lfinity (Pvt) Ltd	Group Company	3,204,858	1,563,652
		22,849,598	1,563,652

11. TRADE AND OTHER RECEIVABLES CONTD.

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

	Total	Neither Past Due nor Impaired	Past Due and Impaired < 30 Days	31-60 Days	61-90 Days	> 90 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2019	3,705,398	713,443	567,053	433,185	354,330	1,637,387
2018	11,331,593	-	1,047,714	586,421	322,358	9,375,100

12. CASH AND SHORT TERM DEPOSITS

12.1 Favourable Cash and Cash Equivalent Balances

	2019	2018
	Rs.	Rs.
Cash and Bank Balances	520,294,807	104,514,848
	520,294,807	104,514,848

12.2 Unfavourable Cash and Cash Equivalent Balances

	2019	2018
	Rs.	Rs.
Bank Overdraft (Note 16.1.1)	(6,283,532)	(25,455,078)
Cash and Cash Equivalent for the Purpose of Statement of Cash Flow	514,011,275	79,059,770

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

	2019		2018	
	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

	2019		2018	
	Number	Rs.	Number	Rs.
As at 01 April	335,000,086	346,253,242	40,000,000	400,000,000
Share Split (Note 13.3)	-	-	347,000,086	-
Reclassification (Note 13.3)	-	-	(52,000,000)	(53,746,758)
As at 31 March	335,000,086	346,253,242	335,000,086	346,253,242

13.2 Ordinary Non-Voting Shares

	2019		2018	
	Number	Rs.	Number	Rs.
As at 01 April	52,000,000	53,746,758	-	-
Reclassification (Note 13.3)	-	-	52,000,000	53,746,758
As at 31 March	52,000,000	53,746,758	52,000,000	53,746,758

13.3 On 05 January 2018, the Board of Directors has resolved to subdivide issued fully paid Ordinary Voting Shares of the Company, in proportion of 9.675 Ordinary Voting Shares for every 1 Ordinary Voting Share in issue, thereby increasing the Company's Ordinary Voting Shares from 40,000,000 Ordinary Voting Shares to 387,000,086 Ordinary Voting Shares without effecting an increase in the Stated Capital of the Company of Rs. 1,880,000,000/-. Subsequently, on the same occasion, Company has resolved to reclassify 52,000,000 ordinary voting shares as ordinary non-voting shares.

13.4 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. RESERVES

	2019 Rs.	2018 Rs.
Available for Sale Reserve (Note 14.1)	-	-
	-	-

14.1 Available for Sale Reserve

	2019 Rs.	2018 Rs.
As at 1 April	-	59,710,730
Gains/(Losses) arising during the Year	-	(1,452,165)
Reclassification to Profit or Loss	-	(58,258,565)
As at 31 March	-	-

15. DIVIDENDS PAID AND PROPOSED

	2018 Rs.
Declared and Paid during the Year:	
Dividends on Ordinary Shares:	
Final Dividend for 2017/2018: 1.037 Rupees per Share	401,240,045

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

16.1 Financial Liabilities

16.1.1 Interest Bearing Loans and Borrowings

	2019 Amount Repayable Within 1 Year Rs.	2019 Amount Repayable After 1 Year Rs.	2019 Total Rs.	2018 Amount Repayable Within 1 Year Rs.	2018 Amount Repayable After 1 Year Rs.	2018 Total Rs.
Finance Leases (Note 16.1.2)	4,211,492	-	4,211,492	7,923,857	4,211,492	12,135,349
Bank Overdraft (Note 12.2)	6,283,532	-	6,283,532	25,455,078	-	25,455,078
	10,495,024	-	10,495,024	33,378,934	4,211,492	37,590,427

16.1.2 Finance Leases

	As at 01.04.2018 Rs.	Leases Obtained Rs.	Repayments Rs.	As at 31.03.2019 Rs.
Commercial Bank of Ceylon PLC	12,842,447	-	(8,561,632)	4,280,815
	12,842,447	-	(8,561,632)	4,280,815

	As at 31.03.2019 Rs.	As at 31.03.2018 Rs.
Gross Liability	4,280,815	12,842,447
Finance Charges Allocated to Future Periods	(69,323)	(707,098)
Net Liability	4,211,492	12,135,349

Institution	Facility Amount Rs.	Repayment Terms
Commercial Bank of Ceylon PLC	34,628,000	Repayable by 6 monthly installments of Rs.713,469/-.

16.2 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.

		Carrying Amount		Fair Value	
		2019	2018	2019	2018
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Trade and Other Receivables	A	36,060,561	26,369,240	36,060,561	26,369,240
Cash in Hand and at Bank	A	520,294,807	104,514,848	520,294,807	104,514,848
		556,355,368	130,884,088	556,355,368	130,884,088
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	-	4,211,492	-	4,211,492
Interest Bearing Loans and Borrowings (Current)	A	10,495,024	33,378,934	10,495,024	33,378,934
Trade and Other Payables	A	22,017,982	23,158,266	22,017,982	23,158,266
		32,513,005	60,748,692	32,513,005	60,748,692

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 2019, the carrying amounts of such borrowings are not materially different from their calculated fair values.

17. EMPLOYEE BENEFIT LIABILITY

17.1 Net Benefit Expense

	2019 Rs.	2018 Rs.
Current Service Cost	8,762,519	7,353,758
Interest Cost on Benefit Obligation	4,076,779	4,329,708
Total Expense	12,839,298	11,683,466

17.2 Employee Benefit Liability

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

	2019 Rs.	2018 Rs.
As at 1 April	40,767,791	36,080,901
Current Service Cost	8,762,519	7,353,758
Interest Cost on Benefit Obligation	4,076,779	4,329,708
Adjustment due to Transfer of Employees in to/(out of) Company	821,387	-
Actuarial (Gain)/Loss on Obligation	2,538,566	(3,958,038)
Benefits Paid	(1,627,733)	(3,038,538)
As at 31 March	55,339,309	40,767,791

17.3 Messrs. Smiles Global (Pvt) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2019. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31 March 2019 are as follows:

	2019 Rs.	2018 Rs.
Method of Actuarial Valuation:	Projected Unit Credit Method	Projected Unit Credit Method
Discount Rate:	11%	10%
Salary Increment Rate:	12%	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:	17%	27%
Mortality Table:	A67/70 Mortality Table	A67/70 Mortality Table

17.4 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 2019.

The sensitivity of the income statement, statement of 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) in Discount Rate	Increase/(Decrease) in Rate of Salary Increment	2019 Effect on Income Statement (Reduction)/ Increase in Results for the Year	2019 Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End	2019 Present Value of Defined Benefit Obligation
	Rs.	Rs.	Rs.	Rs.
+1%		2,638,407	(2,638,407)	52,700,902
-1%		(2,918,955)	2,918,955	58,258,263
	+1%	(3,115,146)	3,115,146	58,454,454
	-1%	2,866,244	(2,866,244)	52,473,065

17. EMPLOYEE BENEFIT LIABILITY (CONTD.)

17.5 Changes in the Defined Benefit Obligation

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

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

2018		Amounts Charged to Profit or Loss				Remeasurement Gains/(Losses) in Comprehensive Income						
	01 April 2017	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 2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	36,080,901	7,353,758	4,329,708	11,683,466	(3,038,538)		-	(4,070,048)	5,945,774	(3,958,038)	-	40,767,791
	36,080,901	7,353,758	4,329,708	11,683,466	(3,038,538)	-	-	(4,070,048)	5,945,774	(3,958,038)	-	40,767,791

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

Year ended 31 March 2019	2019	2018
	Rs.	Rs.
Less than or equal to 2 years	2,234,372	2,007,972
Over 2 year and less than or equal 5 years	9,544,718	38,759,819
Over 5 year and less than or equal 10 years	43,560,219	-
	55,339,309	40,767,791

The average duration of the defined benefit plan obligating at the end of the reporting period is 5.55 years. (2018: 3.6 years)

18. TRADE AND OTHER PAYABLES

	2019 Rs.	2018 Rs.
Trade Payable - Others	1,487,959	1,547,894
Other Payable - Related Parties (Note 18.1)	3,584,030	2,900,963
- Others	16,945,992	18,709,409
	22,017,982	23,158,266
Sundry Creditors including Accrued Expenses	17,699,564	20,197,495
	39,717,546	43,355,760

18.1 Other Payables to Related Parties

	Relationship	2019 Rs.	2018 Rs.
LAUGFS Property Developers (Pvt) Ltd	Group Company	-	247,852
LAUGFS Petroleum (Pvt) Ltd	Group Company	609,249	650,662
LAUGFS Lubricants Ltd	Fellow Subsidiary	60,182	-
LAUGFS Holdings Ltd	Ultimate Parent	1,413,423	-
LAUGFS Supermarket (Pvt) Ltd	Group Company	5,000	5,000
LAUGFS Business Solution (Pvt) Ltd	Group Company	1,496,176	1,997,449
		3,584,030	2,900,963

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

	Total Rs.	< 30 Days Rs.	31-90 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2019	1,487,959	1,487,959	-	-	-
2018	1,547,894	972,894	575,000	-	-

19. COMMITMENTS AND CONTINGENCIES

19.1 Capital Expenditure Commitments

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

19.2 Contingent Liabilities

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

20. ASSETS PLEDGED

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

21. 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 2019 and 31 March 2018, refer to Notes 11 and 18).

21.1 Transaction with the Related Entities

	Parent		Associate		Other Group Companies		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01 April	-	(18,847,818)	(247,852)	-	5,738,535	12,464,694	5,490,683	(6,383,124)
Purchase of Goods/Services	(15,852,908)	(16,556,189)	(16,644,681)	(16,768,588)	(30,452,006)	(18,859,409)	(62,949,596)	(52,184,186)
Supply of Goods/Services	-	-	-	-	1,442,267	966,238	1,442,267	966,238
Settlement of Liabilities on behalf of Other Companies	-	51,210	-	348	781,131	1,462,659	781,131	1,514,217
Commission on Corporate Guarantee	1,000,000	-	-	-	-	-	1,000,000	-
Settlements made by Other Companies	-	(51,210)	-	(3,820,065)	(548,088)	(13,159,126)	(548,088)	(17,030,401)
Payment for Goods/Services by the Company	13,439,485	35,404,007	36,503,169	217,991,453	24,106,516	384,057,815	74,049,170	637,453,275
Investments Made	-	-	-	(200,000,000)	-	-	-	(200,000,000)
Dividends Received/(Paid)	-	-	-	2,349,000	-	(361,194,336)	-	(358,845,336)
As at 31 March	(1,413,423)	-	19,610,636	(247,852)	1,068,354	5,738,535	19,265,567	5,490,683

21.2 Other Group Companies include the following Companies;

Lfinity (Pvt) Ltd

LAUGFS Beverages (Pvt) Ltd

LAUGFS Supermarkets (Pvt) Ltd

LAUGFS Engineering (Pvt) Ltd

LAUGFS Corporation (Rubber) Ltd

LAUGFS International (Pvt) Ltd

LAUGFS Lubricants Ltd

LAUGFS Business Solution (Pvt) Ltd

LAUGFS Leisure Ltd

LAUGFS Solutions Ltd

LAUGFS Property Developers (Pvt) Ltd

LAUGFS Petroleum (Pvt) Ltd

LAUGFS Restaurants (Pvt) Ltd

21.3 Transactions with Directors/ Key Management Personnel *

	2019 Rs.	2018 Rs.
Emoluments and Fees - Cash Benefits	66,521,775	63,700,000
Emoluments and Fees - Non Cash Benefits	460,020	-
Total compensation paid to Key Management Personnel	66,981,795	63,700,000

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

22.1 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

22.1.1 Interest Rate Risk

The entity's exposure to interest rate risk was minimized 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.

22.1.2 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.

22.1.3 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.

22.1.4 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.

23. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements, except for the following,

24. RECLASSSIFCATION OF COMPARATIVES

The following amounts have been reclassified in order to comply with the current year presentation.

Impact on the Statement of Profit or Loss for the year ended 31 March 2018 are as follows,

	Previously Reported	Impact Adjustment	Reclassified Amount
Cost of Sales	(260,217,754)	(266,656,738)	(526,874,492)
Administrative Expenses	(612,619,479)	271,038,639	(341,580,841)
Promotional Expenses	(29,850,453)	(4,381,900)	(34,232,353)
	(902,687,686)	-	(902,687,686)

The above reclassification did not have any impact on other comprehensive income, earnings per share, operating, investing and financing cash flows for the year ended 31 March 2018.

Shareholders Informations

TWENTY MAJOR SHAREHOLDERS OF THE COMPANY – (VOTING)

		31st March 2019	
		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	AMANABANK 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 FUND	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 OF THE COMPANY – (NON VOTING)

		31st March 2019	
		No Of Shares	(%)
1	EMPLOYEES PROVIDENT FUND	18,041,300	34.695
2	HSBC INTL NOM LTD - STATE STREET LUXEMBOURG C/O SSBT - ALLIANCEBERNSTEIN NEXT 50 EMERGING MARKETS (MASTER) FUND SICAV-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 J B VANTAGE VALUE EQUITY FUND	2,505,696	4.819
5	SEYLAN BANK PLC / CARLINES HOLDINGS (PRIVATE) LIMITED	2,213,417	4.257
6	AMANA BANK PLC/ALMAS ORGANISATION (PVT) LTD	1,249,845	2.404
7	J.B. COCOSHELL (PVT) LTD	1,247,549	2.399
8	MR. A.M. WEERASINGHE	813,471	1.564
9	COMMERCIAL BANK OF CEYLON PLC/DUNAMIS CAPITAL PLC	793,906	1.527
10	SEYLAN BANK PLC / S.R. FERNANDO	704,992	1.356
11	DEUTSCHE BANK AG - NATIONAL EQUITY FUND	663,000	1.275
12	MR. G H I JAFFERJEE (DECEASED)	442,008	0.850
13	MR. S SIVASHANTH	404,447	0.778
14	GOLD INVESTMENT LIMITED	390,000	0.750
15	MRS C N G NARAYANA	378,800	0.728
16	MRS S D AMARASINGHE	372,400	0.716
17	NARATHA VENTURES PRIVATE LIMITED	308,000	0.592
18	PERSHING LLC S/A AVERBACH GRAUSON & CO.	307,604	0.592
19	MR. M A VALABHJI	280,000	0.538
20	PEOPLE'S LEASING & FINANCE PLC / C.D.KOHOMBANWICKRAMAGE	167,934	0.323
		38,551,154	74.137
	OTHERS	13,448,846	25.863
	TOTAL	52,000,000	100.000

Notice of Meeting

LAUGFS ECO SRI LIMITED

No. 101, Maya Avenue, Colombo 6

Notice is hereby given that the Annual General Meeting of LAUGFS Eco Sri Limited will be held on 29th August 2019 at 3.00 p m at the Auditorium of Sri Lanka Foundation, 100, Independence Square, Colombo 07, for the following purposes;

ROUTINE BUSINESS

1. To receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2019 together with the Report of the Auditors thereon.
2. To re-elect Mr. N M Prakash, who retires pursuant to the provisions of Article 26(6) of the Articles of Association of the Company, as a Director.
3. To authorize the Directors to determine donations for the year ending 31st March 2020 and up to the date of the next Annual General Meeting.
4. To re-appoint Auditors M/s. Ernst & Young and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

1. To consider and pass if thought fit the following resolution as a Special Resolution, pertaining to the Amendment of Article 39 (2) of the Articles of Association of the Company;

   IT IS HEREBY RESOLVED THAT the following new Article 39(2) be substituted with the existing Article 39(2) of Association;

   "The Board may from time to time approve the payment of any interim or final dividend or any fixed preferential dividend to shareholders, where that appears to be justified by the Company's profits, without the need for approval by an ordinary resolution of shareholders"

By Order of the Board
LAUGFS Eco Sri Limited

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo
5th August, 2019

Notes:

i. A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.

ii. A Proxy need not be a member of the Company.

iii. A member wishing to vote by Proxy at the Meeting may use the Proxy Form enclosed.

iv. In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.

THE SHAREHOLDERS ARE REQUESTED TO BRING AN ACCEPTABLE FORM OF IDENTITY.

INSTRUCTIONS TO COMPLETE PROXY

1. The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy, duly signed and dated.
2. The completed Proxy should be deposited with the Head of Legal of Laugfs Eco Sri Limited at the Registered Office of the Company at No. 101, Maya Avenue, Colombo 6, not less than 48 hours before the time appointed for holding the Meeting.
3. For voting shares please indicate with an "X" in the space provided how your proxy is to vote on the resolution. If no indication is given, the proxy in the discretion will vote as he thinks fit.
4. The Proxy shall –

   (a) in the case of an individual be signed by the shareholder or by his 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 body, either be under its Common Seal or signed by its attorney or by an officer on behalf of the Company or corporate body in accordance with the Articles of Association or the Constitution of that Company or corporate body. The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer.

   (c) in the case of joint-holders, the first joint-holder has the power to sign the proxy without the concurrence of the other joint-holder/s.
5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated

Form of Proxy (Voting)

**I/We……... of ……… being* a member/ members of LAUGFS Eco Sri Limited, hereby appoint Mr. W K H Wegapitiya of Colombo or failing him Mr. U K T N De Silva or failing him Mr. H A Ariyaratne or failing him Mr. N M Prakash or failing him Mr. P M B Fernando as *my/our Proxy to represent *me/us and to speak and vote whether on a show of hands or on a poll for *me/us on *my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held at 3.00 p.m. on 29th August 2019 at the Auditorium of Sri Lanka Foundation, 100, Independence Square, Colombo 07 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

ROUTINE BUSINESS

	FOR	AGAINST
1) To receive and consider the Annual Report and Financial Statements for the Financial Year ended 31 March 2019 together with the Report of the Auditors thereon.		
2) To re-elect as a Director Mr. N M Prakash who retires pursuant to the provisions of Article 26(6) of the Articles of Association of the Company		
3) To authorize the Directors to determine and make Donations for the year ending 31st March 2020		
4) To re-appoint Auditors M/s. Ernst & Young, Chartered Accountants and to Authorize the Directors to determine their remuneration.		

SPECIAL BUSINESS

	FOR	AGAINST
1) To pass as a special resolution, the amendment of Article 39 (2) of the Articles of Association of the Company as proposed under the Notice calling the meeting		

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

*Signature/s of the shareholder (s) ……………………………….

……………………………...

Please provide the following details:

Shareholder's NIC No./Company Registration No ……………………………………………………………………………

Folio No/Number of shares held ……………………………………………………………………………

Proxy holder's NIC No. (if not a Director) ……………………………………………………………………………

Form of Proxy (Non Voting)

**I/We...of .... being* a member/ members of LAUGFS Eco Sri Limited, hereby appoint Mr. W K H Wegapitiya of Colombo or failing him Mr. U K T N De Silva or failing him Mr. H A Ariyaratne or failing him Mr. N M Prakash or failing him Mr. P M B Fernando as *my/our Proxy to represent *me/us and to speak for *me/us on *my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held at 3.00 p.m. on 29th August 2019 at the Auditorium of Sri Lanka Foundation, 100, Independence Square, Colombo 07and at any adjournment thereof,.

Signed this............... day of 2019

*Signature/s of the shareholder (s) ....

....

Please provide the following details:	
Shareholder's NIC No./Company Registration No.	....
Folio No/Number of shares held	....
Proxy holder's NIC No. (if not a Director)	....

Note – See instructions to complete the proxy

*Delete inappropriate words

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