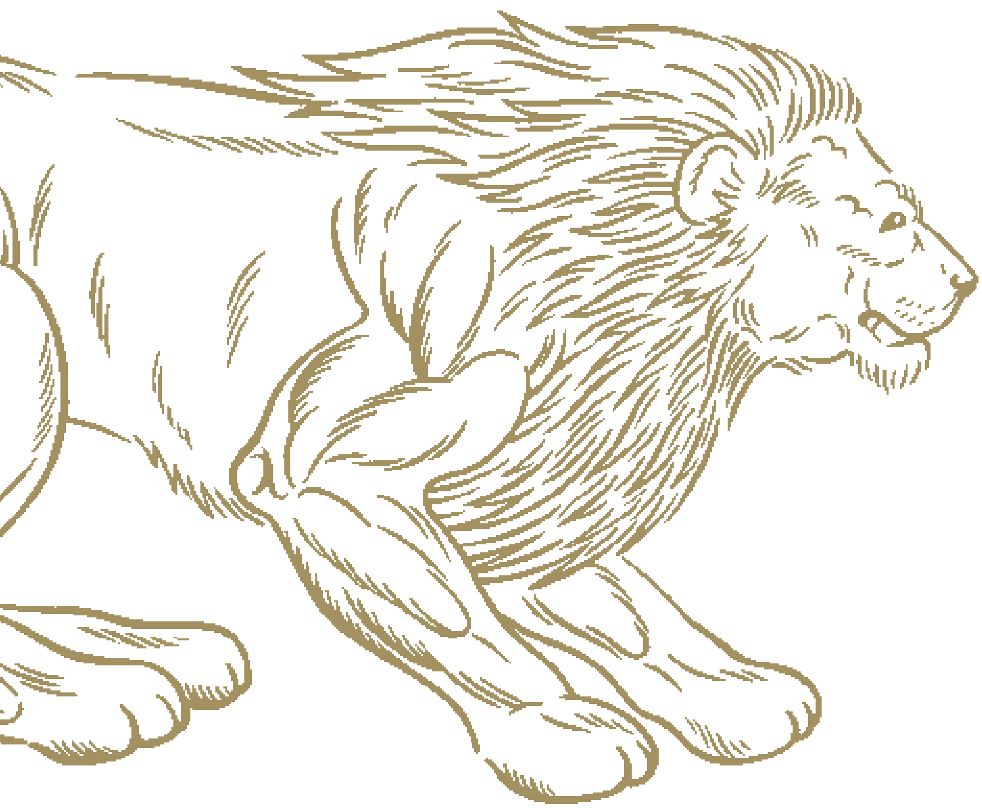


UNSTOPPABLE

Story of the lion hearted company continues...

LAUGFS GAS PLC | Annual Report 2014

The LAUGFS GAS PLC Annual Report for the year ended 31 March 2014 is our first integrated report. This marks our first step towards integrating our environmental, people, economic and financial performance reporting.

Vision

To be the most preferred and trusted Sri Lankan Multinational that touches the day-to-day lives of people in Sri Lanka and beyond, through a diverse group of companies.

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 an exemplary Sri Lankan entity.

UNSTOPPABLE

Story of the lion hearted company continues...

The pledge to deliver continuously, improving financial results together with world class products and services is really one that any reputed company is obliged to make. But it is a big promise. Keeping it is no small task. The challenges are many, yet the journey of excellence is unending.

Last year our Report told the story of a great Sri Lankan company, describing in detail who we were and what we have grown to be. Over the years we have been proud to exemplify the spirit of Sri Lanka, embodying the strength and boldness of a lion in all that we do.

This Report too, is a positive one, covering an exciting and profitable year. Inside, we have described twelve months of success in which all subsidiaries reported good returns. Several new ventures were launched during the year. A milestone achievement was, the luxurious, 87 room Anantaya Resort and Spa, opened as planned in Chilaw, in February this year.

As you will see, the lion is unstoppable and the story of the lion hearted company continues...

UNSTOPPABLE

The challenges are many,
yet the journey of excellence is unending...

UNSTOPPABLE

and the story of the lion hearted company
continues...

CONTENTS

FINANCIAL REPORT

FINANCIAL HIGHLIGHTS

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Change	Company 2014 Rs.'000	Company 2013 Rs.'000	Change
Summary of Operations						
Revenue	11,631,030	10,563,163	10%	10,660,333	9,705,180	10%
Gross Profit	2,459,988	1,726,973	42%	1,723,710	1,083,131	59%
Profit from Operations	1,527,270	1,123,395	36%	1,597,145	1,273,343	25%
Other Operating Income	279,176	226,472	23%	673,690	717,076	-6%
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	2,009,867	1,621,404	24%	1,929,196	1,622,061	19%
Finance Cost	(19,724)	(5,053)	290%	(14,512)	(4,998)	190%
Profit Before Tax	1,632,717	1,308,641	25%	1,663,620	1,395,489	19%
Income Tax Expense	(323,355)	(258,365)	25%	(270,369)	(190,960)	42%
Profit for the Year	1,309,362	1,050,276	25%	1,393,251	1,204,529	16%
Total Comprehensive Income for the Year Net of Tax	1,291,835	1,032,360	25%	1,375,333	1,184,419	16%
Summary of Financial Position						
Property, Plant and Equipment	8,769,737	6,511,466	35%	4,991,335	4,381,635	14%
Investment Properties	680,000	644,900	5%	680,000	644,900	5%
Investments in Subsidiaries	-	-	-	2,196,302	1,281,302	71%
Other Non-Current Financial Assets	119,726	116,129	3%	99,601	116,129	-14%
Current Assets	3,441,664	3,181,979	8%	3,457,902	3,497,427	-1%
Total Assets	13,166,211	10,609,633	24%	11,434,903	9,931,392	15%
Non Current Liabilities	3,242,945	2,010,811	61%	2,240,581	2,004,794	12%
Current Liabilities	2,722,121	2,110,840	29%	2,458,319	1,992,238	23%
Total Liabilities	5,965,066	4,121,651	45%	4,698,900	3,997,032	18%
Shareholders' Interest						
Stated Capital	3,285,000	3,285,000	-	3,285,000	3,285,000	-
Reserves	(338,325)	(321,209)	5%	(338,325)	(321,209)	5%
Retained Earnings	4,254,470	3,524,191	21%	3,789,327	2,970,569	28%
Net Assets (Equity)	7,201,145	6,487,982	11%	6,736,002	5,934,360	14%
Return on Equity (%)	18%	16%	12%	21%	20%	2%
Net Assets Value per Share (Rs.)	18.61	16.76	11%	17.41	15.33	14%
Leverage						
Interest Cover (Times)	83.78	259.98	-68%	115.64	280.23	-59%
Financial Ratio						
Gross Profit Margin	21%	16%	29%	16%	11%	45%
EBITDA Margin	17%	15%	13%	18%	17%	8%
Net Profit Margin	11%	10%	13%	13%	12%	5%
Earnings per Share (Rs.)	3.38	2.71	25%	3.60	3.11	16%
Assets Turnover (Times)	0.88	1.00	-11%	0.93	0.98	-5%
Equity to Assets (Times)	0.55	0.61	-11%	0.59	0.60	-1%
Current Ratio (Times)	1.26	1.51	-16%	1.41	1.76	-20%
Quick Ratio (Times)	1.09	1.32	-18%	1.25	1.58	-21%

GROUP AT A GLANCE

11.6 BILLION

Turnover

The Group posted a record Turnover of Rs. 11.6 billion which is a 10% increase over the corresponding period.

2.5 BILLION

Gross Profit

The Group recorded Rs. 2.5 billion Gross Profit which is a growth of 42% over last year.

Sector Contribution to the Turnover

POWER & ENERGY

91.8%

SERVICES

8%

LEISURE

0.2%

1.6 BILLION

Profit Before Tax

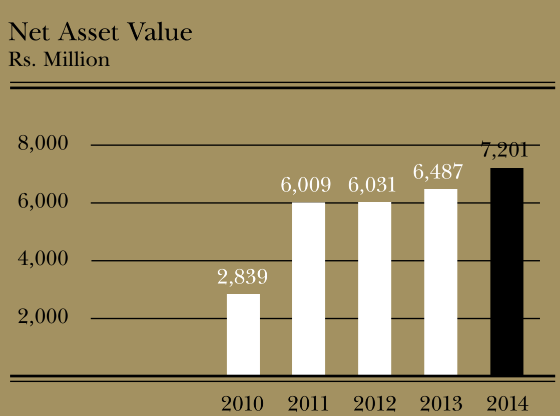
The Group recorded Rs. 1.6 billion Profit Before Tax which is a growth of 25% over last year.

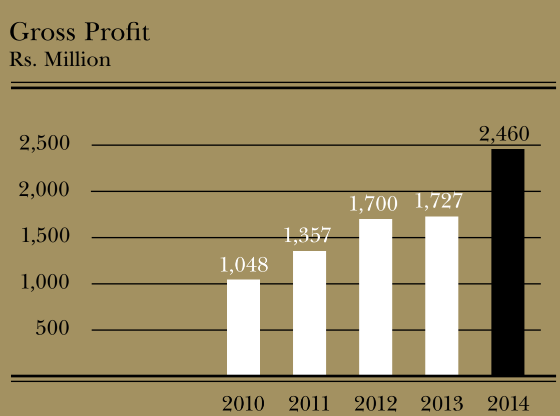
7.2 BILLION

Net Asset Value

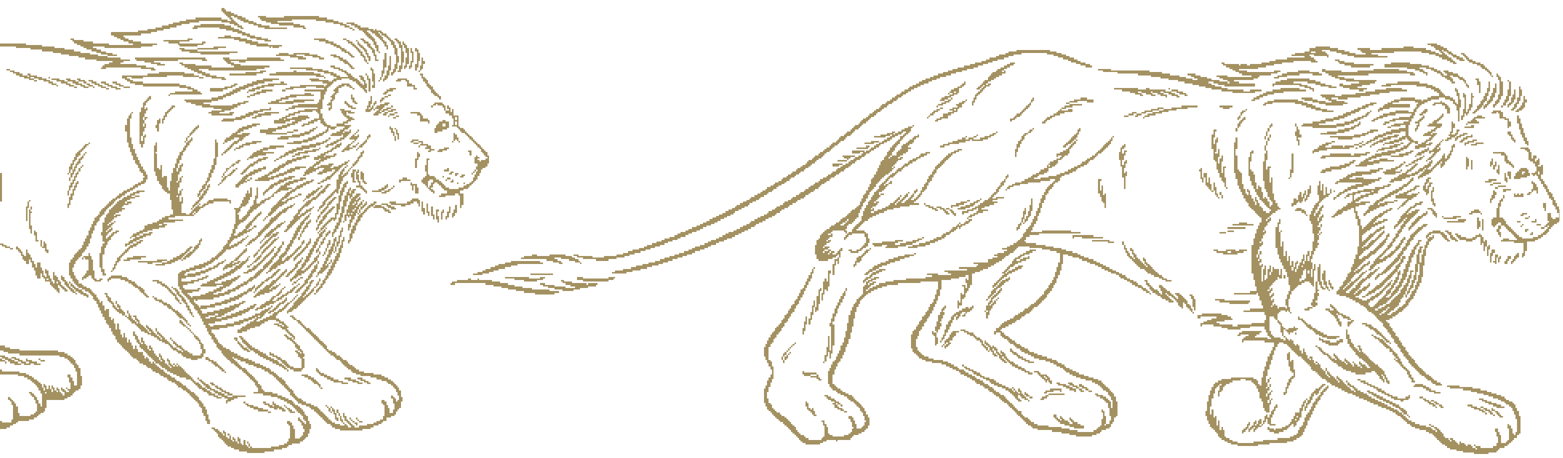
The Group Net Asset Value grew by 11% over last year to Rs. 7.2 billion.

We continue to have a firm grip on the levers of risk, cost and investment, and are using our financial position strength to increase the financing support to our customers and partners.





OUR JOURNEY



Establishment of the parent company – Gas Auto Lanka (Pvt) Ltd, presently known as LAUGFS Holdings Ltd.

1994

Obtaining of BOI approval – LAUGFS Gas.

2000

Entering into the LPG Domestic industry.

2001

Agreement signed between Consumer Affairs Authority and LAUGFS Gas for the Pricing Formula.

Agreement signed between Department of Motor Traffic and LAUGFS Eco Sri to operate the Vehicle Emission Testing programme.

2007

LAUGFS recognized as one of the Most Respected Business Entities in Sri Lanka – 50th position.

2008

Our journey exemplifies how a small entrepreneurial venture, through sheer hard work, determination and undying passion, grew to a business empire. Each milestone of our journey is testimony to the fact that we, at LAUGFS are unstoppable...

2009

LAUGFS recognized as the Most Respected Business - Nation Mindedness - 1st position.

Winner of Business and Media World- National Business Enterprises Productivity Excellence Award.

2010

Listing of LAUGFS Gas PLC in the Colombo Stock Exchange.

2012

Winner of National Quality Award- Platinum.

2013

National Business Excellence Award 2013 - Gold - Other Services Category.

Annual Reports Award 2013 - Gold winner - Power and Energy Category

2014

Opening of the first resort under LAUGFS Leisure, Anantaya Resort and Spa, Chilaw.

Commissioning of first hydro power plant under LAUGFS Power in Balangoda.

The Lion is unstoppable...

W K H Wegapitiya
Chairman / Group CEO

CHAIRMAN / GROUP CEO'S MESSAGE

We believe that 'small aim is a crime'. We dream big and we are courageous and adventurous in realizing our dreams. We adopt a futuristic approach in recognizing opportunities and our unique business strategies have ensured, another year of superlative performance. The lion is indeed unstoppable...

CHAIRMAN / GROUP CEO'S MESSAGE

I welcome you to the fourth Annual General meeting of LAUGFS Gas PLC subsequent to the listing of LAUGFS Gas PLC on the Colombo Stock Exchange three and half years ago. It is both a privilege and honour to meet with you once again and present to you the Annual Report of your Company along with the Audited Financial Statements for the year ending 31 March 2014.

I have more reasons than one to take pride in reporting the achievements made by your Company at the conclusion of yet another phenomenal financial year ending 31 March 2014. LAUGFS Gas PLC and its Subsidiaries have delivered exceptional results surpassing all previous achievements for key indicators such as Revenue, Pre and Post-Tax Profits, Total Assets, Net Assets and Earnings Per Share.

We have a 'never say die' attitude. We never deviate from our core values and remain focussed on our Vision. This is the reason for our success.

I am delighted to announce the first and final dividend of Rs. 2.00 per share for financial year ending 31 March 2014.

The Annual Report and the Audited Financial Statements for the financial year ended 31 March 2014 contain greater detail which is captured in the Management Discussion and Analysis and enumerated upon further in the report of the Group Managing Director and the Directors' Report.

BUSINESS AND FINANCIAL PERFORMANCE

We remained persistently focused during the financial year 2013/14 on creating long term value for all our shareholders who placed their trust and had confidence in our ability to deliver exceptional results. The inevitable outcome of our unwavering efforts and focused strategy resulted in Group Revenue moving up to an all-time high of Rs. 11,631 million, which is an increase of 10% over the previous year. Our operating performance is tracked using 'EBIT adjusted', which is Earnings Before Interest and Tax adjusted for special items. On this basis, LAUGFS Gas PLC and its Subsidiaries earned Rs. 1,652 million, reporting an increase of 26% over the previous financial year. The Group's Total Comprehensive Income for the year, net of tax recorded a noteworthy increase of Rs. 1,292 million as against Rs. 1,032 million reported last year, being an increase of 25%.

Your Group of Companies maintained its robust financial position with improved flexibility in responding to market dynamics over the year 2013/14. It is heartening to note the increase in Total Assets of the Group which is reported at Rs. 13,166 million, which is an increase of 24 % over the corresponding period in the previous year. Investments made in Property, Plant and Equipment were a core contributor to the increase in Assets and will result in capacity building, increased production capabilities, more robust and efficient processes and productivity enhancements in the long term. The Group Retained Earnings moved upwards from Rs. 3,524 million last year to Rs. 4,254 million as at 31 March 2014, which is a commendable increase of 21%. The Group Net Assets (Total Equity) stood at Rs. 7,201 million as against Rs. 6,488 million as at end of last financial year. The Net Asset Value per share as at end of the financial year under review increased to Rs. 18.61 from Rs. 16.76 per share last year. The Earnings Per Share (EPS) reported an impressive increase from Rs. 2.71 last year to Rs. 3.38 this year.

Your Company's noteworthy operational and financial performance paved the way for reinvestment while maintaining a constant dividend payout ensuring both growth and return for shareholders and other stakeholders.

Your Company's noteworthy operational and financial performance paved the way for reinvestment while maintaining a constant dividend payout ensuring both growth and return for shareholders and other stakeholders. The thrust on financial and market discipline retained over the years changed profoundly the ways in which we are transforming the business operations. Further, we have strengthened the risk management framework and embarked on deriving the benefits of information technology by implementing an ERP system to further strengthen our competitive advantage. Moreover, we are in the process of designing new product and service offerings to increase our market share while remaining competitive in the market place and continuously pursue growth opportunities. While customer centricity is at the core of our operations we also develop, foster and sustain stronger relationships with all our suppliers, distributors, dealers, communities, and with our own members of the family of LAUGFS concurrently. The outstanding performance which is reported in the financial statements for the financial year 2013/14, is the result of the culmination of all our indomitable collective efforts and actions undertaken over the years.

MACRO-ECONOMIC OVERVIEW

We are inclined to believe that a sound knowledge and understanding of the macro-economic fundamentals is an essential prerequisite for strategy formulation, policy planning and business focus within the enterprise. Consequently, we have understood that the continuous movement of broad macro-economic variables has become a reality in organizational life and an integral part of the curriculum of practical business operations and management. This is equally true for ventures in mature developed countries as well as for organizations in developing countries, such as ours. The economy has a bearing on the decisions made by investors such as your selves, and on manufacturers, traders and all other stakeholders involved in the ecosystem. The effects of the macro economy on business are very often the difference between the growth and profitability on the one hand and stagnation or failure on the other. Hence, as reiterated in my messages in the previous years, we continue to focus on having a thorough understanding of economic headwinds and the manner in which the economic fundamentals are managed by the authorities, due to the implications these have on your business and the bearing they have on our own decision making in order to remain competitive and succeed in the market place.

It was reassuring to note that the Sri Lankan economy showed resilience and rebounded to report a resounding GDP growth of 7.3% for the year 2013, putting the country back on a higher growth trajectory, despite a trifling set back noted in 2012 on account of a global economic slowdown. This has laid claim to a justifiable growth forecast of 8.3% to be achieved by 2016 which has arisen from a sustainable economic growth model. The Government's ambitious plans for economic growth in the medium term with targets of 7.8%, 8.2% and 8.3% respectively, for the years 2014, 2015 and 2016 augur well for the Company's continued growth and profitability. We consider the projected growth forecasts and outlook for the economy to be positive and consider these economic trends as being critically important as they set the stage for all future economic activity and form an integral part of the Company's strategy formulation. Further economic indicators such as consumption, investment, public spending and net exports in the country are key drivers of all your Company's business engagements. One of the most noteworthy features of the economy is the incessant growth of Per Capita Income over the last five years. It is the key economic indicator which has a direct bearing on the growth of our business portfolio which consists of services, alternative energy, real estate development, leisure and hospitality. The Per Capita Income which was only US$ 2,057 in the year 2009 has increased over time and was reported at US$ 3,282 in 2013. This is an outcome of sustained economic growth and is indicative of improved living standards arising from more disposable income in the hands of the average Sri Lankan consumer. This will have a positive outcome on your business, succeeding and maintaining growth momentum and profitability over the medium term.

CHAIRMAN / GROUP CEO'S MESSAGE

In progressing towards US$ 4,085 per Capita Income levels by 2016 the country moves from being a lower middle income country to an upper middle income country, opening new vistas for our operations especially in penetrating into well over 3.5 million households with Liquefied Petroleum Gas (LPG) for their domestic energy needs. It is an inexorable consequence since people will have the capacity and access to more goods and services, including enhanced purchasing power to use cleaner and efficient sources of energy for basic needs such as domestic cooking.

The ratio of Investment to GDP is a vital necessity for economic growth and as a country we were able to maintain this ratio at a respectable 30% in the years 2012 and 2013. The higher growth we envisage in the future requires this ratio to be improved further, yet the prospects of achieving a higher ratio would be challenging given that the Investment to GDP ratio has remained at comparatively low levels for almost three decades despite the improvements noted over the past two years. The ability to attract investments into the country remains positive with Foreign Direct Investment being in the range of US$ 1.3 billion in the year 2013, and the Government targeting to achieve US$ 2.5 billion in 2014. This will lead to further improving investor confidence and economic prosperity. Restricting headline inflation to a single digit for over 60 months with core inflation being at its lowest in December 2013, is indeed noteworthy and commendable. The low inflationary regime would stimulate demand for the products and services we offer as a result of increased disposable income levels among the average citizen, a welcome signal for any enterprise. The confidence of the authorities in upholding a low inflationary regime in the medium term, make us buoyant about further reinvesting in our portfolio to ensure growth and increase shareholder value.

The growth rates of the Electricity, Gas and Water sector, Construction sector and Hotels and Restaurants sector were the highest recorded for the year 2013 being 11.2%, 10% and 13.6% respectively. These are the very sectors that your Company is engaged with in carrying out its business activities. As we have stated previously, the corporate strategy we engaged is one of conglomerate diversification, and has been relentlessly pursued in the growth sectors of the economy through meticulous scanning of the external environment. From the point of view of the private sector, the growth in the above mentioned sectors would have been more aggressive had it not been for private sector credit growth being restricted to a minimum of 8% in 2013, compared to an encouraging 17.6% in 2012. We believe that the deceleration of the credit growth in the private sector impacts investor sentiment and appetite for investment negatively. Since private sector credit growth is sensitive to investment and growth, it has to be on an equilibrium to offset any adverse effects of higher growth of private sector credit whilst encouraging non-state commercial enterprises for investment. However, it is comforting to note that the authorities have planned for an expansion of private sector credit growth at a rate of 16% by the end of 2014 as indicated in the Central Bank's "Road Map 2014".

Your Company is always vigilant on the interest and exchange rates as they have a direct impact on all its operations. It is observed, that market interest rates declined by 61-452 bps whilst policy rates reduced by 100 bps in the year 2013, which is considered a movement in the right direction. The market interest scenario is likely to be positive in the medium to long term in the back drop of well-managed levels of inflation. As far as the exchange rates are concerned, key interventions by authorities has resulted in a required decline in imports. It is projected that the Current Account Balance will improve from –3.9% of GDP in 2013 to 0.1% in 2016 along with the Trade Balance which is also expected to improve from –12.8% in 2013 to -8.4% in 2016. The foreign capital inflows from a number of sources, namely Foreign Direct Investments, Portfolio Investments, Project Loans, Sale of Government Securities, Grants and Borrowings are projected to remain positive in the short to medium term.

The favourable movements in Trade and Current Account Balances, together with the realization of Capital Inflows, would improve the Balance of Payment position further and will strengthen the Sri Lankan Rupee, hopefully stabilizing Exchange Rates. The stabilization of Exchange Rates will minimize the recurrence of heavy exchange losses to your Company as experienced in early 2012, as a result of the unavoidable intervention by Central Bank.

Overall, your Company remains confident of the positive impacts the macro-economic fundamentals will have on its businesses and it remains hopeful that the authorities would address key concerns such as the debt to GDP ratio and bridging of the funding gap with foreign borrowing. Finally, it is promising to note that our economy has now transformed from the position of a "Vicious Cycle" to a "Virtuous Cycle" creating the right environment for growth and prosperity.

SECTORIAL REVIEW

Under the sector reviews, I intend outlining broadly, the industry dynamics of each of the sectors your Company is present in and there by provide you with greater insight into the external environment pertaining to each sector. The Group Managing Director in his message, has taken this discussion forward to apprise you of the performance of each subsidiary against the performance of the respective sector.

The global health community has largely overlooked the health implications associated with indoor air pollution. In the year 2000, 1.6 million avoidable deaths were attributed to indoor air pollution; by 2009 the number increased to 2 million and currently it is estimated to be in the region of 2.2 million deaths annually. Nearly all these deaths occur in low and lower middle income countries including, Sri Lanka. We are not better than other low and lower middle income countries as a large majority of households use solid fuels for their domestic cooking purposes.

> ***The global LPG industry is in the midst of a profound structural change as new sources of supply compete for market share.***

Liquefied Petroleum Gas (LPG)

As indicated in my message last year, the global LPG industry is in the midst of a profound structural change as new sources of supply compete for market share. The rapid change in the energy markets, emerging new technologies and geo-political shifts are reshaping the competitive landscape of the energy industry. In the backdrop of these exciting and unprecedented developments, your Company recognized the vital necessity to recalibrate its strategies and has already embarked on doing so, as discussed in the ensuing Sector discussions that follow in this Report.

Global LPG production reached 274 million tons in the year 2012 with production being 3% higher than in 2011. The global industry continues to be largely driven by residential and commercial demand which remains stable and accounts for approximately 44.4% of total LPG consumption.

It is common knowledge that LPG is a portable, clean and efficient source of energy which is readily available to consumers across the globe. At present, it has more than 1000 applications as a clean energy solution which emits 50% less carbon dioxide than coal and 20% less than heating oil, making it an ideal source of energy for heating solutions and domestic cooking. The most striking characteristic of LPG is its contribution to the improvement of both indoor and outdoor air quality by substantially reducing pollutants which are hazardous to health such as Sulphur Oxides (SOx) and Nitrogen Oxides (NOx) and Particulate Matter.

Switching from solid fuels to modern fuels could bring about the largest reductions in exposure to indoor air pollution. The best option among modern fuels is considered to be LPG due to there being ample reserves, reliability of supply, safety and familiarity with the use of it. It was in these circumstances the World LPG Association (WLPGA) launched the trailblazing initiative “Cooking for Life” to save precious lives from the effects of indoor pollution caused by the use of solid fuels by converting them to be users of LPG.

The governments of several low and lower middle income countries have recognized the importance of “Cooking for Life”, prompting a revolution in energy use. This has involved a massive shift from cooking with fuel wood to LPG. According to the Vision for the Future by the International Energy Agency, nearly half a billion people will make the switch by 2015 with another three quarter billion joining by the year 2030. LPG is effective from the point of view of the users since it is more energy concentrated; the annual per capita weight it requires for cooking is only 36kg, as opposed to 400kg of fuel wood. LPG cooks more efficiently, transferring 60% of its energy content to the pot, compared to 10-20% for fuel woods. Unlike fuel wood, LPG fire is easily turned on and off. Instead of emitting choking smoke, its exhaust is problem free for indoor use. In the case of traditional cooking, fuel wood comes out poorly against LPG, both on carbon emission and deforestation. Even in the fastest tree growing areas of the tropics, it takes forests more than 60 years to regenerate after a harvest. The regrowth takes at least a decade longer in temperate zones.

CHAIRMAN / GROUP CEO'S MESSAGE

As an organization closely engaged with the LPG industry, we felt the seriousness of the implications and this was precisely why I reiterated in my message last year the necessity to educate the decision makers of the state with effective consistent communication. We must present rigorous evidence-based information and analysis, further validated by eminent non-industry experts from academia, state and international organizations in order to convince them of the urgent necessity to recognize LPG as the preferred choice of energy resource for all purposes.

Natural Gas in the form of Shale Gas and Tight Oil – which is providing abundant and affordable energy, paving the way to rapid economic growth in the years ahead. The Shale Gas revolution has the potential to influence not only the Natural Gas market but also the energy mix of the world.

Shale Gas is increasingly boosting the production of LPG which is one of the by-products of Natural Gas Liquids (NGL). The projections for NGL production in the United States (US) has been increasing continuously since 2008. Along with a slide in domestic prices, the US has become a net LPG exporting country and the volume of exports is expected to continue to increase steadily. Already there had been active procurement from the US by large establishments engaged with LPG in Japan and South Korea, enabling both diversification of supply sources and potential changes in the pricing mechanisms challenging the dynamics of Saudi-Aramco Contract Price. The influence of LPG exporting countries in the Middle East can be lessened gradually with the supplies to Asia from US sources increasing, and Asian countries including Sri Lanka will be able to strengthen their bargaining power towards their traditional suppliers.

> *The Shale Gas revolution has the potential to influence not only the Natural Gas market but also the energy mix of the world.*

Although we seriously lag behind in educating and promoting LPG in our country, there were two landmark deeds executed globally in the year 2013. The first was the acceptance and inclusion by Heads of State of G20 Nations, the"Natural Gas Liquids" as energy sector priorities. With this, finally LPG too bounced back to the forefront of the energy investment and infrastructure policy coordination of G20 and thereby, the world economy. Secondly, the persistent and admirable effort undertaken by WLPGA to position LPG as a global development priority bore fruit in October 2013, with the joint declaration made by United Nations Sustainable Energy for All and WLPGA. The declaration made a commitment to accelerate the access to LPG for cooking for one billion people by 2030.

One of the major impediments to promoting LPG in a developing country such as ours is the affordability factor among the average consumer. It has to be purchased along with the cylinder initially and even the subsequent replacement cost of LPG may not be within the reach of most prospective consumers. The global LPG price is a factor of crude oil and natural gas prices, inventories, refinery and gas plant production, weather and demand for petro chemicals and is finally reflected in the Saudi-Aramco Contract Price, commonly described as CP. The CP has a direct bearing on the pricing formula adopted in the Sri Lankan market. However, the forces that interplay in the global pricing mechanism of LPG, are on the brink of a radical change with the unconventional revolution –

Having said that, we cannot be very optimistic in the short term since obtaining US Natural Gas and LPG exports is not as easy as flipping a switch according to experts and industry observers. Especially for Natural Gas, neither the infrastructure nor the international markets have evolved to a stage where the US can step in and provide the kind of energy supplies that would quickly change market dynamics.

Leisure and Tourism

Your Company's entry into the leisure and tourism sector was a premeditated strategic decision. The primary rationale for entry, as stated before, was the pursuance of a corporate strategy to diversify into growth sectors of the economy, reinforced in the context of the Government's ambitious Tourism Master plan, the natural attributes of the destination and finally the potential long term returns with considerable capital appreciation.

We have planned for a chain of hotels under LAUGFS Leisure Ltd, branded as "Anantaya", the first of which is an iconic hotel property of 87 rooms at Bangadeniya, Chilaw, ceremonially opened by His Excellency the President of Sri Lanka on 15 February 2014.

We have planned for a chain of hotels under LAUGFS Leisure Ltd, branded as "Anantaya", the first of which is an iconic hotel property of 87 rooms at Bangadeniya, Chilaw, ceremonially opened by His Excellency the President of Sri Lanka on 15 February 2014. Two more hotel properties are earmarked in the short to medium term, and will be located at Passikudah on the East Coast and at Wadduwa on the South Western Coast. Construction has already commenced in Passikudah and is progressing well, on schedule, whilst designs have been completed for a 250-roomed Resort and Spa at Wadduwa, the probable flagship of the Sector.

We were spurred on towards greater success by the encouraging trends of growth globally as well as locally in the Leisure and Tourism Industry. This industry has experienced continued expansion and diversification, becoming one of the most rapidly developing industries in the world. The number of tourists has consistently increased over the past year, notwithstanding the difficult economic conditions and shrinking budgets. According to the United Nations World Tourism Organization (UNWTO), despite occasional shocks, international tourist arrivals had virtually uninterrupted growth – from 277 million in 1980 to 529 million in 1995, 1035 million in 2012 and 1087 million in 2013. UNWTO observes that international tourism results were above expectations by any standards amidst lingering economic and geopolitical challenges.

The research information available at World Travel and Tourism Council indicates that the direct contribution by tourism to global GDP is set to grow by 4.4% on average per year over the next 10 years, outpacing the growth in the wider economy and other industries, notably retail and public services. By 2023, it is anticipated that the economic contribution by tourism to world GDP will rise to US$ 10.5 trillion, create almost 340 million jobs, make over US$ 1.3 trillion in investment and bring around US$ 2 trillion in exports. The global employment forecast of the sector is to increase by over 70 million jobs over the next decade and strikingly, two-thirds of these will be created in Asia.

In terms of local developments in the Tourism and Leisure Sector, the 5+1 hub strategy contained in the "Mahinda Chinthana Vision for the Future", envisions an increase of tourists' arrivals to 2.5 million by the year 2016, with earnings to reach US$ 3.1 billion by that time. It is comforting that we are well on course to reach the targets with tourists' arrivals reaching 1,274,593 in 2013, with an increase of 12.5% over last year. It is a positive sign that tourists arrivals from non-traditional markets such as China and Russia increased significantly whilst Western Europe remained the foremost source of high value tourists.

Both global and local indicators on the Leisure and Tourism Sector point towards encouraging positive growth over the years to come, and your subsidiary in the Sector, LAUGFS Leisure Ltd, is expected to yield impressive results in the medium to long term and add further value to your investments.

Vehicle Emission Testing Services

The subsidiary engaged with Vehicle Emission Testing Services on behalf of the Government of Sri Lanka, LAUGFS Eco Sri (Pvt) Ltd, entered into agreement with the Government of Sri Lanka on 26 July 2007 and commenced operations in November 2007 with the initial implementation only in the Western Province. From 2013, the Company operates islandwide with 72 fixed centres and 124 mobile locations throughout the country.

Vehicle exhaust emissions are a grave problem in our country and a major contributory factor towards serious ambient air quality issues. Almost all vehicles in the country are fuelled by either diesel or petrol except for the insignificant number of vehicles operating on auto gas. Vehicles burning traditional fuel emit carbon dioxide, carbon monoxide, particles and unburned hydrocarbons leading to substantial air pollution.

The air quality levels are measured in terms of PM 10 levels. The annual averages of ambient PM 10 level in Colombo over the years remained relatively high within 60-82 mg/3µ with a slightly decreasing trend noted from 1998 to 2011. The worst recorded during the last one and half decades was in 2001. A sharp decrease was observed in 2009, and a declining trend was witnessed but at a slightly higher level than in 2009. The implementation of the vehicle emission testing programme would have certainly contributed to improve the air quality though it is still higher than the WHO guidelines of 50mg/3µ.

CHAIRMAN / GROUP CEO'S MESSAGE

Although satisfactory outcomes are clearly visible, we believe very much more has to be done to rigorously implement the programme. In the meantime we believe the authorities are revisiting existing policies and may announce changes/ amendments to policy decisions in time to come.

Mini Hydro Power

LAUGFS Power Ltd, the fully owned Subsidiary of your Company, is engaged currently in the development of a Mini Hydro project at Ranmudu Oya in Balangoda. Phase One of this project generates 0.5 MW. The second phase of the project is expected to generate a further 0.5 MW. It is indeed with a great sense of pride, I inform you that Phase One, generating 0.5 MW at Ranmudu Oya, Balangoda, was connected to the National Grid in March 2014. The plans are also under way to commence construction of Phase Two within the next few months. The Company would initiate action to conduct feasibility studies towards making further investments, if possible in the sector, in view of the potential that exists in mini hydro power generation as enumerated in the ensuing paragraphs.

In Sri Lanka, most of the major hydro power potential has already been developed and is delivering valuable low cost electricity to the country. The generation of hydro-electricity has played a pivotal role in power generation in Sri Lanka, since the commissioning of the first hydro power plant in 1950. In fact, up until the mid-1990s, the largest share of electricity generation originated from the major hydro power development projects. Quite apart from the major hydro power projects, the development of the Mini Hydro Power Sector in Sri Lanka is widely considered to be a success story. The Mini Hydro Power Industry is typically characterized by hydro power projects with capacities less than 10 MW. It is assessed that the economically viable Mini Hydro Power potential in Sri Lanka would be around 400 MW.

The total availability of power generated in the country as at end of the year 2012 was 3,312 MW, contributed by 1,584 MW from hydro power including Mini Hydro, 1,638 MW from thermal sources and 90 MW from renewable sources such as solar, wind and bio-mass. The Mini Hydro Power industry connected 175-200 MW to the National Grid. A saving of Rs. 10 billion in foreign exchange was estimated for each year in view of mini hydro power generation. Through the facilitation of the private sector, Sri Lanka had 84 mini hydro power plants with potential for a 400 MW to be generated subject to the requisite investments being made.

Real Estate Sector

LAUGFS Property Developers (Pvt) Ltd, yet another fully owned subsidiary of LAUGFS Gas PLC, is engaged in property development. The first project is underway and comprises of a 9 storied commercial building with nearly 80,000 sq ft of space at 101, Maya Avenue, Colombo 5, which is scheduled for completion in 2014. This is yet another Sector with considerable potential for the reasons discussed below and continues to be of interest to your Company.

The market for real estate in the country has shown a favourable growth trend in the aftermath of the war since 2009. There were significant increases in the price levels of all real estate sectors such as bare land, residential housing, commercial space and condominium apartments. According to a paper published by KPMG Colombo, the changing landscape of Sri Lanka's real estate market is likely to go through further change from life style changes taking place currently as more and more buyers opt for apartment style living. Further, with the suburban cities becoming more accessible and equipped with the necessary infrastructure in a growing number of districts across Sri Lanka, the demand for apartments has increased. A further transformation is also likely to take place in the city of Colombo which is fast becoming a picturesque commercial city with the potential to emerge as a trade hub for South Asia.

The KPMG report further indicates that a number of emerging opportunities could result from the development of Sri Lanka's real estate market for both the institutional segments and for individuals. The recent growth trends have shown increasing activity in the construction industry, housing, property sales and apartment projects. According to this report, individuals are also likely to have benefitted from the increasing prices and continue to invest in tangible real estate assets.

The growth momentum of the real estate sector is increasing on the backdrop of the peace dividend with the cessation of hostilities. The improved communications, connectivity, expansion of private sector credit, and lower interest rate regime make an array of spectacular locations accessible and affordable. The residential and rental markets for high end condominiums appear to look positive with a surge in demand from foreigners and expatriates, considering that property prices in Sri Lanka still remain competitive when compared with neighbouring countries.

The positive environment described above for the Real Estate Sector encourages the Company to increase its exposure to this Sector through further investments in the medium to long term.

CONCLUSION

The dynamics have changed in all the Sectors that we operate in and yet we have remained focused in recalibrating and executing our corporate strategy while our products and services add value to the lives of millions of our consumers.

> ***It is indeed with a great sense of pride that I inform you that Phase One, generating 0.5 MW at Ranmudu Oya, Balangoda, was connected to the National Grid in March 2014.***

We have succeeded in pricing our products and services competitively despite having very complex processes that rank on par with the best in class. Our diversified business operations are based on a model for efficiency and I am very proud to be a part of it.

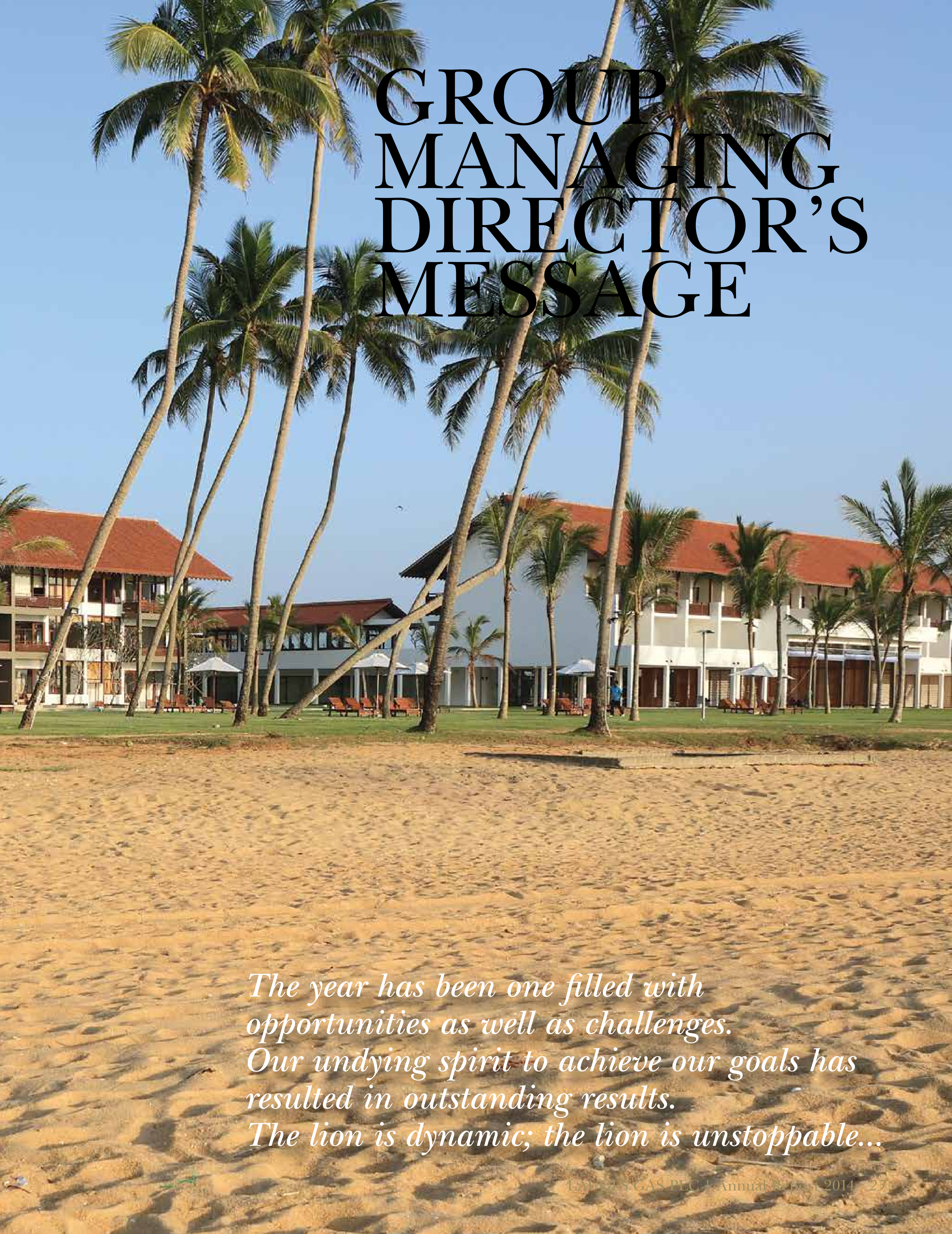
I take this opportunity to express my profound gratitude and sincere thanks to all our stakeholders and the members of the Board of Directoes for their continuous support. I also thank the members of the LAUGFS family, who have delivered an outstanding performance and who have geared themselves in preparing for the challenges that lie ahead. They have helped put the Company on a solid footing towards achieving our strategic milestones, in the wake of the numerous developments taking place in the business landscape.

I thank you, our shareholders, for investments made in the Company and for your unstinted support, confidence and trust placed in us. We look forward to making our operations even more productive and customer centric, to strengthen our position towards being a world class operator in the years to come.

W K H Wegapitiya
Chairman/Group CEO

28 May 2014

U K Thilak De Silva
Group Managing Director



GROUP MANAGING DIRECTOR'S MESSAGE

The year has been one filled with opportunities as well as challenges. Our undying spirit to achieve our goals has resulted in outstanding results. The lion is dynamic; the lion is unstoppable...

GROUP MANAGING DIRECTOR'S MESSAGE

It is my pleasure to extend a warm welcome to all our shareholders at the fourth Annual General Meeting of LAUGFS Gas PLC and must also be thankful for sparing your valuable time and being with us to participate once again enthusiastically, passionately and wholeheartedly at a sprightly meeting to be held this year as well. As you would observe from the Audited Financial Statements for LAUGFS Gas PLC and its Subsidiaries for the financial year ended 31 March 2014, it has proved its resolve to perform and deliver regularly, the results considered beyond expectations. LAUGFS Gas PLC and its Subsidiaries are undeniably on a growth trajectory and it is intrinsically linked to our inspiring growth as a nation, brimming with hope, faith and confidence of our future, having been felt unlocked after living for three decades under the wallop of ruthless terrorism unleashed on us, which choked and stifled our true potential.

You are cognizant of the fact that the LAUGFS Gas PLC Group consists of Sectors involving businesses in LPG Downstream, Vehicle Emission Testing, Leisure and Tourism, Mini Hydro Power Generation and Property Development. Nonetheless, the full scale commercial operations are yet confined to LPG Downstream Operations and Vehicle Emission Testing Services. The commercial operations under Leisure and Tourism commenced, with the grand opening of "Anantaya Resort and Spa" having a 87 roomed unique property at Bangadeniya, Chilaw, on 15 February 2014. The first Mini Hydro Power Plant located at Ranmudu Oya, Balangoda was commissioned and connected to the National Grid during the month of March 2014. The premises at 101, Maya Avenue, Colombo 5, is bustling with hive of activity to complete the 9 storied structure on it, during 2014, since around 80,000 sq ft of commercial space will be made available once completed, either to be occupied by us or to rent it out to prospective tenants. Consequently, the Operational Results reflected in the Audited Financial Statements for the year ended 31 March 2014 are practically concerning the operations of LPG Downstream and Vehicle Emission Testing, though commencing from next financial year the reporting shall include the operations of the Hotel and the Mini Hydro Power Plant of 0.5 MW, in their challenging first year.

The Revenue of LAUGFS Gas PLC increased to Rs. 10,660 million from Rs. 9,705 million last year. The Gross Profit had an impressive growth, recording Rs. 1,724 million in the current financial year and it was Rs. 1,083 million in the previous year.

The Chairman in his message drew on the highlights from the Group Audited Consolidated Financial Statements for the financial year ended 31 March 2014 and I intend in my message to focus on the financial performance of our core business operations of LPG Downstream and the Vehicle Emission Testing Services, being the two active business operations.

The Revenue of LAUGFS Gas PLC increased to Rs. 10,660 million from Rs. 9,705 million last year. The Gross Profit had an impressive growth, recording Rs. 1,724 million in the current financial year and it was Rs. 1,083 million in the previous year. The Selling and Distribution Expenses increased by 43% to Rs. 444 million in the current financial year under review due to increase in spending in the distribution channels directly related to revenue earned and the rest being the expenses usually incurred on the items of sales promotion activities and related services. The Administration Expenses increased by 32% over last year as a result of the regular expansion of business operations year on year. There were no adverse impacts on exchange rate volatilities during the year and the authorities deserve praise and recognition for judicious and inclusive economic management as a result of which, the country was able to keep the rates of exchange reasonably consistent over the year under review. There was an increase recorded in the finance cost from Rs. 5 million last year to Rs. 15 million in the current year, largely due to rise in interest bearing short term loans and borrowings and essentially these were the bank revolving finance facilities obtained for Working Capital purposes, classified under Current Liabilities. The Profit Before Tax for the year ended 31 March 2014, was Rs. 1,664 million and it was a remarkably high growth of 19% when compared to last year. Your Company is currently taxed at a rate of 20% and its Profit After Tax for the period under review was Rs. 1,393 million as against Rs. 1,205 million last year and it was an increase of 16%. According

We focus on adopting the latest technology and continue to invest in our people in order to deliver beyond our customers' expectations.

to the Statement of Comprehensive Income, the Total Comprehensive Income attributable to Equity Holders of the Parent was Rs. 1,375 million as against Rs. 1,184 million last year.

The Company's Total Assets stood at Rs. 11,435 million as at the end of the financial year 2013/14 and it is an increase of 15% over last year. The Company's Net Asset Value was Rs 6,736 million and the Retained Earnings were Rs 3,789 million as at the end of the same period. The Net Cash Flows Generated from Operating Activities were Rs. 1,601 million this year and the respective figure for the last year was Rs. 11 million.

LAUGFS Eco Sri (Pvt) Ltd continued its trend of posting its notable financial performances year on year with its Revenue growing to Rs. 949 million and the extension of the Vehicle Emission Testing Programme, finally into the Northern Province also took place during the financial year under review. All other financial performance indicators of the Company were equally sound when compared with results of the year before.

As you have observed, the two companies that were in commercial operations during the period of the financial year ended 31 March 2014 had delivered splendid results in a year comparatively less volatile with fewer impediments. We are buoyant about and well poised to sustain this momentum even if the future climate of business becomes more perplexing than the year just completed. We understand the expectations of the consumers have risen exponentially, yet the reality of the operations is that the business processes have to begin and end with the consumer. All of us at LAUGFS abide by this key principle. We may have to reiterate that the diversified portfolio of the Group means that we are not overly dependent on any single sector and it ensures that it is admirably positioned over the long term for enduring results to be posted, with commercial operations to be commenced in the rest of the Sectors that the Group is involved with.

GROUP MANAGING DIRECTOR'S MESSAGE

The post war environment created, coupled with skilled human capital available, investments in physical capital, application of technology, discovery of natural resources and improved institutional framework are expected to facilitate Sri Lanka's economic growth in the years ahead.

ENERGY OUTLOOK AND LPG DOWNSTREAM ACTIVITY

The energy demand of Sri Lanka is met basically by two sources i.e.: indigenous primary sources of energy such as Bio Mass, Fuel Wood or Hydro Power and imported primary and secondary sources of energy, namely Crude Oil and Refined Petroleum Products.

The post war environment created, coupled with skilled human capital available, investments in physical capital, application of technology, discovery of natural resources and improved institutional framework are expected to facilitate Sri Lanka's economic growth in the years ahead. It has been established that the energy demand in the country has a correlation to economic growth. Thus, high economic growth projections for the next two years with Per Capita Income to grow beyond US$ 4015 by 2016, the local demand for energy is expected to increase substantially. This growth will drive the energy demand, more prominently in the electricity segment. The country has no potential for Coal and Crude Oil except for Natural Gas and as a result all the fossil fuel demand has to be met through imports. In this perspective, the outlook does not seem to be that positive as the high reliance on oil-fired power coupled with growing international prices, could push the cost of generation of electricity upwards. It is in this context, the report by Asian Development Bank titled "Energy outlook for Asia and the Pacific" emphasized the diversification of sources of electrical power generation in Sri Lanka through building more base load power plants.

In pursuance of this reality, the authorities are in the process of implementation of the remaining phases under Norochcholai Coal Power Plant and finalized the agreement relating to install the second Coal Power Plant at Sampur, Trincomalee, making available a total of 1,400 MW of power requirement from this source, in the future, though there are concerns aired about environmental hazards we may encounter with Coal Power Plants.

It is a breather to note that Cairns (Lanka) has discovered commercial quantities of Natural Gas deposits in two locations at the Mannar Basin, potentially around 3 trillion Cubic Feet and 2 billion Cubic Feet respectively. The quantities of Natural Gas already discovered is said to be sufficient to meet domestic consumption for 20 – 25 years and this could bring about reasonable energy independence and would enhance energy security of the country. However, this is associated with more challenges since two locations where Natural Gas have been discovered are classified as "marginal fields". They are deep and the topography is such that the extraction will be expensive. If sufficient incentives are not available for the prospective investors on this initiative, it will be too tough to realize the benefits envisaged. Despite the challenges posed, it can be rest assured that your Company will be one of the entities that will enter into exploring this source of energy in the future, which would add great value on top of the existing portfolio, apart from it being able to provide affordable source of energy to the Sri Lankan consumer.

All the scenarios just explained are the medium to long term prospectus, yet the priority is as to how we manage the energy requirements of the immediate future. According to the statistical information released for the year 2012, the total availability of electricity generation was 3,312 MW; consisted of 1,584 MW from Hydro, 1,638 MW from Thermal and 90 MW from other renewable sources.

However, according to the Sri Lankan Energy Balance, with respective sources of energy, it is still tilted towards Firewood with 55%, followed by Diesel with 20%, Electricity 10% and other being the rest of sources like Gasoline, LPG and Kerosene. Interestingly, LPG contribution to the balance is only 2%. If we were to look at from the perspective of the Energy Demand by Sector, Household and Commercial accounts for 48% in which LPG has the highest potential as a source, whilst Industries and Road Transport account for 25% and 27% respectively. Once again it is dismayed to note that the LPG still contributes with mere 4% to the energy needs of the Household and Commercial Sectors and 78% is still contributed by Firewood which has an enormous impact on domestic air pollution causing thousands of casualties annually as cited by Chairman in his Message. Apart from Household and Commercial Segments, there is a tremendous potential for LPG even in the Industrial and Road Transport Segments.

The foregoing account apprises you of the colossal potential of LPG as a source of Energy, not only to meet the demand of Household and Commercial Segments with a cleaner and efficient medium but also to satisfy the demand of Industrial and Road Transport Segments. The following tables indicate that the inroads made by LPG were slow and steady but quite disproportionate to its vast potential.

Table 1: Demand for Different Petroleum Products

Source (Kt)	2010	2011	2012
LPG	187.5	171.8	222.7
Naptha	54.1	46.3	61.9
Gasoline	616.5	709.4	750.6
Kerosine	165.1	168.9	142.8
Auto Diesel	1696.8	1942.8	1968.4
Super Diesel	12.2	15.5	22.1
Furnace Oil	994.5	1090.0	1186.0
Total	3726.7	4144.7	4354.5

Source - Sri Lanka Sustainable Energy Authority - 2012

Table 2: Demand for LPG by Sector

Source (Kt)	2010	2011	2012
Household/ Commercial	159.8	173.3	193.0
Industries	24.8	24.8	28.3
Transport	0.1	0.1	1.4
Total	184.8	198.2	222.7

Source - Sri Lanka Sustainable Energy Authority - 2012

The information above amply demonstrate as a country how far we lag behind with the potential for LPG and as emphasized in the Chairman's Message last year and as well as this year the stakeholders must educate the policy makers and other influential elements for common initiative to encourage the usage of LPG as done by countries like Indonesia, Thailand and even India, but without resorting to subsidies which could be detrimental in the long run and since it is in conflict with market friendly economic policies which has come to stay in our country from 1977 despite change of Governments.

LEISURE AND TOURISM SECTOR OUTLOOK

Your Company's fully owned Subsidiary LAUGFS Leisure Ltd, had already made substantial inroads into the vivacious Leisure and Tourism Sector of the economy, with its first and unique 87 roomed "Anantaya Resort and Spa" at Chilaw and two more exhilarating properties to come up in the medium term at Passikudah and Wadduwa.

The outlook for this Sector in our country appears to be brighter with the whole of Asia said to be leading the way in World Tourism. The experts are of the view that the growth of low cost carriers, booming middle class and increase in online bookings are just three attributes working for Sri Lanka and for the whole region, but these guests will likely to opt for the more "localized" experience and industry players are expected to raise the bar on the service front.

The Tourism Master Plan by the Government targets 2.5 million tourists, 2.75 billion USD earnings and 45,000 rooms by the end of the year 2016. The major target markets were to be India, China, Russia and the traditional Western European Region. At the moment, this Sector employs 163,000 personnel both direct and indirect and it is expected to grow up to 600,000 by 2016 but there are palpable concerns expressed about making the required human capital available since we still do not possess sufficient high caliber institutions to produce the skills needed by the industry.

With regard to the achievements in the Sector, Sri Lanka Tourism attracted 1,274,593 tourists for the year ended 2013, an all-time high, indicating that we are fairly on track to accomplish the target of 2.5 million by the end of the year 2016. This is an increase of 12.5% over the year 2012, in which we had 1,005,605 arrivals. As per the latest statistics available in the report by Sri Lanka Tourism Development Authority (SLTDA) the foreign exchange earnings increased substantially by 44.1% from Rs. 91,926 million (US$ 838.9 million) in 2011 to Rs. 132,427 million (US$ 1038.3 million) in 2012. The foreign exchange receipt per tourist per day increased from US$ 98 to US$ 103 in the year 2012. The SLTDA Annual Report for the year 2012 indicates that due to increase in tourist arrivals, Tourism was able to upgrade its rank as the 5th largest source of foreign exchange earner of the National Economy in 2012. Those ranked above were Textile and Garments, Tea, Transportation and Worker Remittances.

GROUP MANAGING DIRECTOR'S MESSAGE

According to the same SLTDA Annual Report, Asia remained as the main source of Tourism in the year 2012 accounting for 37.8% of the share. Western Europe was the second source with 37.1% of the share. The other contributory markets were Eastern Europe 7.2%, Middle East 5.6% and North America 5.9% each. It is interesting to note very much that India continued to be the leading market for us amounting to 176,340 arrivals in the year 2012 and it was 17.5% of the total traffic in that year. The SLTDA Report further adds on to specify that the average duration of the stay remained as 10 nights in the year 2012 as was recorded in 2011. The room capacity in tourist hotels (graded establishments) increased by 857 rooms, from 14,653 in 2011 to 15,510 in 2012. The Room Occupancy Rates however, of graded accommodation decreased to 71.2% in 2012 as compared to 77.1% in the year 2011. The total foreign guest nights recorded in graded accommodation increased slightly, 0.5% from 5,011,480 in 2011 to 5,038,066 in 2012.

According to the information available by early 2012, there had been a total of 66 projects and envisaged 3,707 Room Count with an estimated investment of US$ 414 million. Out of the total Room Count it was reported to be 131 – two star, 939 – three star, 1283 – four star and 849 – five star rooms.

Given the existing Sri Lankan Tourism Scenario, there seems to be an over-supply of high end hotels. This trend seems to be emanated from the visitors looking for economical and better value propositions. Therefore, it is expected that most of the growth will occur in the short-term in the category of value proposition, until the destination matures. While infrastructure development such as road network is taking place, many other peripheral tourism infrastructure development aspects such as domestic air travel, tourist entertainment facilities, shopping arcades have to be in place before the destination can really attract the high-end and discerning tourists.

In this backdrop, the LAUGFS strategy for the Leisure Sector is to develop and commission a chain of good 4 star plus hotel properties around 80 – 250 rooms each, in popular destinations which could be considered value propositions in true sense. In this manner, the Company will build up a good hotel base in a category with minimum risks. In operating these properties, LAUGFS Leisure Ltd will build and develop a professional hotel operations arm.

RENEWABLE ENERGY SOURCES AND MINI-HYDRO POWER OUTLOOK

The Renewable Energy is a form of energy resource that is replaced by a natural process at a rate that is equal to or faster than the rate at which that resource is being consumed. We have in our country 4 major renewable energy sources; namely Hydro, Wind, Solar and Bio-Mass. As far as the Hydro Power is concerned there are two segments within the source called Major and Mini Hydro Power. The Major Hydro Power is also termed as Conventional Hydro Power. Conventional Hydro Power generation schemes have been in existence for a considerable period of time in our country. The Major Hydro or Conventional Hydro Power, according to the reports by Sri Lanka Sustainable Energy Authority, has been exhausted already to the maximum potential. There had been no increase in the installed capacity of this source since early 1990's except in the case of late 2000's. However, increasing demand for electricity with industrial and commercial development in the country, compelled to resort to sources such as Thermal Power since conventional Hydro Power potential was not sufficient to meet the surge in demand.

The Non-Conventional Hydro is the term that refers to the small scale, grid connected hydro resources that were not tapped conventionally and it is also called Mini Hydro Power. Over the last 15 years, it has added around 180 – 200 MW to the National Grid and it is a 4% contribution to the total available capacity. It has been assessed the total potential of Non-Conventional Hydro Power is around 400 MW. Thus, there is a huge potential for Non-Conventional Hydro Power in our country and we consider your Company's fully owned subsidiary LAUGFS Power Ltd's entry into the Sector has come in the most appropriate juncture. It is intended to fast track the Phase Two of the Ranmudu oya project of LAUGFS Power Ltd to generate 0.5 MW.

OUTLOOK - REAL ESTATE DEVELOPMENT

The LAUGFS Property Developers (Pvt) Ltd is the fully owned Subsidiary of your Company engaged with the Real Estate Sector. Initially its operations were intended to develop the company-owned extent of land of almost 50 perches at 101, Maya Avenue, Colombo 05, as a Serviced Apartment complex. However, after an in-depth study undertaken by the Company, a decision was taken to make a strategic shift to change the decision to develop it as a commercial property.

This property was an ideal location for Commercial Space instead of a Service Apartment as planned initially since it is located within the Colombo Municipal Council limits, having a pleasant environment and also since the area is quite uncongested. The particular area is generally considered Commercial as well as a Residential area. The site is located 5.5 Km from the main city centre of Colombo and it is only about 15-20 minutes' drive to the city centre even in the height of traffic hours.

The building complex is of approximately 80,000 sq ft, consisting of a basement and ground floor allocated for vehicle parks. The total vehicle parking area shall be sufficient for 50 vehicles at any given time. There are separate ramps for the basement and the ground floor. Apart from the basics as explained above, the commercial building complex is equipped with all the modern state-of-the-art facilities typically the air-conditioning, security, elevators, 24-hour standby power, water, toilets and modern fire alarms.

According to a report by Research Intelligence Unit (RIU), on Real Estate Market Overview, availability of all these features are unofficially considered as Grade "A" Commercial Office Space, even though there is no formal system of classification for the Real Estate Sector. According to this RIU report, the high-end Grade "A" office space is considered to be recently built properties, attractively located with good standard of maintenance coupled with other prestige related factors and the ample parking space availability.

This type of high-end segment of the market is generally targeted towards the upmarket customers both local and overseas. It also can accrue rentals well above the prevailing average rates in the market. The RIU research report on Real Estate Commercial Property Segment had revealed, out of all the top end property complexes in the city of Colombo, most of them had 100% occupancy level and always over 70%. One of the most notable revelations in the RIU report was that the owners of large commercial complexes did not have much problem of occupancy since the owners are sizable conglomerates having large divisions, paving the way to occupy the premises by themselves, saving quite a large sum of expenses that would otherwise have funnelled out as expensive rentals.

As regards the price levels, in general it was observed that the market has enjoyed exceptional price hikes as cited by RIU, for the last 2 – 3 years. Their report for the year 2009 refers to high end square foot price in the Colombo 03 area was around Rs. 70 – 120 in the year 2007. With the escalations identified, we are of the opinion that the square foot prices have certainly gone well beyond those indicators by the year 2014.

The foregoing account of the Commercial Space Segment of the Real Estate Market, copiously demonstrate that your Company's strategic decision to change the course of direction in property development was definitely prudent in the circumstances. The property at 101, Maya Avenue, Colombo 5 is expected to be completed during 2014 and would be ready for occupancy.

CONCLUSION

Our passionate shareholders, invested in LAUGFS Gas PLC, would certainly have observed, the choices we have made, the meticulous execution of them, the key metrics used to manage the risks associated with and finally the results delivered from the Annual Report presented. You will definitely see those aspects, reinforced in the years ahead.

Thanks to the members of our team, we are ready for the future and in a contended disposition with great temperament to execute our strategies. We seek solutions to our customers and we are a "WE" company and know that strong teams with great people outperform individuals. Ours, as you know is a culture-driven company which is considered unique and it is a family bond, interlaced with the entire fabric of our organization.

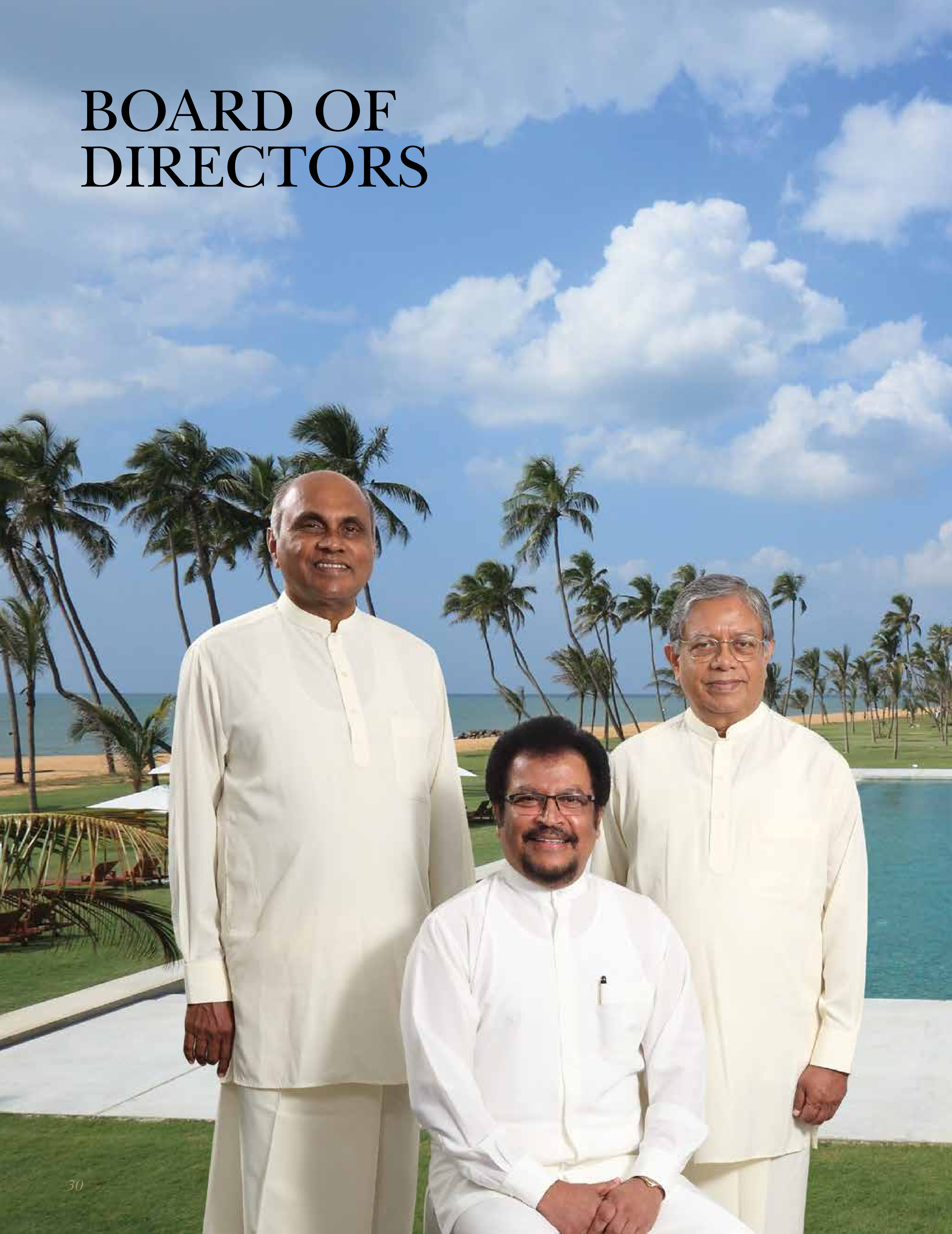
We started with this culture, the foundation for our successful enterprise and it was the culture that inspires our people to improve every day. Our team is mission based to empower and satisfy constantly the customers, whilst adding value to your investment.

I want to end by paying tribute to everyone here at "LAUGFS" including the Chairman and the Board of Directors. This has been another truly demanding year and the team members have dedicated themselves their jobs in a manner that I find humbling. I am proud of the talent and the terrific spirit of determination to improve. I thank you; our shareholders for your valuable investments made in the Company and your confidence placed with us and shall conclude with the hope to meet you at the next Annual General Meeting with even more sensational results.

U K Thilak De Silva
Group Managing Director

28 May 2014

BOARD OF DIRECTORS



Left to Right:
C L De Alwis
U K Thilak De Silva (Group Managing Director)
T K Bandaranayake
H A Ariyaratne
W K H Wegapitiya (Chairman/Group CEO)
P M Kumarasinghe PC

BOARD OF DIRECTORS

W K H Wegapitiya

Chairman/Group CEO

Mr. W K H Wegapitiya is the founder Chairman and the Group Chief Executive Officer of LAUGFS Gas PLC and also its parent LAUGFS Holdings Ltd, one of the highly diversified conglomerates in the country having its operations in a very wide business landscape, stretched in a spectrum of downstream operations of LPG, Petroleum Fuel distribution & sale, import, distribution and sale of Lubricants, Heavy Engineering, Vehicle Emission Testing, Leisure and Hospitality, Consumer Retail & Restaurant chains, Property Development, manufacture of Salt and Salt Based Chemicals, manufacture and export of Industrial Solid Tires, Financial Services and Higher Education.

He entered the Sri Jayawardenepura University after his secondary education and graduated with a Bachelor of Science in Business Administration special degree. He is also a holder of a Master of Business Administration (MBA) degree from the Postgraduate Institute of Management affiliated to Sri Jayawardenepura University. He was awarded the Certificate on Energy Management from the Oxford University, England in the year 2000.

Mr. Wegapitiya embarked on his entrepreneurial journey, soon after he left his brief employment at, the then Ceylon Shipping Corporation, with the setting up of a freight forwarding company in the name of Freight Masters (Pvt) Ltd, in the year 1990. His engagement with import / export trade opened new vistas and initiated a novel and pioneering project in Sri Lanka with few of his colleagues to introduce Liquefied Petroleum Gas (LPG) as an alternative fuel to Petroleum Fuel driven automobiles. This proved to be an outstanding success and led the foundation to enter into LPG downstream activity of import, storage, distribution and sale of LPG which was dominated then, by a very strong and formidable multi- national in the global energy sector.

The visionary leadership, remarkable entrepreneurship and his extraordinary personal traits to withstand and overcome all adversities thrown on his way, enable him to succeed in all his endeavours to create the business conglomerate "LAUGFS", during a comparatively shorter period of time.

The success of Mr. Wegapitiya's entrepreneurial journey has been recognized both locally and internationally. He was conferred "National Gold" award for Entrepreneurship in the year 2005 and he was adjudged as the "Entrepreneur of Year" in 2006 with the prestigious platinum award by the Federation of Chamber of Commerce and Industry in Sri Lanka. In the year 2007, he was awarded with "Asian Leadership for Excellence in Entrepreneurship" by the Asian Leadership Organization located in Mumbai, India. He was adjudged as the "Entrepreneur of the Year 2012" at the Asia Pacific Entrepreneurship Awards. He is a frequent speaker, presenter and a panelist on "Business Excellence", "Leadership" and "Entrepreneurship" organized by variety of organizations. He is a well-known personality in the global LPG and energy circles and also a regular participant and a speaker in international forums on LPG and Energy Management.

He is a member of the Board of Directors of the Sri Lanka Accounting and Auditing Standards Monitoring Board, Federation of Chambers of Commerce and Industry and a Committee Member of the Ceylon Chamber of Commerce. Mr. Wegapitiya is also a Member of the National Pay Commission and a Council Member of the University of Sri Jayawardenepura. Mr. Wegapitiya is a long standing member of Chamber of Young Lankan Entrepreneurs and also one of its past presidents.

U K Thilak De Silva

Group Managing Director

Mr. Thilak De Silva has been the Group Managing Director of LAUGFS Gas PLC from its inception in 2001 and its parent, highly diversified conglomerate LAUGFS Holdings Ltd since 1995. Mr. De Silva is also the Managing Director of all Subsidiaries of the LAUGFS Group, engaged with downstream operations of LPG, Petroleum Fuel distribution & sale, import, distribution and sale of Lubricants, Heavy Engineering, Vehicle Emission Testing, Leisure and Hospitality, Consumer Retail & Restaurant chains, Property Development, manufacture of Salt and Salt Based Chemicals, manufacture and export of Industrial Solid Tires, Financial Services and Higher Education. He was instrumental along with Mr. Wegapitiya, the Chairman in the phenomenal growth of "LAUGFS" over the years and his untiring efforts, store-house of business and industry knowledge, and amazing charisma made an indelible imprint of the story of growth of the Group.

Mr. De Silva hails from a widely known, well respected family of business from the Southern Sri Lanka having had its lucrative business operations both in South and in Central highlands. After his secondary education, he left to the United Kingdom for his higher studies in the spheres of engineering technology and business management. Having qualified from prestigious institutions in London in both disciplines, returned to Sri Lanka to take up the position as one of the executive directors in the family business.

In the year 1995 however, he had to leave the business in the hands of the rest of the competent members of the family to join with his colleagues to commence the ground breaking initiative of "LAUGFS" to convert the vehicles driven by traditional petroleum fuels in to liquefied petroleum gas driven automobiles. This initiative proved to be a startling success and became the turning point that laid the foundation to create one of the largest business conglomerates in the country, having an annual turnover exceeding Rs. 20 billion.

Mr. De Silva had been a participant of a number of entrepreneur and management development programmes both local and overseas and was a recipient of the scholarship from the Association for Overseas Technical (AOTS) programme in Japan 2003. He is a regular participant in many LPG business forums conducted at various parts of the world over the years and widely connected with the industry personalities in the energy sector.

H A Ariyaratne

*Director**

Mr. Ariyaratne is a First Class Honours Science Graduate and a well-known banker with over 33 years of experience in the banking industry. He has a wide exposure to Development Banking, Investment Banking, Asset Management, Venture Capital, Corporate Restructuring, etc and served as the Executive Vice President of DFCC Bank in charge of overall lending. Mr. Ariyaratne was the former Chief Executive Officer of Lanka Ventures PLC and has served in Director positions in a few other companies representing Lanka Ventures PLC and DFCC Bank.

Mr. Ariyaratne is the Chairman of the Remuneration Committee of LAUGFS Gas PLC and he is a Director of LAUGFS Holdings Limited, the parent Company of LAUGFS Gas PLC and serves on the Boards of LAUGFS Supermarket (Private) Limited, LAUGFS Capital Limited, LAUGFS Lubricants Limited, LAUGFS Power Limited, LAUGFS Leisure Limited, LAUGFS Engineering (Private) Limited, LAUGFS Corporation (Rubber) Limited in the LAUGFS Group of Companies as well as Kuruwita Textiles Mills PLC and Finagle Lanka (Private) Limited.

BOARD OF DIRECTORS

C L De Alwis

*Director***

Mr. De Alwis is a graduate in Business Management and holds a Diploma in World Affairs. He has wide exposure to the business and corporate sectors. He was appointed to the Board of LAUGFS Gas PLC in September 2010. He is a member of the Audit Committee of LAUGFS Gas PLC.

Mr. De Alwis was instrumental in founding JASTECA (Alumni of AOTS, Japan) and served as its President for 4 years. He received the certificate of commendation from the Association for Overseas Technical Scholarship (AOTS) Japan in 2006, in recognition of his strong leadership and dedication to the network of AOTS Alumni Societies and Economic & Industry Development as well as enhancement of friendly relations between Japan and Sri Lanka. Mr. De Alwis is the Vice Patron of the Japan - Sri Lanka Technical Cultural Association and General Secretary of the Sasakawa Memorial Sri Lanka – Japan Cultural Trust. He is the Chairman of the World Network of Friendship Fund affiliated to AOTS Japan.

Mr. De Alwis was the Past President of the Sri Lanka – China Business Cooperation Council. In May 2007, in celebration of the 50th Anniversary of Diplomatic Relations between Sri Lanka and the Peoples' Republic of China, he received a prestigious award from the Government of Chinese Republic in recognition of his role in building friendly relations between the two countries.

Mr. De Alwis was a former President of the National Chamber of Commerce of Sri Lanka. He was the Chairman of Joint Chambers Forum and a Past President and an Honorary Member of the Sri Lanka Institute of Packaging. His services to the Plastic & Rubber Industry and the development of human resources have been recognized by the Plastic & Rubber Institute in United Kingdom, by presenting him with the prestigious Merit Award in 1994.

Mr. De Alwis has served on the Board of Chemanex PLC, of which he became the Managing Director/Chief Executive Officer. He served as the Chairman of the Boards of Directors of Senkadagala Finance PLC, Chemanex Adhesives Limited, Chemanex Exports (Private) Limited and Yasui Lanka (Private) Limited.

Currently Mr. De Alwis serves as a Director of Link Natural Products (Pvt) Ltd. and Ceylon Tapes Ltd. He is a Member of Tertiary & Vocational Education Commission and also a member of the Board of Governors of the University of Vocational Technology.

Palitha M Kumarasinghe PC

*Director***

Mr. Kumarasinghe, a senior legal practitioner and a President's Counsel with over 33 years of experience in Civil, Commercial and Corporate Law, was appointed to the Board of LAUGFS Gas PLC in September 2010 and he is a member of the Audit Committee.

Mr. Kumarasinghe is a leading President's Counsel in Commercial Law and Banking Law and is a standing Legal Counsel for several leading and reputed Commercial, Specialized and Merchant Banks and Finance Companies. He is a member of the Bar Council and served as the Vice President and Executive Committee Member of the Bar Association of Sri Lanka from 2003 to 2005 and as the President of the Colombo Law Society during the said period.

Mr. Kumarasinghe is a member of the Public Service Commission of Sri Lanka for the second term, since May 2011 and he had served previously there as a Member from April 2006 to April 2009. He is a Member of the Incorporated Council of Legal Education of Sri Lanka and its Board of Study. Mr. Kumarasinghe is a Director of Sri Lanka Law College Foundation, Chairman of the Disciplinary Committee and the Legal Advisory Committee of Sri Lanka Cricket and a Member of the Board of Trustees of Kalutara Bodhi Trust.

He served as the Chairman of the Environmental Council established under the National Environment Authority Act since June 2010 to June 2013. He was a Member of the Advisory Commission on Intellectual Property established under the Code of Intellectual Property Act.

Tissa Kumara Bandaranayake

*Director***

Mr. Bandaranayake was appointed to the Board of LAUGFS Gas PLC in September 2010 and as the Chairman of the Audit Committee.

Mr. Bandaranayake is a Fellow of the Institute of Chartered Accountants of Sri Lanka and also holds a Bachelor of Science Degree from the University of Ceylon. He has over 50 years of experience in the field of accounting, auditing and finance and was a Senior Partner of Ernst & Young until his retirement from active practice. He currently serves as the Chairman of the Quality Assurance Board established by the Institute of Chartered Accountants of Sri Lanka comprising of senior professional representatives from both the private and state sectors and regulatory bodies and was a former Chairman of the Audit Faculty of the Institute of Chartered Accountants of Sri Lanka.

He holds Directorates in Nawaloka Hospitals PLC, Harishchandra Mills PLC , Overseas Reality (Ceylon) PLC, Renuka Shaw Wallace PLC, Renuka Holdings PLC, Micro Holdings Limited , Waters Edge Limited and Samson International PLC in an Independent, Non Executive capacity, and also serves as a Consultant to the Board of Directors of Noritake Lanka Porcelain (Pvt) Ltd. He is also an advisor to the Audit Committee of DFCC Vardhana Bank.

* Non Executive Director
** Independent Non Executive Director

MANAGEMENT TEAM

Ashan De Silva - *Chief Executive Officer*
LAUGFS Gas PLC

Rear Admiral (Rtd) Damayantha Dharmasiriwardena
Chief Executive Officer - LAUGFS Eco Sri (Pvt) Ltd

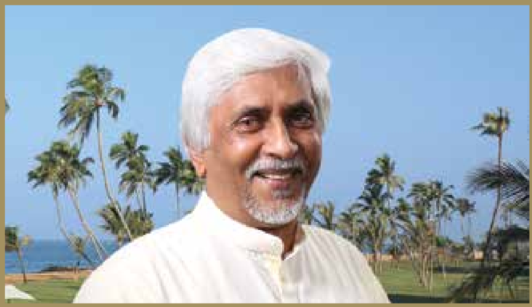
Murad Rahimdeen - *Chief Operating Officer*
LAUGFS Gas PLC

Chamath Indrapala - *Chief Financial Officer*
LAUGFS Gas PLC

Aruna Jayalath - *General Manager*
LAUGFS Leisure Ltd

Ajith Kumarage
General Manager - Projects

Manjula S. Ediriweera
General Manager - Accounting & Finance



Hector Perera - *Group General Manager*
Human Resource Development

Indika Gunawardena
Chief Information Officer

Keerthi Pathiraja
Head of Legal / Board Secretary

Nishan Perera
Head of Group Risk & Control

Theekshani Dollamulla
Head of Corporate Communications

Ashanthi Medagama - *Head of Finance*
LAUGFS Eco Sri (Pvt) Ltd

Anil Kodikara - *Senior Accountant*
LAUGFS Leisure Ltd

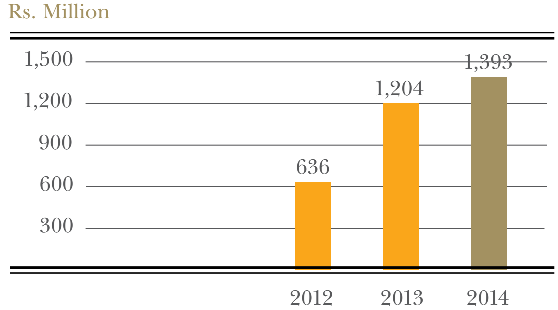
ENERGY

LAUGFS Gas PLC

LAUGFS Gas that had a humble beginning in 2001 has established itself today as a nation-minded corporate citizen.

LAUGFS Gas being the flagship of the Group of Companies now covers the whole nation through an island wide sales and distribution network of LPG and related products. LAUGFS Gas caters to the Commercial, Industrial and Domestic needs of the country through its downstream activities and operates in a duopoly market.

Profit for the year
Rs. Million



10.7
BILLION
Total Revenue 2014

• LAUGFS Gas PLC

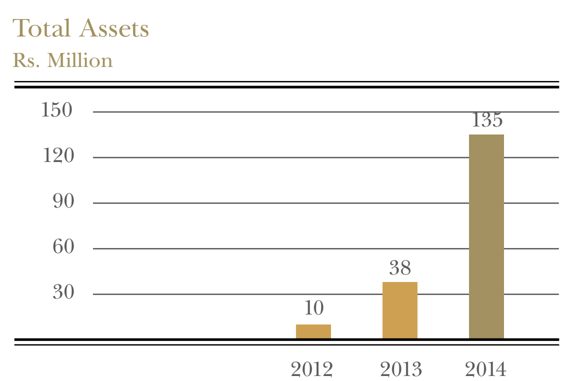
POWER

LAUGFS Power Ltd

The Stage 1 of the mini hydro power plant with a power generation capacity of 0.5 MW, situated at Balangoda in the Sabaragamuwa Province was commissioned and connected to the national grid during the year under review.

Next stage of this project will also be of 0.5 MW capacity and the construction is expected to commence during 2014.

135
MILLION
Total Assets 2014



• LAUGFS Power Ltd

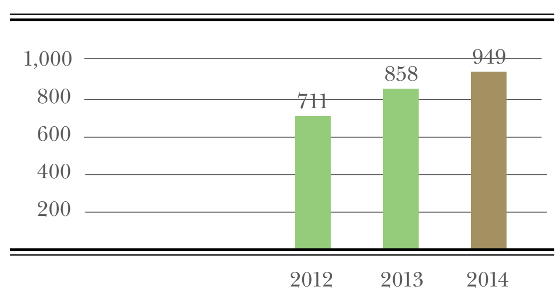
SERVICES

LAUGFS Eco Sri (Pvt) Ltd

LAUGFS Eco Sri (Pvt) Ltd was incorporated in 2005 and operates under BOI status for the purpose of issuance of Vehicle Emission Testing (VET) certificates to all motor vehicles.

The VET certification was made mandatory for the issuance of Revenue License to vehicles by the Department of Motor Traffic (DMT) and at present the market is shared with another player. The Company has expanded to cover the entire country through its 72 fixed test centers situated throughout the island and 124 mobile locations, carrying out over 5,700 tests per day.

Revenue for the year
Rs. Million



949
MILLION
Total Revenue 2014

• LAUGFS ECO SRI (PVT) LTD

LEISURE

LAUGFS Leisure Ltd

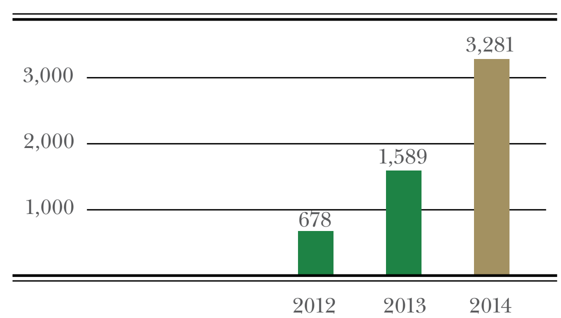
LAUGFS Leisure Ltd marked the ceremonious opening of 'Anantaya Resort & Spa' in Chilaw on 15 February 2014 by His Excellency the President of Sri Lanka.

The Resort with a capacity of 87 rooms and a unique dual view of the ocean and the lagoon, is situated in a picturesque location in Chilaw in the North Western Province.

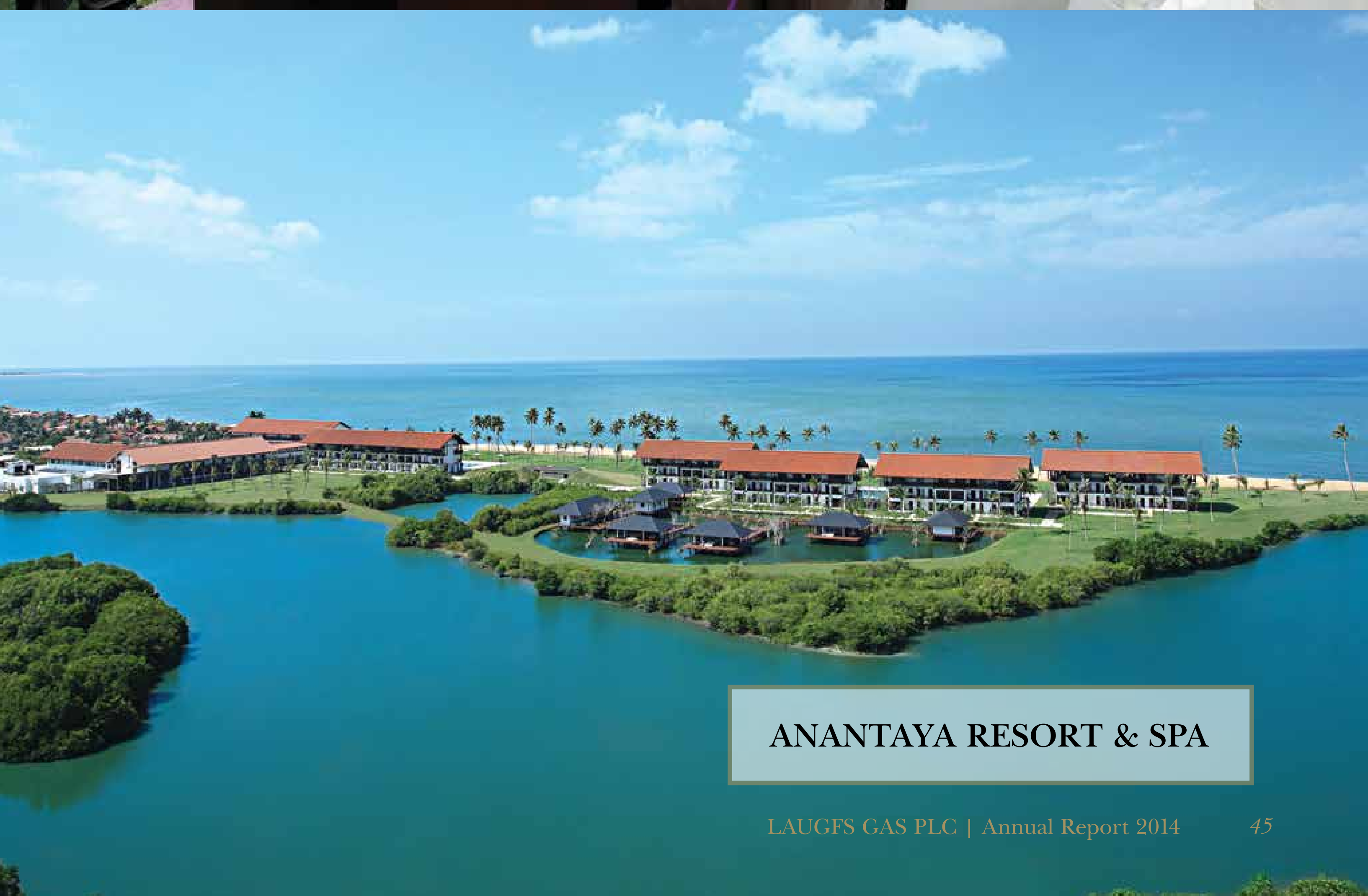
The construction of the property situated at Passikudah in the Eastern Province has commenced and is expected to be ready by end 2015.

The property located in Wadduwa that has a 15-acre beach frontage, is situated in the Western Province on the major tourism belt of the country.

Total Assets
Rs. Million



3,281
MILLION
Total Assets 2014



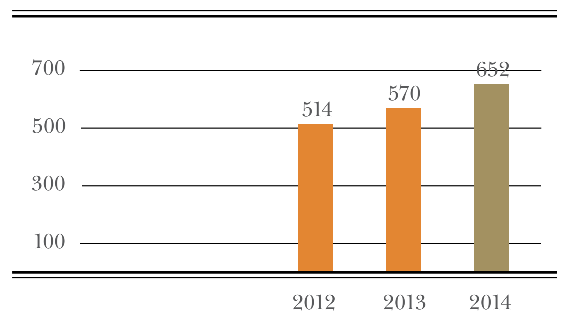
ANANTAYA RESORT & SPA

PROPERTY

LAUGFS Property Developers (Pvt) Ltd

The building complex under construction by LAUGFS Property Developers (Pvt) Ltd is expected to commence commercial operations during 2014. The 9 storeyed building with nearly 80,000 sq ft is located at 101, Maya Avenue, Colombo 5.

Total Assets
Rs. Million



652
MILLION
Total Assets 2014

LAUGFS PROPERTY DEVELOPERS (PVT) LTD

MANAGEMENT DISCUSSION AND ANALYSIS

Review of the Economic Environment

GLOBAL ECONOMIC OUTLOOK

The global economy had only a meagre growth of 3% during the year 2013. The most developed economies still have to face the significant challenges posed in management of fiscal and monetary policy in the period of post financial crisis. As far as the developing and emerging economies are concerned, notable slowdown had been observed primarily due to the external financial environment and also since the domestic demand was inhibited as a result of tighter financial conditions, although they continue to contribute two thirds to the global growth. Nonetheless, it appears that the recovery has commenced to take hold in most of the advanced economies, including some of the Euro-zone countries, though it is certainly far behind of a complete recovery. The visible signs of global recovery augur well for developing economies like ours since stronger growth in advance economies implies greater demand for exports.

The global economic growth indications are that it may record a reasonable increase to 3.6% in 2004 and 3.9% in 2015. According to "World Economic Outlook 2014", the official publication of International Monetary Fund (IMF), the growth in advanced economies is expected to increase to about 2.25%, an improvement of 1%, when compared to 2013. The economy in the United States in particular would grow in the region of 2.75%. According to IMF, with regard to emerging market and developing economies, the growth is projected to be picked up gradually from 4.7% in 2013 to around 5% in 2014 and 5.25% in 2015. The IMF predicts that in China, growth is projected to remain at about 7.5% in 2014 as the authorities seek to rein in credit and advance reforms while ensuring a gradual transition to a more balanced and sustainable growth path.

The official publications on World Economic Situation, Outlook and Prospects by the IMF and the United Nations Conference on Trade and Development (UNCTAD) suggested that the global recovery is still unstable despite improved prospects, yet with significant downside risks.

The UNCTAD report, World Economic Situation and Prospects 2014 indicates, the inflation remain tamed worldwide, partly reflecting excess capacity, high unemployment, fiscal austerity and financial deleveraging in major developed economies. According to the same report, among developed economies, deflationary concerns are rising in the Euro area while Japan has managed to end its decade-long deflation. Among developing countries and economies in transition, inflation rates are above 10% in only about dozen economies scattered across different regions, particularly in South Asia and Africa.

It appears that the rates of unemployment too, more or less would remain at the same levels as in 2013, as a result of the effects of the financial crisis in many countries and regions though United States showed signs of gradual recovery. The UNCTAD report states that in developing countries and economies in transition, the unemployment situation is mixed. The growth of the world merchandise trade did not reflect any improvement in 2013, due to apathetic demand in developed countries and slower growth in developing countries. This has also led to a decline in world exports volume growth from 3.1% in 2012 to only 2.3% in 2013 and this is far below the general trend visible prior to the financial crisis. The commodity prices were divergent and oil prices have seen significant fluctuations during the year, more or less as a consequence of geopolitical considerations. The UNCTAD states the Regional Trade Agreements (RTA) continue to boom, with 379 already in force. Also, there are 2 RTAs that are being negotiated Trans-Atlantic Trade and Investment Partnership between United States and European Union and the Trans-Pacific Partnership involving 12 countries including Japan and United States. There is a considerable concern about this North-North partnerships and its potential effects on developing countries that are not part of these RTAs. It is a vital necessity to explore much vigorously the possibilities of South-South integration in order to have an impact on competitiveness.

The publication "Road Map 2014" had indicated the targeted real GDP growth will be 7.8%, 8.2% and 8.3% for the years 2014, 2015 and 2016 respectively and would maintain sustained real economic growth of over 8% in the medium term, a welcome sign for the Corporate Sector in general.

As far as the uncertainties and risks for global economic growth and the financial stability, the major impact emanates from unconventional monetary policies adopted such as Quantitative Easing (QE) in major developed countries. The real impacts are to be felt on world economies when these countries commence to change their policy stances taken before the crisis. According to the report by UNCTAD, the exit from QE could lead to a series of disruptive events such as, surge in long-term interest rates, not only in developed economies but also in developing countries. There could also be sell-off in global equity markets, sharp decline in capital inflows into emerging economies and a spike in the risk premia for external financing in emerging economies.

In the light of the predicted lackluster performance of the global economy in the short term, it is important to take cognizance of the broader policy measures suggested for emerging market economies such as ours by the IMF, in order to weather the turbulence and to maintain reasonable growth, which can be summarized as indicated below.

1. Policy makers should allow exchange rates to respond to changing fundamentals and facilitate external adjustments. It goes on to add if international reserves are adequate, foreign exchange interventions can be used to smoothen volatility and avoid financial disruption. It is noted that the authorities in Sri Lanka are precisely following these general policy guidelines in management of exchange rates.

2. Further monetary tightening in countries in which the inflation is relatively high.

3. On the fiscal front, policy makers must ensure lower budget deficit and the authorities here are on a programme of action which will have -3.8% budget deficit by the year 2016.

4. Many more rounds of structural reforms to include investment in public infrastructure and removal of barriers to entry in product and service markets. In this instance too our authorities here are on track which will bear fruits in the short to medium term.

DOMESTIC ECONOMIC ENVIRONMENT

The economic performance of the country for the year 2013 and the impact of it on the conduct of business operations generally, and LAUGFS Gas PLC and its Subsidiaries in particular, was discussed and analyzed under several elements, especially in the Chairman's Message in this Annual Report. Therefore, the review of Domestic Economic Environment under Management Discussion and Analysis will be confined to the economic policies envisaged and prospects for the country in the short term, essentially for the period 2014 – 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

"Road Map 2014" indicates the Corporate Sector is encouraged to enter international markets to raise funds for domestic as well as international expansion.

The economic prospects were largely discussed in the publication by Central Bank of Sri Lanka "Road Map 2014 – Monetary and Financial Sector Policies for 2014 and beyond". According to this policy document, major macro-economic goals and objectives to be achieved had been clearly laid down and it was also interesting to note that the broad plan of actions to be undertaken were indicated for the guidance of the discerning public and especially the Corporate Sector.

The publication "Road Map 2014" had indicated the targeted real GDP growth will be 7.8%, 8.2% and 8.3% for the years 2014, 2015 and 2016 respectively and would maintain sustained real economic growth of over 8% in the medium term, a welcome sign for the Corporate Sector in general. It is expected the total investment as a percentage of GDP to be 32%, 32.5% and 33% respectively for the same three year period stated earlier. The authorities have recognized the existence of a possible Savings – Investment Gap even during this period and they will depend on the external financing to bridge this gap and envisage the gap will contract gradually over the medium term. Besides, the goal for Government Debt had been 74.3%, 70.6% and 65% respectively for the years 2014, 2015 and 2016 which should be healthy if the targets could be achieved. Also as indicated earlier, the fiscal deficit targets for the same period will be -5.2%, -4.4% and -3.8% which are quite ambitious and impressive.

The "Road Map 2014" states the country is driven by the 5 + 1 Hub Strategy of "Mahinda Chinthana – Vision for the Future" for the achievement of Goals and Objectives. The 5 + 1 Hubs identified were Commercial, Aviation, Tourism, Knowledge, Maritime and Energy.

Out of this strategy, your Company will be much focused on the opportunities in the Energy Hub since its core business area falls within this sector. The plans for the Sampur Coal Power Plant is to commence it before the end of 2018, generating 500 MW of power, the second phase of Norochcholai Coal Power Plant with 600 MW to be commissioned by mid-2014, completion of Uma-oya hydro power plant to generate 120 MW before end of 2015 and most importantly to commence commercial production of Natural Gas from Mannar Basin explorations probably by end of 2016.

Under the 5 + 1 hub strategy, merchandize exports are to be increased with the promotion of value addition to raw exports (Tea, Rubber and Cinnamon), improving backward linkages, declaration of Colombo and Hambantota as free ports, thereby encouraging entrepot trade, placing selected raw materials and machinery under zero or duty free status, provision of tax concessions for export related Research and Development expenditure, negotiation of bi-lateral agreement with potential trading partners and establishment of Preferential Trade Agreements (PTA). All these action plans are encouraging for the Corporate Sector and for LAUGFS Gas PLC and its Subsidiaries.

As far as the financing, "Road Map 2014" indicates the Corporate Sector is encouraged to enter international markets to raise funds for domestic as well as international expansion. On the monetary issues, the Central Bank intervention on foreign exchange rates will be at minimum levels and only in the event that there are signs of excessive fluctuations will the Bank absorb or supply foreign exchange, as and when required.

On the fiscal front the Revenue in 2013 is expected to be 13.6% of GDP, down from 13.9% of GDP 2012. However, Government Revenue reflected a turnaround of its declining trend in the second half of 2013. In the medium term, revenue is expected to reach 15% - 16% of GDP with the expected improvement in tax base administration and greater tax compliance.

Organizational Profile

Our Brands, Products & Services

LAUGFS Gas

LPG Distribution

Market
Domestic, Commercial, Industrial

Products
LPG – 2kg, 5kg, 12.5kg, 37.5kg
Accessories, Home Delivery

+3,200 DEALERS

+15 DISTRIBUTORS

LAUGFS Eco Sri

Vehicle Emission Testing

Market
Vehicle Owners

Value-added Services
Call Centre Service

72 FIXED EMISSION TEST CENTERS

124 MOBILE LOCATIONS

LAUGFS Power

Hydro-Power Generation

0.5MW added to the NATIONAL GRID

LAUGFS Leisure

Hospitality - Local & International

Anantaya RESORT & SPA

87 ROOMS

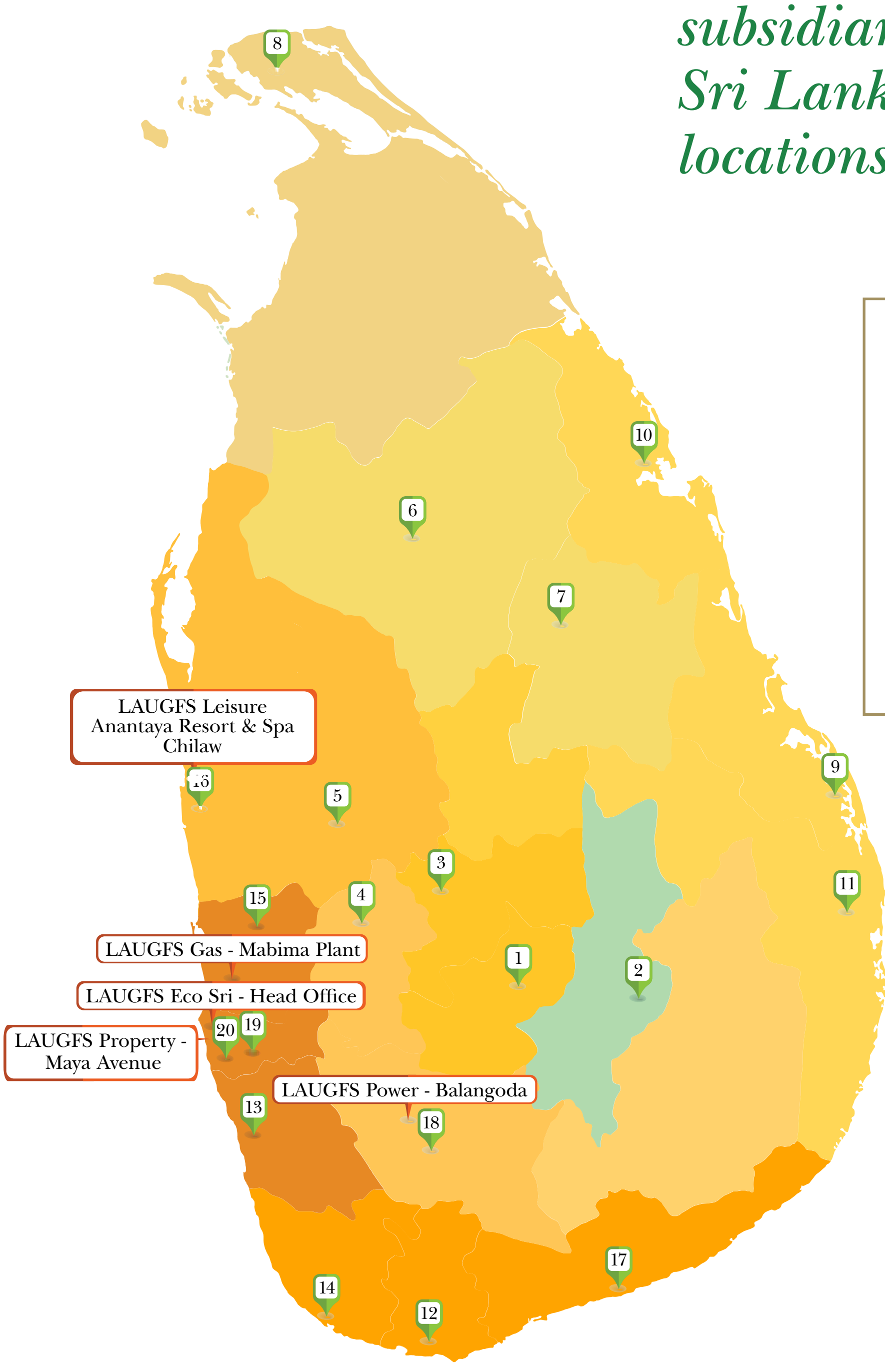
LAUGFS Property

Construction & Property Development

Maya Avenue CONSTRUCTION PROJECT

Geographical Locations of Our Operations

LAUGFS Gas PLC and its subsidiaries operate in Sri Lanka. The geographical locations are shown below.



LAUGFS Gas Distributor locations

1	Nuwara Eliya	11	Ampara
2	Badulla	12	Matara
3	Kandy	13	Kalutara
4	Mawanalla	14	Galle
5	Kurunegala	15	Gampaha
6	Anuradhapura	16	Chilaw
7	Polonnaruwa	17	Ambalanthota
8	Jaffna	18	Rathnapura
9	Batticaloa	19	Wataraka
10	Trincomalee	20	Boralesgamuwa

LAUGFS Eco Sri Locations

Fixed Centres

1.	Akkaraipattu
2.	Akurana
3.	Ampara
4.	Anuradhapura
5.	Athurugiriya
6.	Avissawella
7.	Baddegama
8.	Badulla
9.	Balapitiya
10.	Bandarawela
11.	Batticaloa
12.	Bellanthota
13.	Chilaw
14.	Chunnakam
15.	Dambulla
16.	Dulapitiya
17.	Elpitiya
18.	Embilipitiya
19.	Embuldeniya
20.	Eppawela
21.	Galle
22.	Gampaha
23.	Gampola
24.	Horana
25.	Ja – Ela
26.	Jaffna
27.	Kadawatha
28.	Kaduwela
29.	Kalmunai
30.	Kaluthara
31.	Kamburupitiya
32.	Kandy
33.	Katunayake
34.	Kegalle
35.	Kiribathgoda
36.	Koswatta
37.	Kotahena
38.	Kotikawatta
39.	Kottawa
40.	Kuliyapitiya
41.	Kundasale
42.	Kurunegala
43.	Lindula
44.	Mahiyanganaya
45.	Makola
46.	Matale
47.	Matara
48.	Matugama
49.	Meegoda
50.	Monaragala
51.	Negombo
52.	Nittambuwa
53.	Orugodawatta
54.	Panadura
55.	Pannala
56.	Pelmadulla
57.	Piliyandala
58.	Polonnaruwa
59.	Pugoda
60.	Puttalam
61.	Ragama
62.	Rajagiriya
63.	Rathnapura
64.	Tangalle
65.	Tissamaharamaya
66.	Trincomalee
67.	Udugampola
68.	Vavuniya
69.	Walimada
70.	Warakapola
71.	Wariyapola
72.	Wennappuwa

MANAGEMENT DISCUSSION AND ANALYSIS

Mobile Locations

1.	Adigma
2.	Akuressa
3.	Aluthgama
4.	Ambanpola
5.	Ampitiya
6.	Anamaduwa
7.	Angunukolapalassa
8.	Ankumbura
9.	Aralaganwila
10.	Athimale
11.	Badalkubura
12.	Baduraliya
13.	Bakamuna
14.	Beruwala
15.	Bibila
16.	Bowatta
17.	Bulathsinhala
18.	Buttala
19.	Chawakachcheri
20.	Chenkalady
21.	Dambadeniya
22.	Dankotuwa
23.	Dehiatthakandiya
24.	Deltota
25.	Deniyaya
26.	Dikwella
27.	Dummalasuriya
28.	Galagedara
29.	Galenbindunuwewa
30.	Galewela
31.	Galgamuwa
32.	Galnawa
33.	Ganegoda
34.	Giradurukotte
35.	Giriulla
36.	Godakawela
37.	Hakmana
38.	Hanguranketha
39.	Haputhale
40.	Higurana
41.	Hingurakgoda
42.	Hiripitiya
43.	Horowpathana
44.	Ibbagamuwa
45.	Ipologama
46.	Ingiriya
47.	Kadugannawa
48.	Kahatagasdigiliya
49.	Kalawana
50.	Kalawanchikudi
51.	Kantale
52.	Kattanakudy
53.	Kebithigollewa
54.	Kilinochchci
55.	Kinniya
56.	Kiriella
57.	Kodikkamam
58.	Kopay
59.	Kotapola
60.	Mahaoya
61.	Mannar
62.	Maradankadawala
63.	Madawachchiya
64.	Madirigiriya
65.	Mallawapitiya
66.	Mapalagama
67.	Mawathagama
68.	Medagama
69.	Melsiripura
70.	Middeniya
71.	Mihinthalaya
72.	Mulathiv
73.	Mundalama
74.	Muthur
75.	Natthandiya
76.	Na-ula
77.	Nawagattegama
78.	Nawalapitiya
79.	Neluwa
80.	Nelliady
81.	Ninthavur
82.	Niwithigala
83.	Nochchiyagama
84.	Norochchole
85.	N'weratiya
86.	Padaviya
87.	Padiyathalawa
88.	Paduwasnuwara
89.	Pallebadda
90.	Passara
91.	Pelawatte
92.	Pellandeniya
93.	Pemaduwa
94.	Polgahawela
95.	Polpithigama
96.	Pothuwil
97.	Pudukuduirupu.
98.	Pulmudei
99.	Ragala
100.	Rajanganaya
101.	Rambukkana
102.	Ratthota
103.	Ridigama
104.	Saliyawewa
105.	Samanthure
106.	Sewanapitiya
107.	Sithankerny
108.	Siyambalanduwa
109.	Sooriyawewa
110.	Thambala
111.	Thambuththegama
112.	Thanamalwila
113.	Thirappane
114.	Udugama
115.	Ukuwela
116.	Urubokka
117.	Walachchiyana
118.	Walasmulla
119.	Wanduramba
120.	Watthegama
121.	Weligama
122.	Wellawaya
123.	Wilgamuwa
124.	Yakkalamulla

Significant Changes During the Year Under Review

The Company expanded during the period under review, as detailed throughout this Report. With the rapid growth we experienced, our presence in various market segments was also enhanced. However, this growth did not result in significant changes in our organisational structure. The operational expansions resulted in an enhanced supply chain. The Company is proud to announce the new developments it made during the year under review. This includes the opening of the first Resort and Spa of the Leisure arm of the Group, LAUGFS Leisure Limited; Anantaya Resorts and Spa in Chilaw. LAUGFS Power too has completed the pre-operational period of its Balangoda Hydro Project and had begun operations adding 0.5 MW to the National Grid. The LAUGFS Property arm has reached the final stage of completion of its first project at Maya Avenue.

Under other major developments, LAUGFS Gas PLC, which was previously listed under the Diri Savi Board was transferred to the Main Board of the Colombo Stock Exchange. More details are discussed under the 'Shareholders' section of this Report.

A significant milestone of the Company was the launch of the Enterprise Resource Planning (ERP) implementation project, which will bring many benefits to LAUGFS and prepare the Company to forge ahead.

After a thorough and careful analysis, SAP was selected as the ERP solution to be implemented. With the SAP implementation, industry best practices are being introduced to the Company that fuels efficient and productive business operations. Further, readily available, accurate data is transformed in to information that is available on dashboards, thereby enhancing effective decision-making.

Our SAP implementation project is named 'LEAP' – LAUGFS Enterprise Acceleration Project; at the completion of which, we will be powered to make a 'leap' in terms of sustainable performance, efficiency and ultimately profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

Reporting Parameters

This year's integrated Annual Report is the first report of LAUGFS Gas PLC that adopts the Global Reporting Initiative (GRI 4) guideline. We have reported on all entities included in the organisation's consolidated financial statements in this Report.

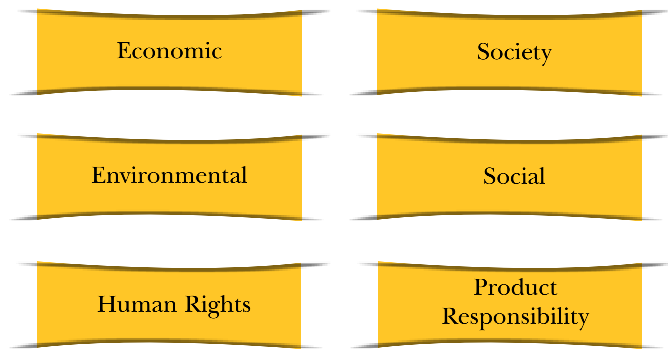
With the adoption of this universally recognised framework for disclosure of information, we strive to comply with specific and general reporting indicators as laid down by the G4 guidelines and indicator protocols. We have chosen the "in accordance" option as 'core' for this Report and have disclosed information under the GRI 4 with the external assurance provided by Ernst & Young Auditors for the Report.

The Company places significant importance on independent assurance. The widely accepted practice of independent assurance enhances the transparency and credibility of the sustainability reporting process. The external assurance provided by "Ernst & Young" can be found on page 118 under 'Approaching Sustainability'.

THE PROCESS OF DEFINING REPORT CONTENT AND THE ASPECT BOUNDARIES

The content has been defined in terms of the broader strategic objectives of LAUGFS, aligned to our value system. The Report covers sustainability impacts, risks and opportunities we face as a group of companies. We foresee social, economic and environmental risks and opportunities and direct our business decisions to ensure sustainable value creation. The Report details on our engagements with each significant stakeholder category and sustainability impacts under each identified material aspect.

DEFINING MATERIAL ASPECTS



Following the GRI guidelines the identified aspects mentioned in the above model were prioritized for materiality and validated using principles of Completeness and Stakeholder Inclusiveness.

Identifying Material Aspects and their Boundaries

We have identified Aspects both within and outside of the Company considering all our operations with due credit to our significant economic, environmental and social impacts and Aspects influencing the assessment and views of our stakeholders. Being a group of companies that carry out operations related to providing quality goods and services that has a significant impact on environment, community and economy, we categorized all Aspects in to two as 'highly relevant' and 'moderately relevant' in terms of the context we operate in. We classified Identified Aspects according to their relevance both internally and externally by the influence each Aspect has in terms of our key Stakeholders.

Prioritizing Material Aspects

Next, we assessed the significance of each Aspect to our operations and stakeholders. Categorized as 'Highly Significant' and 'Moderately Significant', we recognized the Material Aspects that we find 'Material' as a group of companies considering the triple bottom line and our key stakeholders. We have identified that most of key Aspects are significant in terms of this evaluation, thus have attempted to carryout activities to engage and respond to relevant stakeholder groups which is explained under the Stakeholder Analysis. In certain cases, although we found less stakeholders interest regarding certain Aspects, in the context we operate in, we have taken steps to identify and prioritize Aspects which we as a company cherish and uphold and wish to introduce to our stakeholders as a responsible entity. Especially, certain aspects in Environment are some examples where we have prioritized certain Aspects as an environment conscious company although at present it may have little significance to external stakeholders. We believe in being abreast of change, thus we prioritized Aspects which may not be strictly found significant by external stakeholders at present.

Aspect	Significance	Aspect Boundary		Materiality		Reported
		Internal	External	To the Group	To the Stakeholder	
Economic						
Economic Performance	High	*		High	High	EC1,EC2,EC3,Ec4
Market Presence	High	*		High	High	EC5,EC6
Indirect Economic Impact	Moderate		*	Moderate	High	EC7, EC8
Procurement Practices	High		*	Moderate	High	EC9
Environment						
Materials	High		*	Moderate	High	EN1,2
Energy	High	*		High	Moderate	EN3,EN4,EN5,EN6 EN7
Water	High	*		High	High	EN 8,EN9,EN10
Biodiversity	Moderate		*	Moderate	Moderate	EN11, EN12, EN13, EN14
Emissions	High		*	High	High	EN15,EN16,EN17, EN18,EN19,EN20, EN21
Effluents and Waste	Moderate		*	Moderate	High	EN22, EN23, EN24,EN25,EN26
Products and Services	High		*	High	Moderate	EN27,EN28
Compliance	High	*		Moderate	High	EN29
Transport	High	*		Moderate	High	EN30
Overall	High			High	High	EN31
Supplier Environment Assessment	Moderate		*	Moderate	High	EN32,EN33
Environment Grievance Mechanisms	High		*	Moderate	High	EN34

Aspect	Significance	Aspect Boundary		Materiality		Reported
		Internal	External	To the Group	To the Stakeholder	
Social						
Employment	High	*		High	High	LA1 LA2 LA3
Labour/Management Relations	High	*		High	High	LA4 LA5,LA6,LA7 LA8
Occupational Health and Safety						
Training and Education	High	*		High	High	LA10,LA9 LA11
Diversity and equal opportunity	High	*		High	High	LA12
Equal remuneration for women and men	High	*		High	High	LA13
Supplier assessment for Labour Practices	Moderate		*	Moderate	High	LA14,LA15
Labour Practices Grievance Mechanisms	High	*		High	High	LA16
Social: Human Rights						
Investment	High	*		High	High	HR1, HR2
Non Discrimination	High	*		High	High	HR3
Freedom of association and collective bargaining	High	*		High	Moderate	HR4
Child labour	High	*		High	High	HR5
Forced labour or compulsory labour	High	*		High	High	HR6
Security Practices	High	*		High	High	HR7
Indigenous Rights	High	*		Moderate	High	HR8
Assessment	High	*		High	High	HR9
Supplier Human Rights Assessment	Moderate	*		Moderate	High	HR10,HR11
Human Rights Grievance Mechanisms	High	*		High	High	HR12

Aspect	Significance	Aspect Boundary		Materiality		Reported
		Internal	External	To the Group	To the Stakeholder	
Society						
Local communities	High		*	High	High	SO1,SO2
Anti-corruption	High	*		High	High	SO3,SO4,SO5
Public Policy	Low					SO6
Anti-Competitive Behavior	Low					SO7
Compliance	High	*		Moderate		SO8
Supplier assessment for impacts on society	Moderate		*	Moderate	High	SO9, SO10
Grievance mechanisms for impacts on society	Moderate		*	High	High	SO11
Social: Product Responsibility						
Customer health and safety	High		*	High	High	PR1,PR2
Product and service labeling	High		*	High	High	PR3,PR4,PR 5
Marketing Communications	High		*	High	High	PR6,PR7
Customer Privacy	High		*	High	High	PR8
Compliance	High		*	High	High	PR9

*Aspect boundary is internal or external

This Sustainability Report is the first of LAUGFS Gas PLC that is certified by an External Auditor and is our first Report where Aspect Boundaries and Scope are defined according to GRI guidelines; however, our priority, in our core values guiding our sustainability decisions remains intact from previous reporting periods and thus this Report has no change from previous reporting periods at Sustainability Policy level and has no effect of any restatements of information provided in previous Reports.

MANAGEMENT DISCUSSION AND ANALYSIS

Stakeholder Engagement

Backed by the value framework we operate in and the nature of our businesses, we have identified five categories of stakeholders; namely, Employees, Customers, Shareholders, Intermediaries and Community. The Report carries information for each stakeholder category. The table below provides a snap shot of our stakeholders, basis of their identification, our approach to stakeholder engagement, key topics and concerns raised through stakeholder engagement and our responses.

<table>
<tr><th>Stakeholder group</th><th>Identification & Selection</th><th colspan="2">Organization's approach to stakeholder engagement & frequency</th><th>Key topics Discussed</th><th>Our Responses</th></tr>
<tr><td rowspan="3">Employees</td><td rowspan="9">Any person, group, entity or aspect that is affected or expected to be affected by the Group's activities directly or indirectly, under economic, social and environment aspects were included in the list of key stakeholders of the Group.</td><td colspan="2">Encourage relationships that inculcate team spirit within the LAUGFS family.</td><td rowspan="3">Welfare measures, corporate culture, organizational objectives, future plans, grievances if any, employee recognition</td><td rowspan="3">Training and Development, Performance driven reward systems, Engagement activities including national and international day celebrations</td></tr>
<tr><td>Mode</td><td>Frequency</td></tr>
<tr><td>Chairman's and MD's messages
Special events
Internal Newsletter
Employee updates (mail and other)
Intranet
Suggesstions Box</td><td>Monthly
Calendar based
Monthly
Daily
Continuous
Continuous</td></tr>
<tr><td rowspan="3">Customers</td><td colspan="2">Ensure that service excellence remains a fundamental in the delivery of superlative products and services.</td><td rowspan="3">Rates and charges, discounts, customer care support available, after sales service, new offers, innovative products and services</td><td rowspan="3">Customer feedback, new product offerings, improved customer information and satisfaction measurements</td></tr>
<tr><td>Mode</td><td>Frequency</td></tr>
<tr><td>Customer workshops
Customer care
Web site
Social media
Media advertisements</td><td>As required
Continuous
Continuous
Continuous
As required</td></tr>
<tr><td rowspan="3">Community and Environment</td><td colspan="2">Create sustainable communities through adoption of sustainable practices and awareness creation</td><td rowspan="3">CSR initiatives, Energy and sustainability concerns, health issues related to air pollution, sponsorships, philanthropy</td><td rowspan="3">CSR initiatives supporting health and environment concerns, increased awareness creation on global climate change, environmental pollution and related health issues</td></tr>
<tr><td>Mode</td><td>Frequency</td></tr>
<tr><td>Press releases
Press conferences and media briefings
Sponsorships
CSR
Web and Social media</td><td>As required
As required
As required
As planned
Continuous</td></tr>
</table>

Stakeholder group	Identification & Selection	Organization's approach to stakeholder engagement & frequency		Key topics Discussed	Our Responses
Intermediaries (Dealers and Distributors)		Focus on long lasting partnerships		Improved working relationships, improved quality of engagement by all parties	Awareness creation on expected standards of dealers and distributors, living up to expected standards of stakeholders concerned
		Mode	**Frequency**		
		Relationship Management On-site visits and meetings Workshops and awareness creation Sponsorships	Continuous As planned As planned As required		
Shareholders		Create sustainable wealth for shareholders and contribute towards the economic development of the country.		Interim and annual results, dividend per share, future business plans, sustainable performance of the Group, good governance	Ensuring transparency, accountability and regular communications, addressing concerns of current and potential shareholders
		Mode	**Frequency**		
		Annual Reports Annual General Meeting Interim Financial Statements Press conferences and media releases Announcements made to the Colombo Stock Exchange Corporate website	Annually Annually Quarterly As required As required Continuous		

ENERGY

The Company has continued to increase its dealer network to over 3,200 during the year to ensure availability and uninterrupted service.

GLOBAL OUTLOOK

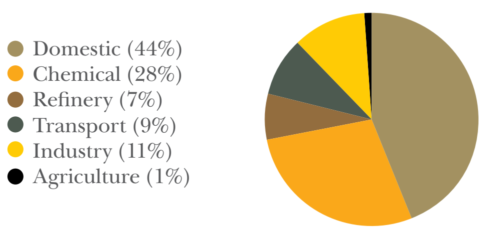
The global LPG production in 2012 increased by 3% to 274 million tons, which came almost entirely from gas processing plants. This was an increase of 6%, as production from refineries, remained relatively stable. The North American LPG production increased by a notable 8% where as the U.S. output grew to 54.6 million tons. The Russian growth continued despite some maintenance turnaround challenges at various gas processing plants to reach a new peak of 13.4 million tons. The Middle East production also rose by 4% principally from Qatar which reached 11.3 million tons, which was 1.6 million tons 10 years ago, and United Arab Emirates an 18% increase to 10.2 million tons. Despite production just growing by 2%, Saudi Arabia remains the largest producer in the region, which reached an output of 27.6 million tons. Despite the Chinese growth stalling in 2012, its output reached 21.7 million tons, a 4% decline from previous year. However, the production in the Asia-Pacific as a region remained relatively stable as a result of increase in many other producing regions such as India, Thailand and Japan where production in particular recovered by 11% following the devastating impact in 2011 from the earthquake and tsunami. However, the production levels in Japan are still below one million tons per year less than in year 2010. The only regions to show a decline in production in 2012 were South and Central America, and Africa.

Global LPG consumption grew by just 2% to 264 million tons. New growth markets as well as mature contracting markets currently define the LPG industry. Many of these

new growth markets are located in Asia-Pacific, which is shown by the region's considerable consumption of over 90 million tons.

One of the key drivers on LPG demand continues to be economic growth, particularly through population growth. However, in many countries with rapidly expanding populations, infrastructure limitations stifle growth.

Global LPG Demand (2012)



Source: Statistical Review of Global LP Gas 2013

Domestic demand remains the backbone of the industry at 44%, in comparison to around 50% a decade ago. The domestic cooking and the heating sector are seeing few areas of strong growth but remain stable in 2012. The petrochemical industry is the second largest consumer of LPG with 28% of the global market and consumption in this sector grew by 6% in 2012. The chemical sector's use of LPG remains ultimately on pricing of propane and butane with naphtha as well as the ability to switch feedstock which is not possible in the majority of the petrochemical plants. However, new petrochemical plants are planned in the U.S. and China, which will be large consumers of LPG over the next few years.

The global Auto Gas sector is dominated by a few countries out of which South Korea remains the largest consumer representing 17% of the global market, despite a drop of 3% in 2012. This was the second decline in two consecutive years, which probably indicates that the large Korean market has reached its maturity.

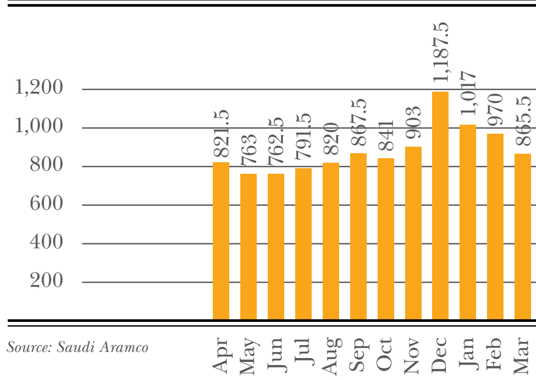
The industrial sector was the only sector to see a decline in 2012, as the sector is sensitive to the global economic conditions as companies face tough fiscal circumstances and flat markets.

In terms of regional demand, Europe and Africa were the only two regions to show a drop in demand. Despite the potential in Africa, consumption fell by 2%. European markets were adversely affected by the economic turmoil in the region and saw a decline of 4% to 30.4 million tons. This was primarily due to a decline in domestic and chemical consumptions. Middle East saw an increase in demand of 7% mainly from Saudi Arabia's petrochemical plants. In Asia, domestic consumption has grown to 54.1 million tons a year to represent nearly 60% of the market. This demand helped exceed the overall demand in the region by 1% to over 90 million tons.

The production of LPG has consistently outpaced the consumption since year 2007. The disparity between production and consumption has reached 9.7 million tons by 2012.

The shale gas revolution is one the most significant factors affecting the energy industry. This energy rejuvenation has the potential to impact the entire energy mix of the world and is already steadily changing the market dynamics for LPG. The U.S. energy-drilling boom is revolutionizing the market for LPG whilst also contributing to this increasing disparity between supply and demand significantly. Even though the markets are yet to experience considerably lower prices, there are indications of marginal benefits stemming from the suddenly altered energy landscape.

Saudi Aramco Contract Price 2013/14
USD/MT



Source: Saudi Aramco

The U.S. LPG export boom will be further aided by the expansion of the Panama Canal, allowing passage to the very large gas carriers (VLGC) from 2015 and reducing the cost of freight by cutting the sailing time from the United States to Asia by over two weeks.

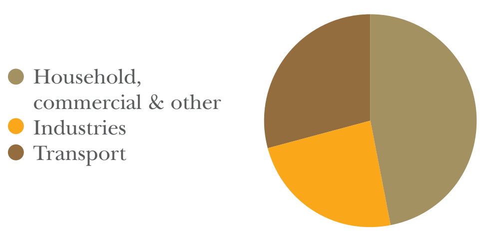
MANAGEMENT DISCUSSION AND ANALYSIS

These changes have already affected the oil and natural gas industry. Like oil and gas, U.S. LPG producers will gain the most under the circumstances, while established exporters may struggle with the lower prices imposed by new competition.

SRI LANKAN OUTLOOK

At present Sri Lanka's energy demand is dominated by the household and commercial sectors and is about 47% of total energy usage which increased to 4332 Kilo tons in 2012. Industrial and transport sectors consume 2,272.3 Kilo tons and 2,670.2 Kilo tons respectively. This is a clear indication that most of the energy is still used for domestic cooking purposes.

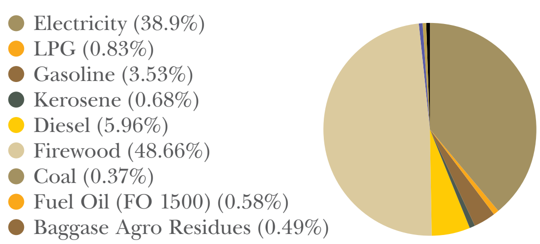
Total Energy Demand by Sector (2012)



Source: Sri Lanka Sustainable Energy Authority, Energy Statistics 2012

As strict regulations prohibit illegal felling of state forests and the enhancements in lifestyles, sourcing energy from burning solid fuels such as biomass is on the decline. However, a significant 48.66% of the total energy requirement is still produced using biomass which creates an opportunity for flexible, readily available fuels such as LPG.

Total Energy Balance (2012)



Source: Sri Lanka Sustainable Energy Authority, Energy Statistics 2012

MARKET ANALYSIS

Domestic and Commercial

With the introduction of various schemes to reduce the high cost of conversion to LPG, LPG penetration in rural areas is experiencing a gradual but steady increase. The changing lifestyles, which demand convenience in household matters, are driving penetration. The hassle free, conveniently priced 5Kg cylinder has not only appealed to the new customer who is converting from a solid fuel, but also to the consumers who are already using LPG looking for a convenient, hassle free option. The favourable socio-economic conditions in the Northern and Eastern provinces have also contributed to an increase in domestic LPG consumption. Urban busy lifestyles, which prompted the consumers to have majority of their meals from small and medium scale restaurants, have continued to ensure considerable growth in this sub sector. The peaceful environment in the country together with the ongoing strategic investments in the tourism sector, new tourist attractions and mega promotional campaigns attracted a significant number of tourists to Sri Lanka in 2013. Tourist arrivals in 2013 surpassed the initial target of 1.2 million to 1.27 million arrivals, a growth of 26.7% over the previous year. These positive trends have contributed to the volume growth in the Domestic and Commercial sectors.

The Company has also focused on channel enhancement to provide the consumers with a better overall experience. The Company has continued to increase its dealer network to over 3,200 during the year to ensure availability and uninterrupted service.

Industrial

The local industrial bulk market could be segmented into three categories:

1. Ceramic, glass and tile industry
2. Hotels and food manufacturing industry
3. Manufacturing of industrial equipment

The number of industrial consumers in the country is less than 50 and the consumption is dominated by the ceramic industry. New entrance into the ceramic, glass and tile industry has been slow; however, two large consumers are scheduled to commence operations in 2014. The consumption in this sector has been stagnant due to the slowing demand from the overseas and local markets.

The hotel and food manufacturing industries using bulk LPG is very limited. Most hotels and the food manufacturing

industries still consume LPG using cylinders. We see this sector growing, but due to the initial cost that needs to be incurred for bulk installations, the installations become feasible only at higher consumption levels.

The manufacturing industry energy requirements are mainly fulfilled using furnace oil and diesel. The reason for this is, the installed infrastructure and the consistency in pricing. Whilst LPG has the capacity to power these industries, it requires a consistent pricing formula that will justify the investment in the new energy infrastructure by these industries.

Auto Gas

Gas Auto Lanka Limited, a sister company of the LAUGFS Group, has re-initiated a programme to revive the ailing Auto Gas industry in Sri Lanka. Through rapid expansion of fuel stations and advance conversion kits, which are up to date with the modern requirements, the Company increased notable volumes in 2013 and expects significant volume growth from the Auto Gas sector over the next couple of years.

REVIEW

In the year under review, the Company took many steps to be equipped to face the challenges of the forever changing market dynamics. This included the implementation of an Enterprise Resource Planning (ERP) system. With more timely, refined information, the management will have the tools to make more sound decisions ahead of the competition.

Compared to the previous year, the Company once again increased its revenue, volume and profitability. The Revenue of the Company increased to Rs. 10.7 billion, a 10% increase compared to the previous year (2013: Rs.9.7 billion). The Cost of Sales increased to Rs. 8.9 billion a 4% (2013: Rs. 8.6 billion) due to the increase in sales volume. The other income of the Company has reduced to Rs. 674 million resulting in a 6% decrease (2013: Rs.717 million) primarily due to a decrease in dividend income. Because of the heavy promotional drive for the 5Kg cylinder, the selling and distribution cost also increased to Rs. 444 million a 43% increase compared to the previous year (2013: Rs.311 million). The Profit Before Tax stood at Rs.1.7 billion compared to Rs.1.4 billion during the previous year boasting a total increase of 19%. The Net Profit After Tax amounted to Rs.1.4 billion which is a 15% increase compared to the previous year (2013: Rs.1.2 billion). The Total Assets of the Company stood at Rs.11.4 billion, which is an increase of 16% compared with the previous year of Rs.9.9 billion. Also, in the year under review, the Company has invested an amount of Rs.865 million for expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Mini Hydro Power

The Mini Hydro Power generation is classified as a source of Non–Conventional Hydro Power whilst Conventional Hydro Power is termed as Major Hydro Power. The Conventional Hydro Power has long been established in our country. The Power Sector in the country still heavily depends on Hydro Power. The possibility of large Major Hydro Power Projects in the future is far from reality since it appears that the relevant sources have virtually been exhausted. Therefore, it is inevitable to explore other means of sources of generation such as grid connected Small Hydro Power, Wind Power and also Solar Power. These types of generation methodologies are termed as Non-Conventional Renewable Energy (NCRE) technologies, because they were not used in the past in conventional grid power generation.

The authorities having identified the inability of the conventional power resources to meet the demand for electricity in the future, have formulated the National Energy Policies and Strategies for Sri Lanka in 2008 and it envisages the demand for electricity to be met by Conventional Hydro Schemes to an extent of 28%, Oil powered resources to be restricted to 8%, contribution from Coal power to be increased to 54% and most importantly to increase the supply from all Non-Conventional Sources to 10% by the year 2015.

The Sustainable Energy Authority (SEA) of Sri Lanka has proposed the sector based Renewable Energy development targets with a view to meet planned contribution of 10% to the power generation by the year 2015. According to the SEA proposal, Bio-Mass would contribute with 40 MW, Non-Conventional Hydro to be 330 MW, Wind to be 85 MW and other sources to contribute with 5 MW making a total contribution of 460 MW.

Review

The first Mini Hydro Power development project undertaken by LAUGFS Power Ltd is at Ranmudu Oya at Balangoda in the Ratnapura District. The first phase of the project to generate 0.5MW has now been completed and is connected to the National Grid. The next phase to generate a further 0.5 MW is now underway.

According to studies undertaken by various authorities and institutions, the total potential of Non Conventional Hydro Power in the country should be around 400 MW and only about 200 -220 MW have been exploited so far, thus the potential is encouraging for LAUGFS Power Ltd to expand its operations in future.

SERVICES

> *The staggering growth of the vehicle population makes the environment vulnerable to devastating effects, as impact of vehicle smoke emission creates severe repercussions for the environment.*

LAUGFS Eco Sri (Pvt) Ltd

OUTLOOK

Whilst being in the post-war economic renaissance, Sri Lanka is strategically positioned to be a part of the Asian Century in terms of economic resurgences. The positive effects of the vibrant economic mode are seeping in to the home yard too. This scenario enriches hype of activities in capital formation and accumulation of higher disposable income status that generates influx of more vehicles in to the country. As per the statistics published by the Department of Motor Traffic (DMT), the total number of vehicles in the country has been risen up by a mammoth rate of more than 200% over the last decade.

The staggering growth of the vehicle population makes the environment vulnerable to devastating effects, as impact of vehicle smoke emission creates severe repercussions on the environment.

In this backdrop, Sri Lanka has drawn noteworthy efforts in reaching equilibrium in the development and environment conservation. The vehicle emission testing programme was one of the gigantic tools the Government structured in the last decade to smooth the two ends. When the programme was introduced under the provision of the National Environmental Act No. 47 of 1980 and Motor Traffic Act No. 21 of 1981, LAUGFS willingly embraced the opportunity amidst the challenges, in managing a trailblazer project of such magnitude.

MANAGEMENT DISCUSSION AND ANALYSIS

Property, plant and equipment of the Company, which was Rs. 566 million at the beginning of the financial year, has increased by a further Rs. 29 million during the year. The Total Assets of the Company recorded at Rs. 794 million, while the Net Assets stood at Rs. 700 million after the dividend payment of Rs. 444 million to the parent, LAUGFS Gas.

The stable presence in the energy sector backed by unparalleled dynamism in automobile ancillary services gave LAUGFS the boost of confidence to leap in to the emission testing business. The programme was initially started in November 2008 mainly to cover the Western Province.

The operating perimeters were subsequently extended to the other provinces except North and East by December 2009, while the Company was crowned with ISO 9001-2008 certificate in October 2011. The programme was bestowed with island wide coverage with the entrance into the Northern Province in year 2013. At present, the Vehicle Emission Testing (VET) programme is fully geared to cater to the upcoming surge in the short and medium terms.

REVIEW

The financial year under review is capped with resounding successes amidst challenges encountered by the VET programme. Though it is a duopoly market, the efforts of the Company paved way to cater to all parts of the island in an equitable manner.

The fixed assets base of the Company, which was Rs. 566 million at the beginning of the financial year, has increased by a further Rs. 29 million during the year. The Total Assets of the Company recorded at Rs. 794 million, while the Net Assets stood at Rs. 700 million after the dividend payment of Rs. 444 million to the parent, LAUGFS Gas.

The Revenue increased up to Rs. 949 million compared to Rs. 858 million last year, marking an year on year (YOY) growth of 11%. A robust performance is expected in the next financial year, as the existing fleet of vehicle population of the country will expand with the shift in fiscal policies supported by low borrowing cost amid relatively higher growth in GDP.

LEISURE AND TOURISM

> *The world 'New Middle Class' is to double by 2030, resulting in a 1.5 billion more middle class people anxious to travel around the world. This is expected to change the trend of world travel over the long term.*

GLOBAL OUTLOOK

It has been reported that the world tourism and travel had a reasonable growth in the year 2013, despite uncertainty that prevailed in the global economy. According to the information available, the outbound travel grew by 4% in terms of trips while spending grew by 6%. The IPK International Germany, forecasts that the outlook for 2014 is positive with 4.5% growth in outbound travel, as the world economy gradually improves. It has also been reported the average spending per foreign trip was US$ 1659 and the world outbound turnover grew by 6% to US$ 1571 billion for the year 2013. These figures represent solid demand despite financial crises, recessions, political turmoil and civil unrest in various parts of the world.

Looking further ahead to 2020, the IPK International forecasts a modest growth in the developed world while emerging markets will grow faster due to first time visitors. The world 'New Middle Class' is to double by 2030, resulting in a 1.5 billion more middle class people anxious to travel around the world. This is expected to change the trend of world travel over the long term.

The world regional travels were dominated by the emerging markets in the year 2013. The regions such as Asia, Middle East and Latin America grew strongly driven by the growth of first time travellers from new middle class in countries like China and Brazil. In terms of outbound travel markets, the traditional 'Big Three'- Germany, USA and UK are now being challenged strongly in the rankings. China continued its dramatic growth and was 26% in outbound trips in the year 2013 over the previous year and now number one for total spending, number two for the volume of trips and number four for the quantity of overnight stays. Russia too is growing fast, with a 12% increase in outbound trips in the year 2013 and number five in overnight stays.

It has also been revealed, in terms of different market segments, leisure travel is visibly outgrowing business travel. Over the last five years, spending on Holidays has grown by 25% and on Visiting Family and Friends by 17%, while Business Travel only increased by 16%. As far as the Business Travel market is concerned, there has been an interesting shift in demand. The MICE sector - Meetings, Incentives, Conferences and Exhibitions - has grown much faster than Business Travel itself since 2009. According to the ITB World Travel Trends Report 2013/14, substantial cuts in corporate travel spending were the key reason behind this trend. The same study indicates, within the MICE segment Incentives (+61%), Conventions (+44%) and Conferences (+27%) have all grown strongly since 2009, on a cumulative basis while the traditional company trips have declined by 10%.

The hotel industry too had a strong year in 2013, according to the leading hospitality data research company STR Global in London. The occupancy rates have risen in most regions of the world due to healthy demand, yet only North America, Central-South America and the Middle East were able to record positive growth in Average Daily Rate (ADR) according to the STR Global analysis of data over 47,000 hotels worldwide. In Asia, supply has grown faster than demand for the first time in two years. The STR Global study reveals the active pipeline, based on hotel rooms in Asia, set for an additional rise of 13% capacity in the next few years. The region's occupancy rate weakened slightly by 0.4% and the ADR dropped by 3.5%. In contrast, the demand outpaced the supply significantly in the Middle East in the first three quarters of the year 2013. The region's active hotel room pipeline remained hot at 37%, more capacity being planned or constructed at present. The occupancy in this region improved to 3.3%. The ADR too increased by 3.6% in the year 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

> *Sri Lanka attracted a record number of 1,274,593 tourist arrivals during the year 2013, eliciting confidence with all stakeholders that it is on its path to achieve the target set for 2.6 million tourist arrivals by the year 2016.*

Despite performing behind Middle East, Asia was one of the world's hotspots according to the ITP Report 2013/14 with a strong growth for outbound travel and incoming tourism, and has become a focal point. China is certainly the driving force behind this upward trend.

Besides the developments as detailed above, the emerging trends in travel and tourism globally, were young travellers exploring new destinations, availability of more low cost travel modes, mega trend for 'Sleep Cheap'- the 'Low Cost Beds' and also internationally the market splitting into a 'top end' and a 'bottom end'. The latest move is the 'mobile technology' making significant inroads into the industry in several facets not limited only as a mode of making convenient reservations.

DOMESTIC OUTLOOK

Sri Lanka attracted a record number of 1,274,593 tourist arrivals during the year 2013, eliciting confidence with all stakeholders that it is on its path to achieve the target set for 2.6 million tourist arrivals by the year 2016. This is a 12.6% increase against what we have achieved during the year 2012. The information pertaining to Value and Room Nights for the year 2013 were not still in the official domain but was only available for the year 2012. The total receipts from Tourism were US$ 1038.3 million and the Per Capita Receipts per Day was US$ 1030 for the year 2012.

According to the Annual Report of the SLTDA for 2012, all sources of market segments showed a significant growth in arrivals except in the Middle East which showed a decrease of 2.3%. The largest share of arrivals was from Western Europe with 37%, followed by South Asia with 24.6%. The top 5 individual country markets were India, United Kingdom, Germany, France and Maldives in the year 2012 but expected the change of composition in the short term with increasing arrivals from markets like China and Russia.

As for the purpose of visits, SLTDA Annual Report for the year 2012 indicates a changing pattern and the prime motivation still being pleasure. The purposes such as holiday, recreation and sight-seeing recorded a 74.4% of the whole tourist population. However, the change is in the share of pleasure dropping by 6% as against the previous year and there was an increase of those visiting friends and relations to make it 11.7% of the share, MICE to 2.2% and religious and cultural tourists to 2.2%.

The overall average duration of stay of tourists during the year remained as in the previous year, recording 10 nights. The SLTDA Annual Report 2012 states it is noteworthy to understand that only 50.1% of tourists' nights were spent in graded establishments and another 23.6% in supplementary accommodation. The rest of the tourists' nights of 26.3% have been spent in unregistered accommodation units and private houses.

The total number of graded accommodation units in 2012 increased to 269 units with 15,510 rooms, from 252 units with 14,653 rooms in the previous year. Further, the total supply of supplementary accommodation units, i.e. guest houses, motels and inns increased to 620 units in 2012 from 551 units in 2011. The overall room occupancy rate of tourist hotels decreased to 71.2% in 2012 from 77.1% in the previous year.

The tourist price indices were computed for three major expenditure items on which tourists spend money on and those were accommodation, meals and transport which covers two-thirds of the spending during their visit. As at end of 2012, the index showed an increase of 2.1% when compared to 2011. It reveals that prices of accommodation, food and beverage and transport increased by 1.8%, 2.3% and 2.4% respectively.

The first of the chain of hotels envisaged by LAUGFS Leisure Ltd at Bangadeniya, Chilaw, was ceremonially opened in February 2014. This property branded as 'Anantaya - Resort and Spa' consists of 87 rooms in four categories of Superior, Deluxe, Premium and Suite.

REVIEW

The first of the chain of hotels envisaged by LAUGFS Leisure Ltd at Bangadeniya, Chilaw, was ceremonially opened in February 2014. This property branded as 'Anantaya - Resort and Spa' consists of 87 rooms in four categories of Superior, Deluxe, Premium and Suite. The resort is considered to be centrally located with speedy access to all the important tourist attractions including virgin forests, royal and sacred cities, cliff top citadels, colonial strongholds and temple caves. These areas and attractions include 8 world heritage sites. These attributes would be an attraction to the booming leisure travel demand as indicated in the Global Outlook of the Leisure sector. The 'Anantaya Resort and Spa' would also cater to the emerging MICE market, especially to the incentives sub segment since the hotel is attractively designed for such purpose.

The hotel at Passikudah too of which the construction has already commenced would be a pleasure attraction. It consists of 100 rooms to be completed in two phases. It is the wish of the management to complete the hotel by the year 2015. The third of the chain, probably the flagship, will be constructed on a land extent of 15 acres in the pristine South-Western coast at Wadduwa and is planned to be a 250-room hotel to cater to all emerging sectors like pleasure and business travel especially since it is in close proximity to the capital city of Colombo.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

REAL ESTATE

> *The structure has been designed by a reputed Chartered Civil Engineer in full compliance with design and construction standards.*

The Real Estate is said to be a more mature business sector in our country but the information pertaining to this sector is not in the public domain to an extent demonstrated by the other sectors of trade, industry and commerce. However, there have been a handful of organizations and research establishments in our country who had made admirable endeavors to make available certain useful and valuable information to the existing and prospective stakeholders and as well as for the discerning public, interested in the Real Estate Sector.

The Real Estate market generally consists of several sub-segments; namely, Commercial, Residential and Hospitality. The Commercial sub-segment may further be subdivided into Office, Retail and Warehousing spaces whilst the Residential sub-segment practically consists of individual Housing Units and Condominium Complexes. The Hospitality is classified separately as a sub-segment; perhaps due to these properties being not necessarily developed with a view for outright sale or for the purpose of earning a rental income.

It is proposed here to introduce the main segments and the relevant sub-segments of the Real Estate sector, very briefly, prior to a broader analysis being undertaken on the main focus of the fully owned subsidiary of LAUGFS Gas PLC; The Property Developers (Pvt) Ltd.

Historically, the retailing in the country was confined to well-known high streets. However, since of late, the City of Colombo, its suburbs and the major cities in the outstations witnessed the development of organized retail units, largely as Supermarkets and also with some premium Hyper Market type stores, close once again to the Capital City. The Condominium element of the Residential sub-segment observed fairly impressive growth over the last 5 years of the post-war era and the determinants of this phenomenon were the population growth and urbanization, the expat Sri Lankans from the West and also the foreign expatriates engaged in business and other assignments in the country. The typical residential yields (a sector specific measure on return on investment) in this sub-segment were varying between 3% - 7%, depending on the attractiveness of the location. The Hospitality sub-segment in terms of Real Estate refers to the properties of graded hotels, non- graded hotels, city hotels, serviced apartments, motels and other smaller units with limited room stocks. The Hospitality sub-segment of the Real Estate sector too had a notable growth in the aftermath of the war, in the year 2009.

COMMERCIAL OFFICE SPACE

It was a visible manifestation that the market for Commercial Office Space experienced a significant growth in the last 5 years similar to the other elements of the Real Estate sector. This was a direct result of the expansion of the business activity with the economic growth witnessed over the period. With the projected economic growth to be sustained at a level of over 8% in the short to medium term, the demand for Commercial Office Space will continue to be positive and steady.

There is a number of growth drivers in the Commercial Office Space sub-segment emanating from the economic growth forecasted. One of the drivers has been identified as the development of the Colombo Port. The Colombo Port is one of the top 20 global harbours in terms of volumes at the moment and it is expected to surge ahead in the rankings with the development envisaged. This development with

other noticeable business activities like pipelined leisure sector in the city, banking and financial services boom and the remarkable advancement of the information technology applications shall definitely cause peripheral service unit growth within the vicinity of the capital city, creating a substantial growth in demand for Commercial Office Space. In addition, the demand for Commercial Office Space is to be further strengthened by the ongoing Colombo City 'Beautification' programme.

As stated before, the demand for Commercial Office Space is heavily driven by the growth in banking, financial services including insurance and most prominently by the emerging Information Technology (IT) and Information Technology Enable Services (ITES). According to the SLASSCOM (The Sri Lanka Association for Software and Service Companies) the IT/BPO and knowledge services industry chamber, at the moment the sector employs 40,000 personnel and this workforce is growing over 20% per annum with a lower attrition rate of 10%-15%. All these developments in the IT/ITES will create a new demand for Commercial Office Space in and around the City of Colombo. As for the IT/ITES are concerned, the City of Colombo is considered to be a cost effective location compared to many other global sourcing destinations. With the targeted revenues of US$ 1 billion and 100,000 employment in the short term in the IT/ITES sector, it is expected to generate a demand of 7 million sq ft of Commercial Office Space by 2015.

Besides, the banking and financial services including insurance is expected to generate a demand for 4.5 million sq ft of Commercial Office Space, according to the research organizations, through the expansion of branch network which has grown 7% year on year during the last decade. However, the most recent policy guidelines by the Central Bank, on the consolidation of the financial sector, may have an impact on the growth of the Commercial Office Space for this segment, with the intended mergers and acquisitions restricting network expansions.

Although there is no official grading system for Real Estate or for that matter for Commercial Office Space, the Grade 'A' stock generally refers to the upmarket office space with state-of-the-art modern amenities. According to the research outcomes, the total stock of Grade 'A' office space, including multi-tenanted space on lease as well as captively owned properties is estimated to be 5 million sq ft with an average occupancy level of over 70%. The Commercial Office Space stock, having taken into consideration the aspects described above, is expected to multiply at least 2.4 times in the next 4-5 years according to Research Intelligence Unit (RIU) assessments.

With regard to the supply side, the RIU expects a rise in the office space prices by around 15% due to strong demand, in the backdrop of the supply lagging behind. According to them, despite several developments in the pipeline with

MANAGEMENT DISCUSSION AND ANALYSIS

notable additions like Platinum One at Bagatale Road, AEC Towers at Kettarama Road to add 60,000 sq ft, the demand will outpace the supply. Besides the locations mentioned, additional future projects identified were the proposed Havelock City office space, Transwork building in the lower Chatham Street and also the Krrish Towers Development Project with significant allocations for office space. The Development of Southwest Beira Lake and a Mixed Development Project at D.R. Wijewardene Mawatha is reported to have been initiated to add to the stock of Commercial Office Space.

The RIU goes on to add, that given the current supply gap in the Commercial Office Space that meets high international standards, there are immediate opportunities for any new entrant who can supply the market and according to the available information, property developers are currently enjoying good financial returns.

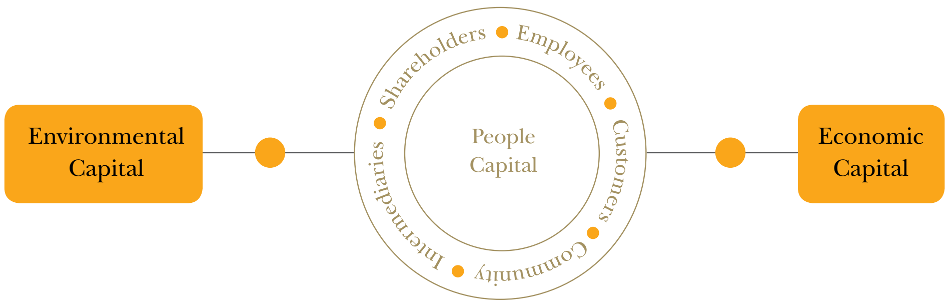
REVIEW

The LAUGFS Property Developers (Pvt) Ltd, owns and is at the final stage of development of the premises at 101, Maya Avenue, Colombo 5. It is strategically located with easy and fast access from main roadways of Baseline, Galle and Horana and provides a faster connectivity to Southern Expressway, Outer Colombo Circular Road, proposed Northern Expressway through main Kottawa Interchange to be strengthened with a proposed modern city to be built in close proximity to it.

The structure has been designed by a reputed Chartered Civil Engineer in full compliance with design and construction standards. The substructure of the building is found on end bearing cast in situ bored filed foundation. The superstructure is reinforced concrete framed structure, with lift and services core in the center, making better structural stability. The total area of the building is approximately 80,000 sq ft including Basement and Ground Floor reserved for car parks with an area of nearly 15,500 sq ft, sufficient for 50 vehicles. The Mechanical, Electrical and Plumbing services (MEP) were designed by qualified professionals in the respective fields and they are involved in the supervision of works as well. Adequate service capacities and provisions are allowed for each and every floor to cater to modern office requirements. In addition to that, separate meters for energy and water are allocated for each and every floor. Certain energy saving configurations and detailing are included in the design. A backup generator of required capacity is installed with associated facilities with automatic change over. Power supply is from the main grid with a dedicated transformer and emergency lights are installed with battery backup. All building service installations are done by reputed specialist contractors in the trade and adequate considerations are given in terms of operational cost and efficiency of the facility. As far as the vertical transport is concerned, two passenger lifts are installed in the required capacity by a specialist and reputed lift manufacturer. The facility includes Telephone, Fire Protection and Security systems interfaces with facilities for differently-abled people. There are two staircases within the building itself from the basement to the roof top for general use and for fire exit purposes. The ELV system (Telephone and CCTV) required backbone for the above, will be provided to enable the tenants to obtain required connections from each floor in the desired layout. In the case of Sanitary Facilities, each floor has a block of washrooms for males and females separately including a staff utility area. The sewer, drainage, waste water and storm water are discharged to the city mains. All this elaborate description of the property demonstrates its conformity to international standards and to establish its Grade ‘A’ status having the highest potential to earn the maximum revenue.

Stakeholder Analysis

Our stakeholders are analyzed according to the model shown below and details are provided in the following sections of this Report.



EMPLOYEES

PHILOSOPHY

'To provide everyone with the opportunity to grow'

1,400

STAFF STRENGTH

At LAUGFS, we strongly believe that 'people drive business'. The passion with which we embarked on each of our businesses has resulted in an exciting journey for over 15 years. It is our team that has made the impossible to most, possible for us. This team today has grown to 1400 and is poised to take the Company forward through any challenges.

HR POLICY

LAUGFS HR Policy is designed to consider employees as members of one family and to maintain a satisfied, healthy and an engaged group of employees. As a responsible corporate citizen, LAUGFS provides equal employment opportunities, complying with the prevailing labour laws of the country.

We provide equal employment opportunities, matching the right talent to the right role. The Company workforce represents ethnicities such as Sinhala, Tamil and Muslim and religions such as Buddhism, Christianity, Islam and Hindu.

Remuneration of employees is entirely dependent on the role, experience, qualifications and performance of the individual, regardless of gender, race or age, and no incidents of discrimination against employees exist. All wages are in accordance and above the regulatory minimum wage and vary according to the industry and designation of the employee and do not vary based on location. EPF, ETF and gratuity of employees are in accordance with the relevant Acts. The Company contributes 3% of the ETF and 12% of the EPF while the employee contributes 8% of EPF. The Remuneration Committee studies the salary structure of the organization and benchmarks findings with industry standards.

MANAGEMENT DISCUSSION AND ANALYSIS

As a responsible corporate citizen, LAUGFS provides equal employment opportunities, complying with the prevailing labour laws of the country.

- Shop & Office Act, Wages Board
- Maternity Leave Ordinance
- Workman Compensation Insurance Policy
- Termination of Employment Act
- EPF, ETF and Gratuity Act
- Factory Ordinance
- Employment of women, children and young persons
- Submission of biannual reports on EPF, ETF to the authorities on / before the specified dates.
- Payment of gratuity to employees who resign, having completed 5 years of continuous service.

Provisions for Employee Satisfaction

As a reputed organization in the country, we follow principles to uplift and uphold the satisfaction and safety of all employees. Taking initiatives to provide personal protection equipment, safety equipment and uniforms, we ensure optimum levels of safety and satisfaction.

The bond between the management and the employees are strengthened through open forum suggestions for better provision of all requirements of the employees. 'Bottom to top' communication is encouraged at all times. LAUGFS does not have any active unions, a testament to our strong policies of maintaining high levels of employee satisfaction and freedom of communication.

Attention to New Workforce Members

Induction training and engaging policies and procedures enable new employees to adapt quickly to the LAUGFS culture. A well-defined code of conduct is given to each new employee with DOs and DON'Ts clearly described, on the first day of work.

Maintaining Proper Systems for Work Accomplishment

All the recruited employees are given a clear and specific job description which gives the employee a proper knowledge of what is expected of them. Well defined departmental level procedures and work instructions are also provided.

In LAUGFS, the minimum notice period for resignation is one month and this is communicated to employees in their letter of appointment. Any employee who will be subjected to operational changes is notified via a letter of transfer before a minimum of two weeks.

Transparent Performance Management

Workforce performances are appraised annually, for increments, promotions, identification of training and development needs and other work related matters. The preliminary evaluation is done by the immediate supervisor and is then reviewed by the Head of Department. This is done in a form of dialogue between the subordinate and the immediate supervisor. All the employees are given an opportunity to express their opinion on whether they are in agreement or disagreement with the evaluation.

An IT training for employees at LAHES - The Corporate Campus

We make a significant investment in developing our people; they are trained to perform their current job roles and developed to take on future responsibilities.

Promoting Ethnic Diversity and Harmony

We provide equal opportunity irrespective of ethnic differences. Although majority of employees we have at present are Sinhalese, we have employees of all religions and ethnic backgrounds, who receive equal benefits such as festival advances, holidays, etc.

The Company celebrates internally all major festivals, irrespective of the religion the festival originates from.

Workforce Change Management

Education, training, career, and professional development needs of all employees are identified and training needs are addressed through formalized training programmes that include safety regulatory issues, new technologies adopted, etc. In-house and external training ensures that competencies required in coping with a changing environment are developed in all staff.

Maintaining Proper Systems to Gather Employee Feedback

A Suggestions Box is available for employees to provide useful inputs to identify key elements of workforce satisfaction. In addition, the Company conducts HR meetings to listen to all employees and provide them with solutions to their issues. We also practice an Open Door Policy where even an employee in the lowest level of the hierarchy has the opportunity to talk to any member of the Top Management.

100% of senior management is Sri Lankan as portrayed on page 36 and 37.

DEVELOPING OUR TALENT

We make a significant investment in developing our people; they are trained to perform their current job roles and developed to take on future responsibilities. The Company policy is to provide optimum training to each employee, which will be done after a thorough analysis of the training needs recommended by the immediate supervisors, Heads of Department and CEOs. All the training needs identified are summarized by the Group Human Resources Department and an annual training plan is developed accordingly. Each employee is provided with the opportunity to self-nominate themselves to programmes conducted on a regular basis by the education arm of LAUGFS Holdings, LAUGFS Higher Education Services (Private) Limited (LAHES - The Corporate Campus), in addition to the management nominating them for training programmes. We also provide external training as required. The cost of such training, both in-house and external, is sponsored by the Company.

During the year under review, employees of LAUGFS Eco Sri underwent an average of 36 hours of training.

Career Development

The capability and capacity of all workers is assessed by their line managers by observation of individuals' performances and through the annual performance evaluations that evaluate their knowledge and other competencies such as leadership qualities, innovation skills, discipline, attitudes and values. Through this, the capability of the work force is assessed regularly and training needs are identified and provided for. Over 50% of the management team has been promoted internally.

Necessary competencies and required standards such as educational qualifications, professional qualifications and experience that are required for each position are clearly defined and communicated to the employees to ensure transparency and motivate employees to climb their career ladders.

MANAGEMENT DISCUSSION AND ANALYSIS

Developing Our Talent Through Continuous Development

A subsidiary of LAUGFS Holdings, 'LAHES – The Corporate Campus' caters to the Group's training and development requirements, empowering them with valuable knowledge and skills.

A training programme designed to make effective, confident orators of our employees; from plan to actual presentation, through voice, visuals, body language, managing questions and difficult situations.

Making Winning Presentations

Structured to build effective leadership skills at all levels by identifying the individual's strengths and team work. The training includes creating the right environment, collaboration and effective communication and imparting of vision.

Supervisory Management

A training on Microsoft Office with hands on learning of using the vast portfolio of features available in Microsoft Word, Excel and PowerPoint to the greatest advantage.

Training Programme on Microsoft Office

Designed to equip a non-finance person with the essentials of financial management. It covers the practical know-how needed in understanding the financial statements and analysis involved.

Finance for Planning, Controlling & Decision Making

This programme is designed to increase efficiency and productivity by utilizing all the advanced features of MS Excel.

Advanced Excel Programme

Designed to improve knowledge and communication skills in English for practical and effective usage in all situations both within and outside the office environment.

Business English

In addition to knowledge and skills, we provide our employees with the opportunity to participate in various activities, useful in having a healthy and balanced lifestyle.

Zumba

With commitment to the education of the next generation, the Alumni of LAUGFS Business School raised funds through a car wash to provide facilities to a rural school in Balangoda.

Wash for a Cause

A programme that serves as an eye opener to the reality of how time is spent on daily activities. Compels the participants to plan their life with the limited time they have.

Time and Self Management

As a Company that is committed to developing talent for the future of the Company as well as the country, we recruited 34 young, high spirited Management Trainees to the Group. These trainees were selected through a tiered selection process and are trained under LAHES – The Corporate Campus. The Management Trainees are undergoing their practical training at present in the subsidiary companies.

ENGAGING OUR PEOPLE

People engagement is a natural phenomenon at LAUGFS because of the family culture that exists in the organization. Our people have a psychological bond with the Company that goes beyond their employment contract. People perform and go beyond the expectations because they 'want' to, not because they 'have' to. This has served as one of the key success factors of the Company. In the true spirit of a family culture, various events are organized to foster harmony and togetherness.

Employee Initiatives

LAUGFS Gas

Annual Get-together

The get-together of the year under review, saw the bringing together of over 500 employees and their families under a unified theme with celebrations and jubilation. All participants were given a token as a gesture of the organization's appreciation of their commitment. The Company took measures to recognize the contribution of employees who have completed 5 and 10 years of service in the organization through a special ceremony appreciating the long standing relationship between the employees and the organization.

Safety Month Competition

Promoting safety and creating a safety culture in the organization is one of our prime objectives. The importance of safety procedures and being responsible for their personal and professional lives are encouraged through competitions. Over 300 employees in the operational level were given safety training. The management continuously promotes and integrates the concept of safety to the everyday operations in the organization, through competitions.

Best Employee

LAUGFS Gas organized the 'Best Employee' competition during the year, in order to recognize and encourage excellence. Enabling employees to communicate creative ideas, the organization pursues the enhancement of employee excellence through a series of competitions.

Inter-department Cricket Tournament

Nurturing unity, LAUGFS Gas organized the annual inter-department cricket tournament with the participation of all employees, during the year under review. Such events also serve as a training ground as they bring out the hidden talents of our people; such as organizing, coordinating and executing plans. The cricket tournament is an event that everyone looks forward to and serves as a platform that encourages teamwork and comradeship.

LAUGFS Eco Sri

The benefits and welfare accorded to our team remain among the highest within the industry and we continue to introduce and implement more initiatives that would create a more fulfilling and contented work environment. Among many notable events and activities of LAUGFS Eco Sri, the annual get together has become an event looked forward to by all employees who are located island wide. The 'Eco get together' is enjoyed by one and all, irrespective of the rank in the organization.

In the true spirit of caring, we organized an Employee Clinic during the year. The Clinic was organized for employees to receive advice/consultation from the experts in the fields of Medical, Legal, Personality Development and Finance on a personal basis.

Other employee engagement initiatives that were introduced include:

- New salary structures and career paths for all Center staff
- Rewards for employees in service for several years
- Inspirational movie series for Head Office staff on Fridays
- Introduction of a Refresher Training for Centre Technicians
- Plans to introduce a special scheme to upgrade the automobile skills of the Centre staff is underway

Year End Party

Year 2013 ended on a high note with the lavish Year End party that was held on 23 December at Park Street Mews, bringing together everyone in the LAUGFS family. It was a fun filled evening with gifts, Santa Clause, fancy dress parade, games and many more treats; a well-deserved enjoyable close to 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Eco Sri Get-together

Book donation

Eco Sri Paduru Party

'Swarna Dahana'

LAUGFS Gas inter-department cricket tournament

Year end party

'LAUGFS Family' Welfare Society

As a company that believes in shared-value to all stakeholders, we allocate a portion of our annual profits for social and cultural activities that involve our people. We pride in supporting our people and their family members on numerous areas of need. The initiatives are spearheaded by the LAUGFS Welfare Society. The Committee consists of a team of cross-functional employees who annually organize donation campaigns, scholarships and other means of assistance.

Among many notable initiatives of the LAUGFS Welfare Society, during the year under review, the 'Swarna Dahana' musical programme was a highlight. 'Swarna Dahana' was a musical evening at Nelum Pokuna, which was a mega scale fund raising event.

The Welfare Society supports low income earning families of the Company through the awarding of the "LAUGFS scholarship", where book donations are made to children of all ages, of minor staff.

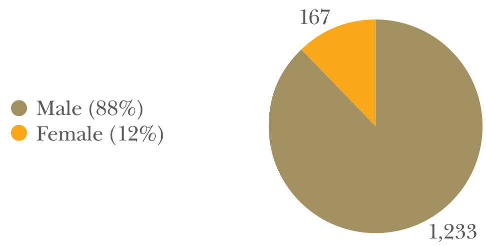
Other contributions of the welfare society include:

- Special donations and continuation of assistance where possible to the dependents of staff members who had died prior to retirement.
- Religious activities to mark significant traditional or religious days. e.g. Dhamma Deshana at Head Office.

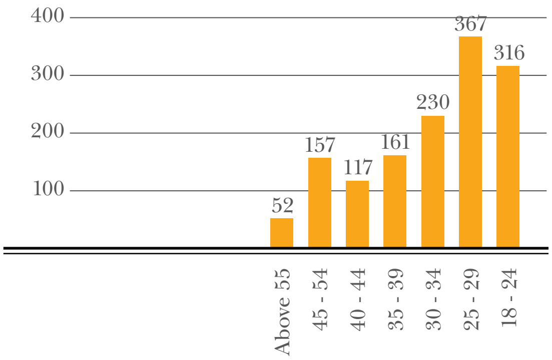
EMPLOYEE FACTS

Our team increased to 1,400 members, as result of business and operation expansions, during the year under review.

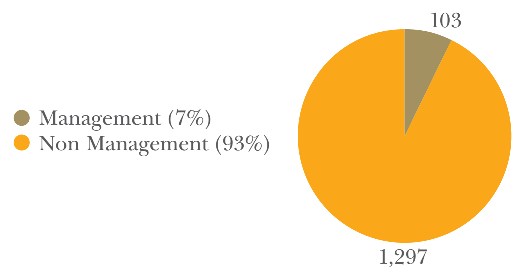
Male : Female Ratio



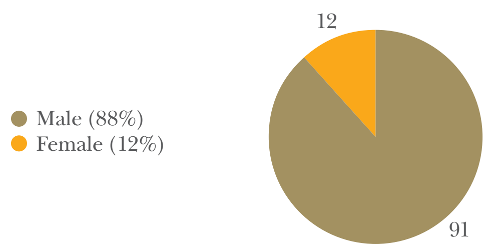
Age Analysis



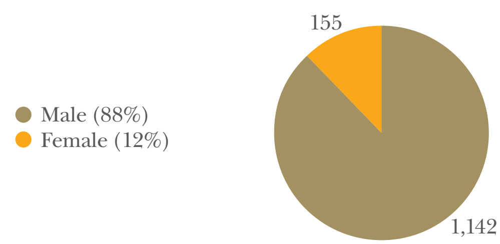
Management : Non Management Ratio



Male : Female Ratio - Management

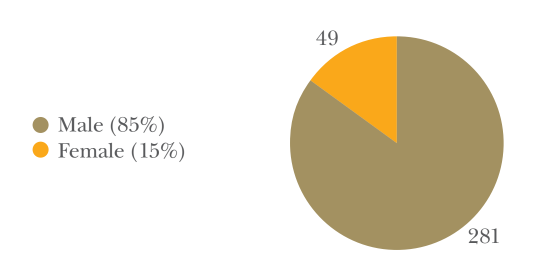


Male : Female Ratio - Non Management

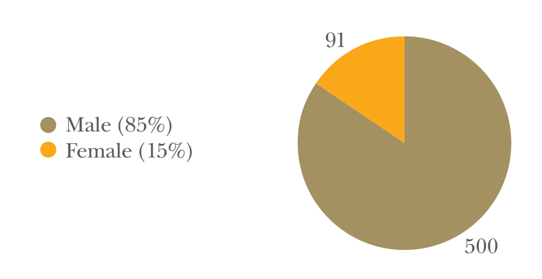


MANAGEMENT DISCUSSION AND ANALYSIS

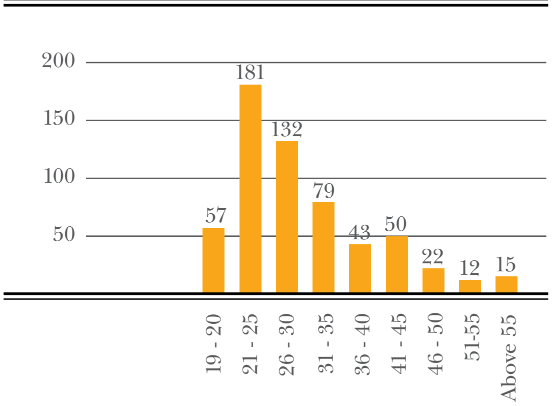
Male : Female Ratio -
Employees Resigned During the Period



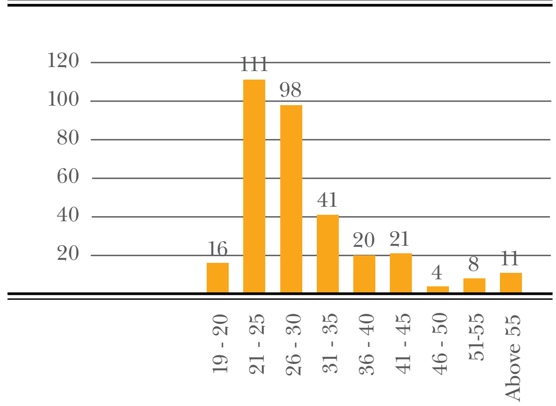
Male : Female Ratio -
Employees Recruited During the Period



Age Analysis -
Employees Recruited During the Period



Age Analysis -
Employees Resigned During the Period



EMPLOYEE BENEFITS AND FACILITIES

As a caring employer, we are empathetic towards the numerous challenges faced by our people on a daily basis. We are proactive in the benefits and facilities we design and offer to our people, especially for those in need. The benefits are not only limited to the employee but are also extended to the dependants of the employee.

Insurance

All employees are entitled to an insurance cover for accidents under the Workman Compensation Policy, which covers incapacitation for life, due to accident while on duty. The Personal Accident Insurance Cover, which provides 24-hour coverage against accidents, is provided and the premium is borne by the employee and the Company on an equal basis.

Health Care

A medical reimbursement scheme is available to all staff members of the Group and covers the expenses of OPD, dental, spectacles and hospitalization up to limits set.

Parental Leave

All female employees are entitled to obtain maternity leave

A total of 6 employees took maternity leave during the period under review.

Of the employees that took maternity leave, 4 returned to work at the end of the period granted, 1 is still on leave and 1 did not return to work.

2 of the employees who returned after maternity leave were still employed 12 months after their date of return.

Other Benefits

LAUGFS Gas provides special discounts to its employees for refilling of LAUGFS cylinders. Non Executive employees are entitled to a 50% discount and Executives are entitled to a 25% discount every two months. Additionally, employees of any of the LAUGFS companies can purchase gas cylinders on an easy payment scheme of 4 months which is deducted from their salary on a monthly basis.

All LAUGFS Gas employees located in the main plant and storage complex at Mabima are provided with breakfast, lunch and tea at no cost to the employee. Employees who are on duty on a 12-hour shift are also given a dinner allowance.

Anti-Corruption

We assess all our operations for risks related to corruption.

- We are further strengthening our communication and training on anti-corruption policies and procedures, to all employees through the implementation of the Whistle Blowing Policy.

Whistle Blowing Policy

LAUGFS is committed to the highest standards of openness, probity and legal conduct in operating its businesses. In line with that commitment, the Whistle Blowing Policy provides a mechanism for employees to raise concerns where the interest of the organization is at risk.

This policy covers concerns raised by employees on the following matters:

I. A criminal offence

ii. A failure to comply with a legal obligation/company policy

iii. A miscarriage of justice

iv. The endangering of an individual's health & safety

v. Damage of the environment/property/employees

All these disclosures are treated in a confidential manner and provide protection to the employees.

Finally a detailed investigation is conducted by Group Risk & Control Division and reports with recommendations and corrective actions.

LAUGFS Gas PLC and its Subsidiaries have not recorded any incidents of corruption during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Health & Safety

We ensure the safety of our employees at all times. LAUGFS Gas is a member of the World LPG Association. It is also the only ISO 9001:2008 (Quality Management System) Certified LPG Company in Sri Lanka. Inspections and certifications are periodically carried out by various Government and third party bodies such as the Colombo Fire Department, Sri Lanka Standards Institution, Board of Investment, Central Environmental Authority, etc. The agreements entered into cover:

- Safe installation of Tanks
- Safe monitoring and maintaining of the LPG storage tanks
- Vehicle management and safe driving
- Various Safety Trainings
- Emergency response planning and implementation
- Investigation of all accidents and incidents and reporting of same

We have appointed a Safety Committee with representatives from each department who meet periodically and review the safety practices, identify and resolve issues of risks. By taking proactive steps and also improvements, they ensure a safe work environment for all employees.

Fire drills are conducted every six months, to assess the effectiveness of safety procedures such as firefighting, evacuation, sounding the alarm, etc.

A safety orientation programme is conducted for all new recruits in proximity to the Plant, covering the scope and risk of Liquefied Petroleum Gas and their role in contributing to the overall safety of the work environment. No employee is allowed to enter the filling plant unless they have participated in this training; a precautionary measure to minimize the risk of accidents.

We also conduct safety competitions and present Safety Awards to employees who score highest in safety performance indicators.

An on-site doctor is available during the hours of operation and there is also an emergency medical kit and ambulance available after hours in case of an emergency.


Our employees are well informed of their human rights in the context of their operations
No incidents of discrimination
No fines or sanctions recorded for non compliance with laws and regulations
No incidents of child labour or forced or compulsory labour
No incidents of freedom of association violated
All security officials trained on human rights policies and procedures relevant to operations
WE PRIDE OURSELVES
No grievances about labour practices filed owing to our open door policy and line managers being encouraged to settle grievances on site
No workers with high incidence or high risk of diseases related to their occupation
All investment agreements and contracts undergo human rights screening under the Sri Lankan context
All operations assessed for human rights violations in the Sri Lankan context
No grievances about human rights violations filed

MANAGEMENT DISCUSSION AND ANALYSIS

CUSTOMERS

PHILOSOPHY

'Go the extra mile to deliver beyond customer expectations'

+600

CUSTOMER SUPPORT CALLS
BY ECO SRI HELP DESK PER DAY

Guided by our core value of 'Customer Centricity', we focus on continuous value addition and building sustainable relationships with our customers.

The key to our fast expanding customer base is the twin themes of consistency and continuity through innovative solutions that exceed customer expectations.

CUSTOMER PRIVACY

We respect and value the privacy of our customers, maintaining the confidentiality of customer records and details at all LAUGFS companies, with no substantiated complaints of breaches of customer privacy.

QUALITY ASSURANCE

We place high focus on providing quality products and services to our customers. We take all measures possible to ensure that our customers are provided with superior quality. Testimony to this, LAUGFS Gas was awarded the National Quality Award for Manufacturing, Medium Scale Category and ISO 9001:2008 . LAUGFS Eco Sri was awarded ISO 9001:2011 certification. All these certificates are valid, to date.

Identifying the importance of customer satisfaction and safety, we take measures to ensure optimum levels of service both in the Business to Business and Business to Customer spheres. Ensuring loyalty and highest levels of service, the Company organizes effective safety drills and seminars for all customers in the Business to Business sphere. The safety standards that are required in the usage of LPG are communicated through seminars and workshops to bulk customers where necessary.

The Company has successfully introduced new products that have fueled sales tremendously.

LAUGFS Gas pioneered 5Kg Gas cylinders which have become a trend in the industry. The 5kg cylinder is now the ideal, accepted solution for the modern household.

PROCESS INNOVATION

We introduced process innovations in areas of Procurement, Imports and IT services. Centralized, shared services in these areas have resulted in enhanced quality and productivity. The LPG packing plant is also operated with processes put in place for maximum quality and productivity with continuous improvement.

Our Supply Chain

The Group comprises of two centrally handled departments for all procurements and imports; the Central Procurement Unit and the Group Imports Division. The requirements of all Group subsidiaries once filed with these two departments go through a standard procurement and importation process to ensure quality, efficiency and effectiveness, whilst ensuring that the social, economic and environmental impacts we create are neutral or positive.

The Central Procurement Unit

Our procurement principles are:

- Best value for money
- Fairness, integrity and transparency
- Effective competition
- The best interests of LAUGFS and its clients

We continuously look to adopt strategies to avoid unnecessary consumption and manage demand, minimizing environmental impacts over the life of the goods and services. We select products and services that have lower or no adverse impacts associated with any stage in their production, use or disposal. We ensure that fair and ethical sourcing practices are applied and that suppliers are complying with socially responsible practices, including legislative obligations to employees.

Department of Imports

Vision - “Provide flawless and efficient service while meeting the deadlines to ensure the quality and safety of the shipments we are handle”.

Having handled countless shipments since 1994, all departmental processes are dealt with practiced expertise. Preparing and processing of Customs documents pertaining to the given shipment are reviewed according to international standards.

We use accurate clarified methods for correspondence while taking care of the possessions and keeping the customer conscious about matters that affect the movement of the shipment. The reason behind the efficacious export and importing of the LAUGFS Group is the expertise our team possesses.

Product Responsibility

We are committed to ensuring that all our operations meet the quality, health and safety standards set, which are assured by a dedicated department in Quality Assurance.

Health and safety related risks of all critical operations are assessed on a continuous basis and necessary corrective and preventive actions are introduced.

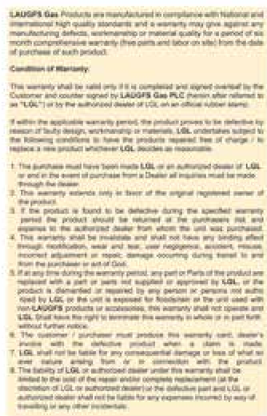
Our unmatched number of awards and recognitions received throughout and during the year under review are a testimony to the excellence we have established in all our operations including health, safety, quality and productivity.

All products and services are assessed for compliance with standard labelling. LAUGFS Gas provides a detailed product brochure at point of sale of new cylinders that includes information on what is LPG, properties of LPG, information on storage, instructions on safe use and emergency procedures.

MANAGEMENT DISCUSSION AND ANALYSIS

Quality Assurance/Guarantee/Warranty on Products

We provide a guarantee for all filled cylinders. Defects such as gas leaks, value defects, etc. are replaced by the Company according to the warranty procedure.



Domestic Customers

- We purchased motor tricycles to improve our home delivery service to customers.
- Cylinder installation and safety guide for Domestic customers.

Bulk and Commercial Customers

We organize engaging events for Bulk and Commercial customers. We believe this provides them with an opportunity to interact and provide feedback to the LAUGFS team which always inspires the team to deliver the best to our customers.

OUR INNOVATIVE CUSTOMER SOLUTIONS

Home Express

LAUGFS Gas PLC, the innovative energy expert in Sri Lanka presented yet another innovative solution for its customers with the introduction of 'Home express'. The project currently brings the convenient factor of home delivery to Colombo 01-15 and suburbs through the delivery hotline 0114 427 427. The delivery line enables the consumers to purchase re-filled or new cylinders with the facility of paying by cash or credit card. The convenience factor which adds glamour to the service portfolio of the organization, is a factor of triumph, as an innovative game changer in the industry.

The home express does not stop there; in the near future the organization plans to spread its delivery network to all key strategic areas to bring the convenience of delivery to every doorstep. The number 427 on the delivery line 0114 427 427

reflects the letters "GAS" on the key pad of the phone. This unique combination will, in the future, enable the consumer to dial just the numbers 427 or send an SMS for their everyday energy needs.

Online Solutions

In this era of online dynamicity, we have identified the necessity of establishing ourself to face the future of the cyber generation. As a first in the industry, we introduced online ordering through www.gas.lk enabling the consumers to shop for their energy needs online with the ability of delivery, pick up, credit card payments and cash on delivery. Further, we are very active on social media such as Facebook and YouTube engaging with an array of demographic groups in our target market. We believe that we should fortify the traditional channels while interacting with the future through the adoption of latest technology.

Eco Sri Help Desk

LAUGFS Eco Sri, being a distinct service provider, constantly looks at ways in which we can assist our customers. Our Help Desk makes over 600 phone calls per day. All inquiries are handled in a professional manner, in all three languages, satisfying customer requirements. Eco Help Desk is undeniably accurate, keeping the customer informed if the vehicle fails the emission test and detailing where exactly the problem lies in the vehicle. Our superlative service is the top-most reason for us to be the preferred choice for vehicle owners.

Freebies

We provide many attractive offers to our customers, at no cost to them.

- Free Eco Newspapers, made from recycled paper was distributed among customers at our island wide VET centres. A discount coupon was included in the newspaper which could be reimbursed by the customers.
- Attractive vehicle accessories like dust caps, dash board mats, etc. are given to customers who visit VET centres.
- Eco Sri Discount Shop operation at the vehicle emission testing centres is being expanded for the benefit of our customers to purchase car care accessories at a tariff lower than market price.
- Introduction of Nitrogen filling, free of charge for customers who use our facility for emission testing.
- Raffle draws where a free gas cylinder is delivered to one lucky winner every month.

When public attention drifts from the importance of preserving our environment, Eco Sri uses these to draw attention to the fact that living green is the only way we can give back to the earth for all that it gives us.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMUNITY

PHILOSOPHY

'Add value to the nation by uplifting the community'

+Rs.8,000,000

COMMUNITY INVESTMENT

We find ourselves in a unique position capable of adding value to the nation in terms of upgrading the Country's energy infrastructure and preparing our nation to face emerging global climate changes.

Our unique strengths enable us to provide essential services to the community – energy, healthy environment, shelter and leisure.

WE BELIEVE IN EMPOWERING OUR COMMUNITIES

The first of our chain of hotels, 'Anantaya Resorts and Spa', Chilaw was unveiled to the public on 15 February 2014, by His Excellency Mahinda Rajapaksa, President of the Democratic Socialist Republic of Sri Lanka.

In accordance with our policy of recruitment, more than 45% of the staff was recruited from the area giving priority to the nearby youth and villagers. These locals are currently being trained and empowered to fit into the industry, to meet professional market standards and quality.

We also created opportunities in the community for the supply of fresh vegetables, fruits, meat and dairy products to the hotel, and supporting services such as boating facilities for tourists. These are mostly carried out by the villagers, having been given prior training in safety and quality standards through the hotel. The training not only educates and develops skills, but also empowers them to integrate into the industry and uplift their lives as well, thereby the entire community.

Additionally, the hotel supports schools and places of worship, with various donations. There are also plans for a proposed training school where school leavers of the community would be trained in professional areas of the hospitality industry, to suit the industry standards.

'Anantaya', true to its meaning - 'endless', provides opportunities and benefits that are endless, not only to the people in the community, but also in terms of infrastructure to the area.

Uplifting the Standards of Cooking

The rural community of Sri Lanka has been a victim of cooking using firewood as the primary fuel which has led to many respiratory complications in the community. Therefore, we took measures to introduce the 5Kg cylinder and accessories at a subsidized and instalment scheme. The objective of the initiative is to introduce new standards of cooking and reduce the effect of respiratory problems.

In collaboration with the Plantation Human Development Trust (PHDT), we offer the Estate Workers a special price to suit their economic conditions, where they can purchase a 5Kg through six equal monthly instilments.

Employment and Education Opportunities

Over the years, we have shared our best practices and professional expertise with the promising youth of our country, by providing them with internship opportunities. The industrial placements have been extremely successful in providing professional growth opportunities to undergraduates and academic interns. We have also provided employment to the physically handicapped on many occasions.

We provide internship training opportunities to students annually, in order to equip them with work experience and skills. Such opportunities were provided for students of University of Sri Jayewardenepura, University of Sabaragamuwa, University of Ruhuna, ICBT, NIBM and the education Subsidiary of LAUGFS Holdings, LAHES - The Corporate Campus. Wherever a match between talent and role exists, we have offered employment opportunities to such trainees and interns.

Upholding the Values of Our Nation

We consider community contributions and welfare a responsibility and a core value which we function upon. An array of contributions in the forms of donations and sponsorships, both by means of money and products (gas), are contributed to the community as a gesture of goodwill of the Company.

As a Sri Lankan organization which values the principles of religion as the baseline of social integrity, LAUGFS Gas PLC contributes towards religious events that uphold the values of the nation. Among the main contributions, the donations to the Temple of the Tooth Relic is one we regard sacred. Further, we take measures to fulfill the educational needs of the young students through donations to schools and engaging in projects such as building libraries and provision of school books and accessories to students in need.

Some of Our Sponsorships

- Gamatama Naththal 2013
- Child foundation for inter-religious and ethnic harmony
- Ministry of Environment & Renewable Energy
- Dayata Kirula exhibition
- The first eleven cricket team of Ananda College for the season 2013-14

DONATIONS

We continued our donations to worthy causes, during the year under review. Our donations and sponsorships are of three main categories; Neighbourhood, Social and Religious.

We made no monetary or in-kind political contributions directly or indirectly. Also no legal actions were instituted against the Company for anti-competitive behaviour, anti-trust and monopoly practices.

Handing over a LAUGFS Gas 5Kg to an estate worker

Anantaya Resort & Spa, Chilaw employees are professionally trained

Handing over the sponsorship to the Principal of Ananda College

Contribution for the supply of drinking water to a rural school in Ampara

Among the many notable donations that we have continued for years, some that we continue most passionately include:

Social

- Providing financial assistance to a family; two members of whom are suffering from thalassemia.
- Continuation of the supply of gas to an Ayurvedic doctor who provides free medical treatments to cancer patients.
- Financial contribution to the Deaf, Dumb and Blind to mark the White Cane Day.
- Advertising expenses of Department of Motor Traffic for a people awareness programme on emission testing.
- Blood donation day and a clinic for elders were organized by Eco Sri Centers.
- Contribution for the supply of drinking water to Ampara Kudagala Maha Vidyalaya and Ampara Henanigala North Maha Vidyalaya.

Religious

- Providing financial assistance to the youth at Colombo 5, Duplication Road for the Dansala organized for Vesak 2013.
- Continuation of providing gas for the preparation of alms to the Sacred Tooth Relic at Sri Dalada Maligawa, 365 days of the year, and maintenance of the gas line and cookers donated for the benefit of the pilgrims.
- Financial contribution to the Athula Dassana Buddhist center for its annual 'Dasa Paramitha Perahera' at Borella.
- Continuation of participation and contribution to Ranweta Foundation of Jaya Sri Maha Bhodiya.
- Providing gas facility to the Udamaluwa of Sri Pada. In a special community project, LAUGFS Gas stepped forward to supply gas for the daily cooking needs of the priests and staff of Sri Pada. LAUGFS fabricated the pipeline up to the 'Udamaluwa' and another separate gas line was fabricated for the historical 'Saman Dewala Poojawa'. The gas line is used for the preparation of offerings for this pooja. Twenty 12.5 kg gas cylinders are donated on a monthly basis.

WE PRIDE OURSELVES

There have been no fines or non-monetary sanctions for non-compliance with laws & regulations

No operations with significant negative impacts on local communities and no grievances about impacts on society filed

There have not been any incidents of violations involving rights of indigenous peoples

Shareholders • Employees • Customers • Community • Intermediaries

People Capital

INTERMEDIARIES

PHILOSOPHY

'Enable performance and infuse professionalism'

At LAUGFS, we focus on building a professional network of intermediaries. We have a cohesive partnership with our intermediaries that drives superior performance.

+3,200 DEALERS

+15 DISTRIBUTORS

Engaging in events to establish better working relationships with our intermediaries is a continuous exercise.

Dealer Board

While they enable us to spread our wings, we empower them by,

- Providing financing facilities through LAUGFS Capital for dealers and distributors.
- Constant supply of new dealer boards and wall paintings for dealers as required.
- Our affiliations with various financial and other entities for a range of promotions and seasonal offers.

Shareholders • Employees • Customers • Community • Intermediaries

People Capital

SHAREHOLDERS

PHILOSOPHY

'Deliver our promise at all times'

10,670 Voting
9,309 Non Voting
SHAREHOLDERS

With the listing of the Company in the Colombo Stock Exchange in the year 2010, many became partners of the success story of LAUGFS. We are grateful to the shareholders who are instrumental in fuelling our journey at LAUGFS, making wonders possible.

LAUGFS Gas PLC was transferred from the Diri Savi Board to the Main Board of the Colombo Stock Exchange on 29 January 2014. This milestone stands proof of further enhancement of our transparency, responsibility and professional growth in the industry.

The Annual Report is the main corporate communication tool used in updating the shareholders of the performance and progress of the Company. In addition, quarterly financial statements were sent to all shareholders. Testimony to our transparency, LAUGFS Gas PLC Annual Report was awarded the Gold at the 49th Annual Report Awards during the year under review, under the category of Power and Energy.

Our focus on shareholder value creation has enabled us to continuously achieve a high Return on Net Assets, recording sustainable growth in profits. High standards of Corporate Governance and a comprehensive Risk Management framework as detailed in the reports on pages 120 and 127 respectively, ensure adequate protection of shareholder funds.

A dividend of Rs. 2.00 per share will be paid on 17 June 2014 for the financial year ended 31 March 2014.

We have consistently rewarded our shareholders with our outstanding growth and performance over the years, also ensuring consistent transparency and incorporating sustainable business practices in all operations.

ENVIRONMENTAL CAPITAL

PHILOSOPHY

'Protect our environment for future generations'

+Rs.10,000,000
ON WATER RECYCLING

+Rs.1,000,000
ON WIND & SOLAR POWER

We are at the forefront in introducing greener solutions to the everyday life of our fellow citizens. We are committed not to engage in any activity that has an adverse impact on the environment. We are committed to a programme of management and continuous improvement, which marks our contribution to improving the world in which we live.

LAUGFS Gas contributes to the preservation of the environment by engaging in a business that results in minimum emissions and also by contributing to the reduction of deforestation and air pollution related health hazards.

LAUGFS Gas comes in renewable and reusable metal cylinders which are a built of recyclable raw material.

Cylinder	Weight of renewable material used per product
2kg	2.85kg metal
5kg	8.08kg metal
12.5kg	12.72kg metal
37.5kg	27.43kg metal

None of our products are made out of reclaimed material. The Company ensures impact assessment on the environment, taking measures to mitigate any identified negative impact prior to any investment, including investments on introduction of new products or service.

LAUGFS Eco Sri Business model is one that revolves around preserving the environment – engaging in testing of vehicle emissions.

Water and Energy Consumption

We have withdrawn 16,341 and 3,333 cubic meters of municipal water for the consumption of LAUGFS Gas and Eco Sri (Head Office only) respectively during the year under review. LAUGFS Gas and Eco Sri consumed 603,064 and 337,167 kWh of electricity respectively during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Clean energy is our responsibility. LAUGFS Power Limited is the hydro energy harvesting arm of the Group. The Company is engaged in the construction of a mini hydro power station in Balangoda on Ranmudu Oya.

Renewable energy is the solution for tomorrow. With minimum adverse impact on the environment, we produce clean energy in a carefully chosen, less populated area and less cultivated land.

Eco-luxury

The newly opened 'Anantaya Resorts & Spa', Chilaw and the other resorts being constructed under LAUGFS Leisure are focused on being eco-friendly. The hotel spas and landscape areas are designed to preserve the surrounding natural environment. Our resorts strike a fine balance between eco-friendliness and luxury... 'Eco - Luxury'.

We are also introducing the concept of harnessing natural energy, such as wind power. This project will find its firm footing in the near future.

Our sites of operation, when located in a protected area or close to a protected area, have received proper and required approvals from authorities as per the rules and regulations required under Sri Lankan Law. All our operational activities within or close to such premises have taken place according to pre-approved standards, leaving no significant impact on biodiversity in protected areas and areas of high bio diversity outside protected areas. No IUCN red list species have been affected by our operations. We have always protected habitats. An example of our commitment to this is the Anantaya Resort and Spa constructed in Karukupone, Chilaw on a 15 acre land, abiding by all aforementioned criteria.

LAUGFS Power pipeline in Balangoda

LAUGFS businesses revolve around preserving the environment for our future generations.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC CAPITAL

PHILOSOPHY

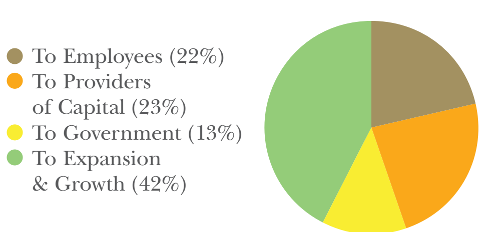
'Deliver exceptional performance and share the benefits with all stakeholders, thus contributing to the economic development of our country'

+Rs.2.5 Billion

ECONOMIC VALUE CREATION

We continue to deliver our promise to the nation in numerous ways; setting industry benchmarks, generating employment and creating business opportunities, are only a few amongst those. Our economic value creation during the year under review is shown below:

Distribution of Value Addition



Our value was distributed among employees, providers of funds, Government and Rs. 1,086 million was retained for growth of the Company.

We continue our journey of exponential growth, creating direct and indirect employment opportunities. During the year under review, we provided direct employment to 1,400 and income generation opportunities to more than 15 Distributors and over 3,200 Dealers island-wide. With our hotels coming in to operation, a vast number of people in the surrounding areas will be provided sustainable income generation opportunities. In the coming years, we intend to benefit the community and local economies through our infrastructure investments; especially with regard to our Leisure sector.

We believe that we are successful as a business only if all our stakeholders and the country are benefited in an overall sense.

		Rs. Million
Direct Economic Value generated (Revenue)		12,035
Economic Value Distributed	Operating costs	9,474
	Employee wages and benefits	552
	Payments to providers of capital	600
	Payments to Government	323
Economic Value Retained		1,086

Financial Implications and other risks and opportunities due to climate change

Company	Climate Change Opportunity	Management of Opportunity by Company
LAUGFS Gas	Increasing concerns on emissions of fuels used	Raising awareness of LPG as a greener fuel.
	Focus on Greener transport Fuels	Introduction of LPG as a transport fuel.
	Air Pollution related health hazards	Raising awareness of LPG as a safer fuel compared to firewood.
LAUGFS Eco Sri	Air Pollution and related health and climatic implications	Raising awareness on the need of emission certification for a cleaner tomorrow.
LAUGFS Leisure	Increasing client concerns on greener and organic consumption patterns	Adoption of green packaging techniques and providing organic products where possible.
LAUGFS Power	Increasing concerns on renewable energy	The Company produces and supplies hydro power to the national grid.
LAUGFS Property	Energy saving construction techniques	Company plans to design and construct futuristic properties with inbuilt energy saving techniques.

As a concession of the Board of Investment, LAUGFS Gas, Eco Sri and Property are granted a tax benefit.

PROCUREMENT PRACTICES – ENRICHING THE VALUE CHAIN

100% of the procurement budget, other than on LPG and accessories importation, is spent within Sri Lanka.

At construction stage, certain goods and material for the Anantaya Resort and Spa, Chilaw were procured from foreign countries in order to meet the set quality standards.

For all operations, we procure within the country.

MANAGEMENT DISCUSSION AND ANALYSIS

Stakeholder Group	Commitment made in 2013	Progress
Employees	Develop the rising talent of the Company through the LAUGFS Business School programmes	●
	LAUGFS Gas: Roll out the 'Continuous Performance Review Process' throughout the Company.	●
	LAUGFS Eco Sri: Conduct Employee Clinics regionally to provide advice/counseling to employees in their day-to-day issues and make it a forum to meet and develop bonds with their family members.	●
	LAUGFS Leisure: Recruit a team for 'Ananthaya', our hotel in Chilaw, and provide specialized training to ensure that they are fully geared to delight our customers.	●
Customers	**LAUGFS Gas:** Introduce 'Home Express' – the Home Delivery Service for Gas refills, new cylinders and related accessories. In addition, provide technical and emergency assistance.	●
Intermediaries	**LAUGFS Gas:** Introduce the LAUGFS New IT System for intermediaries where they can have a better control over their inventory, distribution and enhance performance effectiveness.	●
Economy	Increase the provision of income generation opportunities through the expansion of business.	●
Community	**LAUGFS Gas:** Uplift the livelihood of an identified set of females by empowering them to become women entrepreneurs.	●
	LAUGFS Eco Sri: Expand our training to rural areas with the help of external training partners to provide more opportunities to rural youth.	●
	LAUGFS Leisure: 30% of the hotel staff to be recruited from the surrounding community in Chilaw.	●
Environment	**LAUGFS Gas:** Engage in a Tree Planting initiative.	●
	LAUGFS Leisure: Complete the Wind Mill project in Chilaw.	●
	As the second stage, launch a project of planting 1,000 mangroves.	●
Shareholders	Achieve Profit Targets set for the year.	●
	Create value for their investments.	●

Status Key

● Completed

● Commenced, in progress

● Not commenced

Stakeholder Group	Our Goals for 2014/15
Employees	Continue employee professional development and grooming through LAHES - The Corporate Campus. **LAUGFS Gas:** Brand Academy (Internal Marketing) 2014 Initiate a Brand Academy to enhance the standards of all employees of LAUGFS Gas PLC **LAUGFS Eco Sri:** Arrange hire purchase schemes during festive seasons, where employees can purchase electrical items, etc. **LAUGFS Leisure:** Improve regional recruitment levels by offering on-the-job training opportunities to cadre recruited from within the region.
Customers	**LAUGFS Eco Sri:** Enhance customer awareness on Vehicle Emission Testing and Technical Aspects related to emission testing by increased reach-out through call centre and Eco Sri Newspaper. **LAUGFS Leisure:** Provide customers with unmatched service quality with world class hospitality standards by continuous evaluation of customer feedback forms.
Intermediaries	Complete the LAUGFS new IT system for intermediaries where they can have a better control over their inventory, distribution and enhanced performance effectiveness.
Economy	Increase the provision of income generation opportunities through the expansion of business.
Community	**LAUGFS Gas:** Uplift the livelihood of an identified set of households in the estate sector through community development activities. **LAUGFS Eco Sri:** Donation of school items to remote, needy schools.
Environment	**LAUGFS Gas:** Complete the second phase of planned tree planting campaign. **LAUGFS Eco Sri:** Register as a corporate partner for 'Earth Hour' programme and introduce the concept to all centers from 19 March to 29 March, 2015. Introduce Green House concept in selected Eco Sri Centres by raising plants in greenhouses at emission testing centres. **LAUGFS Leisure:** Launch a project of planting 1,000 mangroves.
Shareholders	Achieve Profit Targets set for the year. Create value for their investments.

Our Efforts Recognized

Our efforts were recognized during the year with a number of prestigious accolades.

Company	Awarding Body / Category	Award/Certification
LAUGFS Gas PLC	National Chamber of Commerce	National Business Excellence Award 2013 - Gold (Other Services Category)
LAUGFS Gas PLC	CNCI Achievers of Industrial Excellence	Achievers Award 2013 – Bronze
LAUGFS Gas PLC	CNCI Top Ten Achievers of Industrial Excellence	Top Ten Companies Award 2013
LAUGFS Gas PLC	Chartered Accountants Annual Report Awards 2013 [Power and Energy Category]	Chartered Accountants Annual Report Awards 2013 - Gold Winner
LAUGFS Gas PLC	Corporate Banking Finance & Assurance Category	Best web.lk 2013 - Special Merit Award
LAUGFS Gas PLC	National Best Quality ICT Awards 2013 for ISO Document Management System	NBQSA 2013 - Merit Award
LAUGFS Gas PLC	National Best Quality ICT Awards 2013 in the E-logistics & Supply Chain Management	NBQSA 2013 - Merit Award for Gas Enterprise System
LAUGFS Gas PLC	National Best Quality ICT Awards 2013	NBQSA 2013 - Gold Award (Financials Applications)

Mr. Ashan De Silva - CEO, LAUGFS Gas PLC receiving the Gold Award - Other Services Category at the National Business Excellence Award 2013

Some of the other awards received during the year

APPROACHING SUSTAINABILITY

LAUGFS GAS PLC

A Limited Liability Company listed in the Colombo Stock Exchange.

An entrepreneurial venture that was started over fifteen years ago, with the intention of bringing prosperity to one and all in our country and going beyond the boundaries to make a mark in the world... was named 'LAUGFS'.

We believe that 'small aim is a crime' and engage in enterprises that will sustain beyond our generation. Our formula for success has been 'Sustainability'; it is in the lifeblood of LAUGFS!

A Member of:

National Chamber of Commerce
Ceylon Chamber of Commerce
World LPG Association
Hotel Association of Sri Lanka

No significant externally developed Economic, Environmental and Social Charters, Principles or other initiatives are endorsed or subscribed to.

Reporting Period
1 April 2013 – 31 March 2014

Previous Report
1 April 2012 – 31 March 2013

Reporting Cycle
Annual

For queries regarding this Report, contact:
Theekshani Dollamulla
Head of Corporate Communications
LAUGFS Holdings Limited
No. 14, R.A. De Mel Mawatha
Colombo 4.

CHAIRMAN'S MESSAGE ON APPROACHING SUSTAINABILITY

Sustainability is at the core of our business strategy. It is sustainability that drives our product and service innovations, offerings and business decisions.

While we focus on keeping ourselves agile and abreast of changes, owing to the kind of businesses we are engaged in, we can pride ourselves to be in a responsible position to work towards not only the sustenance of our businesses but also towards sustenance of our planet, through futuristic business decisions we make.

We identify opportunities in changing environments. We adopt a forward-thinking approach to stay abreast of the market and thereby effectively mitigate the risks that

APPROACHING SUSTAINABILITY

the changes in the external market pose. Energy is a global business. Our core business - LPG distribution, and Power both directly cater to providing the most essential sources of energy to the market that powers the economic growth engine. Putting forth our responsibility that we assume as a Sri Lankan company, we have introduced clean and appropriate energy solutions. Not only LPG and Power, our vehicle emission testing business - Eco Sri and other businesses also directly support causes of sustainability by minimizing the negative impact on the environment. In the case of Property and Leisure too, we consciously take measures to keep operations green and eco-friendly. 'Anantaya' our first resort built in Chilaw, marks exceptional architecture for constructions that have taken place in harmony with the natural environment. Our business strategy focuses on adding value to our bottom-line in order to sustain the business and ensure that all our stakeholders are enriched with value as well.

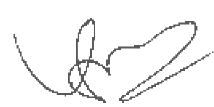
We have identified our strategic priorities which we have formulated in to the Sustainability Policy from which a working framework is developed. This framework has identified key topics for the short and long terms with regard to sustainability, which is explained in different sections of this report (please refer the G4 content index). We follow internationally-recognized standards and develop our frameworks and plans accordingly. We are a member of the World LPG Association and are up to date with the latest research and trends set at the world market. All our operations are certified for quality and safety while we have separate departments in place to cater to the identified sustainability aspects.

We are in a continuous working plan to relate global trends and changes to long term organizational strategy and success. We are committed to promoting 'greener ways' mainly by using renewable or safe energy with minimum impact on the environment. With the global trends that emerge post Kyoto Protocol, the masses are moving more towards healthy practices for a greener environment, which has become a great advantage to us. By recognizing this in time, we have commenced the introduction of futuristic solutions and adopting same in our organizational processes as well. We walk the talk; we sell green fuels and the Company also uses green fuel; all vehicles used by the LAUGFS family are being converted to gas run vehicles, which result in lesser emissions.

Due to its scarcity and global demand, the prices of crude oil tend to fluctuate in the world market. This impacts all countries, but particularly countries in the developing world, including Sri Lanka. Owing to the lack of confirmed crude oil resources within its territory, Sri Lanka is compelled to import the necessary quantities of oil for national consumption. This puts us at the mercy of international pricing. We have clearly understood this scenario which we have converted to be an opportunity to us.

We work on a solid long term plan for LAUGFS Gas and its Subsidiaries. We have successfully achieved targets we have set for ourselves for the year under review and have initiated many projects for the coming years, which are discussed in detail in this Report. LAUGFS Power successfully completed the Phase One of the Mini Hydro Project at Ranmudu Oya in Balangoda. LAUGFS Leisure opened the first Resort and Spa under the brand 'Anantaya Resorts and Spa', in Chilaw. LAUGFS Property, during the year under review finished construction of its multi-storey building at Maya Avenue. The year under review also marks the year with most number of awards LAUGFS has ever received in one year. LAUGFS Gas won the most prestigious national level Gold awards and many other accolades which is testimony to our genuine efforts.

In summary, at LAUGFS we live by the core principle that business growth alone is not sufficient; it must be coupled with sustainability. It is 'sustainable growth' that we strive for, which ensures that our people, environment, economy and society at large reap benefits from our business operations.



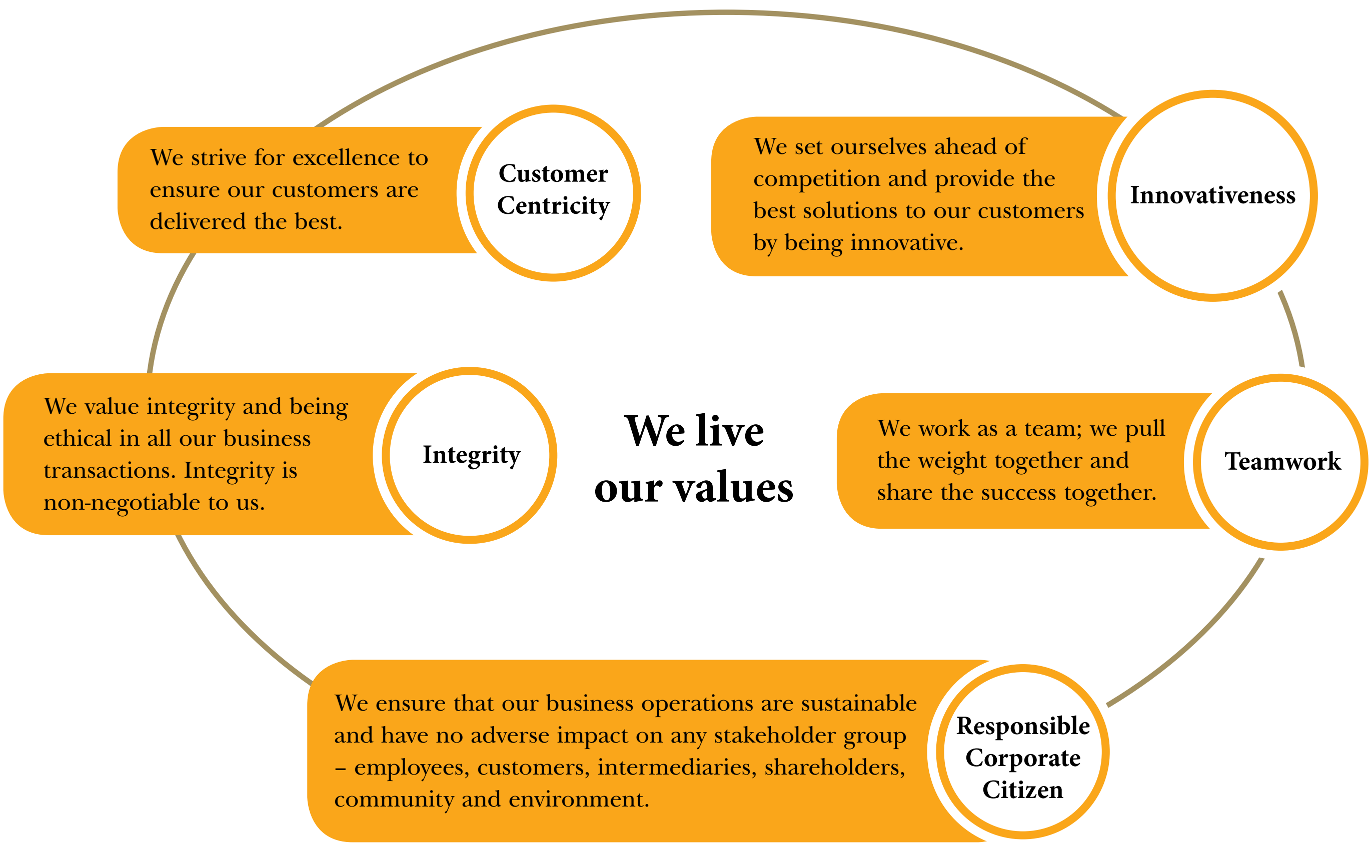
W K H Wegapitiya
Chairman/Group CEO

28 May 2014

OUR ETHICS AND INTEGRITY

In the preparation of this Sustainability Report we have followed our Sustainability Policy, which is provided below. Our Sustainability Policy stems from our value system. Integrity is a core value of LAUGFS and plays a central role in our business operations.

We have heavily relied on our solid value framework that guides our business decisions and operations to identify our approach to sustainability aspects. Customer Centricity, Innovativeness, Teamwork, Integrity and being a Responsible Corporate Citizen are the values that are embedded into the culture of LAUGFS.



APPROACHING SUSTAINABILITY

OUR SUSTAINABILITY POLICY

LAUGFS will always consider the environmental, social and economic sustainability when making business decisions. Our commitment to sustainability goes beyond managing environmental, social and economic impacts and fulfilling our responsibilities to create shared value to all stakeholders; we are committed to sustaining LAUGFS by delivering exceptional performance. We will meet or exceed our own and set standards of sustainability and create a culture of sustainability by promoting and living sustainable practices within LAUGFS and the industries that we operate in. We strive to become a model of sustainability for our country, as we pursue our Vision.

Sustainability Committee

Our sustainability agenda is developed by a team who hold responsible positions within the Group. The year's activities as well as the long-term strategies are designed with the guidance and advice of the Board of Directors.

OUR GOALS FOR THE NEXT 5 YEARS TO APPROACH SUSTAINBILITY

- As an energy conscious organization, we intend to record energy consumed outside of the organization.

- We intend to report energy intensity ratios to develop more insight that will enable innovative solutions to reduce energy consumption/wastage where possible.

- We intend to analyze the applicability of new standards and methodologies to reduce energy consumption and report the same.

- We intend to begin our reporting on direct and indirect (energy and other) green house gas emissions, emissions intensity and our efforts to reduce same including emphasis on Ozone depleting substances and NOx, SOx and other significant air emissions.

- As a company that is responsible towards the environment, we will report the total water discharge by quality and destination.

- We intend to report any significant impacts of transporting products and materials for the operations and staff related transport.

- We aspire to assess and quantify any environmental impacts of our products and services, to take actions to mitigate the same to the extent possible. We will also measure the quantity that was mitigated.

- We aspire to begin screening our suppliers using environmental criteria where applicable to the extent possible.

- We intend to improve our recording systems, to monitor the overall expenditure incurred and investments we make on environmental protection, by type, to improve investment decisions on prioritized environmental aspects.

- We intend to assess our suppliers for their labour practices, human rights violations and impacts on society.

- We intend to gain a better understanding of our customers through customer satisfaction measurements and taking actions to respond to same.

- We will assess the positive as well as adverse impacts, if any, of our CSR activities on local communities.

- We will further analyze the reasons for our injury rates, lost day rates, absentee rates, if any, for continuous improvement of our operations and well-being of employees concerned.

APPROACHING SUSTAINABILITY

GENERAL STANDARD DISCLOSURES			
	Description	Page Number	External Assurance
STRATEGY AND ANALYSIS			
G4-1	Statement from the Chairman	103	Yes
ORGANIZATION PROFILE			
G4-3	Name of the organization.	103	Yes
G4-4	Primary brands, products, and services.	51	Yes
G4-5	Location of the organization's headquarters.	103	Yes
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	52-54	Yes
G4-7	Nature of ownership and legal form.	103	Yes
G4-8	Markets served.	51-54	Yes
G4-9	Scale of the reporting organization.	38-47, 51, 75	Yes
G4-10	Total number of employees by employment type, employment contract and region, broken down by gender.	81-82	Yes
G4-11	Percentage of total employees covered by collective bargaining agreements.	76	Yes
G4-12	Organization's supply chain.	87	Yes
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	55	Yes
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	95	Yes
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	103	Yes
G4-16	Memberships of associations and national or international advocacy organizations.	103	Yes
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Organization entities covered by the Report and entities not covered by the Report.	56	Yes
G4-18	Process for defining the Report content and the Aspect Boundaries.	56-59	Yes
G4-19	Material Aspects identified in the process for defining Report content.	56-59	Yes
G4-20	Material Aspect, report the Aspect Boundary within the organization.	56-59	Yes
G4-21	Material Aspect, report the Aspect Boundary outside the organization,	56-59	Yes
G4-22	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	59	Yes
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	56	Yes

	Description	Page Number	External Assurance
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organization.	60-61	Yes
G4-25	Basis for identification and selection of stakeholders with whom to engage.	60-61	Yes
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	60-61	Yes
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to them.	60-61	Yes
REPORT PROFILE			
G4-28	Reporting period.	103	Yes
G4-29	Date of most recent previous Report.	103	Yes
G4-30	Reporting cycle.	103	Yes
G4-31	Contact point for questions regarding the Report or its contents.	103	Yes
G4-32	Compliance with GRI G4 Guidelines, GRI Content Index and the External Assurance Report.	108-119, 56	Yes
G4-33	Policy and current practice with regard to seeking external assurance for the Report.	56, 118-119	Yes
GOVERNANCE			
G4-34	Governance structure of the organization, including committees of the highest governance body responsible for decision-making on economic, environmental and social impacts.	36-37, 106, 120-126	Yes
ETHICS AND INTEGRITY			
G4-56	Values, principles, standards and norms of behavior.	105	Yes

APPROACHING SUSTAINABILITY

SPECIFIC STANDARD DISCLOSURES			
DMA and Indicators	Material Aspects	Page Number (or link)	External Assurance
CATEGORY : ECONOMIC			
MATERIAL ASPECTS: ECONOMIC PERFORMANCE			
G4-EC1	Direct economic value generated and distributed and retained.	98-99	Yes
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	99	Yes
G4-EC3	Coverage of the organization's defined benefit plan obligations.	75	Yes
G4-EC4	Financial assistance received from government.	99	Yes
MATERIAL ASPECTS: MARKET PRESENCE			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	75	Yes
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	77	Yes
MATERIAL ASPECTS: INDIRECT ECONOMIC IMPACT			
G4-EC7	Development and impact of infrastructure investments and services supported.	98, 90	Yes
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	98, 90	Yes
MATERIAL ASPECTS:PROCUREMENT PRACTICES			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	99	Yes
CATEGORY : ENVIRONMENT			
MATERIAL ASPECTS: ENVIRONMENTAL MATERIALS			
G4-EN1	Materials used by weight or volume.	95	Yes
G4-EN2	Percentage of materials used that are recycled input materials.	95	Yes
MATERIAL ASPECTS: ENERGY			
G4-EN3	Energy consumption within the organization.	95	Yes
G4-EN4	Energy consumption outside of the organization.	107	Yes
G4-EN5	Energy intensity.	107	Yes
G4-EN6	Reduction of energy consumption.	107	Yes
G4-EN7	Reductions in energy requirements of products and services.	107	Yes

DMA and Indicators	Material Aspects	Page Number (or link)	External Assurance
MATERIAL ASPECTS: WATER			
G4-EN8	Total water withdrawal by source.	95	Yes
G4-EN9	Water sources significantly affected by withdrawal of water.	97	Yes
G4-EN10	Percentage and total volume of water recycled and reused.	97	Yes
MATERIAL ASPECTS: BIODIVERSITY			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	96	Yes
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	96	Yes
G4-EN13	Habitats protected or restored.	96	Yes
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	96	Yes
MATERIAL ASPECTS: EMISSIONS			
G4-EN15	Direct greenhouse gas emissions (Scope 1).	107	Yes
G4-EN16	Energy indirect greenhouse gas emissions (Scope 2).	107	Yes
G4-EN17	Other indirect greenhouse gas emissions (scope 3).	107	Yes
G4-EN18	Greenhouse gas emissions intensity.	107	Yes
G4-EN19	Reduction of greenhouse gas emissions.	107	Yes
G4-EN20	Emissions of ozone-depleting substances (ODS).	107	Yes
G4-EN21	NOx, SOx, and other significant air emissions.	107	Yes
MATERIAL ASPECTS: EFFLUENTS AND WASTE			
G4-EN22	Total water discharge by quality and destination.	107	Yes
G4-EN23	Total weight of waste by type and disposal method.	97	Yes
G4-EN24	Total number and volume of significant spills.	97	Yes
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention 2 annex i, ii, iii, and viii, and percentage of transported waste shipped internationally.	97	Yes
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization’s discharges of water and runoff.	97	Yes

APPROACHING SUSTAINABILITY

DMA and Indicators	Material Aspects	Page Number (or link)	External Assurance
MATERIAL ASPECTS: PRODUCTS AND SERVICES			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	107	Yes
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	95	Yes
MATERIAL ASPECTS: COMPLIANCE			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	97	Yes
MATERIAL ASPECTS: TRANSPORT			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	107	Yes
MATERIAL ASPECTS: OVERALL			
G4-EN31	Total environmental protection expenditures and investments by type.	107	Yes
MATERIAL ASPECTS: SUPPLIER ENVIRONMENT ASSESSMENT			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	107	Yes
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	107	Yes
MATERIAL ASPECTS: ENVIRONMENTAL GRIEVANCE MECHANISMS			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	97	Yes
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
MATERIAL ASPECTS: EMPLOYMENT			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group.	82	Yes
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	83	Yes
G4-LA3	Return to work and retention rates after parental leave, by gender.	83	Yes

DMA and Indicators	Material Aspects	Page Number (or link)	External Assurance
MATERIAL ASPECTS: LABOUR/MANAGEMENT/RELATIONS			
G4-LA4	Minimum notice periods regarding operational changes, including whether it is specified in collective agreements.	76	Yes
MATERIAL ASPECTS: OCCUPATIONAL HEALTH AND SAFETY			
G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees.	76	Yes
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender.	107	Yes
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	85	Yes
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	76	Yes
MATERIAL ASPECTS: TRAINING AND EDUCATION			
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	77	Yes
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	78	Yes
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	77	Yes
MATERIAL ASPECTS: DIVERSITY AND EQUAL OPPORTUNITY			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	106, 81 120-126	Yes
MATERIAL ASPECTS: EQUAL REMUNERATION FOR WOMEN AND MEN			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	75	Yes
MATERIAL ASPECTS: SUPPLIER ASSESSMENT FOR LABOUR PRACTICES			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	107	Yes
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	107	Yes

APPROACHING SUSTAINABILITY

DMA and Indicators	Material Aspects	Page Number (or link)	External Assurance
MATERIAL ASPECTS: LABOUR PRACTICES AND GRIEVANCE MECHANISMS			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	85	Yes
SUB-CATEGORY: HUMAN RIGHTS			
MATERIAL ASPECTS: INVESTMENT			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	85	Yes
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	85	Yes
MATERIAL ASPECTS: NON DISCRIMINATION			
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	85	Yes
MATERIAL ASPECTS: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGANING			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	85, 107, 76	Yes
MATERIAL ASPECTS: CHILD LABOUR			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	85, 107	Yes
MATERIAL ASPECTS: FORCED OR COMPULSORY LABOUR			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	85, 107	Yes
MATERIAL ASPECTS: SECURITY PRACTICES			
G4-HR7	Percentage of security personnel trained in the organization’s human rights policies or procedures that are relevant to operations.	85	Yes

DMA and Indicators	Material Aspects	Page Number (or link)	External Assurance
MATERIAL ASPECTS: INDIGENOUS RIGHTS			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	92	Yes
MATERIAL ASPECTS: ASSESSMENTS			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	85	Yes
MATERIAL ASPECTS: SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	107	Yes
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	107	Yes
MATERIAL ASPECTS: HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	85	Yes
SUB CATEGORY: SOCIETY			
MATERIAL ASPECTS: LOCAL COMMUNITIES			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	107, 91-92	Yes
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	92, 107	Yes
MATERIAL ASPECTS: ANTI-CORRUPTION			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	83	Yes
G4-SO4	Communication and training on anti-corruption policies and procedures.	83	Yes
G4-SO5	Confirmed incidents of corruption and actions taken.	83	Yes

APPROACHING SUSTAINABILITY

DMA and Indicators	Material Aspects	Page Number (or link)	External Assurance
MATERIAL ASPECTS: PUBLIC POLICY			
G4-SO6	Total value of political contributions by country and recipient/beneficiary.	91	Yes
MATERIAL ASPECTS: ANTI-COMPETITIVE BEHAVIOR			
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	91	Yes
MATERIAL ASPECTS: COMPLIANCE			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	92	Yes
MATERIAL ASPECTS: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	107	Yes
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	107	Yes
MATERIAL ASPECTS: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	92	Yes
SUB - CATEGORY: PRODUCT RESPONSIBILITY			
MATERIAL ASPECTS: PRODUCT RESPONSIBILITY			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	87	Yes
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	89	Yes

DMA and Indicators	Material Aspects	Page Number (or link)	External Assurance
MATERIAL ASPECTS: PRODUCT AND SERVICE LABELING			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	87	Yes
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	89	Yes
G4-PR5	Results of surveys measuring customer satisfaction.	107, 87	Yes
MATERIAL ASPECTS: MARKETING COMMUNICATIONS			
G4-PR6	Sale of banned or disputed products.	89	Yes
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	89	Yes
MATERIAL ASPECTS: CUSTOMER PRIVACY			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	89	Yes
MATERIAL ASPECTS: COMPLIANCE			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	89	Yes

INDEPENDENT ASSURANCE REPORT

Ernst & Young
Chartered Accountants
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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF LAUGFS GAS PLC ON THE INTEGRATED REPORT- 2013/14

Introduction and scope of the engagement

The management of LAUGFS Gas PLC ("the Company") engaged us to provide an independent assurance on the following elements of the Integrated Report- 2013/14 ("the Report")

- Reasonable assurance on the information on financial performance as specified on page 207 of the Report
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In accordance' - Comprehensive guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Company's responsibility for the Report

The management of the company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 31 January 2014. We disclaim any assumption of responsibility for any reliance on this report to any person other than the company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

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Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation
- Reviewing and validation of the information contained in the Report
- Checking the calculations performed by the company on a sample basis through recalculation
- Reconciling and agreeing the data on financial performance are properly derived from the company's audited financial statements for the year ended 31 March 2014
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that

- The information on financial performance as specified on page 207 of the Report are properly derived from the audited financial statements of the Company for the years ending 31 March 2013 and 31 March 2014.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.

Ernst & Young

Chartered Accountants

23 May 2014
Colombo

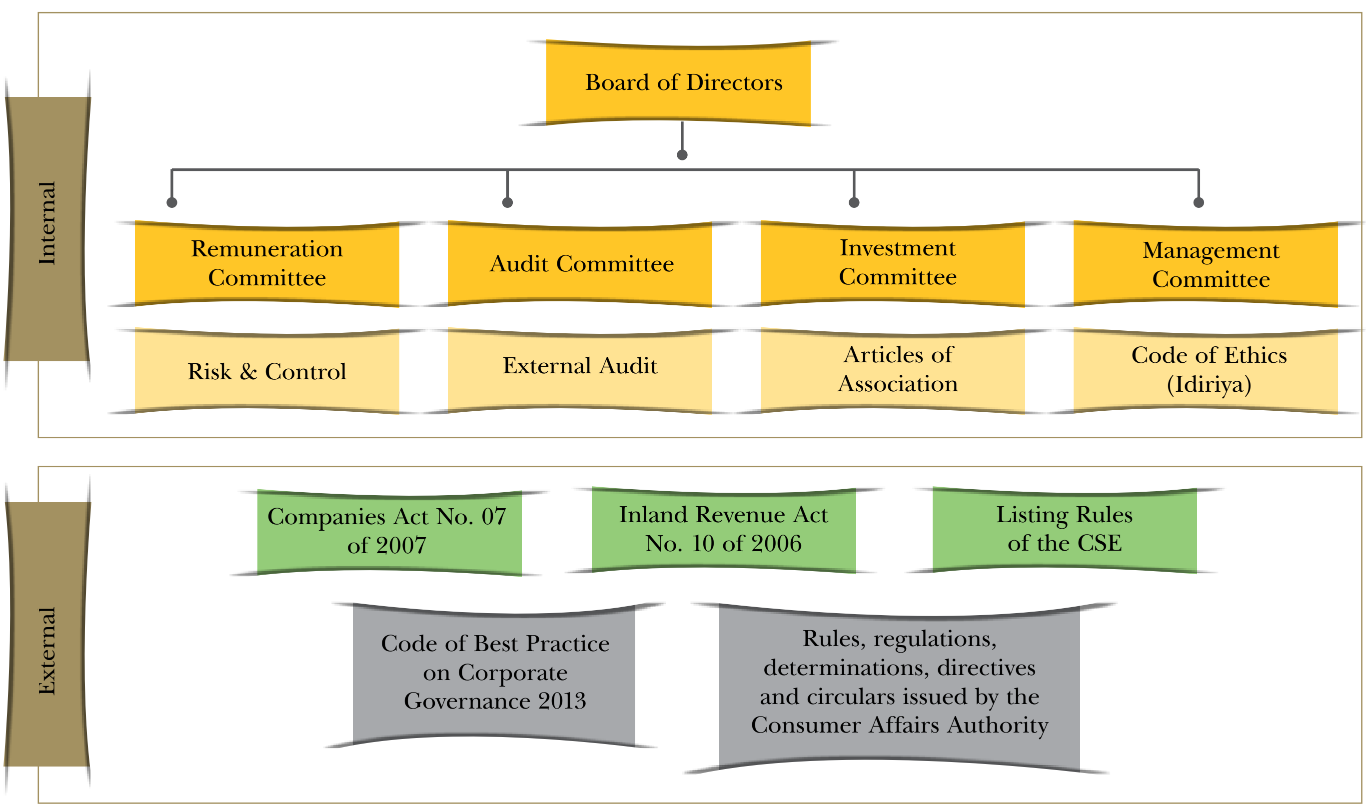
CORPORATE GOVERNANCE

LAUGFS Gas PLC ensures adopting of highest standards of Corporate Governance requirements recommended by the Listing Rules of the Colombo Stock Exchange, Code of Best Practices on Corporate Governance compiled by the Securities and Exchange Commission of Sri Lanka in collaboration with the Institute of Chartered Accountants of Sri Lanka and the Principles of Corporate Governance set out in the Code on Corporate Governance in the United Kingdom which is the basic set of Corporate Governance principles applicable in general.

The Board of Directors is fully responsible to its shareholders, regulatory and statutory bodies and all other stakeholders of the Company to ensure that the Company is growing sustainably while creating a strong Corporate Governance environment and a framework in order to ensure investor protection and confidence.

CORPORATE GOVERNANCE STRUCTURE

The Company's Corporate Governance framework is structured clearly specifying the key elements of external and internal structures to ensure investor protection and deliver the maximum, productive outcome to the shareholders' value, while ensuring the sustainable development of the Company.



BOARD OF DIRECTORS

The Board of Directors is responsible to the shareholders for creating and delivering long term sustainable shareholders' value while practicing and maintaining business affairs and other activities of the Company with the highest corporate ethical standards through the regulatory and legal framework to the best interest of all the stakeholders of the Company.

The Board of Directors provides entrepreneurial leadership and strategic direction to the management to develop short, medium and long term corporate business strategies and review and provide necessary guidance on budget planning, reviewing of the human resource management, corporate governance, statutory compliance, assisting of internal audit and integrated risk management and approving and reviewing of major and substantial investments which ensures the sustainable development of the Company. Such business strategies are subject to review by the Board from time to time as appropriate.

The Board consists of the Chairman/Group Chief Executive Officer, Group Managing Director who are the founder Chairman and Managing Director of LAUGFS Group of Companies respectively, a Non-Executive Director and three Independent Non-Executive Directors. Brief profiles of the Members of the Board of Directors are given on page 30 to 35.

LAUGFS Gas PLC has concentrated on the necessity of having and maintaining a mix of skills and professional experience as appropriate in the Board of Directors. The Board of Directors recognizes and acknowledges its responsibility for the Company's system of internal control and for reviewing its effectiveness on a continuous basis with the recommendations made by the Audit Committee. These said internal control systems manage the risk of the Company's business activities and other affairs and ensure that the financial information on which business decisions are made and published are reliable. Further, the Board is fully satisfied with the integrity and accuracy of financial information published and effectiveness of the financial controls and systems of risk management of the Company.

It was the target of the Board to meet at least once in every two months to discharge their duties, responsibilities towards the Company and make decisions. The Board discharged their advisory and supervisory duties through the Board sub-committees such as the Audit Committee, Remuneration Committee, Investment Committee and Management Committee. A very senior Chartered Accountant, a senior President's Counsel having a vast knowledge and experience in civil, corporate and commercial law, a senior Corporate Director who has represented a number of public listed companies contribute to the Board with their knowledge and industry experience in an Independent Non-Executive Capacity. Also, a senior Banker having a vast knowledge and experience especially in investment banking performs in the Board in Non-Executive capacity ensuring the Company's business affairs are maintained in a highly professional and ethical manner.

The Board of Directors ensures that the composition of the Board is in accordance with the criteria stipulated in the Listing Rules of Colombo Stock Exchange and Independent Non-Executive Directors have duly submitted the declaration of their Independence according to the provisions of Section 7.10.2(b) of Listing Rules.

The composition of the Board of Directors are as follows:

1. Mr. W. K. H. Wegapitiya - Chairman/Group Chief Executive Officer
2. Mr. U. K. Thilak De Silva - Group Managing Director
3. Mr. H. A. Ariyaratne - Non-Executive Director
4. Mr. C. L. De Alwis - Independent Non-Executive Director
5. Mr. T. K. Bandaranayake - Independent Non-Executive Director
6. Mr. P. M. Kumarasinghe PC - Independent Non-Executive Director

Members of the Board collectively and individually recognize their duty to comply with the legal and regulatory provisions applicable to the Company and the Board ensures that procedures and processes are in place to ensure that the Company and its Subsidiaries comply with all applicable legal and regulatory provisions. The Audit Committee reviews the legal and regulatory compliance on a quarterly basis with the Compliance Report prepared and submitted by the Head of Legal of the Company.

Independent Non-Executive and Non-Executive Directors are responsible to the Board for bringing independent and objective judgements scrutinizing the proposals and recommendations made by the corporate management on issues of corporate and business strategy, performance, utilization of resources and business conduct. The Board of Directors promotes an environment whereby challenging contributions and Non-Executive and Independent Non-

CORPORATE GOVERNANCE

Executive Directors are encouraged and welcomed with their independent analysis and opinion based on professional knowledge and experience.

Every member of the Board has access to the advice and services of the Company Secretary/Board Secretary for matters relating to Board procedures and any clarification on applicable rules and regulations. The Board was provided with all the necessary and timely information by way of Board Papers, Information Papers and Reports in order to exercise decision making responsibilities in a more efficient and effective manner.

Board Meetings and Attendance

Members of the Board have dedicated adequate time for the discharge of their duties including their fiduciary obligations as Directors. In addition to attending the Board Meetings, they contribute by attending the Audit Committee, Remuneration Committee, Investment Committee and Management Committee. Board Papers, Reports and other documents to be tabled at Board Meetings are sent to members of the Board well in advance giving adequate time for Directors to study the said documents and prepare for a meaningful discussion at the respective Board Meetings.

The attendance of the Board of Directors at the Board Meetings conducted during the financial year under review is as follows.

Name of Director	Attendance
W. K. H. Wegapitiya *Chairman/Chief Executive Officer*	7/8
U. K. Thilak De Silva *Managing Director*	7/8
H. A. Ariyaratne Non-Executive Director	7/8
C. L. De Alwis *Independent Non-Executive Director*	8/8
T. K. Bandaranayake *Independent Non-Executive Director*	8/8
P. M. Kumarasinghe PC *Independent Non-Executive Director*	8/8

CONFLICT OF INTEREST

Members of the Board are obliged and responsible to disclose and determine whether they have any potential or actual conflict of interest arising from external associations, interests in material business matters and personal relationships and obligations which might make undue influence on independency and decisions of the members of the Board.

The Board of Directors makes their maximum efforts to review such conflicts of interest which may be arisen from time to time.

A summary of interests of Independent Non-Executive Directors are given below.

	(a) Significant shareholding	(b) Director or employee of another entity or a Trustee	(c) Material business relationship	(d) Close family member is a Director or CEO	(e) Business connection	(f) Employment in the Company	(g) Continuously served for more than nine years
Mr. C. L. De Alwis	No	No	No	No	No	No	No
Mr. T. K. Bandaranayake	No	No	No	No	No	No	No
Mr. P. M. Kumarasinghe PC	No	No	No	No	No	No	No

(a) Carrying not less than 10% of voting rights of a company
(b) Self or close family member is a Director or employee of another company or a Trustee
(c) Any relationship resulting in income / non cash benefits equivalent to 10% of the Director's annual income
(d) Close family member who is a Director or CEO
(e) Relationship resulting in transaction value equivalent to 10% of the turnover of the Company
(f) Has been employed by the Company during the period of two years immediately preceding appointment as a Director
(g) Has served on the Board continuously for a period exceeding nine years
(h) All Directors make a formal declaration of their independence on an annual basis

APPROPRIATENESS OF COMBINED ROLES OF CHAIRMAN AND GROUP CEO

Mr. W. K. H. Wegapitiya serves as the Chairman and Group Chief Executive Officer (CEO) of LAUGFS Gas PLC. As the Chairman of the Company, Mr. Wegapitiya ensures the leadership of the Board assuring the effectiveness of all aspects of its role. Further, he ensures the effective operations of the Board with highest standards of Corporate Governance, effective communication with shareholders, promotes constructive debate especially with the contributions from the Non-Executive and Independent Non-Executive Directors, effective decision making and effective relationship and communication between the Board of Directors and the management team.

As the Group CEO of the Company, he ensures developing of strategy proposals for recommendation of the Board and other Board Sub-Committees and also ensures that the agreed strategies are reflected in the business, developing of annual plans in accordance with the corporate strategies, planning of human resources, developing of an organizational structure in order to establish systems and processes, developing an efficient and effective framework of internal controls and risk management.

The appropriateness of combining the role of Chairman and Group CEO has been discussed by the Board of Directors on a regular basis. It is important to recognize that the combination of roles of Chairman and Group CEO in LAUGFS Gas PLC enjoys the following advantages.

It ensures the unity of command and single point of accomplishment and responsibility. In addition, such joint leadership structure eliminates internal or external ambiguities as it pertains to the ultimate spokesperson of the organization. In fact, the decision making process of the Company is more expeditious than in an organization which has separated leadership structures. Further, the Board deems that combining the two roles is more appropriate and effective for the Group at present in meeting the stakeholder objectives in a conglomerate setting. The Chairman/Group CEO provides direction and a policy execution framework for the management. By experience it has been proved that this management structure has enabled the Chairman/Group CEO to effectively balance his role as the Chairman of the Board of Directors and the CEO of the Group.

BOARD SUB-COMMITTEES

The Members of the Board of Directors serve on the Audit, Investment, Remuneration and Management Committees as follows:

Audit Committee

Audit Committee comprises of three members; namely, Mr. T. K. Bandaranayake (Chairman of the Audit Committee), Mr. P. M. Kumarasinghe PC, and Mr. C. L. De Alwis. The broad purposes of the Committee are to oversee the preparation, presentation and adequacy of the disclosure of information in financial statements in accordance with the prevailing Accounting Standards and all other statutory requirements. The Audit Committee also ensures the Company's Internal Control system and Risk Management procedures are up to the industrial standards. The Committee monitors the compliance of statutory requirements by the management. The Committee also assesses the independence and performance of the Company's Auditors. The Report of the Audit Committee is given under the Board Committee Reports section of the Annual Report.

Investment Committee

The Investment Committee comprises of Mr. U. K. Thilak De Silva (Chairman of the Investment Committee), Mr. W. K. H. Wegapitiya and Mr. H. A. Ariyaratne. Its principal focus is on evaluating the potentials of investment opportunities, regular monitoring of returns on investments of projects, overall direction of the Group and review of business operational results. The Report of the Investment Committee is given under the Board Committee Reports section of the Annual Report.

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Remuneration Committee

The Remuneration Committee comprises of Mr. H. A. Ariyaratne (Chairman of the Remuneration Committee), Mr. T. K. Bandaranayake and Mr. C. L. De Alwis. This committee recommends the remuneration payable to the Directors and compile and review guidelines and recommendations for the remuneration of the senior management of the Company. The Board makes the final determination having considered the recommendations of this Committee and also the performance of the members of the senior management. The report of the Remuneration Committee is given under the Board Committee Reports section of the Annual Report and the Remuneration Policy is given in the Remuneration Committee Report.

Management Committee

The Management Committee comprises of Mr. W. K. H. Wegapitiya, Mr. U. K. Thilak De Silva, Mr. H. A. Ariyaratne and Mr. C. L. De Alwis. The Committee's main purpose is the overall strategic direction and review of business operational results. The report of the Management Committee is given under the Board Committee Reports section of the Annual Report.

System of Internal Control

The Board of Directors, through the involvement of the Group Risk and Control Division, has taken all necessary measures and steps to assure that the systems designed to safeguard the Company's assets, maintaining proper and accurate accounting records as per the prevailing accounting standards and provide management information, are in place and are functioning transparently, in accordance with the required standards. The risk review programmes covering the Internal Audit function of the Company and its subsidiaries is monitored by the Internal Audit team of the Company subject to the direct supervision of the Audit Committee. The Audit Committee also assesses the efficiency and effectiveness of the risk review process and systems of internal control on a regular basis. Further, the Audit Committee reviews the compliance system of the Company and its subsidiaries on a quarterly basis.

Relationship with Shareholders

Shareholders have the opportunity at the Annual General Meetings, to put forward questions to the Board of Directors and to the Chairman/Group CEO of the Company and the Chairmen of the Board Sub Committees to have better familiarity with the Group's business and operations. The Board of Directors and the Management are always prepared to assist shareholders in issues pertaining to payment of dividends and circulation of Annual Reports. The Company has a separate mechanism of attending to shareholders' queries, especially pertaining to payments of dividends, circulation of Annual Reports and other matters through the Assistant General Manager-Business Coordination who is attached to the Group Legal Division. The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company and investments. All the necessary steps are taken to facilitate and accommodate the exercise of shareholders' rights at AGMs, including the receipt of notice of the AGM and related documents within the specified period as provided by the Companies Act No. 07 of 2007.

COMPLIANCE IN TERMS OF LISTING RULES OF COLOMBO STOCK EXCHANGE

Section	Applicable Rule	Compliance Status
7.10.1(a)	**Non-Executive Directors** At least one-third of the total number of Directors should be Non-Executive Directors.	Complied
7.10.2(a)	**Independent Directors** Two or one-third of Non-Executive Directors, whichever is higher, should be Independent.	Complied
7.10.2(b)	**Independent Director's Declaration** Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format.	Complied
7.10.3(a)	**Disclosure relating to Directors** The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Complied
7.10.3(b)	**Disclosure relating to Directors** The basis of the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied
7.10.3(c)	**Disclosure relating to Directors** A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied
7.10.3(d)	**Disclosure relating to Directors** Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange.	Complied
7.10.5	**Remuneration Committee** A listed Company shall have a Remuneration Committee.	Complied
7.10.5(a)	**Composition of Remuneration Committee** Shall comprise of Non-Executive Directors, a majority of whom will be Independent.	Complied
7.10.5(b)	**Functions of Remuneration Committee** The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied
7.10.5(c)	**Disclosure in the Annual Report** The Annual Report should set-out; a. Names of the Directors comprising the Remuneration Committee b. Statement of Remuneration Policy c. Aggregated remuneration paid to Executive and Non-Executive Directors	 Complied Complied Complied
7.10.6	**Audit Committee** The Company shall have an Audit Committee	Complied

CORPORATE GOVERNANCE

Applicable Rule	Compliance Status
The correct number of Independent Non Executive Directors, in accordance with Rule 7.10.6(a)	Complied
Specified whether a separate Audit Committee formed or whether listed Parent's Audit Committee used Rule 7.10.6(a) & Rule 7.10.6(c)	Complied
Specified the names of Directors comprising the Audit Committee (where the Parent company's Audit Committee qualifies to function as the listed company's Audit Committee, a statement to this effect and disclosed the names of the Directors) – Rule 7.10.6(c)	Complied
Confirmed that the functions of the Audit Committee as being in accordance with Rule 7.10.6(b)	Complied
Specified whether the Chairman of the Audit Committee is a Non Executive Director – Rule 7.10.6(a) & Rule 7.10.6(c)	Complied
Specified whether the Chairman or one member of the Audit Committee is a member of a recognized professional accounting body – Rule 7.10.6(a) & Rule 7.10.6(c)	Complied
Specified whether the CEO and CFO attended Audit Committee meetings, unless otherwise determined by the Audit Committee – Rule 7.10.6(a) & Rule 7.10.6(c)	Complied
Specified the basis for determining External Auditors as being Independent – Rule 7.10.6(c)	Complied

The Company has introduced a Code of Conduct and Ethics known as "Idiriya" requiring all employees to exercise honesty, objectivity and due diligence in performing their duties, maintain confidentiality of commercial and price sensitive information, work within applicable laws and regulation, safeguard company's assets and avoid conduct which will badly reflect on them or company's image. The said Code of Conduct and Ethics address issues relating to conflict of interest situations, bribery and corruption, entertainment and gifts, accurate accounting and record keeping, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations, encouraging the reporting of any illegal or unethical behavior.

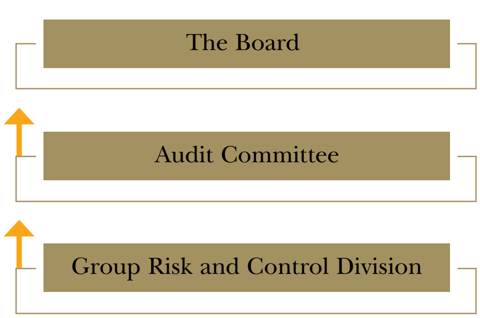
The Board of Directors obtains independent professional advice where necessary on legal and regulatory issues, macro-economic forecasts and other relevant matters.

RISK MANAGEMENT

OVERVIEW

Risk management has become vital in the LAUGFS Group with the expansion into diversified business sectors. The process of Risk Management is developed to ensure that key risks are proactively identified and managed effectively with the view of protection of shareholder value, thereby, to reduce and eliminate the risks, in order to be the most preferred and trusted Sri Lankan multinational as in the Vision. The Group follows Enterprise Risk Management (ERM) which mainly includes conducting risk analysis, implementing strategies to eliminate or reduce the risks and developing a system to provide an early warning of potential risks to the Company.

The purpose of the risk management practices of the Group is to protect the business from being vulnerable to environment, market and internal irregularities. The focus is on keeping the group of companies viable by reducing these risks. Risk management is also designed to protect our employees, customers and the general public from negative events such as fire or gas explosion and to preserve the physical facilities, data, records and physical assets we own or use. This process helps the Group by providing a framework that enables future activity to take place in a consistent and controlled manner and also improves decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and project opportunity threat.



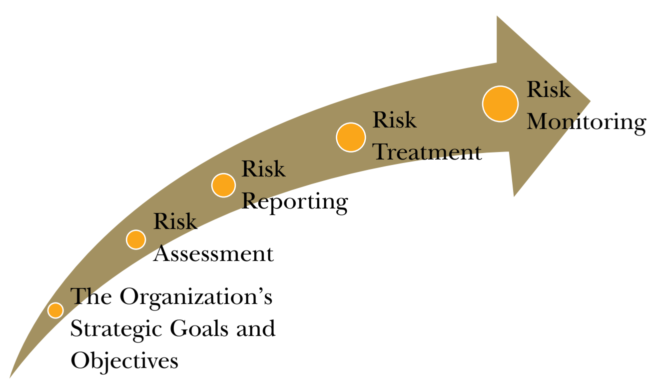
RISK MANAGEMENT PROCESS AND STRATEGIES FOR MANAGING RISKS

The purpose of risk management is to identify internal and external risks which will impact the Group and to design mitigation plans to face them. The Group Risk and Control division is constantly in search of internal and external threats which would impact on the companies.

The strategies the Company adopts to manage the risks depend on the type of risk and the severity of risk which are outlined as follows;

- Accepting the consequences of the risk and budgeting for it.
- Avoiding the possibility of the risk occurring.
- Transferring the risk to another party.

The process of risk management in LAUGFS Group can be depicted as below:



RISK MANAGEMENT

During 2013/14 the Group Risk and Control Division undertook a comprehensive risk assessment of all structural, operational, financial and environmental risks by using a Risk Register prepared unique to the Group, assessing the impact and mitigation plans. These identified risks have been reported to the management of the Group companies and have analyzed the impact and the actions to mitigate those risks. Risk treatment and monitoring is a continuous process, as it is important to reach the sustainable risk management as planned by the Group Risk and Control Division. The core risks relevant to each company which have long-term impact to the Group are identified by the management during the risk review process. Also, the Risk Register of LAUGFS Gas PLC along with the mitigation plans has been presented for review to the Audit Committee as it is a listed company.

The Risk Register comprises risks in the following categories:

Business & Operations
1. Production & Process
2. Safety
3. Market
4. Human Resources
5. Information Technology

Finance
6. Foreign Exchange Risk and Interest Rate Risk
7. Liquidity Risk
8. Credit Risk

Environment
9. Economical, Political, Legal, Social

Reputation
10. Customer service
11. Quality

Risk Exposure	Risk Response
1. Production & Process Risk Operational Risks associated with production/ processes adversely affect the smooth operation of the Company and drop in productivity.	• Use of state-of-the-art technology • Appropriate forecasting of demand through statistical techniques and analyzing business environment, proper production plan • Business continuity plan
2. Safety Risk Adverse impact on business processes due to hazards, accidents or injuries to employees.	• Implementation and regular monitoring of Health, Safety and Environment (HSE) policies by the HSE department • Conduct training programmes to educate employees
3. Market Risk Adverse impact on business performance due to intense competition, changes to customer attitudes/ economic conditions.	• Continuous focus on innovation • Regular monitoring of customer trends
4. Human Resources Risk Risk arising as a result of the inability to attract and retain best capable employees.	• Offer attractive reward systems • Offer career development programmes

Risk Exposure	Risk Response
5. Information Technology Risk Potential risks on lack of information accuracy due to inaccurate information from main computer system and security due to weak controls.	• Centralized IT team with a sound Group IT policy • Contingency plan to mitigate failures
6. Foreign Exchange Rate / Interest Rate Risk Risk arising as a result of adverse movement of foreign exchange and interest rates may result in declining profitability/financial position.	• Managing foreign exchange / interest rate exposures with positive negotiations with banks, applying financial risk management techniques
7. Liquidity Risk Affects profitability and cash flow position due to inability of quick trading of a security/ asset to prevent a loss or make the required profit.	• Centralized Group Treasury and finance functions to make effective decisions
8. Credit Risk Adverse impact on the liquidity position as a result of delays in payments/ non payments by debtors.	• Efficient follow up/ collection practices • Appropriate credit policies
9. Environment Risk Adverse impact on profits as a result of negative changes in the political, economical, legal and social environment.	• Agreement with the Consumer Affairs Authority on pricing formula ensures in recovering total landed cost plus a reasonable profit margin • Strong relationship with stakeholders influencing socio-economic stability within the country • Regular review of regulatory compliance
10. Customer Service Risk Risks arising from poor customer service pose a major threat to the reputation of the Company.	• Repeated customer feedback surveys • Customer inquiry system with a sound technical support system
11. Quality Risk Potential adverse impact on Company's image due to low quality.	• Holding the prestigious ISO 9001:2008 international systems certification for effective Quality Management Systems • Conducting internal and external audits

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises of three Independent Non-Executive Directors. The Chairman of the Committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka with extensive experience in finance, audit and related areas. The other two members, who are professionals too, have a wealth of experience in the commercial and legal sectors.

The composition of the Audit Committee is as follows;

Mr. Tissa Bandaranayake (Chairman)

Mr. Palitha Kumarasinghe PC (Member)

Mr. C.L. De Alwis (Member)

The Head of Group Risk & Control Mr. Nishan Perera serves as the Secretary to the Committee.

MEETINGS AND ATTENDANCE

The Committee formally met five times during the year ended 31 March 2014. The Chairman/Group CEO, Group Managing Director, Chief Financial Officer and Head of Legal/Board Secretary attend the meetings by invitation. The Heads of Finance of the respective companies, whose internal audit reports were being reviewed, were also invited to attend these meetings, whenever the Committee considered it necessary. All meetings were attended by all the members of the Committee.

ROLE OF THE AUDIT COMMITTEE

The Audit Committee is a committee of the Board of Directors and shall assist the Board in meeting its oversight responsibilities for;

- Maintaining an effective system of internal control.
- Compliance with legal and regulatory requirements that may have a material impact on the Company's financial statements.
- External financial reporting obligations of the Company, including its obligations under the Colombo Stock Exchange Listing Rules, Rules/Regulations of the Securities Exchange Commission and Companies Act No. 7 of 2007.
- Accounting and financial reporting processes of the Company.
- Audits of the Company's financial statements, the qualifications, remuneration and independence of the Chartered Accounting firm engaged in carrying out the Company's external audit.
- Performance of the Company's internal audit function.

INTERNAL AUDIT

The Audit Committee reviewed and discussed the Audit Reports submitted by the Head of Group Risk & Control for the Audits carried out in the areas of operational, financial, risk assessments and IT security reviews. The Audit Committee having reviewed these reports using their extensive experience and expertise, recommended additional controls and risk mitigation strategies that could be implemented to strengthen the existing internal control systems thus minimizing the possibility of occurrence and impact of fraud, errors, operational and financial risks faced by the Company.

EXTERNAL AUDIT

The Audit Committee was briefed by the external auditors Messrs Ernst & Young, on the progress and conduct of the statutory audit and discussed audit related issues with them. The Audit Committee also negotiated with the external auditors the quantum of their fees and out-of-pocket expenses. The Audit Committee having evaluated the independence and performance of the external auditors decided to recommend to the Board, the appointment of Messrs Ernst & Young, as auditors of the Company for the current financial year, subject to the approval of the shareholders at the Annual General Meeting.

Tissa Bandaranayake
Chairman, Audit Committee

28 May 2014

INVESTMENT COMMITTEE REPORT

Investment Committee of LAUGFS Gas PLC is a Board Sub-Committee chaired by the Group Managing Director, Mr. U. K. Thilak De Silva (Chairman of the Investment Committee), with Mr. W. K. H. Wegapitiya (Chairman/Group CEO) and Mr. H. A. Ariyaratne (Director) serving as members of the Committee.

The main purposes of the Investment Committee are to:

i. provide oversight of the investment functions of LAUGFS Gas PLC and its Subsidiaries.

ii. assist the Board of Directors in evaluating investments, mergers and acquisitions, enterprise services, joint ventures, divesture transactions, acquisition and dispose of high value assets in which the Company engages as part of its business and/or investment strategy from time to time.

The Committee is composed with the required expertise and leadership of the members in Risk and Investment Management. Chief Executive Officers of Companies, Head of Group Risk & Control, Head of Legal/Board Secretary, Heads of Finance and the Chief Financial Officer are invited to Committee meetings to analyze their opinions and expertise in investment activities. The Committee very carefully considers the matters falling under Section 185 of the Companies Act No. 7 of 2007 as major transactions and other related party transactions and investments in order to comply with the guidelines provided in prevailing accounting standards, Code of Best Practices on Corporate Governance and Listing Rules and to make necessary disclosures and/or market announcements as appropriate.

The Committee reviews and oversees significant treasury matters such as capital restructuring and allocation, derivative policy, liquidity, fixed income investments, borrowings, currency exposure, dividend policy, share issuance and repurchase, and capital expenditure. Further, the Committee evaluates and concentrates on capitalization of investments, risk and credit management, return on capital employed in different investment activities in the Group.

The Committee obtains advice, guidance and expertise from Independent Professionals on certain investment activities as appropriate and when required.

In conclusion I wish to thank my colleagues Mr. W. K. H. Wegapitiya, Chairman LAUGFS Gas PLC and Mr. H. A. Ariyaratne, Director for their valuable contribution and support to the work of the Committee.

U.K. Thilak De Silva
Chairman - Investment Committee

28 May 2014

MANAGEMENT COMMITTEE REPORT

The Management Committee of LAUGFS Gas PLC comprises of Mr. W. K. H. Wegapitiya (Chairman of the Committee), Mr. U. K. Thilak De Silva (Group Managing Director), Mr. H. A. Ariyaratne (Director) and Mr. C. L. De Alwis (Director). The Committee assists the Board of Directors with its responsibilities to improve the strategic and management direction in an efficient manner.

Main responsibilities of the Management Committee include:

- formulation and implementation of management strategies
- ensuring the management has implemented an effective and efficient strategic corporate planning process including development of annual corporate business plans and reviewing same
- implementation of necessary corporate governance best practices in the organization
- monitoring of financial reporting
- reviewing and monitoring group budgets, evaluating of performance of individual companies in the Group and introduction of new management systems.

The Committee regularly meets to review and evaluate the performance of the companies and to carry out its duties and responsibilities mentioned above. The Committee invites Chief Executive Officers of the individual companies and the members of the Senior Management team as appropriate. Having evaluated the matters, the Committee makes appropriate recommendations to the Board of Directors.

In conclusion, I wish to thank my colleagues Mr. U. K. Thilak De Silva, Mr. H. A. Ariyaratne and Mr. C. L. De Alwis and the members of the Management Team for their valuable contribution and support to the work of the Committee.

W. K. H. Wegapitiya
Chairman - Management Committee

28 May 2014

REMUNERATION COMMITTEE REPORT

The Remuneration Committee of LAUGFS Gas PLC comprises of a Non Executive Director and two Independent Non Executive Directors. The Committee is chaired by Mr. H. A. Ariyaratne who performs as a Non Executive Director and Mr. T. K. Bandaranayake and Mr. C. L. De Alwis are the other members of the Committee who serve as Independent Non Executive Directors. The Committee operates within agreed terms of reference and is committed to the principles of accountability and transparency, and ensuring that remuneration arrangements align reward with performance.

The scope of the Remuneration Committee includes following main objectives:

- remuneration policy and its specific application to the Board of Directors, Group Chief Executive Officer and Chief Executive Officers of the Company and its Subsidiaries, Executive Directors and general application to the Key Management Personnel (KMP) below the main Board.
- the remuneration and incentive framework, including any proposed equity incentive awards including terminal benefits/pension rights for the Group Chief Executive Officer and Chief Executive Officers of the Company and its Subsidiaries, any other Executive Directors and Key Management Personnel.
- recommendations and decisions (as relevant) on remuneration and all incentive awards including any equity incentive awards and terminal benefits/pension rights for the Group Chief Executive Officer and Chief Executive Officers of the Company and its Subsidiaries, any other Executive Directors and Key Management Personnel.
- evaluating the performance of the Group Chief Executive Officer and Chief Executive Officers of the Company and its Subsidiaries, management development plans and succession planning.
- reviewing/monitoring evaluation of performance of Key Management Personnel and their management development and succession planning.
- strategic human resources policies.
- effective communication with shareholders on the remuneration policy and the Committee's work on behalf of the Board through a Remuneration Committee Report.
- recommending and ensuring that the appropriate service contracts are available for Executive Directors; and
- determining the terms of any compensation package in the event of early termination of the contract of any Executive Director.

In addition to the above, the Remuneration Committee provides the following:

- recommendations and appointments to the corporate management.
- development of policies on reviewing of performance appraisals of the other members of the staff.
- maintaining and developing competitive and attractive remuneration packages in the organization.
- reviewing/approving and developing policies on granting of annual incentives and bonuses and its criteria.
- ensuring that no Directors or members of the senior management are involved in reviewing their own remunerations.

REMUNERATION POLICY OF THE COMPANY

The Remuneration Committee of LAUGFS Gas PLC defines the Group's policy on remuneration for the Board of Directors and Key Management Personnel. The main objectives of the Remuneration Policy are as follows:

- to remunerate the of Board of Directors as appropriate, adding a value to their contribution and ensuring the independence of judgments of the Independent Non Executive Directors.

REMUNERATION COMMITTEE REPORT

- to remunerate the Executive Directors and Key Management Personnel in a manner that ensures that they are properly incentivized and motivated to perform in the best interests of the Company over the long term; and
- to provide the level of remuneration required to attract and retain Executive Directors and Key Management Personnel of an appropriate caliber.

Salaries and other benefits are reviewed annually taking into consideration industry and market standards and opinions of specialist consultants. The said Remuneration Policy is geared through a policy of granting annual incentives on performance based criteria.

Gratuity, Employee Provident Fund (EPF) and Employee Trust Fund (ETF) benefits are available for employees as per prevailing statutory laws. Workmen compensation is available to all employees as per the prevailing statutory laws.

The Chairman/Group CEO and the Group Managing Director of the Company who are responsible for overall management of the Company and its Subsidiaries assist the Committee by providing all relevant information and participating in discussions and analysis except when their own remuneration packages are reviewed.

The Committee is always free to seek external professional advice on matters within their purview when necessary.

In conclusion, I wish to thank my colleagues Mr. T. K. Bandaranayake, Mr. C. L. De Alwis for their valuable contribution.

H. A. Ariyaratne
Chairman - Remuneration Committee

28 May 2014

FINANCIAL REPORT

We continue to have a firm grip on the levers of risk, cost and investment, and are using our balance sheet strength to increase our support to our customers.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of LAUGFS Gas PLC has pleasure in presenting the Annual Report and the Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31 March 2014. LAUGFS Gas PLC is a public limited company incorporated in Sri Lanka under the Companies Act No. 17 of 1982 and re-registered as required under the provisions of Companies Act No. 7 of 2007 and listed on the Main Board of the Colombo Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activities of LAUGFS Gas PLC are downstream business of Liquefied Petroleum Gas (LPG) and other related products and Services. The Company caters to domestic, commercial and industrial LPG market. The Company has also invested in a portfolio of diverse business comprising its four main subsidiaries; namely LAUGFS Eco Sri (Private) Limited, LAUGFS Leisure Limited, LAUGFS Power Limited and LAUGFS Property Developers (Private) Limited which are operating vehicle emission testing centres to issue Vehicle Emission Test Certificates; a 87 roomed luxury hotel in Bangadeniya, Chilaw and planning to develop luxury hotels in Wadduwa and Passikudah; a hydro-power plant in Balangoda and Real Estate/Property Development respectively. The Company has not engaged in any activity which contravenes with laws and regulations in the country.

BUSINESS REVIEW

A review of the financial and operational performance and future business developments of the Group, sectors, and its business units are described in the Chairman's Message, Managing Director's Message and the Management Discussion and Analysis sections of this Annual Report. These Reports together with the Audited Financial Statements reflect the state of the affairs of the Company and its Subsidiaries. Segment wise contribution to Group Revenue, Results, Assets and Liabilities is provided in Note 4 to the Financial Statements.

RESULTS AND APPROPRIATIONS

Revenue generated by the Company for the year under review amounted to Rs. 10.7 billion whilst Group Revenue amounted to Rs. 11.6 billion. Contribution to Group Revenue, from the different business segments carried out by the four subsidiaries are provided in Note 4 to the Financial Statements.

FINANCIAL STATEMENTS AND THE REPORT OF THE AUDITORS

The Financial Statements of the Company and its Subsidiaries for the year ended 31 March 2014 as approved by the Board of Directors on 23 May 2014 are given on pages 141 to 201.

The Auditors Report on the Financial Statements of the Company and its Subsidiaries is given on page 141.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation and presentation of the Financial Statements are given on pages 147 to 163. There were no material changes in the Accounting Policies adopted by the Company and its Subsidiaries during the year under review.

DONATIONS

Total donations made by the Company and its Subsidiaries during the year under review amounted to Rs. 8,870,458. These amounts do not include contributions on account of Corporate Social Responsibility (CSR) initiatives. The CSR initiatives, including completed and on-going projects, are detailed in the Management Discussion and Analysis of this Annual Report.

INVESTMENTS

Total investments of the Company in its Subsidiaries and other equity investments amounted to Rs. 2.6 billion. The details of the investments are given in Notes 12 and 13 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

The Net Book Value of Property, Plant and Equipment as at year end amounted to Rs. 4.9 billion and Rs. 8.8 billion for the Company and the Group respectively.

Total capital expenditure during the year for acquisition of Property, Plant and Equipment by the Company and the Group amounted to Rs. 0.9 billion and Rs. 2.6 billion respectively.

Details of Property, Plant and Equipment are given in Note 8 to the Financial Statements.

STATED CAPITAL AND RESERVES

The stated capital of the Company as at 31 March 2014 was Rs. 3,285,000,260 consisting of 335,000,086 of ordinary voting and 52,000,000 of ordinary non-voting shares.

The total Group Equity was Rs. 7.2 billion as at 31 March 2014.

INTERNAL CONTROL AND RISK MANAGEMENT

The Directors acknowledge their responsibility for the Group's system of internal control. The systems are designed to provide reasonable assurance that the assets of the Group are safeguarded and to ensure that proper accounting records are maintained.

The Board of Directors having reviewed the system of internal control is satisfied with the systems and measures in effect at the date of signing this Annual Report.

HUMAN RESOURCES

The Company has an equal employment opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Further, the Company continued to develop the team and focus their contribution towards the achievement of corporate goals.

BOARD OF DIRECTORS

The Board of Directors of the Company as at 31 March 2014 and their brief profiles are given on the pages 30 to 35. The following persons were the Directors of the Company as at 31 March 2014.

(a) Mr. W. K. H. Wegapitiya - *The Chairman/Group CEO*

(b) Mr. U. K. Thilak De Silva - *Group Managing Director*

(c) Mr. H. A. Ariyaratne - *Non Executive Director*

(d) Mr. C. L. De Alwis - *Independent Non Executive Director*

(e) Mr. T. K. Bandaranayake - *Independent Non Executive Director*

(f) Mr. P. M. Kumarasinghe PC - *Independent Non Executive Director*

In terms of Articles 81 and 82 of the Articles of Association of the Company, Mr. H. A. Ariyaratne and Mr. P. M. Kumarasinghe PC retire by rotation and being eligible, are being recommended by the Board for re-election at the ensuing Annual General Meeting.

Further, resolutions will be tabled at the forthcoming Annual General Meeting to re-elect Mr. T. K. Bandaranayake and Mr. C. L. De Alwis, the Directors who are above the age of 70 years and who are to be retired at the end of the Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007.

BOARD COMMITTEES

The following members serve on the Board, Audit, Investment, Remuneration and Management Committees:

AUDIT COMMITTEE

Audit Committee comprises of three members namely; Mr. T. K. Bandaranayake (Chairman of the Audit Committee), Mr. P. M. Kumarasinghe PC and Mr. C. L. De Alwis. The broad purposes of the Committee are to oversee the preparation, presentation and adequacy of the disclosure of information in financial statements, in accordance with Sri Lanka Accounting Standards and all other statutory requirements. The Audit Committee also ensures the Company's Internal Control system and Risk Management procedures are in accordance with the Company policies. The Committee also assesses the independence and performance of the Company's Auditors. The report of the Audit Committee is given under the Board Committee Reports section of the Annual Report.

INVESTMENT COMMITTEE

The Investment Committee comprises of Mr. U. K. Thilak De Silva (Chairman of the Investment Committee), Mr. W. K. H. Wegapitiya and Mr. H. A. Ariyaratne. Its principal focus is on evaluating investment opportunities, monitoring returns on investments, the overall direction of the Group and review of business operational results. The report of the Investment Committee is given under the Board Committee Reports section of the Annual Report.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of Mr. H. A. Ariyaratne (Chairman of the Remuneration Committee), Mr. T. K. Bandaranayake and Mr. C. L. De Alwis. This Committee recommends the remuneration payable to the Executive Directors and sets guidelines for the remuneration of the senior management of the Company. The Board makes the final determination having considered the recommendations of the Remuneration Committee and also the performance of the senior management. The Report of the Remuneration Committee is given under the Board Committee Reports section of the Annual Report and the Remuneration Policy is given in the Corporate Governance Report.

MANAGEMENT COMMITTEE

The Management Committee comprises of Mr. W. K. H. Wegapitiya (Chairman of the Management Committee), Mr. U. K. Thilak De Silva, Mr. H. A. Ariyaratne and Mr. C. L. De Alwis. Its principal focus is on the overall strategic direction and review of business operational results. The Report of the Management Committee is given under the Board Committee Reports section of the Annual Report.

INTEREST REGISTER

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. In compliance with the requirements of the Companies Act, this Annual Report also contains particulars of entries made in the Interest Register.

DIRECTORS' INTEREST IN CONTRACTS

Directors' interest in contracts are disclosed in the related party transactions under Note 28 to the Financial Statements.

DIRECTORS' REMUNERATION

Directors' remuneration is established within a framework approved by the Remuneration Committee. Directors' remuneration in respect of the Company for the year is given in Note 28.5 to the Financial Statements.

SHARE INFORMATION

Information relating to earnings, dividends, net assets and market value per share are given on pages 142, 188, 144 and 202 respectively. The distribution and the composition of shareholding are given on pages 203 to 206 of this Annual Report.

The details of shareholding of the twenty major shareholders including the Directors and CEO of the Company and the number of shares held by them are given on pages 204 to 206 of the Annual Report.

CORPORATE GOVERNANCE

The Board of Directors has ensured that the Company has complied with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. Directors are committed towards the furtherance of Corporate Governance principles of the Company. The measures taken in this regard are set out in the Corporate

DIRECTORS' SHAREHOLDING

The shareholdings of the Directors of the Company as at 31 March 2014, and as defined under the Listing Rules of Colombo Stock Exchange are as follows.

Voting Shares			Non-Voting Shares		
Name of Director	**No of Shares**	**%**	**Name of Director**	**No of Shares**	**%**
Mr. W.K.H. Wegapitiya	1,099,848	0.328	Mr. W.K.H. Wegapitiya	NIL	-
Mr. U.K. Thilak De Silva	77,897	0 .023	Mr. U.K. Thilak De Silva	NIL	-
Mr. H.A. Ariyaratne	3,900	0.001	Mr. H.A. Ariyaratne	3 ,400	0.006
Mr. C.L. De Alwis	1,000	0.000	Mr. C.L. De Alwis	500	0.001
Mr. P.M. Kumarasinghe	4,800	0.001	Mr. P.M. Kumarasinghe	NIL	-
Mr. T.K. Bandaranayake	NIL	-	Mr. T.K. Bandaranayake	NIL	-

M/s. W. K. H. Wegapitiya and U. K. Thilak De Silva are shareholders and Group Chairman and Group Managing Director respectively of LAUGFS Holdings Limited, which is the holding Company that has significant stakes of LAUGFS Gas PLC directly and indirectly and Mr. H. A. Ariyaratne serves as a Director in LAUGFS Holdings Limited.

Governance Report. Further, the Directors declare that the Company has not engaged in any activity which contravenes laws and regulations. All material interests in contracts involving the Company have been declared by the Directors and they have refrained from voting on matters in which they were materially interested. The Company has made all endeavours to ensure the equitable treatment of shareholders, the business is a going concern, and a review of internal controls covering financial, operational and compliance controls and risk management has been conducted. The Directors have obtained a reasonable assurance of their effectiveness and successful adherence.

ENVIRONMENT

The Company has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability. The Group's efforts in this regard are described in the Management Discussion and Analysis.

STATUTORY PAYMENTS

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

DISCLOSURES ON TRANSFER PRICING:

The Company has adopted a Transfer Pricing Policy in terms of the Regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006 in order to secure the transparency and accuracy of all the transactions; including related party transactions. The management is committed to monitor and review the Transfer Pricing Policy from time to time. All the related party transactions are disclosed under Note 28 to the financial statements.

It is certified that the Company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act, No. 10 of 2006. The information pursuant to these Regulations is given under certificate produced under Section 107(2)(a) of the said Act. We believe that the record of transactions entered into with related parties during the period from 01 April 2013 to 31 March 2014 are at arm's length and not prejudicial to the interests of the Company. The transactions are entered into on the basis of a transfer pricing policy adopted by the Company. All transactions have been submitted to the independent auditors for audit. No adverse remarks have been made in their report on the audit of such transactions.

GOING CONCERN

The Board of Directors is satisfied that the Company and its Subsidiaries have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

DIVIDENDS

The Company announced a first and final Dividend of Rs. 2.00 per share which will be paid on 17 June 2014.

AUDITORS

Messrs Ernst & Young, Chartered Accountants are deemed re-appointed in terms of Section 158 of the Companies Act No. 07 of 2007 as the Auditors of the Company. A resolution to authorise the Directors to determine the remuneration of the Auditors will be proposed at the forthcoming Annual General Meeting.

Total audit fees paid to Messrs Ernst & Young by the Company and its Subsidiaries are disclosed in Note 5.5 to the Financial Statements. The Auditors of the Company and its Subsidiaries have confirmed that they do not have any relationship with the Company or its subsidiaries (other than the Auditor) that would have an impact on their independence.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Grand Ballroom of Waters Edge at No. 316, Ethul Kotte Road, Battaramulla on 25 June 2014 at 3.00pm. The Notice of Meeting appears in the supplementary information section of the comprehensive Annual Report.

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

By Order of the Board

W.K.H. Wegapitiya
Director

U.K. Thilak De Silva
Director

Corporate Advisory Services (Private) Limited
Secretaries

28 May 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under the Companies Act No. 07 of 2007 to ensure compliance of the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of the affairs of the Company and its Subsidiaries as at year end. Further, the Board of Directors ensures the compliance of all the legal and regulatory requirements imposed by the Listing Rules of the Colombo Stock Exchange and other applicable statutory and regulatory provisions.

The Board of Directors accepts the responsibility for the integrity and objectivity of the financial statements prepared and presented. The Directors confirm that the financial statements have been prepared;

- using appropriate and applicable accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained.
- presented in accordance with the Sri Lanka Financial Reporting Standards (SLFRS).
- reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and
- provides the information required by and otherwise comply with the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors confirm that the financial statements have been prepared on a going concern basis and are of the view that sufficient funds and other resources are available within the Company and its Subsidiaries to continue its operations and to facilitate planned future expansions and capital commitments.

Further, the Directors ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and its Subsidiaries.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and its Subsidiaries. They are also responsible in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take appropriate steps and undertake necessary inspections to enable them to give their audit opinion.

Further, as required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors had confirmed that the Company, based on the information available, satisfied the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007 and had obtained a certificate from the auditors, prior to declaring an first and final dividend of Rs. 2.00 per share for the financial year under review which will be paid on 17 June 2014.

The Directors are of the view that they have duly discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge and belief that all statutory payments in relation to regulatory and statutory authorities that were due in respect of the Company and its Subsidiaries as at year end have been duly paid or where relevant provided for.

By Order of the Board

Corporate Advisory Services (Private) Limited
Secretaries

28 May 2014

INDEPENDENT AUDITORS' REPORT

Building a better working world

Ernst & Young
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LAUGFS GAS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of LAUGFS Gas PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2014 and the performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements gives a true and fair view of the financial position as at 31 March 2014 and the performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns to the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) and 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

23 May 2014
Colombo

CONSOLIDATED INCOME STATEMENT

Year ended 31 March	Note	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Revenue	5	11,631,029,941	10,563,163,026	10,660,333,222	9,705,179,946
Cost of Sales		(9,171,042,079)	(8,836,190,513)	(8,936,623,509)	(8,622,049,304)
Gross Profit		2,459,987,862	1,726,972,513	1,723,709,713	1,083,130,642
Other Operating Income	5.2	279,176,311	226,472,115	673,689,958	717,075,712
Selling and Distribution Expenses		(457,294,257)	(326,053,129)	(443,634,042)	(310,878,771)
Administrative Expenses		(799,251,676)	(591,626,388)	(401,141,818)	(303,614,485)
Foreign Currency Exchange Gains		44,651,545	87,629,947	44,521,596	87,629,947
Operating Profit		1,527,269,785	1,123,395,058	1,597,145,407	1,273,343,045
Finance Costs	5.3	(19,724,149)	(5,053,018)	(14,512,059)	(4,997,578)
Fair Value Gain on Investment Properties	9	35,575,000	35,472,500	35,575,000	35,472,500
Finance Income	5.4	89,596,450	154,826,089	45,411,368	91,671,083
Profit Before Tax		1,632,717,086	1,308,640,629	1,663,619,716	1,395,489,050
Income Tax Expense	6	(323,355,445)	(258,364,508)	(270,368,524)	(190,959,928)
Profit for the Year		1,309,361,641	1,050,276,121	1,393,251,192	1,204,529,122
Attributable to:					
Equity Holders of the Parent		1,309,361,641	1,050,276,121	1,393,251,192	1,204,529,122
Non-Controlling Interests		-	-	-	-
		1,309,361,641	**1,050,276,121**	**1,393,251,192**	**1,204,529,122**
Basic/Diluted Earnings Per Share	7	3.38	2.71		

The accounting policies and notes on pages 147 to 201 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Profit for the Year		1,309,361,641	1,050,276,121	1,393,251,192	1,204,529,122
Other Comprehensive Income					
Loss on Available for Sale Financial Assets	5.6	(17,116,094)	(28,461,033)	(17,116,094)	(28,461,033)
Actuarial Gains/(Losses) on Defined Benefit Plans	5.6	(410,756)	10,544,587	(801,653)	8,350,822
Income Tax Effect	6.3	-	-	-	-
Other Comprehensive Income for the Year Net of Tax		(17,526,850)	(17,916,447)	(17,917,747)	(20,110,211)
Total Comprehensive Income for the Year Net of Tax		1,291,834,791	1,032,359,674	1,375,333,445	1,184,418,911
Attributable to:					
Equity Holders of the Parent		1,291,834,791	1,032,359,674	1,375,333,445	1,184,418,911
Non-Controlling Interests		-	-	-	-
		1,291,834,791	**1,032,359,674**	**1,375,333,445**	**1,184,418,911**

The accounting policies and notes on pages 147 to 201 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	8	8,769,737,335	6,511,466,386	4,991,335,127	4,381,634,720
Investment Properties	9	680,000,000	644,900,000	680,000,000	644,900,000
Intangible Assets	10	67,258,446	63,203,385	9,762,927	10,000,000
Prepayments	11	87,825,135	91,955,456	-	-
Investments in Subsidiaries	12	-	-	2,196,301,914	1,281,301,914
Other Non-Current Financial Assets	13.1	119,725,834	116,128,966	99,600,834	116,128,966
		9,724,546,750	7,427,654,193	7,977,000,802	6,433,965,600
Current Assets					
Inventories	15	474,378,429	388,989,528	389,855,990	356,332,823
Trade and Other Receivables	16	1,300,790,477	1,141,899,092	1,786,406,774	1,835,902,057
Prepayments	11	34,980,807	30,781,565	34,980,807	30,781,565
Rate Regulatory Assets	17	-	106,665,311	-	106,665,311
Other Current Financial Assets	13.1	3,328,430	4,236,100	3,328,430	4,236,100
Cash and Short-Term Deposits	18	1,628,185,862	1,509,406,947	1,243,329,762	1,163,509,041
		3,441,664,005	3,181,978,543	3,457,901,763	3,497,426,898
Total Assets		**13,166,210,755**	**10,609,632,736**	**11,434,902,565**	**9,931,392,498**
EQUITY AND LIABILITIES					
Equity					
Stated Capital	19	3,285,000,260	3,285,000,260	3,285,000,260	3,285,000,260
Reserves	20	(338,325,183)	(321,209,089)	(338,325,183)	(321,209,089)
Retained Earnings		4,254,470,118	3,524,190,615	3,789,327,301	2,970,569,133
Equity attributable to Equity Holders of the Parent		7,201,145,195	6,487,981,786	6,736,002,378	5,934,360,304
Non-Controlling Interests		-	-	-	-
Total Equity		7,201,145,195	6,487,981,786	6,736,002,378	5,934,360,304
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	13.2	994,000,000	-	-	-
Deferred Tax Liabilities	5.5	601,567,628	492,335,839	601,567,628	492,335,839
Deferred Income	23	408,107,846	410,070,483	408,107,846	410,070,483
Employee Benefit Liability	22	43,274,470	32,436,193	34,910,681	26,420,121
Refundable Deposits	25	1,195,994,714	1,075,968,030	1,195,994,714	1,075,968,030
		3,242,944,658	2,010,810,545	2,240,580,869	2,004,794,473
Current Liabilities					
Trade and Other Payables	24	2,058,125,294	1,912,606,673	1,857,481,181	1,827,194,722
Refundable Deposits	25	132,888,302	119,552,003	132,888,302	119,552,003
Income Tax Payable		77,877,293	33,426,215	72,092,479	22,241,129
Interest Bearing Loans and Borrowings	13.2	453,230,013	45,255,514	395,857,356	23,249,867
		2,722,120,902	2,110,840,405	2,458,319,318	1,992,237,721
Total Equity and Liabilities		**13,166,210,755**	**10,609,632,736**	**11,434,902,565**	**9,931,392,498**

I certify that these financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Chamath Indrapala
Chief Financial Officer

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

W.K.H. Wegapitiya
Director

U.K. Thilak De Silva
Director

The accounting policies and notes on pages 147 to 201 form an integral part of these financial statements.

23 May 2014
Colombo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group

	Note	Attributable to Equity Holders of the Parent					
		Stated Capital Rs.	Retained Earnings Rs.	Available for Sale Reserve Rs.	Total Rs.	Non-Controlling Interests Rs.	Total Equity Rs.
As at 01 April 2012		3,285,000,260	3,038,703,667	(292,748,056)	6,030,955,871	-	6,030,955,871
Profit For the Year		-	1,050,276,121	-	1,050,276,121	-	1,050,276,121
Other Comprehensive Income		-	10,544,587	(28,461,033)	(17,916,447)	-	(17,916,447)
Total Comprehensive Income		-	1,060,820,708	(28,461,033)	1,032,359,674	-	1,032,359,674
Dividend Paid (Final 2011/2012)	21	-	(580,500,143)	-	(580,500,143)	-	(580,500,143)
Deferred Tax Liability Reversal during the Year	6.2	-	5,166,385	-	5,166,385	-	5,166,385
As at 31 March 2013		3,285,000,260	3,524,190,615	(321,209,089)	6,487,981,786	-	6,487,981,786
Profit For the Year		-	1,309,361,641	-	1,309,361,641	-	1,309,361,641
Other Comprehensive Income		-	(410,756)	(17,116,094)	(17,526,850)	-	(17,526,850)
Total Comprehensive Income		-	1,308,950,885	(17,116,094)	1,291,834,791	-	1,291,834,791
Dividend Paid (Final 2012/2013)	21	-	(580,500,140)	-	(580,500,140)	-	(580,500,140)
Deferred Tax Liability Reversal during the Year	6.2	-	6,808,758	-	6,808,758	-	6,808,758
Transaction Cost relating to Issue of Shares		-	(4,980,000)	-	(4,980,000)	-	(4,980,000)
As at 31 March 2014		**3,285,000,260**	**4,254,470,118**	**(338,325,183)**	**7,201,145,195**	**-**	**7,201,145,195**

Company

	Note	Stated Capital Rs.	Retained Earnings Rs.	Available for Sale Reserve Rs.	Total Equity Rs.
As at 01 April 2012		3,285,000,260	2,333,022,933	(292,748,056)	5,325,275,137
Profit For the Year		-	1,204,529,122	-	1,204,529,122
Other Comprehensive Income		-	8,350,822	(28,461,033)	(20,110,211)
Total Comprehensive Income		-	1,212,879,944	(28,461,033)	1,184,418,911
Dividend Paid (Final 2011/2012)	21	-	(580,500,129)	-	(580,500,129)
Deferred Tax Liability Reversal during the Year	6.2	-	5,166,385	-	5,166,385
As at 31 March 2013		3,285,000,260	2,970,569,133	(321,209,089)	5,934,360,304
Profit For the Year		-	1,393,251,192	-	1,393,251,192
Other Comprehensive Income		-	(801,653)	(17,116,094)	(17,917,747)
Total Comprehensive Income		-	1,392,449,539	(17,116,094)	1,375,333,445
Dividend Paid (Final 2012/2013)	21	-	(580,500,129)	-	(580,500,129)
Deferred Tax Liability Reversal during the Year	6.2	-	6,808,758	-	6,808,758
As at 31 March 2014		**3,285,000,260**	**3,789,327,301**	**(338,325,183)**	**6,736,002,378**

The accounting policies and notes on pages 147 to 201 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2014	Note	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Cash Flows Generated from / (Used in) Operating Activities					
Cash Flows from Operating Activities					
Profit Before Tax		1,632,717,086	1,308,640,629	1,663,619,716	1,395,489,050
Non-Cash Adjustment to Reconcile Profit Before Tax to Net Cash Flows:					
Amortization of Intangible Assets	10	443,573	8,305	443,573	8,305
Decrease in Fair Value of Quoted Equity Securities		907,670	726,060	907,670	726,060
Depreciation of Property, Plant and Equipment	8.1	356,982,538	307,702,180	250,621,023	221,565,673
Fair Value Gain on Investment Properties	9	(35,575,000)	(35,472,500)	(35,575,000)	(35,472,500)
Finance Costs	5.3	19,724,149	5,053,018	14,512,059	4,997,578
Finance Income	5.4	(89,596,450)	(154,826,089)	(45,411,368)	(91,671,083)
Dividend Income	5.2	(1,845,024)	(697,968)	(401,445,014)	(495,697,956)
Provision for Employee Benefit Liability	22.1	10,946,572	9,420,458	8,130,459	7,112,549
(Profit)/Loss on Disposal of Property, Plant and Equipment		263,555	4,325,450	(678,702)	(3,017,215)
Exchange Rate Differance Adjustments		(18,794,209)	(2,039,998)	(18,681,248)	(2,039,998)
Operating Profit Before Working Capital Changes		1,876,174,460	1,442,839,544	1,436,443,167	1,002,000,462
Working Capital Adjustments:					
(Increase)/Decrease in Inventories		(85,408,112)	231,119,831	(33,523,167)	241,920,554
(Increase)/Decrease in Trade and Other Receivables and Prepayments		(158,224,543)	(228,666,872)	50,062,400	(972,505,872)
(Increase)/Decrease in Rate Regulatory Assets		106,665,311	89,358,301	106,665,311	89,358,301
Increase/(Decrease) in Trade and Other Payables		139,495,417	(340,166,560)	29,243,894	(352,708,075)
Increase/(Decrease) in Deferred Income		(1,962,637)	64,298,258	(1,962,637)	64,298,258
Cash Generated from Operating Activities		1,876,739,896	1,258,782,501	1,586,928,969	72,363,628
Employee Benefit Liability Costs Paid	22.2	(519,051)	(895,915)	(441,551)	(705,840)
Finance Costs Paid		(19,724,149)	(5,046,925)	(14,512,059)	(4,991,485)
Income Tax Paid		(162,847,870)	(104,954,870)	(104,476,628)	(44,578,809)
Refund/Transfers of Refundable Deposits	25	(266,143,587)	(281,657,634)	(266,143,587)	(281,657,634)
Refundable Deposits Received	25	399,506,569	271,027,618	399,506,569	271,027,618
Net Cash Flows Generated from Operating Activities		1,827,011,808	1,137,254,775	1,600,861,713	11,457,479
Cash Flows from/(Used in) Investing Activities					
Acquisition of Intangible Assets	10	(4,498,634)	(10,000,000)	(206,500)	(10,000,000)
Acquisition of Property, Plant and Equipment	8.3	(2,618,040,820)	(1,297,196,713)	(865,452,895)	(618,758,261)
Acquisition of Leasehold Right		-	(91,555,456)	-	-
Dividends Received		1,257,063	563,008	400,857,052	495,562,996
Investments in Non-Quoted Equity Securities		(20,125,000)	-	-	-
Investments in Subsidiaries	12	-	-	(915,000,000)	-
Proceeds from Disposal of Property, Plant and Equipment		2,379,876	3,920,873	1,518,807	3,188,464
Net Cash Flows Used in Investing Activities		(2,639,027,515)	(1,394,268,287)	(1,378,283,536)	(130,006,801)
Cash Flows from/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans and Borrowings	13.2	2,518,343,634	-	1,518,343,634	-
Dividend Paid		(580,500,140)	(580,500,143)	(580,500,129)	(580,500,129)
Finance Income	5.4	89,596,450	154,826,089	45,411,368	91,671,083
Repayment of Interest Bearing Loans and Borrowings	13.2	(1,144,751,580)	(387,308)	(1,144,751,580)	(387,308)
Net Cash Flows/(Used in) Financing Activities		882,688,364	(426,061,362)	(161,496,707)	(489,216,354)
Net Increase/(Decrease) in Cash and Cash Equivalent		70,672,657	(683,074,874)	61,081,473	(607,765,676)
Cash and Cash Equivalent at the Beginning of the Year	18	1,464,151,433	2,147,226,307	1,140,259,174	1,748,024,850
Cash and Cash Equivalent at the End of the Year	**18**	**1,534,824,090**	**1,464,151,433**	**1,201,340,647**	**1,140,259,174**

The accounting policies and notes on pages 147 to 201 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

1.1 General

LAUGFS Gas PLC (the Company) is a public limited liability Company incorporated and domiciled in Sri Lanka and listed in the Colombo Stock Exchange. The registered office of the Company is located at No. 14, R. A. De Mel Mawatha, Colombo 04 and the principal place of business is situated at No. 311/1, Biyagama Road, Mabima, Heiyanthuduwa.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company and the Subsidiaries dealt within these financial statements were as follows.

Company	Activities
LAUGFS Gas PLC	Sale of liquefied petroleum gas and other related products
LAUGFS Eco Sri (Pvt) Ltd.	Providing motor vehicle emission testing services
LAUGFS Leisure Ltd.	Operation of hotels. During the year commercial operations have been commenced on the hotel property at Chilaw.
LAUGFS Property Developers (Pvt) Ltd.	Construction of a commercial property at Kirullapone to be given on rent. However, commercial operations have not been commenced since such are under construction yet.
LAUGFS Power Ltd.	Generation of hydro power. Subsequent to the reporting date commercial operations have been commenced.

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 preparation and presentation of financial statements.

1.5 Date of Authorization for Issue

The consolidated financial statements of LAUGFS Gas PLC and its subsidiaries (collectively, the Group) for the year ended 31 March 2014 were authorized for issue in accordance with a resolution of the Board of Directors on 23 May 2014.

2 ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group 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 consolidated financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss that have been measured at fair value.

The financial statements are presented in Sri Lankan Rupees.

2.1.2 Statement of Compliance

The financial statements of LAUGFS Gas PLC and its subsidiaries (the Group) have been prepared in compliance with SLFRS.

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

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2014.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Comprehensive income including profit for the year within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent to profit or loss or retained earnings, as appropriate.

Mag Consultants and Agents (Pvt) Ltd. and Blue Continent (Pvt) Ltd. being two subsidiary companies of LAUGFS Leisure Ltd. that have been acquired by the Group during the years ended 31 March 2012 and 31 March 2013 respectively, have been accounted for considering the actual interests of the Board of Directors of the Group. Namely, the said two companies have been accounted for based on the substance of the acquisition, being an acquisition of a free hold land and a lease hold land respectively. No goodwill has been recognized pertaining to these acquisitions since those have not been considered as business acquisitions.

2.3 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements.

a) Classification of Property

The Group determines whether a property is classified as investment property or an owner occupied property.

Investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.

The Group determines whether a property qualifies as investment property by considering whether the property generates cash flows largely independently of the other assets held by the entity. Owner occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

b) Operating Lease Commitments - Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a) Revaluation of Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Group engaged an independent valuation specialist to assess fair values as at 31 March 2014.

b) Impairment of Non-Financial Assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arms length observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

c) Taxes

Deferred tax assets are recognised for 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 assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

d) Employee Benefits

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 22.

e) Development Costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management obtains expert advice.

f) Useful Lives of Property, Plant and Equipment

The Group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date; judgment by management is exercised in the estimation of these values, rates and methods.

2.4 Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements.

2.4.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is measured at fair value with changes in fair value either in a profit or loss or as a change to the other comprehensive income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination transferred; the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash- generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquired are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4.2 Foreign Currency Translation

The Group's consolidated financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group at the functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency spot rate of exchange ruling at the reporting date. All differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4.3 Revenue Recognition

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

a) Sale of Goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods; with the Group not retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

b) Room Revenue

Revenue is recognized on the rooms occupied on daily basis.

c) Food & Beverage Revenue

Food & beverage revenue is recognized at the time of sale.

d) Other Hotel Related Revenue

Other hotel related revenue is accounted when such services are rendered.

e) Rendering of Services

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

f) Interest Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest Income is recognized as the interest accrued unless collectability is in doubt. Interest income is included in finance income in the consolidated income statement.

g) Deferred Income from Non-Refundable Deposits

The deferred income from non-refundable deposits is recognized in the consolidated income statement over a period of 05 years, the period it is estimated to be held by the customer.

h) Dividends

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

i) Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is included in other operating income in the consolidated income statement.

j) Others

Other income is recognized on an accrual basis.

2.4.4 Rate Regulatory Assets and Liabilities

Rate regulation is a restriction on the setting of prices that can be charged to customers for services or products in an entity where certain activities that are rate regulated are not similar to the activities of an entity where rate regulation does not exist. Therefore, failure to recognize rate regulatory assets or rate regulatory liabilities would make situations which are detrimental for comparability since the revenue (prices or rates subject to regulation) for a particular period is matched with the actual cost incurred in that period, although regulated prices are determined based on a prior period which has no relevance to the current cost.

The pricing of Liquefied Petroleum Gas in 12.5 Kg cylinders being sold by LAUGFS Gas PLC is governed by the Consumer Affairs Authority Act. According to an order held by Supreme Court in 2008, LAUGFS Gas PLC and the Consumer Affairs Authority (CAA) have agreed on pricing formula, which was made effective from 1 January 2009.

The above pricing formula requires the actual landed costs of the two previous consecutive months to be considered for determination of selling prices which will be effective from the end of the third month.

The above price mechanism of Consumer Affairs Authority (CAA) allows LAUGFS Gas PLC to charge the actual landed cost incurred in the past two months to customers after the approval is obtained for price revision from the Consumer Affairs Authority (CAA).

Accordingly the difference of landed cost of Liquefied Petroleum Gas between past two months and the cost previously recognized as rate regulatory assets or liabilities is reversed to income statement.

The recoverability of rate regulatory asset recognized as above may get adversely affected by factors such as severe competition, ability of customers to frequently switch between gas providers, unfavourable price revisions by the Consumer Affairs Authority (CAA) or other detrimental macro-economic conditions etc. Therefore testing for impairment on rate regulatory assets is carried out at the end of each reporting period.

2.4.4.1 Cost of Sales Recognition

The current cost of gas sold in 12.5Kg cylinders for domestic consumption is equalized to selling price base applicable to the same period (landed cost of a gas cylinder during past two months) and deferred to following two months. The accounting policy, which the directors believe, would reflect fairly the financial position of the Company taking in to account the agreement signed between the Company and the Consumer Affairs Authority consequent to an order given by the Supreme Court. According to the judgment of the Supreme Court the Company is entitled to a price of landed cost plus a margin. Consequent to the judgment, the Consumer Affairs Authority has entered in to an agreement with the Company where it has permitted to a selling price of landed cost plus a margin.

2.4.5 Taxes

a) **Current Income Tax**

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

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

Withholding tax on dividends received from subsidiaries is recognized as a tax expense in the consolidated income statement.

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. Unrecognized 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 Group's investment properties.

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

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

c) **Sales Tax**

Revenues, expenses and assets are recognized net of the amount of sales tax, except, where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities, in which case, the sales tax is recognized as a part of the cost of the asset or part of the expense items, as applicable or/and receivable and payable that are stated with the amount of sales tax included. The net amount of sales tax recoverable from or payable to the taxation authorities is included as a part of receivables or payables in the consolidated statement of financial position.

2.4.6 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 part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred.

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

Depreciation is calculated on a straight line basis over the useful life of the assets is disclosed in Note 8.6.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.4.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated income statement.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described in Note 8.6.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

2.4.8 Borrowing Costs

Borrowing costs are recognized as an expense in the year in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using Group's weighted average cost of borrowing after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investments. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for development, but only where activities necessary to prepare the asset for redevelopments are in progress.

2.4.9 Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer,

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated income statement in the event of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventories, the cost of property for subsequent accounting is its cost at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.4.10 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. 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 consolidated income statement in the year in which the expenditure is incurred.

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

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

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

2.4.11 Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2.4.12 Financial Instruments - Initial Recognition and Subsequent Measurement

2.4.12.1 Financial Assets

Initial Recognition and Measurement

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

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

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

The Group’s financial assets include trade and other receivables, loans and other receivables and investments made in quoted equity securities.

Subsequent Measurement

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

a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the consolidated income statement.

The Group's financial assets at fair value through profit or loss include investments made in quoted equity securities.

b) Loans and Receivables

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

c) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement in finance costs.

The Group did not have any held-to-maturity investments during the years ended 31 March 2013 and 31 March 2014.

d) Available-for-Sale Financial Investments

Available-for-sale financial investments include investments made in quoted equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognized in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intention and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Derecognition

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

- The rights to receive cash flows from the asset have expired,
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Group's continuing involvement in it.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group 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 Group could be required to repay.

2.4.12.2 Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group 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 group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a) Financial Assets Carried at Amortised Cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement. 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 consolidated income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the consolidated income statement.

b) Available-for-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement - is removed from other comprehensive income and recognized in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairments are recognized directly in other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, 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. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

2.4.12.3 Financial Liabilities

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

a) 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 acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognized in the consolidated income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

b) Loans and Borrowings

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

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

Derecognition

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

2.4.12.4 Offsetting of Financial Instruments

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

2.4.13 Fair Value of Financial Instruments

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 13.3 and Note 13.4.

2.4.14 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable 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:

Raw Materials	At purchase cost on weighted average cost basis
Finished Goods	At the cost of direct materials, direct labour and an appropriate proportion of overheads based on normal operating capacity, but excluding borrowing costs
Goods in Transit	At purchase cost
Food & Beverages	At actual cost on weighted average cost basis
Other Inventories	At actual cost on weighted average cost basis

Inventory represents property held by the Group intended for resale and costs connected with projects.

The project under development comprises acquisition costs, purchase taxes and any directly attributable costs to bring the asset to intended sale. Administrative expenses are not included unless these can be directly attributed to specific projects, directly attributable costs are costs incurred for bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

2.4.15 Impairment of Non-Financial Assets

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

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

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

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

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.4.16 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 consolidated statement of cash flows, 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.

2.4.17 Provisions

Provisions are recognized when the Group 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 Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

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

2.4.18 Deferred Income

The Liquefied Petroleum Gas cylinders remain as a property of LAUGFS Gas PLC and issued to the customers on a temporary basis against a refundable security deposit. The Company is liable to refund the deposit for 12.5Kg, 37.5Kg, 5Kg & 2Kg cylinders on following basis subject to a minimum refund of Rs.1,000/-, Rs.1,700/-, Rs. 485/-, & Rs. 450/- respectively for an indefinite period.

1st Year – Minimum refund + Two third of the selling price of a cylinder after deducting Minimum refund

2nd Year – Minimum refund + One third of the selling price of a cylinder after deducting Minimum refund

3rd Year onwards Minimum refund.

The difference between the deposit and minimum refund is charged to deferred income over a period of three years in line with the refund policy.

2.4.19 Employee Benefits

a) Defined Benefit Plan – Gratuity

LAUGFS Gas PLC and LAUGFS Eco Sri (Pvt) Ltd. measure the cost of defined benefit plan-gratuity; every financial year using the Projected Unit Credit Method with the advice of an actuary. The rest of the subsidiaries excluding LAUGFS Eco Sri (Pvt) Ltd. measure the cost of defined benefit plan-gratuity; every financial year using the Projected Unit Credit Method without any advice obtained from an actuary.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

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

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

This is not an externally funded defined benefit plan.

b) Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

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

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

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

a) Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual periods commencing on or after 01 January 2015. However, effective date has been deferred subsequently.

b) SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements and provides guidance on all fair value measurements under SLFRS.

This standard will be effective for the financial period beginning on or after 01 January 2014.

However use of fair value measurement principles contained in this standards are currently recommended.

In addition to the above, following standards will also be effective for the annual periods commencing on or after 01 January 2014.

- SLFRS 10 - Consolidated Financial Statements
- SLFRS 11 - Joint Arrangements
- SLFRS 12 - Disclosure of Interests in Other Entities

The above parcel of three standards will impact the recognition, measurement and disclosures aspects currently contained in LKAS 27 - Consolidated and separate financial statements, LKAS 28 - Investments in associates, LKAS 31 - Interest in joint ventures and SIC - 12 and SIC - 13 which are on consolidation of special purpose entities (SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of option to proportionate consolidation of jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12 establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as the ones previously captured in earlier versions of LKAS 27, LKAS 28 and LKAS 31.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted by the Group are consistent with those used in the previous financial year except for the policy on retirement benefits obligation – gratuity.

LKAS 19 - Employee Benefit (Revised 2013)

The Group applied LKAS 19 (Revised 2013) in the current period in accordance with the transitional provisions set out in the said standard. As per previous policy actuarial gains/losses was recognized in full in the income statement. As per revised LKAS 19, actuarial gains/losses is recognized in full in other comprehensive income (OCI).

Accordingly, the Group changed its policy for recognizing actuarial gains/losses in OCI. This resulted in reclassifying actuarial gains/losses previously recognized in the income statement to the OCI. Since there was no significant impact on retirement benefit liability, the opening statement of financial position of the earliest comparative period has not been presented. The transition did not have impact on the statement of cash flows. There is no significant impact on the basic EPS.

4 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable segments as follows:

Energy

Selling of Liquefied Petroleum Gas and other related products.

Other Services

Operating of vehicle emission testing centres to issue vehicle Emission Test Certificates.

Leisure & Hospitality

Operating of hotels. During the year commercial operations have been commenced on the hotel property at Chilaw. However, the hotel properties at Wadduwa and Passikudah are still under construction.

Property Development

Construction of a commercial property to be given on rent at Kirullapone.

Power

Generation of hydro power. During the year commercial operations have not been commenced since the hydro power plant at Balangoda is still under construction. However subsequent to the reporting date commercial operations have been commenced.

No operating segments have been aggregated to form the above reportable operating segments. The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner to transactions with third parties.

4 SEGMENT INFORMATION (Contd.)

Operating Segments	Energy		Other Services		Leisure & Hospitality	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue						
External Customers	10,660,333,222	9,705,179,946	949,205,603	857,983,080	21,491,116	-
Inter-Segment	-	-	-	-	-	-
Total Revenue	10,660,333,222	9,705,179,946	949,205,603	857,983,080	21,491,116	-
Results						
Operating Profit	1,597,145,407	1,273,343,045	366,848,127	353,971,206	(32,207,019)	(7,705,931)
Finance Costs	(14,512,059)	(4,997,578)	(2,138)	(30,199)	(5,209,952)	(25,241)
Fair Value Gain on Investment Properties	35,575,000	35,472,500	-	-	-	-
Finance Income	45,411,368	91,671,083	43,910,962	62,460,895	160,093	400,929
Profit/(Loss) Before Tax	1,663,619,716	1,395,489,050	410,756,951	416,401,902	(37,256,878)	(7,330,243)
Income Tax Expense	(270,368,524)	(190,959,928)	(8,566,169)	(11,933,967)	-	(417,256)
Profit for the Year	1,393,251,192	1,204,529,122	402,190,782	404,467,935	(37,256,878)	(7,747,499)
Net Loss on Available for Sale Financial Assets	(17,116,094)	(28,461,033)	(734,112)	(177,322)	-	-
Actuarial Gains/(Losses) on Defined Benefit Plans	(801,653)	8,350,822	390,897	2,193,765	-	-
Total Comprehensive Income for the Year Net of Tax	1,375,333,445	1,184,418,911	401,847,567	406,484,379	(37,256,878)	(7,747,499)
Assets & Liabilities						
Non-Current Assets						
Total Non-Current Assets	7,977,000,802	6,433,965,600	350,974,415	418,709,783	2,916,838,041	1,307,687,227
Current Assets						
Total Current Assets	3,457,901,763	3,497,426,898	442,985,976	413,769,313	364,402,688	281,679,181
Total Assets						
Non-Current Liabilities						
Total Non-Current Liabilities	**2,240,580,869**	**2,004,794,473**	**8,162,520**	**5,814,804**	**994,201,268**	**201,268**
Current Liabilities						
Total Current Liabilities	**2,458,319,318**	**1,992,237,721**	**85,243,091**	**83,957,079**	**1,048,016,214**	**969,485,015**
Total Liabilities						
Depreciation for the Year	250,621,023	221,565,673	99,505,892	85,951,130	6,811,314	125,252
Purchase of Property, Plant and Equipment	865,452,895	618,758,261	34,290,823	25,935,540	1,591,644,995	558,233,871
Provision for Employee Benefit Liability	8,130,459	7,112,549	2,816,113	2,248,689	-	59,220

Inter-segment revenues are eliminated upon consolidation and reflected in the adjustments/eliminations column.

Property Development		Power		Eliminations/ Adjustments		Group	
2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
-	-	-	-	-	-	11,631,029,941	10,563,163,026
-	-	-	-	-	-	-	-
-	-	-	-	-	-	11,631,029,941	10,563,163,026
(3,858,495)	(972,102)	(1,058,245)	(241,172)	(399,599,990)	(494,999,988)	1,527,269,785	1,123,395,058
-	-	-	-	-	-	(19,724,149)	(5,053,018)
-	-	-	-	-	-	35,575,000	35,472,500
-	-	114,027	293,181	-	-	89,596,450	154,826,089
(3,858,495)	(972,102)	(944,218)	52,009	(399,599,990)	(494,999,988)	1,632,717,086	1,308,640,629
-	-	(20,753)	(53,359)	(44,399,999)	(54,999,999)	(323,355,445)	(258,364,508)
(3,858,495)	(972,102)	(964,971)	(1,350)	(443,999,989)	(549,999,986)	1,309,361,641	1,050,276,121
-	-	-	-	734,112	177,322	(17,116,094)	(28,461,033)
-	-	-	-	-	-	(410,756)	10,544,587
(3,858,495)	(972,102)	(964,971)	(1,350)	(443,265,877)	(549,822,664)	1,291,834,791	1,032,359,674
591,906,431	567,453,923	125,485,792	23,330,503	(2,237,758,730)	(1,323,492,842)	9,724,546,750	7,427,654,193
60,273,678	2,968,735	9,294,324	14,410,354	(893,194,219)	(1,028,275,732)	3,441,664,005	3,181,978,543
						13,166,210,755	10,609,632,736
-	**-**	**-**	**-**	**-**	**-**	**3,242,944,658**	**2,010,810,545**
17,091,001	**65,395,055**	**6,645,498**	**28,041,267**	**(893,194,219)**	**(1,028,275,732)**	**2,722,120,902**	**2,110,840,405**
						5,965,065,560	4,121,650,950
44,309	60,125	-	-	-	-	356,982,538	307,720,180
24,496,817	56,842,137	102,155,289	18,984,968	4,130,321	18,441,934	2,622,171,138	1,297,196,713
-	-	-	-	-	-	10,946,572	9,420,458

5 REVENUE/OTHER INCOME AND EXPENSES

5.1 Revenue

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Sale of Goods	10,684,976,303	9,727,384,117	10,684,976,303	9,727,384,117
Rendering of Services	970,696,719	857,983,080	-	-
Distributor Commission	(24,643,081)	(22,204,171)	(24,643,081)	(22,204,171)
	11,631,029,941	10,563,163,026	10,660,333,222	9,705,179,946

5.2 Other Operating Income

Rent Income	5,686,402	5,374,402	5,686,402	5,374,402
Income from Non-Refundable Deposits	263,763,814	214,158,068	263,763,814	214,158,068
Project Work Income	2,265,174	1,462,109	2,265,174	1,462,109
Sundry Income	5,615,897	4,779,567	529,554	383,177
Dividend Income	1,845,024	697,968	401,445,014	495,697,956
	279,176,311	226,472,115	673,689,958	717,075,712

5.3 Finance Costs

Interest Expense on Overdrafts	912,961	165,839	831,117	110,399
Interest Expense on Loans and Borrowings	5,130,246	-	-	-
Finance Charges on Lease Liabilities	-	6,093	-	6,093
Interest on Dealer Refundable Deposits	4,497,712	4,687,006	4,497,712	4,687,006
Interest on Import Loans	9,183,230	194,079	9,183,230	194,079
	19,724,149	5,053,018	14,512,059	4,997,578

5.4 Finance Income

Interest Income	89,596,450	154,826,089	45,411,368	91,671,083
	89,596,450	154,826,089	45,411,368	91,671,083

5.5 Profit Before Tax

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Stated after Charging/(Crediting)				
Included in Cost of Sales				
Depreciation of Property, Plant and Equipment	309,005,149	280,022,914	228,107,158	202,306,240
Employees Benefits including the following;	74,686,954	60,231,132	74,686,954	60,231,132
Defined Contribution Plan Costs - EPF and ETF (Included in Employees Benefits)	4,317,290	3,404,172	4,317,290	3,404,172
Included in Administration Expenses				
Employees Benefits including the following;	361,270,193	271,051,549	114,070,424	85,706,051
Employee Benefit Plan Costs - Gratuity (Included in Employee Benefits)	10,946,572	9,420,458	8,130,459	7,112,549
Defined Contribution Plan Costs - EPF and ETF (Included in Employees Benefits)	31,266,373	25,142,705	10,903,602	8,934,907
Depreciation of Property, Plant and Equipment	45,533,866	25,515,165	20,070,342	17,095,334
Amortization of Intangible Assets	443,573	8,305	443,573	8,305
Auditors' Fees - Current Year	1,888,429	1,642,021	1,327,429	1,206,754
Auditors' Fees - Over Provision in respect of Prior Year	(366,157)	(210,863)	(361,008)	(226,704)
Donations	8,870,458	2,700,301	5,242,352	2,093,300
Research and Development	1,070,673	207,189	1,070,673	207,189
Included in Selling and Distribution Expenses				
Employees Benefits including the following;	86,003,500	61,821,502	86,003,500	61,821,502
Defined Contribution Plan Costs - EPF and ETF (Included in Employee Benefits)	6,880,280	4,957,978	6,880,280	4,957,978
Depreciation of Property, Plant and Equipment	2,443,522	2,164,100	2,443,522	2,164,100
Advertising and Promotion	129,278,149	71,269,151	121,020,453	59,157,153

5.6 Components of Other Comprehensive Income

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Available for Sale Financial Assets:				
Gains/(Losses) arising during the Year	(17,116,094)	(28,461,033)	(17,116,094)	(28,461,033)
Employee Benefit Liability				
Actuarial Gains/(Losses) arising during the Year	(410,756)	10,544,587	(801,653)	8,350,822
	(17,526,850)	(17,916,447)	(17,917,747)	(20,110,211)

6 INCOME TAX

The major components of income tax expense for the years ended 31 March 2014 and 31 March 2013 are:

6.1 Consolidated Income Statement

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Current Income Tax:				
Current Income Tax Expense (Note 6.4)	163,312,509	122,091,993	154,725,586	109,687,411
Dividend Tax of Subsidiaries	44,399,999	54,999,999	-	-
Under/(Over) Provision of Current Taxes in respect of Prior Year	(397,609)	-	(397,609)	-
	207,314,899	177,091,991	154,327,977	109,687,411
Deferred Income Tax:				
Deferred Taxation Charge/(Reversal) (Note 6.5)	116,040,547	81,272,517	116,040,547	81,272,517
	116,040,547	81,272,517	116,040,547	81,272,517
Income Tax Expense Reported in the Income Statement	323,355,445	258,364,508	270,368,524	190,959,928

6.2 Statement of Changes in Equity

Net Gain on Revaluation of Property, Plant and Equipment	(6,808,758)	(5,166,385)	(6,808,758)	(5,166,385)
	(6,808,758)	(5,166,385)	(6,808,758)	(5,166,385)

6.3 Consolidated Statement of Other Comprehensive Income

Deferred Tax related to Items Charged or Credited Directly to Equity during the Year:				
Gain/(Loss) on Available for Sale Financial Assets	-	-	-	-
Actuarial Gain/(Loss) on Retirement Benefit Plans	-	-	-	-
Income Tax Charged Directly to Other Comprehensive Income	-	-	-	-

6.4 A Reconciliation between Tax Expense and the Product of Accounting Profit Multiplied by the Statutory Tax Rate for the Years Ended 31 March 2014 and 31 March 2013 are as follows:

		Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Accounting Profit before Tax		1,632,717,086	1,308,640,629	1,663,619,716	1,395,489,050
Adjustments in respect to Current Income Tax					
Consolidated Adjustments		399,599,990	478,686,361	-	-
Aggregate Disallowed Items		289,457,728	253,044,260	289,457,728	250,850,496
Income Exempt from Income Tax		(366,845,989)	(410,345,331)	-	-
Aggregate Allowable Expenses		(1,250,832,682)	(1,232,197,893)	(1,248,981,312)	(1,232,197,893)
Other Sources of Income		80,333,150	138,737,163	49,665,570	95,925,284
		784,429,283	536,565,190	753,761,702	510,066,937
At the Statutory Income Tax Rate	- Business Profit	20%	20%	20%	20%
	- Other Income	28%	28%	28%	28%
Current Income Tax Expenses	- Business Profit	140,819,227	82,828,331	140,819,227	82,828,331
	- Other Income	22,493,282	39,263,662	13,906,360	26,859,080
Income Tax Expense reported in the Consolidated Income Statement		163,312,509	122,091,993	154,725,586	109,687,411

6.5 Deferred Tax Assets , Liabilities and Income Tax relate to the following:

	Consolidated Statement of Financial Position		Consolidated Income Statement	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Deferred Tax Liabilities				
Capital Allowances for Tax Purposes	366,173,304	241,642,196	124,531,107	79,328,404
Revaluation of Building and Plant and Machinery	270,305,006	277,113,763	-	-
	636,478,310	518,755,959	124,531,107	79,328,404
Deferred Tax Assets				
Employee Benefit Liability	(34,910,681)	(26,420,120)	(8,490,561)	1,944,113
	(34,910,681)	(26,420,120)	(8,490,561)	1,944,113
Deferred Income Tax Expense			116,040,547	81,272,517
Net Deferred Tax Liability	601,567,628	492,335,839		

6 INCOME TAX (Contd.)

6.6 Reconciliation of Net Deferred Tax Liability

	2014 Rs.	2013 Rs.
As at 1 April	492,335,839	416,226,836
Tax (Income)/Expense during the Year recognized in the Consolidated Income Statement	116,040,547	81,272,517
Deferred Tax directly recognized in Equity	(6,808,758)	(5,166,385)
As at 31 March	601,567,628	492,335,839

6.7 Current Taxes

6.7.1 LAUGFS Gas PLC

Pursuant to agreement dated 07 April 2005 entered into with Board of Investment Sri Lanka under Section 17 (2) of the Board of Investment Act No. 04 of 1978, the Company was exempt from the payment and recovery of income tax in respect of the profit and income of enterprise for a period of three (03) years with effect from 07 April 2005. This exemption expired on 06 April 2008. Subsequent to the tax exemption, the Company is liable for tax at the rate of 10% for period of two (02) years immediately succeeding the last date of the tax exemption year and thereafter, at the rate of 20%.

6.7.2 LAUGFS Eco Sri (Pvt) Ltd.

a) In accordance with and subject to the powers conferred on the Board of Investment under Section 17 of the said Act No. 04 of 1978 and regulations, the Company was exempted from income tax for a period of five (05) years reckoned from the year of assessment as may be determined by the Board of Investment ("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.

b) 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 certificates confirming the tax exemptions for the years of assessment 2009/2010, 2010/2011, 2011/2012 and 2012/2013. The company would obtain the certificates for the remaining periods on submission of audited financial statements to the Board.

c) After the expiration of the aforesaid tax exemption period referred to in sub-clause (i) of the agreement with the Board of Investment, the profits and income of the enterprise shall be charged at the rate of ten percent (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 percent (10%)).

d) After the expiration of the aforesaid concessionary tax rate of ten percent (10%) referred to in sub-clause (ii) of the agreement with the Board of Investment, the profits and income of the enterprise shall be charged for any year of assessment at the rate of twenty percent (20%).

6.7.3 LAUGFS Property Developers (Pvt) Ltd.

a) The Company was exempt from income tax for a period of five (05) years reckoned from the year of assessment as may be determined by the Board of Investment ("the tax exemption period"), the provision 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.

b) After the expiration of the aforesaid tax exemption period referred in sub-clause (i) of the agreement with the Board of Investment, the profits and income of the enterprise shall be charged at the rate of ten percent (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 percent (10%)).

c) After the expiration of the aforesaid concessionary tax rate of ten percent (10%) referred to in sub-clause (ii) of the agreement with the Board of Investment, the profits and income of the enterprise shall be charged for any year of assessment at the rate of twenty percent (20%).

6.7.4 LAUGFS Leisure Ltd.

Since these subsidiaries has engaged in the industry of leisure & hospitality, the principal source of income is taxed at the rate of twelve percent (12%) while other sources of income is taxed at twenty eight percent (28%).

7 EARNINGS PER SHARE

Basic/Diluted Earnings Per Share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year 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 or a share split.

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

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Amount Used as the Numerator:				
Net Profit attributable to Ordinary Equity Holders of the Parent for Basic Earnings	1,309,361,641	1,050,276,121	1,393,251,192	1,204,529,122
	2014 Number	2013 Number	2014 Number	2013 Number
Number of Ordinary Shares Used as the Denominator:				
Weighted Average Number of Ordinary Shares for Basic/Diluted Earnings Per Share	387,000,086	387,000,086	387,000,086	387,000,086

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

8 PROPERTY, PLANT AND EQUIPMENT

	Balance As at 01.04.2013 Rs.	Additions/ Incurred during the Year Rs.	Transfers in/(out) Rs.	Write Off/ Disposals during the Year Rs.	Balance As at 31.03.2014 Rs.
8.1 Group					
8.1.1 Gross Carrying Amounts					
At Cost					
Freehold Land	1,193,853,329	4,367,000	-	-	1,198,220,329
Land Development	171,182,981	125,598,823	-	-	296,781,804
Buildings on Freehold Land	78,577,900	10,867,083	562,692,957	-	652,137,939
Buildings on Leasehold Land	327,029,698	9,525,305	-	(1,220,918)	335,334,084
Plant, Machinery and Equipment	646,287,737	49,777,820	156,114,331	(287,500)	851,892,389
Office Equipment	96,994,333	15,120,600	152,271,888	(3,044,542)	261,342,279
Furniture and Fittings	108,098,456	12,028,104	57,753,656	-	177,880,215
Tools and Equipment	601,956	22,500	-	-	624,456
Gas Point Dealer Boards and Storage Huts	19,303,123	6,677,555	-	-	25,980,678
Motor Vehicles	250,195,242	13,799,390	35,543,489	(2,195,298)	297,342,824
Testing Equipment	150,038,279	13,081,560	-	(699,161)	162,420,677
Kitchen Equipment	-	-	42,734,526	-	42,734,526
GYM Equipment	-	-	5,910,674	-	5,910,674
Cylinders in Hand and in Circulation	3,220,109,734	505,328,905	14,520,114	(13,489)	3,739,945,263
Total Value of Depreciable Assets	6,262,272,767	766,194,645	1,027,541,636	(7,460,908)	8,048,548,139

	Balance As at 01.04.2013 Rs.	Additions/ Incurred during the Year Rs.	Transfers in/(out) Rs.	Write Off/ Disposals during the Year Rs.	Balance As at 31.03.2014 Rs.
8.1.2 In the Course of Construction					
Buildings	946,880,092	1,671,045,756	(932,777,728)	-	1,685,148,120
Fire Water Storage Project	199,923	-	-	-	199,923
Flow Meter for Bowser	1,489,442	-	(1,489,442)	-	-
Galle Bottling Plant	1,572,917	-	-	-	1,572,917
Loading Bay	-	2,714,338	-	-	2,714,338
Bore Well	-	1,029,730	-	-	1,029,730
Motor Tricycle	12,380,836	218,643	(7,466,685)	-	5,132,794
River Water Project	315,812	2,703,633	-	-	3,019,445
Motor Vehicles	-	44,995,501	(27,988,888)	-	17,006,614
5kg Caurasol Machine	-	2,903,457	-	-	2,903,457
Shrink Sealer Machine	254,192	-	-	-	254,192
Land Development	3,945,535	2,551,589	-	-	6,497,124
Plant and Machinery	18,984,968	49,136,275	-	-	68,121,243
Storage Tank	76,010,892	53,783,792	(48,065,136)	-	81,729,548
	1,062,034,610	1,831,082,715	(1,017,787,880)	-	1,875,329,445
Goods In Transit					
Cylinders	14,520,114	24,893,778	(14,520,114)	-	24,893,778
	14,520,114	24,893,778	(14,520,114)	-	24,893,778
Total Gross Carrying Amount	7,338,827,491	2,622,171,138	(4,766,359)	(7,460,908)	9,948,771,362

	Balance As at 01.04.2013 Rs.	Charged for the Year Rs.	Transfers in/(out) Rs.	Write Off/ Disposals during the Year Rs.	Balance As at 31.03.2014 Rs.
8.1.3 Depreciation					
Buildings on Freehold Land	3,450,691	3,428,347	-	-	6,879,038
Buildings on Leasehold Land	136,274,124	52,176,273	-	(494,691)	187,955,706
Plant, Machinery and Equipment	93,839,536	41,620,598	-	(187,009)	135,273,125
Office Equipment	45,176,965	29,573,974	-	(2,686,740)	72,064,199
Furniture and Fittings	20,265,840	12,584,829	-	-	32,850,669
Tools and Equipment	283,938	93,669	-	-	377,607
Gas Point Dealer Boards and Storage Huts	7,754,800	2,443,522	-	-	10,198,322
Motor Vehicles	60,145,328	18,914,618	-	(1,117,189)	77,942,757
Testing Equipment	63,616,136	23,308,170	-	(348,233)	86,576,074
Kitchen Equipment	-	526,864	-	-	526,864
GYM Equipment	-	72,871	-	-	72,871
Cylinders in Hand and in Circulation	396,553,747	171,763,798	-	(750)	568,316,795
Total Depreciation	827,361,105	356,507,534	-	(4,834,612)	1,179,034,027

8 PROPERTY, PLANT AND EQUIPMENT (Contd.)

8.1 Group (Contd.)

	2014 Rs.	2013 Rs.
8.1.4 Net Book Values		
At Cost		
Freehold Land	1,198,220,329	1,193,853,329
Land Development	296,781,804	171,182,981
Buildings on Freehold Land	645,258,901	75,127,209
Buildings on Leasehold Land	147,378,378	190,755,573
Plant, Machinery and Equipment	716,619,264	552,448,201
Office Equipment	189,278,080	51,817,368
Furniture and Fittings	145,029,546	87,832,616
Tools and Equipment	246,849	318,018
Gas Point Dealer Boards and Storage Huts	15,782,356	11,548,323
Motor Vehicles	219,400,067	190,049,914
Testing Equipment	75,844,604	86,422,142
Kitchen Equipment	42,207,662	-
GYM Equipment	5,837,803	-
Cylinders in Hand and in Circulation	3,171,628,469	2,823,555,987
	6,869,514,112	5,434,911,662
In the Course of Construction		
Buildings	1,685,148,120	946,880,092
Fire Water Storage Project	199,923	199,923
Flow Meter for Bowser	-	1,489,442
Galle Bottling Plant	1,572,917	1,572,917
Loading Bay	2,714,338	-
Bore Well	1,029,730	-
Motor Tricycle	5,132,794	12,380,836
River Water Project	3,019,445	315,812
5kg Caurasol Machine	2,903,457	-
Motor Vehicles	17,006,614	-
Shrink Sealer Machine	254,192	254,192
Land Development	6,497,124	3,945,535
Plant and Machinery	68,121,243	18,984,968
Storage Tank	81,729,548	76,010,892
	1,875,329,445	1,062,034,610
Goods In Transit		
Cylinders	24,893,778	14,520,114
	24,893,778	14,520,114
Total Carrying Amount of Property, Plant and Equipment	8,769,737,335	6,511,466,386

8.2 Company

8.2.1 Gross Carrying Amounts

	Balance As at 01.04.2013 Rs.	Additions/ Incurred during the Year Rs.	Transfer In/(Out) Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
At Cost					
Freehold Land	354,960,500	4,367,000	-	-	359,327,500
Land Development	171,182,981	125,598,823	-	-	296,781,804
Buildings on Freehold Land	78,577,899	10,867,083	-	-	89,444,982
Building on Leasehold Land	6,121,851	-	-	-	6,121,851
Plant, Machinery and Equipment	628,897,854	47,702,204	48,065,136	-	724,665,195
Office Equipment	45,919,546	6,620,108	-	-	52,539,654
Furniture and Fittings	100,568,364	10,476,653	-	-	111,045,017
Gas Point Dealer Boards and Storage Huts	19,303,123	6,677,555	-	-	25,980,678
Motor Vehicles	230,085,943	13,799,390	33,970,656	(1,829,584)	276,026,406
Cylinders in Hand and in Circulation	3,220,109,734	505,328,905	14,520,114	(13,489)	3,739,945,263
Total Value of Depreciable Assets	4,855,727,795	731,437,721	96,555,907	(1,843,073)	5,681,878,349
In the Course of Construction					
Buildings	2,882,643	772,301	(1,792,000)	-	1,862,944
Fire Water Storage Project	199,923	-	-	-	199,923
Flow Meter for Bowser	1,489,442	-	(1,489,442)	-	-
Galle Bottling Plant	1,572,917	-	-	-	1,572,917
Loading Bay	-	2,714,338	-	-	2,714,338
Bore Well	-	1,029,730	-	-	1,029,730
Motor Tricycle	12,380,836	218,643	(7,466,685)	-	5,132,794
River Water Project	315,812	2,703,633	-	-	3,019,445
Motor Vehicles	-	44,995,501	(27,988,888)	-	17,006,614
5kg Caurasol Machine	-	2,903,457	-	-	2,903,457
Shrink Sealer Machine	254,192	-	-	-	254,192
Storage Tanks	76,010,892	53,783,792	(48,065,136)	-	81,729,548
	95,106,658	109,121,395	(86,802,152)	-	117,425,902
Goods In Transit					
Cylinders	14,520,114	24,893,778	(14,520,114)	-	24,893,778
	14,520,114	24,893,778	(14,520,114)	-	24,893,778
Total Gross Carrying Amount	4,965,354,567	865,452,895	(4,766,359)	(1,843,073)	5,824,198,029

8 PROPERTY, PLANT AND EQUIPMENT (Contd.)

8.2 Company (Contd.)

8.2.2 Depreciation

	Balance As at 01.04.2013 Rs.	Charged for the Year Rs.	Transfers In/ (Out) Rs.	Disposals Rs.	Balance As at 31.03.2014 Rs.
At Cost					
Buildings on Freehold Land	3,450,691	2,040,885	-	-	5,491,576
Building on Leasehold Land	36,440	437,266	-	-	473,706
Plant, Machinery and Equipment	87,869,214	37,529,718	-	-	125,398,932
Office Equipment	22,928,107	9,476,978	-	-	32,405,085
Furniture and Fittings	17,519,122	10,593,364	-	-	28,112,485
Gas Point Dealer Boards and Storage Huts	7,754,800	2,443,522	-	-	10,198,322
Motor Vehicles	47,607,727	15,860,492	-	(1,002,218)	62,466,001
Cylinders in Hand and in Circulation	396,553,747	171,763,798	-	(750)	568,316,795
Total Depreciation	583,719,847	250,146,023	-	(1,002,968)	832,862,902

8.2.3 Net Book Values

	2014 Rs.	2013 Rs.
At Cost		
Freehold Land	359,327,500	354,960,500
Land Development	296,781,804	171,182,981
Buildings on Freehold Land	83,953,405	75,127,208
Building on Leasehold Land	5,648,145	6,085,411
Plant, Machinery and Equipment	599,266,263	541,028,640
Office Equipment	20,134,569	22,991,439
Furniture and Fittings	82,932,532	83,049,243
Gas Point Dealer Boards and Storage Huts	15,782,356	11,548,323
Motor Vehicles	213,560,405	182,478,217
Cylinders in Hand and in Circulation	3,171,628,469	2,823,555,987
	4,849,015,447	4,272,007,947
In the Course of Construction		
Buildings	1,862,944	2,882,643
Fire Water Storage Project	199,923	199,923
Flow Meter for Bowser	-	1,489,442
Galle Bottling Plant	1,572,917	1,572,917
Loading Bay	2,714,338	-
Bore Well	1,029,730	-
Motor Tricycle	5,132,794	12,380,836
River Water Project	3,019,445	315,812
5kg Caurasol Machine	2,903,457	-
Motor Vehicles	17,006,614	-
Shrink Sealer Machine	254,192	254,192
Storage Tanks	81,729,548	76,010,892
	117,425,902	95,106,658
Goods In Transit		
Cylinders	24,893,778	14,520,114
	24,893,778	14,520,114
Total Carrying Amount of Property, Plant and Equipment	4,991,335,127	4,381,634,720

8.3 During the financial year, the Group and Company acquired property, plant & equipment to the aggregate value of Rs.2,618,040,820/- and Rs.865,452,895/- respectively (2013 - Rs.1,297,196,713/- and Rs.618,758,261/-) for cash.

8.4 Building on leasehold land includes fabrication cost of containers of Rs. 1.04Mn (2013 - Rs. 5.13Mn) and plants of vehicle emission testing areas of Rs.1.44Mn (2013 - Rs.5.49Mn). Further useful life of the name boards includes in buildings on leasehold lands has been reassessed for 2.5 years.

8.5 LAUGFS Power Ltd., a Subsidiary, has constructed a hydro power plant at Balangoda with the permission obtained from the Government. The Company intends to obtain the leasehold right of the land for 30 years on which the hydro power plant has been constructed. No lease agreement has been entered into regarding this between LAUGFS Power Ltd. and the Government of Sri Lanka yet. However, the Government has granted the permission to commence construction work of the hydro power plant by the letter dated 31 July 2012.

8.6 The useful lives of the assets are estimated as follows:

	2014	2013
Group		
Buildings on Freehold Land	40 - 50 Years	40 Years
Buildings on Leasehold Land*	14 - 20 Years	14 - 20 Years
Plant, Machinery and Equipment	3 - 20 Years	3 - 20 Years
Office Equipment	4 - 10 Years	4 Years
Furniture and Fittings	10 Years	10 Years
Gas Point Dealer Boards	10 Years	10 Years
Gas Storage Hut at Dealer Points	5 Years	5 Years
Motor Vehicles	3 - 30 Years	3 - 30 Years
Kitchen Equipment	10 Years	-
GYM Equipment	10 Years	-
Cylinders in Hand and in Circulation	20 Years	20 Years
Company		
Buildings on Freehold Land	40 Years	40 Years
Buildings on Leasehold Land*	14 Years	14 Years
Plant, Machinery and Equipment	3 - 20 Years	3 - 20 Years
Office Equipment	4 Years	4 Years
Furniture and Fittings	10 Years	10 Years
Gas Point Dealer Boards	10 Years	10 Years
Gas Storage Hut at Dealer points	5 Years	5 Years
Motor Vehicles	3 - 30 Years	3 - 30 Years
Cylinders in Hand and in Circulation	20 Years	20 Years

*or period of the lease, whichever is shorter.

8.7 LAUGFS Eco Sri (Pvt) Ltd, a Subsidiary, depreciates all its depreciable assets over seven (07) years.

8.8 Property, plant and equipment of the Group and the Company includes fully depreciated assets having a gross carrying amount of Rs.24,999,105/- (2013 -Rs.20,253,774/-) respectively.

9 INVESTMENT PROPERTIES

	2014 Rs.	2013 Rs.
Group/Company		
As at 1 April	644,900,000	609,800,000
Addition during the Year	-	-
Revaluation	35,575,000	35,472,500
Depreciation	(475,000)	(372,500)
As at 31 March	680,000,000	644,900,000
Rental Income derived from Investment Properties	4,254,202	4,254,202
Direct Operating Expenses (including Repair and Maintenance) generating Rental Income	-	-
Direct Operating Expenses (including Repair and Maintenance) that did not generate Rental Income (included in Cost of Sales)	-	-
Net Profit arising from Investment Properties	4,254,202	4,254,202

Investment properties are stated at fair value, which has been determined based on valuations performed by Messrs. T. W. M. L. Wijayatunga, an accredited independent valuer, as at 31 March 2014 and 31 March 2013. The fair value of the properties (commercial site), the most appropriate basis is the Investment Method, but due to lack of available information and investment properties of the Company mostly consist of freehold lands, it is difficult to adopt this method. Hence, the valuation is based on the Direct Capital Comparison Method. The Direct Comparison Method is the most commonly used method of valuation, and it involves the analysis of market evidence (sales transactions) which reflect as similarly as possible the property being valued.

10 INTANGIBLE ASSETS

	Group			Company		
	Software Rs.	Goodwill Rs.	Total Rs.	Software Rs.	Goodwill Rs.	Total Rs.
Cost						
As at 1 April 2013	319,812	53,203,385	53,523,197	319,812	-	319,812
Additions	4,498,634	-	4,498,634	206,500	-	206,500
Transfer In	10,000,000	-	10,000,000	10,000,000	-	10,000,000
As at 31 March 2014	14,818,446	53,203,385	68,021,831	10,526,312	-	10,526,312
Amortization and Impairment						
As at 1 April 2013	319,812	-	319,812	319,812	-	319,812
Amortization	443,573	-	443,573	443,573	-	443,573
As at 31 March 2014	763,385	-	763,385	763,385	-	763,385
In the Course of Construction						
As at 1 April 2013	10,000,000	-	10,000,000	10,000,000	-	10,000,000
Additions	-	-	-	-	-	-
Transfer Out	(10,000,000)	-	(10,000,000)	(10,000,000)	-	(10,000,000)
As at 31 March 2014	-	-	-	-	-	-
Net Book Values						
As at 1 April 2013	10,000,000	53,203,385	63,203,385	10,000,000	-	10,000,000
As at 31 March 2014	14,055,061	53,203,385	67,258,446	9,762,927	-	9,762,927

11 PREPAYMENTS

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Prepayments	122,805,942	122,737,021	34,980,807	30,781,565
	122,805,942	122,737,021	34,980,807	30,781,565
Prepayments within One Year (Current)	34,980,807	30,781,565	34,980,807	30,781,565
Prepayments after One Year (Non-Current)*	87,825,135	91,955,456	-	-
	122,805,942	122,737,021	34,980,807	30,781,565

* This includes consideration paid by LAUGFS Leisure Ltd. (a Subsidiary) for the acquisition of Blue Continent (Pvt) Ltd. which has been accounted for as an acquisition of leasehold right of the land at Passikudah considering the substance of the transaction and payment made by LAUGFS Power Ltd. (a Subsidiary) for the acquisition of the leasehold right of the land at Balangoda.

12 INVESTMENTS IN SUBSIDIARIES

	2014 Rs.	2013 Rs.
Company		
As at 1 April	1,281,301,914	1,281,301,914
Acquisition of Investments	915,000,000	-
As at 31 March	2,196,301,914	1,281,301,914

12.1 Investments in Subsidiaries

Non-Quoted	% of Holding 2014	% of Holding 2013	Cost 2014 Rs.	Directors' Valuation 2014 Rs.	Cost 2013 Rs.	Directors' Valuation 2013 Rs.
LAUGFS Eco Sri (Pvt) Ltd.	100%	100%	416,301,984	416,301,984	416,301,984	416,301,984
LAUGFS Leisure Ltd.	100%	100%	1,300,000,000	1,300,000,000	640,000,000	640,000,000
LAUGFS Property Developers (Pvt) Ltd.	88%	81%	350,000,000	350,000,000	215,000,000	215,000,000
LAUGFS Power Ltd.	100%	100%	129,999,930	129,999,930	9,999,930	9,999,930
Total Non-Quoted Investments in Subsidiaries			2,196,301,914	2,196,301,914	1,281,301,914	1,281,301,914

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

13.1 Other Financial Assets

	2014 Rs.	2013 Rs.
13.1.1 Available for Sale Investments		
Group/Company		
Quoted Equity Shares		
Ceylon Guardian Investment Trust PLC	3,255,570	2,928,000
Citrus Leisure PLC	24,600,000	28,950,000
Colombo City Holdings PLC	6,030,000	5,521,200
Commercial Bank of Ceylon PLC	20,586,879	18,601,721
Ceylon Grain Elevators PLC	35,300,000	49,700,000
Lanka Orix Leasing Company PLC	2,625,000	1,995,000
Three Acre Farms PLC	1,216,600	1,305,920
F.L.C. Holdings PLC	5,986,785	7,127,125
	99,600,834	116,128,966
Group		
Non Quoted Equity Shares		
Amethesty Resort (Pvt) Ltd.	20,125,000	-
Total Available for Sale Investments	119,725,834	116,128,966

13.1.2 Financial Instruments at Fair Value through Profit or Loss

	2014 Rs.	2013 Rs.
Group / Company		
Quoted Equity Shares		
Union Bank of Colombo PLC	185,130	168,300
Multi Finance PLC	3,143,300	4,067,800
Total Financial Instruments at Fair Value through Profit or Loss	3,328,430	4,236,100
Total Other Financial Assets	123,054,264	120,365,066
Group		
Total Current	3,328,430	4,236,100
Total Non-Current	119,725,834	116,128,966
	123,054,264	120,365,066
Company		
Total Current	3,328,430	4,236,100
Total Non-Current	99,600,834	116,128,966
	102,929,264	120,365,066

13.2 Other financial liabilities

13.2.1 Interest Bearing Loans and Borrowings

Group	2014 Amount Repayable Within 1 Year Rs.	2014 Amount Repayable After 1 Year Rs.	2014 Total Rs.	2013 Amount Repayable Within 1 Year Rs.	2013 Amount Repayable After 1 Year Rs.	2013 Total Rs.
Term Loans	6,000,000	994,000,000	1,000,000,000	-	-	-
Short Term Loans	353,868,241	-	353,868,241	-	-	-
Bank Overdrafts (Note 18.2)	93,361,771	-	93,361,771	45,255,514	-	45,255,514
	453,230,013	994,000,000	1,447,230,013	45,255,514	-	45,255,514

Term Loans

	As at 01.04.2013 Rs.	Loan Obtained Rs.	Repayments Rs.	As at 31.03.2014 Rs.
Sampath Bank PLC - Loan 1	-	600,000,000	-	600,000,000
Sampath Bank PLC - Loan 2	-	400,000,000	-	400,000,000
	-	1,000,000,000	-	1,000,000,000

	Interest Rate	Repayment Terms
Sampath Bank PLC - Loan 1	AWPLR + 1% per annum	Repayable by 120 monthly installments commencing from April 2014 followed by 24 monthly installments of Rs. 300,000/- and 96 monthly installment of Rs. 6,175,000/- thereafter.
Sampath Bank PLC - Loan 2	AWPLR + 1% per annum	Repayable by 120 monthly installments commencing from April 2014 followed by 24 monthly installments of Rs. 200,000/-, 95 monthly installment of Rs. 4,100,000/- and the final installment of Rs. 5,700,000/-.

Short Term Loans

	As at 01.04.2013 Rs.	Loan Obtained Rs.	Exchange (Gain)/Loss Rs.	Repayments Rs.	As at 31.03.2014 Rs.
Hongkong & Shanghai Banking Corporation	-	1,518,343,634	(19,723,813)	(1,144,751,580)	353,868,241
	-	1,518,343,634	(19,723,813)	(1,144,751,580)	353,868,241

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd.)

13.2 Other financial liabilities (Contd.)

Company	2014 Amount Repayable Within 1 Year Rs.	2014 Amount Repayable After 1 Year Rs.	2014 Total Rs.	2013 Amount Repayable Within 1 Year Rs.	2013 Amount Repayable After 1 Year Rs.	2013 Total Rs.
Short Term Loans	353,868,241	-	353,868,241	-	-	-
Bank Overdrafts (Note 18.2)	41,989,115	-	41,989,115	23,249,867	-	23,249,867
	395,857,356	-	395,857,356	23,249,867	-	23,249,867

Short Term Loans

	As at 01.04.2013 Rs.	Loan Obtained Rs.	Exchange (Gain)/Loss Rs.	Repayments Rs.	As at 31.03.2014 Rs.
Hongkong & Shanghai Banking Corporation	-	1,518,343,634	(19,723,813)	(1,144,751,580)	353,868,241
	-	1,518,343,634	(19,723,813)	(1,144,751,580)	353,868,241

13.3 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.

	Notes	Carrying Amount 2014 Rs.	Carrying Amount 2013 Rs.	Fair Value 2014 Rs.	Fair Value 2013 Rs.
Group					
Financial Assets					
Trade and Other Receivables	A	1,300,790,477	1,141,899,092	1,300,790,477	1,141,899,092
Cash in Hand and at Bank	A	561,146,011	191,706,311	561,146,011	191,706,311
Total		1,861,936,488	1,333,605,403	1,861,936,488	1,333,605,403
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	994,000,000	-	994,000,000	-
Interest Bearing Loans and Borrowings (Current)	A	359,868,241	-	359,868,241	-
Trade and Other Payables	A	2,058,125,294	1,912,606,673	2,058,125,294	1,912,606,673
Bank Overdrafts	A	93,361,771	45,255,514	93,361,771	45,255,514
Total		3,505,355,306	1,957,862,187	3,505,355,306	1,957,862,187

	Notes	Carrying Amount 2014 Rs.	Carrying Amount 2013 Rs.	Fair Value 2014 Rs.	Fair Value 2013 Rs.
Company					
Financial Assets					
Trade and Other Receivables	A	1,786,406,774	1,835,902,057	1,786,406,774	1,835,902,057
Cash in Hand and at Bank	A	507,289,911	141,160,684	507,289,911	141,160,684
Total		2,293,696,685	1,977,062,741	2,293,696,685	1,977,062,741
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	-	-	-	-
Interest Bearing Loans and Borrowings (Current)	A	353,868,241	-	353,868,241	-
Trade and Other Payables	A	1,857,481,181	1,827,194,722	1,857,481,181	1,827,194,722
Bank Overdrafts	A	41,989,115	23,249,867	41,989,115	23,249,867
Total		2,253,338,537	1,850,444,589	2,253,338,537	1,850,444,589

There is no difference between carrying amounts and fair values of the Group and 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 in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

A Cash and short-term deposits, 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 fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, risk characteristics of the financed project etc. As at 31 March 2014, the carrying amounts of such borrowings are not materially different from their calculated fair values.

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd.)

13.4 Fair Value Hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a trade price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value are determined according to the following hierarchy.

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 March 2014, the Company held the following financial instruments carried at fair value on the statement of financial position.

	2014 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Group				
Assets Measured at Fair Value				
Available for Sale Financial Assets (Quoted)	99,600,834	99,600,834	-	-
Available for Sale Financial Assets (Non-Quoted)	20,125,000	-	-	20,125,000
Financial Instruments at Fair Value through Profit or Loss	3,328,430	3,328,430	-	-
Fixed Deposits, Repos and Saving Accounts	1,067,039,851	-	1,067,039,851	-
	1,190,094,115	102,929,264	1,067,039,851	20,125,000

	2014 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Company				
Assets Measured at Fair Value				
Available for Sale Financial Assets (Quoted)	99,600,834	99,600,834	-	-
Financial Instruments at Fair Value through Profit or Loss	3,328,430	3,328,430	-	-
Fixed Deposits, Repos and Saving Accounts	736,039,851	-	736,039,851	-
	838,969,115	102,929,264	736,039,851	-

During the reporting period ending 31 March 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

14 IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations are given under the cash generating units of other services, leisure & hospitality, property development and power, which are also operating and reportable segments, for impairment testing purpose.

Carrying amount of Goodwill allocated to each of the Cash Generating Unit:

	2014 Rs.	2013 Rs.
Other Services	34,245,161	34,245,161
Leisure & Hospitality	9,940,734	9,940,734
Property Development	8,742,326	8,742,326
Power	275,164	275,164
	53,203,385	53,203,385

The Group performed its annual impairment test as at 31 March of each financial year. The Group considers the net assets position and future cashflows of each operating segment when reviewing for the indicators of impairment. As at 31 March 2014, there was no any significant indicator for potential impairment of goodwill and impairment of the assets of the operating segments.

15 INVENTORIES

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Gas in Cylinders and Accessories	120,478,849	39,275,217	120,478,849	39,275,217
Gas in Bulk	221,843,134	5,492,142	221,843,134	5,492,142
Non-Trade Inventories	126,013,001	49,135,256	47,534,007	16,478,551
Food and Beverages	6,043,445	-	-	-
Goods in Transit	-	295,086,913	-	295,086,913
Total Inventories at the lower of Cost and Net Realisable Value	474,378,429	388,989,528	389,855,990	356,332,823

16 TRADE AND OTHER RECEIVABLES

		Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Trade Receivables	- Related Parties (Note 16.1)	227,048,361	222,044,098	227,048,361	222,044,098
	- Other	613,367,856	423,897,571	600,480,050	423,897,571
Less: Provision for Impairments		(5,711,625)	(3,202,297)	(5,711,625)	(3,202,297)
		834,704,592	642,739,372	821,816,786	642,739,372
Other Receivables	- Related Parties (Note 16.2)	8,771,066	57,984,696	-	-
	- Other	154,963,619	210,353,041	112,094,360	81,030,739
Advances	- Related Parties (Note 16.3)	16,735,874	1,105,885	16,735,874	1,105,885
	- Other	283,228,432	228,283,209	138,935,712	159,289,687
Advances given to Subsidiaries (Note 16.4)		-	-	694,686,349	950,331,985
		1,298,403,583	1,140,466,204	1,784,269,080	1,834,497,669
Loans to Company Officers		2,386,894	1,432,888	2,137,694	1,404,388
		1,300,790,477	1,141,899,092	1,786,406,774	1,835,902,057

16 TRADE AND OTHER RECEIVABLES (Contd.)

16.1 Trade Dues from Related Parties

		Group		Company	
		2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
	Relationship				
LAUGFS Restaurants (Pvt) Ltd.	Fellow Subsidiary	200,753	-	200,753	-
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	92,709	-	92,709	-
LAUGFS Supermarket (Pvt) Ltd.	Fellow Subsidiary	14,236,479	28,075,661	14,236,479	28,075,661
Gas Auto Lanka Ltd.	Fellow Subsidiary	212,518,420	193,968,438	212,518,420	193,968,438
		227,048,361	222,044,098	227,048,361	222,044,098

16.2 Other Dues from Related Parties

LAUGFS Supermarket (Pvt) Ltd.	Fellow Subsidiary	5,884,145	-	-	-
LAUGFS Corporation (Rubber) Ltd.	Fellow Subsidiary	117,119	-	-	-
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	1,184,390	57,764,696	-	-
LAUGFS Holdings Ltd.	Parent	711,000	-	-	-
LAUGFS Salt and Chemicals (Pvt) Ltd.	Fellow Subsidiary	-	219,999	-	-
LAUGFS Lubricants Ltd.	Fellow Subsidiary	874,412	-	-	-
		8,771,066	57,984,696	-	-

16.3 Advances given to Related Parties

LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	16,735,874	1,105,885	16,735,874	1,105,885
		16,735,874	1,105,885	16,735,874	1,105,885

16.4 Advances given to Subsidiaries

LAUGFS Leisure Ltd.	Subsidiary	-	-	688,895,299	863,485,920
LAUGFS Property Developers (Pvt) Ltd.	Subsidiary	-	-	5,791,049	59,091,049
LAUGFS Power Ltd.	Subsidiary	-	-	-	27,755,016
		-	-	694,686,349	950,331,985

Trade receivables are non-interest bearing and are generally on terms of 1-45 days.

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

Group			Past Due and Impaired			
	Total Rs.	Neither Past Due nor Impaired Rs.	< 30 Days Rs.	31-60 Days Rs.	61-90 Days Rs.	> 90 Days Rs.
2014	840,416,217	163,495,971	295,142,245	99,546,316	21,345,874	260,885,811
2013	645,941,670	358,493,043	55,306,486	12,287,680	5,412,080	214,442,380

Company	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.
2014	827,528,411	159,817,837	285,932,573	99,546,316	21,345,874	260,885,811
2013	645,941,670	358,493,043	55,306,486	12,287,680	5,412,080	214,442,380

Above to be read in conjunction with Note 29 on credit risk of trade receivables, which discusses how the Group/ Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

17 RATE REGULATORY ASSETS

	2014 Rs.	2013 Rs.
Group/Company		
As at 1 April	106,665,311	196,023,612
Deferments during the Year	419,701,552	93,017,134
Reversals during the Year	(526,366,863)	(182,375,435)
As at 31 March	-	106,665,311

18 CASH AND SHORT-TERM DEPOSITS

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
18.1 Favorable Cash and Cash Equivalent Balances				
Fixed Deposits	52,415,719	297,388,906	7,415,719	6,388,906
Repos	1,008,819,832	1,015,290,817	722,819,832	1,011,686,006
Savings Accounts	5,804,299	5,020,912	5,804,299	4,273,445
Cash in Hand and at Bank	561,146,011	191,706,311	507,289,911	141,160,684
	1,628,185,862	1,509,406,947	1,243,329,762	1,163,509,041
18.2 Unfavorable Cash and Cash Equivalent Balances				
Bank Overdrafts (Note 13.2)	(93,361,771)	(45,255,514)	(41,989,115)	(23,249,867)
Cash and Cash Equivalent for the Purpose of Cash Flow Statement	1,534,824,090	1,464,151,433	1,201,340,647	1,140,259,174

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.

19 STATED CAPITAL

	2014 Number	2014 Rs.	2013 Number	2013 Rs.
Group/Company				
Ordinary Voting Shares (19.1)	335,000,086	2,505,000,260	335,000,086	2,505,000,260
Ordinary Non-Voting Shares (19.2)	52,000,000	780,000,000	52,000,000	780,000,000
	387,000,086	3,285,000,260	387,000,086	3,285,000,260

19 STATED CAPITAL (Contd.)

19.1 Ordinary Voting Shares

	2014		2013	
	Number	Rs.	Number	Rs.
As at 1 April	335,000,086	2,505,000,260	335,000,086	2,505,000,260
As at 31 March	335,000,086	2,505,000,260	335,000,086	2,505,000,260
19.2 Ordinary Non-Voting Shares				
As at 1 April	52,000,000	780,000,000	52,000,000	780,000,000
As at 31 March	52,000,000	780,000,000	52,000,000	780,000,000

19.3 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 at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

20 RESERVES

	2014 Rs.	2013 Rs.
Group/Company		
Available for Sale Reserve (Note 20.1)	(338,325,183)	(321,209,089)
	(338,325,183)	(321,209,089)
20.1 Available for Sale Reserve		
As at 1 April	(321,209,089)	(292,748,056)
Gains/(Losses) arising during the Year	(17,116,094)	(28,461,033)
As at 31 March	(338,325,183)	(321,209,089)

21 DIVIDENDS PAID AND PROPOSED

	2014 Rs.	2013 Rs.
Declared and Paid during the Year:		
Dividends on Ordinary Shares:		
Final Dividend for 2011/2012: 1.50 Rupees per Share	-	580,500,129
Final Dividend for 2012/2013: 1.50 Rupees per Share	580,500,129	-

22 EMPLOYEE BENEFIT LIABILITY

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
22.1 Net Benefit Expense				
Current Service Cost	7,400,731	5,705,396	5,224,246	3,992,483
Interest Cost on Benefit Obligation	3,545,841	3,715,062	2,906,213	3,120,066
Total Expenses	10,946,572	9,420,458	8,130,459	7,112,549

22.2 Employee Benefit Liability

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

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
As at 1 April	32,436,193	34,456,237	26,420,121	28,364,234
Current Service Cost	7,400,731	5,705,396	5,224,246	3,992,483
Interest Cost on Benefit Obligation	3,545,841	3,715,062	2,906,213	3,120,066
Actuarial (Gain)/Loss on Obligation	410,756	(10,544,587)	801,653	(8,350,822)
Benefit Paid	(519,051)	(895,915)	(441,551)	(705,840)
As at 31 March	43,274,470	32,436,193	34,910,681	26,420,121

22.3 Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2014. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31.03.2014 are as follows:

	2014	2013
Method of Actuarial Valuation:	Projected Unit Credit method	Projected Unit Credit method
Discount Rate:	11%	11%
Salary Increment Rate:	15%	15%
Retirement Age:	55 years	55 years
Staff Turnover Ratio:	10%	10%
Mortality Table:	A67/70 Mortality Table	A67/70 Mortality Table

22.4 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 2014.

The sensitivity of the income statement 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)		Group 2014			Company 2014		
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	Effect on Income Statement (Reduction)/ Increase in Results for the Year	Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End	Present Value of Defined Benefit Obligation
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1%	-	(1,929,837)	1,929,837	45,204,307	(1,622,384)	1,622,384	36,533,065
-1%	-	1,804,814	(1,804,814)	41,469,656	1,473,023	(1,473,023)	33,437,658
-	1%	(2,091,426)	2,091,426	45,365,896	(1,715,531)	1,715,531	36,626,212
-	-1%	1,942,877	(1,942,877)	41,331,593	1,589,265	(1,589,265)	33,321,416

22 EMPLOYEE BENEFIT LIABILITY (Contd.)

22.5 Changes in the Defined Benefit Obligation

Group

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

2014		Amounts Charged to Profit or Loss			
	01 April 2013	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid
	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	32,436,193	7,400,731	3,545,841	10,946,572	(519,051)
Benefit Liability	32,436,193	7,400,731	3,545,841	10,946,572	(519,051)

2013		Amounts Charged to Profit or Loss			
	01 April 2012	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid
	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	34,456,237	5,705,396	3,715,062	9,420,458	(895,915)
Benefit Liability	34,456,237	5,705,396	3,715,062	9,420,458	(895,915)

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

	2014 Rs.	2013 Rs.
Within the next 2 Years	3,822,103	3,354,158
Between 2 and 5 Years	31,577,780	23,274,008
Between 5 and 10 Years	7,874,587	5,808,027
Over 10 Years	-	-
Total Expected Payments	43,274,470	32,436,193

The average duration of the company defined benefit plan obligating at the end of the reporting period is 2.86 - 3.08 years. (2013: 2.89 - 3.10 years)

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 2014
Remeasurement Gains/(Losses) in Other Comprehensive Income					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	410,756	410,756	-	43,274,470
-	-	410,756	410,756	-	43,274,470

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 2013
Remeasurement Gains/(Losses) in Other Comprehensive Income					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	(10,544,587)	(10,544,587)	-	32,436,193
-	-	(10,544,587)	(10,544,587)	-	32,436,193

22 EMPLOYEE BENEFIT LIABILITY (Contd.)

22.6 Changes in the Defined Benefit Obligation

Company

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

2014		Amounts Charged to Profit or Loss			
	01 April 2013	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid
	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	26,420,121	2,906,213	5,224,246	8,130,459	(441,551)
Benefit Liability	26,420,121	2,906,213	5,224,246	8,130,458	(441,551)

2013		Amounts Charged to Profit or Loss			
	01 April 2012	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid
	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	28,364,234	3,992,483	3,120,066	7,112,549	(705,840)
Benefit Liability	28,364,234	3,992,483	3,120,066	7,112,549	(705,840)

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

	2014 Rs.	**2013 Rs.**
Within the next 2 Years	3,345,864	2,669,505
Between 2 and 5 Years	24,292,487	17,942,588
Between 5 and 10 Years	7,272,330	5,808,027
Over 10 Years	-	-
Total Expected Payments	34,910,681	26,420,121

The average duration of the defined benefit plan obligating at the end of the reporting period is 3.08 years. (2013: 3.10 years)

Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Sub Total Included in OCI	Contributions by the Employer	31 March 2014
Remeasurement Gains/(Losses) in Other Comprehensive Income					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	801,653	801,653	-	34,910,681
-	-	801,653	801,653	-	34,910,681

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 2013
Remeasurement Gains/(Losses) in Other Comprehensive Income					
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	(8,350,822)	(8,350,822)	-	26,420,121
-	-	(8,350,822)	(8,350,822)	-	26,420,121

23 DEFERRED INCOME

	2014 Rs.	2013 Rs.
Group/Company		
As at 1 April	410,070,483	345,772,225
Deferred during the Year	261,801,177	278,456,326
Released to the Consolidated Income Statement during the Year	(263,763,814)	(214,158,068
As at 31 March	408,107,846	410,070,483

24 TRADE AND OTHER PAYABLES

		Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Trade Payables	- Related Parties (Note 24.1)	575,483	-	-	-
	- Others	1,831,566,721	1,803,894,681	1,809,837,951	1,790,135,324
Other Payables	- Related Parties (Note 24.2)	948,845	498,960	8,244,984	-
	- Others	15,237,233	1,175,009	-	-
Sundry Creditors including Accrued Expenses		209,797,012	107,038,023	39,398,246	37,059,398
		2,058,125,294	1,912,606,673	1,857,481,181	1,827,194,722

24.1 Trade Payable to Related Parties

	Relationship				
LAUGFS Supermarket (Pvt) Ltd.	Fellow Subsidiary	575,483	-	-	-
		575,483	-	-	-

24.2 Other Payable to Related Parties

LAUGFS Supermarket (Pvt) Ltd.	Fellow Subsidiary	-	298,306	-	-
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	879,720	-	-	-
LAUGFS Higher Education Services (Pvt) Ltd.	Fellow Subsidiary	-	900	-	-
LAUGFS Lubricants Ltd.	Fellow Subsidiary	-	90,420	-	-
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	43,263	106,707	-	-
LAUGFS Power Ltd.	Subsidiary	-	-	8,244,984	-
LAUGFS Restaurant (Pvt) Ltd.	Fellow Subsidiary	11,840	-	-	-
Gas Auto Lanka Ltd.	Fellow Subsidiary	14,021	2,627	-	-
		948,845	498,960	8,244,984	-

Trade payables are non-interest bearing and are normally settled on 60 -90 days terms.

For explanations on the Group's credit risk management processes, refer to Note 29.

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

Group	Total Rs.	< 30 Days Rs.	31-90 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2014	1,832,142,204	622,714,824	1,198,939,859	228,500	10,259,021
2013	1,803,894,681	676,148,828	1,118,810,116	2,597,968	6,337,769

Company	Total Rs.	< 30 Days Rs.	31-90 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2014	1,809,837,951	612,000,642	1,190,630,665	51,000	7,155,644
2013	1,790,135,324	664,891,703	1,117,928,263	1,929,754	5,385,603

25 REFUNDABLE DEPOSITS

	2014 Rs.	2013 Rs.
Group/Company		
As at 1 April	1,195,520,034	1,206,150,050
Additions	399,506,569	271,027,618
Refunds/Transfers	(266,143,587)	(281,657,634
As at 31 March	1,328,883,016	1,195,520,034
Refundable Deposits within One Year (Current)	132,888,302	119,552,003
Refundable Deposits after One Year (Non-Current)	1,195,994,714	1,075,968,030
	1,328,883,016	1,195,520,034

26 COMMITMENTS AND CONTINGENCIES

26.1 Capital Expenditure Commitments

The Group and Company have commitments for acquisition of property, plant and equipment incidental to the ordinary course of business as at 31 March 2014 are as follows:

Group

Contracted but not Provided for	2014 Rs.
Land Development	710,000
Motor Vehicle	1,000,000
Cylinder Washer	2,500,000
Plant Expansion Project	3,500,000
Plant and Machinery	3,500,000
Storage Tanks	53,500,000
Buildings on Leasehold Land	300,000,000
Buildings on Freehold Land	628,000,000
	992,710,000

Company

Contracted but not Provided for	2014 Rs.
Land Development	710,000
Motor Vehicle	1,000,000
Cylinder Washer	2,500,000
Plant Expansion Project	3,500,000
Plant and Machinery	3,500,000
Storage Tanks	53,500,000
	64,710,000

26.2 Contingencies

The Group does not have significant contingencies as at the reporting date.

27 ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Group

		Carrying Amount Pledged		
Nature of Assets	Nature of the Liability	2014 Rs	2013 Rs	Included Under
Fixed Deposit	Lien over Fixed Deposit	6,660,427	6,388,906	Cash and Short Term Deposits
Saving Account	Lien over Saving Account	5,052,232	-	Cash and Short Term Deposits
Land and Building	Primary and Secondary Mortgage over Land and Building	1,100,000,000	-	Property, Plant and Equipment
Company				
Fixed Deposit	Lien over Fixed Deposit	6,660,427	6,388,906	Cash and Short Term Deposits
Saving Account	Lien over Saving Account	5,052,232	-	Cash and Short Term Deposits

28 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 2014 and 31 March 2013, refer to Notes 16 and 24)

28.1 Transactions with the Related Parties

	Parent		Other Group Companies		Total	
Group	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Nature of Transactions						
Sale of Goods/Services	-	-	308,815,728	478,686,831	308,815,728	478,686,831
Settlement of Trade and Other Receivables	-	-	(301,485,914)	(502,251,373)	(301,485,914)	(502,251,373)
Purchase of Goods/Services	(80,640,000)	(81,984,565)	(631,219,815)	(105,203,394)	(711,859,815)	(187,187,959)
Settlement of Trade and Other Payables	-	-	568,215,523	92,637,709	568,215,523	92,637,709
Settlement Payment	-	6,787,999	-	109,767,520	-	116,555,519
Inter Company Rent	-	-	4,860,000	-	4,860,000	-
Balances Transfer To	-	-	313,704	(11,711,000)	313,704	(11,711,000)
Balances Transfer From	-	-	(868,321)	-	(868,321)	-
Loan Given From	-	-	-	112,000,000	-	112,000,000
Fund Transfers Received	(1,301,311,546)	-	(250,000,000)	(112,000,000)	(1,551,311,546)	(112,000,000)
Fund Transfers Given	1,383,504,097	283,830,000	261,500,000	22,900,000	1,645,004,097	306,730,000
Intercompany Expenses To	48,299	-	877,995	33,320,360	926,294	33,320,360
Intercompany Expenses From	-	-	(7,594,334)	(110,735,641)	(7,594,334)	(110,735,641)
Advance Payments	-	-	-	18,187,235	-	18,187,235
Advance Payments Settlements	-	-	-	(40,072,423)	-	(40,072,423)
Settlement Receipts	-	(208,771,691)	-	(22,354,508)	-	(231,126,199)
Settlement of Creditors	(1,600,850)	-	11,185,593	11,711,000	9,584,743	11,711,000
Others	-	138,257	4,243,527	(157,550)	4,243,527	(19,293)

28.1.1 Other Group Companies include following Companies;

LAUGFS Engineering (Pvt) Ltd.
LAUGFS Aqua Systems (Pvt) Ltd.
LAUGFS Supermarket (Pvt) Ltd.
Gas Auto Lanka Ltd.
LAUGFS Corporation (Rubber) Ltd.
LAUGFS Salt and Chemicals (Pvt) Ltd.
LAUGFS Petroleum (Pvt) Ltd.
LAUGFS Restaurant (Pvt) Ltd.
LAUGFS Lubricants Ltd.
LAUGFS Higher Education Services (Pvt) Ltd.
LAUGFS Capital Ltd.

28 RELATED PARTY DISCLOSURES (Contd.)

28.2 Transactions with the Related Parties

Company	Parent		Subsidiaries		Other Group Companies		Total	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Nature of Transactions								
As at 1 April	-	-	950,331,985	2,567,304	223,149,983	245,608,640	1,173,481,968	248,175,944
Sale of Goods/Services	-	-	-	-	308,815,728	478,686,831	308,815,728	478,686,831
Settlement of Trade and Other Receivables	-	-	-	-	(301,265,915)	(502,251,373)	(301,265,915)	(502,251,373)
Purchase of Goods/ Services	(80,640,000)	(81,984,565)	-	-	(157,931,112)	(92,637,709)	(238,571,112)	(174,622,273)
Settlement of Trade and Other Payables	-	-	-	-	152,055,067	92,637,709	152,055,067	92,637,709
Investments Made by the Company	-	-	(915,000,000)	-	-	-	(915,000,000)	-
Settlements Payment	-	6,787,999		2,089,458	-	109,474,259	-	118,351,716
Fund Transfers Received	(1,301,311,546)	-	(1,245,000,000)	-	-	-	(2,546,311,546)	-
Fund Transfers Given	1,383,504,097	283,830,000	1,896,109,380	947,764,681	11,500,000	22,900,000	3,291,113,477	1,254,494,681
Intercompany Expenses To	48,299	-	-	-	877,995	7,848,556	926,294	7,848,556
Intercompany Expenses From	-	-	(30,000)	(2,089,458)	(1,652,716)	(110,735,641)	(1,682,716)	(112,825,099)
Advance Payments	-	-	-	-	-	18,187,235	-	18,187,235
Advance Payment Settlements	-	-	-	-	-	(40,072,423)	-	(40,072,423)
Balances Transfer To	-	-	-	-	-	-	-	-
Balances Transfer From	-	-	-	-	(868,321)	-	(868,321)	-
Settlement of Creditors	(1,600,850)	-	-	-	-	-	(1,600,850)	-
Settlement of Receipts	-	(208,771,691)	-	-	-	(6,338,550)	-	(215,110,241)
Inter Company Rent	-	-	-	-	4,860,000	-	4,860,000	-
Others	-	138,257	30,000	-	4,243,527	(157,550)	4,273,527	(19,293)
As at 31 March	-	-	686,441,365	950,331,985	243,784,236	223,149,983	930,225,600	1,173,481,968

28.2.1 Subsidiaries include the following Companies;

LAUGFS Eco Sri (Pvt) Ltd.
LAUGFS Leisure Ltd.
LAUGFS Property Developers (Pvt) Ltd.
LAUGFS Power Ltd.
LAUGFS Hotel Management (Pvt) Ltd.
Mag Consultants and Agents (Pvt) Ltd.
Blue Continent (Pvt) Ltd.

28.2.2 Other Related Companies include the following Companies;

LAUGFS Engineering (Pvt) Ltd.
LAUGFS Aqua Systems (Pvt) Ltd.
LAUGFS Supermarket (Pvt) Ltd.
Gas Auto Lanka Ltd.
LAUGFS Corporation (Rubber) Ltd.
LAUGFS Salt and Chemicals (Pvt) Ltd.
LAUGFS Petroleum (Pvt) Ltd.
LAUGFS Restaurants (Pvt) Ltd.
LAUGFS Lubricants Ltd.
LAUGFS Higher Education Services (Pvt) Ltd.
LAUGFS Capital Ltd.

28.3 The Company has provided no assets as collaterals or corporate guarantees for subsidiaries or other related companies for borrowing purposes except for the corporate guarantee given to LAUGFS Lubricants Ltd. amounting Rs. 60 Mn for a term loan. However, subsequent to the reporting date LAUGFS Lubricants Ltd. has fully settled the bank loan. Further the Company has pledged a property (land) of LAUGFS Holdings Ltd. as primary mortgage bond for Rs. 15 Mn and secondary mortgage bond for the same amount of Rs. 15 Mn.

28.4 Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2014, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2013 - Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

28.5 Transactions with Key Management Personnel of the Company or its Parent

Key Management Personnel (KMPs) are defined as those persons such as directors, chief executive officers and other senior executives etc. who have authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, direct or indirectly.

Compensation of Key Management Personnel

Group	2014 Rs.	2013 Rs.
Directors' Emoluments (Cash Benefits)	29,600,000	20,120,000
Non-cash Benefits	7,600,000	7,619,564
Total Compensation paid to Key Management Personnel	37,200,000	27,739,564
Company		
Directors' Emoluments (Cash Benefits)	15,400,000	13,000,000
Non-cash Benefits	-	7,619,564
Total Compensation paid to Key Management Personnel	15,400,000	20,619,564

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

29.1 Introduction

Risk is inherent in Group's business activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Board of Directors places special consideration on the management of such risks. The Group is mainly exposed to;

a. Market risk
b. Commodity price risk
c. Interest rate risk
d. Foreign currency risk
e. Liquidity risk
f. Equity price risk
g. Credit risk

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial risk management is carried out by finance divisions of respective group companies under policies approved by the Board which set out the principles and procedures with respect to risk tolerance, delegated authority levels, internal controls, and management of foreign currency, interest rate and counterparty credit exposures and the reporting of exposures.

b) Commodity Price Risk

LAUGFS Gas PLC being the parent is mainly affected by LPG price. In managing commodity price risk the increase in cost is, passed on to the customer by the agreement with Consumer Affairs Authority (CAA), which ensures in recovering total landed cost plus a reasonable profit margin. The Company also conducts appropriate trend analysis in market prices regularly and takes proactive measures in procurement to prevent any future losses and thereby increasing the overall profitability of the Company.

c) Interest Rate Risk

Interest rate risk is the risk that the entity's financial position will be adversely affected by movements in floating interest and this risk is minimized by investing excess funds in diversified entities, effective decision making by group treasury division etc. and there is no risk which impact the interest cost due to very low borrowings of the Company and its subsidiaries.

d) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign exchange rate changes is minimized by positive negotiations with banks applying financial risk management techniques.

The sensitivity of the income statement and statement of financial position is the effect of the assumed changes in exchange rate on the profit or loss and retained earnings for the year is as follows.

	2014	
Increase/(Decrease) in Exchange Rate	Effect on Income Statement Rs.	Effect on Statement of Financial Position Rs.
1%	(88,226,538)	(93,425,029)
-1%	88,226,538	93,425,029

e) Liquidity Risk

Liquidity risk arises from the financial liabilities of the entity and the entity's subsequent ability to meet their obligation to repay their financial liabilities as and when they fall due. The Group's borrowings are very minimal and also considering the sound cash flow position, the Group has managed to keep its liquidity risk at very low by assessing expected cash flows regularly.

f) Equity Price Risk

The key objective of entity when managing capital is to safeguard its ability to continue as a going concern and maintain optimal returns to shareholders and benefits for other stakeholders. During the past years the management has tried its best to maintain a steady percentage of payout as its dividend. In addition to this with regard to investment in shares, the investment Committee reviews and approves all equity investment decisions.

g) Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables). The Company minimizes credit risk towards its customers by having high level scrutiny before converting a cash customer to a credit customer. Also the Company adheres to the policy of obtaining bank guarantees from distributors and adequate cash deposits from dealers.

29.2 Capital Management

The Board of Directors reviews the capital structures of the Companies of the Group on regular basis. The intention of Board of Directors is to maintain an optimum capital structure while minimizing cost of financing and safeguarding key stakeholders' interests.

30 EVENTS OCCURRING AFTER THE REPORTING DATE

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

SHARE INFORMATION

NUMBER OF SHARES IN ISSUE

Ordinary Voting	335,000,086
Ordinary Non Voting	52,000,000

Listed on the Main Board of the Colombo Stock Exchange.

STOCK SYMBOL

Ordinary Voting	LGL N 0000
Ordinary Non Voting	LGL X 0000

SHARE PRICES FOR THE YEAR

LGL N

	2012/13		2013/14	
Highest during the year	Rs.32.50	(14/09/2012)	Rs.34.50	(23/01/2014)
Lowest during the year	Rs.17.00	(06/06/2012)	Rs.23.30	(03/04/2013)
As at end of the year	Rs.24.50		Rs.32.50	

LGL X

	2012/13		2013/14	
Highest during the year	Rs.22.90	(13/09/2012)	Rs.26.90	(28/03/2014)
Lowest during the year	Rs.10.50	(30/05/2012)	Rs.17.60	(01/04/2013)
As at end of the year	Rs.17.80		Rs.26.30	

DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2014

LGL N

From		To	No. of Holders	No. of Shares	%
1	-	1,000	8,457	3,355,379	1.00
1,001	-	10,000	1,909	5,977,618	1.78
10,001	-	100,000	254	7,498,620	2.24
100,001	-	1,000,000	43	12,635,342	3.78
Over 1,000,000			7	305,533,127	91.20
			10,670	**335,000,086**	**100.00**

LGL X

From		To	No. of Holders	No. of Shares	%
1	-	1,000	6,990	2,713,273	5.22
1,001	-	10,000	1,976	6,143,034	11.81
10,001	-	100,000	305	7,997,838	15.38
100,001	-	1,000,000	34	9,380,717	18.04
Over 1,000,000			4	25,765,138	49.55
			9,309	**52,000,000**	**100.00**

ANALYSIS OF SHAREHOLDERS AS AT 31 MARCH 2013

LGL N

Category	No. of Shareholders	No. of Shares	%
Local Individuals	10,401	35,043,117	10.46
Local Institutions	216	298,155,306	89.00
Foreign Individuals	50	984,247	0.29
Foreign Institutions	3	817,416	0.25
	10,670	**335,000,086**	**100.00**

LGL X

Category	No. of Shareholders	No. of Shares	%
Local Individuals	9,095	18,434,442	35.45
Local Institutions	163	27,843,824	53.55
Foreign Individuals	43	1,936,128	3.72
Foreign Institutions	8	3,785,606	7.28
	9,309	**52,000,000**	**100.00**

SHARE INFORMATION

RESIDENCY

LGL N

Category	No. of Shareholders	No. of Shares	%
Resident	10,217	333,198,423	99.46
Non Resident	53	1,801,663	00.54
Total	**10,670**	**335,000,086**	**100.00**

LGL X

Category	No. of Shareholders	No. of Shares	%
Resident	9,258	46,278,266	89.00
Non Resident	51	5,721,734	11.00
Total	**9,309**	**52,000,000**	**100.00**

FINANCIAL CALENDAR 2013/14

First Quarter ended 30 June 2014 - published on 14 August 2013.

Second Quarter ended 30 September 2014 – published on 08 November 2014.

Third Quarter ended 31 December 2014 – published on 11 February 2014.

Fourth Quarter ended 31 March 2014 – published on 26 May 2014.

DIRECTORS' SHAREHOLDING AS AT 31 MARCH 2014

LGL N

	As at 31/03/2014		As at 31/03/2013	
	No. of Shares	%	No. of Shares	%
Mr W K H Wegapitiya	1,099,848	0.328	133,543	0.040
Mr U K T N De Silva	77,897	0.023	20,043	0.006
Mr C L De Alwis	1,000	0.000	1,000	0.000
Mr T K Bandaranayake	Nil	Nil	Nil	Nil
Mr P M Kumarasinghe PC	4,800	0.001	4,800	0.001
Mr H A Ariyaratne	3,900	0.001	3,900	0.001

LGL X

	As at 31/03/2014		As at 31/03/2013	
	No. of Shares	%	No. of Shares	%
Mr W K H Wegapitiya	Nil	Nil	Nil	Nil
Mr U K T N De Silva	Nil	Nil	Nil	Nil
Mr C L De Alwis	500	0.001	500	0.001
Mr T K Bandaranayake	Nil	Nil	Nil	Nil
Mr P M Kumarasinghe PC	Nil	Nil	Nil	Nil
Mr H A Ariyaratne	3,400	0.006	3,400	0.006

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING AS AT 31 MARCH 2014

	No. of Shares	%
Mr. U K Ashan De Silva (Appointed on 30 May 2013)	11,100	0.003 (LGL N)
	22,500	0.043 (LGL X)

PUBLIC HOLDING

The Public Holding percentage of Voting Shares – 30.3844%

TWENTY LARGEST SHAREHOLDERS

LGL N

		31 MARCH 2014		31 MARCH 2013	
		NO. OF SHARES	(%)	NO. OF SHARES	(%)
1	LAUGFS HOLDINGS LIMITED	230,086,800	68.683	227,130,000	67.800
2	EMPLOYEES PROVIDENT FUND	57,897,800	17.283	57,897,800	17.283
3	MR. N RADELLA	8,790,700	2.624	8,790,700	2.624
4	MR. N RADELLA & MR R RADELLA	4,547,900	1.358	4,547,900	1.358
5	MRS. P R A S C RAJAPAKSHA	1,825,900	0.545	1,825,900	0.545
6	AIA INSURANCE LANKA PLC A/C NO.07	1,284,179	0.383	-	-
7	MR. W K H WEGAPITIYA	1,099,848	0.328	133,543	0.040
8	LAUGFS SUNUP SUPERMARKET (PVT) LTD	1,000,000	0.299	1,000,000	0.299
9	DEUTSCHE BANK AG-NATIONAL EQUITY FUND	945,000	0.282	-	-
10	GAS AUTO LANKA LIMITED	922,600	0.275	922,600	0.275
11	MR. R DAHANAYAKE	806,900	0.241	806,900	0.241
12	PHILLIP SECURITIES PTE LTD	744,009	0.222	37,400	0.011
13	MR. H D M P SIRIWARDENA	736,000	0.220	756,384	0.226
14	MR. G Y N MAHINKANDA	710,752	0.212	221,917	0.066
15	MR. M K DE VOS & MRS D J DE VOS	510,000	0.152	-	-
16	PEOPLE'S LEASING FINANCE PLC/CARLINES HOLDINGS (PRIVATE) LIMITED	502,965	0.150	-	-
17	WALDOCK MACKENZIE LTD/HI-LINE TRADING (PVT) LTD	498,881	0.149	348,224	0.104
18	CARLINES HOLDINGS (PRIVATE) LIMITED	461,591	0.138	1,140,987	0.341
19	ASHA LANKA FRAGRANCES (PVT) LTD	322,700	0.096	322,700	0.096
20	WALDOCK MACKENZIE LTD/HI-LINE TOWERS (PVT) LTD	253,000	0.076	55,000	0.104
		313,947,525	93.716	306,231,179	91.412
	OTHERS	21,052,561	6.284	28,768,907	8.588
	TOTAL	335,000,086	100.000	335,000,086	100.000

SHARE INFORMATION

TWENTY LARGEST SHAREHOLDERS

LGL X

		31 MARCH 2014		31 MARCH 2013	
		NO. OF SHARES	(%)	NO. OF SHARES	(%)
1	EMPLOYEES PROVIDENT FUND	18,041,300	34.695	18,041,300	34.695
2	BANK OF CEYLON NO. 1 ACCOUNT	3,212,400	6.178	3,212,400	6.178
3	PHILLIP SECURITIES PTE LTD	2,367,742	4.553	2,182,900	4.198
4	DEUTSCHE BANK AG AS TRUSTEE FOR J B VANTAGE VALUE EQUITY FUND	2,143,696	4.122	-	-
5	J B COCOSHELL (PVT) LTD	908,038	1.746	-	-
6	MR. M K DE VOS & MRS D J DE VOS	800,000	1.538	290,000	0.558
7	MR. H W R W W M R S ANANDA HALANGODA	697,300	1.341	697,300	1.341
8	MR. G H I JAFFERJEE	442,008	0.850	-	-
9	GOLD INVESTMENT LIMITED	390,000	0.750	-	-
10	MRS. C N G NARAYANA	378,800	0.728	378,800	0.728
11	MRS. S D AMARASINGHE	372,400	0.716	372,400	0.716
12	HSBC INTL NOM LTD-UBS AG SINGAPORE BRANCH (EX SBC)	365,500	0.703	365,500	0.703
13	ALMAS ORGANISATION (PRIVATE) LIMITED	350,000	0.673	109,535	0.211
14	MR. I M DABAH	347,000	0.667	-	-
15	NARATHA VENTURES PRIVATE LIMITED	308,000	0.592	308,000	0.592
16	MR. M M SALAHUDEEN	297,000	0.571	297,000	0.571
17	MR. M A VALABJI	280,000	0.538	-	-
18	WALDOCK MACKENZIE LTD/HI-LINE TRADING (PVT) LTD	258,688	0.497	-	-
19	CARLINES HOLDINGS (PRIVATE) LIMITED	250,702	0.482	1,285,913	2.473
20	SEYLAN BANK PLC/ THIRUGNANASAMBANDAR SENTHILVERL	250,000	0.481	250,000	0.481
		32,460,574	62.424	27,791,048	53.444
	OTHERS	19,539,426	37.576	24,208,952	46.556
	TOTAL	52,000,000	100.000	52,000,000	100.000

VALUE ADDED STATEMENT

For the Year ended 31 March

	2014		2013	
	Rs. '000	%	Rs. '000	%
Revenue	11,631,030		10,563,163	
Other Income	404,348		416,771	
	12,035,378		10,979,934	
Cost of Material and Services Provided	(9,473,950)		(8,935,631)	
Value Addition	2,561,428	100	2,044,303	100
Distribution of Value Addition				
To Employees				
Salaries and Other Benefits	551,561	22	412,354	20
To Providers of Funds				
Dividend Paid	580,500	23	580,500	28
Interest Cost	19,724	0.77	5,053	0.25
To Government				
As Taxes and Levies	323,355	13	258,365	13
	1,475,140	58	1,256,272	61
To Expansion & Growth				
Depreciation and Amortisation	357,426	14	307,710	15
Profit After Dividend	728,862	28	480,321	23
	1,086,288	42	788,031	39
	2,561,428	100	2,044,303	100

FIVE YEAR SUMMARY

For the year ended 31 March	2010 Rs.	2011 Rs.	* 2012 Rs.	* 2013 Rs.	* 2014 Rs.
Summary of Operations					
Revenue	5,592,255,679	7,061,563,356	9,107,268,054	10,563,163,026	11,631,029,941
Gross Profit	1,047,769,834	1,357,213,469	1,700,049,292	1,726,972,513	2,459,987,862
Earnings Before Interest					
Tax, Depreciation and Amortisation	802,559,956	1,399,736,343	1,297,595,782	1,621,404,132	2,009,867,346
Depreciation and Amortisation	(29,410,527)	(254,893,902)	(270,246,461)	(307,710,485)	(357,426,111)
Profit Before Finance Cost	773,149,429	1,144,842,441	1,027,349,321	1,313,693,647	1,652,441,235
Profit Before Tax from Continuing Operations	583,880,283	1,040,800,614	1,025,927,459	1,308,640,629	1,632,717,086
Income Tax Expense	(55,586,672)	(189,823,325)	(196,484,634)	(258,364,508)	(323,355,445)
Profit for the Year from Continuing Operations	528,293,611	850,977,289	829,442,824	1,050,276,121	1,309,361,641
Profit/(Loss) after Tax for the Year from					
Discontinued Operations	-	1,722,713	(6,959,511)	-	-
Profit for the Year	528,293,611	852,700,002	822,483,314	1,050,276,121	1,309,361,641
Arributable To:					
Equity Holders	527,266,718	852,700,002	822,483,314	1,050,276,121	1,309,361,641
Non-Controlling Interests	1,026,893	-	-	-	-
	528,293,611	852,700,002	822,483,314	1,050,276,121	1,309,361,641

	2010 Rs.	* 2011 Rs.	* 2012 Rs.	* 2013 Rs.	* 2014 Rs.
Summary of Financial Position					
Capital and Reserves					
Stated Capital	780,000,260	3,285,000,260	3,285,000,260	3,285,000,260	3,285,000,260
Reserves	1,212,411,791	(67,045,465)	(292,748,056)	(321,209,089)	(338,325,183)
Retained Earnings	846,565,811	2,791,247,541	3,038,703,667	3,524,190,615	4,254,470,118
	2,838,977,862	6,009,202,336	6,030,955,871	6,487,981,786	7,201,145,195
Minority Interest	-	-	-	-	-
Total Equity	2,838,977,862	6,009,202,336	6,030,955,871	6,487,981,786	7,201,145,195

	*	*	*	*	*
	2010 Rs.	**2011 Rs.**	**2012 Rs.**	**2013 Rs.**	**2014 Rs.**
Assets and Liabilities					
Current Assets	1,684,069,092	3,590,580,384	3,962,636,638	3,181,978,543	3,441,664,005
Current Liabilities	1,644,178,982	1,414,273,586	2,387,405,835	2,110,840,405	2,722,120,902
Net Current Assets	39,890,110	2,176,306,797	1,575,230,803	1,071,138,136	719,543,103
Property Plant & Equipment and Investments Properties	4,488,998,712	5,069,265,982	6,139,648,680	7,156,366,386	9,449,737,335
Other Non Current Assets	52,928,221	356,363,726	144,855,040	208,084,422	207,550,969
Intangible Assets	-	52,956,457	53,211,690	63,203,385	67,258,446
Non Current Liabilities	1,742,839,181	1,645,690,625	1,881,990,342	2,010,810,545	3,242,944,658
Net Assets	2,838,977,862	6,009,202,336	6,030,955,871	6,487,981,786	7,201,145,195

			*	*	*
	2010 Rs.	**2011 Rs.**	**2012 Rs.**	**2013 Rs.**	**2014 Rs.**
Summary of Cash Flows					
Net Operating Cash Flows	616,138,461	868,841,371	1,912,925,324	1,137,254,774	1,827,011,808
Net Cash Used in Investing Activities	(660,578,881)	(1,128,945,130)	(1,347,434,270)	(1,394,268,287)	(2,639,027,515)
Net Cash Used in/(from) Financing activities	552,321,287	1,791,243,886	(424,394,060)	(426,061,362)	882,688,364
Financial Ratio					
GP Margin	19%	19%	19%	16%	21%
EBITDA Margin	14%	20%	14%	15%	17%
NP Margin	9%	12%	9%	10%	11%
Earnings / (Loss) per Share from Discontinued Operation(Rs.)	-	0.01	(0.02)	-	-
Earnings per Share from Continuing Operation(Rs.)	2.03	2.84	2.14	2.71	3.38
Current Ratio (Times)	1.02	2.54	1.66	1.51	1.26

* - Figures as per the SLFRS

REAL ESTATE PORTFOLIO

Owning Company and Location	Building in (Sq.Ft)	Land in Acres Freehold	Land in Acres Leasehold	Net book value 2014 Rs.'000	Net book value 2013 Rs.'000
PROPERTIES IN COLOMBO					
LAUGFS Gas PLC					
No. 112A, Kumarathunga Munidasa Mawatha, Colombo 03.	-	0.25	-	320,000	310,000
No. 02, Havelock Place, Colombo 05.	3,200	0.22	-	278,000	264,100
LAUGFS Property Developers (Private) Limited					
No. 101, Maya Avenue, Colombo 06. *	80,000	0.30	-	315,000	315,000
PROPERTIES OUTSIDE COLOMBO					
LAUGFS Gas PLC					
No. 311/1, Biyagama Road, Mabima.	33,106	30.44	-	785,063	642,171
No. 293, Matara Road, Galupiadda, Galle.	680	0.18	-	37,000	29,900
No. 33/B/1, Katuwawala, Borelasgamuwa.	9,813	-	0.4	5,648	6,085
LAUGFS Eco Sri (Private) Limited - Fixed Centre					
Anuradhapura	1,292	-	0.24	3,152	4,527
Balapitiya	1,038	-	0.19	2,301	3,245
Bellanthota	3,242	-	0.46	7,117	9,466
Embuldeniya	5,783	-	0.25	8,158	10,687
Galle	2,854	-	0.50	6,114	7,926
Kaduwela	1,895	-	1.00	8,088	11,180
Kalutara	3,063	-	0.73	7,456	10,263
Kandy	2,673	-	0.40	6,178	8,531
Katunayaka	2,496	-	0.38	6,229	8,239
Kegalle	1,770	-	0.47	1,461	1,934
Kiribathgoda	2,652	-	0.50	7,879	10,898
Kottawa	2,554	-	0.48	5,945	7,886
Kotikawatta	2,342	-	0.38	7,622	10,037
Kurunegala	2,673	-	0.25	6,189	8,549
Matale	2,652	-	0.38	5,776	7,865
Matara	1,427	-	0.36	4,522	6,223
Miriswatta	2,820	-	0.47	8,514	11,745
Polonnaruwa	988	-	0.39	2,430	3,421
Ratnapura	2,452	-	0.37	5,868	8,328

Owning Company and Location	Building in (Sq.Ft)	Land in Acres Freehold	Land in Acres Leasehold	Net book value 2014 Rs.'000	Net book value 2013 Rs.'000
LAUGFS Eco Sri (Private) Limited - Fabricated Plants					
Akkaraipattu	540	-	0.12	169	-
Akurana	960	-	0.02	367	493
Ampara	712	-	0.16	603	638
Athurugiriya	1,096	-	0.09	534	653
Avissawella	380	-	0.02	275	59
Baddegama	274	-	0.15	538	683
Badulla	2,058	-	0.03	166	265
Bandarawela	3,844	-	0.10	856	881
Batticaloa	2,101	-	0.20	851	995
Chilaw	432	-	0.16	167	212
Chunnakkam	540	-	0.24	164	-
Dambulla	803	-	0.10	394	540
Diulapitiya	2,224	-	0.08	635	795
Elpitiya	4,093	-	0.22	124	226
Embilipitiya	3,000	-	0.09	772	264
Eppawala	320	-	0.10	886	-
Gampola	1,716	-	0.09	297	404
Horana	1,232	-	0.14	1,298	1,604
Ja Ela	3,061	-	0.21	1,407	1,765
Jaffna	320	-	0.13	776	190
Kadawatha	525	-	0.18	64	90
Kalmunai	1,692	-	0.08	310	394
Kamburupitiya	3,300	-	0.18	82	67
Koswatta	1,530	-	0.04	1,850	2,289
Kotahena	640	-	0.01	74	230
Kuliyapitiya	1,352	-	0.02	40	-
Kundasale	3,115	-	0.07	107	169
Lindula	784	-	0.02	265	317
Mahiyanganaya	2,655	-	0.32	79	131
Makola	4,844	-	0.15	1,237	1,566
Matugama	2,538	-	0.07	465	547
Meegoda	3,114	-	0.18	536	744
Monaragala	2,180	-	0.16	632	968
Negombo	133	-	0.03	1,505	1,873
Nittambuwa	2,476	-	0.16	802	951
Orugodawatta	839	-	0.02	397	519
Panadura	674	-	0.05	47	-
Pannala	2,696	-	0.19	971	1,197

REAL ESTATE PORTFOLIO

Owning Company and Location	Building in (Sq.Ft)	Land in Acres Freehold	Land in Acres Leasehold	Net book value 2014 Rs.'000	Net book value 2013 Rs.'000
Pelmadulla	2,622	-	0.23	432	622
Piliyandala	830	-	0.06	60	232
Pugoda	1,064	-	0.09	1,053	1,264
Puttalam	1,406	-	0.08	408	616
Rajagiriya	200	-	0.15	1,953	608
Tangalle	2,345	-	0.14	483	604
Tissamaharama	968	-	0.06	236	234
Trincomalee	1,508	-	0.09	475	618
Udugampola	1,563	-	0.06	528	653
Vavuniya	495	-	0.19	440	420
Warakapola	2,030	-	0.09	406	593
Wariyapola	3,392	-	0.25	474	635
Wattala	-	-	-	132	429
Welimada	2,294	-	0.11	384	433
Wennappuwa	2,350	-	0.30	1,055	1,388
Bambalapitiya Stores	-	-	-	38	45
Kohuwala Office	-	-	-	1,098	1,467
Bellanthota Training Centre	-	-	-	113	135
Borella	330	-	-	219	-
LAUGFS Leisure Limited					
Karukupone, Bangadeniya, Chilaw **	140,607	17.95	-	585,190	23,800
Mag Consultants & Agents (Private) Limited					
Wadduwa Beach Property	-	15.00	-	500,000	500,000
Blue Continent (Private) Limited					
Passikudah Beach Property	-	-	18.25	110,000	110,000
LAUGFS Power Limited					
Marathenna, Pabagolla, Pinnawala, Balangoda.***	2,346	-	1.65	-	-

* Presently building is under construction and incurred cost is Rs.336,860,668/- as at 31 March 2014.

** Operating Anantaya Resort & Spa, Chilaw.

*** Operating Hydro Power Plant.

NOTICE OF MEETING

Notice is hereby given that the 04th Annual General Meeting of LAUGFS Gas PLC will be held on 25 June 2014 at 3:00 pm at the Grand Ballroom of Waters Edge at No. 316, Ethul Kotte Road, Battaramulla for following purposes:

1. To receive and consider the Annual Report and Financial Statements for the Financial Year ended 31 March 2014 with the Report of the Auditors thereon.

2. To re-elect as a Director Mr. T. K. Bandaranayake, who is over the age of 70 years and who retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007 by passing the following ordinary resolution:

   "Resolved that Mr. T. K. Bandaranayake, who is over the age of 70 years be and is hereby re-elected as a Director of the Company and it is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director."

3. To re-elect as a Director Mr. C. L. De Alwis, who is over the age of 70 years and who retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007 by passing the following ordinary resolution:

   "Resolved that Mr. C. L. De Alwis, who is over the age of 70 years be and is hereby re-elected as a Director of the Company and it is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director."

4. To re-elect as Director, Mr. H. A. Ariyaratne, who retires by rotation in terms of Article 81 of the Articles of Association of the Company.

5. To re-elect as Director, Mr. P. M. Kumarasinghe PC, who retires by rotation in terms of Article 81 of the Articles of Association of the Company.

6. To authorize the Directors to determine and make donations.

7. To re-appoint Auditors M/s. Ernst & Young and to authorize the Directors to determine their remuneration.

By Order of the Board
LAUGFS GAS PLC

Corporate Advisory Services (Private) Limited
Secretaries

28 May 2014

Notes:

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

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

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

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

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

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FORM OF PROXY [VOTING]

*I/We ....

of .... being *a member/ members of the LAUGFS GAS PLC, hereby appoint .... of ....
or failing him/her W. K. H. Wegapitiya or failing him U. K. Thilak De Silva, or failing him H. A. Ariyaratne, or failing him C. L. De Alwis, or failing him T. K. Bandaranayaka or failing him P. M. Kumarasinghe PC, as *my/our proxy, to represent *me/us and to speak and vote whether on a show of hands or on a poll for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held 25 June 2014 at 3:00pm at the Grand Ballroom of Waters Edge at No. 316, Ethul Kotte Road, Battaramulla and at any adjournment thereof and at every poll which may be taken in consequence thereof .

		For	Against
1.	To receive and consider the Annual Report and Financial Statements for the Financial Year ended 31 March 2014 with the Report of the Auditors thereon	☐	☐
2.	To re-elect as a Director Mr. T. K. Bandaranayake, who is over the age of 70 years and who retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007.	☐	☐
3.	To re-elect as a Director Mr. C. L. De Alwis, who is over the age of 70 years and who retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007.	☐	☐
4.	To re-elect as Director, Mr. H. A. Ariyaratne, who retires by rotation in terms of Article 81 of the Articles of Association of the Company.	☐	☐
5.	To re-elect as Director, Mr. P. M. Kumarasinghe PC, who retires by rotation in terms of Article 81 of the Articles of Association of the Company.	☐	☐
6.	To authorize the Directors to determine and make donations.	☐	☐
7.	To re-appoint Auditors M/s. Ernst & Young and to authorise the Directors to determine their remuneration.	☐	☐

Signed this .... day .... 2014.

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

....

Please provide the following details:

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

Folio No./Number of Shares held ....

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

Note - See instructions to complete the proxy

* Delete inappropriate words

INSTRUCTIONS TO COMPLETE PROXY

1. The full name and the registered address of the shareholder appointing the Proxy should be legibly entered in the Form of Proxy, duly signed and dated.

2. The completed Proxy should be deposited with the Head of Legal/Board Secretary of LAUGFS GAS PLC at the Registered Office of the Company at No. 14, R. A. De Mel Mawatha, Colombo 04, not less than 48 hours before the time appointed for holding the Meeting.

3. Please indicate with an "X" in the space provided how your Proxy is to vote on the resolution. If no indication is given the Proxy in the discretion will vote as he thinks fit.

4. The Proxy shall -

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

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

   (c) in the case of joint-holders, the first joint-holder has the power to sign the Proxy without the concurrence of the other joint-holder/s.

5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

FORM OF PROXY [NON VOTING]

I/We...
of ....
being *a member/members of the LAUGFS GAS PLC, hereby appoint ....
.... of ....
....
or failing him/her W. K. H. Wegapitiya or failing him U. K. Thilak De Silva, or failing him H. A. Ariyaratne, or failing him C. L. De Alwis, or failing him T. K. Bandaranayaka or failing him P. M. Kumarasinghe PC, as *my/our proxy, to represent *me/us and to speak and vote whether on a show of hands or on a poll for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on 25 June 2014 at 3:00 pm at the Grand Ballroom of Waters Edge at No. 316, Ethul Kotte Road, Battaramulla and at any adjournment thereof and at every poll which may be taken in consequence thereof .

Signed this .... day .... 2014.

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

....

Please provide the following details:

Shareholder's NIC No/Company Registration No.	....
Folio No./Number of Shares held	....
Proxy holder's NIC No. (if not a Director)	....

Note - See instructions to complete the proxy

* Delete inappropriate words

INSTRUCTIONS TO COMPLETE PROXY

1. The full name and the registered address of the shareholder appointing the Proxy should be legibly entered in the Form of Proxy, duly signed and dated.

2. The completed Proxy should be deposited with the Head of Legal/Board Secretary of LAUGFS GAS PLC at the Registered Office of the Company at No. 14, R. A. De Mel Mawatha, Colombo 04, not less than 48 hours before the time appointed for holding the Meeting.

3. Please indicate with an "X" in the space provided how your Proxy is to vote on the resolution. If no indication is given the Proxy in the discretion will vote as he thinks fit.

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

   (c) in the case of joint-holders, the first joint-holder has the power to sign the Proxy without the concurrence of the other joint-holder/s.

5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

CORPORATE INFORMATION

Name of the Company	:	LAUGFS Gas PLC (A Subsidiary of LAUGFS Holdings Limited)
Company No	:	PV - 8330 PB/PQ
Legal Form	:	A Public Quoted Company with Limited Liability.
Subsidiaries	:	LAUGFS Eco Sri (Private) Limited LAUGFS Leisure Limited LAUGFS Property Developers (Private) Limited LAUGFS Power Limited
Sub Subsidiaries	:	LAUGFS Hotel Management Services (Private) Limited Mag Consultants & Agents (Private) Limited Blue Continent (Private) Limited
Principal Activities & Nature of Operations	:	**LAUGFS Gas PLC** - Downstream Business of Liquefied Petroleum Gas & other related Products & Services. **LAUGFS Eco Sri (Private) Limited**- Operating Vehicle Emission Testing Centres to issue Vehicle Emission Test Certificates for Motor Vehicles. **LAUGFS Leisure Limited** - Operating a Luxury Hotel, Anantaya Resort & Spa, Chilaw. **LAUGFS Hotel Management Services (Private) Limited** - Managing the operations of Hotels **LAUGFS Property Developers (Private) Limited** - Real Estate Developments **LAUGFS Power Ltd** - Hydro Power project in Balangoda **Mag Consultants & Agents (Private) Ltd** - Holding and managing a beach front property at Wadduwa **Blue Continent (Private) Ltd** - Holding and managing a beach front property at Pasikudah
Parent Enterprise	:	The Company's holding Company and controlling entity is LAUGFS Holdings Limited, which is incorporated and domiciled in Sri Lanka.
Board of Directors	:	Mr. W.K.H. Wegapitiya (Chairman/ Group CEO) Mr. U.K.Thilak De Silva (Group Managing Director) Mr. H.A. Ariyaratne Mr. T.K. Bandaranayake Mr. C.L. De Alwis Mr. P.M. Kumarasinghe PC
Bankers	:	Seylan Bank PLC Commercial Bank of Ceylon PLC Hatton National Bank PLC People's Bank Bank of Ceylon DFCC Bank Union Bank of Colombo PLC Standard Chartered Bank PABC HSBC MCB Bank Limited
Auditors	:	Ernst & Young (Chartered Accountants) # 201, De Saram Place, Colombo 10, Sri Lanka.
Secretaries	:	Corporate Advisory Services (Pvt) Ltd # 47, Alexandra Place, Colombo 07, Sri Lanka.
Registrar	:	PW Corporate Secretarial (Pvt) Ltd # 3/17, Kinsey Road, Colombo 08, Sri Lanka
Registered Office	:	# 14, R.A. De Mel Mawatha, Colombo 04, Sri Lanka.
Telephone	:	(011) 55 66 220
Fax	:	(011) 25 83 824
Corporate Website	:	www.laugfsgas.lk www.laugfs.lk

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