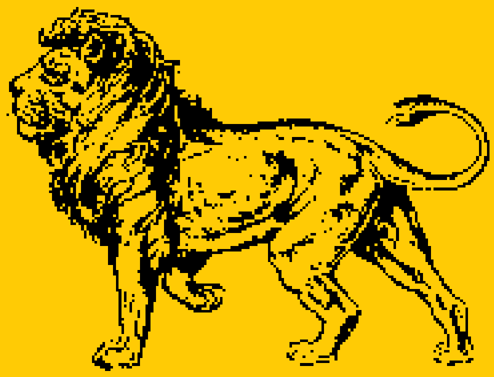


THE STORY OF A GREAT SRI LANKAN COMPANY

1994 - 2013

Everyone knows who we are. We're a household name in Sri Lanka, known and loved by the thousands who have depended on us for domestic and industrial LP Gas solutions and advice for over a decade. Yet, not everyone knows how our success story has evolved; the deep rooted heritage of a truly home grown company, the local understanding and strength of our impact on many people's lives.

In this report we reveal some of our biggest achievements this year and show how our enhanced products, services and resources will empower more businesses, enable more trade and industry and bring to our stakeholders more value than any other comparable corporate in Sri Lanka.


This is our story. This is the story of a great Sri Lankan company.

Contents

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

- To 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.

BOOK 1

Daring

History

"From the start we took the road less travelled, venturing forth where others might have hesitated. History shows that our willingness to take a calculated risk has been richly rewarded…"

Looking back...

More than a decade ago, a seed was planted of a Sri Lankan company that had the thriving desire to branch out to many value-adding sectors. This seed was named – LAUGFS.

In 2001, when the then Government of Sri Lanka decided to liberalize the Liquefied Petroleum Gas (LP Gas) industry, LAUGFS Gas commenced its operations as a limited liability company with the intention of becoming a fully-fledged LP Gas downstream player in Sri Lanka.

As an entrepreneurial venture and responsible corporate citizen, we aim to co-exist with the community, environment and society at large, whilst pursuing business operations. Our business ethos is built on a solid foundation of sustainability for all our stakeholders and ensures that the business has a zero negative impact on society or environment. The company's corporate culture pivots on a value system that has become the way of life of everyone at LAUGFS.

LAUGFS continuously anticipates the future and thinks forward. As a result, the business is in a state of continuous transition to align itself with the changing economic, political, environmental and social landscape. The best example is the listing of LAUGFS Gas and four subsidiaries on the Colombo Stock Exchange in 2010. The Initial Public Offering drew an unprecedented response from the public, the issue being over-subscribed more than 22 times. Being a Public Quoted Company, the topmost priority is to ensure sustainable growth of the business.

LAUGFS operates a state-of-the-art storage and filling facility at Mabima, within close proximity to Colombo. The LAUGFS Mabima plant has a storage capacity of over 2750 metric tons of LP Gas at any given time. In its LP Gas distribution, LAUGFS has a very strong dealer network with a presence in every part of the island, distributing the unconventional LAUGFS product range.

As the only private-sector owned company in the duopoly market, LAUGFS has not only showed an exemplary growth in sales, but also operates as a highly profitable market venture. We see no 'challenges'; instead, we see 'opportunities' in disguise.

LAUGFS was among the ten most successful indigenous businesses in Sri Lanka within ten years and is among the Top 50 Most Respected Brands in Sri Lanka.

LAUGFS' Vision is to leave a legacy: a solid, sustainable company that enriches the lives of all stakeholders, for years to come. We have the key ingredients to make this story a legacy - inner drive, determination and the passion to make things happen.

2012
National Quality Award-
Winner Platinum

2009
Business & Media
World - National
Business Enterprises
Productivity
Excellence Award

2009
Most respected business -
Nation Mindedness -
1st position

2008
LAUGFS recognized
as one of the most
respected business
entities in Sri Lanka -
50th position

2007
Agreement signed between
Department of Motor Traffic
and LAUGFS Eco Sri to
operate the Vehicle Emission
Testing programme

2007
Agreement signed between
Consumer Affairs Authority
and LAUGFS Gas for the
Price Formula

1994
Establishment of
the parent
company -
Gas Auto Lanka
(Pvt) Ltd

2005
Incorporated
LAUGFS Eco Sri (Pvt) Ltd
and LAUGFS Property
Developers (Pvt) Ltd

2001
Entering into the
LP Gas
Domestic industry

2000
Obtained BOI
approval and
signed agreement -
LAUGFS Gas

Looking forward...

Our story continues...


LAUGFS G
LAUG

BOOK 2

Decisive

What we've been doing
Financial Highlights

"We want to build relationships where people and partners know they can count on us. A 'never say die' attitude is what builds confidence in our relationships."

WHERE WE'VE BEEN GOING, WHAT WE'VE BEEN DOING...

"In this report, we reveal some of our biggest achievements this year..."

WHAT WE'VE BEEN DOING...

THE FINANCIAL HIGHLIGHTS OF AN OUTSTANDING YEAR

WHAT WE'VE BEEN DOING

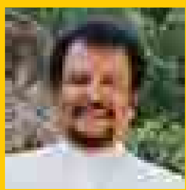
HOW WE HAVE BECOME ICONIC...

[
- An island wide network
- State-of-the-art gas plant
- Highly skilled workforce
- A bold and passionate management team

]

"Our pledge is to develop our industry in a consumer friendly, effective and sustainable manner. We provide engineering solutions for all industrial installations, in-house maintenance, training, research and development…"


Mr. W. K. H. Wegapitiya

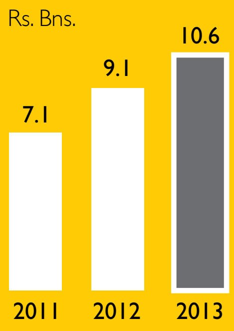

Mr. U. K. Thilak De Silva

A decade ago as a relatively small company, we used our inherent passion, courage and entrepreneurial skills to take on a multinational giant, which had till then been the leader in the Sri Lankan LP Gas market. Two men stood supreme here; Chairman, Mr. W. K. H. Wegapitiya and Group Managing Director Mr. U. K. Thilak De Silva.

Today, LAUGFS Gas is a public quoted company and a powerful name in the LP Gas market. With a considerable market share, an island wide network, state-of-the-art gas plant and a superior management team and workforce, we are fast becoming the benchmark company in the Sri Lankan energy sector…

WHAT WE'VE BEEN DOING

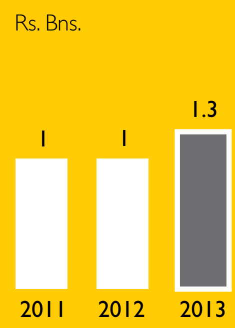
10.6 BILLION RUPEES TURNOVER



LAUGFS Gas PLC and its subsidiaries have posted a record turnover of Rs. 10.6 billion which is a 16% increase over the corresponding period.

1.3 BILLION RUPEES PRE-TAX PROFIT

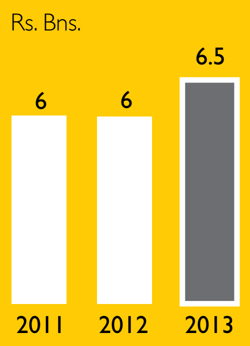
The Group recorded Rs. 1.3 billion profit before tax which is a growth of 29% over last year.



"...we did it, through our good foundations, fine fundamentals and management vision."

WHAT WE'VE BEEN DOING

6.5 BILLION RUPEES NET ASSET VALUE



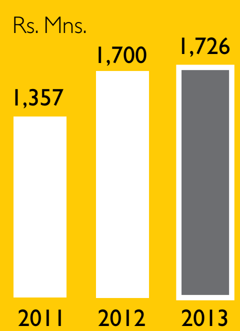
[The Group Net Asset Value grew by 8% over last year to Rs. 6.5 billion.]

> "By March 2013, the Group achieved 1.1 billion rupees Operating Profit compared to 843 million rupees in the previous year."

WHAT WE'VE BEEN DOING

1.7 BILLION RUPEES IN GROSS PROFIT

The Group recorded a 2% growth in Gross Profit.



FINANCIAL HIGHLIGHTS

	Group			Company		
For the year ended 31st March	2013 Rs.'000	2012 Rs.'000	Change	2013 Rs.'000	2012 Rs.'000	Change
Summary of Operations						
Revenue	10,563,163	9,107,268	16%	9,705,180	8,395,844	16%
Gross Profit	1,726,973	1,700,049	2%	1,083,131	1,177,652	-8%
Profit from Operations	1,133,940	843,360	34%	1,281,694	660,301	94%
Other Operating Income	226,472	217,612	4%	717,076	306,893	134%
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	1,631,949	1,297,596	26%	1,630,411	1,009,006	62%
Finance Cost	(5,053)	(1,422)	255%	(4,998)	(1,400)	257%
Profit Before Tax from Continuing Operations	1,319,185	1,025,927	29%	1,403,840	817,343	72%
Income Tax Expense	(258,365)	(196,485)	31%	(190,960)	(180,913)	6%
Profit / (Loss) from Discontinued Operations	-	(6,960)	-100%	-	-	-
Profit for the Year	1,060,821	822,483	29%	1,212,880	636,430	91%
Other Comprehensive Income	(28,461)	(225,703)	-87%	(28,461)	(225,703)	-87%
Total Comprehensive Income for the Year Net of Tax	1,032,360	596,781	73%	1,184,419	410,728	188%
Summary of Financial Position						
Property, Plant and Equipment	6,511,466	5,529,849	18%	4,381,635	3,984,241	10%
Investment Properties	644,900	609,800	6%	644,900	609,800	6%
Investments in Subsidiaries	-	-	-	1,281,302	1,281,302	-
Other Non-Current Financial Assets	116,129	144,455	-20%	116,129	144,455	-20%
Current Assets	3,181,979	3,962,637	-20%	3,497,427	3,484,686	0.4%
Total Assets	10,609,633	10,300,352	3%	9,931,392	9,504,492	4%
Non Current Liabilities	2,010,811	1,881,990	7%	2,004,794	1,875,898	7%
Current Liabilities	2,110,840	2,387,406	-12%	1,992,238	2,303,318	-14%
Total Liabilities	4,121,651	4,269,396	-3%	3,997,032	4,179,217	-4%

For the year ended 31st March	Group 2013 Rs.'000	Group 2012 Rs.'000	Group Change	Company 2013 Rs.'000	Company 2012 Rs.'000	Company Change
Shareholders' Interest						
Stated Capital	3,285,000	3,285,000	-	3,285,000	3,285,000	-
Reserves	(321,209)	(292,748)	10%	(321,209)	(292,748)	10%
Retained Earnings	3,524,191	3,038,704	16%	2,970,569	2,333,023	27%
Net Assets (Equity)	6,487,982	6,030,956	8%	5,934,360	5,325,275	11%
Return on Equity	0.16	0.14	20%	0.20	0.12	71%
Net Assets Value per Share (Rs.)	16.76	15.58	8%	15.33	13.76	11%
Leverage						
Interest Cover (Times)	260.07	720.54	-64%	279.90	582.93	-52%
Financial Ratio						
Gross Profit Margin	16%	19%	-12%	11%	14%	-20%
EBITDA Margin	15%	14%	8%	17%	12%	40%
Net Profit Margin	10%	9%	11%	12%	8%	65%
Earnings per Share from Discontinued Operations (Rs.)	-	(0.02)	-100%	-	-	-
Earnings per Share from Continuing Operations (Rs.)	2.74	2.14	28%	3.13	1.64	91%
Assets Turnover (Times)	1.00	0.88	13%	0.98	0.88	11%
Equity to Assets (Times)	0.61	0.59	4%	0.60	0.56	7%
Current Ratio (Times)	1.51	1.66	-9%	1.76	1.51	16%
Quick Ratio (Times)	1.32	1.40	-5%	1.58	1.25	26%


LAUGFS Gas

BOOK 3

Courageous

Chairman/ Group CEO's Statement
Group Managing Director's Review
Board of Directors
Management Team

"We started small and made it big. In the uncertain environment that prevailed at our inception, it took real courage to launch a company such as ours…"

CHAIRMAN / GROUP CEO'S MESSAGE

We have maintained the momentum of overall growth and development with total Group Revenue crossing the Rs.10 billion mark, which is a milestone for any entity, with record Revenue achieved for the year being Rs.10.6 billion. This shall also be a landmark in the short history of our operations.

W K H Wegapitiya
Chairman / Group CEO

I feel honoured to be present before you and to release the Annual Report and Financial Statements of LAUGFS Gas PLC and its subsidiaries for the financial year ended 31st March 2013. I am very glad to meet you for the third time, since your company was listed in the Colombo Stock Exchange in December 2010 and also feel extremely privileged to convey the message of the record performance by your company for the year under review, the essence of which is briefed here, but elaborated under the Audited Financial Statements included herein, the Management Discussion and Analysis, Directors Report and also in the message by the Group Managing Director.

Business and Financial Performance

We have maintained the momentum of overall growth and development with total Group Revenue crossing the Rs.10 billion mark, which is a milestone for any entity, with record Revenue achieved for the year being Rs.10.6 billion. This shall also be a landmark in the short history of our operations. During this period, we have weathered economic stagnations, downturns, brutal acts of terrorism, crises and unprecedented changes in virtually every aspect of our business operations. We have gone through some tough patches, but stayed focused on the fundamentals of our business operations, learned from our mistakes, but preserved the core of our company, while being willing to change everything else necessary to win and retain customers.

DID YOU KNOW?

The average annual size of the global LP Gas market is USD 300 billion

"YOUR GROUP OF COMPANIES HAS ALSO RECORDED A PROFIT BEFORE TAX OF RS.1.3 BILLION, WHICH IS A REMARKABLE GROWTH OF 29% OVER THE PREVIOUS YEAR."

Your Group of companies has also recorded a Profit Before Tax of Rs.1.3 billion, which is a remarkable growth of 29% over the previous year. The Group Total Comprehensive Income for the year, Net of Tax recorded a commendable Rs.1 billion as against Rs. 597 million last year, which is an impressive increase of 73%. Our total Group Assets recorded a 3% increase, to a position of Rs. 10.6 billion, but the increased value of our Property, Plant and Equipment alone to Rs. 6.5 billion, net of depreciation, is an increase of 18% over previous year, the real investments made in this manner would accrue the benefits to the shareholders too in the form of the 'Golden Harvests' we promised in the ensuing years. The Group Retained Earnings increased by 16% to Rs. 3.5 billion, while Net Assets (Equity) increased by 8% to Rs. 6.5 billion. It is important and pertinent to state that the Net Asset Value per Share, which stood at Rs.15.58 in the previous year, has increased at the end of the financial year under review to Rs.16.76 per share and we are determined to keep this momentum without disruption, to maximize the value of your investment.

The all important Earnings Per Share (EPS) increased by 28% from Rs. 2.14 to Rs. 2.74 per Share.

CHAIRMAN / GROUP CEO'S MESSAGE

Macroeconomic Overview

As I have reiterated last year, the private sector is firmly established as the unchallenged and undisputed main engine of growth in our economy, confirmed by the economic policies pursued by the successive governments in power from the year 1977, in which 'laissez-faire' economic policies were introduced, wherein minimum governmental interferences would be seen in the economic affairs of an individual or society. These policies are also popularly termed as market or open-economic policies. The economic policies of the present Government, as enshrined in the 'Mahinda Chinthana – Vision for the Future', have gone beyond and taken a step further to recognize the unique position, occupied by the local entrepreneurship in the economic development of the country. The Government has pledged its unequivocal support and encouragement to develop and foster local industries, trade and services. Against this backdrop, we are always keen on the movement of macroeconomic fundamentals, upon which we have to make appropriate and prudent decisions, to forge ahead in the business landscape that we are in operation and also in competition or cooperation with the other stakeholders of the respective spheres of activity.

DID YOU KNOW?

A total of 3 billion people in the world are using LP Gas

"A NOTABLE FEATURE IN THE ECONOMIC PERFORMANCE IN THE COUNTRY IN THE YEAR 2011, WAS THE GROWTH OF THE SERVICES SECTOR OF THE ECONOMY"

We have observed that the Sri Lankan economy grew at a moderate and healthy rate of 6.4% in the year 2012, after fairly high rates of growth of over 8% in the two preceding years overheating the economy, mainly due to issues of its structural composition. It has also been said that the growth in the two preceding years was accompanied by high credit and monetary expansion and as I have stated in my message last year, the overall confidence of the economy necessitated the credit growth and it was proved to be a stimulant for the economic activity of the country, especially for the private sector. The corrective policy measures adopted in early 2012 in terms of increased policy rates of interests, imposition of ceiling on Rupee lending by commercial banks, and the withdrawal of the Central Bank's intervention in the foreign exchange market in the country dealt a blow to businesses where our companies are actively in operation. However, as a responsible corporate citizen, we recognised the necessity to adopt corrective measures and it has contributed to make desired effects in the fundamental macroeconomic indicators, such as trade and current account deficits. This has led to a favorable balance of payments position and thereby the maintainance of foreign exchange reserves at comfortable and stable levels and the confinement of the rates of foreign exchange at market driven levels, meeting the aspirations of both exporters and importers.

A notable feature in the economic performance in the country in the year 2011, was the growth of the Services Sector of the economy and as I mentioned in my message last year, it was an indication of the journey towards economic prosperity with the growth of the tertiary sector like any other developed Western economy. The Services element of the economy in the year 2011, accounted for almost 60% and it was a growth of over 8.6%, when compared to its preceding year. It is depressing to note, the contribution to the economy by the Services Sector reduced by 1% in 2012, though marginal, the most striking feature was the percentage growth of this sector which dropped from 8.6% in 2011 to 4.6% considered prima-facie unhealthy. It is a matter of consolation that the largest drop resulted from deceleration in the wholesale and retail subsectors. It appears to us, that this was a direct result of slowdown in import trade, reflecting the impact of policy measures taken to curb imports.

The rest of the sub sectors of Transport, Communication, Banking, Insurance, Real Estate, Hotels & Leisure, in some of which, your company has its own business interests, lost their growth momentum but maintained their positive contribution towards the economy at large.

We note with interest and satisfaction that the economy is moving forward towards its goal of attaining beyond USD 4,000 Per Capita Income (PCI) by 2016, which augurs well for the businesses that your company is engaged in, especially in all sectors of the LP Gas market. The major impediment or constrain for growth and development of this market has been identified as the disposable income of the existing and prospective customer base, and if this indicator achieves its target by the time envisaged by the authorities, the potential for rapid growth of total market for LPG and enhanced share of your company in the pie is not unrealistic. As citizens of the country, sensitive to external environmental aspects in managing critical business operations, we are aware of the "Middle Income Trap" that explains the difficulties of overcoming the multitude of challenges posed in the advancement to upper middle income country status. But we remain confident and enthusiastic, contributing towards its achievement, to facilitate inclusive economic development and to ensure sustainability of the businesses that we are engaged in.

Your company is upbeat about the medium term macroeconomic outlook and elevation of our economy to a higher growth trajectory over 8% in the medium term. Our aspirations for future growth in our economy is for further relaxation of policy interest rates for growth in productive investment, maintenance of inflation at a single digit level, as has been maintained all these years, and market and development friendly fiscal policy management to stimulate private sector growth.

Sectorial Review

LP Gas

Your company is involved in downstream business operations of import, storage, filling, distribution and sale of LP Gas, which is considered worldwide as an industry which had an unprecedented growth over a quarter century LP Gas is found in every corner of the globe and has an astonishingly wide variety of applications. Even more growth is expected in the next couple of years as the LP Gas output rises. The latest available statistics indicate clear evidence of changing LP Gas Supply and Demand fundamentals as output surges from the Middle East and also we observe beginning of growth in US LP Gas production as a result of Shale gas development. All these initiatives and developments would confirm that the future of the LP Gas industry remains an exciting proposition.

The global LP Gas industry is in the midst of a profound structural change as new sources of supply compete for market share and as cleaner sources of energy take a greater share of primary energy consumption. In a perfect world, this weight of LP Gas production shall invariably find its markets, though it had its own issues in demand-supply equilibrium in the year 2011, it appears that it has overcome the obstacles faced last year. The global LP Gas production reached over 269 million MT in 2011, and it is 4.6% higher than in 2010, while global LP Gas consumption reached around 260 million MT, 3% higher year on year.

The LP Gas industry globally can take heart that consumption so far has managed to keep pace with this production surge, despite uncertainties of the global economic slowdown. However, the unexpectedly strong growth in overall consumption in 2011 may have overshadowed some notable declines in demand, especially from OECD counties affected by recession and economic stagnation.

As for its global importance, the average annual size of the global LP Gas market is USD 300 billion. A total of 3 billion people in the world are using LP Gas. It has created direct employment for around 2 million people worldwide. LP Gas has now been established as one of the most preferred alternative fuels in the world and LP Gas consumption grows faster than other types of energy.

CHAIRMAN / GROUP CEO'S MESSAGE

As an environment friendly source of energy the European Union aims to triple the amount of LP Gas used on the roads by 2020, within the scope of its efforts to fight against climate change. The EU has recognized the public health benefits and the provision of an important alternative source of energy in their battle against climate change through LP Gas.

As far as communities are concerned the world over, especially in developing countries including Sri Lanka, it is a little known fact that "cook smoke is the world's least known killer". While the smoke from the butt of a cigarette may be the best known killer, less well known is the danger of smoke wafting from a stove that runs on wood or coal; it is reported that 2 million people die of illnesses related to indoor air pollution each year. World LP Gas Association has taken a massive step forward to appraise Governments the world over of this situation with their ground breaking initiative "Cooking for life" and Sri Lankan stakeholders of the industry too have taken cognizance of the gravity of this and would soon formulate their plans and strategies to educate the authorities concerned.

"AS FAR AS THE COMMUNITIES ARE CONCERNED THE WORLD OVER, ESPECIALLY IN DEVELOPING COUNTRIES INCLUDING SRI LANKA, IT IS A LITTLE KNOWN FACT THAT "COOK SMOKE IS THE WORLD'S LEAST KNOWN KILLER"

LP Gas prices globally followed an unusual path in the year 2011, reflecting a complex mix of influences and peaking at the start of the second quarter – when a decline in seasonal heating demand causes prices to drop. This was one of those years when geo political events had a significant impact on prices. The tumultuous events of the Arab Spring led to a loss of Libyan Crude supplies over the period and fears of further regional supply disruptions, which in turn pushed crude oil prices sharply higher, which led to price rises across the energy complex. Crude oil volatility largely dictated LP Gas price movements over the second quarter. The monthly Saudi-Aramco Contract Price (CP) for Propane and Butane peaked to USD 1,008/MT at one time. However, it appears with supply and demand equilibrium almost stabilized and the politico-military turmoil in the important regions receding except in the case of Syria, stability of the prices is almost ensured.

Your company as an important stakeholder in the country in the LP Gas downstream operation has taken cognizance of all issues stated in this message, especially the adverse environmental effects of the use of other alternative sources of energy. As a responsible corporate citizen your company has carved out its priorities.

The key challenges facing the LP Gas industry in Sri Lanka in the ensuing years will be succeeding in educating the Government decision-makers regarding LP Gas. In order to do so, the stakeholders involved are in need of effective consistent communications using rigorous evidence based on data and analysis which have been validated also by eminent non-industry experts from Academia, Government and International organizations. In our efforts to develop markets, the Government again must create an enabling environment and enforce effective legislation and standards. The industry must invest and operate according to best practices and the financial sector must understand the LP Gas industry and provide financing to the programmes on consumer awareness and education on what they must know about LP Gas and why they must buy and use it.

Therefore, it is imperative that the industry must speak with a strong, unified voice to persuade the Government, international stakeholders and financial markets to support the use of LP Gas where appropriate.

The other sectors in which your company is engaged, such as Hospitality and Leisure, Property Development, Vehicle Emission Testing and generation of Hydro Power, are emerging sectors widely known and your management is committed to take most prudent decisions in future to benefit the shareholders at large. I am glad that the company was able to declare a first and final dividend of Rs. 1.50 per share for the financial year ended 31st March 2013.

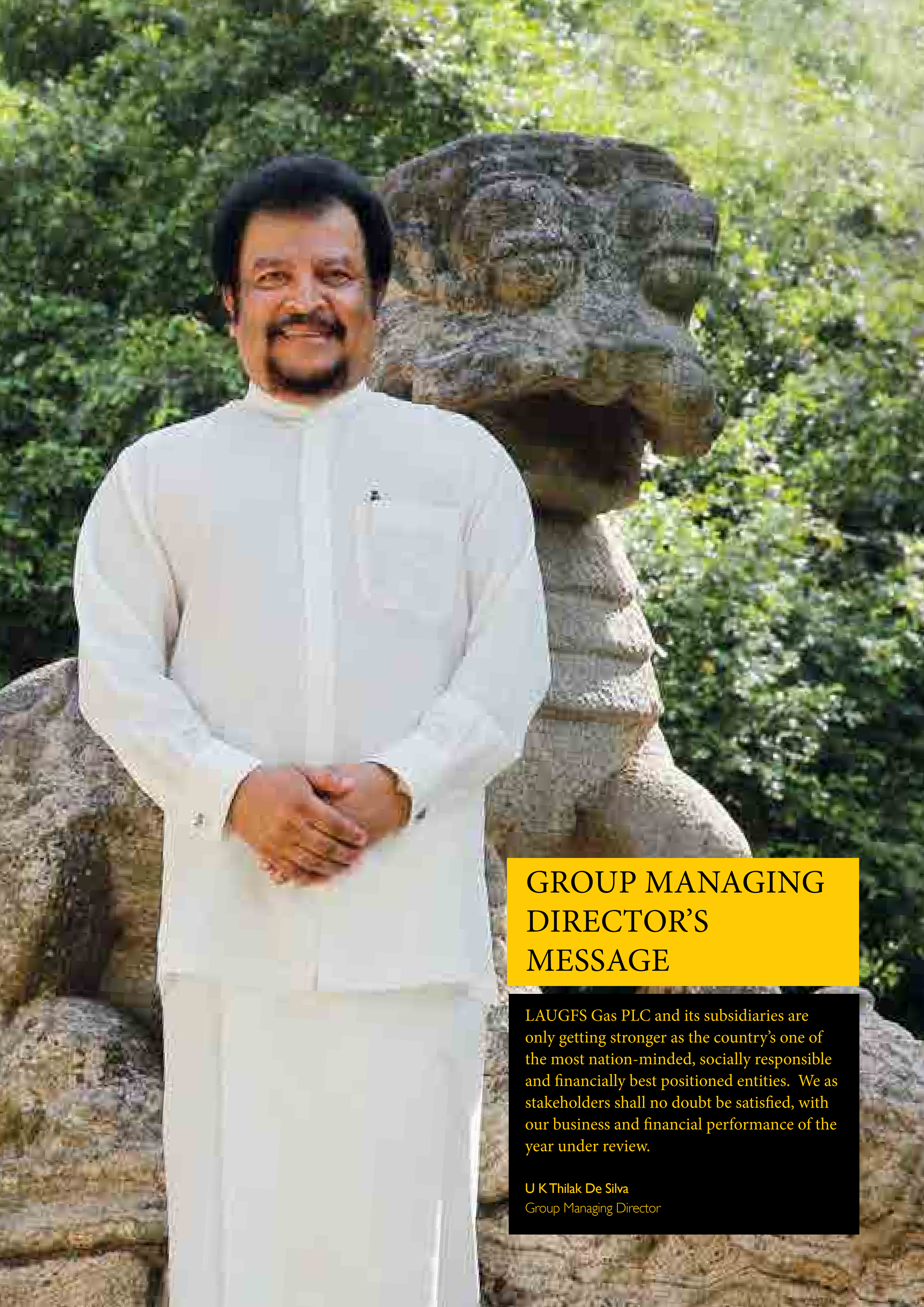
Conclusion

In conclusion I must confidently state that we are maintaining an extraordinary growth momentum across the board in all sectors and markets that we operate in at the moment. We shall certainly innovate and execute with excellence in all our business operations. This will have the greatest impact on touching the everyday lives of all Sri Lankans and enhancement of shareholder value.

Finally, I must make a special note of the support extended to me by all members of the Board of Directors and the hundreds of employees who contributed towards the extraordinary growth we achieved in the shortest time possible.

W K H Wegapitiya
Chairman/ Group CEO

30th May 2013



GROUP MANAGING DIRECTOR'S MESSAGE

LAUGFS Gas PLC and its subsidiaries are only getting stronger as the country's one of the most nation-minded, socially responsible and financially best positioned entities. We as stakeholders shall no doubt be satisfied, with our business and financial performance of the year under review.

U K Thilak De Silva
Group Managing Director

It is indeed with great satisfaction and honour that I associate with the third Annual General Meeting of LAUGFS Gas PLC as its Group Managing Director, subsequent to its listing in the Colombo Stock Exchange in December 2010. I am personally pleased to be instrumental with the presentation of the Annual Report and the Financial Statements of LAUGFS Gas PLC and its subsidiaries for the financial year ended 31st March 2013, especially since, this was the year that your company and its subsidiaries recorded the highest ever revenue of Rs.10.6 billion. We have achieved this strategic goal once again in an environment of uncertainty and volatility as in the previous year with the adverse foreign exchange fluctuations, price escalations of all petroleum based products world market, the slowdown in the rate of economic growth all of which had an impact on business operations in the country. As stakeholders of LAUGFS Gas PLC, we believe in the country's immense potential for economic growth opportunities, despite the temporary setbacks. Also, we are reassured that the country is rich with a pool of yet untapped entrepreneurial energy that could take our country forward.

As we complete the 3rd financial year since our historic initial public offer, it is an appropriate moment to look back at our achievements and outstanding performance with the pride it deserves. LAUGFS Gas PLC has a unique track record of organic growth and value creation, especially since it became a publicly quoted enterprise around 2 ½ years ago. These accomplishments may only have had very few parallels in our country.

At the outset, I must touch upon, the performance of our core business of LAUGFS Gas PLC, the downstream operations of LP Gas for the year ended 31st March 2013. The company recorded the highest ever Revenue of Rs.9.7 billion, which is a creditable performance by any standard to increase it by 16% over the preceding year. Its Gross Profit margin, however reduced to 11% from the previous year's 14% mainly due to escalation of world market prices of LP Gas and also an increase in overall landed costs due to the upward movement of foreign exchange rates that prevailed during the greater part of the financial year under review. The company's Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) surged to Rs.1.6 billion, which is an increase of 62% over last year and a creditable achievement in the wake of the uncertainties and slowdown of economic activity we were faced with. The Profit Before Tax from continuing operations was Rs.1.4 billion, an increase of 72% over the previous year. The most striking and commendable achievement is that we have more than doubled the Total Comprehensive Income Net of Tax to Rs. 1.2 billion during the year under review from Rs. 411 million recorded last year. Our Total Assets now stand at Rs. 9.9 billion and with the investments we intend to make to expand LP Gas storage capacity in the present plant premises at Mabima, our Total Assets shall exceed Rs.10 billion mark, in the next financial year. We have always been very proud of our treasury management and you would observe that our total liabilities reduced by 4% during the year under review to Rs. 3.9 billion from Rs. 4.2 billion. The company's Retained Earnings had a notable surge of 27% from Rs. 2.3 billion last year to Rs. 3 billion in the current year.

The company's Net Asset Value (NAV) increased to Rs. 6 billion as at 31st March 2013, while it was Rs. 5.3 billion at the end of the previous financial year, the year on year increase in NAV is 11%. The NAV per share moved upwards to Rs.15.33 from Rs.13.76 last year. The company had maintained a very healthy Current Ratio of 1.76 times at the end of the financial year under review, compared to 1.51 times last year. This array of achievements described, converge to underscore the strength of a financially healthy organization that always meets its growth targets and maintains uninterrupted momentum, despite uncertain external environment forces that usually prevails.

The other only operating subsidiary, LAUGFS Eco-Sri (Pvt) Ltd, fared well during the year under review and has recorded a Revenue of Rs. 858 million. The operations of LAUGFS Eco-Sri (Pvt) Ltd expanded further and it is now in possession of 70 Vehicle Emission Testing Centres, including permanent and semi-permanent centers. It also operates 23 mobile testing units.

I am also glad to disclose that the first hotel property of the Group under LAUGFS Leisure Ltd is nearing completion at Chilaw and is expected to commence its commercial operations in the third quarter of the financial year 2013/14. In terms of the rest of the hotel properties earmarked, we have commenced construction at the site at Passikudah on the beautiful East coast and designs for the proposed hotel property on Southern coastal belt close to Wadduwa are awaited from the architects.

GROUP MANAGING DIRECTOR'S MESSAGE

As Chairman has dealt with, overall Group performance, in addition to the information widely disclosed in the Audited Financial Statements and the Management Discussion and Analysis, I have confined to the financial performance of the company's core operational results pertaining to LP Gas and only other operational subsidiary LAUGFS Eco-Sri (Pvt) Ltd. The Chairman in his message covered the macroeconomic situation and issues, which have an impact on our business operations and has elaborated on the global scenario of LP Gas industry. In the rest of my message, I will attempt largely to focus on local issues that may be highlighted with regard to LP Gas with a general preamble of the world scenario for the core product of the Group.

DID YOU KNOW?

LP Gas is a clean energy solution, which emits 50% less CO_2 emissions than coal and 20% less than heating oil

THE DOMESTIC SECTOR IS ONE OF THE MOST POPULAR APPLICATIONS FOR LP GAS WITH ALMOST 47% OF THE GLOBAL DEMAND FOR LP GAS COMING FROM RESIDENTIAL COOKING AND HEATING DEMANDS.

LP Gas Sector

As most of us are well aware, LP Gas is a portable, clean and efficient energy source which is readily available to consumers around the world. LP Gas is a co-product of crude oil production and natural gas. Its unique properties make it a versatile energy source which can be used in more than 1000 different applications. It is a clean energy solution, which emits 50% less CO_2 emissions than coal and 20% less than heating oil, making it ideal for use in heating and cooking. LP Gas also improves both indoor and outdoor air quality by substantially reducing pollutants which are hazardous to health, such as SOx, NOx and particulate matter.

As for its uses in more than 1000 applications, it is mostly used in transportation, industry, farming, domestic heating and cooking and also for recreational purposes. The domestic sector is one of the most popular applications for LP Gas with almost 47% of the global demand for LP Gas coming from residential cooking and heating demands. Although fading away a little in Sri Lanka, Auto-Gas is one of the fastest growing sectors, representing almost 9% and 22.87 million metric tons of total LP Gas consumption globally. In the four years upto 2010 the Auto-Gas consumption increased on an average of 4.6% annually. Auto Gas is well established in many countries in the world that have enabling legislation.

Any responsible Government in the world has a justification to promote the use of LP Gas in the multitude of applications it has made possible. The pollution and global warming caused by rising concentrations of greenhouse gases in the atmosphere are prime examples of social failures since the State is yet to put forward a financial value or penalty on the cost of emissions generated by individuals or organizations. It is interesting to note although air-quality and the climate are in the parlance of a galaxy of professionals in our society and are even defined as public goods by economists since they derive public benefits; measures taken by world governments to recognize LP Gas as one of the most economical answers, were minimal, quite unfortunately.

My message will include certain information that gives an overview of what exactly LAUGFS Gas does and also highlight the importance of what it does as a responsible corporate citizen in carrying out business operations, in the backdrop of the foregoing brief and general introduction of LP Gas.

The business activities of LAUGFS Gas consist mainly of bottling and distribution of LP Gas in several containers of different weights; the supply of bulk LP Gas to industrial customers, in which we reasonably believe, we are ahead in the share of the market; the major provider of Auto-Gas and also the supply and installation of bulk storage facilities.

The total Sri Lankan LP Gas market consists of three main segments: Domestic, Commercial and Industrial and its breakdown of share is 43%, 34% and 23% respectively. According to the census conducted in the year 2012, there are a total number of 5.1 million households out of which only 1.8 households use LP Gas for their domestic cooking purposes. This is only a 35% level of penetration which is generally considered not very satisfactory. Even out of those households using LP Gas for their domestic purposes, almost one million households are confined to the Western Province; consisting of the three districts of Colombo, Gampaha and Kalutara. It is regretted to note in most of the districts the levels of LP Gas penetration has not exceeded 25%. It amply demonstrates the potential for your company's business to grow over the years to come.

This phenomenon is further confirmed by the fact that in terms of sectorial energy demand in Sri Lanka, the Household and Commercial sectors surge to the fore with a need of 48% whilst Transport and Industry is in need of 28% and 24% respectively. As for the energy balance which elaborates the use of respective sources of energy in the country, it is a surprising fact that 55% is firewood, 19% Diesel, 10% Electricity, 9% Gasoline, 2% each of LP Gas, Kerosene and furnace oil and 1% coal.
This shows the gravity of the sheer imbalance but simultaneously the potential for penetration by LP Gas. The opportunity for LP Gas is that people are looking for better, economical, environment friendly and hassle free cooking systems.

Your company, having recognized the potential and also in acceptance of its responsibility is embarking on a strategy for growth and development, which involves LP Gas storage enhancement; plant and plant technology upgrades, premises development and safety upgrades, beyond the levels required; introduction of new technologically advanced machinery and equipment; improvement of building infrastructure and worker welfare, to name a few elements.

Conclusion

LAUGFS Gas PLC together with its subsidiaries is only getting stronger as one of the country's most nation-minded, socially responsible and financially well positioned entities. As stakeholders, we shall no doubt be satisfied, with our business and financial performance last year. But what gives me the most confidence is the changing business landscape in the country after the end of the three-decade long war against terrorism and how our people and our strategies fit so well for the customers we know and care about. Whether it is the most environment friendly source of energy, most economical and efficient source of energy, convenience or availability of our model for making a difference, we are certainly on the right path, we will fast track and accelerate everything we are doing and I state confidently that LAUGFS Gas' best and most exciting days remain ahead.

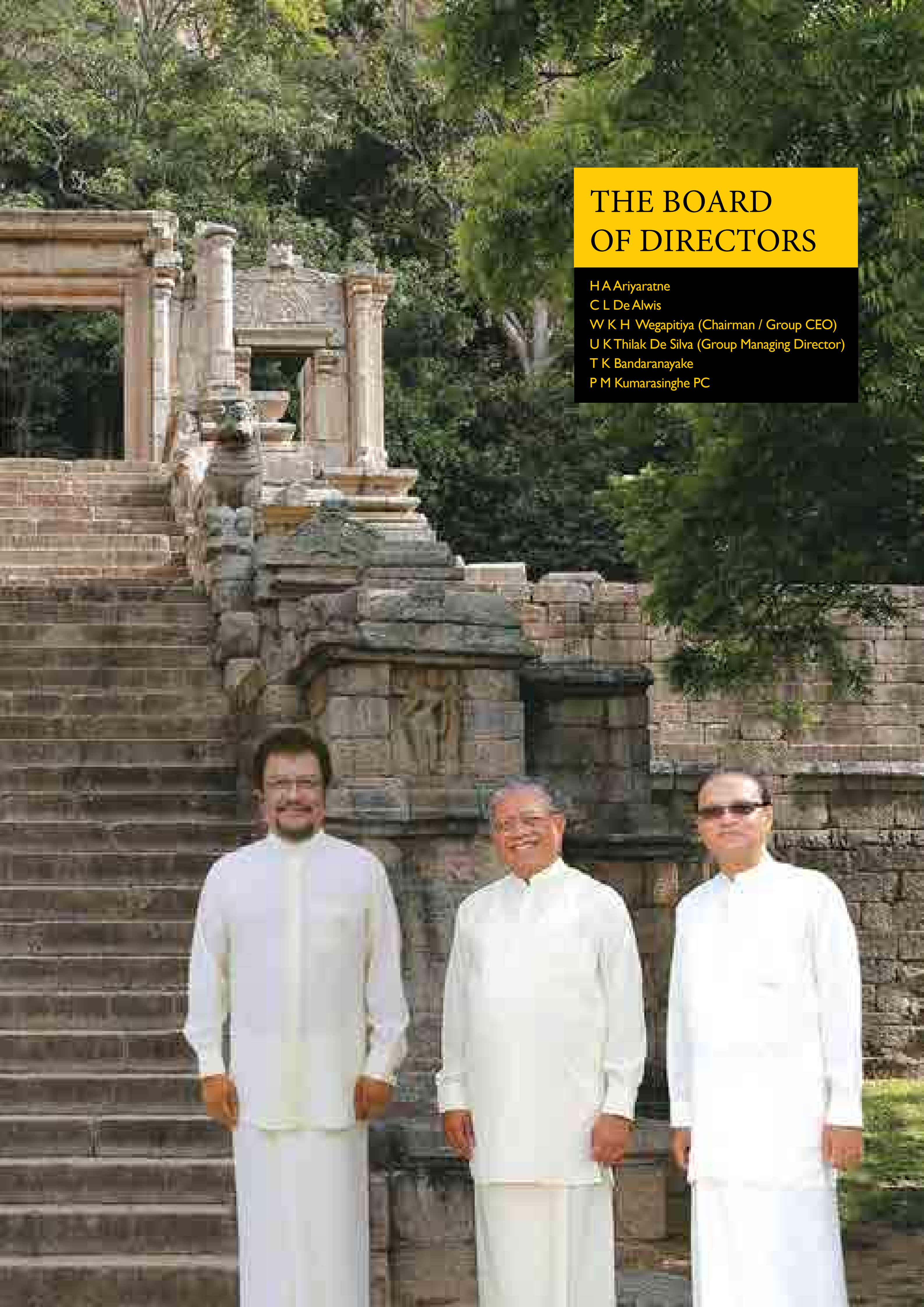
We have been able to maintain this performance so consistently over time because of the quality of the members of the LAUGFS family. They are LAUGFS' most important competitive advantage. Along with our time tested business model, we have a successful and equally tested model of attracting the best people and building them into the best leaders in our industry.
The character and caliber of people at LAUGFS will remain our greatest source of confidence for the future of our entity.

U K Thilak De Silva
Group Managing Director

30th May 2013

THE BOARD OF DIRECTORS

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



THE BOARD OF DIRECTORS

W K H Wegapitiya

Chairman / Group CEO

Mr. W. K. H. Wegapitiya is the founder Chairman 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 and sale, import, distribution and sale of lubricants, heavy engineering, vehicle emission testing, hotel management, consumer retail & fast food restaurant chains, property development, manufacture of salt and salt base chemicals, manufacture and export of industrial solid tires, financial services and higher education.

He entered the Sri Jayewardenepura University after his secondary education and graduated with a Bachelor of Science in Business Administration special degree. He is also a holder of Master of Business Administration (MBA) degree from the Postgraduate Institute of Management affiliated to Sri Jayewardenepura University. He was awarded the Certificate on Energy Management from 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 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 LP Gas as an alternative fuel to Petroleum Fuel driven automobiles. This proved to be an outstanding success and led the foundation to enter into LP Gas downstream activity of import, storage, distribution and sale of LP Gas which was dominated then, by a very strong and formidable multinational 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, enabled 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 was adjudged as the "Entrepreneur of the Year" in 2006 with the prestigious platinum award, by the Federation of Chambers of Commerce and Industry in Sri Lanka. In the year 2007, he was awarded with "Asian Leadership for Excellence in Entrepreneurship" by 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 panellist on "Business Excellence", "Leadership" and "Entrepreneurship" organized by a variety of organizations. He is a well-known personality in the global LP Gas and energy circles and also a regular participant and speaker in international forums on LP Gas and Energy Management.

He is a member of the Board of Directors of Sri Lanka Accounting and Auditing Standards Monitoring Board, Federation of Chambers of Commerce and Industry and also a Committee Member of the Ceylon Chamber of Commerce. Mr. Wegapitiya is a long standing member of the 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 and its parent, highly diversified conglomerate LAUGFS Holdings Ltd since 1995. Mr. De Silva is also the Managing Director of all the subsidiaries of the LAUGFS Group, engaged with petroleum fuel distribution and sale, import, distribution and sale of lubricants, heavy engineering, vehicle emission testing, hotel management, consumer retail & fast food restaurant chains, property development, manufacture of salt and salt base 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 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 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 in 2003. He is a regular participant in many LP Gas business forums conducted at various parts of the world and is widely connected with the industry personalities in the energy sector.

H A Ariyaratne

*Director**

Mr. Ariyaratne is a well-known Banker with over 30 years of experience in the banking industry; currently serves as the Executive Vice President in charge of overall lending at DFCC Bank.

Mr. Ariyaratne, a First Class Honours Science Graduate, has a wide exposure to Development Banking, Investment Banking, Asset Management, Venture Capital, etc. He serves for the Boards of LAUGFS Holdings Ltd, LAUGFS Supermarkets (Pvt) Ltd, LAUGFS Engineering (Pvt) Ltd, LAUGFS Corporation (Rubber) Limited and LAUGFS Leisure Limited in LAUGFS Group of Companies and Kuruwita Textile Mills Ltd and Wayamba Plantations (Pvt) Ltd. Mr. Ariyaratne is a former Chief Executive Officer of Lanka Ventures Limited.

THE BOARD OF DIRECTORS

C L De Alwis

*Director***

Mr. De Alwis, a graduate in Business Management, was appointed to the Board of LAUGFS Gas PLC in September 2010.

Mr. De Alwis was instrumental in founding JASTECA (Alumni of AOTS, Japan) and later served as its President for 4 years. He is the recipient of a certificate of commendation from AOTS Japan in 2006, in recognition of his 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, linking the world. Furthermore, he 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 currently the Chairman of the World Network of Friendship Fund affiliated to the Association for Overseas Technical Scholarship (AOTS) Japan.

With his wide exposure to the corporate sector, he currently serves as the Chairman of Senkadagala Finance PLC, 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. Mr. De Alwis was a former President of the National Chamber of Commerce of Sri Lanka,

Mr. De Alwis is the Deputy President of the Sri Lanka - China Business Cooperation Council. His role in building friendly relations between Sri Lanka and China was recognized by the Chinese government from whom he received a prestigious award to celebrate the 50th Anniversary of Diplomatic Relations in May 2007.

Mr. De Alwis serves as 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 UK which awarded him the prestigious Merit Award in 1994.

Palitha M Kumarasinghe PC

*Director***

Mr. Kumarasinghe, an eminent Lawyer with over 30 years of experience in Civil, Commercial and Corporate Law, is a President's Counsel and was appointed to the Board of LAUGFS Gas PLC in September 2010.

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

Mr. Kumarasinghe is a member of the Public Service Commission of Sri Lanka since May 2011 and he has 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. He is the Chairman of the Environmental Council established under the National Environment Authority Act since June 2010. He has served as a Member of the Advisory Commission on Intellectual Property. Mr. Kumarasinghe is a Director of Sri Lanka Law College Foundation and is the Chairman of the Disciplinary Committee, the Legal Affairs Committee and the Governance Review of Sri Lanka Cricket.

Tissa Kumara Bandaranayake

*Director***

A Fellow of the Institute of Chartered Accountants of Sri Lanka, Mr. Bandaranayake has read for a Bachelor of Science from the University of Ceylon. He was appointed to the Board of LAUGFS Gas PLC in September 2010.

Mr. Bandaranayake has over 45 years of experience in the fields 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 and was the immediate Past Chairman of the Audit Faculty of the Institute of Chartered Accountants of Sri Lanka.

He serves on the Boards of Nawaloka Hospitals PLC, Harishchandra Mills PLC , Overseas Reality (Ceylon) PLC, Renuka Shaw Wallace PLC, Renuka Holdings PLC, Micro Holdings Limited and Samson International PLC in an independent, non executive capacity, and also acts as a Consultant to the Board of Directors of Noritake Lanka Porcelain (Pvt) Ltd. He is also an advisor to the Board Audit Sub-Committee of DFCC Vardhana Bank.

* Non-Executive Director
** Independent Non-Executive Director

MANAGEMENT TEAM

1. Ashan De Silva
   Chief Executive Officer
   LAUGFS Gas PLC

2. Upali Navarathna
   Chief Executive Officer
   LAUGFS Eco Sri (Pvt) Ltd

3. Aruna Jayalath
   General Manager
   LAUGFS Leisure Ltd

4. Kirthi P. Goonesekara
   General Manager
   LAUGFS Property Developers (Pvt) Ltd

5. Chamath Indrapala
   Chief Financial Officer
   LAUGFS Gas PLC

6. Murad Rahimdeen
   Chief Operating Officer
   LAUGFS Gas PLC

7. Kolitha Rodrigo
   General Manager (Financial Planning)
   LAUGFS Eco Sri (Pvt) Ltd

8. Manjula S. Ediriweera
   General Manager - Accounting & Finance

9. Hector Perera
   Group General Manager
   Human Resource Development

10. Sarath De Silva
    General Manager - Special Projects

11. Nishan Perera
    Head of Group Risk & Control

12. Keerthi Pathiraja
    Head of Legal / Board Secretary

13. Ajith Kumarage
    General Manager (Projects)

14. Kanishka Weeramunda
    Chief Information Officer

15. Theekshani Dollamulla
    Head of Corporate Communications

BOOK 4

Passionate

Industry Segments
Management Discussion & Analysis

"One thing stands out strong and clear at LAUGFS. *We bring passion to every activity we undertake. Exponential expansion cannot be successful without such intensity from within…"*

WHAT DO OUR STAKEHOLDERS SAY?

"LAUGFS 5Kg is so easy to carry and handle"
- *Housewife*

"I can prepare meals faster with LAUGFS Gas"
- *Chef*

"LAUGFS 5Kg helps me manage my monthly budget"
- *Executive*

So what have we been

A decade ago LAUGFS Gas, a miniscule organization with a poor balance sheet summoned the passion, courage and entrepreneurial skills to take on the multinational giant who had held sway a 5-year long monopolistic reign in the Sri Lankan LP Gas market.

Today, LAUGFS Gas is a public quoted company and a force to be reckoned with in the LP Gas market. With a considerable market share, an island wide network, state-of-the-art gas plant and a superior management team and workforce, it is making steady strides in enhancing the Sri Lankan LP Gas industry.

LAUGFS Gas dedication to the development and sustainment of the industry is further revealed by its investments in the morden fleet of vehicles to ensure uninterrupted service quality, as well as the expansion of storage, bunkering and bottling facilities.

"I conveniently order gas through the LAUGFS Gas Hotline"

- *CEO*

"I am confident about the quality and safety of LAUGFS Gas"

- *Engineer*

"After I started using LAUGFS Gas for cooking, we were able to get a big saving on the electricity bill"

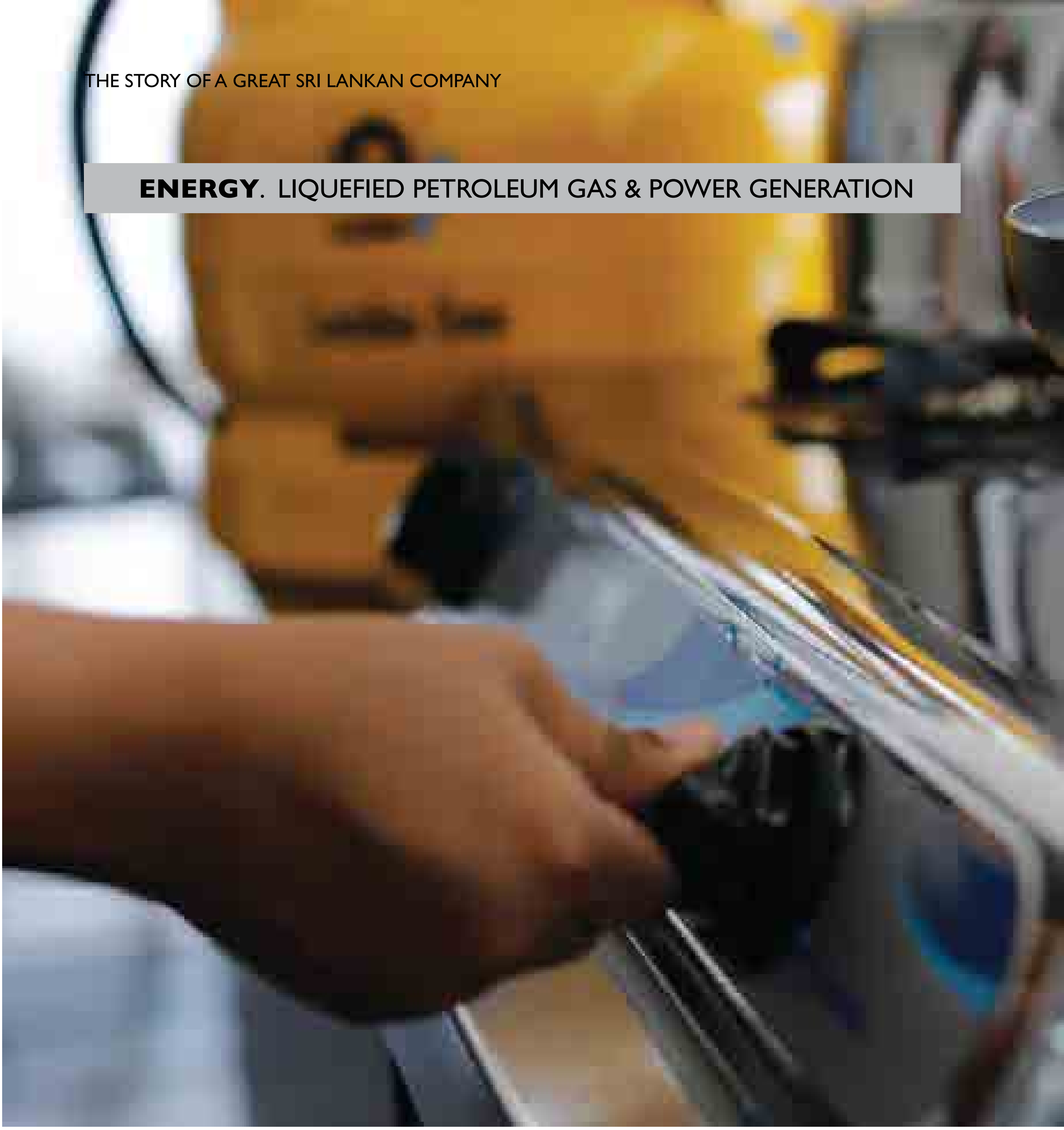
- *Mother*

We have focused heavily on becoming the primary LP Gas solutions provider for people, companies and industries across the country.

doing for Sri Lanka...?

LAUGFS Gas' contribution to the industry as an evolving local company has been acknowledged by many local and international rating agencies. LAUGFS Gas has also been recognized for its entrepreneurial achievements, superior marketing, service, quality and safety.

Undoubtedly a success story of impressive dimension, yet what becomes more important now, is that a Sri Lankan is given the "Power of Choice" to make the home flames burn stronger.



ENERGY. LIQUEFIED PETROLEUM GAS & POWER GENERATION

Eleven years ago when LAUGFS Gas entered the LPG market, some called it courage, others called it insanity, but today Sri Lankan consumers and business establishments laud LAUGFS Gas for its initiative and commitment to afford them the "POWER OF CHOICE".

TOTAL REVENUE 2013

Rs. 9.7Bn

2012: Rs. 8.3Bn

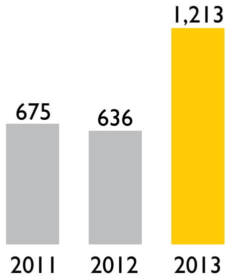
- **LAUGFS Gas PLC**
- **LAUGFS Power Ltd**

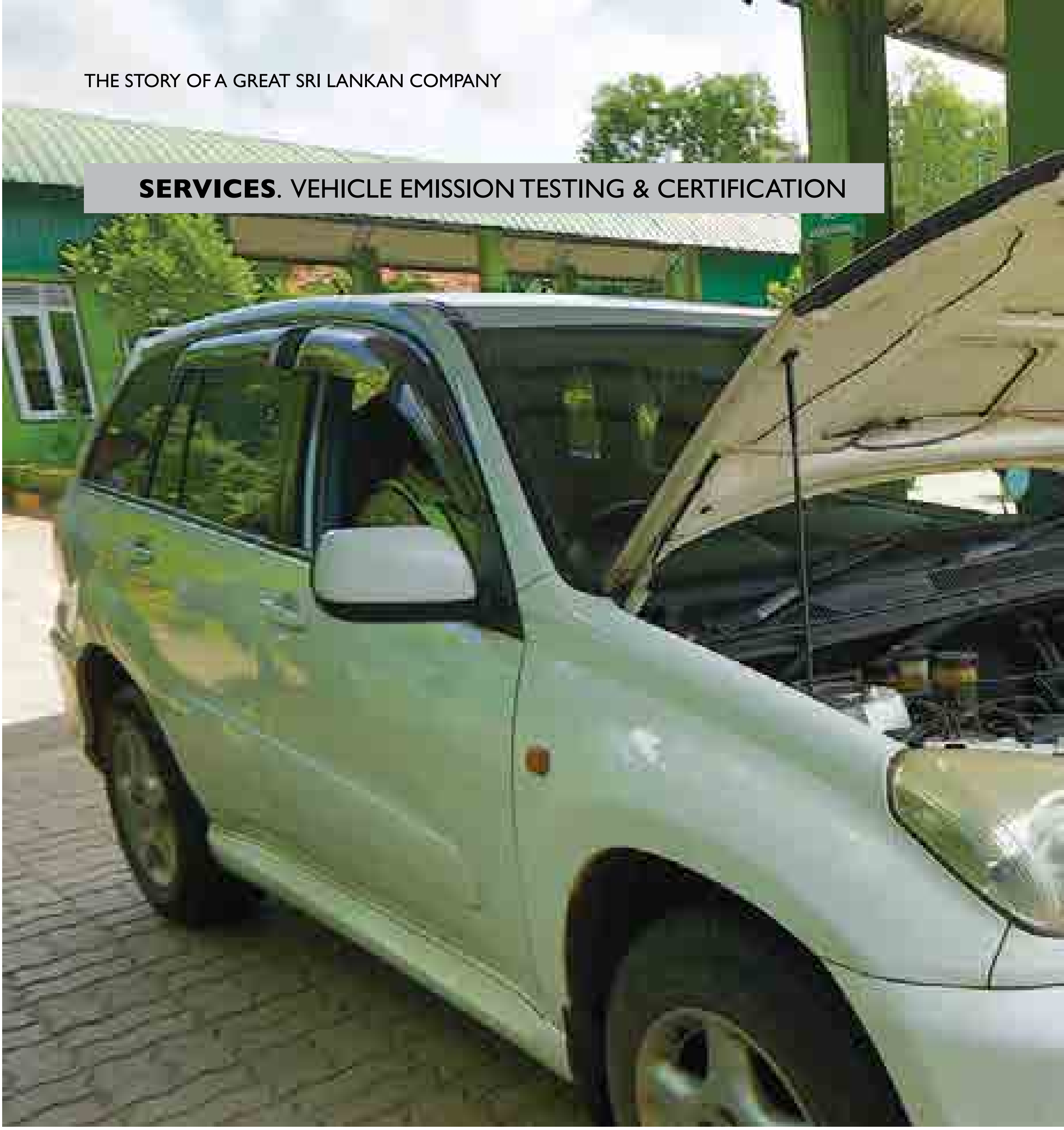
This sector at present covers the downstream business of liquefied petroleum gas and other related products and services undertaken by LAUGFS Gas PLC and the hydro power project in Balangoda in the Sabaragamuwa Province under LAUGFS Power Ltd.

LAUGFS Gas which started its operations in 2001 has an island wide distribution network for its LP Gas products catering to the domestic, commercial, industrial and auto gas users in a duopoly market.

The hydro power project under LAUGFS Power Limited is in its construction stages and expects to be connected to the national grid during the next financial year.

PROFIT FOR THE YEAR
Rs. Mn.





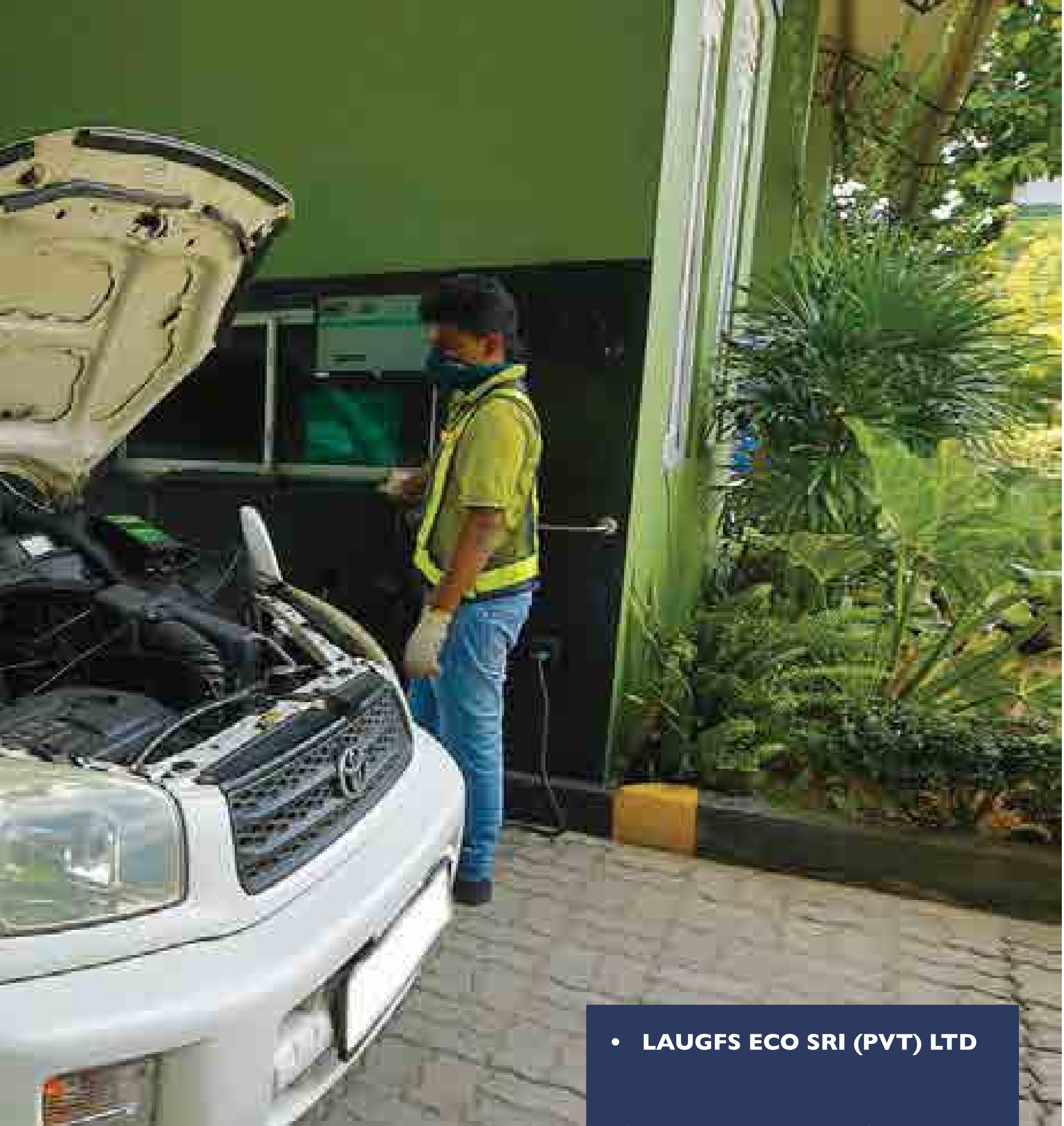
SERVICES. VEHICLE EMISSION TESTING & CERTIFICATION

"LAUGFS Eco Sri is a vehicle emission testing company, soon completing five years of successful operations. Over the years, LAUGFS Eco Sri has expanded its operations with over 90 test centers and over 5,500 tests per day. "

TOTAL REVENUE 2013

Rs. 858Mn

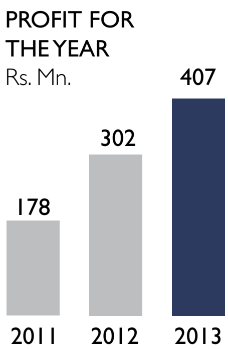
2012: Rs. 711Mn



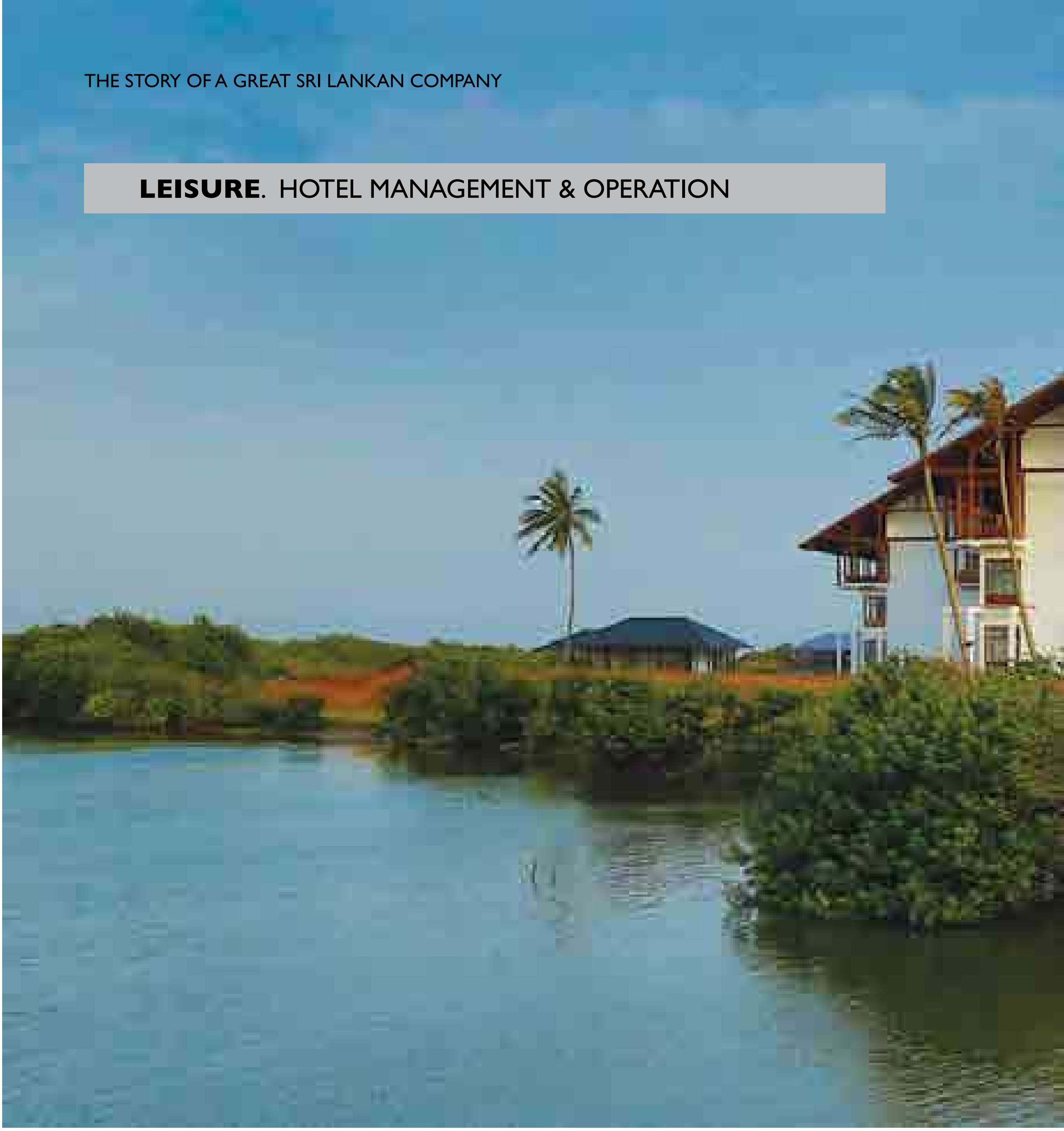
- **LAUGFS ECO SRI (PVT) LTD**

LAUGFS Eco Sri (Private) Limited was incorporated in 2005 to engage in the vehicle emission testing and certification process which was made mandatory for the issuance of Revenue Licence of motor vehicles in Sri Lanka.

At present the market is shared with another player and the programme was extended to cover the entire island.



LEISURE. HOTEL MANAGEMENT & OPERATION

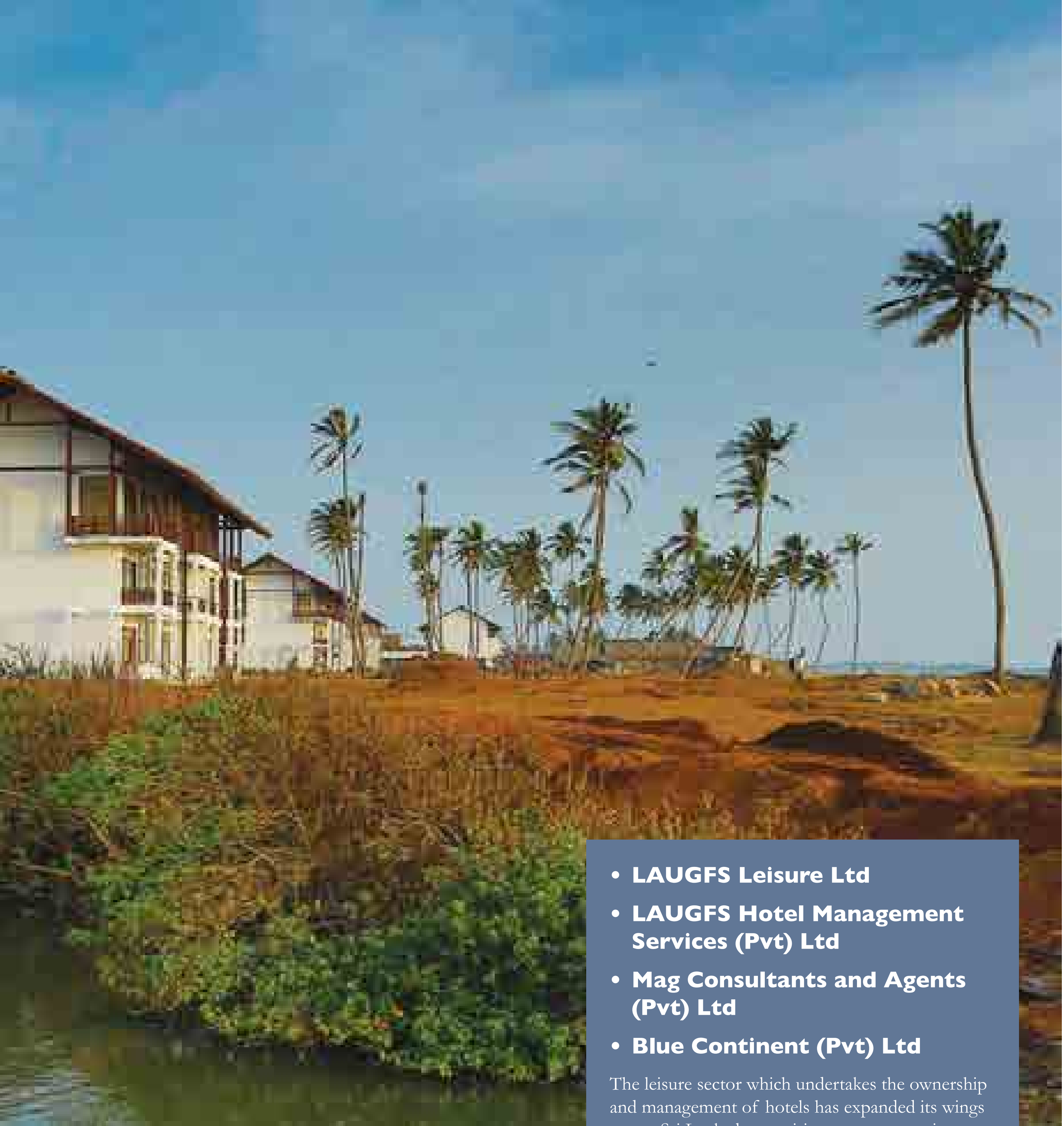


"LAUGFS Leisure manages and operates hotels in the booming leisure sector, and has commenced construction of a luxury resort in Chilaw on the North Western coast of Sri Lanka. The company has also acquired land on the South and East coasts of the island for several other leisure related projects."

TOTAL ASSETS 2013

Rs. 1,589Mn

2012: Rs. 678Mn



- **LAUGFS Leisure Ltd**
- **LAUGFS Hotel Management Services (Pvt) Ltd**
- **Mag Consultants and Agents (Pvt) Ltd**
- **Blue Continent (Pvt) Ltd**

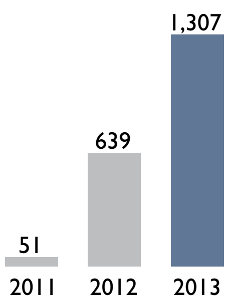
The leisure sector which undertakes the ownership and management of hotels has expanded its wings across Sri Lanka by acquiring many properties to build and manage hotels under LAUGFS Leisure Limited.

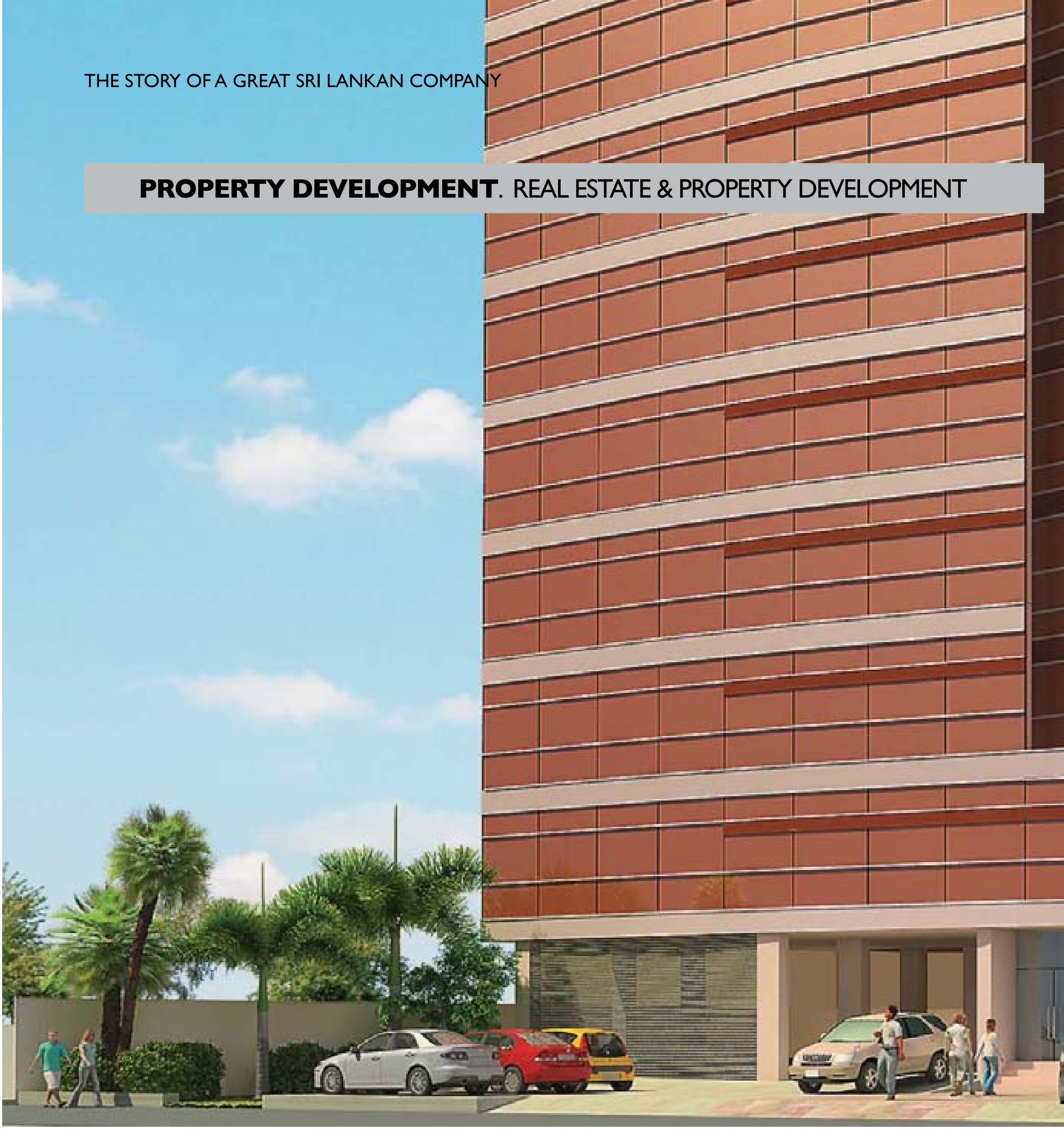
The hotel project situated in Chilaw in North Western Province is nearing completion and would be ready for commercial operations before end of 2013.

The company commenced constructions of another hotel project in Passikudah in the Eastern Province and is expected to be completed by mid-2014.

The construction work of the hotel property at Kalutara, in the Western Province is expected to commence in the near future.

INVESTMENTS IN PPE
Rs. Mn.





PROPERTY DEVELOPMENT. REAL ESTATE & PROPERTY DEVELOPMENT

"LAUGFS Property Developers are currently constructing a commercial building complex in Colombo, with several other projects in the pipeline as well."

TOTAL ASSETS 2013

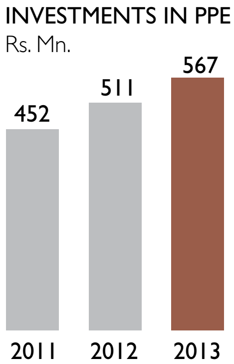
Rs. 570Mn

2012: Rs. 514Mn

• LAUGFS Property Developers (Pvt) Ltd

This segment deals in property development and real estate business under LAUGFS Property Developers (Private) Limited.

The ten storied building complex at Maya Avenue, Colombo 6 is nearing completion and would be ready for occupation before end of 2013.



MANAGEMENT DISCUSSION AND ANALYSIS

Composition of Group Assets

ENERGY	77%
SERVICES	6%
LEISURE	12%
PROPERTY DEVELOPMENT	5%

LAUGFS Gas PLC has established itself as a nation-minded, diversified business conglomerate in Sri Lanka. The company grew from strength to strength during the financial year under review, harnessing the collective strengths of its subsidiaries, delivering exceptional results. The unique combination of companies within the Group: LAUGFS Gas, LAUGFS Eco Sri, LAUGFS Leisure, LAUGFS Property Developers and LAUGFS Power, has enabled LAUGFS to combine synergies to maximize the value creation for all stakeholders. The entrepreneurial spirit that propels LAUGFS has enabled the Group to embrace any situation, face numerous adversities with positivity and deliver unconventional solutions.

Global Economic Outlook

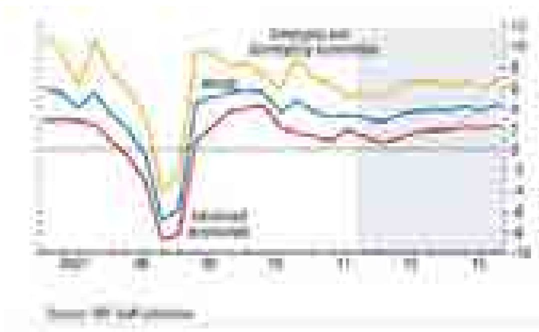
The global economy went through turbulent times in 2012, pushing several advanced economies into recession, while adversely effecting economic growth in most other countries. The core of the global economic crises is driven by sovereign debt problems, mainly in European countries. High unemployment, sluggish domestic demands, high public debt and fragility in the financial sector were among the other contributing factors for the negative global outlook. Global growth dropped to 3.2% in 2012 and this slowing trend is expected to continue.

As per the Sri Lanka Central Bank Annual Report 2012, the growth of the world output is estimated to have declined to 3.2% in 2012 from 3.9% in 2011. Growth in advanced economies in particular slowed to 1.3% in 2012 from 1.6% in 2011. Euro zone slipped back into recession and contracted by 0.4%, dragged by the negative growth in Italy, Portugal and Spain, while the rest of the Euro zone was also affected to a lesser extent. The growth in emerging markets and developing economies fell to 5.1% in 2012 from 6.3% in 2011. Growth in China and India in developing Asia slowed down to 7.8% and 4.5% respectively in 2012 from 9.3% and 7.9% respectively in 2011. However, the economies in Middle East and North Africa marked a growth of 5.2% in 2012, up from 3.5% in 2011, driven by strong performance in oil exports, infrastructure projects and economic ties with Asian economies.

Oil prices were seen to fluctuate during 2012 as weaker global demand tended to push prices down, while heightened geopolitical tension in several oil exporting countries put upward pressure on prices.

Some of the major factors that influenced oil prices in 2012 were:

Global GDP Growth
(Percent; quarter over quarter, annualized)



- Changes in global economic growth expectations.

  High expectations for economic growth and higher crude oil prices, during the first quarter of the year, were driven by the steady rate of job growth in the United States, lower interest rates for several European countries and increased manufacturing output in China. However, in the second quarter, a reversal of these factors pushed crude oil prices to their 2012 lows.

- Oil supply disruptions.

  Production disruptions such as those in Syria, Sudan, and Yemen took approximately 1 million barrels of oil per day off the world market, resulting in oil price hikes.

- Iran sanctions.

  U.S. and European sanctions on imports of Iranian oil resulted in reducing Iran's oil exports, causing oil prices to rise.

- Increase in oil production.

  The increase in oil production by Saudi Arabia, the resumption of oil production in Libya and higher output in North America (U.S. oil production topped 6 million barrels per day in early 2012, the highest level since 1998), Latin America and Russian Federation drove the downward pressure on oil prices.

Future Global Economic Outlook

The global economic outlook for 2013 sees stabilization in financial conditions, to a certain extent, despite the slow recovery and uncertainty in the main world economies, especially the Euro zone and the Unites States. The global growth rate is projected at 3.5%, not much higher than 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

The International Monetary Fund (IMF) has outlined four pivotal points as megatrends that will shape the future of the world economy:

- A growing demand for individual empowerment, including for women, and a growing sense of a single global community.
- A reallocation of political and economic power across the world. By 2025 for example, two-thirds of the world's population will live in Asia. This can lead to greater cooperation or to greater tension and competition.
- A seismic shift in demographics, as the "youth bulge" in various emerging regions rubs up against the "graying" populations elsewhere. 60% of the population in the Middle East and North Africa is under 30. It is 70% for sub-Saharan Africa.
- Increasing vulnerability from resource scarcity and climate change, with the potential for major social and economic disruption.

The future global economy is expected to be geographically different, driven by the dynamic emerging markets and developing countries. It will also be generationally different, shaped by different values and principles. By embracing the values of a new era, more cooperation between nations, more inclusion and solidarity among people and stronger accountability of those responsible for the global economy, 2013 may create a 'new moment in history', as detailed by the IMF.

Sri Lankan Economic Overview

The Sri Lankan economy grew by 6.4% in 2012 and inflation was managed at single digits for four consecutive years, amidst much turmoil. The country had to make some difficult choices on adjustment policies, which were aimed at achieving long-term stability and strength. The fuel and electricity price hikes in early 2012, to bring cost reflectivity in energy prices and help the Ceylon Electricity Board (CEB) and Ceylon Petroleum Corporation (CPC) compensate losses and the interest rate hikes to curb rapidly rising import demand that put pressure on the Balance of Payments; are two main adjustments made by the Government. This was the first time growth fell below 8% since the end of the war on terror; largely due to the weak external demand, tight monetary conditions and unfavourable weather, as 15 of the 25 districts suffered from the drought that affected agriculture and hydro power generation. Amidst this, Sri Lanka recorded well above the growth rate of many regional and advanced economies during 2012.

The positive contribution from the sub sectors enabled the industry sector to expand by 10.3% in 2012, from 2011. The electricity, gas and water sub sector contribution to the GDP marginally decreased, compared to the previous two years partly due to the decrease in drop in value addition in hydro power generation in the electricity sub sector. Construction, mining and quarry sub sectors expanded at impressive rates with the boom in both public and private sector construction activity. The industry sector contributed to 30.4% of the total GDP compared to 29.3% in 2011.

The electricity, gas and water sub sectors expanded by only 4.4% compared to the growth of 9.2% in 2011. Electricity, which consists of the largest share in this sub sector, faced a major setback due to dry weather that prevailed in reservoir areas that limited high value added hydro power generation particularly in the 3rd quarter of the year. Hence, the total hydro power generation registered a negative growth rate of 28.6%. The thermal power generation, which is the high cost source of electricity increased significantly to offset the loss of hydro power generation and registered a growth of 22.9% in 2012. Consequently, the electricity sub sector grew by 4.3% compared to the previous year growth of 9.6%.

The LP Gas distribution to both domestic and industry consumptions expanded during the year and the gas sub sector expanded by 5.1% compared to the previous growth of 5.7%.

The construction sub sector recorded an impressive growth of 21.6% compared to 14.2% in 2011 and sustained a high growth momentum during the past year. This is the highest growth registered by the sub sector in the past 10 years. This sub sector contributed to 8.1% of the overall GDP and 23.9% of the change in GDP growth from 2011 to 2012 becoming the high growth driving sub sector in the industry sector. The private sector contributed towards the growth in this sub sector particularly with hotel and housing construction activities. As per the price index compiled by the ICTAD (Institute of Construction Training and Development), the cost of construction activities had increased by 12.2% during the year compared to the increase of 5.4% in 2011.

The growth in the services sector, which is the largest sector in the economy accounted for 58.5% of GDP, moderated to 4.6% in 2012 from 8.6% in 2011. Reduction in this sector was largely due to the slowdown in the external trade activity attributed to both external and domestic factors.

The hotel and restaurant sub sector recorded a growth rate of 20.2% in 2012 compared to 26.4% in the previous year, maintaining a positive momentum as a result of the peace dividend. Further, the tourism sector passed the landmark of one million tourist arrivals in 2012, growing in line with the targets set for the sector. Earnings from tourism exceeded USD 1 billion, the highest recorded in a calendar year, with a growth of 25.1%. The higher growth in tourist earnings compared to arrivals reflects the income in average spending by tourists during 2012. However, the guests and occupancy rates have both declined in graded hotels in 2012. This can be attributed to a rapid expansion in the hotel sector with the increase in unregistered hotels, guest houses and home stays attracting more local and foreign tourists. The industry is largely benefited by rapid infrastructure developments and transport, supporting efficient tourist mobility. Realization of the benefits of new hotels established and the hotel refurbishments are also expected to boost the growth in the sub sector in future years.

All sectors contributed to the growth in the economy in 2012; mostly the industry sector, mainly due to the acceleration in the construction sub sector. Services sector growth in 2012 was lower in comparison to the high growth recorded in 2011. The slow down in both import and export trade largely contributed to the deceleration in the service sector as a result of the reduction in growth of the wholesale and retail sale sub sectors which is the largest component of the services. However, these are partly set off by the relatively good performance of banking, insurance and real estate activities.

DID YOU KNOW?

The cooking cost per meal per average family from LP Gas is only Rs. 25

"THE HOTEL AND RESTAURANT SUB SECTOR RECORDED A GROWTH RATE OF 20.2% IN 2012 COMPARED TO 26.4% IN THE PREVIOUS YEAR, MAINTAINING A POSITIVE MOMENTUM AS A RESULT OF THE PEACE DIVIDEND."

Some major economic indicators that affect our industries are given below:

- Unemployment rate declined to 4% in 2012 from 4.2% in 2011. This is the lowest annual unemployment rate covering the entire island that has been recorded since 1990.
- The per capita income increased to Rs.373,001 in 2012 from Rs.313,576 in 2011. The increase in income was reflected in wages of both public and private sectors. However, the relative high growth in the per capita income in US Dollar terms slowed down in 2012 mainly due to the depreciation of the Rupee against the US Dollar.
- Average annual inflation was maintained at a single digit level for the fourth consecutive year and increased to 7.6% in December 2012.
- Industry sector grew by 10.3% in 2012.

The Government has projected an ambitious growth of 7.5% in 2013, in the midst of a global economic downturn that is persisting. However, the Government appears to be confident that consolidation measures on the fiscal front, growth generated from public investment projects in infrastructure, booming tourism and amongst other initiatives will be enabling factors in achieving this growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Impact on the Group

Despite the increase of supply of LP Gas, the industry globally can be satisfied that it has managed to keep pace with the production surge with increasing consumption in emerging markets, irrespective of uncertainties created with economic slowdown in certain Western economies. Therefore, some amount of stability of the LP Gas world market prices can be expected in the short to medium term. This augur well for the local LP Gas downstream operations in the country to maintain landed costs consistently. It was seen that there is a great imbalance of energy usage in the country creating a huge potential to promote LP Gas as an environment friendly, cost effective source of energy for all segments of domestic, commercial and industrial markets. The Government macroeconomic policies now underway to move forward the economy towards attaining beyond USD 4,000 Per Capita Income by the year 2016 shall make the disposable income of the average consumer more affordable to switch to the usage of LP Gas as an energy source. Thus, LP Gas downstream industry prospects in the near term shall be better than that of previous years.

It is a general perception in the country that the power sector is in crisis with operations of both State and privately owned thermal power plants with its high cost of operations. Even some of the alternatives considered such as coal power plants are still in the state of infancy without making required contributions to the problems the sector is faced with. The Government is pursuing other renewable energy sources but still hydro power remains the most cost effective source of energy. Therefore, the company's plan to operate a mini hydro power project to generate 1.5 MW in the future shall not pose major risks since it has already entered in to a contract for a Power Purchase Agreement with the Ceylon Electricity Board. With the country's expected economic growth around 7% to 8% in the ensuing years create a demand for power that should be met with more cost effective sources like hydro power. The company is in the opinion that it should complete the project at its earliest and connect the power it generates to the national grid.

"THERE IS A GREAT IMBALANCE OF ENERGY USAGE IN THE COUNTRY CREATING A HUGE POTENTIAL TO PROMOTE LP GAS AS AN ENVIRONMENT FRIENDLY, COST EFFECTIVE SOURCE OF ENERGY FOR ALL SEGMENTS OF DOMESTIC, COMMERCIAL AND INDUSTRIAL MARKETS."

The Vehicle Emission Testing programme initiated by the Government in the year 2008 will continue and this segment's growth is assured with the growing concern of the authorities for environmental pollution through vehicular emissions. However, the growth maybe constrained slightly due to curbing importation of vehicles with higher duties and levied taxes. The positive development in this sector is that Northern Province is likely to be covered under the programme in the second quarter of the financial year 2013/2014 and the vehicle population in the province may increase with its full return to peace with political stability and reconciliation after an elected Provincial Council taking over the civil administration.

The Government appears to be fairly confident on successful implementation of its tourism master plan and to achieve 2.5 million tourist arrivals by the year 2016. It is observed that the industry is closing in on achievement of this target since it has recorded over one million tourist arrivals in the year 2012. It is also observed that general infrastructure development taking place in highways and transport, communication, sea ports and air ports, on top of the tourism infrastructure with addition to room inventories in various parts of the country by both local and foreign investors, the Hotel and Leisure Sector that the company is in, at the moment shall prosper in the medium to long term.

The Central Bank Annual Report for the year 2012 has indicated the construction industry subsector grew over 21.6% during the year and this subsector was able to continue the momentum over the last few years. It is imperative that the economic growth of the country shall accompany a substantial growth in this sector, which accounts for major infrastructure development. The company has reached almost the final stage of completion of its ten story commercial building complex of Maya Avenue Colombo 6, which will be marketed by end of the financial year 2013/2014.

Review of Group Performance

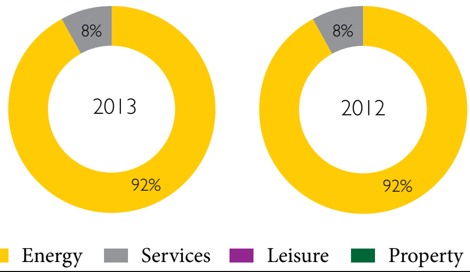
LKR (Mn)				
Item	**2013**	**2012**	**Change**	**Change %**
Revenue	10,563	9,107	1,456	16
Gross Profit	1,727	1,700	27	2
Other Operating Income	226	218	9	4
Selling and Distribution Expenses	326	333	(7)	(2)
Administrative Expenses	581	531	50	9
Foreign Currency Exchange Gain/(Loss)	88	(210)	297	(142)
Finance Costs	5	1	4	255
Finance Income	155	163	(8)	(5)
EBITDA	1,631	1,298	333	26
Income Tax Expense	258	196	62	31
Total Comprehensive Income for the Year Net of Tax	1,032	597	435	73
Earnings per Share from Continuing Operations	2.74	2.14	0.60	28

The total Revenue of the Group crossed the Rs.10 billion mark to reach Rs.10.56 billion by the end of the financial year. This is an increase of 16% from last year. The Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) recorded Rs.1.63 billion and this is an increase of 26% over last year. The Total Comprehensive Income for the year Net of Tax recorded Rs.1.03 billion as against Rs.597 million in the year before which is an increase of 73%.

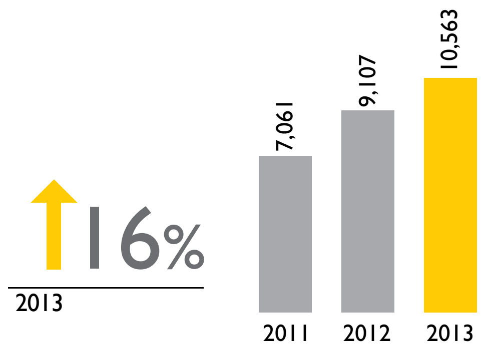
MANAGEMENT DISCUSSION AND ANALYSIS

Sector Contribution to Group Performance

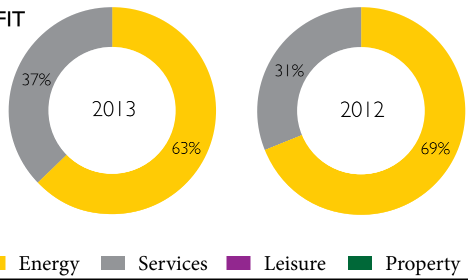
REVENUE



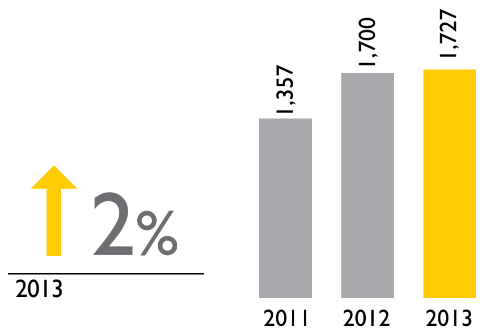
GROUP REVENUE
Rs. Mn.



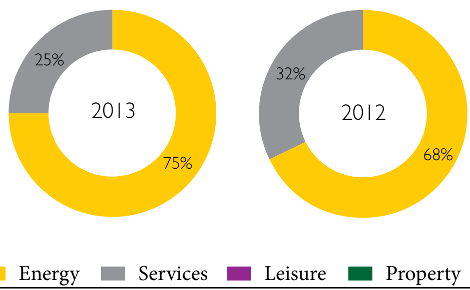
GROSS PROFIT



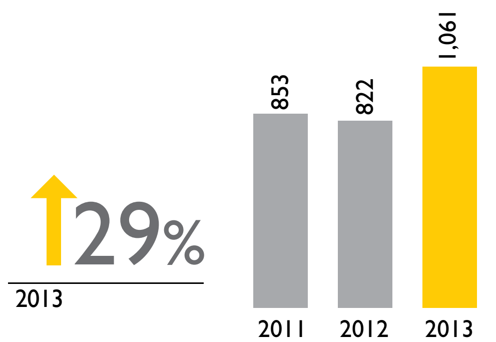
GROUP GROSS PROFIT
Rs. Mn.



NET PROFIT

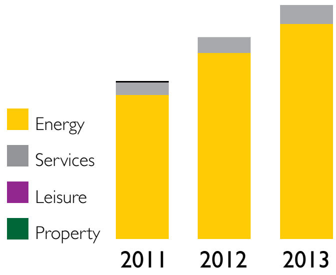


GROUP NET PROFIT
Rs. Mn.



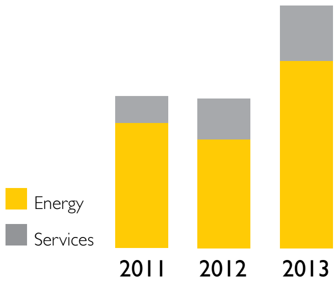
"THE TOTAL REVENUE OF THE GROUP CROSSED THE RS.10 BILLION MARK TO REACH RS.10.56 BILLION BY THE END OF THE FINANCIAL YEAR."

REVENUE
Rs. Mn.



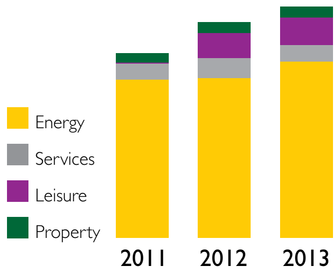
LKR Mn.	Energy	Services	Leisure	Property
2013	9,705	858	-	-
2012	8,396	711	-	-
2011	6,495	566	75	-

EBIT
Rs. Mn.



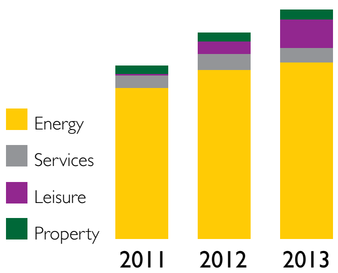
LKR Mn.	Energy	Services	Leisure	Property
2013	1,409	419	(7)	(1)
2012	819	308	(9)	(1)
2011	941	207	3	(2)

NET CAPITAL EMPLOYED
Rs. Mn.



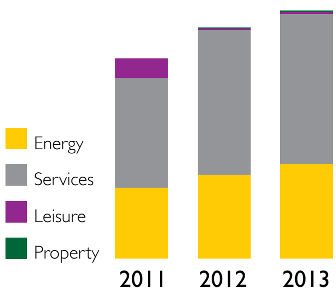
LKR Mn.	Energy	Services	Leisure	Property
2013	7,939	749	1,230	505
2012	7,201	892	1,128	506
2011	7,132	701	53	442

TOTAL ASSETS
Rs. Mn.



LKR Mn.	Energy	Services	Leisure	Property
2013	9,931	832	1,589	570
2012	9,504	928	678	514
2011	8,493	726	84	452

EMPLOYEES
No's



	Energy	Services	Leisure	Property
2013	425	677	9	6
2012	376	654	5	5
2011	319	495	87	-

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Group Financial Position

LKR (Mn)				
Item	2013	2012	Change	Change %
Non-Current Assets				
Property, Plant and Equipment	6,511	5,530	982	18
Investment Properties	645	610	35	6
Intangible Assets	63	53	10	19
Other Non-Current Financial Assets	116	144	-28	-20
Current Assets				
Inventories	389	620	-231	-37
Trade and Other Receivables	1,142	933	209	22
Other Current Financial Assets	4	5	-1	-15
Cash and Short-Term Deposits	1,509	2,164	-655	-30
Total Assets	10,609	10,300	309	3
Non-Current Liabilities	2,011	1,882	129	7
Current Liabilities				
Trade and Other Payables	1,913	2,250	-337	-15
Refundable Deposits	120	121	-1	-1
Interest Bearing Loans and Borrowings	45	17	28	165
Total Liabilities	4,122	4,269	-147	-3
Shareholders' Interest				
Stated Capital	3,285	3,285	-	-
Reserves	(0.32)	(0.29)	(0.03)	10
Retained Earnings	3,524	3,039	485	16
Net Assets (Equity)	6,488	6,031	457	8
Return on Equity	0.16	0.14	0.02	20
Net Asset Value per Share	16.76	15.58	1.18	8
Earnings per Share from Continuing Operations	2.74	2.14	0.60	28

The Total Assets of the Group increased to Rs.10.6 billion from Rs.10.3 billion last year. Out of the total assets, Property, Plant and Equipment represented Rs.6.5 billion in the year under review. The Total Liabilities of the Group reduced by 3% to Rs.4.1 billion, approximately 50% of which were current liabilities of revolving nature in trade financing of importation of LP Gas. The Retained Earnings of the Group rose up to Rs.3.5 billion from Rs.3.0 billion last year with improved financial performance. The Net Asset Value of the Group increased to Rs.6.4 billion from Rs.6.0 billion of the previous year. The Net Asset Value per Share increased to Rs.16.76 from Rs.15.58 last year. The Earnings Per Share (EPS) improved by 28% during the year to Rs.2.74 from Rs.2.14 in 2012.

ENERGY

LPG Downstream

TOTAL REVENUE 2013

Rs. 9.7Bn

2012: Rs. 8.3Bn

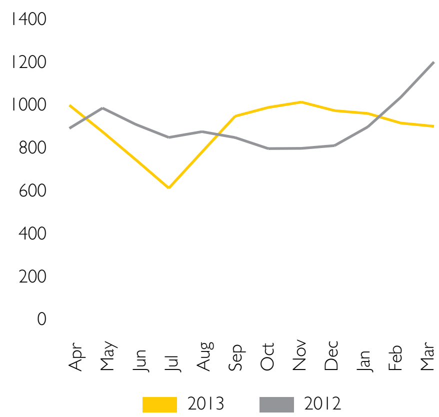
Global Outlook

Global LP Gas trade is seeing sharp changes in its dynamics. A major LP Gas supply expansion out of the Middle East has been forecasted 5 years ago, creating a potentially large LP Gas surplus on world markets. This was to be driven by the by-product LP Gas from giant offshore gas reserves in North field in Qatar, South Pars in Iran, and from new gas and LP Gas projects in Abu Dhabi and Saudi Arabia. However, only Qatar has produced LP Gas volumes as projected.

The focus now has shifted to USA where shale gas (a natural gas that is found trapped within shale formations) has rapidly changed the market dynamics. Due to shale gas, the US will become a net exporter of Natural Gas and LP Gas. Terminals on the US Gulf Coast have already converted to exporting from importing LP Gas. According to Facts Global Energy (FGE) figures, exports from the US Gulf reached 3.3 million tons in 2011 and will expand as investments in Natural Gas Liquids (NGL) pipelines, fractionators, and LP Gas export capacities are completed. FGE projects LP Gas exports, mainly Propane, will double by 2015 and approach 10 million tons or higher by 2020. Latin America has received most of these exports, but larger export volumes will need outlets in Europe and, funneled to Asia via the soon-to-be expanded Panama Canal.

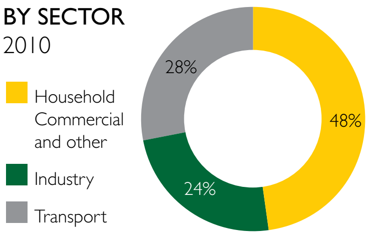
SAUDI ARAMCO CONTRACT PRICE

USD/MT



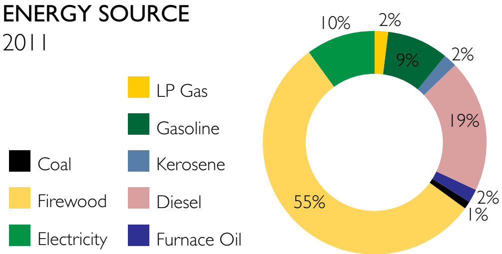
Asian growth in LP Gas sales for households has primarily stagnated in Japan, Korea and China. However, due to government subsidies for LP Gas in India, Indonesia, Thailand and Egypt, these countries have now become new LP Gas import growth markets and the drivers of international LP Gas trade. These markets are primarily Butane outlets. Propane arriving from the US Gulf could help the cause of Propane exports from US Gulf to Asia creating a downward pressure on LP Gas pricing in future.

ENERGY DEMAND BY SECTOR 2010



Source: Sri Lanka Energy Balance 2010

SRI LANKA ENERGY BALANCE WITH ENERGY SOURCE 2011



Source: Sri Lanka Energy Authority 2011

Sri Lankan Outlook

At present, Sri Lanka's energy demand is dominated by the household and commercial sectors and is about 48% of total energy usage. This is a clear indication that most of the energy is still used for domestic cooking purposes.

The household and commercial sector is making a steady shift into alternative energies from the conventional biomass as part of changing lifestyles and convenience.

Industrial and transport sectors consume 24% and 28% respectively. Hence, a majority of the energy consumption in Sri Lanka is used for individual daily requirements.

Considering the energy balance, a significant 55% of the total energy is produced by burning biomass. LP Gas at present contributes to only 2%. More than 70% of industries use biomass as their primary source of fuel and the tea industry consumes about 45% from the total.

Commercial growing of trees and the illegal felling of state forests do not fulfil the demand and as a result biomass is becoming scarce. In order to be globally competitive, industries require convenient, cleaner and more cost effective energy sources.

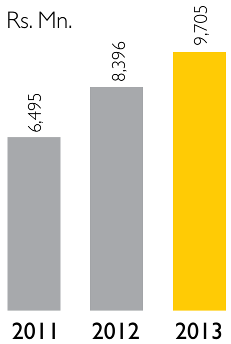
Market Analysis

Domestic and Commercial

Rapid urbanization and migration from rural areas to more compact urban setups have also reduced the usage of biomass, making LP Gas the most economical and convenient option available. The favourable socio-economic conditions in the Northern and Eastern provinces have also contributed to an increase in domestic LP Gas consumption. Urban busy lifestyles have prompted consumers to have majority of their meals from small and medium scale restaurants ensuring a considerable growth in this sub sector. With the prevailing conducive environment for tourism, the hotels and restaurants sub sector recorded a growth of 20.2% compared to 2011's 26.4%. With more than one million tourist arrivals in the country, there is immense potential for growth in commercial LP Gas usage.

Constrains in disposable income has reduced the spending capacities of the average Sri Lankan household. This has adversely affected potential new users of LP Gas. However, with active promotions on 5Kg gas cylinders and bundled offers through easy payment schemes, the company has reduced the high switching cost from other conventional energies to LP Gas. Also, the company has increased its dealer network from 2500 in 2012 to over 2900 dealers to ensure maximum availability of the product.

REVENUE
Rs. Mn.

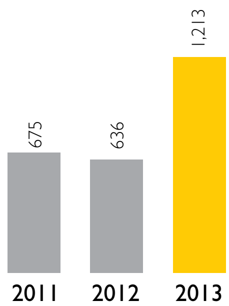


Industrial

The construction sector recorded a 21% growth last year, which was the highest growth registered by this sector in the past ten years. As a result, the ceramic and porcelain industry consumed majority of industrial bulk supply of LP Gas.

With the reduction of the kerosene subsidy, the use of LP Gas as a source of energy has once again become economical. New initiatives taken to convert firewood and kerosene furnaces into LP Gas fired furnaces have also contributed to the growth in the industrial bulk segment.

NET PROFIT
Rs. Mn.

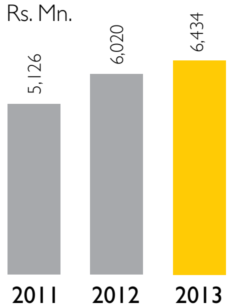


Review

Operating in a duopoly market with the only competitor of the company being a Government owned entity, LAUGFS Gas has managed to keep its own by increasing the Revenue generated from its core business activity of providing efficient, economic energy solutions. Compared to the previous year, the company has not only increased its profitability, but also increased its overall efficiency in minimizing administrative as well as distribution related expenses.

The Net Profit Before Tax stood at Rs.1.4 billion compared to Rs.817 million during the previous year, boasting a total increase of 72%. The Net Profit After Tax amounted to Rs.1.2 billion which is a 91% increase compared to the previous year (2012: Rs.636 million). The company generated revenue of Rs.9.7 billion as of the financial year-end compared with Revenue of Rs.8.4 billion from its previous year showing an increase of 15%. The other operating income of the company has increased to Rs.717 million resulting in a 134% increase (2012: Rs.306 million), mainly due to the dividends received from subsidiaries. The Total Assets of the company stood at Rs.9.9 billion, which is an increase of 4% compared with the previous year of Rs.9.5 billion. The Total Asset increase of the company has been due to the purchasing of new cylinders and the addition of a 250MT LP Gas storage tank. With the capacity increase, the company's LP Gas storage now stands at 2750 MT.

NON CURRENT ASSETS
Rs. Mn.



MANAGEMENT DISCUSSION AND ANALYSIS

The decline in import expenditure was much higher than the decline in export earnings and as a result, the trade deficit declined from 16.4% of GDP in 2011 to 15.8% of GDP in 2012. This has reduced the strain on the Rupee. The company recorded an exchange gain of Rs.88 million as compared to the previous year's exchange loss of Rs.209 million. With the floating exchange rate, it is expected that with the demand and supply forces acting as a stabilization agent for the Rupee, the company will be able to reduce the risk of adverse effects from currency fluctuations.

Though the inflation levels are expected to rise in the short-term, the company has managed to offer economical, convenient solutions to customers by offering packages such as the 5kg cylinder. It has expanded its dealer network to ensure further reach, and is working closely with banks and other financial institutions to reduce the burden of a high initial switching cost to LP Gas, by providing attractive credit terms. The company maintained its dominant role as the market leader in the commercial, industrial and auto gas sectors through enhanced and superior customer relationship management and committed technical service teams.

Power Generation

Outlook

Sri Lanka's energy sources consist primarily of biomass, hydro electricity and petroleum whilst the rest of the other sources contribute marginally. In the power sector the installed capacity for electricity generation from hydro, thermal and wind power presently stands almost at 2500 MW, compared to 1400 MW in 1999. A combination of factors has contributed to the emphasis in recent times for generating power through non-conventional renewable sources. The electrification of rural areas, posed many challenges such as high capital investments and operational costs. In this context, renewable sources of energy including solar power, small scale hydro power have emerged as alternative sources to promote medium-term electricity generation.

DID YOU KNOW?

The total potential in mini-hydro power is estimated to be around 500 MW in Sri Lanka

Due to geographical configurations, Sri Lanka enjoys a good hydro power potential. Major hydro power potential was developed with the commissioning of Upper-Kotmale hydro power project with a total installed capacity of 1355 MW. However, a significant portion of small hydro power potential remains to be developed. The potential sites have capacities ranging from a few hundred KW to 40 MW and the total potential is estimated to be around 500 MW, of this, both CEB and private sector developers have installed 148 MW and provisional approvals to develop the remaining had been already issued.

Review

The company at the moment is engaged with the development of mini-hydro project at "Ranmudu Oya" Balangoda. It consists of two phases to develop 1.5 MW. All approvals pertaining to the project from the respective agencies of Environmental Authority, Sustainable Energy Development Authority and Public Utilities Commission had already been obtained and the Power Purchase Agreement (PPA) with CEB was entered into on 30th December 2011.

Under the project, the canal construction was completed 100% whilst the pen stock path was 95% completed. The weir construction is 50% complete. The value of the Property, Plant and Equipment at the end of the financial year under review on this project was Rs.23.3 million which is an increase of Rs.20 million from last year.

SERVICES

TOTAL REVENUE 2013

Rs. 858Mn

2012: Rs. 711Mn

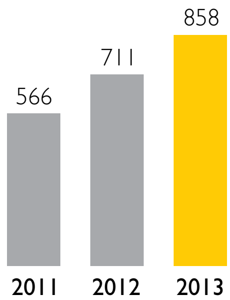
Outlook

Sri Lanka being signatory to a number of multilateral environment agreements has implemented many progressive measures for environment conservation. The emerging economic status of the country has posed numerous challenges to the conservation of the environment. Amidst this, the Vehicle Emission Testing (VET), considered as one of the major initiatives to control air pollution was inaugurated in 2008 and continues successfully to date.

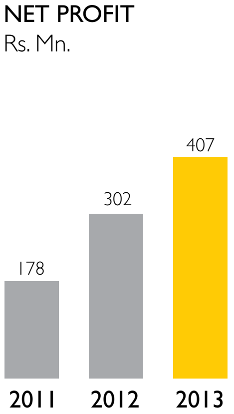
The Department of Motor traffic (DMT), the regulatory authority for all vehicular registration and related matters, has made VET certification mandatory to renew revenue licenses. The contract with the Government for this programme was initially entered into for five years with a provision for extension. This programme commenced in the Western Province and covered all parts of the island except the Northern Province. The Northern Province operation is scheduled to commence in June 2013.

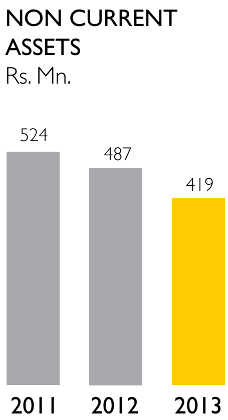
However, the reversal of macroeconomic policy on importation of vehicles was observed with an increase at entry point taxes and levies, to curtail the influx of vehicles. This was to release the pressure on the Balance of Payment (BOP) from increased vehicle imports, introducing a ceiling on financing the credit growth and limiting the demand on new imports.

REVENUE
Rs. Mn.



MANAGEMENT DISCUSSION AND ANALYSIS





Review

The company registered strong results during the year under review surpassing many challenges faced by the VET programme.

The Revenue increased from Rs.711 million to Rs.858 million, a 20% increase in the current year compared with previous year. The Net Profit Tax After Tax showed an impressive Rs.407 million, a 35% increase over the last year (2012:Rs.302 million). The Gross Assets stood at Rs.832 million after payment of Rs.400 million dividend to LAUGFS Gas PLC.

With the addition of 397,000 new registrations to the country's existing vehicle population, over 3.2 million vehicles are expected to undergo the emission testing during the year 2013, an annual growth of 8.5% - 9.5% in the short-term. The company's Gross Revenue is expected to enhance by approximately Rs.225 million.

Eco Sri Centre
- Mirihana

Eco Sri Operations Centre

LEISURE

TOTAL ASSETS 2013

Rs. 1,589Mn

2012: Rs. 678Mn

Outlook

The tourism industry is one of the fastest growing sectors in the economy and its future potential seems encouraging with the peace dividend enjoyed by the country. The tourist arrival in the country exceeded one million and the earnings have surpassed USD 1 billion by end 2012. Over the medium term, the industry is poised to achieve the target of 2.5 million tourist arrivals by 2016 and Sri Lanka is expected to promote the country under 8 unique themes namely; Heritage, Festive, Scenic, Essence, Thrills, Bliss, Pristine and Wild. The industry continues its infrastructure development by way of new ports, airports and transport links between tourist locations. With the increase in room capacities, upgrading and refurbishing of existing hotels, the targeted tourist arrivals seems achievable.

With the effective marketing campaigns and addressing causes for adverse publicity at national level, the industry can project a positive image of the country as an ideal tourist destination for both leisure and business. Increased quality of service and greater value for money would also encourage repeat arrivals of tourists resulting in achieving short and medium term goals set for the sector. Increasing the availability of entertainment and recreational activities for tourists by promoting international sporting events and other mega scale events would be additional areas this industry will be planning to embark upon. Improvement of language skills and proper training facilities of potential employees of the sector, upgrading facilities at landmark tourist destinations and promoting of domestic tourism are steps that will be taken to promote the industry on a sustainable basis, in the country.

MANAGEMENT DISCUSSION AND ANALYSIS

"THE TOURIST ARRIVAL IN THE COUNTRY EXCEEDED ONE MILLION AND THE EARNINGS HAVE SURPASSED USD 1 BILLION BY END 2012."

Review

The company is nearing the completion of the 88-roomed luxury hotel situated at Chilaw in the North Western coast, on an 18-acre property. The hotel, constructed on an eco-friendly concept, overlooks a lagoon and has a beach frontage. This hotel is expected to commence operations by end 2013. Another hotel is being constructed at Passikudah in the Eastern coast on a 15-acre block of land and will be another landmark for the company's leisure sector. The company also possesses a 15-acre property in Wadduwa, Kalutara District in the Western Province with one of the longest beach frontages in that area. LAUGFS Leisure Limited had recorded, Non-Current Assets to the value of Rs.1,307 million (2012: Rs.639 million).

With the rapid growth in the emerging markets in the region such as China, Japan and India, the tourism sector seems bright though there is a slow growth in the European market due to the recession.

However, the company plans to mitigate these factors by strengthening the MICE (Meetings, Incentives, Conventions and Events) market and the local tourism sector. The company is also looking into the possibilities of making its presence felt at other locations in order to cater to the local and foreign travellers depending on the prospects of the overall leisure sector in the country.

PROPERTY

Outlook

The real estate sector grew by 6.7% compared to 7.9% in 2011. The construction sub sector recorded an impressive growth of 21.6% compared to 14.2% in 2011.

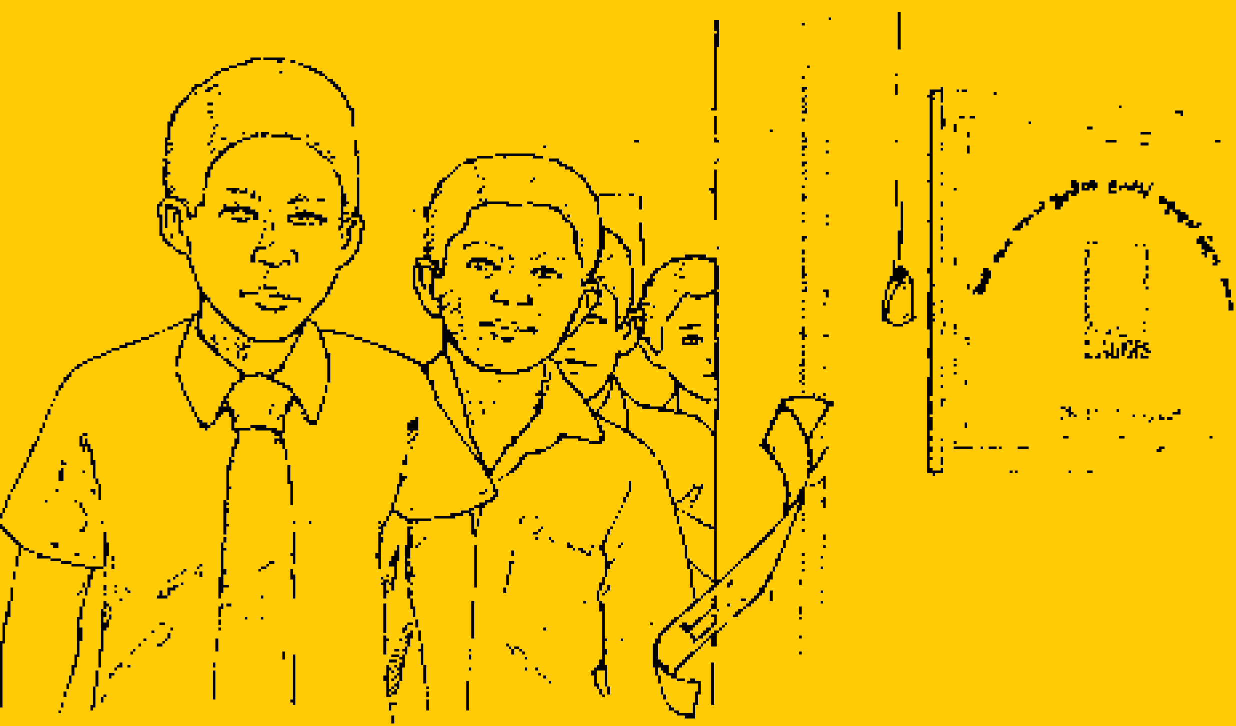
The ripple down effect of the global economic meltdown and the recent European debt crisis will adversely affect the foreign demand on the property and real estate sector. Though the local demand for apartments have diminished, there is an overall increase in demand for commercial floor space.

With the construction industry growing at a rapid pace during the year, the company has plans to be engaged in the property development and real estate business in the future aligning itself based on the market conditions in the medium-term.

Review

The construction work of the building complex under LAUGFS Property Developers (Pvt) Limited at Maya Avenue, Colombo 6, which is a BOI approved project, is expected to be operational before the end 2013. The total Property, Plant and Equipment value as at the end of the financial year under review was Rs.567 million (2012: Rs.511 million).

Current progress
of the construction



BOOK 5

Inspired

Sustainability Report

"We continue to be inspired by a sense of responsibility that demands that we consider the ultimate purpose of our business, responding to the expectations of both users and the broader community."

SUSTAINABILITY REPORT

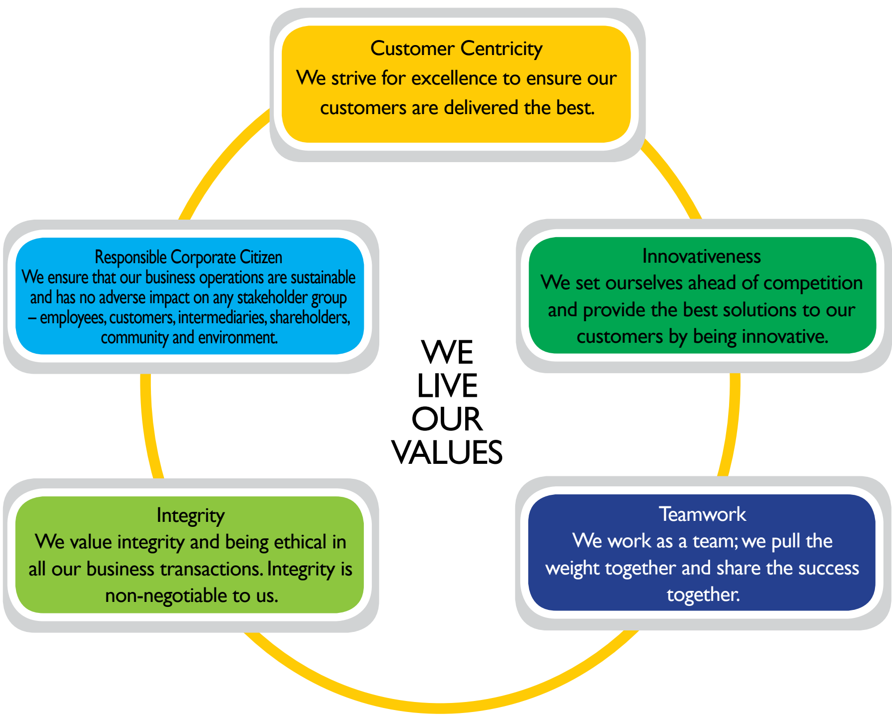
Sustainability is in the lifeblood of LAUGFS. The seed of LAUGFS was planted more than a decade ago with the dream of growing it to an enterprise that will reap benefits for the people of our country for years to come, from generation to generation, from one era to another.

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

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 impact 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.

Our Sustainability Policy stems from the solid value framework that guides our business decisions and operations.



Our sustainable business reporting model:

Financial Capital + People Capital + Environmental Capital + Economic Capital = Sustainability Reporting

People Capital:

- Employees
- Shareholders
- Customers
- Intermediaries
- Community

PEOPLE CAPITAL

Employees

'Provide everyone with opportunity to grow'

+1,000

Staff Strength

LAUGFS embarked on an exciting journey over fifteen years ago, with a small team. This team has today grown to more than 1000, taking the company from strength to strength. Today, we are poised to embark on a more exciting journey towards new definitions of success; a journey that is challenging, yet rewarding, to all at LAUGFS. The driving force behind the journey through these demanding and turbulent times is… our people.

LAUGFS is led by a team of people who goes beyond their call of duty to ensure that our customers are given a superior service with quality products, at all times.

SUSTAINABILITY REPORT

Developing the talent pipeline

We believe not only in driving the team to deliver exemplary business performance, but also in enabling them to go the extra mile; providing them with ample opportunities to grow by expanding personal and professional horizons and realizing their true potential.

We recruit, train, develop and retain talent that is right for LAUGFS, for today and for the future.

LAUGFS Business School

Developing our talent through continuous development

Leadership Development Programme

LAUGFS Business School programmes continued during the year, focusing on the development of the second-line leaders of the Group. The programme was titled 'Leadership Development Programme' and covered a range of subjects including Effective Leadership, Financial Management, Customer Service Excellence, Professional Communication, Marketing, Human Resources, Emotional Intelligence, etc. The programme adopted a practical, problem-solving approach, introducing relevant concepts and tools to apply in the day-to-day business environment. It also built on core functional competencies by exposing the participants to key drivers of business success.

DID YOU KNOW?

LAUGFS has its own Education Company - LAHES, that caters to the people development needs of the Group

At the end of the six-month long classroom learning the participants had the opportunity to run real-life businesses.The hands-on experience gained from the business projects, brought-out the hidden talents and unleashed the true potential of the participants. The revenue earned from the business projects were put in to a worthy community cause, to donate a fully-fledged library to Nindagampalassa Vidyalaya, Embilipitiya. Details on page 78.

Advanced Management Development Programme

The third layer of talent was developed through the programme titled 'Advanced Management Development Programme', which was a five-month development programme run by the LAUGFS Business School.

The objective of the programme was to develop a set of multi-skills in the participants that will enable not only vertical movement within the respective businesses, but also lateral movement within the Group, from one business to another.

The participants were exposed to the best management practices and learning tools, such as Harvard Business Review case studies. The participants engaged in a Group Project where they had the opportunity to put what they learnt in to practice. It was a test of personalities, strengths and areas of improvement.

Leadership Development Programme

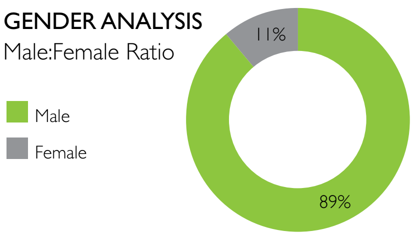
Advanced Management Development Programme

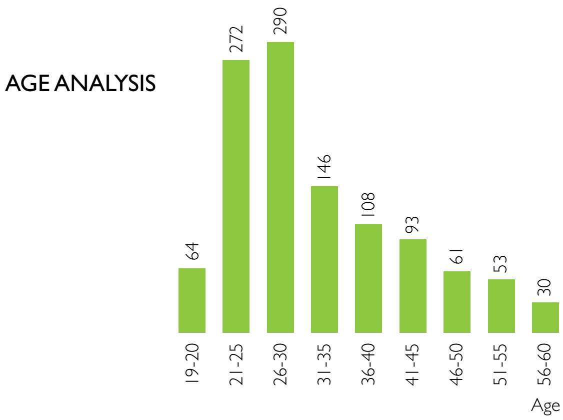
At LAUGFS, we promote a culture founded upon our hallmark of 'family'. It is a culture that is open, transparent and performance-driven. Throughout the year, there are many activities in which everyone comes together demonstrating togetherness and harmony.

LAUGFS Eco Sri get-together

LAUGFS Gas Invitation Cricket Tournament

Our team increased to 1,117 members, for business and operation expansions, during the year under review. We promote diversity, equal opportunity and creativity among our people.





As a responsible corporate citizen, we comply with the prevailing labour laws, statutory payments, timely submission of biannual reports on EPF, ETF to the authorities, gratuity, etc. We also provide equal employment opportunities, matching the right talent to the right role.

Customers

'Go the extra mile to deliver beyond customer expectations'

+5,500

Customers visit Eco Sri each day

At LAUGFS we believe in the twin themes of consistency and continuity through innovative solutions that satisfy customer expectations. This is in line with our core value of 'Customer Centricity'. Therefore, continuous value addition and building sustainable relationships are fundamental elements of our business practices.

We emphasize the importance of providing quality products and services to our customers, at all times. We take all measures possible to ensure that our customers are provided with superior quality. As testimony to this, LAUGFS Gas was awarded the National Quality Award for Manufacturing in the medium scale category and LAUGFS Eco Sri was awarded ISO 9001:2008 certification.

SUSTAINABILITY REPORT

Product Responsibility

LAUGFS is committed to ensuring that all operations are carried out, according to set quality and health and safety standards.

We have a dedicated department to ensure that health and safety impacts of products and services are assessed throughout the product life cycle. Health and safety related risks of all critical operations are assessed on a continuous basis and such analysis outputs are used for implementing the necessary corrective and preventive actions.

DID YOU KNOW?

LAUGFS Gas was awarded the National Quality Award 2012 - Manufacturing medium scale category

We are humbly proud to have been recognized with certifications and awards over the years, for the performance excellence of our operations not only in health and safety but also in quality and productivity.

Company/ Subsidiary	Award/ Certification	Awarded for	Key Beneficiaries
LAUGFS Gas PLC	Industrial Safety Award, 2006	Merit award winner for the safest work place in the Western Province.	Employees, Customers, General Public
LAUGFS Gas PLC	Provincial Productivity Award, 2006	3rd place in Service Sector – Medium scale - in the Western Province conducted by the Ministry of Labour Relations and Manpower.	Shareholders, Employees, Customers
LAUGFS Gas PLC	Industrial Safety Award, 2008	LAUGFS Gas PLC is the Western province second runner-up for the safest work place in Western province small category.	Employees, Customers, General Public
LAUGFS Gas PLC	National Safety Award, 2008	LAUGFS Gas was awarded sectorial – Engineering service runner-up for the safest work place in the sectorial category.	Employees, Customers, General Public
LAUGFS Gas PLC	ISO 9001: 2008 Certification, 2008	The certification was awarded by the national certification body (SLSI) for properly established, documented, implemented and maintained quality management system at LAUGFS Gas.	Customers, Employees, Shareholders, Suppliers.
LAUGFS Eco Sri (Pvt) Ltd.	ISO 9001:2008 Certification, 2011	This certification was awarded by the national certification body (SLSI) to LAUGFS Eco Sri for the properly established, documented, implemented and maintained quality management system.	Customers, Employees, Shareholders, Suppliers.
LAUGFS Gas PLC	National Quality Award, 2012	LAUGFS Gas is the award winner of the National Quality Award 2012 in the category of Manufacturing medium scale for performance excellence in quality.	Customers, Employees, Shareholders.

LAUGFS Gas awarded the National Quality Award 2012

Our innovative customer solutions

LAUGFS Eco Sri, being a distinct service provider, is always with the customer. Our Help Desk receives over 600 phone calls per day. All inquiries are handled in a professional manner satisfying the customer's 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 immaculate service is the top-most reason for us to be the preferred choice for vehicle owners.

Eco Sri Discount Shop operation at the vehicle emission testing centers is being expanded for the benefit of our customers to purchase car care accessories at a price lower than open market rates.

Techno Doctor

A Techno Doctor for the customers' vehicle! All Eco Sri centers hand out free, Eco newspaper, made with recycling paper, to all customers who patronize our centers. This not only carries information about emission testing and its effects, but also highlights the advantages one can gain from the entire LAUGFS Group. The newspaper publishes discount coupons that can be reimbursed by the customer. This is a benefit most of our customers look forward to in our editions and, over time, has become a value addition factor to the company.

Monthly raffle draw

Eco Sri has a monthly raffle draw, in which a free gas cylinder is given to one lucky winner, delivered free of charge to his/her residence. Such benefits are rare in the market, a reason why LAUGFS is unique.

Freebies

At a time when nothing comes free, we give away many attractive vehicle accessories, including colourful dust-caps, dash-board mats, pressure gauges and much more. When public attention strays 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. When the public drifts away from the environmental bond they share, Eco Sri grabs their attention back to where it should be.

Community

'Add value to the nation by uplifting the community'

+Rs. 1Mn

Community Investment

LAUGFS business philosophy revolves around adding value to the nation. Our Corporate Responsibility initiatives are prudently selected and implemented based on our corporate values.

The ethos of LAUGFS is built on sustaining the community, given that the foundation of our business is built on providing essential services to the community – energy, healthy environment, shelter and leisure.

We believe in empowering our communities

LAUGFS Leisure designs and constructs hotels, with a vision and a model of operation that develops not only a luxurious hotel, but also the community that surrounds it.

The first of our chain of hotels, 'Ananthaya' is nearing completion, in Chilaw.

SUSTAINABILITY REPORT

Putting our philosophy to practice, we have identified members from the community to supply fresh vegetables, fruits, meat and dairy products for the hotel. The required knowledge and training would be provided by LAUGFS, to the villagers, which will be immensely beneficial to them. The training will not only educate them and develop their skills, but will also empower them to integrate into the industry and uplift their lives as well as the entire community.

'Ananthaya', true to its meaning - 'endless', provides opportunities and benefits that are endless, not only in terms of livelihoods for the community, but also in terms of infrastructure to the area. LAUGFS bring forth a new life; a new form of development, that will spread smiles across the community, as we always pledge to do.

Because children are the future

Creating road safety awareness for school children in the form of entertainment, by rallying the kids and conducting a street drama on road safety was another way we fulfilled our responsibility towards a key segment of our community; our children.

The message conveyed was not merely that of road safety, but also about the laws pertaining to roads, how to prepare yourself and react in a crucial situation. It was the strong belief of the Eco Sri team that the growing minds need food for thought. Educating young minds with the right knowledge will create a law abiding generation of adults who will lead a better tomorrow.

Lighting up lives through education – Nindagampalassa school project

We came together as one, in the true spirit of the LAUGFS family culture, to build a much needed library and provide IT facilities for a rural school in Nindagampalassa in Embilipitiya. The school has over 200 students and even though they were keen and eager to learn, they did not have access to a library in the school.

The participants of the LAUGFS Business School – Leadership Development Programme undertook the project to donate a fully-fledged library to the school. The project included the cost of construction of the library building, cost of all the books requested by the school, computer equipment, school supplies to all students and staff of the school. The project investment was over Rs. 600,000/-.

Library project investment was over

Rs. 600,000/-.

The modern library was declared open at a grand ceremony held at the school on 19th September 2012 by LAUGFS Chairman, Mr. W. K. H. Wegapitiya. The Zonal Director Education Embilipitiya also graced the occasion and the Senior Management of LAUGFS Holdings attended the colourful ceremony held.

We provided the essentials for living - safe drinking water

Dehiattakandiya is an area populated mainly by the farming community. Ground water in the area is contaminated due to the heavy use of agro-chemicals. This is the only water that is accessible to the locals for drinking purposes and as a result, many suffer from kidney problems and dental fluorosis. Children are a highly affected group.

LAUGFS Eco Sri stepped forward to provide access to clean water to the schools Kudagala Vidyalaya – Dehiattakandiya and Henanigala Vidyalaya – Dehiattakandiya.

The project included: funding the laying of pipelines to connect to the municipal water pipelines, connecting overhead tanks to the piping system, construction of sinks and taps in the school premises.

Donations and sponsorships

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

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

Social	Religious
Supplying of gas to an Ayurvedic doctor who provides free medical treatments to cancer patients.	We fabricated and fixed a gas line with high pressure gas cookers in the pilgrim's rest at the Temple of the sacred Tooth Relic, Kandy, enabling the pilgrims to prepare their meals. We also maintain the gas line and cookers for the benefit of the pilgrims.
Assistance to a deaf and dumb person through 'Jesus Calls International' organization	Fabricated and fixed a gas pipe line in the kitchen of the Temple of the Sacred Tooth Relic for the preparation of the 'Muluthen Danaya' for the Sacred Tooth Relic. LAUGFS has pledged to provide gas continuously to the Temple.
Donation to David Jayasundara Elders' Home in Keselwatta	Provided assistance to the 'Maha Bath Dansala' during Vesak, organized by Supun Super Centre.
Donation of a wheelchair for a father of one of our employees	Donation to 'Ashirwada Atawisi Buddha Wandana Maha Pinkama' organized by Lahiru Scholarship Foundation, Madamugama.
	Donation for the construction of vihara mandiraya at Sri Sarananda Viharaya, Anukkane.

SUSTAINABILITY REPORT

Our Donations and Sponsorships

We provide internship training opportunities to students annually, in order to equip them with work experience and skills. Such opportunities were provided to students of University of Sri Jayewardenepura, University of Sabaragamuwa, University of Ruhuna, ICBT, NIBM and our very own education company - LAHES.

Intermediaries

'Enable performance and infuse professionalism'

It is our intermediaries who weave the massive network of supply – sales and distribution, making sure that every household in our country has access to LAUGFS Gas.

+2,900

Dealers

+18

Distributors

Enabling performance – keeping them motivated

We believe in enabling people to perform, to reach greater heights. Some of our initiatives include:

- Maintaining a higher dealer margin
- Providing financing facilities through LAUGFS Capital for Dealers and Distributors
- Competition for Dealers and Distributors for 5kg cylinders; prizes of air tickets, LED TVs
- New Dealer boards and wall paintings for Dealers
- Taking a step further, we are affiliated with VIVA, National Savings Bank and Pan Asia Bank for easy and increased business for Dealers
- Dealers are given the facility for easy payment schemes to customers
- Distributor meetings - The meeting in 2012 was held at Hotel Galadari, Colombo

Dealer Boards and Wall Paintings

Shareholders

'Deliver our promise at all times'

+20,000
Shareholders

The performance of LAUGFS, since the listing of the company in 2010, has been an outcome of a 'stakeholder value' focused strategy, unparalleled to many industries. Our business strategy, revolving around 'deliver of promise' has transcended the expectations of our shareholders.

LAUGFS has been at the forefront in recording sustainable growth in profits. Adoption of a shareholder value creation strategy has enabled us to continuously achieve a high Return on Net Assets. High standards of Corporate Governance and a comprehensive Risk Management framework as detailed in the reports, on pages 88 and 93 respectively, ensure adequate protection of shareholder funds. A dividend of Rs. 1.50 per share was paid on 02nd August 2012 for the financial year ended 31st March 2012.

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. As testimony, LAUGFS was awarded the Certificate of Compliance by the Chartered Institute of Sri Lanka for our Annual Report of 2011/12.

SUSTAINABILITY REPORT

ENVIRONMENTAL CAPITAL

'Protect our environment for future generations'

LAUGFS business philosophy is one that is built on sustainability; not merely a sustainable business, but on a macro level - a sustainable environment that radiates to the nation at large. We are always mindful and committed not to engage in any business that has a negative impact on the environment.

+5,500

Vehicles tested for emissions daily

LAUGFS Gas contributes to the preservation of the environment as the use of LP Gas reduces deforestation.

LAUGFS Eco Sri business model is one that revolves around preserving the environment – engaging in testing of vehicle emissions. With the completion of three years of operations, LAUGFS Eco Sri has expanded its operations with approximately 100 test centers and between 5,500 - 6,000 tests carried out each day.

Eco-luxury

The hotels being constructed under LAUGFS Leisure are focused on being eco-friendly. The hotel spas and landscape areas are designed to function on solar power and hybrid solar and wind power. The hotels will have many other features that save energy and preserve the environment. Our hotels strike a fine balance between eco-friendliness and luxury… 'eco-luxury'.

Plant for the planet

LAUGFS Eco Sri initiated a "Plant Donation" event on 5th June 2012, combining all emission testing centers island wide. It was not simply an affair where plants were distributed; the focal point was to reach a larger group of eco fans who were willing to move forward towards a global vision. 10,000 plants were given away to customers who visited the emission testing centers on the 5th of June 2012.

Clean energy is our responsibility

LAUGFS Power limited is the hydro energy harvesting arm of LAUGFS. The company is engaged in constructing a mini hydro power station at Balangoda on Ranmudu Oya, producing 1.25GWh per year.

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

Providing employment for locals, during construction and operation, it adds to the beginning of an "industry" giving rise to industry specific knowledge and technology, training and development of professional and technical expertise and infrastructure development, making our role in innovation, research and development to be of significant worth, in adding value to our nation as a whole.

Saving today, for a greener tomorrow

LAUGFS businesses revolve around preserving the environment for our future generations. Our team takes every measure to ensure that we save and re-use paper in order to reduce our impact on the environment. Going one step further, LAUGFS Eco Sri took the initiative to introduce 'recycle bins'; large bins made out of recycled boards where all waste paper is disposed for re-cycling.

ECONOMIC CAPITAL

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

+Rs. 2 Bn

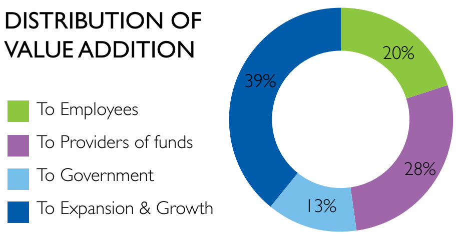
Economic Value Creation

During the year under review, LAUGFS' economic value creation is as depicted in the pie chart.

Our value was distributed among employees, providers of funds and the Government while Rs. 788,031,000 was retained for growth of the company. The detailed analysis of the value addition is on page 169.

LAUGFS continues to fuel the economy by growing at a rapid pace, creating direct and indirect employment opportunities. During the year under review, we provided direct employment to 1,117 and income generation opportunities to more than 18 Distributors and 2900 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. We believe that we are successful as a business only if our country benefits in an overall sense.

DISTRIBUTION OF VALUE ADDITION



SUSTAINABILITY REPORT

Progress report of the Actions and Goals set for the year under review:

Stakeholder Group	Commitment made in 2012	Progress
Employees	Develop the second line leaders, equipping them with the necessary Managerial and Leadership skills to take on Leadership roles.	🟩
Customers	LAUGFS Gas:	
	• Introduce 5kg cylinder as a solution for high cost of living.	🟩
	• Introduce the 'Composite Cylinder', which would be a 'first' in South East Asia.	🟥
	LAUGFS Eco Sri:	
	• Obtain ISO 14000 for all fixed centers	🟥
	• Set up the first Vehicle Safety Inspection and Certificate Center (I & C Center) in Sri Lanka	🟥
	• Launch the 'Discount Shop' initiative	🟩
Intermediaries	LAUGFS Gas:	
	• Introduce the 'Channel Excellence' recognition scheme for Dealers and Distributors.	🟩
	• Introduce 'Commercial Exclusive' recognition scheme for the Commercial Customers.	🟩
Economy	• Increase the provision of income generation opportunities through the expansion of business.	🟩
Community	LAUGFS Gas:	
	• Launch the community programme 'Minisathkamata Pin Kamak'.	🟥
	LAUGFS Leisure:	
	• Engage the fishing community and provide them with market opportunities	🟨
	• Involve the human resources in the community and develop the necessary skills for employment in the LAUGFS hotels.	🟨
Environment	LAUGFS Eco Sri:	
	• Distribute 5000 plants among customers on the Environment Day	🟩
	LAUGFS Leisure:	
	• Complete the Wind Mill project in Chilaw	🟨
Shareholders	• Achieve the Profit targets set for the year	🟩

Status key:

🟩 Completed
🟨 Commenced, in progress
🟥 Not commenced

Our Goals for 2013:

Stakeholder Group	Goals
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: • Employee clinics will be held regionally to provide advice/counseling to employees in their day-to-day issues and as 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 the intermediaries where they can have a better control over their inventory and distribution and thereby, 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 for 'Ananthaya', 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 1000 mangroves
Shareholders	• Achieve Profit targets set for the year • Create value for their investments

BOOK 6

Trustworthy

Corporate Governance
Risk Management
Audit Committee Report
Remuneration Committee Report
Investment Committee Report
Management Committee Report

"Good governance and the management of risk is part of management's responsibilities to secure financial health as well as to ensure integrity to the maintenance and expansion of corporate value.

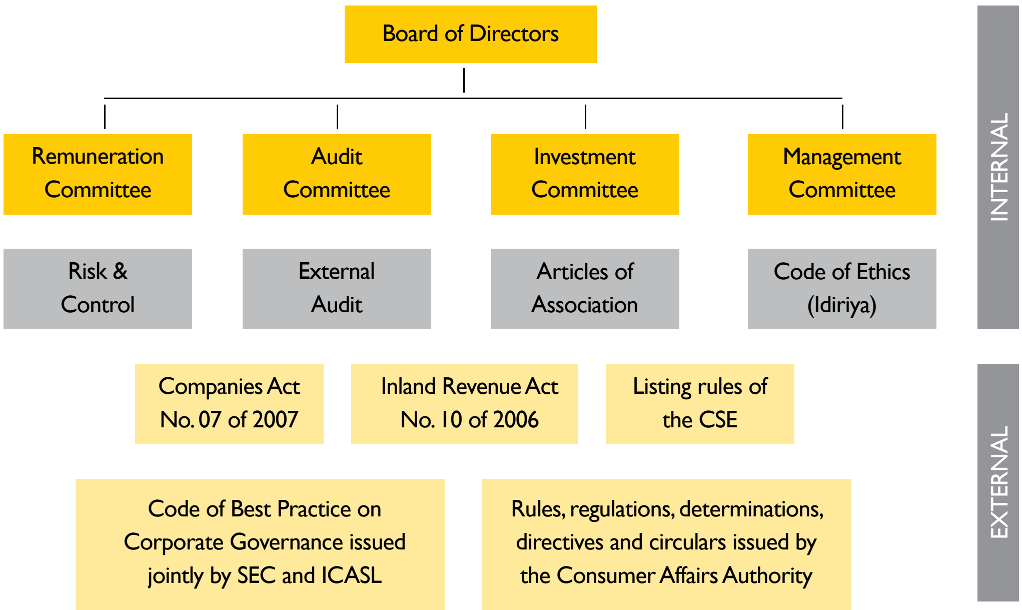
CORPORATE GOVERNANCE

LAUGFS Gas PLC is fully committed to the highest standards of Corporate Governance 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 Code on Corporate Governance in the United Kingdom.

The Board is responsible to the regulators, statutory bodies and the shareholders for creating sustainable shareholder value within a framework of strong Corporate Governance in order to ensure confidence and protection of the investors and shareholders.

Corporate Governance Framework

The company's Corporate Governance is structured in the following manner, highlighting the key elements of the Governance structure, adopted to ensure and deliver the best and most productive impact on the shareholder value.



Board of Directors

The Board of Directors of the company is responsible to the shareholders to maintain all business activities and to ensure that the other affairs of the company are carried out to the highest ethical standards, complying with the regulatory and legal requirements, in the best interests of all the stakeholders of the company.

The Board of Directors has full and effective control of the company and they are responsible for enhancing shareholder value, providing necessary guidance and directions in planning of short-term and long-term corporate strategies, reviewing and providing necessary guidance on budget planning, reviewing the system of human resource management, corporate governance, statutory compliance, assisting internal audit and integrated risk management and approving major and substantial investment.

The Board consists of the Chairman/ Group CEO, Group Managing Director, a Non-Executive Director and three other Independent Non-Executive Directors. A brief profile of the members of the Board of Directors is given on pages 34 to 37.

The company is very aware of the necessity of maintaining an appropriate mix of skills, professionals and experience in the Board of Directors and to progressively refresh the same in a timely manner. It is the aim of the Board of Directors to meet at least once in every two months to discharge their duties, responsibilities and discuss and make decisions. The Board performed its advisory and supervisory roles through the Audit Committee, Remuneration Committee, Investment Committee and Management Committee. A senior member of a recognized professional accounting body, a senior commercial lawyer/President's Counsel, a senior corporate Director perform as Independent Non-Executive Directors while ensuring the company's affairs are in line with the highest standards. The Board is confident that the composition of the Board is in accordance with the criteria stipulated in the Listing Rules of Colombo Stock Exchange and the Independent Non-Executive Directors have duly submitted the declaration of Independence or Non–Independence in terms of Section 7.10.2 (b) of the Listing Rules.

The composition of the Board of Directors is 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 - Non–Executive Independent Director
5. Mr. T. K. Bandaranayake - Non–Executive Independent Director
6. Mr. P. M. Kumarasinghe PC - Non–Executive Independent Director

Meetings and Attendance

The attendances of the Board of Directors of the Board Meetings conducted during the financial year under review are as follows.

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

Conflict of Interest

The Board of Directors is responsible for determining whether they have any potential or actual conflict of interest arising from external association, interests in material matters and personal relationships and obligations which might influence the independence and decisions of the members of the Board.

The Board of Directors makes maximum effort to review such conflict of interests which may arise from time to time.

CORPORATE GOVERNANCE

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

	(a) Significant shareholdings	(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 the company
b) Self or close family member is a Director or employee of another LAUGFS 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 of a LAUGFS company
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

All Directors make a formal declaration of their independence on an annual basis.

Appropriateness of combined roles of Chairman and CEO (Group CEO)

Mr. W. K. H. Wegapitiya serves as the Chairman and Group Chief Executive Officer of LAUGFS Gas PLC. As the Chairman of the company, Mr. Wegapitiya ensures the effective operations of the Board and its committee affairs to the highest standards of Corporate Governance, effective communication with shareholders, promotes constructive debate and effective decision making and encourages the most effective relationship and communication between the Board of Directors and the management team.

As the Group CEO of the company he oversees the development of strategy proposals for recommendation to the Board and ensures that the agreed strategies are reflected in the business, developing of annual plans in accordance with the corporate strategies, planning of human resource, 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 and its subsidiaries offers the following advantages.

It ensures unity of command and a single point of authority and responsibility. In addition, such joint leadership structure eliminates internal or external ambiguities as it pertains to the ultimate spokesperson of the organization. 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 stakeholder objectives in a conglomerate setting. The Chairman / Group CEO provides directions and policy execution framework for management and decision making process to be more effective and efficient. 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 as the Group CEO.

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 Sri Lanka Accounting Standards and all other statutory requirements. The Audit Committee also ensures the company's internal control system and Risk Management procedure are upto industry standards. The Committee monitors compliance of statutory requirements by the management. It 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. It focuses on evaluating the potential of investment opportunities, regular monitoring of return 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.

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 compiles and reviews 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 in relation to 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 Controls

The Board of Directors, through the involvement of the Group Risk and Control Review has taken all necessary measures and steps to ensure that the systems designed to safeguard the company's assets, maintain proper and accurate accounting records and provide management information, are in place and are functioning according to expectations of the top management. The risk review programmes covering the internal audit function of the company and its subsidiaries are 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 controls on a regular basis.

Relationship with the Shareholders

Shareholders have the opportunity at the Annual General Meeting to put forward questions to the Board of Directors and to the Chairman/Group CEO of the company and its subsidiaries and the chairmen of the 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 on issues pertaining to payment of dividends and circulation of Annual Reports. 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 provided by the Companies Act No. 07 of 2007.

CORPORATE GOVERNANCE

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 Colombo Stock 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
7.10.6	**Audit Committee** The Company shall have an Audit Committee.	Complied
7.10.6(a)	**Composition** • Shall comprise of Non-Executive Directors, a majority of whom will be independent • One Non-Executive Director shall be appointed as Chairman of the Committee • Chief Executive Officer and Chief Financial Officer shall attend Committee meetings • The Chairman or one member of the Committee should be a member of a professional accounting body	Complied

The company has introduced a Code of Conduct 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 regulations, safeguard the company's assets and avoid conduct which will negatively reflect on them or image of the company.

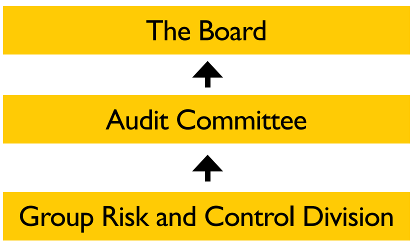
Further, the Board of Directors obtain independent advice on macroeconomic forecasts and other issues in order to carry out the decision making and strategic planning process in an efficient and effective manner.

RISK MANAGEMENT

Risk management has become vital in 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 a view to protection of shareholder value, thereby, to reduce and eliminate the risks, 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 activity, volatility and project opportunity threat.

Reporting Structure



Strategies for Managing Risk

The strategies the company adopts depend on the type of risk and the severity of risk. Some risks can be managed by accepting the consequences of risk and budgeting for it where as some risks have to be avoided without giving any possibility to occur, that would result in negative consequences which affect the organization. The other strategy is to transfer the risk to another party by arranging insurance against a particular asset or activity depending on the probability of occurrence. The mostly used final strategy is to reduce the risk's negative effects.

Risk Management Process

The purpose of risk management is to identify internal and external risks which will impact the Group of companies and to come up with mitigation plans to face them. The Group Risk and Control division is constantly in search of internal and external threats which would have an impact on the companies. The process of risk management in LAUGFS Group can be depicted as follows.

RISK MANAGEMENT

Risk Management Process during the Reporting Period 2012/2013

The organization's strategic goals and objectives determined in corporate planning, along with the Group's Vision and Mission statements have been understood by the Group Risk and Control division as every function is performed to reach the goals of our Group. The top management has determined the goals towards different stakeholder groups.

The risk assessment contains the risk analysis and risk evaluation after identification of estimation of risks in qualitative and quantitative terms. 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, 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 plan have been presented for review to the Audit Committee.

The Risk Register comprises risks in 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

Risk Exposure	Risk Response
4. Human Resources Risk Risk arising as a result of inability to attract and retain best capable employees	• Offer attractive reward systems • Develop career development programmes
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 three Independent and 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 four times during the year ended 31st March 2013. The Chairman/Group CEO, Group Managing Director, Chief Financial Officer and Head of Legal/Board Secretary attended the meetings by invitation. Heads of Finance of 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 which assists 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 firm of Chartered Accountants 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 where necessary to strengthen the existing internal control system, 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 Committee also met them without the presence of the Executive Management. 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 re-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.

Proceedings of the Audit Committee

The minutes of the Audit Committee meetings are tabled at subsequent meetings of the Board of Directors for their information.

Tissa Bandaranayake
Chairman, Audit Committee

30th May 2013

REMUNERATION COMMITTEE REPORT

Composition of the Remuneration Committee

Remuneration Committee of LAUGFS Gas PLC comprises of following Non-Executive and Non-Executive Independent Directors.

1. H. A. Ariyaratne - Chairman
2. T. K. Bandaranayake - Member
3. C.L. De Alwis - Member

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

It is the firm belief of the Remuneration Committee, that it should formulate policies on remuneration of Directors, members of senior management and the other members of staff to attract, motivate and retain them.

The responsibilities of the Remuneration Committee mainly are as follows:

- Reviewing and making recommendations to the Board on remuneration of the Directors
- Formulating formal and transparent policies on remuneration for Chief Executive Officers and members of the senior management.
- Recommendations and appointments to the corporate management
- Developing of the policies on succession planning
- Formulate performance indicators for Executive Directors / Chief Executive Officers and members of senior management
- Review of performance appraisal ratings of Executive Directors/ Chief Executive Officers and members of the senior management
- Development of policies on reviewing of performance appraisals of the other members of staff
- Maintaining and developing competitive and attractive remuneration packages in the organization based on individual performances
- 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

LAUGFS Gas PLC has adopted a remuneration policy to set remuneration packages at a level that can attract, motivate and retain high quality employees within the organization. The said policy is geared through a policy of granting annual incentives on performance based criteria.

The performance of each employee including members of senior management is analyzed in annual performance appraisals.

Remuneration packages are analyzed based on industry and market standards. It is clearly identified that the expertise, contribution, commitment of the employees are analyzed with the performance of the business and returns to the shareholders.

Remuneration Structure

Remuneration of an employee is based on business performances, profession and / or experience, level of expertise and contribution. In most cases the total remuneration package has fixed and variable components.

REMUNERATION COMMITTEE REPORT

Base salary and fixed allowances are considered as fixed components and performance based incentives are given to employees who are eligible to receive such incentives depending on categories. Such performance based incentives has become necessary to motivate employees to achieve certain short-term and long-term corporate goals.

In addition, medical benefits are provided to employees of the company for hospitalization, surgeries, OPD and dental treatments.

Gratuity, Employee Provident Fund (EPF), Employee Trust Fund (ETF) benefits are available for employees as per prevailing statutory laws.

Further, workmen compensation is available for all the employees as per the prevailing statutory laws.

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

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

H.A. Ariyaratne
Chairman - Remuneration Committee

30th May 2013

INVESTMENT COMMITTEE REPORT

Investment Committee of LAUGFS Gas PLC comprises of Mr. U. K. Thilak De Silva, (Chairman of the Investment Committee), Mr. W. K. H. Wegapitiya and Mr. H. A. Ariyaratne.

The Committee is composed with the 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 and Heads of Finance/Chief Financial Officers of companies are invited to Committee meetings depending on the requirements.

Independent professionals are also invited to provide independent professional and technical inputs to facilitate decision making when relevant. The Committee always obtains independent advice on macroeconomic forecasts in the process of decision making.

The Committee in discharging duties and responsibilities mainly focuses on formulation of investment strategies, evaluation of prospective investment opportunities, monitoring and evaluation of return on investments, the overall direction of the Group and review of business operational results.

The Committee also assesses the risk factor, investment and the strategies to be implemented to improve the productivity and returns on investments.

Based on the evaluations of the Investment Committee, they make recommendations to the Board of Directors on various investment related matters.

In conclusion, I wish to thank my colleagues Mr. W. K. H. Wegapitiya, Chairman/ Group CEO 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

30th May 2013

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, Mr. H. A. Ariyaratne and Mr. C. L. De Alwis.

The duties and responsibilities of the Management Committee are as follows:

Making recommendations to the Board of Directors on:

- Formulation and implementation of management strategies
- Preparation of Corporate Business Plans
- Reviewing and monitoring of Group budgets
- Reviewing and evaluating of performance of individual companies
- Monitoring of Financial Reporting and Corporate Governance
- Introducing of new management systems

The Committee regularly meets to review and evaluate financial performance and to carry out its duties mentioned above. The Committee invites Chief Executive Officers of the individual companies and the members of the senior management team depending on the circumstances. Having evaluated the matters, the Committee makes recommendations to the Board of Directors on various management related issues.

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

30th May 2013

BOOK 7

Dependable

"We will remain focused on delivering dependable returns to our investors and on keeping our pledge to build a world-class company with purely Sri Lankan values."

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 31st March 2013. LAUGFS Gas PLC is a public limited liability 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 listed on the Colombo Stock Exchange since December 2010.

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 LP Gas markets.The company has also invested in a portfolio of diverse businesses comprising of 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, constructing a 88 roomed luxury hotel in Chilaw and planning to develop luxury hotels in Wadduwa and Passikudah, constructing a hydro-power plant in Balangoda and Real Estate/Property Development, respectively.The company has not engaged in any activity which contravene with law and regulations of 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/Group CEO's message, Group Managing Director's message and the Management Discussion and Analysis sections of the Annual Report. These Reports together with the Audited Financial Statements reflect the state of the affairs of the company and its subsidiaries. Segmentwise contribution to Group revenue, results, assets and liabilities is provided in Note 5 to the Financial Statements.

Results and Appropriations

Revenue generated by the company for the year under review amounted to Rs. 9.7 billion, whilst Group Revenue amounted to Rs. 10.6 billion. Contribution to Group Revenue, from the different business segments carried out by the four subsidiaries are provided in Note 5, to the Financial Statements.

Financial Statements and the Report of the Auditors

The Financial Statements of the company and the Group for the year ended 31st March 2013 as approved by the Board of Directors on 29th May 2013 are given on pages 108 to 163.

The Auditors' Report on the Financial Statements of the company and the Group is given on page 107.

Accounting Policies

The Accounting Policies adopted in the preparation and presentation of the Financial Statements are given on pages 113 to 125. There were no material changes in the Accounting Policies adopted by the company and its subsidiaries during the year under review, except for changes in accounting policies with respect to the change in the financial reporting framework.

Donations

Total donations made by the Company and its subsidiaries during the year under review amounted to Rs. 2.7 million.

Investments

Total investments of the company in subsidiaries and other equity investments amounted to Rs. 1.7 billion.The details of the investments are given in Notes 14 and 15 to the Financial Statements.

Property, Plant and Equipment

The net book value of property, plant and equipment as at the reporting date amounted to Rs. 4.4 billion and Rs. 6.5 billion for the company and Group respectively.

Total capital expenditure during the year for acquisition of property, plant and equipment by the company and the Group amounted to Rs. 0.6 billion and Rs. 1.3 billion respectively.

Details of property, plant and equipment are given in Note 10 to the Financial Statements.

Stated Capital and Reserves

The stated capital of the company as at 31st March 2013 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 is Rs. 6,487,981,787.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Group's system of internal controls.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 controls is satisfied with the systems and measures in effect at the date of signing this Annual Report.

Human Resources

The company has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. Further, the company continued to introduce novel human resources management policies 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 31st March 2013 and their brief profiles are given on the pages 34 to 37. The following persons were the Directors of the Company as at 31st March 2013.

(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 - Non-Executive Independent Director

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

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

In terms of Article 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 attained the age of 70 years and who are to be retired at the end of the Annual General Meeting interms 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 procedure are upto industry standards. 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 principle focus is on evaluating investment opportunities, monitoring return 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, Mr. U. K. Thilak De Silva, Mr. H. A. Ariyaratne and Mr. C. L. De Alwis. Its principle 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. 7 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 30 to the Financial Statements.

Directors Shareholding

The shareholdings of the Directors of the company as at 31st March 2013, 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	133,500	0 .040	Mr. W. K. H. Wegapitiya	NIL	-
Mr. U. K. Thilak De Silva	20,000	0 .006	Mr. U. K. Thilak De Silva	NIL	-
Mr. H. A. Ariyaratne	3,900	0 .001	Mr. H.A. Ariyaratne	3 ,400	0.007
Mr. C. L. De Alwis	1,000	0 .000	Mr. C. L. De Alwis	500	0.001
Mr. P. M. Kumarasinghe PC	4,800	0 .001	Mr. P. M. Kumarasinghe PC	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 of LAUGFS Holdings Limited, which is the holding company that has significant stakes of the company directly. Mr. H. A. Ariyaratne serves as a Director in LAUGFS Holdings Limited.

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 30.7 to the Financial Statements.

Share Information

Information relating to earnings, dividends, net assets and market value per share is given on pages 164 to 168. The distribution and the composition of shareholding are given on page 164 of this Annual Report.

The details of the twenty major shareholders of the company including the number of shares held by them are given on pages 167 and 168 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 Governance Report. Further, the Directors declare that the company has not engaged in any activity which contravenes with laws and regulations. All material interest 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 equitable treatment of shareholders. The business is a going concern and a review of internal controls covering financials, operational and compliance controls and risk management has been conducted and 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 effort in this regard is described in the Sustainability Report.

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 the reporting date have been paid or, where relevant provided for, except as specified in Note 7 of the financial statements, covering contingent liabilities.

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 has announced a first and final Dividend of Rs. 1.50 per share payable on 19th June 2013.

Auditors

Messrs Ernst & Young, Chartered Accountants are deemed re-appointed interms of Section 158 of the Companies Act No. 7 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 the Group are disclosed in Note. 6.5 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 Mt. Lavinia Hotel on 29th June 2013 at 9.30 am. 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 (Pvt) Ltd
Secretaries

30th May 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under the Companies Act No. 7 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 the reporting date and the profit of the company and its subsidiaries for the financial year.

The Directors accept the responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that the financial statements have been prepared:

- using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- presented in accordance with the Sri Lanka Accounting Standards comprising of SLFRS and LKAS; and that
- 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 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 of the Group and 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 whatever steps and undertake whatever inspections that may be considered being appropriate 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 a first and final dividend of Rs. 1.50 per share for the financial year under review which will be paid on 19th June 2013.

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 the reporting date have been duly paid or where relevant provided for.

By Order of the Board

Corporate Advisory Services (Pvt) Ltd
Secretaries

30th May 2013

ERNST & YOUNG

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

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

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 2013, 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 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2013 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 2013 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.

29 May 2013
Colombo

INCOME STATEMENT

For the year ended 31 March	Note	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Continuing Operations:					
Revenue	6	10,563,163,026	9,107,268,054	9,705,179,946	8,395,843,733
Cost of Sales		(8,836,190,513)	(7,407,218,762)	(8,622,049,304)	(7,218,191,582)
Gross Profit		1,726,972,513	1,700,049,292	1,083,130,642	1,177,652,151
Other Operating Income	6.2	226,472,115	217,612,108	717,075,712	306,892,718
Selling and Distribution Expenses		(326,053,129)	(333,386,255)	(310,878,771)	(313,820,062)
Administrative Expenses		(581,081,801)	(531,151,606)	(295,263,664)	(300,660,418)
Foreign Currency Exchange Gain/(Loss)		87,629,947	(209,763,162)	87,629,947	(209,763,162)
Operating Profit		1,133,939,645	843,360,377	1,281,693,866	660,301,226
Finance Costs	6.3	(5,053,018)	(1,421,862)	(4,997,578)	(1,399,733)
Fair Value Gain on Investment Properties	11	35,472,500	21,360,000	35,472,500	21,360,000
Finance Income	6.4	154,826,089	162,628,944	91,671,083	137,081,629
Profit Before Tax from Continuing Operations		1,319,185,215	1,025,927,459	1,403,839,872	817,343,122
Income Tax Expense	7	(258,364,508)	(196,484,634)	(190,959,928)	(180,912,921)
Profit for the Year from Continuing Operations		1,060,820,707	829,442,825	1,212,879,944	636,430,201
Discontinued Operations:					
Profit/(Loss) After Tax for the Year from Discontinued Operations	8	-	(6,959,511)	-	-
Profit for the Year		1,060,820,707	822,483,314	1,212,879,944	636,430,201
Attributable to:					
Equity Holders of the Parent		1,060,820,707	822,483,314	1,212,879,944	636,430,201
Non-Controlling Interests		-	-	-	-
		1,060,820,707	**822,483,314**	**1,212,879,944**	**636,430,201**
Basic/Diluted Earnings Per Share for Discontinued Operations	9	-	(0.02)		
Basic/Diluted Earnings Per Share for Continuing Operations	9	2.74	2.14		

The accounting policies and notes on pages 113 to 163 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Profit for the Year		1,060,820,707	822,483,314	1,212,879,944	636,430,201
Other Comprehensive Income					
Loss on Available for Sale Financial Assets	6.6	(28,461,033)	(225,702,591)	(28,461,033)	(225,702,591)
Income Tax Effect		-	-	-	-
Other Comprehensive Income for the Year Net of Tax		(28,461,033)	(225,702,591)	(28,461,033)	(225,702,591)
Total Comprehensive Income for the Year Net of Tax		1,032,359,674	596,780,723	1,184,418,911	410,727,610
Attributable to:					
Equity Holders of the Parent		1,032,359,674	596,780,723	1,184,418,911	410,727,610
Non-Controlling Interests		-	-	-	-
		1,032,359,674	**596,780,723**	**1,184,418,911**	**410,727,610**

The accounting policies and notes on pages 113 to 163 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	Group As at 31 March 2013 Rs.	Group As at 31 March 2012 Rs.	Group As at 01 April 2011 Rs.	Company As at 31 March 2013 Rs.	Company As at 31 March 2012 Rs.	Company As at 01 April 2011 Rs.
ASSETS							
Non-Current Assets							
Property, Plant and Equipment	10	6,511,466,386	5,529,848,680	4,480,465,982	4,381,634,720	3,984,240,880	3,564,239,240
Investment Properties	11	644,900,000	609,800,000	588,800,000	644,900,000	609,800,000	588,800,000
Intangible Assets	12	63,203,385	53,211,690	52,956,457	10,000,000	8,305	28,236
Prepayments	13	91,955,456	400,000	-	-	-	-
Investments in Subsidiaries	14	-	-	-	1,281,301,914	1,281,301,914	616,301,984
Other Non-Current Financial Assets	15.1	116,128,966	144,455,040	356,363,726	116,128,966	144,455,040	356,363,726
		7,427,654,193	6,337,715,410	5,478,586,164	6,433,965,600	6,019,806,139	5,125,733,186
Current Assets							
Inventories	17	388,989,528	620,109,359	291,647,968	356,332,823	598,253,377	273,237,080
Trade and Other Receivables	18	1,141,899,092	932,596,384	869,985,833	1,835,902,057	887,830,201	844,031,321
Prepayments	13	30,781,565	6,347,549	3,557,282	30,781,565	6,347,549	3,557,282
Rate Regulatory Assets	19	106,665,311	196,023,612	387,854,097	106,665,311	196,023,612	387,854,097
Income Tax Recoverable		-	38,684,316	-	-	42,864,603	-
Other Current Financial Assets	15.1	4,236,100	4,962,160	-	4,236,100	4,962,160	-
Cash and Short-Term Deposits	20	1,509,406,947	2,163,913,258	2,037,535,204	1,163,509,041	1,748,404,240	1,858,513,965
		3,181,978,543	3,962,636,638	3,590,580,384	3,497,426,898	3,484,685,743	3,367,193,745
Total Assets		**10,609,632,736**	**10,300,352,048**	**9,069,166,548**	**9,931,392,498**	**9,504,491,882**	**8,492,926,931**
EQUITY AND LIABILITIES							
Equity							
Stated Capital	21	3,285,000,260	3,285,000,260	3,285,000,260	3,285,000,260	3,285,000,260	3,285,000,260
Reserves	22	(321,209,089)	(292,748,056)	(67,045,465)	(321,209,089)	(292,748,056)	(67,045,465)
Retained Earnings		3,524,190,615	3,038,703,667	2,791,247,541	2,970,569,133	2,333,022,933	2,271,619,918
Equity attributable to Equity Holders of the Parent		6,487,981,786	6,030,955,871	6,009,202,336	5,934,360,304	5,325,275,137	5,489,574,713
Non-Controlling Interests		-	-	-	-	-	-
Total Equity		6,487,981,786	6,030,955,871	6,009,202,336	5,934,360,304	5,325,275,137	5,489,574,713
Non-Current Liabilities							
Interest Bearing Loans and Borrowings	15.2	-	-	375,122	-	-	375,122
Deferred Tax Liabilities	7.4	492,335,839	416,226,836	364,535,678	492,335,839	416,226,836	364,535,678
Deferred Income	25	410,070,483	345,772,225	280,799,748	410,070,483	345,772,225	280,799,748
Employee Benefit Liability	24	32,436,193	34,456,236	23,756,017	26,420,121	28,364,234	20,470,588
Refundable Deposits	27	1,075,968,030	1,085,535,045	976,224,060	1,075,968,030	1,085,535,045	976,224,060
		2,010,810,545	1,881,990,342	1,645,690,625	2,004,794,473	1,875,898,340	1,642,405,196
Current Liabilities							
Trade and Other Payables	26	1,912,606,673	2,249,722,664	1,130,454,916	1,827,194,722	2,181,942,795	1,098,265,792
Refundable Deposits	27	119,552,003	120,615,005	108,469,340	119,552,003	120,615,005	108,469,340
Income Tax Payable		33,426,215	-	138,130,173	22,241,129	-	136,246,209
Interest Bearing Loans and Borrowings	15.2	45,255,514	17,068,166	37,219,158	23,249,867	760,605	17,965,681
		2,110,840,405	2,387,405,835	1,414,273,587	1,992,237,721	2,303,318,405	1,360,947,022
Total Equity and Liabilities		**10,609,632,736**	**10,300,352,048**	**9,069,166,548**	**9,931,392,498**	**9,504,491,882**	**8,492,926,931**

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 113 to 163 form an integral part of these financial statements.

29 May 2013
Colombo

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 2011		3,285,000,260	2,791,247,541	(67,045,465)	6,009,202,336	-	6,009,202,336
Profit For the Year		-	822,483,314	-	822,483,314	-	822,483,314
Other Comprehensive Income		-	-	(225,702,591)	(225,702,591)	-	(225,702,591)
Total Comprehensive Income		-	822,483,314	(225,702,591)	596,780,723	-	596,780,723
Dividend Paid (Final 2010/2011)		-	(580,500,131)	-	(580,500,131)	-	(580,500,131)
Deferred Tax Liability Reversal during the Year	7.5	-	5,542,698	-	5,542,698	-	5,542,698
Transfer of Surplus on Revaluation of Property, Plant and Equipment for Disposals made during the Year		-	(69,755)	-	(69,755)	-	(69,755)
As at 31 March 2012		3,285,000,260	3,038,703,667	(292,748,056)	6,030,955,871	-	6,030,955,871
Profit For the Year		-	1,060,820,707	-	1,060,820,707	-	1,060,820,707
Other Comprehensive Income		-	-	(28,461,033)	(28,461,033)	-	(28,461,033)
Total Comprehensive Income		-	1,060,820,707	(28,461,033)	1,032,359,674	-	1,032,359,674
Dividend Paid (Final 2011/2012)		-	(580,500,143)	-	(580,500,143)	-	(580,500,143)
Deferred Tax Liability Reversal during the Year	7.5	-	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**

Company	Note	Stated Capital Rs.	Retained Earnings Rs.	Available for Sale Reserve Rs.	Total Equity Rs.
As at 01 April 2011		3,285,000,260	2,271,619,918	(67,045,465)	5,489,574,713
Profit For the Year		-	636,430,201	-	636,430,201
Other Comprehensive Income		-	-	(225,702,591)	(225,702,591)
Total Comprehensive Income		-	636,430,201	(225,702,591)	410,727,610
Dividend Paid (Final 2010/2011)	23	-	(580,500,129)	-	(580,500,129)
Deferred Tax Liability Reversal during the Year	7.5	-	5,542,698	-	5,542,698
Transfer of Surplus on Revaluation of Property, Plant and Equipment for Disposals made during the Year		-	(69,755)	-	(69,755)
As at 31 March 2012		3,285,000,260	2,333,022,933	(292,748,056)	5,325,275,137
Profit For the Year		-	1,212,879,944	-	1,212,879,944
Other Comprehensive Income		-	-	(28,461,033)	(28,461,033)
Total Comprehensive Income		-	1,212,879,944	(28,461,033)	1,184,418,911
Dividend Paid (Final 2011/2012)	23	-	(580,500,129)	-	(580,500,129)
Deferred Tax Liability Reversal during the Year	7.5	-	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**

The accounting policies and notes on pages 113 to 163 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		Group		Company	
For the year ended 31 March		2013	2012	2013	2012
Cash Flows Generated from/(Used in) Operating Activities	Note	Rs.	Rs.	Rs.	Rs.
Cash Flows from Operating Activities					
Profit Before Tax from Continuing Operations		1,319,185,215	1,025,927,459	1,403,839,872	817,343,122
Profit/(Loss) Before Tax from Discontinued Operations		-	(7,567,312)	-	-
Profit Before Tax		1,319,185,215	1,018,360,147	1,403,839,872	817,343,122
Non-Cash Adjustment to Reconcile Profit Before Tax to Net Cash Flows:					
Amortization of Intangible Assets	12	8,305	19,931	8,305	19,931
Decrease in Fair Value of Quoted Equity Securities		726,060	5,771,281	726,060	5,771,281
Depreciation of Property, Plant and Equipment	10.1	307,702,180	270,226,530	221,565,673	190,243,528
Fair Value Gain on Investment Properties	11	(35,472,500)	(21,360,000)	(35,472,500)	(21,360,000)
Finance Costs	6.3	5,053,018	1,421,862	4,997,578	1,399,733
Finance Income	6.4	(154,826,089)	(162,628,944)	(91,671,083)	(137,081,629)
Loss on Disposal of Quoted Equity Securities		-	1,110,416	-	1,110,416
Dividend Income	6.2	(697,968)	(1,407,823)	(495,697,956)	(91,407,821)
Profit/(Loss) from Managing of Hotels		-	2,863,984	-	-
Provision/(Reversal) for Employee Benefit Liability	24.2	(1,124,129)	10,947,544	(1,238,273)	7,940,945
(Profit)/Loss on Disposal of Property, Plant and Equipment		4,325,450	3,117,071	(3,017,215)	1,701,420
Unrealized (Gain)/Loss on Foreign Exchange		(2,039,998)	149,902,357	(2,039,998)	149,902,357
Write-off of Property, Plant and Equipment		-	1,794,735	-	-
Operating Profit Before Working Capital Changes		1,442,839,544	1,280,139,091	1,002,000,462	925,583,283
Working Capital Adjustments:					
(Increase)/Decrease in Inventories		231,119,831	(328,461,391)	241,920,554	(325,016,297)
(Increase)/Decrease in Trade and Other Receivables and Prepayments		(228,666,872)	(57,519,053)	(972,505,872)	(46,589,148)
(Increase)/Decrease in Rate Regulatory Assets		89,358,301	191,830,485	89,358,301	191,830,485
Increase/(Decrease) in Trade and Other Payables		(340,166,560)	949,370,619	(352,708,075)	925,812,116
Increase/(Decrease) in Deferred Income		64,298,258	64,972,477	64,298,258	64,972,477
Cash Generated from Operating Activities		1,258,782,501	2,100,332,227	72,363,628	1,736,592,916
Employee Benefit Liability Costs Paid	24.2	(895,915)	(247,325)	(705,840)	(47,300)
Finance Costs Paid		(5,046,925)	(1,013,338)	(4,991,485)	(991,209)
Income Tax Paid		(104,954,870)	(307,910,063)	(44,578,809)	(295,853,674)
Refund/Transfers of Refundable Deposits	27	(281,657,634)	(276,764,275)	(281,657,634)	(276,764,275)
Refundable Deposits Received	27	271,027,618	398,220,925	271,027,618	398,220,925
Net Cash Flows Generated from Operating Activities		1,137,254,775	1,912,618,151	11,457,479	1,561,157,383
Cash Flows from/(Used in) Investing Activities					
Acquisition of Intangible Assets	12	(10,000,000)	-	(10,000,000)	-
Acquisition of Property, Plant and Equipment	10.3	(1,297,196,713)	(1,326,069,341)	(618,758,261)	(612,225,937)
Acquisition of Leasehold Right		(91,555,456)	-	-	-
Dividends Received		563,008	1,407,823	495,562,996	91,407,821
Investments in Quoted Equity Securities		-	(60,683,378)	-	(60,683,378)
Investments in Subsidiaries	14	-	-	-	(664,999,930)
Proceeds from Disposal of Property, Plant and Equipment		3,920,873	1,465,011	3,188,464	195,926
Proceeds from Disposal of Quoted Equity Securities		-	36,445,616	-	36,445,616
Net Cash Flows Used in Investing Activities		(1,394,268,287)	(1,347,434,270)	(130,006,801)	(1,209,859,884)
Cash Flows from/(Used in) Financing Activities					
Dividend Paid		(580,500,143)	(580,500,131)	(580,500,129)	(580,500,129)
Finance Income	6.4	154,826,089	162,628,944	91,671,083	137,081,629
Repayment of Interest Bearing Loans and Borrowings	15.2.2	(387,308)	(6,522,872)	(387,308)	(6,522,872)
Net Cash Flows Used in Financing Activities		(426,061,362)	(424,394,060)	(489,216,354)	(449,941,374)
Net Increase in Cash and Cash Equivalent		(683,074,874)	140,789,821	(607,765,676)	(98,643,875)
Cash and Cash Equivalent at the Beginning of the Year	20	2,147,226,307	2,006,436,486	1,748,024,850	1,846,668,725
Cash and Cash Equivalent at the End of the Year	**20**	**1,464,151,433**	**2,147,226,307**	**1,140,259,174**	**1,748,024,850**

The accounting policies and notes on pages 113 to 163 form an integral part of these financial statements.

NOTES TO THE 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.	Operating of hotels. However, during the year commercial operations have not been commenced since the hotel property at Chilaw is still under construction.
LAUGFS Property Developers (Pvt) Ltd.	Construction of a commercial property 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. However, commercial operations have not been commenced since the hydro power plant at Balangoda is still under construction

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 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 29 May 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated 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).

For all periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with SLAS effective up to 31 March 2012.

These financial statements for the year ended 31 March 2013 are the first the Group has prepared in accordance with SLFRS effective for the periods beginning on or after 01 April 2012. (Refer Note 3 for explanation of the transition)

Subject to certain transition elections and exceptions disclosed in Note 3, the Group has consistently applied the accounting policies used in preparation of its opening SLFRS statement of financial position as at 01 April 2011 through all periods presented, as if these policies had always been in effect.

Note 3 discloses the impact of the transition to SLFRS on the Group's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Group's consolidated financial statements for the years ended 31 March 2011 and 31 March 2012 prepared under SLAS.

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.

2.1.2 Statement of Compliance

The financial statements of LAUGFS Gas PLC and its subsidiaries (the Group) have been prepared in accordance 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 2013.

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.

Total comprehensive income 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises 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 freehold land and a leasehold 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) Income Tax

The Group is liable to income taxes and other taxes including VAT. Significant judgement was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the consolidated financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these consolidated financial statements.

The Group recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

(b) 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.

(c) 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 2013.

(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 24.

(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 remeasured 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 acquiree 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 retranslated 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, unfavorable 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 Group taking in to account the agreement signed between the Group and the Consumer Affairs Authority consequent to an order given by the Supreme Court. According to the judgment of the Supreme Court the Group 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 Group where it has permitted to a selling price of landed cost plus a margin.

2.4.5 Taxes

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.

Deferred Tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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 Discontinued Operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

2.4.7 Property, Plant and Equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing 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 derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

Depreciation is calculated on a straight line basis over the useful life of the assets is disclosed in Note 10.7.

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.

2.4.8 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 fulfillment 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.

For arrangements entered into prior to 01 April 2011, the date of inception is deemed to be 01 April 2011 in accordance with SLFRS 1 First-time Adoption of Sri Lanka Accounting Standards.

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 10.7.

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

2.4.9 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.

2.4.10 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 derecognised 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.

2.4.11 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 derecognised.

2.4.12 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.

2.4.13 Financial Instruments - Initial Recognition and Subsequent Measurement

2.4.13.1 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 2011, 31 March 2012 and 31 March 2013.

(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 derecognised 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.

2.4.13.2 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.

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

2.4.13.4 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.

2.4.14 Fair Value of Financial Instruments

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 15.3 and Note 15.4.

2.4.15 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 labor 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.

2.4.16 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.

2.4.17 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.

2.4.18 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.

2.4.19 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.

2.4.20 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 as income or expenses in the period in which it arises in the consolidate income statement as an administrative expense.

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

a) SLFRS 9 - 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 as defined in LKAS 39.

SLFRS 9 was issued in 2012 and become effective for the financial periods beginning on or after 01 January 2015. Accordingly, the financial statements for the year ending 31 March 2016 will adopt the SLFRS 9.

The Group will quantify the effect in due course.

b) SLFRS 10 - Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 - Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12 – Consolidation Special Purpose Entities.

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore, are required to be consolidated by a parent, compared with the requirements that were in LKAS 27.

SLFRS 10 was issued in 2012 and become effective for the financial periods beginning on or after 01 January 2015. Accordingly, the financial statements for the year ending 31 March 2016 will adopt the SLFRS 10.

The Group will quantify the effect in due course.

c) **SLFRS 12 - Disclosure of Interests in Other Entities**

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. The number of new disclosures are also required, but has no impact on the Group's financial position or performance.

SLFRS 12 was issued in 2012 and become effective for the financial periods beginning on or after 01 January 2015. Accordingly, the financial statements for the year ending 31 March 2016 will adopt the SLFRS 12.

d) **SLFRS 13 - Fair Value Measurement**

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted.

This standard is effective for annual periods beginning on or after 1 January 2015. Accordingly, the financial statements for the year ending 31 March 2016 will adopt the SLFRS 13.

Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

3. FIRST-TIME ADOPTION OF SLFRS

These financial statements, for the year ended 31 March 2013, are the first the Group has prepared in accordance with SLFRS. For periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with previous SLAS.

Accordingly, the Group has prepared its financial statements which comply with SLFRS applicable for periods ending on or after 31 March 2013 and prior periods, together with the comparative period's data as at and for the years ended 31 March 2012, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 01 April 2011, the Group's date of transition to SLFRS. This note explains the principal adjustments made by the Group in restating its SLAS statement of financial position as at 01 April 2011 and its previously published SLAS financial statements as at and for the year ended 31 March 2012.

The effect of Group's transition to SLFRS, described in Note 2 is summarized in this note as follows:

- Transition elections
- Reconciliation of equity and comprehensive income as previously reported under previous SLAS and SLFRS
- Adjustments to the consolidated statement of cash flows

3.1 Transition Elections

SLFRS 1 – First-time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain SLFRS.

Accordingly, the Group has applied the following transition exceptions and exemptions to full retrospective application of SLFRS.

a) **Deemed Cost of Property, Plant and Equipment**

Certain items of property, plant and equipment have been measured at fair value at the date of transition to SLFRS which were carried in the consolidated statement of financial position prepared in accordance with previous SLAS on the basis of acquisition cost. The Group has elected to regard those values as deemed cost at the date of the revaluation since they were broadly comparable to fair value.

b) **Business Combinations**

SLFRS 3 - Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS, or of interests in associates and joint ventures that occurred before 01 April 2011.

Use of this exemption means that the SLAS carrying amounts of assets and liabilities, that are required to be recognised under SLFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS. Assets and liabilities that do not qualify for recognition under SLFRS are excluded from the opening SLFRS consolidated statement of financial position.

The Group did not recognise or exclude any previously recognised amounts as a result of SLFRS recognition requirements.

SLFRS 1 also requires that the SLAS carrying amount of goodwill must be used in the opening SLFRS consolidated statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SLFRS 1, the Group has tested goodwill for impairment at the date of transition to SLFRS. No goodwill impairment was deemed necessary at 01 April 2011.

c) **Employee Benefits - Disclosure Requirements**

The Group has elected to disclose the following amounts prospectively from the date of transition regarding the post employment benefit liability. (SLFRS ordinarily requires the amounts for the current and previous four annual periods to be disclosed.)

i. The present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and

ii. The experience adjustments arising on the plan liabilities and the plan assets

NOTES TO THE FINANCIAL STATEMENTS

3. FIRST TIME ADOPTION OF SLFRS (Contd.)

3.2 Group Reconciliation of Equity as at 01 April 2011 (Date of Transition to SLFRS)

	Note	SLAS Rs.	Remeasurements/ Reclassifications Rs.	SLFRS Rs.
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	A,B,C,I	4,998,630,047	(518,164,065)	4,480,465,982
Investment Properties	B	-	588,800,000	588,800,000
Intangible Assets	C	52,928,221	28,236	52,956,457
Other Non-Current Financial Assets	D	423,409,191	(67,045,465)	356,363,726
		5,474,967,459	3,618,705	5,478,586,164
Current Assets				
Inventories		291,647,968	-	291,647,968
Trade and Other Receivables	E	873,543,114	(3,557,282)	869,985,833
Prepayments	E	-	3,557,282	3,557,282
Rate Regulatory Assets		387,854,097	-	387,854,097
Cash and Short-Term Deposits		2,037,535,204	-	2,037,535,204
		3,590,580,383	-	3,590,580,384
Total Assets		**9,065,547,842**	**3,618,705**	**9,069,166,548**
EQUITY AND LIABILITIES				
Equity				
Stated Capital		3,285,000,260	-	3,285,000,260
Reserves	B,D,K	1,061,400,707	(1,128,446,172)	(67,045,465)
Retained Earnings	A,B,C,D,K	1,712,832,176	1,078,415,365	2,791,247,541
Equity attributable to Equity Holders of the Parent		6,059,233,143	(50,030,807)	6,009,202,336
Non-Controlling Interests		-	-	-
Total Equity		6,059,233,143	(50,030,807)	6,009,202,336
Non-Current Liabilities				
Interest Bearing Loans and Borrowings		375,122	-	375,122
Deferred Tax Liabilities	G	310,886,166	53,649,513	364,535,678
Deferred Income		280,799,748	-	280,799,748
Employee Benefit Liability		23,756,017	-	23,756,017
Refundable Deposits		976,224,060	-	976,224,060
		1,592,041,113	53,649,513	1,645,690,625
Current Liabilities				
Trade and Other Payables	F	133,168,821	997,286,095	1,130,454,916
Refundable Deposits		108,469,340	-	108,469,340
Income Tax Payable		138,130,172	-	138,130,172
Interest Bearing Loans and Borrowings	F	1,034,505,253	(997,286,095)	37,219,158
		1,414,273,586	-	1,414,273,586
Total Equity and Liabilities		**9,065,547,842**	**3,618,705**	**9,069,166,548**

3. FIRST TIME ADOPTION OF SLFRS (Contd.)

3.3 Group Reconciliation of Equity as at 31 March 2012

	Note	SLAS Rs.	Remeasurements/ Reclassifications Rs.	SLFRS Rs.
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	A,B,C,I	6,182,602,080	(652,753,399)	5,529,848,680
Investment Properties	B	-	609,800,000	609,800,000
Intangible Assets	C	53,203,385	8,305	53,211,690
Prepayments		400,000	-	400,000
Other Non-Current Financial Assets	D	437,203,095	(292,748,055)	144,455,040
		6,673,408,560	(335,693,149)	6,337,715,410
Current Assets				
Inventories		620,109,359	-	620,109,359
Trade and Other Receivables	E	938,943,931	(6,347,549)	932,596,384
Prepayments	E	-	6,347,549	6,347,549
Rate Regulatory Assets		196,023,612	-	196,023,612
Income Tax Recoverable		38,684,316	-	38,684,316
Other Current Financial Assets		4,962,160	-	4,962,160
Cash and Short-Term Deposits		2,163,913,258	-	2,163,913,258
		3,962,636,636	-	3,962,636,638
Total Assets		**10,636,045,196**	**(335,693,149)**	**10,300,352,048**
EQUITY AND LIABILITIES				
Equity				
Stated Capital		3,285,000,260	-	3,285,000,260
Reserves	B,D,K	1,036,450,036	(1,329,198,092)	(292,748,056)
Retained Earnings	A,B,C,D,K	2,081,101,919	957,601,747	3,038,703,667
Equity attributable to Equity Holders of the Parent		6,402,552,215	(371,596,344)	6,030,955,871
Non-Controlling Interest		-	-	-
Total Equity		6,402,552,215	(371,596,344)	6,030,955,871
Non-Current Liabilities				
Deferred Tax Liabilities	G	380,323,640	35,903,196	416,226,836
Deferred Income		345,772,225	-	345,772,225
Employee Benefit Liability		34,456,236	-	34,456,236
Refundable Deposits		1,085,535,045	-	1,085,535,045
		1,846,087,146	35,903,196	1,881,990,342
Current Liabilities				
Trade and Other Payables	F	132,049,355	2,117,673,309	2,249,722,664
Refundable Deposits		120,615,005	-	120,615,005
Interest Bearing Loans and Borrowings	F	2,134,741,475	(2,117,673,309)	17,068,166
		2,387,405,835	-	2,387,405,835
Total Equity and Liabilities		**10,636,045,196**	**(335,693,149)**	**10,300,352,048**

3. FIRST TIME ADOPTION OF SLFRS (Contd.)

3.4 Group Reconciliation of Total Comprehensive Income for the Year Ended 31 March 2012

	Note	SLAS Rs.	Remeasurements/ Reclassifications Rs.	SLFRS Rs.
Continuing Operations:				
Revenue	H	9,176,744,157	(69,476,103)	9,107,268,054
Cost of Sales	A	(7,516,632,774)	109,414,012	(7,407,218,762)
Gross Profit		1,660,111,383	39,937,909	1,700,049,292
Other Operating Income	J	380,241,052	(162,628,944)	217,612,108
Negative Goodwill on Acquisition	I	174,907,171	(174,907,171)	-
Selling and Distribution Expenses		(333,386,255)	-	(333,386,255)
Administrative Expenses		(531,151,606)	-	(531,151,606)
Foreign Currency Exchange Gain/(Loss)		(209,763,162)	-	(209,763,162)
Operating Profit		1,140,958,582	(297,598,206)	843,360,377
Finance Costs		(1,421,862)	-	(1,421,862)
Fair Value Gain on Investment Properties	B	-	21,360,000	21,360,000
Finance Income	J	-	162,628,944	162,628,944
Profit Before Tax from Continuing Operations		1,139,536,721	(113,609,262)	1,025,927,459
Income Tax Expense	G	(202,236,827)	5,752,193	(196,484,634)
Profit for the Year from Continuing Operations		937,299,894	(107,857,070)	829,442,824
Discontinued Operations:				
Profit/(Loss) after Tax for the Year from Discontinued Operations		(6,959,511)	-	(6,959,511)
Profit for the Year		930,340,383	(107,857,070)	822,483,313
Other Comprehensive Income				
Loss on Available for Sale Financial Assets	D	-	(225,702,591)	(225,702,591)
Income Tax Effect		-	-	-
Other Comprehensive Income for the Year Net of Tax		-	(225,702,591)	(225,702,591)
Total Comprehensive Income for the Year Net of Tax		**930,340,383**	**(333,559,660)**	**596,780,723**

3. FIRST TIME ADOPTION OF SLFRS (Contd.)

3.5 Company Reconciliation of Equity as at 01 April 2011 (Date of Transition to SLFRS)

	Note	SLAS	Remeasurements/ Reclassifications	SLFRS
		Rs.	Rs.	Rs.
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	A,B,C	4,082,403,306	(518,164,066)	3,564,239,240
Investment Properties	B	-	588,800,000	588,800,000
Intangible Assets	C	-	28,236	28,236
Investments in Subsidiaries		616,301,984	-	616,301,984
Other Non-Current Financial Assets	D	423,409,191	(67,045,465)	356,363,726
		5,122,114,481	3,618,705	5,125,733,186
Current Assets				
Inventories		273,237,080	-	273,237,080
Trade and Other Receivables	E	847,588,602	(3,557,282)	844,031,321
Prepayments	E	-	3,557,282	3,557,282
Rate Regulatory Assets		387,854,097	-	387,854,097
Cash and Short-Term Deposits		1,858,513,965	-	1,858,513,965
		3,367,193,744	-	3,367,193,745
Total Assets		**8,489,308,225**	**3,618,705**	**8,492,926,931**
EQUITY AND LIABILITIES				
Equity				
Stated Capital		3,285,000,260	-	3,285,000,260
Reserves	B,D,K	692,793,885	(759,839,350)	(67,045,465)
Retained Earnings	A,B,C,D,K	1,561,811,375	709,808,543	2,271,619,918
Equity attributable to Equity Holders of the Parent		5,539,605,520	(50,030,807)	5,489,574,713
Total Equity		5,539,605,520	(50,030,807)	5,489,574,713
Non-Current Liabilities				
Interest Bearing Loans and Borrowings		375,122	-	375,122
Deferred Tax Liabilities	G	310,886,166	53,649,513	364,535,678
Deferred Income		280,799,748	-	280,799,748
Employee Benefit Liability		20,470,588	-	20,470,588
Refundable Deposits		976,224,060	-	976,224,060
		1,588,755,684	53,649,513	1,642,405,196
Current Liabilities				
Trade and Other Payables	F	100,979,697	997,286,095	1,098,265,792
Refundable Deposits		108,469,340	-	108,469,340
Income Tax Payable		136,246,209	-	136,246,209
Interest Bearing Loans and Borrowings	F	1,015,251,776	(997,286,095)	17,965,681
		1,360,947,022	-	1,360,947,022
Total Equity and Liabilities		**8,489,308,225**	**3,618,705**	**8,492,926,931**

NOTES TO THE FINANCIAL STATEMENTS

3. FIRST TIME ADOPTION OF SLFRS (Contd.)

3.6 Company Reconciliation of Equity as at 31 March 2012

	Note	SLAS Rs.	Remeasurements/ Reclassifications Rs.	SLFRS Rs.
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	A,B,C	4,462,087,109	(477,846,228)	3,984,240,880
Investment Properties	B	-	609,800,000	609,800,000
Intangible Assets	C	-	8,305	8,305
Investments in Subsidiaries		1,281,301,914	-	1,281,301,914
Other Non-Current Financial Assets	D	437,203,095	(292,748,055)	144,455,040
		6,180,592,118	(160,785,978)	6,019,806,139
Current Assets				
Inventories		598,253,377	-	598,253,377
Trade and Other Receivables	E	894,177,750	(6,347,549)	887,830,201
Prepayments	E	-	6,347,549	6,347,549
Rate Regulatory Assets		196,023,612	-	196,023,612
Income Tax Recoverable		42,864,603	-	42,864,603
Other Current Financial Assets		4,962,160	-	4,962,160
Cash and Short-Term Deposits		1,748,404,240	-	1,748,404,240
		3,484,685,742	-	3,484,685,743
Total Assets		**9,665,277,860**	**(160,785,978)**	**9,504,491,882**
EQUITY AND LIABILITIES				
Equity				
Stated Capital		3,285,000,260	-	3,285,000,260
Reserves	B,D,K	686,272,705	(979,020,761)	(292,748,056)
Retained Earnings	A,B,C,D,K	1,550,691,346	782,331,588	2,333,022,933
Equity attributable to Equity Holders of the Parent		5,521,964,311	(196,689,173)	5,325,275,137
Total Equity		5,521,964,311	(196,689,173)	5,325,275,137
Non-Current Liabilities				
Deferred Tax Liabilities	G	380,323,640	35,903,196	416,226,836
Deferred Income		345,772,225	-	345,772,225
Employee Benefit Liability		28,364,234	-	28,364,234
Refundable Deposits		1,085,535,045	-	1,085,535,045
		1,839,995,144	35,903,196	1,875,898,340
Current Liabilities				
Trade and Other Payables	F	64,269,486	2,117,673,310	2,181,942,795
Refundable Deposits		120,615,005	-	120,615,005
Interest Bearing Loans and Borrowings	F	2,118,433,914	(2,117,673,310)	760,605
		2,303,318,405	-	2,303,318,405
Total Equity and Liabilities		**9,665,277,860**	**(160,785,978)**	**9,504,491,882**

3. FIRST TIME ADOPTION OF SLFRS (Contd.)

3.7 Company Reconciliation of Total Comprehensive Income for the Year Ended 31 March 2012

	Note	SLAS	Remeasurements/ Reclassifications	SLFRS
		Rs.	Rs.	Rs.
Revenue		8,395,843,733	-	8,395,843,733
Cost of Sales	A	(7,258,129,491)	39,937,909	(7,218,191,582)
Gross Profit		1,137,714,242	39,937,909	1,177,652,151
Other Operating Income	J	443,974,347	(137,081,629)	306,892,718
Selling and Distribution Expenses		(313,820,062)	-	(313,820,062)
Administrative Expenses		(300,660,418)	-	(300,660,418)
Foreign Currency Exchange Gain/(Loss)		(209,763,162)	-	(209,763,162)
Operating Profit		757,444,947	(97,143,720)	660,301,226
Finance Costs		(1,399,733)	-	(1,399,733)
Fair Value Gain on Investment Properties	B	-	21,360,000	21,360,000
Finance Income	J	-	137,081,629	137,081,629
Profit Before Tax		756,045,214	61,297,909	817,343,122
Income Tax Expense	G	(186,665,114)	5,752,193	(180,912,921)
Profit for the Year		569,380,100	67,050,102	636,430,201
Other Comprehensive Income				
Loss on Available for Sale Financial Assets	D	-	(225,702,591)	(225,702,591)
Income Tax Effect		-	-	-
Other Comprehensive Income for the Year Net of Tax		-	(225,702,591)	(225,702,591)
Total Comprehensive Income for the Year Net of Tax		**569,380,100**	**(158,652,489)**	**410,727,610**

3. FIRST TIME ADOPTION OF SLFRS (Contd.)

3.8 Notes to the Group/Company Reconciliation of Equity as at 01 April 2011 and 31 March 2012 and Total Comprehensive Income as at 31 March 2012

A) Useful life of Property, Plant & Equipment

The Group/Company has reassessed the useful life spans of its certain items of property, plant and equipment at the date of transition to SLFRS. Accordingly, such reassessments of life spans have resulted in decreases of Rs. 52,121,670/- and Rs. 39,955,407/- in accumulated depreciation as at 31 March 2011 and 31 March 2012 respectively. These decreases have been adjusted through retained earnings.

B) Investment Properties

Certain items which had already been classified as property, plant and equipment under SLAS has now been reclassified as investment properties since those assets fall under the definition and meet the recognition criteria of an investment property. The net book value of such transferred assets amounts to Rs. 570,257,500/-. Further, since the date of transition to SLFRS, the Group/Company has selected fair value model to measure the investment properties. Accordingly, Rs. 18,542,500/- and Rs. 21,360,000/- have been recognized as fair value gains in financial years 2011 and 2012 respectively. Annual depreciation amounting to Rs. 360,000/- has been recognized as an administrative expense in the income statement for the year ended 31 March 2012.

C) Intangible Assets

Computer software which had been previously recognized as office equipments amounting to Rs. 319,812/- (net book value amounts to Rs. 28,236/- as at the date of transition to SLFRS) has now been reclassified as intangible assets. Annual amortization amounting to Rs. 19,931/- has been recognized as an administrative expense in the income statement for the year ended 31 March 2012.

D) Investments in Quoted Equity Securities

Under SLAS, the Group/Company measured its investments in quoted equity shares at cost. However, under SLFRS, the Group/Company has designated such investments in shares as available-for-sale investments. SLFRS requires available-for-sale investments to be measured at fair value. At the date of transition to SLFRS, the fair value of these investments were Rs. 356,363,726/- and their previous carrying amount were Rs. 423,409,191/-. The difference of Rs. 67,045,465/- between the fair value of the investments and the carrying amounts in line with SLAS has been recognized as a separate component of equity; in the available-for-sale reserve. The respective decrease in the fair value of such investments in shares as at 31 March 2012 is Rs. 292,748,056/-. Further, during the year 2012, the Group/Company has acquired certain investments in quoted equity shares where those investments were classified as held for trading investments. SLFRS requires held for trading investments to be classified as financial investments at fair value through profit or loss and to be measured at fair value. The cost of such investments were Rs. 10,733,411/- where the fair value were Rs. 4,962,160/-. The difference of Rs. 5,771,281/- has been recognized as an administrative expense in the income statement for the year ended 31 March 2012.

E) Prepayments

Prepayments which formed a part of trade and other receivables has now been reclassified separately.

F) Letter of Credit

Letter of Credit which had been previously classified under interest bearing loans and borrowings has now been reclassified under trade and other payables.

G) Deferred Tax

The deferred tax has been recomputed following the adjustments made in respect of reassessment of life spans of property, plant and equipment.

H) Revenue

LAUGFS Eco Sri (Pvt) Ltd., a Subsidiary, has recognized revenue excluding DMT fee collected and paid amounting to Rs. 69,476,103/- and cost of sales excluding the DMT fee remitted to the Department of Motor Traffic during the year ended 31 March 2012 in line with Sri Lanka Accounting Standards.

3. FIRST TIME ADOPTION OF SLFRS (Contd.)

3.8 Notes to the Group/Company Reconciliation of Equity as at 01 April 2011 and 31 March 2012 and Total Comprehensive Income as at 31 March 2012 (Contd.)

I) Acquisition of Mag Consultants and Agents (Pvt) Ltd.

Mag Consultants and Agents (Pvt) Ltd., a company which was acquired by LAUGFS Leisure Ltd. (a Subsidiary) during the year 2012 has been recognised in the financial statements as an acquisition of property, considering the substance of the transaction. Results previously reported with respect to this acquisition has been restated accordingly.

J) Interest Income

Interest income which was previously recognized as other operating income have now been reclassified as finance income.

K) Revaluation Reserves

Since the date of transition to SLFRS, the Company's property, plant and equipment are measured under the cost modle. Therefore, the revaluvation reserves as at 1 April 2011 has been transferred to retained earnings.

L) Statement of Cash Flows

The transition from SLAS to SLFRS has not had a material impact on the statement of cash flows.

4. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Acquisitions in 2012

Acquisition of LAUGFS Power Limited

On 30 June 2011, the Group has acquired 100% of the voting shares of LAUGFS Power Limited, an unlisted company, principal activity of the company being generation of hydro power. However, commercial operations have not been commenced since the hydro power plant at Balangoda is still under construction.

Assets Acquired and Liabilities Assumed

The fair values of the identifiable assets and liabilities of LAUGFS Power Limited as at the date of acquisition were:

	Fair Value Recognised on Acquisition Rs.
Assets	
Property, Plant and Equipment	2,750,277
Trade Receivables	220,070
Cash and Short-Term Deposits	8,225,123
Total Assets	11,195,470
Liabilities	
Other Payables	(1,470,704)
Total Liabilities	(1,470,704)
Total Identifiable Net Assets at Fair Value	**9,724,766**
Goodwill arising on Acquisition	275,164
Purchase Consideration Transferred	**9,999,930**

There is no significant difference between the carrying value and fair value of the assets and liabilities of LAUGFS Power Limited as at the date of acquisition.

Purchase Consideration	**Rs.**
Shares issued, at Fair Value	9,999,930
Total Consideration	**9,999,930**

NOTES TO THE FINANCIAL STATEMENTS

5. 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:

Trading of Liquefied Petroleum Gas
Selling of Liquefied Petroleum Gas and other related products.

Other Services
Operating vehicle emission testing centres to issue vehicle Emission Test Certificates.

Leisure & Hospitality
Operating of hotels. However, commercial operations have not been commenced since the hotel property at Chilaw is still under construction.

Property Development
Construction of a commercial property to be given on rent at Kirullapone.

Energy
Generation of hydro power. However, commercial operations have not been commenced since the hydro power plant at Balangoda is still under construction

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.
Inter-segment revenues are eliminated upon consolidation and reflected in the adjustments/eliminations column.

5.1 The principal activity of LAUGFS Property Developers (Pvt) Ltd. is to construct commercial apartments given on rent for short-term and long-term durations. However, the commercial operations of these service apartments have not yet been commenced since such are under construction.

5.2 With effect from 30 September 2010, LAUGFS Leisure Limited has transferred the operations of Emerald Bay Hotel and Temple Tree Resort and Spa to LAUGFS Hotel Management (Pvt) Limited; a Subsidiary of LAUGFS Leisure Limited, which was incorporated on 22 July 2010. As a consequence, the principal activity of LAUGFS Leisure Ltd. has been changed from managing the above properties to constructing a new hotel at Chilaw.

5.3 The rent agreement with the owner of Emerald Bay property and the hotel management agreement with the owner of Temple Tree property have expired on 31 August 2011 and 01 September 2011 respectively and as a consequence the leisure & hospitality sector of the group would be affected since the leisure and hospitality sector currently generate revenue from these properties. The Directors have made an assessment of the leisure and hospitality sector's ability to continue as a going concern and they do not intend either to liquidate or to close or to curtail the business, having considered the following mitigating factors;

- having assessed and are confident that the Company will continue as a going concern as the Company has already commenced construction of a new property at Chilaw and commencement of commercial operations of such in future would generate revenue.

- It has been proposed to construct another new hotel property at Waskaduwa and Passikudah.

5. SEGMENT INFORMATION (Contd.)

Operating Segments	Trading of Liquefied Petroleum Gas		Other Services		Leisure & Hospitality		Property Development		Energy		Eliminations/Adjustments		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue														
External Customers	9,705,179,946	8,395,843,733	857,983,080	711,424,321	-	-	-	-	-	-	-	-	10,563,163,026	9,107,268,054
Inter-Segment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	9,705,179,946	8,395,843,733	857,983,080	711,424,321	-	-	-	-	-	-	-	-	10,563,163,026	9,107,268,054
Results														
Operating Profit	1,281,693,866	660,301,226	356,164,971	282,776,579	(7,705,931)	(8,819,368)	(972,102)	(676,778)	(241,172)	(221,285)	(494,999,988)	(89,999,998)	1,133,939,645	843,360,377
Finance Costs	(4,997,578)	(1,399,733)	(30,199)	(21,429)	(25,241)	(700)	-	-	-	-	-	-	(5,053,018)	(1,421,862)
Fair Value Gain on Investment Properties	35,472,500	21,360,000	-	-	-	-	-	-	-	-	-	-	35,472,500	21,360,000
Finance Income	91,671,083	137,081,629	62,460,895	25,226,733	400,929	46,335	-	-	293,181	274,247	-	-	154,826,089	162,628,944
Profit/(Loss) Before Tax from Continuing Operations	1,403,839,872	817,343,122	418,595,667	307,981,883	(7,330,243)	(8,773,733)	(972,102)	(676,778)	52,009	52,962	(494,999,988)	(89,999,998)	1,319,185,215	1,025,927,458
Income Tax Expense	(190,959,928)	(180,912,921)	(11,933,967)	(5,500,389)	(417,256)	5,465	-	-	(53,359)	(76,789)	(54,999,999)	(10,000,000)	(258,364,508)	(196,484,634)
Profit/(Loss) for The Year from Continuing Operations	1,212,879,944	636,430,201	406,661,700	302,481,494	(7,747,499)	(8,768,268)	(972,102)	(676,778)	(1,350)	(23,827)	(549,999,986)	(99,999,998)	1,060,820,707	829,442,824
Profit/(Loss) for The Year from Discontinued Operations	-	-	-	-	-	(6,959,511)	-	-	-	-	-	-	-	(6,959,511)
Profit for the Year	1,212,879,944	636,430,201	406,661,700	302,481,494	(7,747,499)	(15,727,779)	(972,102)	(676,778)	(1,350)	(23,827)	(549,999,986)	(99,999,998)	1,060,820,707	822,483,313
Net Loss on Available for Sale Financial Assets	(28,461,033)	(225,702,591)	(177,322)	(14,947,474)	-	-	-	-	-	-	177,322	14,947,474	(28,461,033)	(225,702,591)
Total Comprehensive Income for the Year Net of Tax	1,184,418,911	410,727,611	406,484,379	287,534,020	(7,747,499)	(15,727,779)	(972,102)	(676,778)	(1,350)	(23,827)	(549,822,664)	(85,052,524)	1,032,359,674	596,780,723
Assets & Liabilities														
Non-Current Assets														
Total Non-Current Assets	6,433,965,600	6,019,806,139	418,709,783	486,980,771	1,307,687,227	639,581,218	567,453,923	510,671,911	23,330,503	4,345,535	(1,323,492,842)	(1,323,670,164)	7,427,654,193	6,337,715,410
Current Assets														
Total Current Assets	3,497,426,898	3,484,685,743	413,769,313	440,618,650	281,679,181	38,179,359	2,968,735	3,667,891	14,410,354	5,439,493	(1,028,275,732)	(9,954,294)	3,181,978,542	3,962,636,638
Total Assets													10,609,632,736	10,300,352,047
Total Non-Current Liabilities	2,004,794,473	1,875,898,340	5,814,804	5,949,955	201,268	142,048	-	-	-	-	-	-	2,010,810,545	1,881,990,342
Total Current Liabilities	1,992,237,722	2,303,318,405	83,957,079	35,426,634	969,485,015	50,190,905	65,395,055	8,340,097	28,041,267	84,088	(1,028,275,732)	(9,954,294)	2,110,840,406	2,387,405,835
Total Liabilities													4,121,650,950	4,269,396,177
Depreciation for the Year	221,565,673	190,243,528	85,951,130	79,712,705	125,252	228,641	60,125	41,656	-	-	-	-	307,702,180	270,226,530
Purchase of Property, Plant and Equipment	618,758,261	612,225,937	25,935,540	60,503,223	558,233,871	590,649,755	56,842,137	58,744,891	18,984,968	3,945,535	18,441,934	-	1,297,196,713	1,326,069,341
Provision for Employee Benefit Liability	(1,238,273)	7,940,945	54,924	2,973,919	59,220	32,680	-	-	-	-	-	-	(1,124,129)	10,947,544

6. REVENUE/OTHER INCOME AND EXPENSES

6.1 Revenue

	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Sale of Goods	9,727,384,117	8,543,019,194	9,727,384,117	8,543,019,194
Rendering of Services	857,983,080	711,424,321	-	-
Distributor Commission	(22,204,171)	(147,175,461)	(22,204,171)	(147,175,461)
	10,563,163,026	9,107,268,054	9,705,179,946	8,395,843,733

6.2 Other Operating Income

	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Rent Income	5,374,402	5,795,135	5,374,402	5,795,135
Income from Non-Refundable Deposits	214,158,068	207,187,402	214,158,068	207,187,402
Project Work Income	1,462,109	2,092,143	1,462,109	2,092,143
Sundry Income	4,779,567	1,129,606	383,177	410,218
Dividend Income	697,968	1,407,823	495,697,956	91,407,821
	226,472,115	217,612,108	717,075,712	306,892,718

6.3 Finance Costs

	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Interest Expense on Overdrafts	165,839	261,291	110,399	239,162
Finance Charges on Lease Liabilities	6,093	408,524	6,093	408,524
Interest on Dealer Refundable Deposits	4,687,006	-	4,687,006	-
Interest on Import Loans	194,079	752,047	194,079	752,047
	5,053,018	1,421,862	4,997,578	1,399,733

6.4 Finance Income

	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Interest Income	154,826,089	162,628,944	91,671,083	137,081,629
	154,826,089	162,628,944	91,671,083	137,081,629

6.5 Profit Before Tax

	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Stated after Charging/(Crediting)				
Included in Cost of Sales				
Depreciation of Property, Plant and Equipment	280,022,914	249,946,986	202,306,240	177,167,407
Employees Benefits including the following;	60,231,132	46,936,987	60,231,132	46,936,987
- Defined Contribution Plan Costs - EPF and ETF (Included in Employees Benefits)	3,404,172	2,590,179	3,404,172	2,590,179
Loss on Disposal of Property, Plant and Equipment	115,076	1,415,651	-	-
Provision for pending free test	(223,949)	1,588,366	-	-
Research and Development	-	725,080	-	-
Included in Administration Expenses				
Directors' Emoluments	19,250,000	16,300,000	13,000,000	13,200,000
Employees Benefits including the following;	271,051,549	223,484,016	77,355,229	64,793,478
- Employee Benefit Plan Costs - Gratuity (Included in Employee Benefits)	(914,533)	10,914,864	(1,238,273)	7,940,945
- Defined Contribution Plan Costs - EPF and ETF (Included in Employees Benefits)	25,142,705	19,193,898	8,934,907	6,485,983
Depreciation of Property, Plant and Equipment	25,515,165	18,624,094	17,095,334	11,420,671
Amortization of Intangible Assets	8,305	19,931	8,305	19,931
Legal Fees	376,741	1,224,137	250,772	1,176,937
Auditors' Fees - Current Year	1,415,317	1,935,256	980,050	1,589,406
Auditors' Fees - Under Provision in respect of Prior Year	15,841	11,656	-	-
Donations	2,700,301	1,776,649	2,093,300	1,687,764
Write-off of Property, Plant and Equipment	-	1,794,735	-	-
Research and Development	207,189	-	207,189	-
Included in Selling and Distribution Expenses				
Employees Benefits including the following;	61,821,502	44,626,521	61,821,502	44,626,521
- Defined Contribution Plan Costs - EPF and ETF (Included in Employee Benefits)	4,957,978	3,613,821	4,957,978	3,613,821
Depreciation of Property, Plant and Equipment	2,164,100	1,655,450	2,164,100	1,655,450
Advertising and Promotion	16,409,035	49,638,401	2,297,037	30,377,727

6.6 Components of Other Comprehensive Income

	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Available for Sale Financial Assets:				
Gains/(Losses) arising during the Year	(28,461,033)	(225,702,591)	(28,461,033)	(225,702,591)

7. INCOME TAX

The major components of income tax expense for the years ended 31 March 2013 and 31 March 2012 are:

7.1 Consolidated Income Statement

	Group		Company	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Current Income Tax:				
Current Income Tax Expense (Note 7.4)	122,091,993	114,033,644	109,687,411	109,234,661
Dividend Tax of Subsidiaries	54,999,999	10,000,000	-	-
Under Provision of Current Taxes in respect of Prior Year	-	15,217,134	-	14,444,404
	177,091,991	139,250,778	109,687,411	123,679,065
Deferred Income Tax:				
Deferred Taxation Charge (Note 7.5)	81,272,517	57,233,856	81,272,517	57,233,856
	81,272,517	57,233,856	81,272,517	57,233,856
Income Tax Expense Reported in the Income Statement	258,364,508	196,484,634	190,959,928	180,912,921

7.2 Statement of Changes in Equity

	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Net Gain on Revaluation of Property, Plant and Equipment	(5,166,385)	(5,542,698)	(5,166,385)	(5,542,698)
	(5,166,385)	(5,542,698)	(5,166,385)	(5,542,698)

7.3 Consolidated Statement of Other Comprehensive Income

	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Deferred Tax related to Items Charged or Credited Directly to Equity during the Year:				
Gain/(Loss) on Available for Sale Financial Assets	-	-	-	-
Income Tax Charged Directly to Other Comprehensive Income	-	-	-	-

7.4 A Reconciliation between Tax Expense and the Product of Accounting Profit Multiplied by the Statutory Tax Rate for the Years Ended 31 March 2013 and 31 March 2012 are as follows:

		Group		Company	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Accounting Profit Before Tax		1,319,185,215	1,025,927,459	1,403,839,872	817,343,122
Adjustments in respect to Current Income Tax					
Consolidated Adjustment		478,686,361	(73,853,976)	-	-
Aggregate Disallowed Items		242,499,674	371,756,342	242,499,674	284,002,008
Income Exempt from Income Tax		(410,345,331)	9,279,760	-	-
Aggregate Allowable Expenses		(1,232,197,893)	(794,634,346)	(1,232,197,893)	(751,745,247)
Other Sources of Income		138,737,163	114,463,466	95,925,284	140,409,587
		536,565,190	652,938,705	510,066,937	490,009,470
At the Statutory Income Tax Rate	- Business Profit	20%	20%	20%	20%
	- Other Income	28%	28%	28%	28%
Current Income Tax Expenses	- Business Profit	82,828,331	69,919,977	82,828,331	69,919,977
	- Other Income	39,263,662	44,113,667	26,859,080	39,314,684
Income Tax Expense reported in the Consolidated Income Statement		122,091,993	114,033,644	109,687,411	109,234,661

NOTES TO THE FINANCIAL STATEMENTS

7. INCOME TAX (Contd.)

7.5 Deferred Tax Assets , Liabilities and Income Tax relate to the following:

	Consolidated Statement of Financial Position			Consolidated Income Statement	
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.
Deferred Tax Liabilities					
Capital Allowances for Tax Purposes	241,642,196	162,310,921	80,806,950	79,328,404	81,503,971
Revaluation of Building and Plant and Machinery	277,113,763	282,280,148	287,822,846	-	-
	518,755,959	444,591,070	368,629,796	79,328,404	81,503,971
Deferred Tax Assets					
Employee Benefit Liability	(26,420,120)	(28,364,234)	(4,094,118)	1,944,113	(24,270,115)
	(26,420,120)	(28,364,234)	(4,094,118)	1,944,113	(24,270,115)
Deferred Income Tax Expense				81,272,517	57,233,856
Net Deferred Tax Liability	492,335,839	416,226,836	364,535,678		

7.6 Reconciliation of Net Deferred Tax Liability

	2013 Rs.	2012 Rs.
As at 1 April	416,226,836	364,535,678
Tax Expense/(Income) during the Year recognised in the Consolidated Income Statement	81,272,517	57,233,856
Deferred Tax directly recognised in Equity	(5,166,385)	(5,542,698)
As at 31 March	492,335,839	416,226,836

7.7 Current Taxes

7.7.1 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%.

7.7.2 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. 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%).

7. INCOME TAX (Contd.)

7.7.3 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%).

7.7.4 LAUGFS Leisure Ltd. and LAUGFS Hotel Management Services (Pvt) 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%).

7.7.5 Deferred Taxation

Since the Inland Revenue Act does not apply as stated above, temporary differences do not exist during tax exemption period. Therefore deferred tax does not apply for 7.7.2 and 7.7.3.

8. DISCONTINUED OPERATIONS

The rent agreement with the owner of Emerald Bay property and the hotel management agreement with the owner of Temple Tree property have expired on 31 August 2011 and 01 September 2011 respectively.

The results of this operation has been previously reported in the operating segment of leisure & hospitality.

The effective date of the discontinuance for accounting purposes is 01 September 2011.

The following information is related to this discontinued operations.

	2013 Rs.	2012 Rs.
Revenue	-	20,525,194
Tourism Development Levy	-	(231,595)
Net Revenue	-	20,293,599
Cost of Sales	-	(10,469,500)
Gross Profit	-	9,824,099
Other Income	-	-
Selling and Distribution Expenses	-	(498,303)
Administrative Expenses	-	(16,891,710)
Finance Costs	-	(1,398)
Profit/(Loss) Before Tax from Discontinued Operations	-	(7,567,312)
Income Tax	-	607,801
Profit/(Loss) for the Year from Discontinued Operations	-	(6,959,511)

NOTES TO THE FINANCIAL STATEMENTS

8. DISCONTINUED OPERATIONS (Contd.)

The assets and liabilities pertaining to discontinued operation as at 31 March 2013 and 31 March 2012 are as follows:

	2013 Rs.	2012 Rs.
Assets		
Property, Plant and Equipment	-	-
Inventories	-	-
Receivables	2,121,022	2,539,700
Total Assets Pertaining to Discontinued Operation	2,121,022	2,539,700
Liabilities		
Payables	1,219,634	1,337,790
Employee Benefit Liability	142,048	246,932
Total Liabilities Pertaining to Discontinued Operation	1,361,682	1,584,722
Net Assets Pertaining to Discontinued Operation	759,340	954,978
Cash Flows		
The net cash flows incurred by discontinued operation are as follows:		
Operating	-	61,403
Investing	-	(128,940)
Net Cash Inflows/(Outflows)	-	(67,537)
Basic/Diluted Earnings/(Loss) per Share from Discontinued Operations	-	(0.02)

9. EARNINGS PER SHARE

9.1 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	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Amount Used as the Numerator:				
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent from Discontinued Operations	-	(6,959,511)	-	-
Net Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent from Continuing Operations	1,060,820,707	829,442,824	1,212,879,944	636,430,201
Net Profit attributable to Ordinary Equity Holders of the Parent for Basic Earnings	1,060,820,707	822,483,313	1,212,879,944	636,430,201
	2013 Number	**2012 Number**	**2013 Number**	**2012 Number**
Number of Ordinary Shares Used as the Denominator:				
Weighted Average Number of Ordinary Shares for Basic/Diluted Earnings Per Share				
As at 1 April	387,000,086	299,317,894	387,000,086	299,317,894
Effect of Ordinary Voting Shares	-	51,780,822	-	51,780,822
Effect of Ordinary Non-Voting Shares	-	35,901,370	-	35,901,370
As at 31 March	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.

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Group

10.1.1 Gross Carrying Amounts

	Balance As at 01.04.2011 Rs.	Additions/ Incurred during the Year Rs.	Transfers in/(out) Rs.	Write Off/ Disposals during the Year Rs.	Balance As at 31.03.2012 Rs.	Additions/ Incurred during the Year Rs.	Transfers in/(out) Rs.	Write Off/ Disposals during the Year Rs.	Balance As at 31.03.2013 Rs.
At Cost									
Freehold Land	668,400,000	515,054,329	-	-	1,183,454,329	10,399,000	-	-	1,193,853,329
Land Development	77,127,075	3,168,375	52,126,797	-	132,422,247	38,760,734	-	-	171,182,981
Buildings on Freehold Land	36,568,774	419,091	11,792,353	-	48,780,219	3,143,594	26,654,086	-	78,577,900
Buildings on Leasehold Land	294,231,932	20,097,054	-	(1,548,457)	312,780,529	12,297,495	6,543,720	(4,592,046)	327,029,698
Plant, Machinery and Equipment	532,781,815	28,882,585	59,997,877	(599,250)	621,063,027	27,842,526	(421,869)	(2,195,946)	646,287,737
Office Equipment	53,853,906	22,685,210	5,038,916	(3,576,571)	78,001,461	21,373,814	-	(2,380,942)	96,994,333
Furniture and Fittings	8,877,979	54,370,579	29,437,977	(175,467)	92,511,068	10,955,810	5,236,360	(604,783)	108,098,456
Tools and Equipment	553,608	48,348	-	-	601,956	-	-	-	601,956
Gas Point Dealer Boards and Storage Huts	14,341,319	594,892	216,715	-	15,152,925	4,150,198	-	-	19,303,123
Motor Vehicles	145,501,372	13,097,942	32,116,953	(116,000)	190,600,267	44,407,502	18,415,640	(3,228,167)	250,195,242
Testing Equipment	133,663,747	20,351,608	(146,211)	(920,584)	152,948,560	2,080,137	-	(4,990,418)	150,038,279
Cutlery and Crockery	173,170	-	-	(173,170)	-	-	-	-	-
Cylinders in Hand and in Circulation	2,504,838,041	353,117,393	-	(2,189,628)	2,855,765,807	364,343,927	-	-	3,220,109,734
	4,470,912,737	1,031,887,405	190,581,377	(9,299,127)	5,684,082,393	539,754,738	56,427,937	(17,992,301)	6,262,272,767
Assets on Finance Leases									
Motor Vehicles	47,409,463	-	(28,993,823)	-	18,415,640	-	(18,415,640)	-	-
	47,409,463	-	(28,993,823)	-	18,415,640	-	(18,415,640)	-	-
Total Value of Depreciable Assets	4,518,322,200	1,031,887,405	161,587,554	(9,299,127)	5,702,498,033	539,754,738	38,012,297	(17,992,301)	6,262,272,767

10.1.2 In the Course of Construction

	Balance As at 01.04.2011 Rs.	Additions/ Incurred during the Year Rs.	Transfers in/(out) Rs.	Write Off/ Disposals during the Year Rs.	Balance As at 31.03.2012 Rs.	Additions/ Incurred during the Year Rs.	Transfers in/(out) Rs.	Write Off/ Disposals during the Year Rs.	Balance As at 31.03.2013 Rs.
Buildings	193,536,243	169,388,019	(49,169,114)	-	313,755,147	671,137,241	(38,012,297)	-	946,880,092
Fire Water Storage Project	-	93,123	-	-	93,123	106,800	-	-	199,923
Flow Meter for Bowser	718,905	1,529,667	(759,130)	-	1,489,442	-	-	-	1,489,442
Galle Bottling Plant	1,523,599	-	49,318	-	1,572,917	-	-	-	1,572,917
Gas Detector	147,697	10,260	(157,957)	-	-	-	-	-	-
Gas Storage Hut at Dealer Points	-	216,715	(216,715)	-	-	-	-	-	-
Motor Tricycles	-	-	-	-	-	12,380,836	-	-	12,380,836
River Water Project	-	-	-	-	-	315,812	-	-	315,812
Security Point Ladders	-	296,168	(296,168)	-	-	-	-	-	-
Shrink Sealer Machine	254,192	-	-	-	254,192	-	-	-	254,192
Land Development	-	55,645,535	(51,700,000)	-	3,945,535	-	-	-	3,945,535
Plant and Machinery	-	-	-	-	-	18,984,968	-	-	18,984,968
Storage Tank	28,350,029	67,002,449	(59,337,788)	-	36,014,690	39,996,202	-	-	76,010,892
	224,530,665	294,181,936	(161,587,554)	-	357,125,047	742,921,860	(38,012,297)	-	1,062,034,610
Goods In Transit									
Cylinders	-	-	-	-	-	14,520,114	-	-	14,520,114
	-	-	-	-	-	14,520,114	-	-	14,520,114
Total Gross Carrying Amount	4,742,852,865	1,326,069,341	-	(9,299,127)	6,059,623,079	1,297,196,713	-	(17,992,301)	7,338,827,491

NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (Contd.)

10.1.3 Depreciation

	Balance As at 01.04.2011 Rs.	Charged for the Year Rs.	Transfers In/(Out) Rs.	Write Off/ Disposals during the Year Rs.	Balance As at 31.03.2012 Rs.	Charged for the Year Rs.	Transfers In/(Out) Rs.	Write Off/ Disposals during the Year Rs.	Balance As at 31.03.2013 Rs.
At Cost									
Buildings on Freehold Land	878,938	1,010,365	-	-	1,889,303	1,561,388	-	-	3,450,691
Buildings on Leasehold Land	43,653,279	45,782,711	(368,710)	(20,936)	89,046,344	48,640,238	-	(1,412,457)	136,274,124
Plant, Machinery and Equipment	25,758,007	31,963,591	8,536	(289,172)	57,440,962	37,701,172	-	(1,302,598)	93,839,536
Office Equipment	21,238,144	11,279,508	(769,372)	(376,044)	31,372,235	15,242,979	-	(1,438,250)	45,176,965
Furniture and Fittings	2,890,085	7,283,325	-	(27,942)	10,145,468	10,424,518	-	(304,147)	20,265,840
Tools and Equipment	103,549	89,554	-	-	193,103	90,835	-	-	283,938
Gas Point Dealer Boards and Storage Huts	3,935,253	1,655,448	-	-	5,590,701	2,164,099	-	-	7,754,800
Motor Vehicles	21,710,876	11,941,624	8,799,738	(59,450)	42,392,788	16,940,308	3,889,179	(3,076,947)	60,145,328
Testing Equipment	21,331,795	21,597,587	(8,536)	(384,844)	42,536,002	23,288,710	-	(2,208,575)	63,616,136
Cutlery and Crockery	173,170	-	-	(173,170)	-	-	-	-	-
Cylinders in Hand and in Circulation	110,398,960	135,020,527	-	(9,245)	245,410,242	151,143,505	-	-	396,553,747
	252,072,055	267,624,240	7,661,656	(1,340,803)	526,017,148	307,197,752	3,889,179	(9,742,974)	827,361,105
Assets on Finance Leases									
Motor Vehicles	10,314,699	2,242,290	(8,799,738)	-	3,757,251	131,928	(3,889,179)	-	-
	10,314,699	2,242,290	(8,799,738)	-	3,757,251	131,928	(3,889,179)	-	-
Total Depreciation	262,386,754	269,866,530	(1,138,082)	(1,340,803)	529,774,399	307,329,680	-	(9,742,974)	827,361,105

10.1.4 Net Book Values

	2013 Rs.	2012 Rs.	2011 Rs.
At Cost			
Freehold Land	1,193,853,329	1,183,454,329	668,400,000
Land Development	171,182,981	132,422,247	77,127,075
Buildings on Freehold Land	75,127,209	46,890,916	35,689,836
Buildings on Leasehold Land	190,755,573	223,734,185	250,578,653
Plant, Machinery and Equipment	552,448,201	563,622,065	507,023,808
Office Equipment	51,817,368	46,629,225	32,615,633
Furniture and Fittings	87,832,616	82,365,600	5,987,894
Tools and Equipment	318,018	408,853	450,059
Gas Point Dealer Boards and Storage Huts	11,548,323	9,562,224	10,406,066
Motor Vehicles	190,049,914	148,207,479	123,790,496
Testing Equipment	86,422,142	110,412,558	112,331,952
Cylinders in Hand and in Circulation	2,823,555,987	2,610,355,564	2,394,439,081
	5,434,911,662	5,158,065,244	4,218,840,553
Assets on Finance Leases			
Motor Vehicles	-	14,658,389	37,094,764
	-	14,658,389	37,094,764

10. PROPERTY, PLANT AND EQUIPMENT (Contd.)

10.1.4 Net Book Values (Contd.)

	2013 Rs.	2012 Rs.	2011 Rs.
In the Course of Construction			
Buildings	946,880,092	313,755,147	193,536,243
Fire Water Storage Project	199,923	93,123	-
Flow Meter for Bowser	1,489,442	1,489,442	718,905
Galle Bottling Plant	1,572,917	1,572,917	1,523,599
Gas Detector	-	-	147,697
Motor Tricycles	12,380,836	-	-
River Water Project	315,812	-	-
Shrink Sealer Machine	254,192	254,192	254,192
Land Development	3,945,535	3,945,535	-
Plant and Machinery	18,984,968	-	-
Storage Tank	76,010,892	36,014,690	28,350,029
	1,062,034,610	357,125,047	224,530,665
Goods In Transit			
Cylinders	14,520,114	-	-
	14,520,114	-	-
Total Carrying Amount of Property, Plant and Equipment	6,511,466,386	5,529,848,680	4,480,465,982

10.2 Company

10.2.1 Gross Carrying Amounts

	Balance As at 01.04.2011 Rs.	Additions/ Incurred during the Year Rs.	Transfer In/(Out) Rs.	Disposals Rs.	Balance As at 31.03.2012 Rs.	Additions/ Incurred during the Year Rs.	Transfer In/(Out) Rs.	Disposals Rs.	Balance As at 31.03.2013 Rs.
At Cost									
Freehold Land	329,600,000	14,961,500	-	-	344,561,500	10,399,000	-	-	354,960,500
Land Development	77,127,075	3,168,375	52,126,797	-	132,422,247	38,760,734	-	-	171,182,981
Buildings on Freehold Land	36,568,774	419,091	11,792,353	-	48,780,218	3,143,594	26,654,086	-	78,577,899
Building on Leasehold Land	-	-	-	-	-	-	6,121,851	-	6,121,851
Plant, Machinery and Equipment	520,563,393	22,438,338	59,851,666	-	602,853,397	26,044,457	-	-	628,897,854
Office Equipment	17,314,500	10,969,175	5,038,916	-	33,322,591	12,837,305	-	(240,350)	45,919,546
Furniture and Fittings	3,912,199	52,766,314	29,437,977	(123,967)	85,992,523	9,339,481	5,236,360	-	100,568,364
Gas Point Dealer Boards and Storage Huts	14,341,318	594,892	216,715	-	15,152,925	4,150,198	-	-	19,303,123
Motor Vehicles	125,940,644	12,549,371	32,116,953	(116,000)	170,490,968	44,407,502	18,415,640	(3,228,167)	230,085,943
Cylinders in Hand and in Circulation	2,504,838,041	353,117,393	-	(2,189,628)	2,855,765,807	364,343,927	-	-	3,220,109,734
	3,630,205,944	470,984,448	190,581,377	(2,429,595)	4,289,342,175	513,426,199	56,427,937	(3,468,517)	4,855,727,795
Assets on Finance Leases									
Motor Vehicles	47,409,463	-	(28,993,823)	-	18,415,640	-	(18,415,640)	-	-
	47,409,463	-	(28,993,823)	-	18,415,640	-	(18,415,640)	-	-

NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (Contd.)

10.2.1 Gross Carrying Amounts (Contd.)

	Balance As at 01.04.2011 Rs.	Additions/ Incurred during the Year Rs.	Transfer In/(Out) Rs.	Disposals Rs.	Balance As at 31.03.2012 Rs.	Additions/ Incurred during the Year Rs.	Transfer In/(Out) Rs.	Disposals Rs.	Balance As at 31.03.2013 Rs.
In the Course of Construction									
Buildings	31,658,651	20,393,107	(49,169,114)	-	2,882,643	38,012,297	(38,012,297)	-	2,882,643
Fire Water Storage Project	-	93,123	-	-	93,123	106,800	-	-	199,923
Flow Meter for Bowser	718,905	1,529,667	(759,130)	-	1,489,442	-	-	-	1,489,442
Galle Bottling Plant	1,523,599	-	49,318	-	1,572,917	-	-	-	1,572,917
Gas Detector	147,697	10,260	(157,957)	-	-	-	-	-	-
Gas Storage Hut at Dealer Points	-	216,715	(216,715)	-	-	-	-	-	-
Motor Tricycles	-	-	-	-	-	12,380,836	-	-	12,380,836
River Water Project	-	-	-	-	-	315,812	-	-	315,812
Security Point Ladders	-	296,168	(296,168)	-	-	-	-	-	-
Shrink Sealer Machine	254,192	-	-	-	254,192	-	-	-	254,192
Land Development	-	51,700,000	(51,700,000)	-	-	-	-	-	-
Storage Tanks	28,350,029	67,002,449	(59,337,788)	-	36,014,690	39,996,202	-	-	76,010,892
	62,653,072	141,241,489	(161,587,554)	-	42,307,008	90,811,947	(38,012,297)	-	95,106,658
Goods In Transit									
Cylinders	-	-	-	-	-	14,520,114	-	-	14,520,114
Total Gross Carrying Amount	3,740,268,479	612,225,937	-	(2,429,595)	4,350,064,822	618,758,261	-	(3,468,517)	4,965,354,567

10.2.2 Depreciation

	Balance As at 01.04.2011 Rs.	Charged for the Year Rs.	Transfers In/ (Out) Rs.	Disposals Rs.	Balance As at 31.03.2012 Rs.	Charged for the Year Rs.	Transfers In/ (Out) Rs.	Disposals Rs.	Balance As at 31.03.2013 Rs.
At Cost									
Buildings on Freehold Land	878,938	1,010,365	-	-	1,889,303	1,561,388	-	-	3,450,691
Building on Leasehold Land	-	-	-	-	-	36,440	-	-	36,440
Plant, Machinery and Equipment	23,101,161	29,613,295	-	-	52,714,456	35,154,758	-	-	87,869,214
Office Equipment	10,435,916	4,941,270	-	-	15,377,185	7,771,242	-	(220,321)	22,928,107
Furniture and Fittings	1,791,035	6,424,217	-	(20,129)	8,195,123	9,323,999	-	-	17,519,122
Gas Point Dealer Boards and Storage Huts	3,935,253	1,655,448	-	-	5,590,701	2,164,099	-	-	7,754,800
Motor Vehicles	15,173,276	8,976,116	8,799,738	(59,450)	32,889,680	13,905,815	3,889,179	(3,076,947)	47,607,727
Cylinders in Hand and in Circulation	110,398,960	135,020,527	-	(9,245)	245,410,242	151,143,505	-	-	396,553,747
	165,714,538	187,641,238	8,799,738	(88,824)	362,066,690	221,061,246	3,889,179	(3,297,268)	583,719,847
Assets on Finance Leases									
Motor Vehicles	10,314,700	2,242,290	(8,799,738)	-	3,757,252	131,927	(3,889,179)	-	-
	10,314,700	2,242,290	(8,799,738)	-	3,757,252	131,927	(3,889,179)	-	-
Total Depreciation	176,029,238	189,883,528	-	(88,824)	365,823,942	221,193,173	-	(3,297,268)	583,719,847

10. PROPERTY, PLANT AND EQUIPMENT (Contd.)

10.2.3 Net Book Values

	2013 Rs.	2012 Rs.	2011 Rs.
At Cost			
Freehold Land	354,960,500	344,561,500	329,600,000
Land Development	171,182,981	132,422,247	77,127,075
Buildings on Freehold Land	75,127,208	46,890,915	35,689,836
Building on Leasehold Land	6,085,411	-	-
Plant, Machinery and Equipment	541,028,640	550,138,941	497,462,232
Office Equipment	22,991,439	17,945,405	6,878,584
Furniture and Fittings	83,049,243	77,797,400	2,121,164
Gas Point Dealer Boards and Storage Huts	11,548,323	9,562,224	10,406,065
Motor Vehicles	182,478,217	137,601,288	110,767,368
Cylinders in Hand and in Circulation	2,823,555,987	2,610,355,564	2,394,439,081
	4,272,007,947	3,927,275,484	3,464,491,404
Assets on Finance Leases			
Motor Vehicles	-	14,658,389	37,094,764
	-	14,658,389	37,094,764
In the Course of Construction			
Buildings	2,882,643	2,882,643	31,658,651
Fire Water Storage Project	199,923	93,123	-
Flow Meter for Bowser	1,489,442	1,489,442	718,905
Galle Bottling Plant	1,572,917	1,572,917	1,523,599
Gas Detector	-	-	147,697
Motor Tricycles	12,380,836	-	-
River Water Project	315,812	-	-
Shrink Sealer Machine	254,192	254,192	254,192
Storage Tanks	76,010,892	36,014,690	28,350,029
	95,106,658	42,307,008	62,653,073
Goods In Transit			
Cylinders	14,520,114	-	-
	14,520,114	-	-
Total Carrying Amount of Property, Plant and Equipment	4,381,634,720	3,984,240,880	3,564,239,240

NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (Contd.)

10.3 During the financial year, the Group and Company acquired property, plant and equipment to the aggregate value of Rs.1,297,196,713/- and Rs.618,758,261/- respectively (2012 - Rs.1,326,069,341/- and Rs.612,225,937/-). Cash payments amounting to Rs.1,297,196,713/- and Rs.618,758,261/- (2012 - Rs.1,326,069,341/- and Rs.612,225,937/-) respectively were made during the year for purchase of property, plant and equipment.

10.4 Building on leasehold land includes fabrication cost of containers of Rs. 5.13Mn (2012 - Rs. 12.47Mn) and plants of vehicle emission testing areas of Rs.5.49Mn (2012 - Rs.3.27Mn).

10.5 LAUGFS Hotel Management Services (Private) Limited, a Subsidiary, has written off property, plant and equipment which had a net book value of Rs. 1,794,735/- during the year 2012 following the discontinuation of hotel operations.

10.6 LAUGFS Power Ltd., a Subsidiary, has started its construction of the hydro power plant during the year under review 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 under construction stands. 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.

10.7 The useful lives of the assets are estimated as follows:

	2013	2012	2011
Group			
Buildings	40 Years	40 Years	40 Years
Buildings on Leasehold Land*	14 - 20 Years	20 Years	20 Years
Plant, Machinery and Equipment	3 - 20 Years	3 - 20 Years	3 - 20 Years
Office Equipment	4 Years	4 Years	4 Years
Furniture and Fittings	10 Years	10 Years	10 Years
Gas Point Dealer Boards	10 Years	10 Years	10 Years
Gas Storage Hut at Dealer Points	5 Years	5 Years	5 Years
Motor Vehicles	3 - 30 Years	3 - 30 Years	3 - 30 Years
Cylinders in Hand and in Circulation	20 Years	20 Years	20 Years
Company			
Buildings on Freehold Land	40 Years	40 Years	40 Years
Buildings on Leasehold Land*	14 Years	-	-
Plant, Machinery and Equipment	3 - 20 Years	3 - 20 Years	3 - 20 Years
Office Equipment	4 Years	4 Years	4 Years
Furniture and Fittings	10 Years	10 Years	10 Years
Gas Point Dealer Boards	10 Years	10 Years	10 Years
Gas Storage Hut at Dealer points	5 Years	5 Years	5 Years
Motor Vehicles	3 - 30 Years	3 - 30 Years	3 - 30 Years
Cylinders in Hand and in Circulation	20 Years	20 Years	20 Years

*or period of the lease, whichever is shorter.

10.8 LAUGFS Eco Sri (Pvt) Ltd, a Subsidiary, depreciates all its depreciable assets over seven (07) years.

10.9 Property, plant and equipment of the Group and the Company includes fully depreciated assets having a gross carrying amount of Rs.20,253,774/- (2012 - Rs.19,749,871/-) respectively.

11. INVESTMENT PROPERTIES

	2013 Rs.	2012 Rs.
Group/Company		
As at 1 April	609,800,000	588,800,000
Addition during the Year	-	-
Revaluation	35,472,500	21,360,000
Depreciation	(372,500)	(360,000)
As at 31 March	644,900,000	609,800,000
Rental Income derived from Investment Properties	4,254,202	3,676,471
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	3,676,471

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 2013, 31 March 2012 and 31 March 2011. Messrs.T.W. M. L.Wijayatunga is a specialist in valuing these types of investment properties.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.

12. INTANGIBLE ASSETS

	Group			Company		
	Software Rs.	Goodwill Rs.	Total Rs.	Software Rs.	Goodwill Rs.	Total Rs.
Cost						
As at 1 April 2011	319,812	52,928,221	53,248,033	319,812	-	319,812
Additions	-	-	-	-	-	-
Acquisition of Subsidiaries	-	275,164	275,164	-	-	-
As at 31 March 2012	319,812	53,203,385	53,523,197	319,812	-	319,812
Additions	-	-	-	-	-	-
Acquisition of Subsidiaries	-	-	-	-	-	-
As at 31 March 2013	319,812	53,203,385	53,523,197	319,812	-	319,812
Amortization and Impairment						
As at 1 April 2011	291,576	-	291,576	291,576	-	291,576
Amortization	19,931	-	19,931	19,931	-	19,931
As at 31 March 2012	311,508	-	311,508	311,508	-	311,508
Amortization	8,305	-	8,305	8,305	-	8,305
As at 31 March 2013	319,812	-	319,812	319,812	-	319,812
In the Course of Construction						
As at 1 April 2011	-	-	-	-	-	-
Additions	-	-	-	-	-	-
As at 31 March 2012	-	-	-	-	-	-
Additions*	10,000,000	-	10,000,000	10,000,000	10,000,000	
As at 31 March 2013	10,000,000	-	10,000,000	10,000,000	-	10,000,000
Net Book Values						
At 1 April 2011	28,236	52,928,221	52,956,457	28,236	-	28,236
At 31 March 2012	8,305	53,203,385	53,211,690	8,305	-	8,305
At 31 March 2013	10,000,000	53,203,385	63,203,385	10,000,000	-	10,000,000

*This is a comprehensive software solution which integrates operations, administration, customer relations management, human resources management, credit management, production facility, inventory management, logistics, sales and marketing activities.

NOTES TO THE FINANCIAL STATEMENTS

13. PREPAYMENTS

	Group			Company		
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Prepayments	122,737,021	6,747,549	3,557,282	30,781,565	6,347,549	3,557,282
	122,737,021	6,747,549	3,557,282	30,781,565	6,347,549	3,557,282
Prepayments within One Year (Current)	30,781,565	6,347,549	3,557,282	30,781,565	6,347,549	3,557,282
Prepayments after One Year (Non-Current)*	91,955,456	400,000	-	-	-	-
	122,737,021	6,747,549	3,557,282	30,781,565	6,347,549	3,557,282

* 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 leasehold right of the land at Balangoda.

14. INVESTMENTS IN SUBSIDIARIES

	2013 Rs.	2012 Rs.
Company		
As at 1 April	1,281,301,914	616,301,984
Acquisition of Investments	-	664,999,930
As at 31 March	1,281,301,914	1,281,301,914

14.1 Investments in Subsidiaries

Non-Quoted	% of Holding 2013	2012	2011	Cost 2013 Rs.	Directors' Valuation 2013 Rs.	Cost 2012 Rs.	Directors' Valuation 2012 Rs.	Cost 2011 Rs.	Directors' Valuation 2011 Rs.
LAUGFS Eco Sri (Pvt) Ltd.	100%	100%	100%	416,301,984	416,301,984	416,301,984	416,301,984	416,301,984	416,301,984
LAUGFS Leisure Ltd.	100%	100%	100%	640,000,000	640,000,000	640,000,000	640,000,000	50,000,000	50,000,000
LAUGFS Property Developers (Pvt) Ltd.	81%	81%	75%	215,000,000	215,000,000	215,000,000	215,000,000	150,000,000	150,000,000
LAUGFS Power Ltd.	100%	100%	-	9,999,930	9,999,930	9,999,930	9,999,930	-	-
Total Non-Quoted Investments in Subsidiaries				1,281,301,914	1,281,301,914	1,281,301,914	1,281,301,914	616,301,984	616,301,984

15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Group/Company

15.1 Other Financial Assets

15.1.1 Available for Sale Investments

	2013 Rs.	2012 Rs.	2011 Rs.
Quoted Equity Shares			
Ceylon Guardian Investment Trust PLC	2,928,000	4,227,300	6,761,850
Citrus Leisure PLC	28,950,000	44,850,000	112,350,000
The Colombo Pharmacy Company PLC	5,521,200	9,216,000	41,161,200
Commercial Bank of Ceylon PLC	18,601,721	16,174,600	20,063,116
Ceylon Grain Elevators PLC	49,700,000	60,800,000	168,100,000
Lanka Orix Leasing Company PLC	1,995,000	1,890,000	3,588,000
Three Acre Farms PLC	1,305,920	1,595,440	4,339,560
Free Lanka Capital Holding PLC	7,127,125	5,701,700	-
Total Available for Sale Investments	116,128,966	144,455,040	356,363,726

15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd.)

15.1.2 Financial Instruments at Fair Value through Profit or Loss

	2013 Rs.	2012 Rs.	2011 Rs.
Quoted Equity Shares			
Union Bank of Colombo PLC	168,300	173,250	-
Multi Finance PLC	4,067,800	4,788,910	-
Total Financial Instruments at Fair Value through Profit or Loss	4,236,100	4,962,160	-
Total Other Financial Assets	120,365,066	149,417,200	356,363,726
Total Current	4,236,100	4,962,160	-
Total Non-Current	116,128,966	144,455,040	356,363,726
	120,365,066	149,417,200	356,363,726

The Company has investments in listed equity securities of which the fair values are determined by reference to published price quotations in an active market.

15.2 Other financial liabilities

15.2.1 Interest Bearing Loans and Borrowings

Group

	2013 Amount Repayable Within 1 Year Rs.	2013 Amount Repayable After 1 Year Rs.	2013 Total Rs.	2012 Amount Repayable Within 1 Year Rs.	2012 Amount Repayable After 1 Year Rs.	2012 Total Rs.	2011 Amount Repayable Within 1 Year Rs.	2011 Amount Repayable After 1 Year Rs.	2011 Total Rs.
Finance Leases (Note 15.2.2)	-	-	-	381,215	-	381,215	6,120,441	375,122	6,495,563
Bank Overdrafts (Note 20.2)	45,255,514	-	45,255,514	16,686,951	-	16,686,951	31,098,718	-	31,098,718
	45,255,514	-	45,255,514	17,068,166	-	17,068,166	37,219,158	375,122	37,594,280

Company

	2013 Amount Repayable Within 1 Year Rs.	2013 Amount Repayable After 1 Year Rs.	2013 Total Rs.	Amount Repayable Within 1 Year Rs.	2012 Amount Repayable After 1 Year Rs.	2012 Total Rs.	Amount Repayable Within 1 Year Rs.	2011 Amount Repayable After 1 Year Rs.	2011 Total Rs.
Finance Leases (Note 15.2.2)	-	-	-	381,215	-	381,215	6,120,441	375,122	6,495,563
Bank Overdrafts (Note 20.2)	23,249,867	-	23,249,867	379,390	-	379,390	11,845,240	-	11,845,240
	23,249,867	-	23,249,867	760,605	-	760,605	17,965,681	375,122	18,340,803

15.2.2 Finance Leases

Group/Company	As at 01.04.2011 Rs.	Leases Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.	Leases Obtained Rs.	Repayments Rs.	As at 31.03.2013 Rs.
Seylan Bank PLC	385,020	-	(385,020)	-	-	-	-
Sampath Bank PLC	1,998,152	-	(1,998,152)	-	-	-	-
Bank of Ceylon	4,527,008	-	(4,139,700)	387,308	-	(387,308)	-
	6,910,180	-	(6,522,872)	387,308	-	(387,308)	-

		As at 31.03.2013 Rs.	As at 31.03.2012 Rs.	As at 01.04.2011 Rs.
Gross Liability		-	387,308	6,910,180
Finance Charges Allocated to Future Periods	- Within One Year	-	(6,093)	(408,524)
	- More than One Year	-	-	(6,093)
Net Liability		-	381,215	6,495,563

15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd.)

15.3 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.

		Carrying Amount			Fair Value		
Group	Notes	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
Financial Assets							
Trade and Other Receivables	A	1,141,899,091	932,596,384	869,985,833	1,141,899,091	932,596,384	869,985,833
Cash in Hand and at Bank	A	191,706,311	196,241,795	58,095,123	191,706,311	196,241,795	58,095,123
Total		1,333,605,403	1,128,838,179	928,080,956	1,333,605,403	1,128,838,179	928,080,956
Financial Liabilities							
Interest Bearing Loans and Borrowings (Non-Current)	B	-	-	375,122	-	-	375,122
Interest Bearing Loans and Borrowings (Current)	B	-	381,215	6,120,441	-	381,215	6,120,441
Trade and Other Payables	A	1,912,606,673	2,249,722,664	1,130,454,916	1,912,606,673	2,249,722,664	1,130,454,916
Bank Overdrafts	A	45,255,514	16,686,951	31,098,718	45,255,514	16,686,951	31,098,718
Total		1,957,862,187	2,266,790,830	1,168,049,197	1,957,862,187	2,266,790,830	1,168,049,197

		Carrying Amount			Fair Value		
Company	Notes	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.	2013 Rs.	2012 Rs.	As at 01 April 2011 Rs.
Financial Assets							
Trade and Other Receivables	A	1,835,902,057	887,830,201	844,031,321	1,835,902,057	887,830,201	844,031,321
Cash in Hand and at Bank	A	141,160,684	113,081,635	54,626,133	141,160,684	113,081,635	54,626,133
Total		1,977,062,741	1,000,911,836	898,657,454	1,977,062,741	1,000,911,836	898,657,454
Financial Liabilities							
Interest Bearing Loans and Borrowings (Non-Current)	B	-	-	375,122	-	-	375,122
Interest Bearing Loans and Borrowings (Current)	B	-	381,215	6,120,441	-	381,215	6,120,441
Trade and Other Payables	A	1,827,194,722	2,181,942,795	1,098,265,792	1,827,194,722	2,181,942,795	1,098,265,792
Bank Overdrafts	A	23,249,867	379,390	11,845,240	23,249,867	379,390	11,845,240
Total		1,850,444,589	2,182,703,400	1,116,606,595	1,850,444,589	2,182,703,400	1,116,606,595

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 2013, the carrying amounts of such borrowings are not materially different from their calculated fair values.

15. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd.)

15.4 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 2013, the Company held the following financial instruments carried at fair value on the statement of financial position.

Group

Assets Measured at Fair Value	**2013**	**Level 1**	**Level 2**	**Level 3**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Available for Sale Financial Assets	116,128,966	116,128,966	-	-
Financial Instruments at Fair Value through Profit or Loss	4,236,100	4,236,100	-	-
Fixed Deposits, Repos and Saving Accounts	1,317,700,635	-	1,317,700,635	-
	1,438,065,701	120,365,066	1,317,700,635	-

Company

Assets Measured at Fair Value	**2013**	**Level 1**	**Level 2**	**Level 3**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Available for Sale Financial Assets	116,128,966	116,128,966	-	-
Financial Instruments at Fair Value through Profit or Loss	4,236,100	4,236,100	-	-
Fixed Deposits, Repos and Saving Accounts	1,022,348,357	-	1,022,348,357	-
	1,142,713,423	120,365,066	1,022,348,357	-

During the reporting period ending 31 March 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

16. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations are given under the cash generating units of other services, leisure & hospitality, property development and energy, which are also operating and reportable segments, for impairment testing purpose.

Carrying amount of Goodwill allocated to each of the Cash Generating Unit:

	2013 Rs.	2012 Rs.	2011 Rs.
Other Services	34,245,161	34,245,161	34,245,161
Leisure & Hospitality	9,940,734	9,940,734	9,940,734
Property Development	8,742,326	8,742,326	8,742,326
Energy	275,164	275,164	-
	53,203,385	53,203,385	52,928,221

The Group performs 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 segments when reviewing for the indicators of impairment. As at 31 March 2013, there was no any significant indicator for potential impairment of goodwill and impairment of the assets of the operating segments.

17. INVENTORIES

	Group			Company		
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Gas in Cylinders and Accessories	39,275,217	48,569,260	46,391,505	39,275,217	48,569,260	46,391,505
Gas in Bulk	5,492,142	74,502,213	208,970,584	5,492,142	74,502,213	208,970,584
Non-Trade Inventories	49,135,256	28,154,548	35,218,896	16,478,551	6,298,566	17,874,991
Food and Beverages	-	-	1,066,983	-	-	-
Goods in Transit	295,086,913	468,883,338	-	295,086,913	468,883,338	-
Total Inventories at the lower of Cost and Net Realisable Value	388,989,528	620,109,359	291,647,968	356,332,823	598,253,377	273,237,080

18. TRADE AND OTHER RECEIVABLES

		Group			Company	
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Trade Receivables - Related Parties (Note 18.1)	222,044,098	245,608,640	248,683,258	222,044,098	245,608,640	248,683,258
- Other	423,897,571	376,365,024	349,306,119	423,897,571	376,365,024	327,058,934
Less: Provision for Impairments	(3,202,297)	(2,113,152)	(2,168,243)	(3,202,297)	(2,113,152)	(2,113,152)
	642,739,372	619,860,512	595,821,134	642,739,373	619,860,512	573,629,040
Other Receivables - Related Parties (Note 18.2)	57,984,696	870,975	2,536,403	-	2,567,304	13,297,551
- Other	210,353,041	95,363,023	92,897,566	81,030,739	57,483,962	83,591,875
Advances - Related Parties (Note 18.3)	1,105,885	-	-	1,105,885	-	-
- Other	228,283,209	215,053,242	177,424,321	159,289,687	206,570,864	172,396,882
Advances given in lieu of Investments in Subsidiaries (Note 18.4)	-	-	-	950,331,985	-	-
	1,140,466,204	931,147,752	868,679,424	1,834,497,669	886,482,642	842,915,348
Loans to Company Officers	1,432,888	1,448,632	1,306,409	1,404,388	1,347,559	1,115,972
	1,141,899,092	932,596,384	869,985,833	1,835,902,057	887,830,201	844,031,321

18.1 Trade Dues from Related Parties

	Relationship						
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	-	-	16,758,314	-	-	16,758,314
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	-	-	200,696	-	-	200,696
LAUGFS Supermarkets (Pvt) Ltd.	Fellow Subsidiary	28,075,661	39,215,283	45,807,784	28,075,661	39,215,283	45,807,784
Gas Auto Lanka Ltd.	Fellow Subsidiary	193,968,438	206,393,357	185,916,465	193,968,438	206,393,357	185,916,465
		222,044,098	245,608,640	248,683,258	222,044,098	245,608,640	248,683,258

18.2 Other Dues from Related Parties

LAUGFS Property Developers (Pvt) Ltd.	Subsidiary	-	-	-	-	841,049	3,761,148
LAUGFS Leisure Ltd.	Subsidiary	-	-	-	-	1,726,255	7,000,000
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	57,764,696	870,975	-	-	-	-
LAUGFS Salt and Chemicals (Pvt) Ltd	Fellow Subsidiary	219,999	-	-	-	-	-
LAUGFS Power Ltd.	Subsidiary	-	-	2,536,403	-	-	2,536,403
		57,984,696	870,975	2,536,403	-	2,567,304	13,297,551

18. TRADE AND OTHER RECEIVABLES (Contd.)

		Group			Company		
	Relationship	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
18.3 Advances given to Related Parties							
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	1,105,885	-	-	1,105,885	-	-
		1,105,885	-	-	1,105,885		
18.4 Advances given in lieu of investments in Subsidiaries							
LAUGFS Leisure Ltd.	Subsidiary	-	-	-	863,485,920	-	-
LAUGFS Property Developers (Pvt) Ltd.	Subsidiary	-	-	-	59,091,049	-	-
LAUGFS Power Ltd.	Subsidiary	-	-	-	27,755,016	-	-
		-	-	-	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:

			Past Due and Impaired			
Group	Total Rs.	Neither Past Due nor Impaired Rs.	< 30 Days Rs.	31-60 Days Rs.	61-90 Days Rs.	> 90 Days Rs.
2013	645,941,670	358,493,043	55,306,486	12,287,680	5,412,080	214,442,380
2012	621,973,664	318,331,720	57,220,262	5,134,769	26,218,314	215,068,599
As at 1 April 2011	597,989,377	259,396,751	138,350,524	28,138,752	8,821,275	163,282,075

			Past Due and Impaired			
Company	Total Rs.	Neither Past Due nor Impaired Rs.	< 30 Days Rs.	31-60 Days Rs.	61-90 Days Rs.	> 90 Days Rs.
2013	645,941,670	358,493,043	55,306,486	12,287,680	5,412,080	214,442,380
2012	621,973,664	318,331,720	57,220,262	5,134,769	26,218,314	215,068,599
As at 1 April 2011	575,742,192	249,651,120	131,229,268	24,593,041	7,177,122	163,091,640

Above to be read in conjunction with Note 31 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.

19. RATE REGULATORY ASSETS

Group/Company	2013 Rs.	2012 Rs.
As at 1 April	196,023,612	387,854,097
Deferments during the Year	93,017,134	287,920,806
Reversals during the Year	(182,375,435)	(479,751,291)
As at 31 March	106,665,311	196,023,612

20. CASH AND SHORT-TERM DEPOSITS

20.1 Favorable Cash & Cash Equivalent Balances

	Group			Company		
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Fixed Deposits	297,388,906	1,400,345,805	308,558,250	6,388,906	1,079,345,805	133,006,001
Repos	1,015,290,817	544,345,509	1,597,761,832	1,011,686,006	533,414,906	1,597,761,832
Savings Accounts	5,020,912	22,980,149	73,119,999	4,273,445	22,561,894	73,119,999
Cash in Hand and at Bank	191,706,311	196,241,795	58,095,123	141,160,684	113,081,635	54,626,133
	1,509,406,947	2,163,913,258	2,037,535,204	1,163,509,041	1,748,404,240	1,858,513,965

20.2 Unfavorable Cash & Cash Equivalent Balances

	Group			Company		
Bank Overdrafts (Note 15.2)	(45,255,514)	(16,686,951)	(31,098,718)	(23,249,867)	(379,390)	(11,845,240)
Cash and Cash Equivalent for the Purpose of Cash Flow Statement	1,464,151,433	2,147,226,307	2,006,436,486	1,140,259,174	1,748,024,850	1,846,668,725

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.

21. STATED CAPITAL

	2013		2012		2011	
Group/Company	Number	Rs.	Number	Rs.	Number	Rs.
Ordinary Voting Shares (21.1)	335,000,086	2,505,000,260	335,000,086	2,505,000,260	335,000,086	2,505,000,260
Ordinary Non-Voting Shares (21.2)	52,000,000	780,000,000	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	387,000,086	3,285,000,260

21.1 Ordinary Voting Shares

	2013 Number	2013 Rs.	2012 Number	2012 Rs.	2011 Number	2011 Rs.
As at 1 April	335,000,086	2,505,000,260	335,000,086	2,505,000,260	78,000,026	780,000,260
Share Splits during the Year *	-	-	-	-	182,000,060	-
Issued during the Year	-	-	-	-	75,000,000	1,725,000,000
As at 31 March	335,000,086	2,505,000,260	335,000,086	2,505,000,260	335,000,086	2,505,000,260

21.2 Ordinary Non-Voting Shares

	2013 Number	2013 Rs.	2012 Number	2012 Rs.	2011 Number	2011 Rs.
As at 1 April	52,000,000	780,000,000	52,000,000	780,000,000	-	-
Issued during the Year	-	-	-	-	52,000,000	780,000,000
As at 31 March	52,000,000	780,000,000	52,000,000	780,000,000	52,000,000	780,000,000

* The above share split has been made in the ratio of 1:3.33

21.3 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.

NOTES TO THE FINANCIAL STATEMENTS

22. RESERVES

Group/Company	2013 Rs.	2012 Rs.	2011 Rs.
Available for Sale Reserve (Note 22.1)	(321,209,089)	(292,748,056)	(67,045,465)
	(321,209,089)	(292,748,056)	(67,045,465)

22.1 Available for Sale Reserve

	2013 Rs.	2012 Rs.	2011 Rs.
As at 1 April	(292,748,056)	(67,045,465)	-
Gains/(Losses) arising during the Year	(28,461,033)	(225,702,591)	(67,045,465)
As at 31 March	(321,209,089)	(292,748,056)	(67,045,465)

23. DIVIDENDS PAID AND PROPOSED

	2013 Rs.	2012 Rs.
Declared and Paid during the Year:		
Dividends on Ordinary Shares:		
Final Dividend for 2011 : 1.50 Rupees per Share	-	580,500,129
Final Dividend for 2012 : 1.50 Rupees per Share	580,500,129	-

24. EMPLOYEE BENEFIT LIABILITY

24.1 Net Benefit Expense

	Group			Company		
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Current Service Cost	5,705,396	7,947,408	5,300,646	3,992,483	4,940,809	3,447,447
Interest Cost on Benefit Obligation	3,715,062	2,795,253	2,168,287	3,120,066	2,795,253	2,168,287
Net Actuarial (Gain)/Loss for the Year	(10,544,587)	204,883	(861,819)	(8,350,822)	204,883	(861,819)
Total Expenses	(1,124,129)	10,947,544	6,607,114	(1,238,273)	7,940,945	4,753,915

24.2 Employee Benefit Liability

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

	Group 2013 Rs.	Group 2012 Rs.	Group 2011 Rs.	Company 2013 Rs.	Company 2012 Rs.	Company 2011 Rs.
As at 1 April	34,456,237	23,756,017	12,874,083	28,364,234	20,470,588	11,401,124
Current Service Cost	5,705,396	7,947,408	5,300,646	3,992,483	4,940,809	3,447,447
Interest Cost on Benefit Obligation	3,715,062	2,795,253	2,168,287	3,120,066	2,795,253	2,168,287
Actuarial (Gain)/Loss on Obligation	(10,544,587)	204,883	(861,819)	(8,350,822)	204,883	(861,819)
Benefit Paid	(895,915)	(247,325)	(588,309)	(705,840)	(47,300)	(547,580)
Actuarial (Gain)/Loss on Benefit Obligation of Prior Years	-	-	4,863,129	-	-	4,863,129
As at 31 March	32,436,193	34,456,236	23,756,017	26,420,121	28,364,234	20,470,588

24. EMPLOYEE BENEFIT LIABILITY (Contd.)

24.3 Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2013. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31.03.2013 are as follows:

	2013	2012	2011
Method of Actuarial Valuation:	Projected Unit Credit method	Projected Unit Credit method	Projected Unit Credit method
Discount Rate	11%	11%	11%
Salary Increment Rate	15%	15%	15%
Retirement Age	55 years	55 years	55 years
Staff Turnover Ratio	10%	10%	10%
Mortality Table	A67/70 Mortality Table	A67/70 Mortality Table	A67/70 Mortality Table

24.4 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 2013.

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			Company		
			2013			2013		
In Discount Rate	In Rate of Salary Increment	In Staff Turnover Rate	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%	-	-	1,341,786	(1,341,786)	31,312,331	1,132,190	(1,132,190)	25,287,931
-1%	-	-	(1,446,293)	1,446,293	33,288,620	(1,249,994)	1,249,994	27,670,115
-	1%	-	(1,080,776)	1,080,776	33,789,067	(1,317,459)	1,317,459	27,737,580
-	-1%	-	992,807	(992,807)	30,792,622	1,217,555	(1,217,555)	25,202,566
-	-	1%	222,079	(222,079)	31,872,742	292,131	(292,131)	26,127,990
-	-	-1%	(234,960)	234,960	32,610,089	(305,062)	305,062	26,725,183

NOTES TO THE FINANCIAL STATEMENTS

25. DEFERRED INCOME

Group/Company	2013 Rs.	2012 Rs.
As at 1 April	345,772,225	280,799,748
Deferred during the Year	278,456,326	272,159,877
Released to the Consolidated Income Statement during the Year	(214,158,068)	(207,187,400)
As at 31 March	410,070,483	345,772,225

26. TRADE AND OTHER PAYABLES

	Group			Company		
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Trade Payables - Others	1,803,894,681	2,152,803,206	1,013,878,695	1,790,135,324	2,143,776,295	1,009,820,809
Other Payables - Related Parties (Note 26.1)	498,960	-	2,426,100	-	-	702,935
- Others	1,175,009	30,543,450	2,807,481	-	-	-
Sundry Creditors including Accrued Expenses	107,038,023	66,376,008	111,342,639	37,059,398	38,166,500	87,742,048
	1,912,606,673	2,249,722,664	1,130,454,916	1,827,194,722	2,181,942,795	1,098,265,792

26.1 Other Payable to Related Parties

	Relationship	Group 2013	Group 2012	Group 2011	Company 2013	Company 2012	Company 2011
LAUGFS Aqua Systems (Pvt) Ltd.	Fellow Subsidiary	-	-	67,204	-	-	67,204
LAUGFS Supermarket (Pvt) Ltd.	Fellow Subsidiary	298,306	-	-	-	-	-
LAUGFS Australia Higher Education Services (Pvt) Ltd	Fellow Subsidiary	900	-	-	-	-	-
LAUGFS Lubricants Ltd.	Fellow Subsidiary	90,420	-	475,590	-	-	475,590
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	106,707	-	24,286	-	-	-
LAUGFS Restaurant (Pvt) Ltd.	Fellow Subsidiary	-	-	160,141	-	-	160,141
Emerald Bay Hotels (Pvt) Ltd.	Other Related Party	-	-	945,414	-	-	-
Gas Auto Lanka Ltd.	Fellow Subsidiary	2,627	-	753,465	-	-	-
		498,960	-	2,426,100	-	-	702,935

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 31.

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.
2013	1,803,894,681	676,148,828	1,118,810,116	2,597,968	6,337,769
2012	2,152,803,206	1,167,617,553	852,047,364	125,032,233	8,106,056
As at 1 April 2011	1,013,878,695	417,286,814	591,141,870	4,037,833	1,412,178

Company	Total Rs.	< 30 Days Rs.	31-90 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2013	1,790,135,324	664,891,703	1,117,928,263	1,929,754	5,385,603
2012	2,143,776,295	1,161,356,342	850,729,450	123,584,447	8,106,056
As at 1 April 2011	1,009,820,809	414,761,920	589,704,837	3,941,873	1,412,178

27. REFUNDABLE DEPOSITS

Group/Company	2013 Rs.	2012 Rs.
As at 1 April	1,206,150,050	1,084,693,400
Additions	271,027,618	398,220,925
Refunds/Transfers	(281,657,634)	(276,764,275)
As at 31 March	1,195,520,034	1,206,150,050
Refundable Deposits within One Year (Current)	119,552,003	120,615,005
Refundable Deposits after One Year (Non-Current)	1,075,968,030	1,085,535,045
	1,195,520,034	1,206,150,050

28. COMMITMENTS AND CONTINGENCIES

28.1 Capital Expenditure Commitments

28.1.1 Group

a) The Group has commitments for acquisition of property, plant and equipment incidental to the ordinary course of business as at 31 March 2013 are as follows:

Contracted but not Provided for	2013 Rs.
Flow Meter for Bowser	2,000,000
New Road Tank Carrier	2,000,000
Perimeter Fence	4,000,000
River Water Project	24,000,000
Shrink Sealer Machine	4,000,000
Storage Tanks	130,000,000
Chilaw Ananthaya Project	325,774,860
Architectural and Other Consultancy Fee	119,758,383
	611,533,243

Company

b) The Company has commitments for acquisition of property, plant and equipment incidental to the ordinary course of business as at 31 March 2013 are as follows:

Contracted but not Provided for	2013 Rs.
Flow Meter for Bowser	2,000,000
New Road Tank Carrier	2,000,000
Perimeter Fence	4,000,000
River Water Project	24,000,000
Shrink Sealer Machine	4,000,000
Storage Tanks	130,000,000
	166,000,000

28.2 Contingencies

The Group does not have significant contingencies as at the reporting date.

29. ASSETS PLEDGED

Group/Company

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of the Liability	Carrying Amount Pledged 2013 Rs.	2012 Rs.	2011 Rs.	Included Under
Stock of Gas Cylinders at Mabima Plant	Floating Mortgage	-	-	70,000,000	Property, Plant and Equipment
Plant and Machinery	Primary Mortgage	-	-	33,000,000	Property, Plant and Equipment
Savings Account	Lien Over Savings Account	-	2,392,661	-	Cash and Short Term Deposits
Fixed Deposit	Lien Over Fixed Deposit	6,388,906	5,710,375	-	Cash and Short Term Deposits

NOTES TO THE FINANCIAL STATEMENTS

30. 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 2013 and 2012,1 April 2011, refer to Notes 18 and 26)

30.1 Transactions with the Related Parties

	Parent		Other Group Companies		Total	
Group	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Nature of Transactions						
Sale of Goods/Services	-	-	478,686,831	697,988,566	478,686,831	697,988,566
Settlement of Trade Debtors	-	-	(502,251,373)	(700,205,568)	(502,251,373)	(700,205,568)
Purchase of Goods/Services	(81,984,565)	(72,614,130)	(105,203,394)	(9,193,310)	(187,187,959)	(81,807,440)
Settlement of Trade Payable	-	-	92,637,709	-	92,637,709	-
Settlement Payment	6,787,999	-	109,767,520	-	116,555,519	-
Loan Given To	-	-	-	44,000,000	-	44,000,000
Balances Transfer To	-	-	(11,711,000)	(2,536,403)	(11,711,000)	(2,536,403)
Loan Given From	-	-	112,000,000	-	112,000,000	-
Fund Transfers Received	-	(940,937)	(112,000,000)	(48,244,228)	(112,000,000)	(49,185,165)
Fund Transfers Given	283,830,000	75,034,239	22,900,000	20,100,000	306,730,000	95,134,239
Intercompany Expenses To	-	940,937	33,320,360	18,615,434	33,320,360	19,556,371
Intercompany Expenses From	-	-	(110,735,641)	-	(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)	(31,549,884)	(231,126,199)	(31,549,884)
Settlement of Creditors	-	-	11,711,000	6,031,385	11,711,000	6,031,385
Others	138,257	(2,420,109)	(157,550)	(31,586)	(19,293)	(2,451,695)

30.1.1 Other Group Companies include following Companies;

LAUGFS Engineering (Pvt) Ltd.
LAUGFS Aqua Systems (Pvt) Ltd.
LAUGFS Supermarkets (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 Rubber Products (Pvt) Ltd.
LAUGFS Australia Higher Education Services (Pvt) Ltd.
LAUGFS Capital Ltd.

30. RELATED PARTY DISCLOSURES (Contd.)

30.2 Transactions with the Related Parties

Company	Parent		Subsidiaries		Other Group Companies		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nature of Transactions								
As at 1 April	-	-	2,567,304	10,761,148	245,608,640	250,516,725	248,175,944	261,277,873
Sale of Goods/Services	-	-	-	-	478,686,831	697,988,566	478,686,831	697,988,566
Settlement of Trade Debtors	-	-	-	-	(502,251,373)	(700,205,568)	(502,251,373)	(700,205,568)
Purchase of Goods/Services	(81,984,565)	(72,614,130)	-	-	(92,637,709)	(39,872,111)	(174,622,273)	(112,486,241)
Settlement of Trade Payables	-	-	-	-	92,637,709	-	92,637,709	-
Investments Made by the Company	-	-	-	(664,999,930)	-	-	-	(664,999,930)
Settlements Payment	6,787,999	-	2,089,458	-	109,474,259	-	118,351,716	-
Fund Transfers Given	283,830,000	75,034,239	947,764,681	652,831,406	22,900,000	20,100,000	1,254,494,681	747,965,645
Intercompany Expenses To	-	-	-	1,438,277	7,848,556	14,371,206	7,848,556	15,809,483
Intercompany Expenses From	-	-	(2,089,458)	(913,410)	(110,735,641)	-	(112,825,099)	(913,410)
Advance Payments	-	-	-	-	18,187,235	-	18,187,235	-
Advance Payment Settlements	-	-	-	-	(40,072,423)	-	(40,072,423)	-
Balances Transfer To	-	-	-	2,536,403	-	-	-	2,536,403
Balances Transfer From	-	-	-	-	-	(2,536,403)	-	(2,536,403)
Settlement of Creditors	-	-	-	1,046,666	-	5,277,811	-	6,324,477
Settlement of Receipts	(208,771,691)	-	-	-	(6,338,550)	-	(215,110,241)	-
Others	138,257	(2,420,109)	-	(133,256)	(157,550)	(31,586)	(19,293)	(2,584,951)
As at 31 March	-	-	950,331,985	2,567,304	223,149,983	245,608,640	1,173,481,968	248,175,944

30.3 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.

30.4 Other Related Companies include the following Companies;

LAUGFS Engineering (Pvt) Ltd.
LAUGFS Aqua Systems (Pvt) Ltd.
LAUGFS Supermarkets (Pvt) Ltd.
Gas Auto Lanka Ltd.
LAUGFS Corporation (Rubber) Ltd.
LAUGFS Salt and Chemical Ltd.
LAUGFS Petroleum (Pvt) Ltd.
LAUGFS Restaurants (Pvt) Ltd.
LAUGFS Lubricants Ltd.
LAUGFS Rubber Products (Pvt) Ltd.
LAUGFS Australia Higher Education Services (Pvt) Ltd.
LAUGFS Capital Ltd.

30. RELATED PARTY DISCLOSURES (Contd.)

30.5 The Company has provided no assets as collaterals or corporate guarantees for subsidiaries or other related companies for borrowing purposes.

30.6 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 2013, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2012 - Nil, 2011 - 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.

30.7 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.

a) Compensation of Key Management Personnel

	2013 Rs.	2012 Rs.
Directors' Emoluments	20,120,000	14,020,000
Non-cash Benefits	7,619,564	7,013,576
Total Compensation paid to Key Management Personnel	27,739,564	21,033,576

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

31.1 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. & there is no risk which impact the interest cost due to very low borrowings of the Company and its subsidiaries.

d) Exchange Rate 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.

	2013	
Increase/(Decrease) in Exchange Rate	Effect on Income Statement Rs.	Effect on Statement of Financial Position Rs.
1%	(80,739,735)	(80,739,735)
-1%	80,739,735	80,739,735

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.

31.2 Capital Management

The Board of Directors reviews the capital structure of the Companies of the Group on regular basis. The intention of Board of Directors is to maintain an optimum capital structure while minimising cost of financing and safeguarding key stakeholders' interests.

32. 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

Stock Symbol

Ordinary Voting	LGL N 0000
Ordinary Non-Voting	LGL X 0000

Share Prices for the year

	LGL N		LGL X	
	2013	2012	2013	2012
Highest During the Period (Rs.)	32.50	53.50	22.90	39.70
Lowest During the Period (Rs.)	17.00	20.50	10.50	13.40
As at the end of the Period (Rs.)	24.50	25.80	17.80	15.60

Distribution of Shareholdings as at 31 March 2013

LGL N

From		To	No of Shareholders	No of Shares	%
1	-	1,000	9,286	3,799,619	1.13
1,001	-	10,000	2,273	7,206,731	2.15
10,001	-	100,000	296	8,974,649	2.68
100,001	-	1,000,000	34	10,728,300	3.21
Over 1,000,000			7	304,290,787	90.83
			11,896	**335,000,086**	**100.00**

LGL X

From		To	No of Shareholders	No of Shares	%
1	-	1,000	7,867	3,198,112	6.15
1,001	-	10,000	2,434	7,472,740	14.37
10,001	-	100,000	387	9,991,344	19.22
100,001	-	1,000,000	31	6,615,291	12.72
Over 1,000,000			4	24,722,513	47.54
			10,723	**52,000,000**	**100.00**

Analysis of Shareholders as at 31 March 2013

LGL N

Category	No of Shareholders	No of Shares	%
Local Individuals	11,584	39,667,584	11.84
Local Institutions	258	294,643,216	87.96
Foreign Individuals	50	441,986	0.13
Foreign Institutions	4	247,300	0.07
	11,896	**335,000,086**	**100.00**

LGL X

Category	No of Shareholders	No of Shares	%
Local Individuals	10,461	22,028,883	42.36
Local Institutions	205	25,885,962	49.78
Foreign Individuals	49	1,162,090	2.24
Foreign Institutions	8	2,923,065	5.62
	10,723	**52,000,000**	**100.00**

Residency

LGL N

Category	No of Shareholders	No of Shares	%
Resident	11,842	334,310,800	99.79
Non Resident	54	689,286	0.21
Total	**11,896**	**335,000,086**	**100.00**

LGL X

Category	No of Shareholders	No of Shares	%
Resident	10,666	47,914,845	92.14
Non Resident	57	4,085,155	7.86
Total	**10,723**	**52,000,000**	**100.00**

Financial Calendar

First Half Year ended 30th September 2012 - Published on 26th November 2012

Third Quarter ended 31st December 2012 - Published on 14th February 2013

Fourth Quarter ended 31st March 2013 - Published on 30th May 2013

SHARE INFORMATION

Directors' Shareholding as at 31 March 2013

LGL N

Names of Directors	2013 No of Shares	2013 %	2012 No of Shares	2012 %
MR W K H WEGAPITIYA	133,500	0.040	133,500	0.040
MR U K T N DE SILVA	20,000	0.006	20,000	0.006
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
MR C L DE ALWIS	1,000	0.000	1,000	0.000
MR T K BANDARANAYAKE	Nil	Nil	Nil	Nil

LGL X

Names of Directors	2013 No of Shares	2013 %	2012 No of Shares	2012 %
MR W K H WEGAPITIYA	Nil	Nil	Nil	Nil
MR U K T N DE SILVA	Nil	Nil	Nil	Nil
MR P M KUMARASINGHE PC	Nil	Nil	Nil	Nil
MR H A ARIYARATNE	3,400	0.007	3,400	0.007
MR C L DE ALWIS	500	0.001	500	0.001
MR T K BANDARANAYAKE	Nil	Nil	Nil	Nil

Percentage of Shares held by public

	2013	2012
LGL N	14.29	14.29
LGL X	65.30	65.30

Percentage held by the Parent Company

LGL N	67.80	67.80
LGL X	-	-

Percentage held by the Directors together with the members of their families

LGL N	0.049	0.049
LGL X	0.008	0.008

Percentage held by the Employees Provident Fund

LGL N	17.28	17.28
LGL X	34.69	34.69

Twenty Largest Shareholders as at 31st March 2013

Ordinary Voting Shares

		31.12.2013 No of Shares	(%)	31.12.2012 No of Shares	(%)
1	LAUGFS Holdings Limited	227,130,000	67.800	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	13,338,600	3.982
4	Mr N Radella & Mr R Radella	4,547,900	1.358	4,547,900	1.358
5	Mr D N Madugalle	2,957,500	0.883	2,957,500	0.883
6	Mrs P R A S C Rajapakshe	1,825,900	0.545	1,825,900	0.545
7	Carlines Holdings (Private) Limited	1,140,987	0.341	25	0.000
8	LAUGFS Sunup Supermarket (Pvt) Ltd	1,000,000	0.299	1,000,000	0.299
9	Mrs K A Fernando	966,305	0.288	823,796	0.246
10	Lanka Orix Leasing Company PLC	945,500	0.282	945,500	0.282
11	Gas Auto Lanka Limited	922,600	0.275	922,600	0.275
12	Mr R Dahanayake	806,900	0.241	806,900	0.241
13	Mr H D M P Siriwardena	756,384	0.226	736,000	0.220
14	Amana Bank Limited	650,262	0.194	80,100	0.024
15	J. B. Cocoshell (Pvt) Ltd	405,491	0.121	-	-
16	Waldock Mackenzie Ltd/Hi-Line Trading (Pvt) Ltd	348,224	0.104	35,000	0.010
17	Asha Lanka Fragrances (Pvt) Ltd	322,700	0.096	322,700	0.096
18	Dr T Senthilverl	259,908	0.078	-	-
19	Mr G Y N Mahinkanda	221,917	0.066	29,500	0.009
20	Mr S A Cooray	219,100	0.065	219,100	0.065
		312,116,078	93.169	313,618,921	93.617
Others		22,884,008	6.831	21,381,165	6.383
Total		335,000,086	100.000	335,000,086	100.000

* In the Annual Report for the year ended 31.03.2012 this shareholding should have been correctly reflected as Mr. N. Radella has 8,790,710 shares and Mr. N. Radella and Mr. R. Radella 4,547,900 shares.

SHARE INFORMATION

Twenty Largest Shareholders as at 31 March 2013

Ordinary Non Voting Shares

		31.12.2013		31.12.2012	
		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	2,182,900	4.198	1,161,300	2.233
4	Carlines Holdings (Private) Limited	1,285,913	2.473	172,800	0.332
5	Mr H W R W W M R S Ananda Halangoda	697,300	1.341	697,300	1.341
6	Dr. A S Abeygunawardena	392,000	0.754	360,000	0.692
7	Mrs C N G Narayana	378,800	0.728	378,800	0.728
8	Mrs S D Amarasinghe	372,400	0.716	372,400	0.716
9	HSBC Intl Nom Ltd-UBS AG Singapore Branch (EX SBC)	365,500	0.703	200,000	0.385
10	Naratha Ventures Private Limited	308,000	0.592	308,000	0.592
11	Mr M M Salahudeen	297,000	0.571	297,000	0.571
12	Mr M K De Vos & Mrs D J De Vos	290,000	0.558	337,000	0.648
13	Mr R I A Goonetilleke	256,000	0.492	461,000	0.887
14	Seylan Bank PLC/Thirugnanasambandar Senthilverl	250,000	0.481	250,000	0.481
15	Mrs H P Gin	210,208	0.404	-	-
16	Mr R I A Goonetilleke & Mrs S N Goonetilleke	210,000	0.404	210,000	0.404
17	Pan Asia Banking Corporation PLC/Ceylon and Foreign Trades PLC	178,000	0.342	178,000	0.342
18	Sandwave Limited	175,000	0.337	-	-
19	Mr T L M Imtiaz	170,832	0.329	-	-
20	Mr A K Mohamed	161,000	0.310	161,000	0.310
		29,434,553	56.605	26,798,300	51.535
Others		22,565,447	43.395	25,201,700	48.465
Total		52,000,000	100.000	52,000,000	100.000

* In the Annual Report for the year ended 31.03.2012 this shareholding should have been correctly reflected as Mr. R. I. A Goonetileka has 251,000 shares and Mr. R. I. A Goonetileka and Mrs. S. N. Goonetileka 4,547,900 shares.

VALUE ADDED STATEMENT

For the Year ended 31 March

	2013 Rs.'000	%	2012 Rs.'000	%
Revenue	10,563,163		9,107,268	
Other Income	416,771		401,601	
	10,979,934		9,508,869	
Cost of Material and Services Provided	(8,935,631)		(7,886,885)	
Value Addition	2,044,303	100	1,621,984	100
Distribution of Value Addition				
To Employees				
Salaries and Other Benefits	412,354	20	331,348	20
To Providers of Funds				
Dividend Paid	580,500	28	580,500	36
Interest Cost	5,053	0.25	1,422	0.09
To Government				
As Taxes and Levies	258,365	13	196,485	12
	1,256,272	61	1,109,754	68
To Expansion and Growth				
Depreciation and Amortisation	307,710	15	270,246	17
Profit After Dividend	480,321	23	241,983	15
	788,031	39	512,230	32
	2,044,303	100	1,621,984	100

FIVE YEAR SUMMARY

For the year ended 31 March	2009 Rs.	2010 Rs.	2011 Rs.	* 2012 Rs.	* 2013 Rs.
Summary of Operations					
Revenue	4,541,495,965	5,592,255,679	7,061,563,356	9,107,268,054	10,563,163,026
Gross Profit	813,827,398	1,047,769,834	1,357,213,469	1,700,049,292	1,726,972,513
Earnings Before Interest Tax, Depreciation and Amortisation	753,365,899	802,559,956	1,399,736,343	1,297,595,782	1,631,948,718
Depreciation and Amortisation	(263,441,256)	(29,410,527)	(254,893,902)	(270,246,461)	(307,710,485)
Net Profit Before Finance Cost	489,924,643	773,149,429	1,144,842,441	1,027,349,321	1,324,238,233
Profit Before Tax from Continuing Operations	290,780,575	583,880,283	1,040,800,614	1,025,927,459	1,319,185,215
Income Tax Expense	(61,516,756)	(55,586,672)	(189,823,325)	(196,484,634)	(258,364,508)
Profit for the Year from Continuing Operations	229,263,819	528,293,611	850,977,289	829,442,825	1,060,820,707
Profit/(Loss) After Tax for the Year from Discontinued Operations	-	-	1,722,713	(6,959,511)	-
Profit for the Year	229,263,819	528,293,611	852,700,002	822,483,314	1,060,820,707
Attributable To:					
Equity Holders	243,118,569	527,266,718	852,700,002	822,483,314	1,060,820,707
Non-Controlling Interests	(13,854,750)	1,026,893	-	-	-
Profit for the Year	229,263,819	528,293,611	852,700,002	822,483,314	1,060,820,707

	2009 Rs.	2010 Rs.	* 2011 Rs.	* 2012 Rs.	* 2013 Rs.
Summary of Financial position					
Capital and Reserves					
Stated Capital	60,000,020	780,000,260	3,285,000,260	3,285,000,260	3,285,000,260
Reserves	713,938,216	1,212,411,791	(67,045,465)	(292,748,056)	(321,209,089)
Retained Earnings	377,799,113	846,565,811	2,791,247,541	3,038,703,667	3,524,190,615
	1,151,737,349	2,838,977,862	6,009,202,336	6,030,955,871	6,487,981,786
Minority Interest	9,765,986	-	-	-	-
Total Equity	1,161,503,335	2,838,977,862	6,009,202,336	6,030,955,871	6,487,981,786
Assets and Liabilities					
Current Assets	1,402,309,612	1,684,069,092	3,590,580,384	3,962,636,638	3,181,978,542
Current Liabilities	1,147,429,442	1,644,178,982	1,414,273,586	2,387,405,835	2,110,840,406
Net Current Assets	254,880,170	39,890,110	2,176,306,797	1,575,230,803	1,071,138,136
Property Plant & Equipment and Investments Properties	2,613,699,993	4,488,998,712	5,069,265,982	6,139,648,680	7,156,366,386
Other Non Current Assets	1,626,077	52,928,221	356,363,726	144,855,040	208,084,422
Intangible Assets	-	-	52,956,457	53,211,690	63,203,385
Non Current Liabilities	1,708,702,905	1,742,839,181	1,645,690,625	1,881,990,342	2,010,810,545
Net Assets	1,161,503,335	2,838,977,862	6,009,202,336	6,030,955,871	6,487,981,786

	2009 Rs.	2010 Rs.	2011 Rs.	* 2012 Rs.	* 2013 Rs.
Summary of Cash Flows					
Net Operating Cash Flows	635,214,434	616,138,461	868,841,371	1,912,925,324	1,137,254,774
Net Cash Used in Investing Activities	(849,776,329)	(660,578,881)	(1,128,945,130)	(1,347,434,270)	(1,394,268,287)
Net Cash Used in/(from) Financing activities	(170,487,112)	552,321,287	1,791,243,886	(424,394,060)	(426,061,362)
Financial Ratio					
GP Margin	18%	19%	19%	19%	16%
EBITDA Margin	17%	14%	20%	14%	15%
NP Margin	5%	9%	12%	9%	10%
Earnings / (Loss) per Share from Discontinued Operation (Rs.)	-	-	0.01	(0.02)	-
Earnings per Share from Continuing Operation (Rs.)	0.94	2.03	2.84	2.14	2.74
Current Ratio (Times)	1.22	1.02	2.54	1.66	1.51

* Figures as per the SLFRS

REAL ESTATE PORTFOLIO

	Building	Land in acres		Net book value	
Owning company and location	in (Sq.Ft)	Freehold	Leasehold	2013 Rs.'000	2012 Rs.'000
PROPERTIES IN COLOMBO					
LAUGFS Gas PLC					
No 112A, Kumarathunga Munidasa Mawatha, Colombo 03.	-	0.25	-	310,000	300,000
No 02, Havelock Place, Colombo 05.	3,200	0.22	-	264,100	243,200
LAUGFS Property Developers (Pvt) Limited.					
No 101, Maya Avenue, Colombo 06. *	72,000	0.30	-	315,000	315,000
PROPERTIES OUTSIDE COLOMBO					
LAUGFS Gas PLC					
No 311/1, Biyagama Road, Mabima.	30,424	30.36	-	642,171	561,475
No. 293, Matara Road, Galupiadda, Galle.	680	0.18	-	29,900	29,000
No 33/B/1, Katuwawala , Borelasgamuwa	9,813	-	-	6,085	-
LAUGFS Eco Sri (Pvt) Limited - Fixed Center					
Anuradhapura	1,292	-	0.24	4,527	5,011
Balapitiya	1,038	-	0.19	3,245	4,092
Bellanthota	3,242	-	0.46	9,466	14,249
Embuldeniya	5,783	-	0.25	10,687	13,600
Galle	2,854	-	0.50	7,926	9,960
Kaduwela	1,895	-	1.00	11,180	14,186
Kaluthara	3,063	-	0.73	10,263	12,914
Kandy	2,673	-	0.40	8,531	10,805
Katunayaka	2,496	-	0.38	8,239	10,477
Kegalle	1,770	-	0.47	1,934	2,554
Kiribathgoda	2,652	-	0.50	10,898	13,836
Kotikawatta	2,342	-	0.38	10,037	12,762
Kurunagala	2,673	-	0.25	8,549	10,879
Matale	2,652	-	0.38	7,865	10,008
Matara	1,427	-	0.36	6,223	7,910
Miriswatta	2,820	-	0.47	11,745	14,868
Polannaruwa	988	-	0.39	3,421	4,249
Rathnapura	2,452	-	0.37	8,328	10,545
LAUGFS Eco Sri (Pvt) Limited - Fabricated Plants					
Akurana	960	-	0.02	493	619
Ampara	712	-	0.16	638	1,011
Athurugiriya	1,096	-	0.09	653	-
Avissawella	380	-	0.02	59	77

REAL ESTATE PORTFOLIO

				Net book value	
	Building	Land in acres		2013	2012
Owning company and location	in (Sq.Ft)	Freehold	Leasehold	Rs.'000	Rs.'000
Baddegama	274	-	0.15	683	766
Badulla	2,058	-	0.03	265	159
Bandarawela	3,844	-	0.10	881	785
Batticaloa	2,101	-	0.20	995	1,361
Chilaw	432	-	0.16	212	314
Dambulla	803	-	0.10	540	556
Divulapitiya	2,224	-	0.08	795	618
Elpitiya	4,093	-	0.22	226	332
Embilipitiya	3,000	-	0.09	264	1,071
Gampola	1,716	-	0.09	404	585
Horana	1,232	-	0.14	1,604	1,842
Ja Ela	3,061	-	0.21	1,765	335
Jaffna	320	-	0.13	190	-
Kadawatha	525	-	0.18	90	176
Kalmunai	1,692	-	0.08	394	480
Kamburupitiya	3,300	-	0.18	67	2
Kosswatta	1,530	-	0.04	2,289	657
Kotahena	640	-	0.01	230	115
Kottawa	2,554	-	0.48	7,886	10,025
Kuliyapitiya	1,352	-	0.02	-	10
Kundasale	3,115	-	0.07	169	111
Lindula	784	-	0.02	317	5
Mahiyanganaya	2,655	-	0.32	131	160
Makola	4,844	-	0.15	1,566	1,862
Matugama	2,538	-	0.07	547	384
Meegoda	3,114	-	0.18	744	991
Monaragala ii	2,180	-	0.16	968	995
Negambo	133	-	0.03	1,873	1,332
Nittambuwa	2,476	-	0.16	951	643
Orugodawatta	839	-	0.02	519	1,250
Panadura	674	-	0.05	-	88
Pannala	2,696	-	0.19	1,197	560
Pelmadulla	2,622	-	0.23	622	829
Piliyandala	830	-	0.06	232	126
Pugoda	1,064	-	0.09	1,264	-
Puttalam	1,406	-	0.08	616	794
Rajagiriya	2,420	-	0.06	608	443

				Net book value	
	Building	Land in acres		2013	2012
Owning company and location	in (Sq.Ft)	Freehold	Leasehold	Rs.'000	Rs.'000
Tangalle	2,345	-	0.14	604	791
Tissamaharama	968	-	0.06	234	284
Trincomalee	1,508	-	0.09	618	670
Udugampola	1,563	-	0.06	653	498
Vavuniya	495	-	0.19	420	-
Warakapola	2,030	-	0.09	593	794
Wariyapola	3,392	-	0.25	635	849
Wattala	487	-	0.02	429	528
Welimada	2,294	-	0.11	433	-
Wennappuwa	2,350	-	0.30	1,388	1,768
Bambalapitiya Stores	-	-	-	45	-
Kohuwala Office	-	-	-	1,467	1,824
Kosswatta Technical	-	-	-	-	184
Bellanthota Training Center	-	-	-	135	166
LAUGFS Leisure Limited.					
Karukupane, Bangadeniya, Chilaw **	135,145	17.95	-	23,800	23,800
Mag Consultants & Agents (Pvt) Limited.					
Wadduwa Beach	-	15.00	-	500,000	500,000
Blue Continent (Pvt) Ltd					
Passikudah Beach	-	-	18.25	110,000	-
LAUGFS Power Limited					
Marathenna, Pabagolla, Pinnawala, Balangoda.***	-	-	1.65	-	-

* Presently building is under construction and incurred cost is Rs. 252,292,839 as at 31 March 2013.

** Presently building is under construction

*** Government has given authority to construct the power plant in the above land and still not received relevant deed and lease agreement due to processing stage.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting 2013 of LAUGFS Gas PLC will be held on 29th June 2013 at 9.30am at the Empire Ballroom of the Mount Lavinia Hotel at No. 100, Hotel Road, Mount Lavinia for the following purposes;

A - Routine Business

1. To receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2013 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 interms of Section 210 of the Companies Act No. 7 of 2007 by passing the following ordinary resolution.

   "Resolved that Mr.T. K. Bandaranayake, who attained the age of 70 on 03rd January 2013, 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 interms 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 attained the age of 70 on 05th March 2013, 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 interms 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 interms of Article 81 of the Articles of Association of the Company.
6. To authorise 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.

B - Special Business

1. To consider and pass if thought fit the following resolution as a Special Resolution, pertaining to the Amendment of Article 81 of the Articles of Association of the Company.

   IT IS HEREBY RESOLVED THAT the following new Article 81 be substituted with the existing Article 81 of the Articles of Association;

   "At each Annual General Meeting one third of the Directors (not being a nominee Director) for the time being, or if their number is not a multiple of three the number nearest to (but not greater than) one third shall retire from office, provided however that any Executive Chairman, Managing Director or any other Executive Director appointed shall not, whilst holding that office be subject to retirement by rotation or be taken into account in determining the Directors to retire in each year. A Director retiring at a meeting shall retain office until the close of the meeting including any adjournment thereof."

By Order of the Board
LAUGFS GAS PLC

Sgd.
Corporate Advisory Services (Private) Limited
Secretaries

30th May 2013

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.

NOTES

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 on 29th June 2013 at 9.30am at the Empire Ballroom of the Mount Lavinia Hotel at No. 100, Hotel Road, Mount Lavinia and at any adjournment thereof and at every poll which may be taken in consequence thereof .

	For	Against
A- Routine Business		
1. To receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2013 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 interms of Section 210 of the Companies Act		
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 interms 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 interms 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 interms of Article 81 of the Articles of Association of the Company.		
6. To authorise 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.		
B – Special Business		
1. To pass the Special Resolution as set out in the notice of meeting.		

Signed this …………. day ……………………… 2013.

*Signature/s of the Shareholder (s) ………………………………………………

………………………………………………

Please provide the 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.

4. 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 29th June 2013 at 9.30am at the Empire Ballroom of the Mount Lavinia Hotel at No. 100, Hotel Road, Mount Lavinia and at any adjournment thereof and at every poll which may be taken in consequence thereof .

Signed this ………….. day ……………………… 2013.

*Signature/s of the Shareholder (s) ……………………………………………

……………………………………………

Please provide the 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. 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.

4. 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 (Pvt) Limited LAUGFS Leisure Limited LAUGFS Hotel Management Services (Pvt) Limited LAUGFS Property Developers (Pvt) Limited LAUGFS Power Ltd Mag Consultants & Agents (Pvt) Ltd Blue Continent (Pvt) Ltd
Principal Activities & Nature of Operations Downstream	:	**LAUGFS Gas PLC** - Business of Liquefied Petroleum Gas & other related Products & Services. **LAUGFS Eco Sri (Pvt) Ltd** - Operating Vehicle Emission Testing Centres to issue Vehicle Emission Test Certificates for Motor Vehicles. **LAUGFS Leisure Limited** - Constructing a new hotel property at Chilaw. **LAUGFS Hotel Management Services (Pvt) Limited** - Managing the operations of Hotels **LAUGFS Property Developers (Pvt) Limited** - Real Estate Developments **LAUGFS Power Ltd** - Hydro Power Project **Mag Consultants & Agents (Pvt) Ltd** - Holding and managing a beach front property at Wadduwa **Blue Continent (Pvt) 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 Lankaputra Development Bank DFCC Bank Union Bank of Colombo PLC Standard Chartered Bank PABC HSBC
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.
Corporate Website	:	www.laugfsgas.lk www.laugfs.lk

Designed & Produced by emagewise
Photography by Dhanush de Costa

LAUGFS
POWER OF LANKA

LAUGFS GAS PLC | ANNUAL REPORT 2013