INSPIRING PROGRESS

LAUGFS ECO SRI LIMITED
ANNUAL REPORT 2020/21

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INSPIRING PROGRESS

At LAUGFS Eco Sri, our progressive and sustainable nature has inspired us to enhance our technologies and impact, empowering us to serve the people of Sri Lanka with the best intentions.

Over the years we have positioned ourselves to inspire progress through sustainable initiatives that have proven to formulate a distinctive portfolio well-determined to integrate value into lives. Today, as we explore our true strength and discover our potential to maintain a steady momentum and serve the people against all odds, it is our belief that we are equipped with strong resilience, deep resources and constant agility to take on the challenges the future holds.

LAUGFS Eco Sri - we're inspiring progress that delivers value.

ABOUT US

LAUGFS GROUP **VISION**

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

LAUGFS GROUP **MISSION**

Be the leader in the market segments we operate in.

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

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

Ensure fair returns to all our stakeholders.

Lead by example as a responsible corporate entity.

Foster a culture of one 'LAUGFS family'.

REVENUE

Rs. 1,696 Mn

NUMBER OF EMISSION TESTS

3.08 Mn

PROFIT AFTER TAX

Rs. 464 Mn

TOTAL ASSETS

Rs. 2,042 Mn

EQUITY

Rs. 1,330 Mn

TOTAL ASSET GROWTH

21%

TOTAL WORK-FORCE

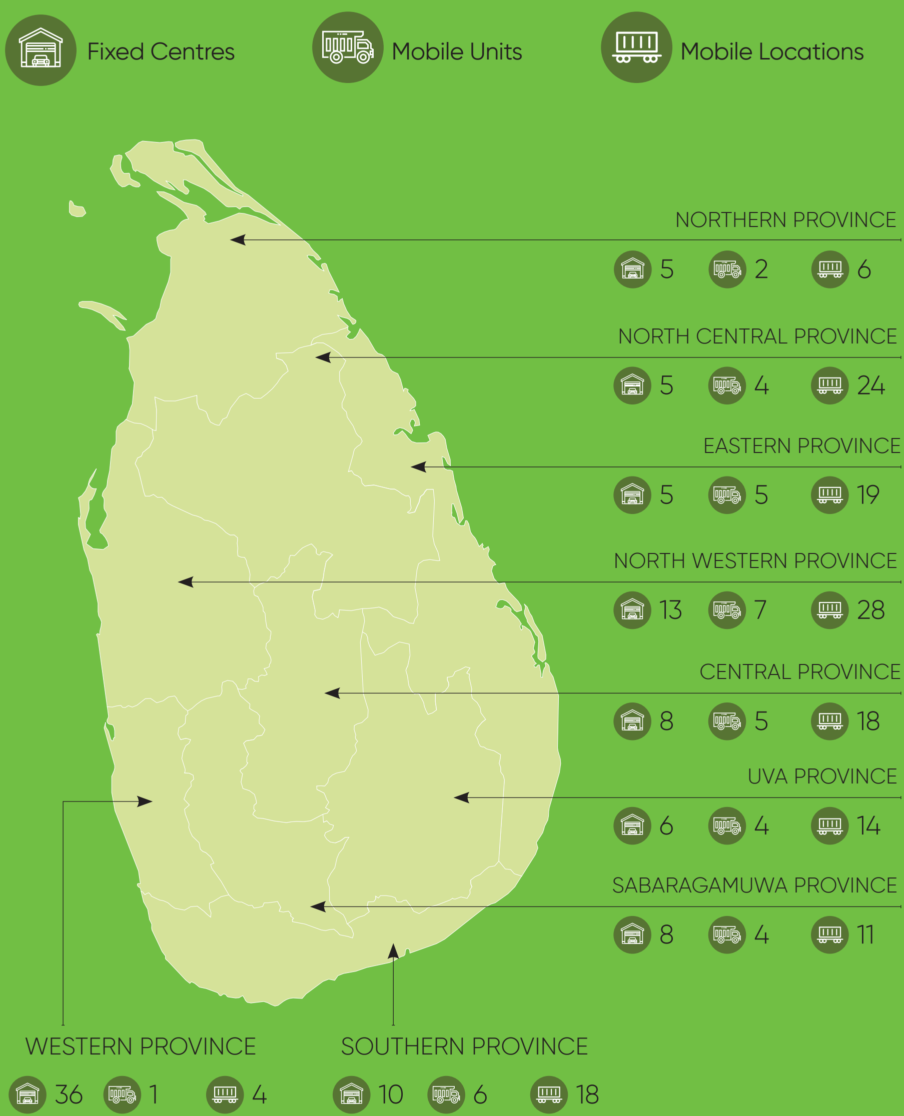
725

TOUCH-POINTS

238

96 41 142

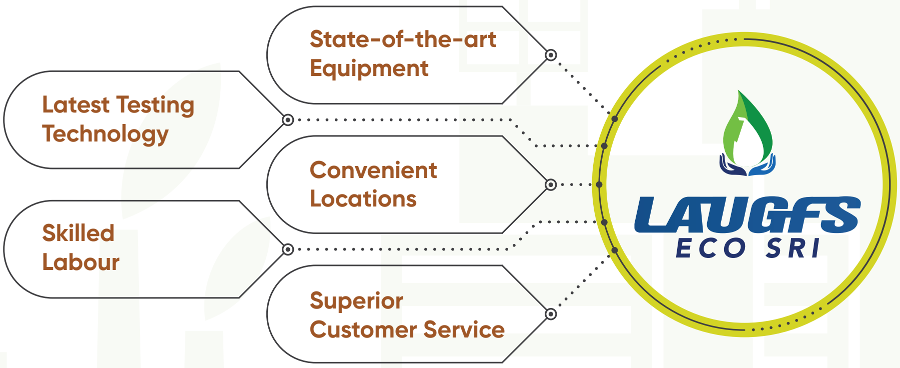
LAUGFS ECO Sri was established in 2008, in collaboration with the Department of Motor Traffic with the vision of creating a cleaner and safer environment by introducing the Vehicle Emission Testing (VET) programme.



ABOUT US

LAUGFS ECO Sri was established in 2008, in collaboration with the Department of Motor Traffic with the vision of creating a cleaner and safer environment by introducing the Vehicle Emission Testing (VET) programme. This testing mechanism ensures that vehicle emissions are within the applicable standards to minimise the impact to the environment. Our operations, which started from the Western Province in 2008 with 19 testing centers have now grown to a total of 238 customer touch points including 96 fixed centers and 142 mobile locations covering all regions in the country.

As an ISO 9001 certified company we provide our clients with a superior quality service combined with reliability and efficiency with our modern testing technique and specialised skills. This is evident by the market dominance we have maintained over the last 10 years despite this being an intensely competitive duopoly in a regulated market.



State-of-the-art Equipment

Equipment used by ECO SRI are class zero machinery sourced from Italy. This highest quality machinery combined with the latest technology enables us to provide a superior quality service to our customers. An effective monitoring system is in place to ensure all periodic maintenance work and upgrades are done in a timely manner, consequently ensuring higher level of efficiency. Further, we are continuously exploring avenues to increase the effectiveness and efficiency of our testing process and to improve the quality of the service we offer.

Latest Testing Technology

Gas Analysers

All equipment are multifunctional exhaust gas analysers for vehicles based on microprocessor electronics while we use infrared analysers for cars and motorcycles. All analysers are aligned accordingly to measure compliance with DMT requirements for emission testing standards.

Smoke Meters

The Smoke Meters are designed to measure exhaust fumes with a partial flow. All equipment are built according to the norms set by the Italian Ministry of Transportation and from which they are all approved and aligned to EU standards.

Convenient Locations

Our presence include 96 fixed centers and 142 mobile locations covering all parts of the country, thus making us accessible to customers across the country.

Skilled Labour

As a service provider, having a competent team is vital in providing a superior service to our customers. Our effective recruitment process is designed to ensure that right talent with the required skill set is employed and we retain this talent by offering our team a comprehensive value proposition. We maintain an entry requirement of National Vocational Qualification (NVQ) Level 3 for staff employed at our testing centers, consequently ensuring higher level of competency. We offer competitive remuneration to all employees while meeting regulatory requirements and facilitate career progression and mobility within the team.
We continuously strive to upskill employees by conducting regular training programmes to improve occupational skills as well as soft skills. Training programmes are conducted regionally every month to ensure all employees are up to date with the evolving testing mechanisms.

Superior Customer Service

The combination of state-of-the-art machinery and the use of the latest testing technology has enabled us to deliver a higher quality of service to our customers. Our competent team ensures efficiency while our island wide presence makes us accessible to customers across the country.
Our call center enables effective communication with customers while all queries and complaints received are dealt effectively and methodically.

"LAUGFS Eco Sri has given me the opportunity to facilitate career growth through continuous training and development with a clear progressive career path. As a member of the LAUGFS Eco Sri team, I am privileged to play my part in moving towards a greener and pollution free environment"

Pradeep Basnayaka - Team Leader

GROUP CHAIRMAN'S REVIEW

OPERATING PROFIT

Rs. 594 Mn

Dear Shareholder,

LAUGFS Eco Sri Limited delivered earnings growth of 17% to record profit after tax of Rs. 464 Mn for the financial year ending 31st March 2021 even though the COVID-19 pandemic resulted in multiple challenges for the Company.

I am pleased to note the ingenuity of the team at Eco Sri who aligned strategy to an uncertain operating environment to deliver a commendable performance in FY 2020/21.

Impact of a Global Pandemic

The country went into lockdown in mid-March with the onset of the COVID-19 pandemic as the country was recovering from the Easter Sunday terror attacks. Consequently, 2020 was even more challenging than the previous year as lockdowns, social distancing measures and business disruptions throughout the year took a toll on economic activity. The tourism sector came to a grinding halt with the lockdown as countries closed international borders to prevent the spread of the pandemic which affected a number of tour bus operators, guides and other allied services. The public transportation sector was also affected by the closure of schools and offices and the restrictions on the number of passengers.

Exchange rate pressure, a widening trade deficit and balance of payments led to intermittent suspension of motor vehicle imports over the past three years. However, in 2020, the suspension has remained in place for over one year which has dampened the growth of the market as no new vehicles were imported during the year.

Regulation

The Department of Motor Traffic regulates emission testing and has an agreement with LAUGFS Eco Sri enabling the Company to carry on the emissions testing business. Prices for tests are also determined by the Department of Motor Traffic (DMT) for each type of vehicle. However, prices not being changed over the past 10 years poses a number of challenges for the business. Consequently, volume growth and operational efficiencies are critical success factors to support sustainable earnings growth. A growing network of customer touchpoints supports volume growth by ensuring that customers have easy access to our services. Lean staffing at the testing centres are a key imperative to manage increasing operational costs of the business.

Operating Context

Vehicle registrations declined by 45% in 2020 to 202,628 vehicles as the Government implemented strict measures to curtail imports even prior to the onset of the pandemic. Over the past 10 years, new registrations of motor vehicles have declined by 61% as the number of new motor vehicles declined from 525,421 in 2011. Consequently, growth of the vehicle population moderated further in 2020, growing by a mere 2.5% to 8.29 million vehicles by the end of 2020.

The Department of Motor Traffic granted an extension for renewal of revenue licenses until 31st May 2020 as the country went into lockdown, giving time for vehicle owners to obtain emissions testing certificates after lockdowns were eased. However, a number of tour passenger transport vehicles, school transport vehicles and heavy vehicles used by the construction and transportation sector have not renewed the registrations due to the continued impacts of the pandemic. Additionally, the work from home trend has also discouraged vehicle owners from renewing their licenses to travel into work.

“Despite the challenging operating environment, the Company managed to grow the top line by 9% to Rs.1,696 Mn during the year, reflecting a strong commitment to the strategic goals of the Company”

Price revisions remain a key concern as they have not been revised since 2011 while costs continue to increase. Our costs are fixed and heavily reliant on volume growth to drive earnings growth. Consequently, we continue to engage with the DMT to obtain price revisions. However, we continue to enhance our network of customer touchpoints by conversion of mobile centre locations to fixed or to relocate them to more suitable premises to provide accessibility to our services while also enhancing our service standards.

Performance

Despite the challenging operating environment, the Company managed to grow the top line by 9% to Rs. 1,696 Mn during the year, reflecting a strong commitment to the strategic goals of the Company. Bottom line growth of 17% to Rs. 464 Mn is commendable and due to the strict control over operational costs. The Company took a decision to pay the salaries to greater extent possible during the months under lockdown which boosted employee morale and inspired them to clear backlogs, supporting both top and bottom line growth.

A Positive Outlook

As a mandatory requirement, the outlook for emissions testing business remains positive despite the concerns on price revisions and COVID-19. The complete ban in place for import of new motor vehicles dampens the growth of the vehicle population, intensifying competition between the two players. LAUGFS Eco Sri remains committed to grow the business in the future despite the challenges.

We continue to work with the Colombo Stock Exchange to list the Company and look to a positive outcome during the year.

Appreciations

I thank the team at LAUGFS Eco Sri for their untiring efforts to deliver a commendable performance during the year under review. I also wish to thank our customers for their continued patronage at our testing centres. I extend my sincere appreciation to the officials of the Department of Motor Traffic and the Ministry of Transport for their continued cooperation on regulatory matters.

I thank the members of the Board for their invaluable contributions during the year. In closing, I thank our shareholders for their continued confidence in the prospects of this innovative Company.

W.K.H. Wegapitiya
Group Chairman

30th June 2021

GROUP DEPUTY CHAIRMAN'S REVIEW

PROFIT AFTER TAX GROWTH

17%

Dear Shareholders,

It is my pleasure to report that LAUGFS Eco Sri Ltd. - turned in a commendable performance in a year marked by an unprecedented global challenge that has changed our lifestyles and impacted all businesses. This business which is positive for the environment and necessary for the health of our people plays a vital role in maintaining the ambient quality of the country's air which we all share.

A Silent Killer

Emissions are a silent killer as air pollution is a major environmental risk to health as it is linked to stroke, heart disease, lung cancer, and respiratory diseases, including asthma. Air quality guidelines issued by WHO provide guidance on thresholds and set out limits for key air pollutants that pose health risks. The guidelines also indicate that air pollution-related deaths can be reduced by around 15% by reducing particulate matter (PM10) pollution from 70 to 20 micrograms per cubic metre (μg/m). WHO's International Agency for Research on Cancer (IARC) also concludes that outdoor air pollution is carcinogenic to humans, with the particulate matter component of air pollution most closely associated with increased cancer incidence, especially lung cancer. They also observed an association between outdoor air pollution and increase in cancer of the urinary tract/bladder. Accordingly, maintaining the country's ambient air quality at healthy levels becomes a key imperative for the wellbeing of its people.

Emissions testing is key to supporting the country's goals for reducing emissions as it assesses the quality and volume of emissions of all registered vehicles excluding electric, hybrid vehicles, and agricultural land vehicles manufactured before 1975. It also ensures that vehicle owners make the necessary repairs to their vehicles to maintain emissions within specified levels. This mandatory requirement supports both social and environmental goals of the country, with potential savings on the country's limited healthcare budget.

Operating Environment

Motor car registrations declined by 45% while motor cycles declined by 46.7% in 2020 reflecting the impact of the import restrictions on motor vehicles. Six weeks of lockdown also impacted the business although we anticipated a pent-up demand to emerge as a result. However, the continued closure of borders dampened the tourist transport industry while the continued closure of schools and work from home trends impacted the domestic passenger transport industry. Cashflow constraints and lack of business saw a number of vehicle owners opting to defer registrations until prospects improved.

The Government extended the deadlines for renewal of revenue licenses and emissions testing until end May 2020 in view of the lockdowns. Wide ranging restrictions on non-essential imports were imposed in March 2020 including motor vehicles and the ban on motor vehicles remains in force after more than a year. The continuing ban resulted in a 45% drop in new motor vehicle registrations, dampening the growth of the country's vehicle population which directly impacts the potential for growth of the emissions testing business.

"Given the outlook for the year ahead and the need to preserve cash, we adopted a strategy of consolidating our network to maximise existing capacity utilisation."

Driving Performance

The year under review commenced while the country was at the early stages of a two month lockdown with the onset of the pandemic. Given the outlook for the year ahead and the need to preserve cash, we adopted a strategy of consolidating our network to maximise existing capacity utilisation. We converted one mobile testing centre in to a fixed centre and relocated another as convenience and access is a key factor for customers. At the close of the year, our services were available island-wide at 96 fixed testing centres and 142 mobile centres serviced by 41 mobile service units.

We also made a decision to continue to pay employee salaries to grater extent throughout the lockdowns without pay cuts, supporting their livelihoods. This has supported our recovery during the year as it enabled us to make up for lost time with trained staff who optimised performance.

This approach enabled us to record 9% growth in the top line to Rs. 1,696 Mn and to record bottom line growth of 17% to Rs. 464 Mn during the year under review. Net assets increased by 16% to Rs. 1,330 Mn during the year supported by retained earnings.

Outlook

The outlook for the emissions testing business is stable and sustainable, generating steady cashflows as it is mostly a cash business. Vehicle population growth will continue to moderate in the short term as the import restrictions are likely to remain in place due to the pressure on the exchange rate. Consequently, LAUGFS Eco Sri continues to focus on driving operational efficiencies to drive steady growth in performance.

Appreciations

I take this opportunity to thank our staff who worked diligently to deliver a commendable performance despite the challenges. I extend my thanks to our customers, business partners and officials of the Department of Motor Traffic for their patronage and cooperation during the year. In conclusion, I thank our shareholders and look to their continued confidence in the year ahead.

U.K. Thilak De Silva
Group Deputy Chairman

30th June 2021

GROUP MANAGING DIRECTOR/GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

PROFIT AFTER TAX

Rs. 464 Mn

Dear Shareholders,

LAUGFS Eco Sri has delivered a profit of Rs. 464 Mn amidst the challenges posed by the COVID-19 pandemic and the resultant socioeconomic challenges. Total Assets increased by 21% to Rs. 2,042 Mn as the Company doubled its assets within a span of three years. This is an impressive performance as we operate a single line of business without price revisions since 2011, driving growth through ingenuity and commitment. Excellence in customer service and a relentless focus on operational efficiencies throughout 238 fixed and mobile centers drives our sustained growth, contributing to the health and wellbeing of Sri Lankans across the country.

Increasing Footprint

An island-wide network of 238 customer touchpoints comprising 96 fixed centers and 142 mobile locations which are serviced by 41 mobile units enables customers to access our services. We continue to focus on volume growth as testing prices have not been revised for 10 years.

LAUGFS Eco Sri offers two free tests if the first paid test is a failure to ease the regulatory cost for customers, to ease the burden for customers while also driving grow to capture market share. The Company's revenue growth outpaces the country's vehicle population growth year on year reflecting increased market share which is driven through high standards of customer service. I am pleased to note that we have maintained this trend despite the business closures due to COVID-19 spread.

Our People

The safety of our people was a key consideration and we implemented stringent health and safety protocols throughout all our business locations to safeguard their health and that of our customers.

The LAUGFS Eco Sri team spread around the country is a youthful team with over 46% of staff below 25 years of age which necessitates a unique approach to their management. As many are NVQ Level 3 graduates who are pursuing their studies to realise their career aspirations, we offer time off for classes and educational loans which are highly valued by them supporting staff retention. We maintain high standards of recruitments to ensure that we have the right attitudes and skills supporting efficient operations and high standards of customer service. A comprehensive four-weeks training programme conducted by the qualified technical instructors at our training centre to enhance their capabilities. Our retention ratio of 82% is testimony to the success of these initiatives as their marketability increases with their progress along the NVQ framework.

Technology

Technology is at the heart of our business, supporting credibility of our testing processes, excellence in customer service and operational efficiencies. Consequently, 95 testing centers are equipped with high tech European Class Zero emission testing equipment while 133 centers have European Class 1 emission testing equipment which are linked to Head office in real time. This enables our operations team to monitor performance and address issues in a timely and effective manner. The Department of Measurement Units, Standards & Services calibrate the equipment annually to ensure the purity of tests. Eco Sri is supported by LAUGFS Group IT which has ISO 27001 certification for info security and ISO 22301 for business continuity standards with a dedicated team for the Eco Sri Operation as IT is the heart of the operation.

“Total Assets increased by 21% to Rs. 2,042 Mn as the Company doubled its assets within a span of three years. This is an impressive performance as we operate a single line of business without price revisions since 2011”

Financial Performance

Turnover remained increased by 9% to Rs. 1.7 Bn during the year despite the challenges and uncertainty. Operating margins improved from 29% in the previous year to 35% in FY 2020/21 as we maintained strict control over discretionary expenses to preserve cash in a year of extreme uncertainty. This supported earnings growth with operating profit increasing by 30% to Rs. 594 Mn, while boosting cash balance to Rs. 371 Mn.

The Share of Associates Profit or loss declined 6% to Rs. 27 Mn. Despite this, Profit Before Tax and Profit After Tax improved by 17% to Rs. 586 Mn and Rs.464 Mn respectively, supported by top line growth and improved operating margins.

Financial Stability

The balance sheet of the Company is strong with a debt equity ratio of 24% at the close of the year, supporting sustainable growth. Balance sheet growth of 21% is largely attributable to increased cash and bank balances which stand at Rs. 371 Mn as at 31st March 2021.

Equity increased by 16% to Rs.1.3Bn supported by 24% growth in retained earnings which amounted to Rs. 930 Mn. Equity accounts for 65% of total funding, debt for 21% and other liabilities accounting for the remainder.

Outlook

The mandatory nature of the business supports a stable outlook for the business although growth prospects for the industry as a whole moderated due to the continued ban on import of motor vehicles. Health and safety continue to be a concern as we move through the third wave of the pandemic with resultant disruption of businesses. Growth is largely dependent on market share capture facilitated through customer accessibility and superior customer service. Deployment of world class technology enables us to compete effectively in the market supported by a capable team, and an island-wide network.

Acknowledgements

I commend the performance of the Laugfs Eco Sri team in a year marked by personal challenges as well as those in the workplace. I also thank the officials of the Department of Motor Traffic for their cooperation on regulatory matters. I thank our shareholders for their confidence and look to drive sustainable growth in earning in the year ahead.

Piyadasa Kudabalage
Group Managing Director/GCEO

30th June 2021

BOARD OF DIRECTORS

MR. W.K.H. WEGAPITIYA
Group Chairman

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

MR. PIYADASA KUDABALAGE
Group Managing Director/GCEO

MR. MAYURA FERNANDO
Independent Non-Executive Director

MR. MURALI PRAKASH
Independent Non-Executive Director

MR. W.K.H. WEGAPITIYA

Group Chairman

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

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

MR. U.K. THILAK DE SILVA

Group Deputy Chairman

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

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

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

BOARD OF DIRECTORS

driven ones. This initiative proved to be the turning point that laid the foundation for the creation of a massive business conglomerate, and the rest is history.

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

MR. PIYADASA KUDABALAGE

Group Managing Director/GCEO

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

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

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

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

MR. MAYURA FERNANDO

Independent Non-Executive Director

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

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

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

MR. MURALI PRAKASH

Independent Non-Executive Director

Mr. Murali Prakash serves as a Non-Executive Director of several public quoted and private entities. He currently serves on the boards of Laugfs Gas PLC, Laugfs Power PLC, Laugfs Leisure Limited, Laugfs Eco Sri Limited, Dankotuwa Porcelain PLC, Colombo City Holdings PLC, Millennium I.T. E.S.P. (Pvt) Ltd and Millennium IT ESP Singapore (Pte) Limited.

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 Group Managing Director/Chief Executive Officer of Ambeon Holdings PLC/ Ambeon Capital PLC, Executive Director of Laugfs Holdings Group, Group Managing Director/CEO of Browns Group of Companies, Chairman of Galoya Holdings (Pvt) Ltd and Sales Director of Singer (Sri Lanka) PLC. He has also served on the Boards of Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC Ltd and Singer Finance (Lanka) PLC and several other public, private and quoted companies over the years.

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

CORPORATE MANAGEMENT

MR. SALIYA DISSANAYAKE
Deputy General Manager - Operations

MR. ATHULA SILVA
Senior Manager - Finance

MR. NALINDA DAMION
Senior Manager - Logistics

MR. RASIKA PERERA
Senior Manager - Technical

MR. OSHADH DE SILVA
Manager - Marketing

MR. THUSITHA DE SILVA
Manager - Human Resources

MR. NIRAN MADUSHANKA
Assistant Manager - Projects

MR. PASINDU MADUSHANKA
Assistant Manager – R&D

MR. SAJITH WICKRAMAARACHCHI
Director/Group Chief Human Resource Officer

MR. DHAMMIKA CABRAL
Director/Group Head of Supply Chain

MR. SHANAKA INDRADASA
Chief Financial Officer

MS. SAMANTHI HADDEGODA
Head of Legal

MR. SANJEEVA WICKRAMASINGHE
Head of Group Risk & Control

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

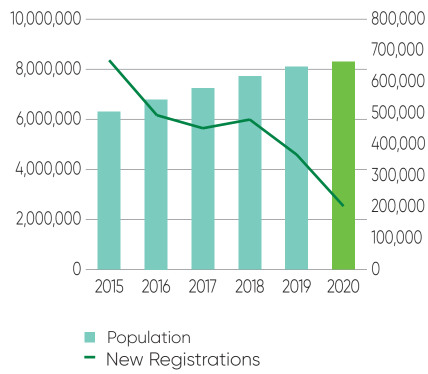
Operating Environment

As a result of the ongoing pandemic, along with the global economic downturn, the Sri Lankan economy too contracted by 3.6% in 2020. Mobility restrictions and other containment measures imposed both locally and internationally caused industry activities to decline sharply by 6.9%. This was driven mostly by the slowdown in construction and manufacturing activities. Service activities declined by 1.5% on the back of notable contraction in transportation, other personal services, accommodation, and food and beverage services. The agricultural sector witnessed a setback of 2.4% despite the favourable weather conditions.

Challenging economic conditions continued as the pandemic disrupted activities across all industries. Our market growth is highly dependent on the growth in vehicle population as emission testing is mandatory to all patrol and diesel vehicles. Restrictions imposed on vehicle imports had a direct impact on the number of new vehicle registrations. Downturn in tourism and construction industry caused by the lockdowns and mobility restrictions resulted in vehicles being redundant and owners not renewing the revenue licenses. Similarly, most owners of private school and office transportation opted not to renew revenue licenses as most vehicles were not in use. The extension period offered by the Government to revenue licenses also had a negative impact on the business volume.

The vehicle population only saw a marginal growth of 2.5% as import restrictions and ongoing pandemic had a negative impact on the new registrations. A total of 202,628 new vehicles were registered during the year 2020 compared to 367,303 new registration in the previous year. This decline was witnessed across all vehicle categories with motor cars and motorcycles which together account for more than 85% of new registrations contracting by 45%

Vehicle Population and New Registrations



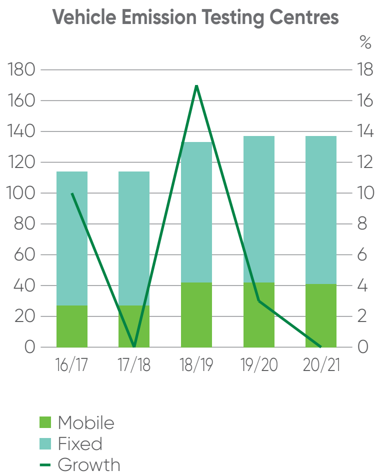
Source: Central Bank of Ceylon Annual Report 2020

and 47% respectively. The value of personal vehicles imported during 2020 recorded a sharp decline to USD 282.9 Mn compared to imports of USD 815.7 Mn recorded in the previous year.

Vehicle Imports

Source: Central Bank of Ceylon Annual Report 2020

Type of Vehicle	Carbon Monoxide CO (% by volume)	Hydrocarbon HC (parts per million/volume)
Petrol vehicles other than motor cycles & motor tricycles	3.0	1000
Petrol motor cycles	4.0	6000
Petrol motor tricycles	4.0	6000
	K factor	
Diesel vehicles	4.0	



MANAGEMENT DISCUSSION AND ANALYSIS

Strategy

Consolidating Our Presence

- Relocations to more suitable venues and one mobile center converted to a main center

Increasing Brand Presence

- Differentiating 'Eco Sri' in the industry by enhancing brand salience through omni channel marketing strategy

Cost Rationalisation

- Postponing of discretionary expenses including capital expenditure

Employee Health & Safety

- Providing accommodation to migrant staff
- Provision of all PPE
- Mandatory annual health screening for all front-end staff

Value Chain

Customers

- New vehicle owners
- Current vehicle owners who are due to renew their revenue license

Process

- Latest testing technology
- State-of-the-art equipment
- Skilled staff

Distribution

- 96 fixed centers
- 142 mobile locations
- 41 mobile units

Value Delivered

To Customers	To Employees	To Community	To Capital Providers
• 3.08 Mn Tests Performed	• Total employee cost for the period 2020/21 Rs. 437 Mn • Total training hours - 963* * In comparison to the previous period, there is a decline in training hours due to COVID-19 lockdown situation	• Total number of employees for the period - 725	• Dividend payment of Rs. 290. Mn

Highlights

Financial Performance		2020/21	2019/20	%
Revenue	Rs.000	1,696,333	1,561,356	9%
Gross profit	Rs.000	959,951	797,532	20%
Operating profit	Rs.000	593,829	456,878	30%
Profit before tax	Rs.000	586,490	501,632	17%
Profit after tax	Rs.000	463,654	396,073	17%
Earnings per share	Rs	1.20	1.02	17%
Gross profit margin	%	57%	51%	
Operating profit margin	%	35%	29%	
Net profit margin	%	27%	25%	
Return on assets	%	25%	28%	
Return on equity	%	37%	36%	
Financial position				
Total asset	Rs.000	2,042,380	1,682,485	21%
Capital expenditure	Rs.000	51,148	84,873	-40%
Debt	Rs.000	422,293	382,238	10%
Shareholders' equity	Rs.000	1,329,754	1,150,620	16%
Gearing	%	24%	25%	
Net assets per share	Rs.	3.43	2.97	
Current ratio	Times	3.1	3.6	
Quick ratio	Times	3.0	3.4	

MANAGEMENT DISCUSSION AND ANALYSIS

Performance

Profitability

- Despite the dismal economic conditions LAUGFS Eco Sri recorded a top line growth of 9% due to the statutory nature of the demand and the pent-up renewals from the previous year owing to the extension offered by the Government to renew the revenue licenses. Plans to expand our reach were put on hold due to the subdued economic conditions. However certain centers were relocated to serve our customers better, therefore one mobile center to a fixed center during the financial year.

- With an effective cost rationalisation initiatives we were successful in improving our gross profit margin to 57% from previous years' 51% which drove gross profit reported to Rs.960Mn, a growth of 20% compared to previous year.

TOTAL ASSETS

Rs. 2,042 Mn

- Effects of curtailing costs were evident as the operating profit margin also improved to 35% from the previous year's 29% despite the additional expenses incurred to ensure employee health and safety during the pandemic.

- Finance expenses increased by 8%, while profit share from associates contracted by 6%.

- LAUGFS Eco Sri reported a net profit of Rs. 464 Mn, a 17% growth compared to Rs. 396 Mn reported in the previous year.

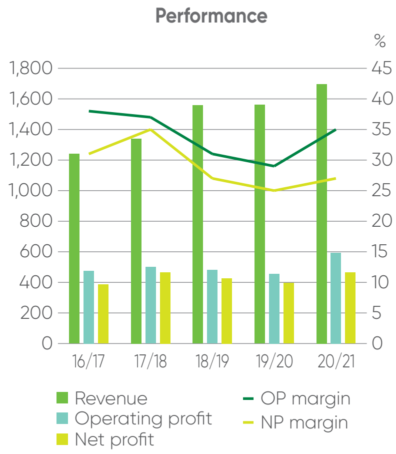
Asset base

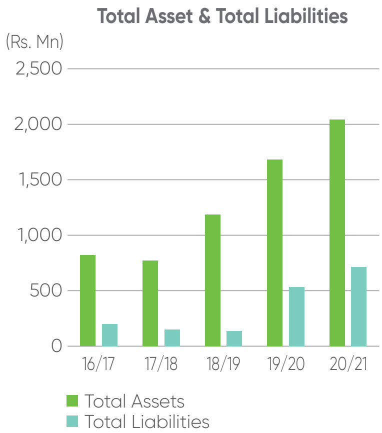
Total assets grew by 21% to reach Rs. 2,042 Mn on the back on a 45% increase in current assets due to substantial increase in cash and short-term deposits. Non-current assets remain flat during the year due to the groups' decision to suspend capital expenditure.

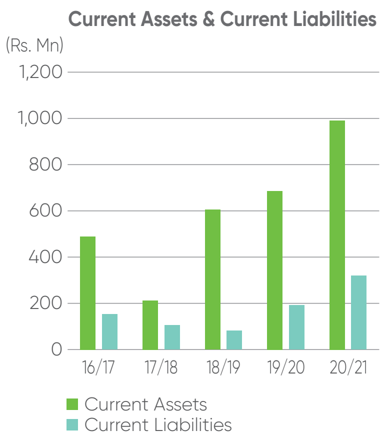
Liabilities

Total liabilities increased by 34% to reach Rs. 713 Mn compared to Rs. 532 Mn in the previous year. Non-current liabilities saw only a marginal increase; however, trade and other payables increased by more than two folds to reach Rs. 184 Mn due to an increase in accrued expenses.

Cash Flow and Working Capital







Management

Cash inflow from operating activities during the year amounted to Rs. 495 Mn while net cash outflow from investing activities amounted to Rs. 43 Mn. The Company had a net outflow of Rs. 157 Mn from financing activities due to lease payments.

Capital Structure

Gearing decreased to 24% from previous years' 25% while shareholders' funds increased by 16% on the back of improved earnings during the year.

Impact of COVID-19

- Business closure for a few weeks due to the island-wide lockdown. However, measures were taken to secure remuneration of all staff during this time.
- With the gradual easing of restrictions head office staff were provided facilities to work-from-home as testing centers out of the Colombo and Gampaha districts were in operation and needed the back office to function.
- Provided accommodation facility to ensure the safety of migrant staff. This also ensured a steady workforce amidst the mobility restrictions.
- Implementation of all necessary health and safety precautions ensured the safety of our staff as well as the customers. Consequently, no infections were reported from the workforce.

Outlook

The Increasing concerns over the air quality and air pollution have highlighted the need to control and minimise the emission levels released by our day-to-day operations. We conduct various awareness programmes to educate the public about the favourable environmental and financial impacts of controlling vehicle effluents.

We will continue to focus on improving our brand salience by reinforcing our presence by taking a customer centric approach to our marketing strategy. With this omni channel approach we hope to differentiate our services from other operators in the industry and build loyalty among our customer base. Further we will continue to increase our brand recognition and business reputation through CSR projects such as annual tree planting projects that are carried out regionally with the participation of customers and the community.

Our focus on improving testing mechanisms and ways of improving the quality of service offered will continue with continuous investment and research and development.

Opportunities

- Growing concern of health and safety and environmental impact among general population.
- Potential opportunities in industrial emission testing.
- Possible implementation of road worthiness testing.
- Stable demand as emission testing is mandatory for all fuel based vehicles.

Threats

- Intense competition
- Uncertainty over Government's stance on import restrictions
- Weakness of the exchange rate likely to impact vehicle imports.
- Tight price controls that are in place.
- Subdued economic activities due to COVID-19 pandemic.

AUDIT COMMITTEE REPORT

The Audit Committee's primary goal is to assist the Board in carrying out its oversight responsibilities in relation to the integrity of the Company's and Group's Financial Statements, internal control and risk management systems, the performance, qualifications, and independence of the External Auditors, and the adequacy and performance of the Internal Audit function. The Audit Committee is also responsible for ensuring that the organisation's governance structure is in effect and followed.

The authority and responsibilities of the Audit Committee of LAUGFS Eco Sri are governed by the Audit Committee Charter which is approved and adopted by the Board.

Composition of the Audit Committee

The Committee comprises the following three Non-Executive Directors.

Director	Membership status	Independent/ Non-Independent	Remarks
Mr. Mayura Fernando	Chairman	Independent Non-Executive	
Mr. N Murali Prakash	Member	Independent Non-Executive	
Mr. H A Ariyaratne	Member	Non-Independent Non-Executive Director	Resigned with effect from 13/02/2021

The Head of Group Risk & Control, Mr. Sanjeeva Wickramasinghe, serves as the Secretary to the Committee.

Mr. P. M. B. Fernando (Audit Committee Chair), who 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 the UK. He holds a Bachelor of Science (Applied Science) Degree from the University of Sri Jayewardenepura, started his professional career at KPMG Ford Rhodes Thornton & Company and was a Partner of the Firm.

The detailed experience of the Audit Committee members has been outlined on pages 14 - 15.

Mandate

The Audit Committee has written terms of reference by way of an Audit Charter which is reviewed regularly and approved by the Board of Directors. The terms of reference comply with the requirements of the Corporate Governance Listing Rules of the Colombo Stock Exchange (CSE).

Scope

The scope of the function and responsibilities are adequately set-out in the terms of reference of the Committee which has been approved by the Board and is reviewed annually. Audit Committee assists the Board in fulfilling its oversight responsibilities in areas such as,

- External financial reporting obligations of the Company, including its obligations under the Colombo Stock Exchange Listing Rules, Rules/ Regulations of the Securities and Exchange Commission and Companies Act No. 7 of 2007.
- Review and evaluate the performance of the Company's internal audit function.
- Maintaining an effective system of internal control, compliance with legal and regulatory requirements that may have a material impact on the Company and its Financial Statements.
- Compliance with Code of Best Practices on Corporate Governance jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL). Compliance to other relevant statutory regulations such as BOI and applicable Local Government regulations.
- The integrity of financial reporting, the effectiveness of the risk management and internal control system and related governance and compliance matters
- Recommending to the Board on the appointment, reappointment, dismissal and audit fee of the External Auditor.
- Pre-approve all auditing and non-audit services performed by the external audit firm and internal audit service providers.

Meetings and Attendance

The Committee formally met four times during the financial year. The meeting attendance of the members is set out in the table below:

Member	Attendance
Mayura Fernando	4/4
N.M. Prakash	4/4
H.A. Ariyaratne *	4/4

* Note: Mr. H.A. Ariyaratne resigned with effect from 13.02.2021

The Group Chairman, Group Deputy Chairman, Group Managing Director/Group CEO, Group Finance Director, DGM - Operations, Chief Financial Officer, Head of Legal, and Senior Finance Manager were permanent attendees by invitation, while heads of functions within the company, whose internal audit reports were being reviewed also attended by invitation. The External Auditors also attended meetings, on invitation, to brief the Audit Committee on specific issues.

The activities of the Committee have been communicated to the Board of Directors quarterly through the verbal briefing, and by tabling the minutes of the Committee's meeting. The Committee also invited members of the Senior Management team to participate in meetings, on a need basis.

Financial Reporting

The Audit Committee has reviewed and discussed the Group quarterly and annual Financial Statements with Management and the External Auditors prior to the recommendation of the same to the Board for adoption and release.

The DGM-Operations/Director - Group Finance/Chief Financial Officer/ Senior Finance Manager of the Company provided information and confirmation to the Audit Committee that the said Financial Statements for the year were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 therein, presented a true and fair view of the Company's state of affairs as at that date.

The Committee obtained independent input from the External Auditors on the effects of any new Sri Lanka Accounting Standards that came into effect for the year under review and satisfied themselves with the necessary foundation which was laid out, to enable the Company to comply with these new standards, one of such being SLFRS-16 Leases.

The Committee also discussed with the Company's External Auditors the outcomes of their audit and material judgmental matters. The External auditors report to the Committee on the audit for the year and matters arising from the audit were discussed by the Committee in the presence of both, External Auditors and Management.

Activities in 2020/21

The Committee updated its Audit Committee Charter and obtained approval from the BOD during the period. In discharging responsibilities as set out in the AC Charter. In 2020/21 Audit Committee considered and discussed a variety of topics including key factors affecting the companies performances, i.e. any indication of increase in the VET prices list, compliances related to the center operations, key controls and concerns relating to the Company's operational activities.

The Committee reviewed the quarterly and annual Financial Statements 2020/21 and recommended them to the Board for adoption and release.

During the year 2020/21, the Committee reviewed the adequacy of the internal audit coverage for the Company along with the risk management plans with the Head of GRC division and the Management.

The Head of Group Risk and Control, through its internal audit reports (Operational, Financial, Compliance and Quality & Certification), have briefed the Management on the effectiveness of the LAUGFS risk management and internal control systems and on outcome of significant audit findings and control weaknesses, including potential improvement and mitigation actions agreed with Company's management. The committee reviewed the three ISO certifications obtained namely ISO 9001:2015, ISO 14000:2015 & ISO 17020:2012.

The Audit Committee has reviewed the reports, have endorsed additional controls and risk mitigation strategies where necessary in order to strengthen the existing internal control system. Follow-up audits and reviews are scheduled to ascertain that audit recommendations are being acted upon.

External Audit

The External Auditors' Letter of Engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and Management prior to the commencement of the audit.

The Committee also met the External Auditors, prior to the finalisation of the Financial Statements. The External Auditors' reports on the audit of the Company Financial Statements for the year, were discussed with both Management and Auditors.

The Committee reviewed the Management Letter issued by them based on their audit and advised on the rectification actions. The Committee negotiated with the External Auditors the quantum of their fees and out of pocket expenses.

AUDIT COMMITTEE REPORT

The Members of the Committee had a discussion with the Auditors pertaining to issues of a sensitive nature which may have arisen during the audit, if any.

The Committee also met the External Auditors without management being present, prior to the finalisation of the Financial Statements.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest.

The performance of the External Auditors and the quality of their work has been evaluated and discussed with the senior management of the Company and the Committee has recommended to the Board that Messrs. Ernst & Young be re-appointed as the auditors of the Group for the financial year ending 31st March 2022, subject to approval by the shareholders at the Annual General Meeting, at a remuneration to be decided by the Board.

Appreciation

The Audit Committee of LAUGFS Eco Sri Ltd, thanked Mr. H. A. Ariyarathne for his contribution as a member of the Audit Committee since its inception. The Committee also value his expertise and insight, which have been a valuable addition.

Mayura Fernando
Chairman,
Audit Committee - LAUGFS Eco Sri Ltd.
30th June 2021

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transaction Review Committee was formed by the Board of Directors of LAUGFS Eco Sri in 2018 further to the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE).

Mandate

The Committee is to exercise oversight on behalf of the Board of LAUGFS Eco Sri, to ensure compliance with the code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka and with section 9 of the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and the CSE.

Composition of the Committee

The Committee comprises Non-Executive Directors; the majority of whom are independent. The Chairman of the Committee is an Independent Non-Executive Director.

Director	Membership status	Independent/ Non-Independent
Mr. Murali Prakash	Chairman	Independent Non-Executive
Mr. H. A. Ariyaratne*	Member	Non-Executive
Mr. Mayura Fernando	Member	Independent Non-Executive

*Resigned w.e.f 13.02.2021

The Head of Group Risk & Control, Mr. Sanjeeva Wickramasinghe, serves as the Secretary to the Committee.

Meeting Attendance

The Committee met four times during the year under review. The meeting attendance of the members is set out in the table below:

Member	Attendance
Mr. Murali Prakash	4/4
Mr. H. A. Ariyarathne	4/4
Mr. Mayura Fernando	4/4

By Invitation

Group Chairman	Group Deputy Chairman
Group Managing Director/GCEO	Group Director - Finance
Chief Financial Officer	Senior Manager - Finance
DGM - Operations	Head of Legal
DGM - Group Treasury	

Objectives, Responsibilities and Duties

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

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

Methodology Adopted by the Committee

The Committee introduced policies and guidelines for the adoption of RPT for LAUGFS Eco Sri in complying with the Code of Best Practices and Section 09 of the Listing Rules. In doing so, transaction threshold values, which

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

required detailed discussion, prior approvals, Recurrent RPTs requiring annual reviews, were established and the Committee approved reporting templates.

On the further recommendation of the Committee, the Board adopted criteria in designating Key Management Personnel (KMPs) of the Company to enhance transparency and corporate governance. The activities and views of the Committee have been communicated to the Board of Directors regularly by tabling the minutes of the Committee meetings and through discussions, as required.

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

Key Functions Performed During the Year Under Review

- Continuous initiatives were taken by the committee in making awareness for strict compliance with Rule 9 of the Listing Rules.
- The Committee further updated the RPTR policy within the financial year to provide more clarity and demarcate coverage.
- The committee quarterly monitored the recurrent (against annual approved values) and non-recurrent transactions and their compliance to the approved values and where required have directed to the relevant Boards for further directions.
- The self-declarations from the Directors and Key Management Personnel are obtained to identify parties related to them.
- Training materials were shared with all KMPs and other functional heads to increase awareness of all regulations under the RPTRC scope. This included transaction threshold values.

During the year, the Committee reviewed several Related Party Transactions with necessary recommendations on actions as required, in line with the mandate. However, no non-recurrent or recurrent RPTs exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Recurrent Transactions

Name of the Related Party	Relationship	Nature of the transaction	Aggregated Value of Related Party Transactions entered into during the Financial Year	Aggregated Value of Related Party Transactions as a % of Net Revenue / Income	Terms and conditions of the Related Party Transactions

For the year under review, there were no aggregate value of recurrent Related Party Transaction, were assessed to be within the threshold of 10% of gross revenue/income, as per Financial Statements and information provided by the Management.

Non Recurrent Transactions

Name of the Related Party	Relationship	Value of related party transactions entered into during the financial year	Value of related party transactions as % of Equity & as a % of Consolidated Total assets	Terms and Conditions of the Related Party Transactions	The rationale for entering into the transaction

For the year under review, there were no non- recurrent related party transactions nor any that was assessed to be above the thresholds of 10% of the equity 5% of the total assets, as per the Financial Statements and information provided by the Management.

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

Appreciation

The RPTR Committee of LAUGFS Eco Sri Ltd., places on record its appreciation to Mr. H. A. Ariyarathne for his valuable contribution to the Committee as a member since the inception. His expertise, insights and advice have been of great value to the Committee.

N. Murali Prakash
Chairman - Related Party Transaction Review Committee

LAUGFS Eco Sri Ltd.
30th June 2021

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 2021.

General

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

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

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

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

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

Parent Entity and Ultimate Parent Entity

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

Financial Statements

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

Auditors' Report

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

Accounting Policies

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter referred as "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). And the accounting policies adopted thereof are given on pages 39 to 65 which are consistent with those of the previous year.

Directors

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

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

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

Mr. P. Kudabalage
- Group Managing Director/GCEO

*Mr. N. M. Prakash
- Director

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

Mr. H. A. Ariyaratne
- Director Resigned w.e.f. 13th February 2021

*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. 20.3 to the Financial Statements.

Directors' Responsibility for Financial Reporting

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

Stated Capital

The Stated Capital of the Company as at 31st March 2021 amounted to Rs. 400,000,000/- represented by 387,000,086 ordinary voting and ordinary non-voting shares.

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

Directors' shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2021 are as follows:

	Shareholding as at 31/03/2021		Shareholding as at 31/03/2020	
	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 (Resigned w.e.f. 13 February 2021)	3,900(0.00%)	3,400(0.01%)	3,900(0.00%)	3,400(0.01%)
Mr. P. Kudabalage	-	-	-	-

* Independent Non-Executive Directors

Major Shareholders, Distribution Schedule and other information

Information on the twenty largest shareholders, are given on pages 66 and 67.

Auditors

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

A sum of Rs. 385,000/- 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 authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Dividend

An interim dividend of Rs. 0.75 (cents 75) per share totalling to Rs. 290.25 Mn. was paid to the shareholders on 7th April 2021 .

The directors have confirmed that the Company has satisfied the solvency test requirement under Section 56 of the Companies Act No. 7 of 2007 for the interim dividend paid and a solvency certificate was obtained from the Auditors in respect of the interim dividend paid. (2019/20 - no dividend was declared).

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 65 of this report.

Employees and industrial relations

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

Statutory Payments

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

Annual General Meeting

The Annual General Meeting has scheduled to be held on 30th September 2021, at the LAUGFS Head Office, 101, Maya Avenue, Colombo 06.

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

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

W.K.H. Wegapitiya
Group Chairman

U.K. Thilak De Silva
Group Deputy Chairman

P W Corporate Secretarial (Pvt) Ltd
Secretaries
Colombo

30th June 2021

FINANCIAL INFORMATION

INDEPENDENT AUDITORS' REPORT

Building a better working world

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

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

TO THE SHAREHOLDERS OF LAUGFS ECO SRI LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of LAUGFS Eco Sri Limited, which comprise the statement of financial position as at 31 March 2021, 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 2021 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

Report on other legal and regulatory requirements

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

Ernst & Young

28th May 2021
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	2021 Rs.	2020 Rs.
Revenue from Contracts with Customers	3	1,696,333,374	1,561,356,084
Cost of Sales		(736,382,516)	(763,824,066)
Gross Profit		959,950,858	797,532,018
Other Operating Income	4.1	5,724,003	4,978,776
Administrative Expenses		(365,096,285)	(334,986,871)
Promotional Expenses		(6,749,817)	(10,645,487)
Operating Profit		593,828,759	456,878,436
Finance Costs	4.2	(43,009,016)	(39,659,905)
Finance Income	4.3	8,044,716	54,936,776
Share of Associates' Results	9.2.3	27,625,920	29,476,806
Profit before Tax		586,490,379	501,632,113
Income Tax Expense	5.1	(122,835,967)	(105,558,871)
Profit for the Year		463,654,412	396,073,242
Earning Per Share - Basic/Diluted	6	1.20	1.02

The accounting policies and notes on pages 39 through 65 form an integral part of the financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March	Note	2021 Rs.	2020 Rs.
Profit for the Year		463,654,412	396,073,242
Net Actuarial Gains/(Losses) on Defined Benefit Plans	16.2	7,170,452	(5,037,568)
Share of Associates' Other Comprehensive Income	9.2.3	(6,681)	(50,305)
Income Tax Effect	5.2	(1,434,090)	1,007,514
Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods		5,729,681	(4,080,359)
Other Comprehensive Income for the Year Net of Tax		5,729,681	(4,080,359)
Total Comprehensive Income for the Year Net of Tax		469,384,093	391,992,883

The accounting policies and notes on pages 39 through 65 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	2021 Rs.	2020 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7.3	188,355,051	186,113,395
Intangible Assets	8	243,107	414,712
Right-to-use asset	7.6	373,917,891	349,455,933
Investments in Associates	9.2.2	483,798,142	456,178,903
Deferred Tax Assets	5.5	4,615,595	4,224,692
		1,050,929,786	996,387,635
Current Assets			
Inventories	10	28,861,689	27,378,212
Trade and Other Receivables	11	592,065,949	581,709,497
Cash and Cash Equivalents	12.1	370,522,600	77,009,667
		991,450,238	686,097,376
Total Assets		2,042,380,024	1,682,485,011
EQUITY AND LIABILITIES			
Equity			
Stated Capital	13	400,000,000	400,000,000
Retained Earnings		929,753,567	750,619,539
Total Equity		1,329,753,567	1,150,619,539
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	15.1	311,881,571	266,955,042
Refundable Deposits		700,000	-
Employee Benefit Liability	16.2	79,991,677	73,350,797
		392,573,248	340,305,839
Current Liabilities			
Trade and Other Payables	17	184,387,127	51,645,703
Interest Bearing Loans and Borrowings	15.1	110,412,077	115,282,942
Income Tax Payable		25,254,005	24,630,988
		320,053,209	191,559,633
Total Equity and Liabilities		2,042,380,024	1,682,485,011

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

Shanaka Indradasa
Chief Financial Officer

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

W. K. H. Wegapitiya
Director

U. K. Thilak De Silva
Director

28 May 2021
Colombo

The accounting policies and notes on pages 39 through 65 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

As at 31 March	Note	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
As at 1 April 2019		400,000,000	648,876,720	1,048,876,720
Profit for the Year		-	396,073,242	396,073,242
Other Comprehensive Income		-	(4,080,359)	(4,080,359)
Total Comprehensive Income		-	391,992,883	391,992,883
Dividend Paid - 2018/19	15	-	(290,250,065)	(290,250,065)
As at 31 March 2020		400,000,000	750,619,539	1,150,619,539
Profit for the Year		-	463,654,412	463,654,412
Other Comprehensive Income		-	5,729,681	5,729,681
Total Comprehensive Income		-	469,384,093	469,384,093
Dividend Paid -2019/20	14	-	(290,250,065)	(290,250,065)
As at 31 March 2021		400,000,000	929,753,567	1,329,753,567

The accounting policies and notes on pages 39 through 65 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	2021 Rs.	2020 Rs.
Cash Flows Generated from / (Used in) Operating Activities			
Cash Flow from Operating Activities			
Net Profit before Tax		586,490,379	501,632,113
Adjustments for			
Depreciation of Property, Plant and Equipment	7.2	48,655,650	47,544,023
Amortisation Intangible Assets	8	171,605	488,427
(Gain)/Loss on Disposal of Property, Plant and Equipment		(162,741)	3,524,169
Depreciation of Right-of-Use-assets	7.6	131,292,088	133,034,470
Share of Results of Associates	9.2.3	(27,625,920)	(29,476,806)
Interest Income	4.3	(8,044,716)	(54,936,776)
Finance Costs	4.2	43,009,016	39,659,905
Transfer of Employee Benefit Liability	16.2	(418,478)	-
Provision for Employee Benefit Liability	16.1	16,926,907	16,444,895
Operating Profit before Working Capital Changes		790,293,790	657,914,420
(Increase)/ Decrease in Inventories		(1,483,476)	1,013,572
(Increase) / Decrease in Trade and Other Receivables		(196,341,489)	(524,995,120)
Increase/ (Decrease) in Trade and Other Payables		29,176,398	11,928,162
Cash Generated from Operations		621,645,223	145,861,034
Interest Paid	4.2	-	(75,704)
Tax Paid		(124,037,942)	(115,346,626)
Employee Benefit Liability Cost Paid	16.2	(2,697,097)	(3,470,975)
Net Cash Flows Generated from Operating Activities		494,910,184	26,967,729
Cash Flow from Investing Activities			
Acquisition of Property, Plant and Equipment	7.1	(51,148,253)	(84,873,017)
Proceeds from Disposal of Property, Plant and Equipment		413,683	265,081
Interest Received	4.3	8,044,716	54,936,776
Net Cash Flows Used in Investing Activities		(42,689,854)	(29,671,160)
Cash Flow from Financing Activities			
Capital Repayment under Lease Liabilities		-	(4,211,492)
Lease payments	15.1.2	(157,186,357)	(144,534,943)
Dividends Paid	14	-	(290,250,065)
Net Cash Flows Used in Financing Activities		(157,186,357)	(438,996,500)
Net Increase/(Decrease) in Cash and Cash Equivalents		295,033,973	(441,699,931)
Cash and Cash Equivalents at the Beginning of the Year	12	72,311,344	514,011,275
Cash and Cash Equivalents at the End of the Year	12	367,345,317	72,311,344

The accounting policies and notes on pages 39 through 65 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Entity and Ultimate Parent Entity

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

1.4 Directors' Responsibility Statement

The Board of Directors is responsible for these financial statements.

1.5 Date of Authorisation for Issue

The Financial Statements of LAUGFS Eco Sri Limited for the year ended 31 March 2021 were authorised for issue at the Board of Directors Meeting held on 28th May 2021.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

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

2.1.1 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value and defined benefit obligation which is measured at present value of the obligation.

The financial statements are presented in Sri Lankan Rupees.

2.1.2 Statement of Compliance

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

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

2.1.3 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial Statements continue to be prepared on the going concern basis.

In determining the basis of preparing the financial statements for the year ended 31 March 2021, based on available information, the management has evaluated the current legal proceedings in relation to the matter with Commissioner of Motor Traffic and the existing and anticipated effects of COVID-19 on the Company and the appropriateness of the use of the going concern basis. The Company will continue to pay close attention to the development of the legal case and the COVID-19 outbreak and its related impact on the Company's businesses and financial statements

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTION

Estimates and Assumptions

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

Defined Benefit Plans

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

Deferred Taxation

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Current Versus Non-Current Classification

The Company presents assets and liabilities in statement of financial

NOTES TO THE FINANCIAL STATEMENTS

position based on current/non-current classification. An asset as current when it is:

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

Or

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

All other assets are classified as non-current assets.

A liability is current when:

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

Or

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

The Company classifies all other liabilities as non-current.

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

2.3.2 Taxation

a) Current Taxes

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

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

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

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

b) Deferred Tax

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

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

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

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

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

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

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

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

c) Sales Tax

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

2.3.3 Revenue Recognition

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

a) Rendering of Services

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

b) Other Income

Other income is recognised on an accrual basis.

2.3.4 Investment in Associates

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.3.5 Financial Instruments - Initial Recognition and Subsequent Measurement

2.3.5.1 Financial Assets

Initial Recognition and Measurement

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

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

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the 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

NOTES TO THE FINANCIAL STATEMENTS

initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

2.3.5.2 Financial Liabilities

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

Financial Liabilities at Fair Value through Profit or Loss

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

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

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

Financial Liabilities at Amortised Cost

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

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

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

a) Loans and Receivables

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

2.3.5.3 Impairment of Financial Assets

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

a) Financial Assets Carried at Amortised Cost

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

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

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

2.3.5.4 Financial Liabilities

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

a) Loans and Borrowings

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

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

Derecognition

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

2.3.5.5 Offsetting of Financial Instruments

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

2.3.5.6 Fair Value of Financial Instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

2.3.6 Cash and Short Term Deposits

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

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

2.3.7 Property, Plant and Equipment

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

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

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

2.3.8 Intangible Assets

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

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

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

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

2.3.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate 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.

2.3.10 Employee Benefit Obligations

a) Defined Benefit Plan – Gratuity

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

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

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

2.3.11 Impairment of Non Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the

Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.3.12 Inventories

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

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

Consumption Stock - At actual cost on Weighted Average Cost basis

2.3.13 Dividend Distribution

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

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.4.1 New and amended standards and interpretations

Amendment to SLFRS 16- COVID-19 Related Rent Concession

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16,if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 01st June 2020.

The amendment did not have an impact on the financial statements of the Company.

2.4.2 Standards issued but not yet effective

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

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments support companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

The above-mentioned amendments are effective for the annual reporting periods beginning on or after 01st January 2021.

None of the new or amended pronouncements are expected to have a material impact on the financial statements of the Company in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Year ended 31 March	2021 Rs.	2020 Rs.
Rendering of Services	1,696,333,374	1,561,356,084
	1,696,333,374	1,561,356,084

4. OTHER INCOME AND EXPENSES

4.1 Other Operating Income

Year ended 31 March	2021 Rs.	2020 Rs.
Sundry Income	5,724,003	4,978,776
	5,724,003	4,978,776

4.2 Finance Costs

Year ended 31 March	2021 Rs.	2020 Rs.
Interest Expense on Finance Lease	-	69,323
Interest Expense on Overdrafts	-	6,381
Interest Expense on Lease Liability	43,009,016	39,584,201
	43,009,016	39,659,905

4.3 Finance Income

Year ended 31 March	2021 Rs.	2020 Rs.
Interest Income	8,044,716	14,371,788
Interest Income on Inter Company	-	40,564,988
	8,044,716	54,936,776

4.4 Profit Before Tax

Stated after Charging/(Crediting)

As at 31 March	2021 Rs.	2020 Rs.
Included in Cost of Sales/Service and Operational Expenses		
VET Certificate Charges	9,632,789	8,811,163
Employee Benefit including the following ;	310,938,576	318,945,445
- Salaries and Allowances	272,923,089	279,535,281
- Defined Contribution Plan Costs - EPF & ETF	27,707,792	27,832,501
- Other Staff Related Expenses	10,307,695	11,577,662
Depreciation of Property, Plant and Equipment	34,651,707	32,689,864
Land Rent	488,000	-
Spare Parts and Consumables	20,865,081	21,723,056
Depreciation of ROUA	117,597,422	114,035,700
Included in Administration Expenses		
Directors' Fees and Emoluments	87,005,000	92,231,586
Auditors' Remuneration - Fees	385,000	305,169
Depreciation of Property, Plant and Equipment	14,003,943	14,854,159
Amortisation of Intangible Assets	171,605	488,427
Depreciation of ROUA	13,694,666	18,998,770
Employee Benefit including the following ;	148,450,713	146,086,810
- Salaries and Allowances	100,626,728	88,915,857
- Defined Benefit Plan Costs - Gratuity	16,926,907	16,444,895
- Defined Contribution Plan Costs - EPF & ETF	9,177,868	9,108,070
- Other Staff Related Expenses	21,719,210	31,617,987
Shared Service Fee	7,680,160	7,764,295
Loss/(Profit) on Sale of Property, Plant & Equipment	(162,741)	3,524,169
Included in Promotional Expenses		
Advertising and Promotional Cost	8,900,119	10,600,487

4.5 Components of Other Comprehensive Income

Year ended 31 March	2021 Rs.	2020 Rs.
Employee Benefit Liability		
Actuarial Gains/(Losses) arising during the Year	7,170,452	(5,037,568)

NOTES TO THE FINANCIAL STATEMENTS

5. INCOME TAX

The major components of income tax expense for the years ended 31 March 2021 and 31 March 2020 are:

5.1 Statement of Profit or Loss

Year ended 31 March	2021 Rs.	2020 Rs.
Current Income Tax:		
Current Income Tax Expense (Note 5.3)	122,740,188	105,017,489
Under/(Over) Provision of Current Taxes in respect of Prior Years	1,920,772	3,866,217
	124,660,960	108,883,706
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 5.5)	(1,824,993)	(3,324,835)
	(1,824,993)	(3,324,835)
Income Tax Expense Reported in the Statement of Profit or Loss	122,835,967	105,558,871

5.2 Statement of Comprehensive Income

Year ended 31 March	2021 Rs.	2020 Rs.
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 5.5)	1,434,090	(1,007,514)
Income Tax Charged Directly to Comprehensive Income	1,434,090	(1,007,514)

5.3 A Reconciliation between Tax Expense and the Product of Accounting Profit Multiplied by the Statutory Tax Rate for the Years Ended 31 March 2021 and 31 March 2020 are as follows:

Year ended 31 March	2021 Rs.	2020 Rs.
Accounting Profit before Income Tax	586,490,379	501,632,113
Adjustments in respect to Current Income Tax		
Aggregate Disallowed Items	262,202,125	243,775,244
Aggregate Allowable Expenses	(237,745,308)	(241,290,354)
Investment Income	(13,768,718)	(59,915,552)
Business Income	597,178,478	444,201,451
Investment Income	13,768,718	59,915,552
Assessable Income	610,947,196	504,117,003
Less: Qualifying Payments	-	-
Taxable Income	610,947,196	504,117,003
At the Statutory Income Tax Rate - Business Income	20%	20%
- Other Taxable Income	24%	24%
- Other Taxable Income	–	28%
Current Income Tax Expenses - Business Income	119,435,696	88,840,290
- Other Taxable Income	3,304,492	12,582,266
- Other Taxable Income	-	3,594,933
	122,740,188	105,017,489

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

Year ended 31 March	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2021	2020	**2021**	2020	**2021**	2020
	Rs.	Rs.	**Rs.**	Rs.	**Rs.**	Rs.
Deferred Tax Liabilities						
Undistributed Profits of Associates	19,563,105	16,060,876	(3,502,229)	(905,887)	-	-
Capital Allowances for Tax Purposes	917,814	562,742	(355,072)	(562,742)	-	-
	20,480,919	16,623,618	(3,857,301)	(1,468,629)	-	-
Deferred Tax Assets						
Capital Allowances for Tax Purposes	-	-	-	(3,509,458)	-	-
Employee Benefit Liability	(15,998,335)	(14,670,159)	2,762,270	2,594,783	(1,434,090)	1,007,514
Trade & Other Receivables	(58,484)	(561,408)	(502,925)	91,394	-	-
ROUA	(9,039,695)	(5,616,746)	3,422,949	5,616,746	-	-
	(25,096,514)	(20,848,313)	5,682,294	4,793,464	(1,434,090)	1,007,514
Deferred Tax Income/(Expense)			1,824,993	3,324,835	(1,434,090)	1,007,514
Net Deferred Tax (Assets)/Liabilities	(4,615,595)	(4,224,692)				

5.5 Reconciliation of Net Deferred Tax Asset

	2021	2020
	Rs.	Rs.
As at 01 April	(4,224,692)	107,657
Tax (Income)/Expense during the year recognised in Statement of Profit or Loss	(1,824,993)	(3,324,835)
Tax (Income)/Expense during the year recognised in Statement of Comprehensive Income	1,434,090	(1,007,514)
As at 31 March	(4,615,595)	(4,224,692)

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.

	2021 Rs.	2020 Rs.
Amount Used as the Numerator:		
Net Earnings attributable to Ordinary Shareholders for Basic/Diluted Earnings Per Share	463,654,412	396,073,242

	2021 Number	2020 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

	2021 Rs.	2020 Rs.
Basic/Diluted Earnings Per Share	1.20	1.02

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

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Gross Carrying Amounts

Year ended 31 March	Balance as at 01.04.2020 Rs.	Additions during the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2021 Rs.
At Cost					
Buildings on Leasehold Land	419,279,546	22,982,682	5,183,069	(252,044)	447,193,253
Office Equipment	3,977,622	531,985	–	(214,897)	4,294,710
Computer and Accessories	68,627,600	7,146,720	–	(2,018,569)	73,755,751
Furniture and Fittings	18,683,412	781,755	–	(1,498,300)	17,966,867
Plant, Machinery & Equipment	263,355,296	19,287,611	56,600	(525,800)	282,173,707
Motor Vehicles	54,473,388	400,000	–	–	54,873,388
	828,396,864	51,130,753	5,239,669	(4,509,610)	880,257,676
In the Course of Construction					
Capital Working Progress	5,357,678	17,500	(5,239,669)	-	135,509
	5,357,678	17,500	(5,239,669)	-	135,509
Total Gross Carrying Amount	833,754,542	51,148,253	-	(4,509,610)	880,393,185

7.2 Depreciation

Year ended 31 March	Balance as at 01.04.2020 Rs.	Charged for the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2021 Rs.
At Cost					
Buildings on Leasehold Land	347,553,666	14,100,148	–	(252,044)	361,401,770
Office Equipment	2,583,315	380,646	–	(175,532)	2,788,429
Computer and Accessories	46,799,916	9,689,566	–	(1,952,911)	54,536,571
Furniture and Fittings	13,073,829	1,849,794	–	(1,363,758)	13,559,865
Plant, Machinery & Equipment	189,672,539	17,721,651	–	(514,423)	206,879,767
Motor Vehicles	47,957,886	4,913,845	–	–	52,871,731
Total Depreciation	647,641,152	48,655,650	–	(4,258,668)	692,038,133

7.3 Net Book Values

	2021 Rs.	2020 Rs.
At Cost		
Buildings on Leasehold Land	85,791,483	71,725,880
Office Equipment	1,506,281	1,394,307
Computer and Accessories	19,219,180	21,827,684
Furniture and Fittings	4,407,002	5,609,583
Plant, Machinery & Equipment	75,293,940	73,682,757
Motor Vehicles	2,001,657	6,515,502
	188,219,542	180,755,713
In the Course of Construction		
Capital Working Progress	135,509	5,357,682
Total Carrying Amount of Property, Plant and Equipment	188,355,051	186,113,395

7.4 The Rates of Depreciation are Estimated as follows:

	2021	2020
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

NOTES TO THE FINANCIAL STATEMENTS

7.5 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.51,148,253/- (2020 - Rs.84,873,017/-) for cash.

7.6 RIGHT-OF-USE-ASSETS

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

Year ended 31 March	2021 Rs.	2020 Rs.
Cost		
Balance As at 01 April	482,490,403	-
Effect of Adoption of SLFRS 16	-	456,355,755
Transfer	-	26,134,648
Addition and Improvement	156,628,782	-
Retirement of Lease	(1,889,196)	–
Balance As at 31 March	637,229,989	482,490,403

Year ended 31 March	2021 Rs.	2020 Rs.
Accumulated Amortisation		
Balance As at 01 April	133,034,470	-
Charge for the year	131,292,088	133,034,470
Retirement of Lease	(1,014,460)	–
Balance As at 31 March	263,312,098	133,034,470
Net Book Value As at 31st March	373,917,891	349,455,933

8. INTANGIBLE ASSETS

Year ended 31 March	2021 Rs.	2020 Rs.
Cost		
As at 1 April	15,893,848	15,893,848
Acquired during the Year	-	-
As at 31 March	15,893,848	15,893,848
Amortisation		
As at 1 April	15,479,136	14,990,709
Amortisation during the Year	171,605	488,427
As at 31 March	15,650,741	15,479,136
Net Book Value	243,107	414,712

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

9. INVESTMENT IN ASSOCIATES

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

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

9.2.1 Summarised Statement of Profit or Loss

Year ended 31 March	2021 Rs.	2020 Rs.
Revenue	99,995,845	127,153,073
Operating Expenses	(44,177,890)	(40,220,121)
Other Income	4,711,264	1,600,247
Finance Income	45,987	28,539,032
Finance Costs	(17,375,193)	(35,763,894)
Fair Value Gain on Investments Properties	85,044,367	83,616,527
Income Tax Expense	(17,740,699)	(47,017,641)
Net Profit for the Year ended 31 March	110,503,681	117,907,223
Share of Associates' Profit or Loss	27,625,920	29,476,806

9.2.2 Summarised Statement of Financial Position

Year ended 31 March	2021 Rs.	2020 Rs.
Non-Current Assets	2,171,398,437	2,085,770,003
Current Assets	367,660,603	365,843,121
Non-Current Liabilities	445,178,595	431,067,049
Current Liabilities	158,687,877	195,830,463
Equity	1,935,192,567	1,824,715,612
Company's carrying amount of the Investment	483,798,142	456,178,903

9.2.3 Equity Reconciliation

Year ended 31 March	2021 Rs.	2020 Rs.
Carrying Value as at 01 April	456,178,903	426,752,402
Share of Associates' Profit or Loss	27,625,920	29,476,806
Share of Associates' Results recognised in Profit or Loss	27,625,920	29,476,806
Share of Other Comprehensive Income	(6,681)	(50,305)
Carrying Value as at 31 March	483,798,142	456,178,903

NOTES TO THE FINANCIAL STATEMENTS

10. INVENTORIES

Year ended 31 March	2021 Rs.	2020 Rs.
Inventories	28,861,689	27,378,212
	28,861,689	27,378,212

11. TRADE AND OTHER RECEIVABLES

Year ended 31 March	2021 Rs.	2020 Rs.
Trade Receivables- Others	2,226,810	3,742,944
Less- Provision for Impairment	(292,418)	(2,442,719)
	1,934,392	1,300,225
Other Receivables - Related Parties (Note 11.1)	570,039,675	547,797,228
- Others	7,321,097	10,764,000
	579,295,164	559,861,453
Advances and Prepayments	12,234,274	20,740,803
Loans to Company Officers	536,511	1,107,241
	592,065,949	581,709,497

11.1 Other Receivables from Related Parties

Year ended 31 March	Relationship	2021 Rs.	2020 Rs.
LAUGFS Solutions Ltd	Group Company	59,233	-
LAUGFS Property Developers (Pvt) Ltd	Associate Company	8,193,194	22,043,065
Anantaya Passekudah (Pvt) Ltd	Group Company	11,070,380	11,070,380
LAUGFS Power PLC	Group Company	-	14,890,494
LAUGFS Holdings Ltd.	Ultimate Parent Company	431,181,400	330,692,499
LAUGFS Terminals Ltd	Group Company	15,724,511	15,719,285
LAUGFS Salt & Chemical Ltd	Group Company	-	15,000,000
LAUGFS Life Sciences (Pvt) Ltd	Group Company	-	34,673,938
LAUGFS Leisure Ltd	Group Company	103,707,567	103,707,567
LAUGFS Gas PLC	Group Company	103,390	-
		570,039,675	547,797,228

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

	Total Rs.	Neither Past Due nor Impaired Rs.	Past Due and Impaired < 30 Days Rs.	31-60 Days Rs.	61-90 Days Rs.	> 90 Days Rs.
2021	2,226,810	-	859,736	741,392	373,854	251,828
2020	3,742,944	385,763	834,594	577,032	201,523	1,744,032

12. CASH AND SHORT TERM DEPOSITS

12.1 Favourable Cash and Cash Equivalent Balances

Year ended 31 March	2021 Rs.	2020 Rs.
Cash and Bank Balances	370,522,600	77,009,667
	370,522,600	77,009,667

12.2 Unfavourable Cash and Cash Equivalent Balances

Year ended 31 March	2021 Rs.	2020 Rs.
Bank Overdraft (Note 16.1.1)	(3,177,283)	(4,698,323)
Cash and Cash Equivalent for the Purpose of Statement of Cash Flow	367,345,317	72,311,344

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

13. STATED CAPITAL

Year ended 31 March	2021		2020	
	Number	Rs.	Number	Rs.
Ordinary Voting Shares (Note 13.1)	335,000,086	346,253,242	335,000,086	346,253,242
Ordinary Non-Voting Shares (Note 13.2)	52,000,000	53,746,758	52,000,000	53,746,758
	387,000,086	400,000,000	387,000,086	400,000,000

13.1 Ordinary Voting Shares

Year ended 31 March	2021		2020	
	Number	Rs.	Number	Rs.
As at 01 April	335,000,086	346,253,242	335,000,086	346,253,242
As at 31 March	335,000,086	346,253,242	335,000,086	346,253,242

13.2 Ordinary Non-Voting Shares

Year ended 31 March	2021		2020	
	Number	Rs.	Number	Rs.
As at 01 April	52,000,000	53,746,758	52,000,000	53,746,758
As at 31 March	52,000,000	53,746,758	52,000,000	53,746,758

13.3 Rights, Preference and Restrictions of Classes of Capital

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

NOTES TO THE FINANCIAL STATEMENTS

14. DIVIDENDS PAID AND PROPOSED

Declared and Paid during the Year:

Year ended 31 March	2021 Rs.	2020 Rs.
Dividends on Ordinary Shares:		
Interim Dividend for 2019/2020: 0.75 Rupees per Share	290,250,065	-
Interim Dividend for 2018/2019: 0.75 Rupees per Share	-	290,250,065

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

15.1 Financial Liabilities

15.1.1 Interest Bearing Loans and Borrowings

Year ended 31 March	2021			2020		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Right of Use Asset-Lease (Note 15.1.2)	107,234,794	311,881,571	419,116,365	110,584,619	266,955,042	377,539,662
Bank Overdraft (Note 12.2)	3,177,283	-	3,177,283	4,698,323	-	4,698,323
	110,412,077	311,881,571	422,293,648	115,282,942	266,955,042	382,237,984

15.1.2 RIGHT TO USE -LEASE LIABILITY

Year ended 31 March	2021 Rs.	2020 Rs.
Balance As at 01 April	377,539,662	-
Effect of Adoption of SLFRS 16 as at 01st April	-	456,355,755
Additions	155,754,044	26,134,648
Accretion of Interest	43,009,016	39,584,202
Payments	(157,186,357)	(144,534,943)
Balance As at 31st March	419,116,365	377,539,662

15.2 Fair Values

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

Year ended 31 March		Carrying Amount 2021 Rs.	Carrying Amount 2020 Rs.	Fair Value 2021 Rs.	Fair Value 2020 Rs.
Financial Assets					
Trade and Other Receivables	A	579,295,164	559,861,453	579,295,164	559,861,453
Cash in Hand and at Bank	A	370,522,600	77,009,667	370,522,600	77,009,667
		949,817,764	636,871,120	949,817,764	636,871,120
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	311,881,571	266,955,042	311,881,571	266,955,042
Interest Bearing Loans and Borrowings (Current)	A	110,412,077	115,282,942	110,412,077	115,282,942
Trade and Other Payables	A	41,761,018	40,550,867	41,761,018	40,550,867
		464,054,666	422,788,851	464,054,666	422,788,851

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 31st March 2021, the carrying amounts of such borrowings are not materially different from their calculated fair values.

16. EMPLOYEE BENEFIT LIABILITY

16.1 Net Benefit Expense

Year ended 31 March	2021 Rs.	2020 Rs.
Current Service Cost	10,325,335	10,357,571
Interest Cost on Benefit Obligation	6,601,572	6,087,324
Total Expense	16,926,907	16,444,895

NOTES TO THE FINANCIAL STATEMENTS

16.2 Employee Benefit Liability

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

Year ended 31 March	2021 Rs.	2020 Rs.
As at 1 April	73,350,797	55,339,309
Current Service Cost	10,325,335	10,357,571
Interest Cost on Benefit Obligation	6,601,572	6,087,324
Adjustment due to Transfer of Employees in to/(out of) Company	(418,478)	-
Actuarial (Gain)/Loss on Obligation	(7,170,452)	5,037,568
Benefits Paid	(2,697,097)	(3,470,975)
As at 31 March	79,991,677	73,350,797

16.3 Messrs. Smiles Global (Pvt) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2021. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31 March 2021 are as follows:

	2021	2020
Method of Actuarial Valuation:	Projected Unit Credit Method	Projected Unit Credit Method
Discount Rate:	7%	9%
Salary Increment Rate:	10%	12%
Retirement Age:	60 Years (for Management Staff) and 55 Years (for Other Staff)	60 Years (for Management Staff) and 55 Years (for Other Staff)
Staff Turnover Ratio:	20%	19%
Mortality Table:	A67/70 Mortality Table	A67/70 Mortality Table

16.4 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year ended 31 March 2021.

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

Increase/(Decrease)		2021		
in Discount Rate	in Rate of Salary Increment	Effect on Income Statement (Reduction)/ Increase in Results for the Year	Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End	Present Value of Defined Benefit Obligation
+1%		3,671,637	(3,671,637)	76,320,040
-1%		(4,044,648)	4,044,648	84,036,325
	+1%	(4,262,277)	4,262,277	84,253,954
	-1%	3,946,378	(3,946,378)	76,045,299

16.5 Changes in the Defined Benefit Obligation

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

2021		Amounts Charged to Profit or Loss					Remeasurement Gains/(Losses) in Other Comprehensive Income					
	01 April 2020	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	Adjustment due to transfer of employees into/(out of) Company	Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	73,350,797	10,325,335	6,601,572	16,926,907	(2,697,097)	(418,478)	11,166,044	(11,960,521)	(9,375,975)	(7,170,452)	-	79,991,677
	73,350,797	10,325,335	6,601,572	16,926,907	(2,697,097)	(418,478)	11,166,044	(11,960,521)	(9,375,975)	(7,170,452)	-	79,991,677

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

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

Year ended 31 March	2021 Rs.	2020 Rs.
Less than or equal to 2 years	2,264,657	333,727
Over 2 year and less than or equal 5 years	77,727,020	21,896,656
Over 5 year and less than or equal 10 years	-	51,120,414
	79,991,677	73,350,797

The average duration of the defined benefit plan obligating at the end of the reporting period is 5.5 years. (2020: 5.2 years)

NOTES TO THE FINANCIAL STATEMENTS

17. TRADE AND OTHER PAYABLES

Year ended 31 March	2021 Rs.	2020 Rs.
Trade Payable -Related Parties (Note 17.1)	1,532,045	1,846,336
Trade Payable - Others	1,711,800	342,360
Other Payable - Related Parties (Note 17.2)	601,663	526,535
- Others	37,915,510	37,835,636
	41,761,018	40,550,867
Sundry Creditors including Accrued Expenses	142,626,109	11,094,836
	184,387,127	51,645,703

17.1 Trade Payables to Related Parties

Year ended 31 March	Relationship	2021 Rs.	2020 Rs.
LAUGFS Petroleum (Pvt) Ltd	Group Company	742,912	472,562
LAUGFS Restaurant (Pvt) Ltd	Group Company	-	21,417
LAUGFS International (Pvt) Ltd	Group Company	-	714,857
LAUGFS Business Solution (Pvt) Ltd	Group Company	647,500	637,500
LAUGFS Leisure Ltd	Group Company	115,318	-
LAUGFS Supermarket (Pvt) Ltd	Group Company	7,871	-
LAUGFS Lubricants Ltd	Group Company	18,444	-
		1,532,045	1,846,336

17.2 Other Payables to Related Parties

Year ended 31 March	Relationship	2021 Rs.	2020 Rs.
LAUGFS Property Developers (Pvt) Ltd	Associate Company	447,985	384,312
Southern Petroleum (Pvt) Ltd	Group Company	-	75,000
LAUGFS Lubricants Ltd	Group Company	92,836	62,223
LAUGFS Supermarket (Pvt) Ltd	Group Company	5,000	5,000
LAUGFS Gas PLC	Group Company	55,842	-
		601,663	526,535

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

	Total Rs.	< 30 Days Rs.	31-60 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2021	3,243,845	1,532,045	1,711,800	-	-
2020	2,188,696	1,452,422	736,274	-	-

18. COMMITMENTS AND CONTINGENCIES

18.1 Capital Expenditure Commitments

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

18.2 Contingent Liabilities

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

19. ASSETS PLEDGED

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

20. RELATED PARTY DISCLOSURES

The following table provides the information pertaining to significant transactions that have been entered into with related parties for the relevant financial year. (for information regarding outstanding balances at 31 March 2021 and 31 March 2020, refer to Notes 11 and 17).

20.1 Transaction with the Related Entities

	Parent		Associate		Other Group Companies		Total	
Year ended 31 March	**2021 Rs.**	2020 Rs.	**2021 Rs.**	2020 Rs.	**2021 Rs.**	2020 Rs.	**2021 Rs.**	2020 Rs.
Nature of Transaction								
Balance as at 01st April	330,692,499	(1,413,423)	21,658,753	19,610,636	193,073,103	1,068,354	545,424,355	19,265,567
Purchase of Goods / Services	(39,783,333)	(2,909,349)	(17,903,814)	(15,869,753)	(18,121,710)	(24,220,975)	(75,808,858)	(43,000,076)
Sale of Goods / Services	-	-	-	-	-	30,612	-	30,612
Dividend	(185,985,037)	-	-	-	-	-	(185,985,037)	-
Payment Made for Purchase Of Good &Services	464,583,333	349,246,609	3,990,271	22,917,870	112,268,984	197,000,000	580,842,588	569,164,478
Payment Received from purchase Good & Services	(185,000,000)	(40,000,000)	-	(5,000,000)	(96,341,580)	1,537,191	(281,341,580)	(43,462,809)
Gratuity-Adjustment	-	-	-	-	(225,502)	-	(225,502)	-
Balance Written - Off	-	-	-	-	(15,000,000)	-	(15,000,000)	-
Adjustment due to Transfer of	46,673,938	-	-	-	(46,673,938)	-	-	-
Interest Income on Intercompany	-	24,503,325	-	-	-	16,061,664	-	40,564,989
Other	-	1,265,337	-	-	-	1,596,257	-	2,861,593
As at 31 March	431,181,400	330,692,499	7,745,210	21,658,753	128,979,357	193,073,103	567,905,967	545,424,355

NOTES TO THE FINANCIAL STATEMENTS

20.2 Other Group Companies include the following Companies;

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

20.3 Transactions with Directors/ Key Management Personnel *

Year ended 31 March	2021 Rs.	2020 Rs.
Emoluments and Fees - Cash Benefits	83,960,000	88,915,746
Emoluments and Fees - Non Cash Benefits	3,045,000	3,315,840
Total compensation paid to Key Management Personnel	87,005,000	92,231,586

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

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

21.1 Introduction

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

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

21.1.1 Interest Rate Risk

The entity's exposure to interest rate risk was minimised by placing surplus funds in short to medium term deposits in Commercial banks which have higher credit ratings.

21.1.2 Liquidity Risk

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

21.1.3 Credit Risk

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

21.1.4 Exchange Rate Risk

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

22. EVENTS OCCURRING AFTER THE REPORTING DATE

COVID-19

There were no events after the reporting date which require adjustments to or disclosures in the Financial Statements, other than disclosed below.

As a result of the outbreak of Corona virus Disease (COVID-19) 3rd wave in April 2021, the Government of Sri Lanka has implemented a series of measures and controls to safeguard the nation. The company is also continuously followed the given guidelines and developments of COVID-19 outbreak and closely monitored the impact on the business and financials.

As at the date of financial statement, there were some impact to the financial statement as a result of COVID-19 outbreak. Company's vehicle emission testing operation had to be temporarily ceased for few weeks. However the net impact is not significant in overall

SHAREHOLDERS INFORMATION

TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2021 - VOTING

	Name	No. of Shares	%
1	LAUGFS HOLDINGS LIMITED	247,980,050	74.024
2	EMPLOYEES PROVIDENT FUND	57,897,800	17.283
3	SEYLAN BANK PLC/CARLINES HOLDINGS (PRIVATE) LIMITED	1,953,696	0.583
4	AMANA BANK PLC/ALMAS ORGANISATION (PVT) LTD	1,547,795	0.462
5	MR W.K.H. WEGAPITIYA	1,411,536	0.421
6	DEUTSCHE BANK AG AS TRUSTEE FOR NAMAL ACUITY VALUE	1,339,563	0.400
7	DEUTSCHE BANK AG-NATIONAL EQUITY FUND	1,318,182	0.393
8	DEUTSCHE BANK AG-NAMAL GROWTH FUND	1,198,934	0.358
9	MR U.K.T.N. DE SILVA	1,077,897	0.322
10	MR G.Y.N. MAHINKANDA	794,572	0.237
11	MR H.D.M.P. SIRIWARDENA	749,000	0.224
12	SEYLAN BANK PLC/MOHAMED MUSHTAQ FUAD	625,521	0.187
13	MR M.K. DE VOS & MRS D.J. DE VOS	436,000	0.130
14	MR A. RAJARATNAM	209,705	0.063
15	EMPLOYEES TRUST FUND BOARD	205,304	0.061
16	MR C.S. KARIYAWASAN	200,000	0.060
17	MR H.A. VAN STARREX	197,098	0.059
18	J.B. COCOSHELL (PVT) LTD	187,669	0.056
19	CEYLON BISCUITS LIMITED	170,000	0.051
20	BANK OF CEYLON NO. 1 ACCOUNT	168,727	0.050
		319,669,049	95.424
	OTHER	15,331,037	4.576
	TOTAL	335,000,086	100.000

TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2021 - NON VOTING

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

NOTICE OF MEETING

Taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors of LAUGFS Eco Sri Ltd has decided to hold the 4th Annual General Meeting (AGM) as a Virtual Meeting on 30th September 2021 at 4.00 pm, in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs.

Hence, Notice is hereby given that the 4th Annual General Meeting of the Company will be held by way of electronic means on 30th September 2021, centered at the LAUGFS Head Office building located at No. 101, Maya Avenue, Colombo 06, Sri Lanka, for the following business:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2021 and the Report of the Auditors thereon.
2. To re-elect Mr. N. M. Prakash, who retires by rotation in terms of Article 26(6) of the Articles of Association, as a Director of the Company;
3. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
4. To authorise the Directors to determine and make donations for the year ending 31st March 2022 and up to the date of the next Annual General Meeting.

By Order of the Board

LAUGFS ECO SRI LIMITED

P W Corporate Secretarial (Pvt) Ltd
Secretaries

At Colombo
30th June 2021

Notes:

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

FORM OF PROXY (VOTING)

*I/We.. holder of NIC No.................................of...
being a *Shareholder /Shareholders of LAUGFS Eco Sri Ltd, do hereby appoint .... holder of NIC No...................................... of ....or failing him/her

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

as *my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th September 2021 and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. N. M. Prakash, who retires by rotation in terms of Article 26 (6) of the Articles of Association, as a Director of the Company.		
2. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.		
3. To authorise the Directors to determine and make donations for the year ending 31st March 2022 and up to the date of the next Annual General Meeting.		

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

....
Signature

1) *Please delete the inappropriate words.

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

FORM OF PROXY (VOTING)

Instructions as to Completion

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

2. The Proxy shall –

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

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

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

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

FORM OF PROXY (NON VOTING)

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

being a *Shareholder /Shareholders of LAUGFS Eco Sri Ltd, do hereby appoint .... holder of NIC No..................................... of ....or failing him/her

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

as *my/our proxy to represent me/us to speak for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th September 2021 and any adjournment thereof.

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

....
Signature

1) *Please delete the inappropriate words.
2) Instructions as to completion are noted on the reverse thereof.

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Designed & produced by
emagewise

LAUGFS ECO SRI

LAUGFS ECO SRI LIMITED
No: 101, Maya Avenue,
Colombo 06, Sri Lanka.
www.ecosri.lk