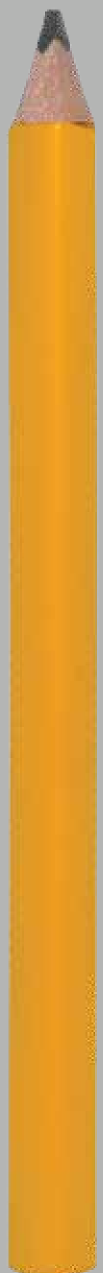
LAUGFS Gas PLC Annual Report 2018

Sharpening
our focus



Sharpening
our focus

LAUGFS Gas PLC is a local company with a global footprint, reputed for its bold attitude, enterprising spirit and Sri Lankan roots. In a changing business landscape, we know we must evolve and transform to suit the needs of our stakeholders and our industry environment.

This report describes our decision to consolidate our portfolio into three core sectors as we list our subsidiaries LAUGFS Leisure Ltd., LAUGFS Power Ltd., and LAUGFS Eco Sri Ltd as new companies on the Colombo Stock Exchange. We believe that this strategy will yield positive results and better value for our shareholders and partners while strengthening our prospects for growth and expansion in the future.

Contents

Pencil Micro Sculpturing

The art of micro sculpture is a delicate, fine craft that requires the intense concentration of an artist's efforts and expertise. This art form typically takes years to perfect, constantly inspiring awe in the eye of the beholder.

While LAUGFS has years of experience as a successful conglomerate, today the company is further sharpening its focus, looking into the finer details to craft and sculpt an organization that will deliver greater value to its stakeholders both now, and in the years to come.

Much like the craftsman whose painstaking process we have showcased throughout this report, here at LAUGFS we have planned our every step prudently and precisely, in pursuit of a powerful long-term vision of transformation and incomparable growth.

As you explore the pages that follow, you will discover how we're carefully crafting your organization, fashioning a masterpiece that will enable us to boldly venture forth and drive excellence wherever we go.

Vision

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

Mission

- Be the leader in the market segments we operate in.
- Introduce latest innovations, technology and solutions to add value to the consumer.
- Promote a ‘Safety’ culture, encompassing People, Products and Processes.
- Ensure fair returns to all our stakeholders.
- Lead by example as an exemplary Sri Lankan entity.

About
us

THE RIGHT EXPERTISE

As we masterfully lay the foundation for growth, at LAUGFS, we are uniquely equipped for this transition. Our lion-hearted spirit and decades of experience will undoubtedly propel us into the future.

About **us**

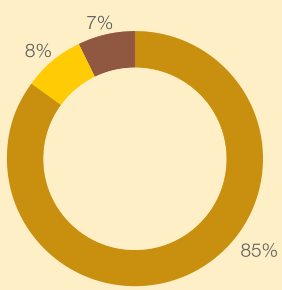
About Us

- LAUGFS GAS PLC
- LAUGFS GAS BANGLADESH LTD.
- LAUGFS TERMINALS LTD.
- SLOGAL ENERGY DMCC
- LAUGFS MARITIME SERVICES (PVT) LTD.

LAUGFS Gas PLC is a market leader and the only private sector operator in the distribution of Liquefied Petroleum Gas (LPG) in Sri Lanka with interests extending beyond shores to Bangladesh. During the year, we focused on sharpening our focus to our core competencies by transforming to a pure play energy company with the divestment of non- core businesses including LAUGFS Power, LAUGFS Leisure and LAUGFS Eco Sri as of 31 March 2018.

ECONOMIC PRESENCE

Value Addition



● Employees ● Government
● Providers of funds

DIRECT EMPLOYMENT

463 employees

INDIRECT EMPLOYMENT

10,000+

PENETRATION IN HOUSEHOLD MARKET

29% Sri Lanka
9% in Bangladesh

DEVELOPMENT OF PORT INFRASTRUCTURE

Construction of one of the largest LPG import and export terminal in South Asia

VALUE OF IMPORTS

Rs 12,200 mn

MARKET CAPITALIZATION

Rs 8,074 mn

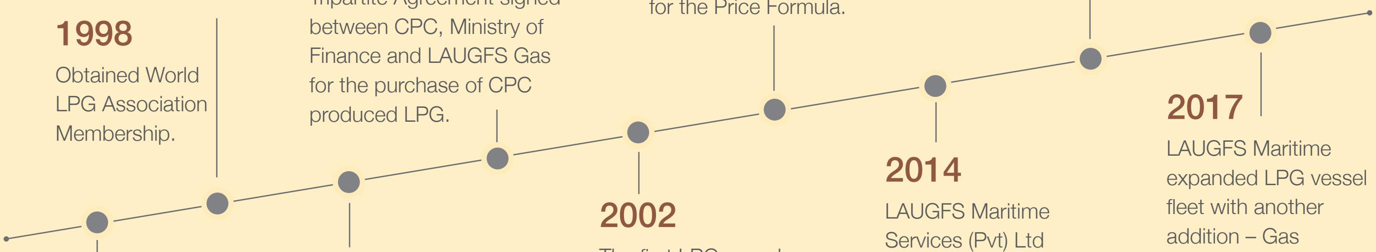
Scale of operations

REVENUE	LOSS AFTER TAX	ASSET	PPE	LIABILITIES	EQUITY	NET ASSETS PER SHARE
Rs. 21,354 Mn	Rs. 1,332 Mn	Rs. 31,395 Mn	Rs. 17,070 Mn	Rs. 29,953 Mn	Rs. 1,055 Mn	Rs. 2.73 share

Storage capacity	LPG vessels	Carbon footprint	Island wide network	Supplier network
4,900 MT	Three	3,048,665 MT	6,000 dealers	Many registered suppliers

Filling capacity	Employees
52,680 Cylinders per day	463

A GLANCE AT OUR RICH HISTORY IN CREATING AN INTEGRATED VALUE CHAIN FOR THE DELIVERY OF OUR CORE PRODUCT, LPG



1994
Established Gas Auto Lanka (Pvt) Ltd and entered auto gas conversion business.

1998
Obtained World LPG Association Membership.

2000
Obtained BOI approval & signed agreement for LAUGFS Gas. Incorporated LAUGFS Gas Ltd.

2001
Entered the LPG Domestic industry.

Tripartite Agreement signed between CPC, Ministry of Finance and LAUGFS Gas for the purchase of CPC produced LPG.

2002
The first LPG vessel - LAUGFS Wega - was registered under the flag of Sri Lanka.

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

2014
LAUGFS Maritime Services (Pvt) Ltd acquired LPG vessel "Gas Challenger".

2015
Acquired the LPG vessel Gas Success, further strengthening the vessel fleet of LAUGFS Maritime.

LAUGFS became the first Sri Lankan energy brand to become a multinational with the acquisition of Petredec Elpiji Ltd, and sets up LAUGFS Gas (Bangladesh) Ltd.

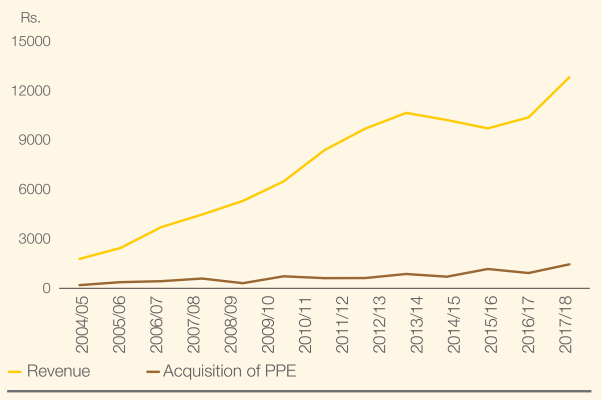
Commenced construction of LAUGFS LPG Terminal

2017
LAUGFS Maritime expanded LPG vessel fleet with another addition – Gas Courage.

Rs.
21,355Mn
REVENUE

Rs.
31,395Mn
TOTAL ASSETS

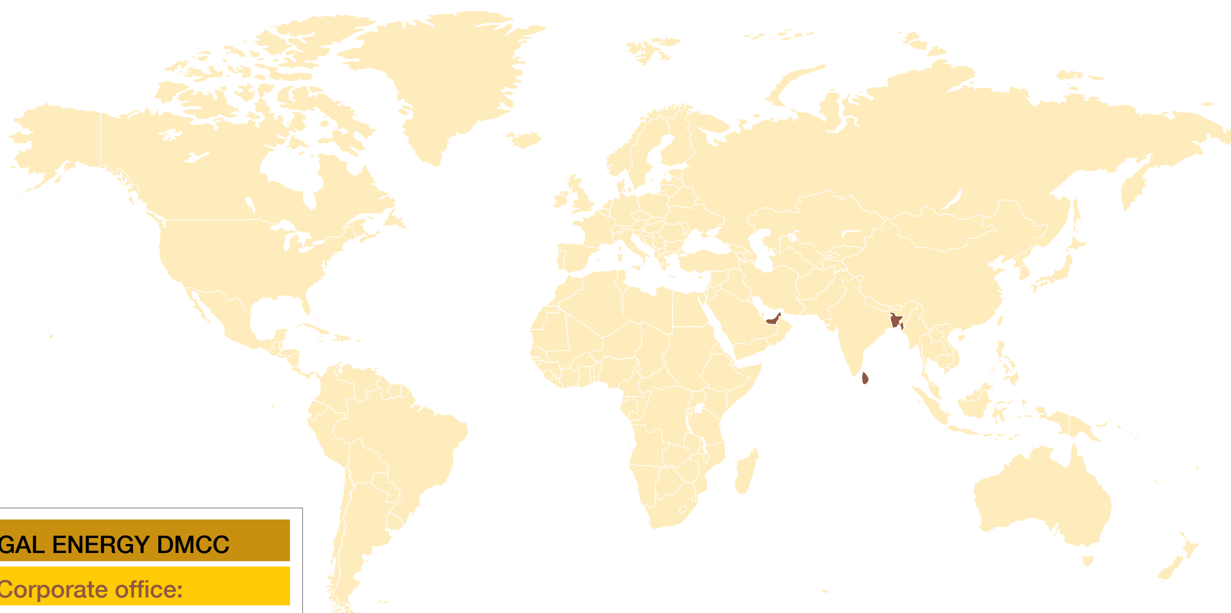
Revenue and Acquisition of Property Plant and Equipment



About us

Our Presence

"Our core business - Energy spans over three countries. Island wide presence in Sri lanka and uniroads into Bangladesh supports our distribution while our trading arm in the UAE gives us access to global market for efficient procurement."



SLOGAL ENERGY DMCC

Corporate office:

Dubai UAE

LAUGFS MARITIME SERVICES (PVT) LTD

Head office:

Colombo 06

Gas Challenger, Gas Courage, Gas Success:

Operates in international waters

LAUGFS TERMINALS LTD

Head office:

Colombo 06

Terminal Site:

Magam Ruhunupura Mahinda Rajapaksa Seaport Hambantota

LAUGFS GAS (BANGLADESH) LTD

Corporate office:

Dhaka, Bangladesh

Head office & Terminal:

Mongla, Bagerhat, Bangladesh

LAUGFS POWER LTD

Head office:

Colombo 06

Power Plants:

Balangoda, Ginigathhena, Hambantota

LAUGFS PROPERTY DEVELOPERS (PVT) LTD

Head office:

Colombo 06

Property locations:

Maya Avenue

LAUGFS LEISURE LTD

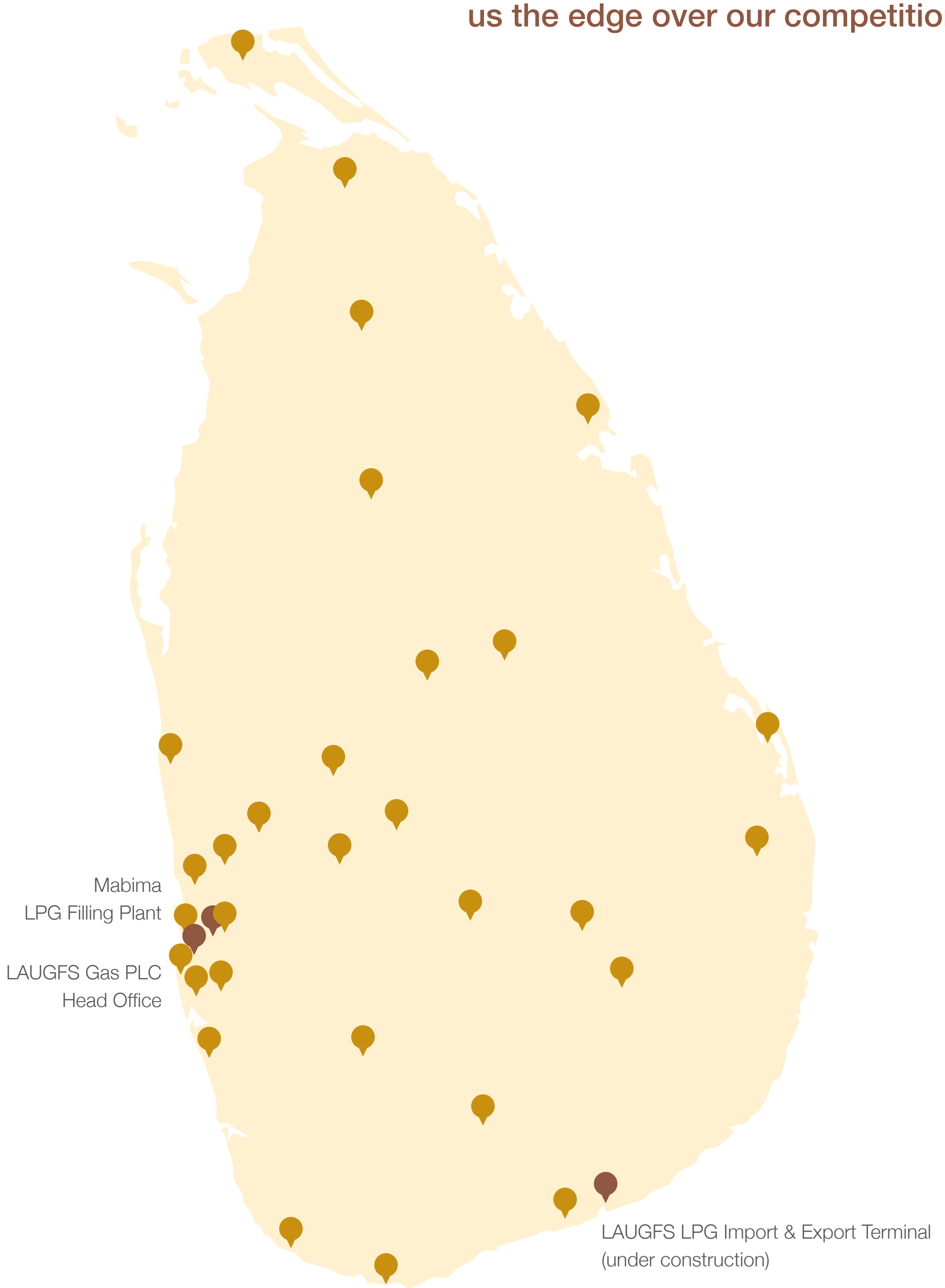
Head office:

Colombo 06

Anantaya Resorts & Spas:

Chilaw and Pasikuda

"With a sharp focus in mind, we have strived to expand our coverage, as coverage gives us the edge over our competition..."



About **us**

Organisation Structure

Our organisation structure is changing as approved by Shareholders, the Colombo Stock Exchange and the Supreme Court as we moved to an era of focusing on our core business, perfectly poised for growth.

Restructuring of LAUGFS Gas PLC

The group was restructured with the core objective of transforming to a pure play energy company. As at 31st March 2018, non- core businesses of the group namely LAUGFS Power Limited, LAUGFS Eco Sri Limited and LAUGFS Leisure Limited were divested from the group. The financial statements for the year ended 31st March 2018 reflect the changes of the restructuring process with a recognition of the financial performance of the divested subsidiaries as discontinued operations in the Statement of profit or loss. The Balance sheet excludes the assets and liabilities of the divested entities. There were no significant changes in the supply chain during the year under review.

PRIOR TO THE RESTRUCTURE

LAUGFS GAS PLC

ENERGY	OTHER SERVICES	LEISURE AND HOSPITALITY	PROPERTY DEVELOPMENT	POWER	TRANSPORTATION AND LOGISTICS	TRADING
100% LAUGFS Gas PLC LAUGFS Gas (Bangladesh) Ltd	100% LAUGFS Eco Sri Ltd	100% LAUGFS Leisure Ltd Anantaya Wadduwa (Pvt) Ltd Anantaya Passekuda (Pvt) Ltd LAUGFS Hotel Mangement Services (Pvt) Ltd	75% LAUGFS property development (Pvt) Ltd	100% LAUGFS Power Ltd **HYDRO** Pams Power (Pvt) Ltd GinigathhenaThiniyagala Mini Hydro Power (Pvt) Ltd **SOLAR** Iris Eco (Pvt) Ltd Anorchi Lanka (Pvt) Ltd Sustainable Energy Developers (Pvt) Ltd: (yet to commence operations)	100% LAUGFS Maritime Services (Pvt) Ltd LAUGFS Terminals Ltd	100% Slogal Energy DMCC
LPG downstream business in Sri Lanka & Bangladesh	Vehicle emission testing services	Own and operate resort hotels	Owning Company of the head office building	Renewable energy generation from solar, hydro and wind power plants	Own and operate LPG marine vessels and LPG storage terminals	Trading in oil, gas and LPG based from UAE

POST RESTRUCTURE

LAUGFS GAS PLC

ENERGY	PROPERTY DEVELOPMENT	TRANSPORTATION AND LOGISTICS	TRADING
100% LAUGFS Gas PLC LAUGFS Gas (Bangladesh) Ltd	75% LAUGFS Property Developers (Pvt) Ltd	100% LAUGFS Maritime Services (Pvt)Ltd LAUGFS Terminals Ltd	100% Slogal Energy DMCC

Awards & Recognition

"Our achievements are testament to our bold, enterprising spirit and our enduring will to succeed - as we garner recognition for excellence, quality, customer satisfaction and transparency."

LAUGFS GAS PLC

Annual Report award – Gold – Power and Energy – 2017

LAUGFS LEISURE LTD

World Luxury Hotel Awards – 2017 for Anantaya Resort & Spa – Chilaw

- Luxury Conference Hotel – Country Award
- Luxury Event Hotel – Country Award

World Luxury Hotel Awards – 2017 for Anantaya Resort & Spa – Passikudah

- Luxury Spa Resort – Country Award
- Best Luxury Beach Resort – Country Award

Booking.com guest review award for Anantaya Passikudah in 2017

Financial Highlights

Year ended 31 March 2018	Group 2018 Rs.'000	Group 2017 Rs.'000	Group Change	Company 2018 Rs.'000	Company 2017 Rs.'000	Company Change
Summary of Operations						
Revenue	21,354,621	16,270,541	31%	12,834,119	10,386,886	24%
Gross Profit	2,144,568	2,801,786	-23%	575,676	1,141,891	-50%
Profit from Operations	36,359	700,298	-95%	181,927	745,412	-76%
Other Operating Income	468,028	373,665	25%	1,003,102	1,156,919	-13%
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	1,043,700	1,534,859	-32%	703,327	1,192,977	-41%
Finance Cost	(1,767,153)	(1,289,307)	37%	(1,682,219)	(1,225,388)	37%
Loss Before Tax	(1,578,942)	(494,148)	220%	(1,451,387)	(448,322)	224%
Income Tax Expense	(49,135)	(128,613)	-62%	180,484	189,194	-5%
Loss for the Year from Continuing Operation	(1,628,077)	(622,761)	161%	(1,270,903)	(259,128)	390%
Profit/(Loss) after Tax for the Year from Discontinued Operations	296,263	(4,554)	-6606%	-	-	-
Loss for the Year	(1,331,813)	(627,315)	112%	(1,270,903)	(259,128)	390%
Total Comprehensive Income for the Year Net of Tax	(1,166,532)	(257,238)	353%	(1,070,115)	(125,018)	756%
Summary of Financial Position						
Property, Plant and Equipment	17,070,443	22,625,858	-25%	7,586,202	6,629,727	14%
Investment Properties	2,507,307	2,270,800	10%	804,500	761,500	6%
Investments in Subsidiaries	-	-	-	6,874,035	11,850,337	-42%
Other Non-Current Financial Assets	137,634	122,828	12%	137,634	122,828	12%
Current Assets	9,329,819	7,602,549	23%	4,577,898	4,471,965	2%
Total Assets	31,395,103	35,833,993	-12%	19,992,634	23,861,534	-16%
Non Current Liabilities	17,485,487	19,161,137	-9%	9,833,990	11,445,623	-14%
Current Liabilities	12,467,933	9,028,482	38%	9,564,529	5,108,796	87%
Total Liabilities	29,953,421	28,189,619	6%	19,398,519	16,554,419	17%
Shareholders' Interest						
Stated Capital	1,000,000	3,285,000	-70%	1,000,000	3,285,000	-70%
Available for Sale Reserve	722	(193,756)	-100%	722	(193,756)	-100%
Revaluation Reserve	86,842	112,559	-23%	-	-	-
Foreign Currency Translation Reserve	123,987	186,807	-34%	-	-	-
Retained Earnings/(Losses)	(156,053)	4,253,763	-104%	(406,608)	4,215,871	-110%
Net Assets (Equity) - Attributable to Equity Holders of the Parent	1,055,499	7,644,374	-86%	594,114	7,307,115	-92%
Return on Equity (%) (Continuing operation)	-154%	-59%	160%	-214%	-4%	5250%
Net Assets Value per Share (Rs.)	2.73	19.75	-86%	1.54	18.88	-92%
Leverage						
Interest Cover (Times)	0.11	0.62	-83%	0.14	0.63	-78%
Financial Ratio						
Gross Profit Margin	10%	17%	-42%	4%	11%	-63%
EBITDA Margin	5%	9%	-48%	5%	11%	-54%
Net Profit Margin	-6%	-4%	100%	-10%	-2%	400%
Earnings per Share (Rs.)	(3.44)	(1.65)	108%	-	-	-
Dividend Payout (%)	-	161%	-100%	-	-	-
Assets Turnover (Times)	0.68	0.45	51%	0.64	0.44	45%
Equity to Assets (Times)	0.03	0.21	-84%	0.03	0.31	-90%
Current Ratio (Times)	0.75	0.84	-11%	0.48	0.88	-45%
Quick Ratio (Times)	0.62	0.68	-9%	0.40	0.76	-48%

Non- Financial Highlights

NON- FINANCIAL HIGHLIGHTS		
HUMAN CAPITAL	**Productivity** Rs 13.3 mn revenue / employee Number of training hours 13,374	**Retention** 90%
MANUFACTURED CAPITAL	**CAPEX** Rs 6,066 mn	**Capacity expansion** New storage terminal expected to be online in 2018.
SOCIAL AND RELATIONSHIP CAPITAL	**Customer health and safety** All products comply with safety standards.	**Communities** 100% of operational staff recruited from local communities.
NATURAL CAPITAL	**Carbon foot print** 3,048,665 MT	**Zero maritime** Incidents reported to date
INTELLECTUAL CAPITAL	**Certifications** The only LPG company in Sri Lanka to obtain the OSHAS certification.	**Robust Integrated systems** 'Imports & exports management system – IEMS'

About **us**

About the Report

This is our 5th integrated report, providing our stakeholders a holistic view of our strategy and performance during the financial year 1 April 2017 to 31st March 2018. Our aim of preparing an integrated report is to interconnect our financial performance with social, eco-logical and economic environments, hence providing a lucid and concise evaluation of the value we create to multiple stakeholders.

REPORTING FRAMEWORK

Scope and Boundary

This report covers both financial and non -financial information of the company, LAUGFS Gas Plc and its subsidiaries as described in pages 12 & 13.

Assurance on the financial statements have been provided by page 97. Assurance on the adoption of sustainability standard - GRI is provided by Ernst &Young Auditors.

- Integrated Reporting Framework issued by the International Integrated Reporting Council
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka December 2017
- Communicating Sustainability issued by the Colombo Stock Exchange
- Sustainability Standards issued by the Global Reporting Initiative (GRI) and "In Accordance" with the "Core" option

Reporting Guidelines

Includes both regulatory and voluntarily adopted frameworks.

- Companies Act No.7 of 2007
- Continued Listing Requirements of the Colombo Stock Exchange
- Sri Lanka Accounting & Auditing Standards Act No.15 of 1995
- Sri Lanka Financial Reporting Standards

Memberships

- World LPG Association.
- WLPGA (World Liquid Petroleum Gas Association).

Reporting Cycle

Reporting Period: 1 April 2017 to 31 March 2018

Reporting Cycle: Annual

NAVIGATING OUT REPORT

ABOUT US	DETERMINING MATERIAL CONCERNS	HOW WE CREATE VALUE	HOW WE GOVERN	WHAT WE DELIVERED
• Overview of group • Organization structure • Awards and recognition (Page 6)	• Materiality mapping • Stakeholder engagement • Operating environment • Risk Management (Page 24)	• Performance Highlights • Chairman review • MD review • Value creation diagram • Strategy • Measuring success (Page 38)	• Corporate governance (Page 106)	• Sector Reviews • Capitals report (Page 44)

Scan this QR Code with your smart device to view this Annual Report online

FOR QUERIES REGARDING THIS REPORT, CONTACT:

Legal Officer
LAUGFS Gas PLC
101, Maya Avenue, Colombo 06, Sri Lanka.

Strategic report

SHAPING OUR STRATEGY

We're fine-tuning our strategy, taking a closer look at our diverse functions to engage in an action plan that holds the promise of holistic value creation across the board.

Strategic **report**

Group Chairman's Review

"As a Group focused on Energy, we perceive the potential of Sri Lanka's strategic location and our vision is to become a regional player in energy in South Asia leveraging the strategic location and our broad based presence within the Energy supply chain. Our operations cover a procurement arm in Dubai, maritime transport with a fleet of 3 vessels, and the storage and distribution of LPG in Sri Lanka and Bangladesh."

Dear Shareholders,

I am pleased to present the Annual Report and Accounts for the year ending March 31, 2018 as we strengthened our position as a regional player in the Energy sector business operation. It has been a year of significant change for the Group as we refined our business model to focus on our core competencies to realise our aspirations while ensuring that our non-core businesses, which have been nurtured through their gestation periods, also have strong foundations to thrive and pursue their own aspiration for growth.

PURSUING OUR ASPIRATIONS

As a Group focused on Energy, we perceive the potential of Sri Lanka's strategic location and our vision is to become a regional player in energy in South Asia leveraging the strategic location and our broad based presence within the energy supply chain. Our operations cover a procurement arm in Dubai, maritime transport with a fleet of 3 vessels, and the storage and distribution of LPG in Sri Lanka and Bangladesh. The year commenced with deliberations on our way forward given the downside risks perceived in the operating environment due to tightening fiscal and monetary policy in response to widening budget deficits and rising inflation. Price regulation of LPG in the local market was a key consideration as it did not move in tandem with global markets which moved up during the year, resulting in decreasing operating margins. Rising interest rates remained another concern due to high levels of debt incurred for recent expansions of our business.

Our deliberations which included professional advice from external experts resulted in the Arrangement which was approved by you at the Extraordinary General Meeting on 20th March 2018 after we had obtained the necessary approvals from the Commercial High Court and the Colombo Stock Exchange. This facilitates the growth of each sector and particularly, the pursuit of our aspirations for the energy sector. Accordingly, we effected the agreed changes on 31st March 2018, mirroring the shareholding as of the last working day in March with one share each of LAUGFS Leisure, LAUGFS Power and LAUGFS Eco Sri for each share held of LAUGFS Gas PLC. Total Net Asset Value of segregated entities amounted to Rs.5.0 bn. The LAUGFS Gas PLC balance sheet as at 31st March 2018 also reflects a capital write down of Rs.2,285,000,260 which was also part of the Arrangement. Consequently, our balance sheet reflects equity of Rs.1.055 bn post segregation with total assets of Rs.31 bn.

Values Assigned on Segregation		
	Net Assets	Net Assets Value per Share
LAUGFS Gas PLC	Rs 1,055 mn	2.73
LAUGFS Leisure Ltd.	Rs 1,832 mn	4.73
LAUGFS Power Ltd.	Rs 2,502 mn	6.47
LAUGFS Eco Sri Ltd.	Rs 625 mn	1.61

We will now proceed with the listing of LAUGFS Leisure Ltd, LAUGFS Power Ltd and LAUGFS Eco Sri Ltd during the year that has commenced, to provide shareholders with an exit mechanism, although each listing is subject to the approval of the Colombo Stock Exchange.

POSITIONED FOR GROWTH

LAUGFS Gas PLC has strengthened its positioning in the various sectors which were under its purview during the year adding 1,500 dealers to its network supporting double digit revenue growth. SLOGAL

31%

GROUP REVENUE GROWTH

Energy DMCC expanded its operations significantly as reflected by its turnover growth of 234% during the year supporting midstream operations. Capital expenditure of Rs.5.7 mn was invested in LAUGFS Terminals Ltd and the expansion of Sri Lanka and Bangladesh facilities, which have added capacity enabling growth. The Storage Terminal in the Hambantota Port is nearing completion and is scheduled to commence its commercial operations within the 2nd quarter of the new financial year as stated in my message last year. We also commenced chartering our vessels to external parties, which opened a new avenue of growth for the Group.

Having delivered double digit volume growth in both Sri Lanka and Bangladesh, we are bullish about our prospects in both countries. Our midstream operations provide us with a significant competitive advantage and we will leverage this to expand our regional footprint in pursuit of our aspirations.

NON CORE BUSINESS PERFORMANCE

I also wish to reassure shareholders about the performance of the entities in which they now have a direct shareholding.

LAUGFS Power Ltd shifted gears to a new growth trajectory with a full year's revenue from the 20 MW solar farm recording Rs 1,068 mn for the financial year. Electricity generation increased to 43,620 MWh despite the drought that dampened generation from hydro power. We also expect to invest in yet another solar power

"Changes made during the year transform our identity from a diversified conglomerate to an Energy Group giving us the option of courting a suitable strategic partner with similar interests, technical expertise and networks to propel our future growth."

Rs. 31,395Mn
TOTAL ASSETS

project and a mini hydro project in the year that has commenced.

Anantaya Chilaw and Anantaya Passikudah with their diverse offerings are gaining more interest and we continue to expand our markets. However, the entire tourist industry witnessed a moderation in growth due to the closure of the airport for refurbishment of the tar mac, floods and health advisories which impacted arrivals.

LAUGFS Eco Sri Ltd also performed well with revenue growth of 8% driven solely by volume growth as the price has remained fixed since 2011, as it is determined by the Registrar of Motor Vehicles. Profit after tax was Rs 376 mn for this sector as we are unable to pass through the increase in costs.

All three businesses have further growth potential which they will be able to pursue with this new structure in place.

GOVERNANCE

The structural changes described above and performance oversight dominated the Board's agenda during the year. The Board also monitored implementation of the changes to ensure that shareholder and regulatory approvals were sought and obtained. We have kept shareholders informed of the plans and progress while also receiving your approval for the Arrangement at the Extraordinary General Meeting.

Mr. N.M.Prakash was appointed as the Chairman of the Related Party Transactions Review Committee following the resignation of Mr. P.M.Kumarasinghe, PC for personal reasons. I take this opportunity to thank Mr. P.M.Kumarasinghe for his insightful contributions during Board deliberations.

OUR PROSPECTS

We are confident that the new structure will drive growth of the Energy Group to new heights as we set our sights on growth in the region. Changes made during the year transform our identity from a diversified conglomerate to an Energy Group giving us the option of courting a suitable strategic partner with similar interests, technical expertise and networks to propel our future growth. The Board is deliberating the options available for growth at present and will keep you informed when there is a higher degree of certainty about our way forward. Our current structure with a fairly broad based presence provides us significant advantages for growth in the region and we will continue to explore new markets and opportunities to drive growth.

We will also take steps to rationalise debt, reducing our vulnerability to rising interest rates. The cash flow will enhance with the new storage terminal complex coming in to operation, augmented with aggressive trading activities to be undertaken by our trading arm in Dubai, enhancing our income potential and cost savings across the Group.

Price of LPG remains a key determinant of the Group's profitability and we continue to make representations to the Government to implement a pricing formula that will facilitate movement of price along with volatile global market prices facilitating stability in margins. The price revision in May 2018 will also some extent help mitigate the losses to be incurred. However, the requirement is for a pricing formula that will reflect movement in global market prices for sustainable and profitable growth of this vital industry.

ACKNOWLEDGEMENTS

I take this opportunity to thank the teams of LAUGFS Gas PLC who have delivered growth and positioned us for exponential growth despite the numerous challenges in the business landscape. I thank the regulators for their continued engagement on pressing issues which are matters of mutual concern. To our bankers I extend our appreciation of their continued support and look to a fruitful journey in the future as well. I conclude by thanking our shareholders who have shared our vision and continue to place their confidence in our ability to deliver the same.

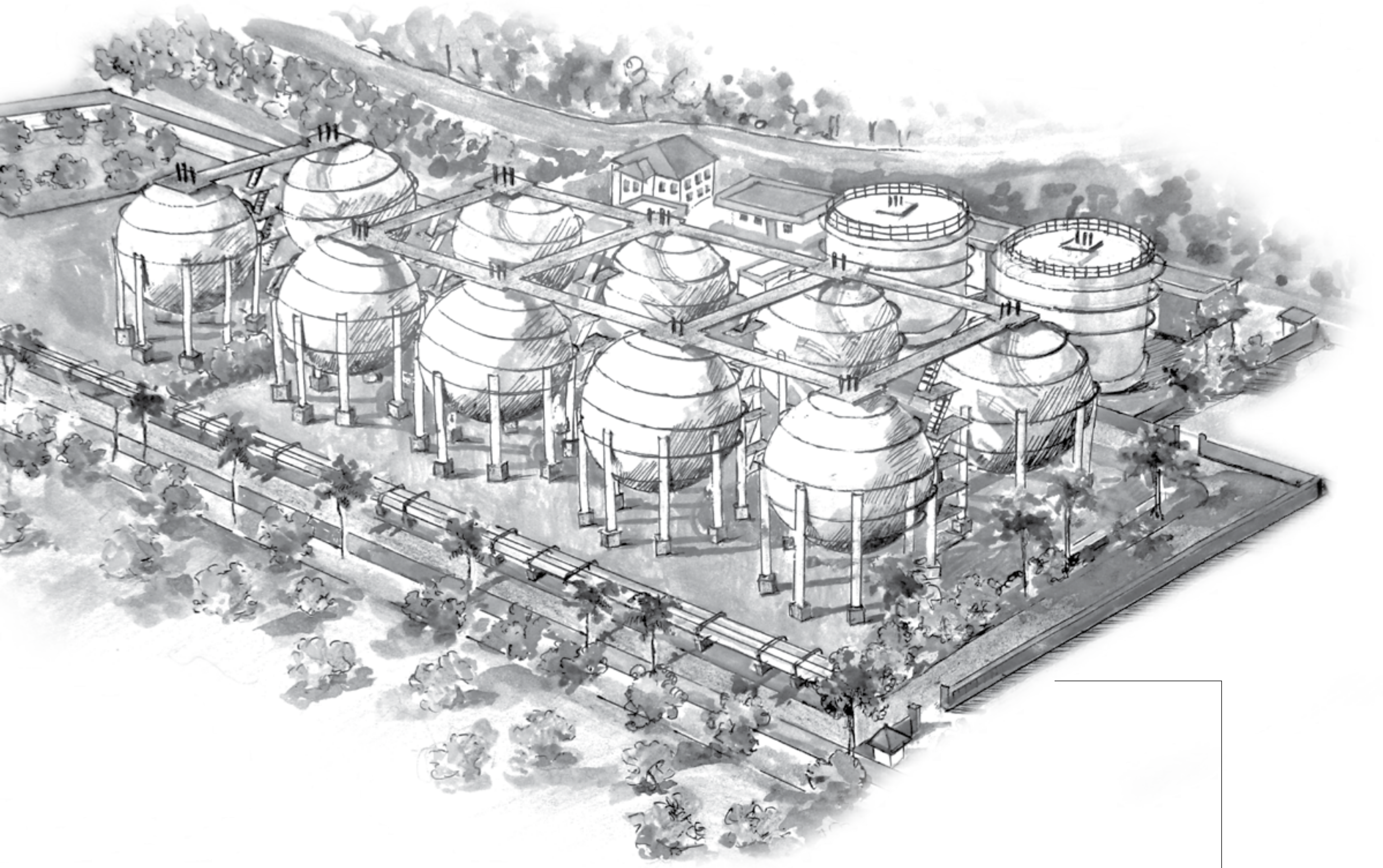
W K H Wegapitiya
Chairman/Group CEO

5th June 2018

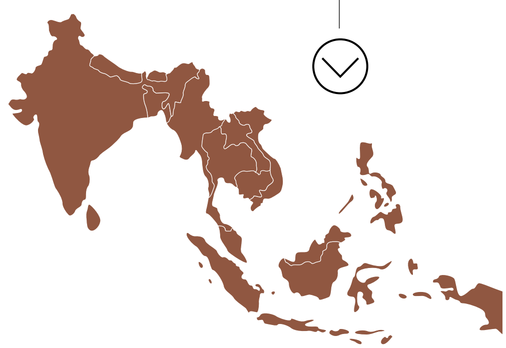
Our Future

The connecting pin falls into place in 2018 connecting our currrent operations to position LAUGFS Gas as a regional player in LPG

One of the largest LPG import export terminals in South East Asia



TO SOUTH EAST ASIA

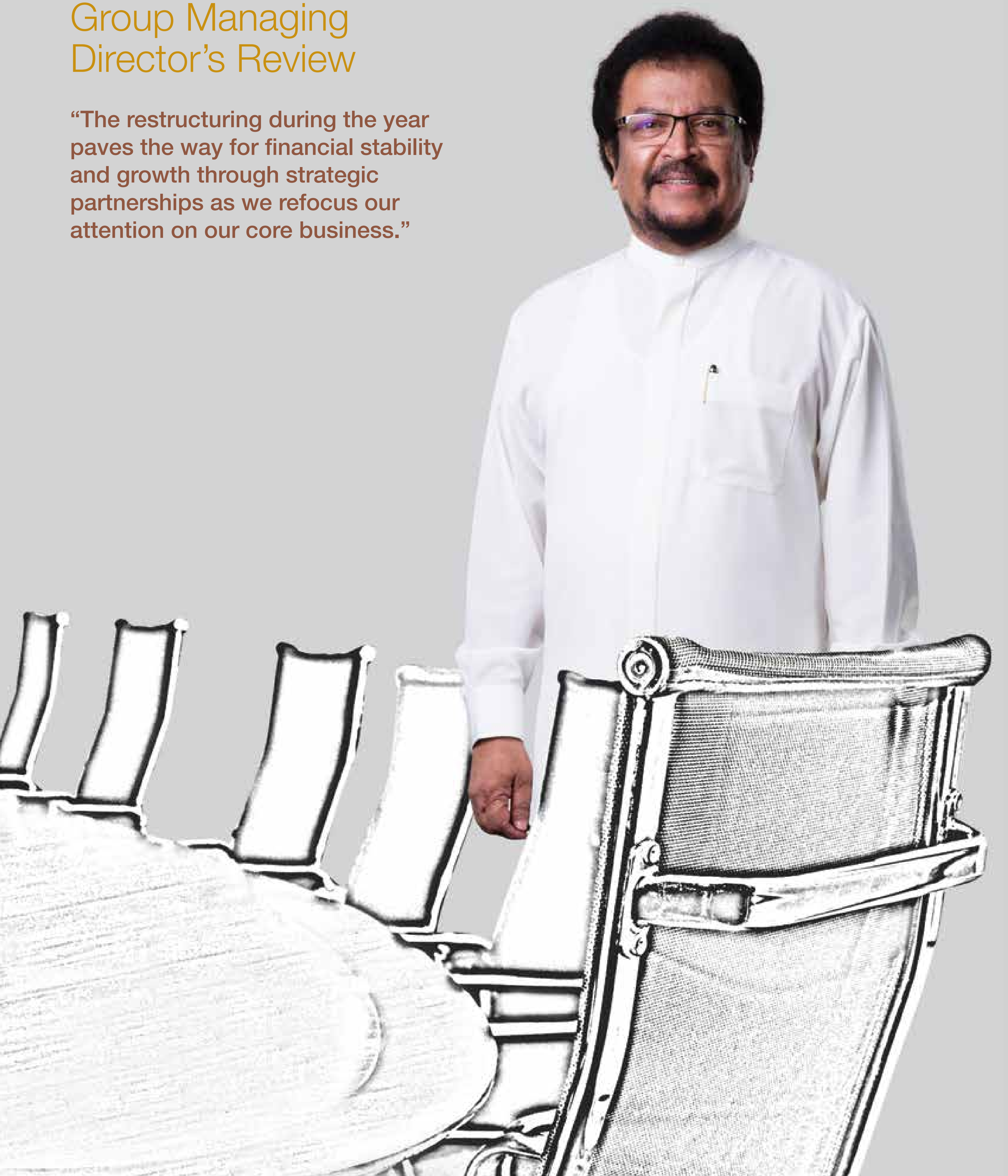


SLOGAL ENERGY DMCC

LAUGFS MARITIME SERVICES

Group Managing Director's Review

"The restructuring during the year paves the way for financial stability and growth through strategic partnerships as we refocus our attention on our core business."



Dear Shareholders,

LAUGFS Gas PLC has a focused vision to become a regional Energy player supported by our distribution operations in Sri Lanka and Bangladesh and midstream trading operations in Dubai together with transportation and logistics operations in Sri Lanka. Our operations have grown during the year with investments of Rs 6.1 bn in expanding our distribution capability in Sri Lanka and Bangladesh and the construction of the largest storage terminal in South Asia which will come in to operation in the 2nd quarter of 2018. Consequently, our revenue generation capacity has increased although its impact has been moderated by the current pricing model in our principal market, Sri Lanka.

The Group recorded a loss of Rs.1.3 bn during the year due to the continued increase in interest rates and delays in the grant of propotionate increases in the domestic price of gas cylinders in accordance with the agreed pricing formula as LPG prices in global markets increased. Significant efforts are underway to address both the funding structures of the Group and the pricing mechanism through high level negotiations and representations and we are optimistic of the outcomes. As mentioned in my previous year's message, this is a transitioning phase and we have made headway in implementing some deep structural changes to focus on our core competencies with your approval.

Despite the above, we continue to deliver top line growth of 31% amounting to Rs.21 bn driven by increased penetration in Sri Lanka and Bangladesh markets and are well positioned to deliver bottom line when a pricing mechanism is implemented, or prices are revised to reflect market realities. Bangladesh operations delivered 35% increase in top line while Sri Lanka delivered 23%. Our trading arm in Dubai has delivered 234% increase in revenue, strengthening our midstream operations.

Rs.
21,355Mn
GROUP REVENUE

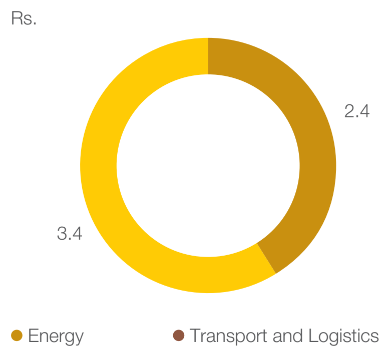
Transport & Logistics also delivered 10% growth as we chartered a vessel to an external party expanding our operations. We expect to deliver even more positive change in the year that has commenced to enhance profitability and cashflow as we address the funding structures of the Group.

PERFORMANCE OF CORE BUSINESS

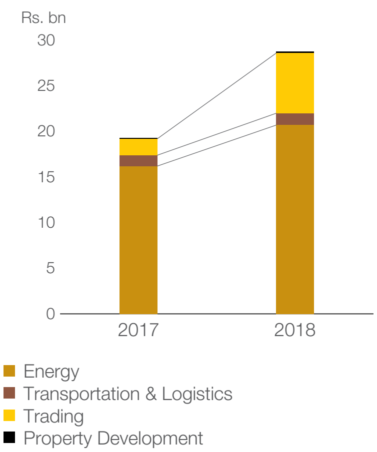
The Energy sector recorded a revenue of Rs.20.7 bn reflecting 28% growth as we consolidated our position through strengthened distribution networks, increasing market penetration in the household and industrial segments to deliver volume growth of 15%. Profitability was dampened as explained above but we are hopeful that our representations will bear fruit. Finance costs which contributed to the losses are also being addressed and are expected to reduce in the year that has commenced setting the stage for a reversal of losses.

Profitability of the transport and logistics sector declined due to decreasing charter rates globally but are forecast to improve in the year that has commenced as Phase I of the storage terminal, our flagship project, becomes operational supporting top line growth and profitability. This is a pivotal sector and will be the focus of growth for realizing our regional aspirations. We incurred Rs.3.4 bn in capital expenditure this year taking the PPE of this sector to Rs.7.6 bn and Total assets to Rs.10.8 bn which accounts for 34% of Group assets.

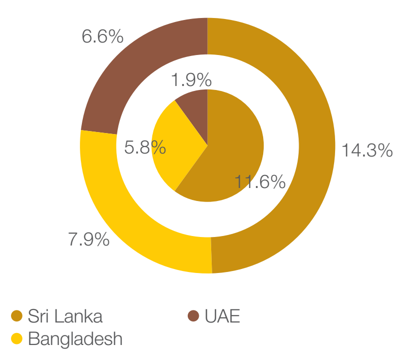
Investing for the Future



Revenue Growth



Expanding Our Footprint



Group Managing Director’s Review

“The non core sectors, which are now divested demonstrate potential for improved earnings in their respective spheres of activity having moved past painful gestation periods and are mature businesses, poised for growth.”

Trading operations increased by 234% but profits were dampened due to extreme market volatility. We expect this sector to grow in the coming year and improve performance, benefitting from the experienced gathered and also on the comencement of commercial operations at the storage terminal.

NON CORE SECTORS

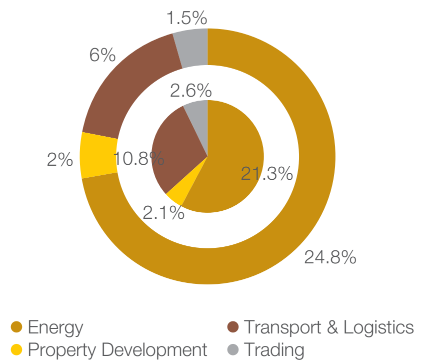
These sectors which are now segregated demonstrate potential for improved earnings in their respective spheres of activity having moved past painful gestation periods and are mature businesses, poised for growth. As we managed their journey up to the last day of the financial year, it is my pleasant duty to report on their performance during the year.

The renewable power sector recorded 672% growth in the top line benefitting from a full year’s power generation of the solar farms and delivered a profit of Rs 341 mn in comparison to a Rs 47 mn in the previous year. Strong performance of this sector masks the moderation in hydro power stemming from the prolonged drought alternating with floods which disrupted hydro power generation. The sector now has a total capacity of 21.75 MW with 20 Mw in solar and 1.75 MW in mini hydro generation capacity which makes LAUGFS Power the largest renewable energy sector entity in the country, a position perfectly poised to lead growth in this strategic sector. Capacity expansion continued with the investment of Rs 244mn in mini hydro projects which are expected to commence its operations in the 2018/19 financial year. Planned capital expenditure of Rs 2,500 mn in 2018/19 includes one solar power project of 10 MW enhancing the prospects of this sector. Future plans include forays into wind and floating solar projects, further diversifying our renewable energy capacity whilst supporting our medium-term goals to increase the renewable energy portfolio to 80 MW by 2020.

Rs.
6,078 Mn
INVESTMENTS

The Leisure sector also recorded strong top line growth of 56% and improved Gross profit. Operating losses also declined but losses after tax increased to Rs.421 mn due to increased finance costs as interest rates continued to increase and borrowing also increased during the year. Anantaya Chilaw and Anataya Passikudah receive extremely favourable guest reviews on social media and are included in the World Luxury Hotels list, catering to a discerning clientele. Occupancy rates also improved during the year but were dampened due to the poor performance of the Tourism industry. The time taken to reach these two tropical getaways moderates interest and we work with the industry associations and regulators to improve the country’s transport infrastructure enabling tourists to reach pristine destinations in a shorter time. This sector is also well positioned for growth with the painful construction period and initial operations now being over. Planned promotions of Sri Lanka as a tourist destination and forecast arrivals augur well for this sector.

Distribution of Assets



Our Emissions Testing service is a stable and mature operation and delivered a top line of Rs.1.3 bn and a bottom line of Rs,376 mn. Top line growth reflects market leadership despite the decrease in imports of new and used vehicles. The bottom line was impacted by inflation as the price approved by the Registrar of Motor Vehicles for testing services was not increased during the year. The company has plans for expanding its services through cost effective means and is an extremely relevant business as climate change moves centre stage on country and global agendas.

BEYOND NUMBERS

As an entity in the Energy sector, sustainability and health and safety are key criteria that drive our brand and reputation. The organisation’s impact on economic sustainability is significant with employment and indirect employment being key contributions in addition to our impact on the energy needs of the country. Health and Safety is the key business imperative that runs through all our core operations due to the high risks involved in handling, storing and transporting LPG and a comprehensive framework of policies are implemented with compliance audited to secure a conducive work environment for our staff on land and sea, our dealers staff and the communities we operate in.

LAUGFS has grown through the efforts of our people who take pride in what they do and their efforts have driven our progress. Our success depends on them and it has been rewarding to see many of them grow with us from our days as an audacious start up with lofty ambitions. Accordingly, our HR function is mandated with the task of ensuring the well being of our employees and our efforts to nurture this valuable capital is summarized in the Human Capital Report.

Asia's demand for energy is forecast for growth and we are well positioned to disrupt supply chains and reduce their environmental impact by shortening the same. Its economic impact can be tremendous as we give time to housewives and power industry in a cost effective and eco friendly manner.

REALISING OUR POTENTIAL

Our significant investments in the sector have positioned us for growth as Sri Lanka's first energy company to pursue and realise regional aspirations. Our presence along the LPG value chain strengthens our competitive edge powering our aspirations and driving distribution efficiencies. The restructuring during the year paves the way for financial stability and growth through strategic partnerships as we refocus our attention on our core business. We believe our timing is opportune as initiatives such as China's Belt and Road Initiative and Port City have focused attention on the country's strategic location on maritime routes, attracting prospective partners and opening markets.

ACKNOWLEDGEMENTS

I thank the Chairman and the Board for their guidance as we charted a new course for the Group and commenced our journey which required many deliberations and careful consideration of stakeholder interests. I commend the performance of a dedicated team of employees who delivered on many strategic imperatives despite a challenging operating environment. I extend my sincere appreciation of the role played by our business partners who have supported our growth and trust that they will continue to do so. To you, our shareholders who have given your blessing to our arrangements, I thank you for your participation at the EGM and look forward to your presence at the AGM as we move forward to realise our corporate vision.

U K Thilak De Silva
Group Managing Director

5th June 2018

Strategic **report**

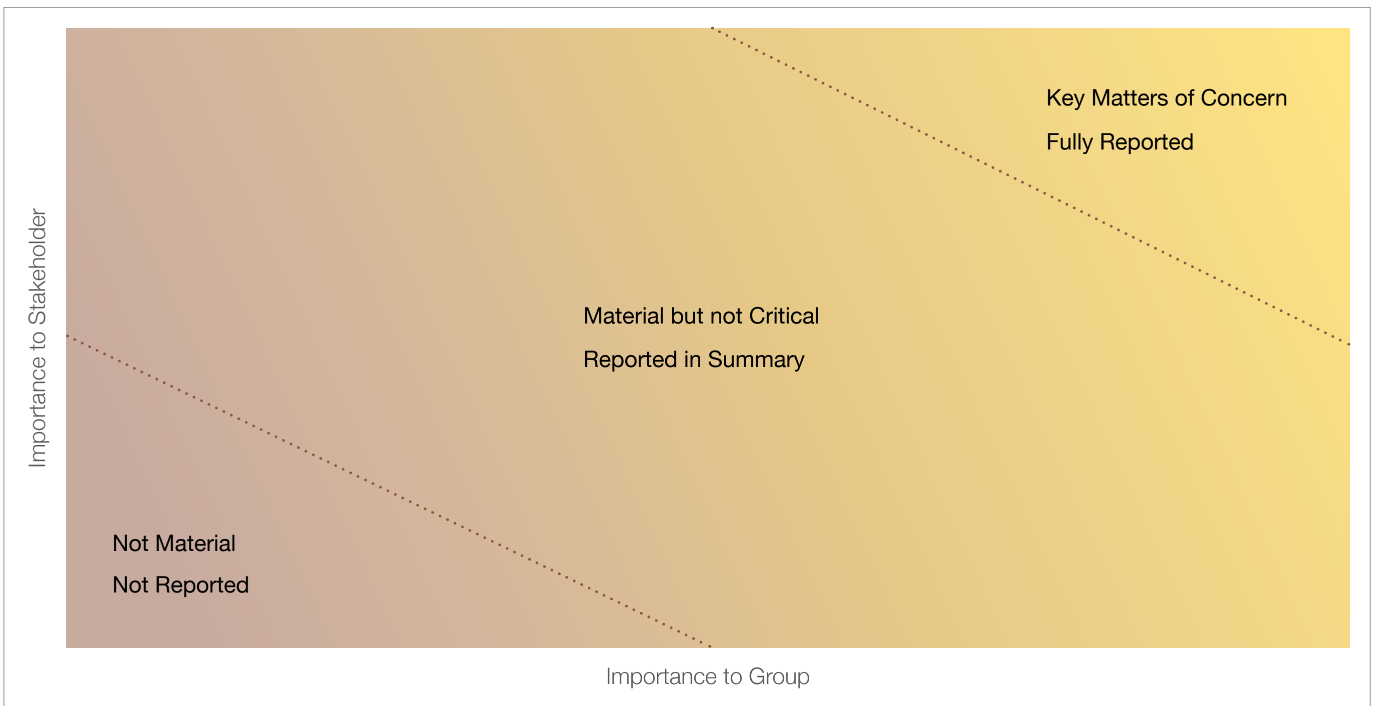
Determining Material Concerns

MATERIALITY MAPPING

Material concerns for the group are identified through a process of risk monitoring, stakeholder engagement and continuous evaluation of the operating environment. These concerns form an integral part in the formulation of strategies in the short, medium and long term.

The report is focused on providing stakeholders a holistic yet concise presentation of the performance of the group during the year. Hence, the material concerns identified are prioritized depending on the impact on stakeholder and impact on the Company through a process of materiality mapping. The key matters of concerns have been identified by the Board of Directors after a careful evaluation of the impact on the processors and smooth functioning of the business operations.

The material concerns are continually monitored through a risk management process which is supported by the Group risk and control division and Audit committee. There were no changes in the list of material topics, topic boundaries, reporting and no restatement of information from the previous report.



- Stakeholder engagement
- Risk monitoring
- Operating environment

Not Material	Material but not Critical	Key Matters of Concern	Measures Taken
• Changing consumer preferences • Diversity and equal opportunity GRI 415 • Supplier human rights assessments GRI 414 • Public policy GRI 415 • Non-discrimination GRI 406	• Weather patterns • Anti -corruption GRI 205 • Anti-competitive behavior. GRI 206 • Biodiversity GRI 304 • Supplier assessments GRI 308 • Child labour GRI 408 • Forced labour GRI 409 • Water GRI 303	• Economic growth • Market penetration • Market share • Competition • Product packaging GRI 417 • Product quality • Pricing • Product accessibility • Employment GRI 401 • Labour relations GRI 402 • Labour practices/ Grievances • Skill development GRI 404 • Health and safety (customers, employees and distributors) GRI 403 and GRI 416 • Capacity • Procurement • Compliance GRI 419 and GRI 307 • Carbon emissions GRI 305 • Energy GRI 302 • Materials GRI 301 • Effluents and waste GRI 306 • Customer privacy GRI 418 • Marketing communication GRI 417 • Local communities GRI 413	• Policies • Internal controls • Awareness • Compliance to standards. • External Assurance. • Inspections. • Key performance indicators. • Budgets

Stakeholder Engagement

Seven primary groups of stakeholders have been identified based on their materiality to business operations and their level of interest in our business. Our stakeholder engagement process ensures that we identify stakeholder requirements and effectively address any queries and topics of interest with discussion and involvement.

CUSTOMERS

We engage with a diverse customer base including both B2B and B2C customers

Engagement and frequency:

- Surveys
- Advertisements
- Press releases
- Digital channels
- Social media
- Corporate website

Focus areas:

- Customer satisfaction
- Health and safety
- Product quality
- Price
- Availability
- Accessibility

How we manage:

- Safety precautions are included in product labelling.
- After sales services
- Compliance to quality standards.
- Easy payment schemes.
- Island wide dealer network.

EMPLOYEES

Core part of our downstream operations ensuring product availability

Engagement and frequency:

- Monthly HR meeting
- Employee ambassador program
- Welfare events
- Performance appraisals
- Newsletters
- Surveys

Focus areas:

- Skill development
- Career progression
- Employee benefits
- Grievances

How we manage:

- Reviewed HR policies
- Training programs
- Re-aligned compensation and benefit structures

SUPPLIERS

Many LPG suppliers from the Arabian Gulf

Engagement and frequency:

- Meetings

Focus areas:

- Prices
- Terms of contract
- Quality
- Transparency

How we manage:

- Prices are determined by experts ensuring a fair remuneration to suppliers.
- Procurement committee.
- Supplier assessments prior to selection.
- Import/export management system (IEMS) improves transparency,

INTERMEDIARIES

Core part of our downstream operations ensuring that products are delivered on time to customers

Engagement and frequency:

- Dealer conventions
- On- site inspections
- Workshops
- Awareness programs

Focus areas:

- Product availability
- Commissions
- Health and safety

How we manage:

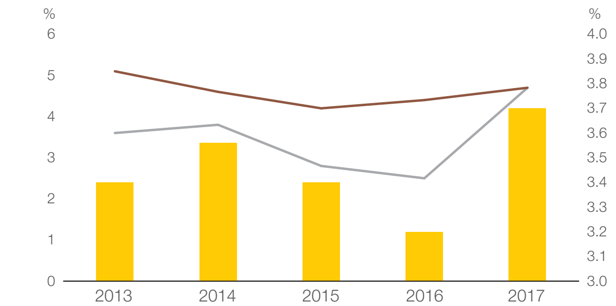
- Appointed a channel development manager to oversee dealers.

COMMUNITIES	GOVERNMENT	INVESTORS
99% of operational staff are recruited from local communities	Role of a regulator, issuer of licenses and policy maker	16,438 shareholders
Engagement and frequency: • Awareness programs • CSR activities • Press releases	**Engagement and frequency:** • Written communication • Discussions • Renewal of licenses	**Engagement and frequency:** • Quarterly Financial Statements • Press releases • Annual report • Annual General Meeting
Focus areas: • Employment opportunities • Community development.	**Focus areas:** • Pricing policies	**Focus areas:** • Dividend • Earnings growth
How we manage: • Recruit from local communities. • CSR projects.	**How we manage:** • Adopting an industry based pricing mechanism. • Long term sustainable relationships.	**How we manage:** • Formulation of sustainable long- term strategies.

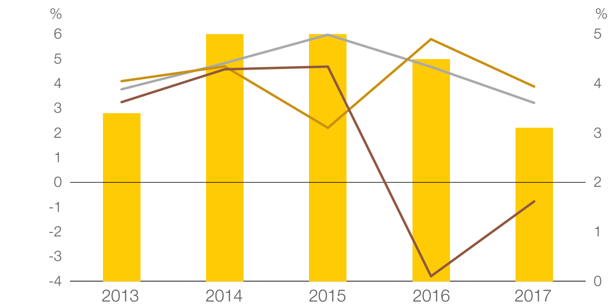
Strategic **report**

Operating Environment

Global Economic Performance



Sri Lanka's Economic Performance



GLOBAL ECONOMIC GROWTH

Rebound in investments, improving manufacturing activity and increasing trading activity supported global growth to reach 3.7% in 2017 compared to 3.2% last year. Favorable US tax policies, improving commodity prices and increasing manufacturing output primarily in Asia drove global demand although rising interest rates and geopolitical tensions remained a challenge.

SRI LANKA

Economic growth subdued during the year to 3.1% from 4.5% last year with inclement weather conditions that impacted agricultural output whilst stringent monetary policies in the form of rising interest rates and consumption taxes dampened discretionary incomes. In the meantime, rising cost of food imports led to a rise in annual inflation to 6.6% from 4% last year. However, external trade activity improved as free trade agreements and rising global demand supported a trade conducive environment in the country with exports increasing by 15% in 2017.

BANGLADESH

The economy expanded by 7.3% in FY17 compared to 7.1% in FY16 with the latest quarter to December 2017 continuing the growth momentum. Average Inflation increased to 5.9% in FY17 compared to 5.5% in FY16.

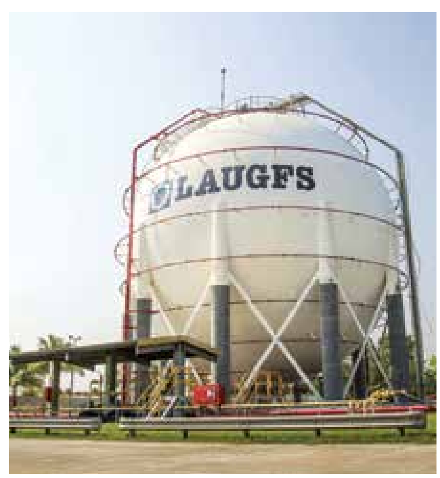
KEY INDICATORS

Statutory Interest rates increased to 8.75% from 8.5% in 2016

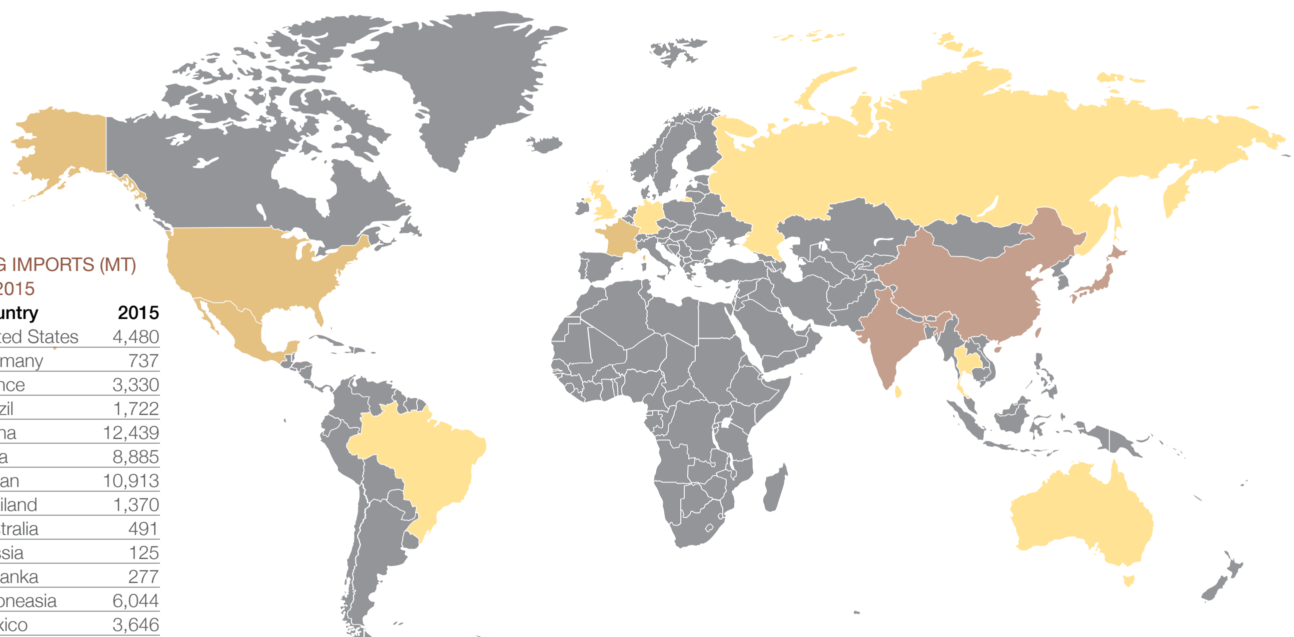
Currency depreciation narrowed to 2.0% against the USD compared to 6% last year

Export earnings increased by 15% compared to (2%) last year.

Imports increased by 14% compared to 2.5% last year.



WE SHARPEN OUR FOCUS AS OPPORTUNITIES UNFOLD



LPG IMPORTS (MT) IN 2015

Country	2015
United States	4,480
Germany	737
France	3,330
Brazil	1,722
China	12,439
India	8,885
Japan	10,913
Thailand	1,370
Australia	491
Russia	125
Sri lanka	277
Indoneasia	6,044
Mexico	3,646
United Kingdom	797

Sri Lanka being strategically located in the epicenter of Indian Ocean Region activity, has a distinctive advantage to provide cost effective LPG break bulking facilities to its nearby South East Asian Countries.

The Hambantota MRMR port is ideally located at the intersection of major international shipping routes.

Sri Lanka is considered the best interconnectivity port in 2017.

WE INVESTED IN THE CONSTRUCTION OF ONE OF SOUTH ASIA'S LARGEST IMPORT/EXPORT STORAGE TERMINALS TO COMMENCE IN 2018.

Increasing number of households and disposable incomes has depicted a shift towards higher preference for LPG as an alternative fuel across many of the fast growing economies, driving global LPG demand

SHARPENED OUR FOCUS ON CORE COMPETENCIES BY TRANSFORMING TO A PURE PLAY ENERGY COMPANY IN 2017 WITH PLANS TO EXTEND OUR REACH TO OTHER LUCRATIVE ASIAN REGIONS.

ENERGY

DEMAND

Liquefied Petroleum Gas (LPG) is obtained during extraction of oil and gas and refining of crude oil. It is considered a light, clean distillate primarily used as a cooking fuel (44% used for domestic use) and also used in other applications such as Autogas and industrial sector applications. During the year, growth in LPG demand in Sri Lanka moderated to 15% compared to 21.5% last year due to rising LPG prices and subdued economic growth alongside adverse weather conditions. With increasing prices of LPG, industrial users indicated trends of switching to alternative products such as furnace oil and diesel. However, the increasing number of households converting to LPG from wood and other alternatives with improved awareness especially among the rural population on the benefits of LPG usage

Strategic **report**

Operating Environment

serve as opportunities for an increase in LPG demand in the forthcoming years in line with global trends.

PRICE

Retail LPG prices in Sri Lanka are currently regulated by the Government. However, ongoing negotiations for the implementation of a pricing formula are expected to allow domestic price revisions in line with global market movements. During the year, the Government of Sri Lanka increased the prices of the 12.5 kg LPG cylinders by 8.3% in September 2017 to Rs. 1,431 in line with the increase in oil prices and currency depreciation which severely impacted the import costs of LPG. Value of LPG imports amounted to Rs. 35.5 Bn in 2017, significantly increasing by 47% compared to 8% growth last year. Rising oil prices in global markets led to an increase in propane prices which led to an increase in LPG import costs. Adverse weather conditions in US, geopolitical tensions in the Middle East and OPEC extended agreement to curtail production led to 27% increase in oil prices in OECD member countries reversing the declining trend over the last three years.

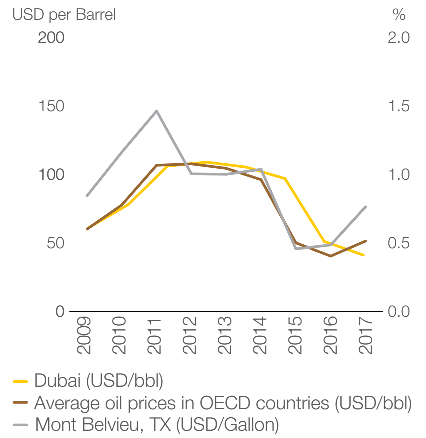
SUPPLY OF LPG

Global LPG production increased by 5.75% in 2017 compared to 4% in 2016 and reached 300 Mn MT/year for the first time in history. In the context of Sri Lanka, the composition of imports of LPG comprises of 93% - whilst the remainder is met from CPC refinery. Given the intense price competition and regulated retail prices of LPG, operators are continually pressurized with the inability to pass on cost increases to consumers.

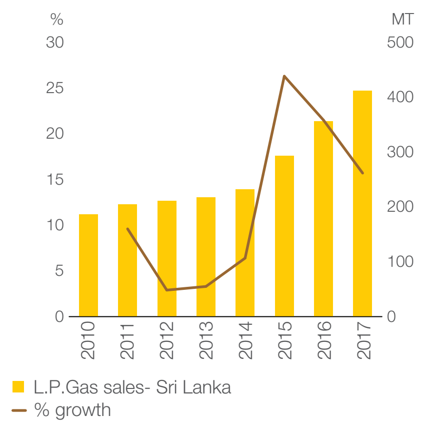
CHANGING ENERGY MIX

Global energy mix has progressively shifted towards clean energy sources with increasing awareness on environmental impacts, rising production of shale gas in US and initiatives to reduce coal consumption implemented by the leading coal consumer, China. In 2016, Renewable and Hydro electric energy accounting for 10% of energy mix highlights growth of 6.4% higher than average growth of 1.3% in total primary energy consumption of the world. Natural Gas accounted for 27% and increased by 1.8% whilst Oil accounted for 33% and increased by 1.7% in 2016.

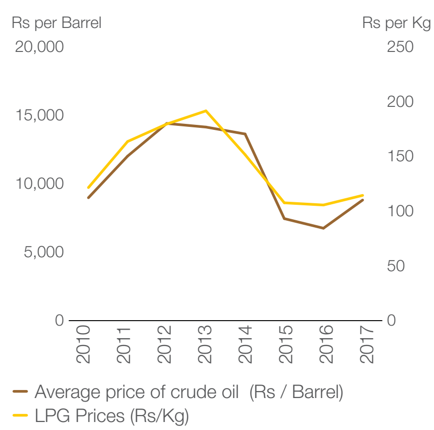
Oil and Propane Prices



LPG Consumption



LPG Prices in Sri Lanka

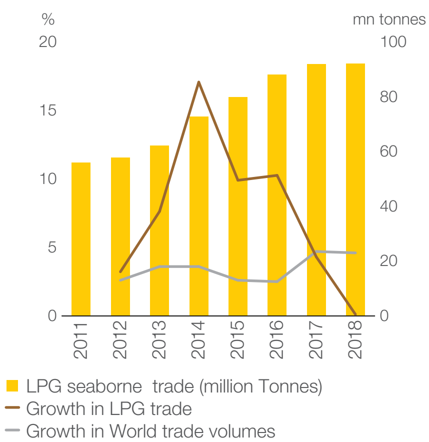


TRADING

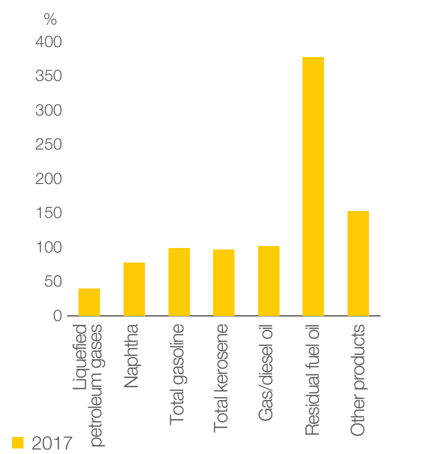
LPG is a widely traded product, as reflected by the low ratio of refinery output to net deliveries in OECD which indicate the net deliveries are much higher than refinery output in the region. LPG exports are primarily driven by few economies such as Middle East and US known to have more LPG than their needs leaving several other economies in the globe as net importers of LPG.

Global LPG trade continued its growth momentum in 2017, recording at 91.9Mn Tonnes an increase of 4.3% in comparison to the previous year, driven primarily by the increased consumption in economies of China and India. However, latest economic events such as trade wars between China and US may have a strong impact on global LPG trade flows as China plays a predominant role accounting for 20% of global LPG trade in 2017 being the largest buyer of LPG in the world.

LPG Trade



Refinery Gross Output/Net Deliveries: OECD



TRANSPORTATION AND LOGISTICS

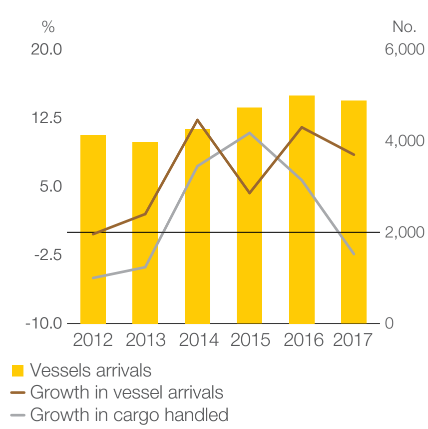
GLOBAL VESSEL CHARTER PRICES

During the year, the VLGC charter rates continued to decline pressurized by an oversupply of ships in the market. Small vessel charter rates were increased due to over demand of the market.

DEMAND FOR PORT SERVICES IN SRI LANKA

Growth in port activities was driven by the increasing arrival of large ships and growth in total cargo handled although overall vessel arrivals declined by 2.4% during the year. Sri Lanka's unique location being strategically located between the East West maritime route continue to drive demand for port services in Sri Lanka which provide lucrative opportunities for maritime transportation and logistics operators in Sri Lanka. In 2017, Sri Lanka was awarded the best connected country for maritime transportation in the South Asian region and ranked 15th in the global "Liner Shipping Connectivity Index 2017" published by the United Nations Conference on Trade and Development (UNCTAD) .

Port Activity



Operating Environment

LEISURE AND HOSPITALITY

TOURIST ARRIVALS

During the year, tourist arrivals reached an all- time high of 2,116,407 arrivals although growth slowed to 3.2% compared to 14% last year due to the partial closure of the airport for few months of the year, flight cancellations and the breakout of the dengue epidemic which adversely impacted tourist arrivals. Western Europe continued to account for a significant 32% share of tourist arrivals and increased by 5.5% in 2017. The key economies that continued to play a prominent role in tourist arrivals were India and China followed by UK, Germany and France which cumulatively accounted for 51% of tourist arrivals to Sri Lanka.

OCCUPANCY

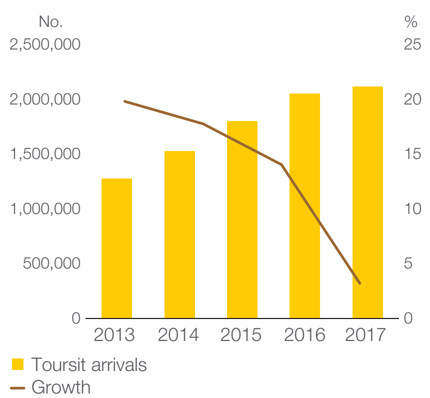
Average occupancy declined marginally to 73% compared 75% last year reflective of the trends in declining tourist arrivals.

Number of rooms in graded establishments increased to 23,477 with the opening of new hotels and expansion of existing hotels during the year.

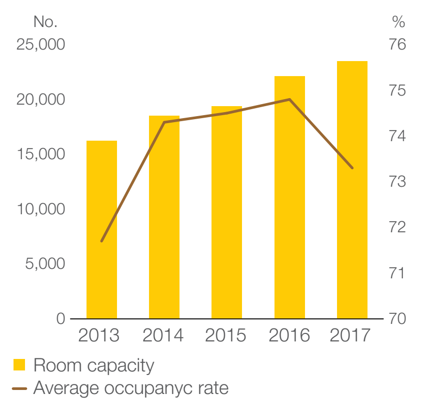
EARNINGS FROM TOURISM

Being the third largest foreign exchange earner in the country, earnings from tourism has a profound impact on the economic performance. During the year, earnings from tourism improved by 11.6% to USD 3.925mn driven by an increase in both the duration of stay and average spending of tourists which was supported by the ongoing promotion campaigns and continued investments in upgrading the tourism related infrastructure.

Tourist Arrivals



Occupancy



EMISSIONS

PRICES

Prices for emission testing services are regulated by the government since inception of the VET program. The last pricing revision was given in 2011.

DEMAND

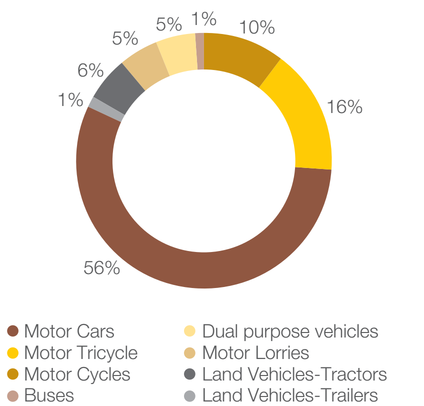
The main drivers of demand for emission testing services are growth in vehicle registrations which increased by 6.7% during the year. However the rate of new registrations declined to 6.7% from 7.8% in the last year alongside declining loan to value ratios imposed by the government, tax revisions and depreciation of the Sri Lankan rupee.

Motor cycles continue to form a predominant share of the vehicle fleet and increased by 1.25% during year. This drove demand for emission testing services in 2017. In addition the existing vehicle fleet of 7.3 mn vehicles continue to provide a steady stream of income for emission testing service providers.

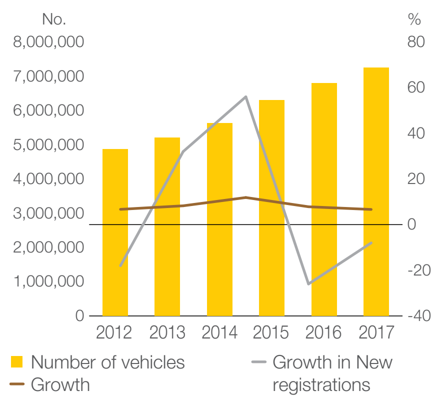
SUPPLY

Emission testing services are provided by two operators in Sri Lanka namely LAUGFS Eco Sri and CleanCo Lanka Ltd. with a 55% market share held by LAUGFS Eco Sri Ltd.

Vehicle Fleet



Growth in Vehicle Fleet



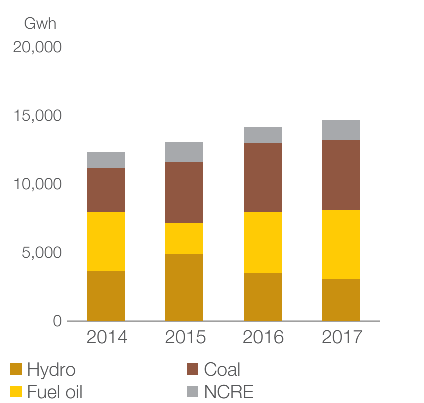
POWER

ELECTRICITY GENERATION

During the year, electricity generation increased by 3.7% compared to 8.1% last year due to the decline in hydro power generation which accounts for 20% of the energy mix. Severe drought conditions that prevailed during the year resulted in a 12% decline in hydro power generation. This resulted in an increasing reliance on thermal and coal based sources of electricity generation which increased by 13% and 11%. During the year, CEB owned power plants contributed 72.9% of power generation whilst the remaining was purchased from independent power producers (IPPs).

In addition, bids are being evaluated for a 100MW wind park in the Mannar island and the government has taken measures to encourage consumers to use solar panels that will generate solar energy by providing concessionary loans to households under the ‘Rivi Bala Sivi’ scheme. This supported an addition of 35 MW of solar energy to the national grid. In addition, the Budget 2017, proposed the launch of solar roof top power producer at public institutions which will further support an increase in solar power generation under the Soorya Bala Sangramaya programme.

Energy Generation



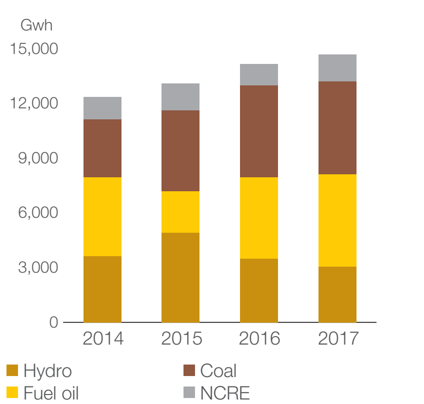
DEMAND

Demand for electricity continued to increase with total sales of the central electricity board increasing by 5% to 13,430 Gwh in 2017. The level of electrification in Sri Lanka was 99.3% in 2016.

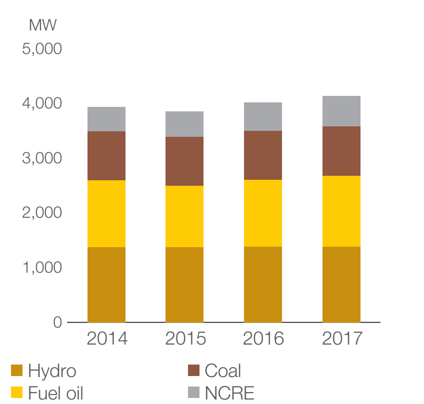
CAPACITY

Installed capacity of renewable energy was 4,138 MW and expected to increase by 180 MW in mid 2019 with the completion of three projects that was initiated in 2017.

Energy Mix



Capacity



Strategic **report**

Risk Management

INTRODUCTION

Preemptive Risk management has become vital in LAUGFS Group with its 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 protect shareholder value and thereby reducing and eliminating risks, in fulfilling LAUGFS's vision to be the most preferred and trusted Sri Lankan multinational. The Group follows Enterprise Risk Management (ERM) adopting guidelines presented by the Committee of Sponsoring Organizations of the Tread way Commission (COSO) which is in place to identify, manage and mitigate risks in a consistent and structured manner, inclusive of 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 strategies are set based on the objectives and the risk appetite of the company.

The Group identifies the risks faced by all subsidiary companies by performing internal audits on a regular basis, taking proactive actions to mitigate the risks, ensuring good corporate governance/ best practices and also by adhering to nationally and internationally recognized standard and regulations with the aim of maximizing the shareholder wealth.

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 accidents 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, project opportunity and threat. We ensure that precautionary principals are applied when developing and introducing new products to the market.

Risk Management Process & Strategies for Managing Risks

The purpose of risk management is to identify internal and external risks, which will impact the Group of companies and to device strategies to mitigate such events, should they occur. The Group Risk and Control division is constantly in search of internal and external threats which would have an impact on the companies.

The strategies that Company adopts to manage the risks are outlined below which will depend on the type of risk and the severity of the risk and market situation in which it occurs

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

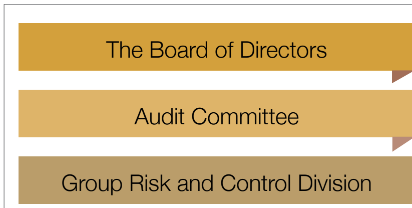
The process of risk management in LAUGFS Group can be depicted as follows,

THE PROCESS OF RISK MANAGEMENT IN THE LAUGFS GROUP CAN BE DEPICTED AS FOLLOWS

This framework has been convey at both Group and SBU level to enable the Group to achieve its corporate objectives within a well-managed risk profile. The Group reports on risk-related matters to the Audit Committee and to the Board. The Board is ultimately responsible for the identification and management of risk.

The Board, through Committees where appropriate, regularly review significant risk areas and decisions that could have a material impact on the Group. These reviews consider severity and likelihood of the risk and recommend risk response plans. The reporting structure is depicted below.

REPORTING STRUCTURE



During 2017/18, the Group Risk and Control Division undertook a comprehensive risk assessment of all structural, operational, financial and environmental risks by using a Risk Register uniquely prepared for LAUGFS Group, from which an annual audit plan was compiled. The Group Risk & Control select companies for review according to the annual plan, which was designed based on risk ratings. Risk treatment and monitoring is a continuous process, which is vital for sustainable risk management. The core risks relevant to each Company, which have a long-term impact to the Group are identified by the management during the risk review process. Further, the Risk Register of each company along with the mitigation plan are presented for review to the top management and to the Audit Committee. In 2017/18 financial year, Group Risk & Control Division further strengthen the Enterprise Risk Management process while they also extensively scrutinized Food safety through regular and robust food safety audits within the group especially related to Leisure Sector.

The Group Risk & Control Division analyzes the progress of risk assessment & mitigation process by tracking the progress of recommendations implemented by each company as well as proactively alert Management to take actions on potential risks to reduce the amount of critical observations for future.

The Risk Register comprises of risks in the following categories

BUSINESS & OPERATIONS

- Production & Process
- Health and Safety
- Food Safety
- Market
- Human Resources
- Information Technology
- Dependency Risk
- Growth Risk
- Reputation Risk
- Commodity Price Risk
- Price Risk

FINANCE

- Foreign Exchange Risk and Interest Rate Risk
- Liquidity Risk
- Credit Risk

ENVIRONMENT

- Economical, Political, Legal, Social

REPUTATION

- Customer service
- 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 Division • Independent surprise safety audits • OHSAS 18001 certification compliant • Conduct training programs to educate employees • Safety Extended to distribution channels and audits carried out on the same

Strategic **report**

Risk Management

Risk Exposure	Risk Response
3. Food Safety Adversely impact the business due to non-compliance to food safety regulations and lack of control environment relating to food safety.	• Implementation and regular monitoring of Food safety and Hygiene while also adopting strong policies related to the same by Group risk and control division along with Management • Conduct training programs to educate employees • GMP accreditation on Food safety for Chillaw Anantaya resort • Internal Process streamlined for GMP and HACCP accreditation for both resorts
4. 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 • Various MACRO and MICRO economic planning reports done internally through Corporate finance and external reports on Market monitoring
5. Human Resources Risk Risk arising as a result of inability to attract and retain best capable employees	• Offer of attractive reward systems • Career development programs • Career and succession planning
6. 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 and IT Division being ISO certified and compliant • Business continuing planing • ISO 27001 certification for information security
7. 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
8. 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 to make effective decisions
9. 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 and continues monitoring and reviewing of exposures.
10. PESTAL Environment Risk Adverse impact on profits as a result of negative changes in the political, economic, legal and social environment	• Regular review of regulatory compliance • Strong relationship with stakeholders influencing socio-economic stability within the country • Holding the prestigious ISO 14001 international systems certification for Environmental Management System for Eco-Sri compliance on the same • LAUGFS Maritime Service is holding the DOC certification for effective implementation of the international management code for the safe operation of ships and pollution prevention (ISM Code)

Risk Exposure	Risk Response
11. 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 • Customer complaint management
12. Quality Risk Potential adverse impact on company's image due to low quality	• LAUGFS Gas PLC and Eco Sri are holding ISO 9001:2015 certification for its effective implementation of Quality management System • Conducting internal and external audits
13. Dependency Risk Risks arising from dependence on major suppliers, buyers and third parties	• Managing good principal relationships with suppliers and customers • Establishing alternative suppliers, new distribution channels • Proactive measures to straighten procurement process and alternative mechanism
14.Growth Risk Adverse impact on future earnings due to our key businesses entering a maturity or declining phase or new markets or businesses entered not materializing the expected yields	• Emphasis on identifying new business segments and supporting them with the required investment • Functioning of a sound Investment committee, where all proposals are evaluated and followed up through post implementation reviews
15. Reputation Risk Adverse impact on the corporate image which is likely to impair stakeholder value.	• Maintenance of the highest ethical standards at all times in all business activities • Continuous assessment of customer satisfaction and prompt follow up actions on complaints and/or suggestions through system • Proper adherence to the statutory and environmental regulations
16. Commodity Price Risk Adverse impact on future market values and the future income, caused by the fluctuation in the prices of commodities.	• Strengthening the procurement process through establishing of corporate procurement function and strategic backward intergration to LPG sourcing and trading • Proposed Terminal facility to ease risks to a certain extent related to commodity prices
17. Price Risk Inability to increase prices based upon market dynamics.	• Lobbying for proper functioning of industry based pricing formula to CAA and the Government.

Strategic **report**

How We Create Value

As we are now focusing on our core competencies, the value creation diagram relates to our business moving forward rather than looking back.

CAPITAL USED DURING THE YEAR

FINANCIAL CAPITAL

Page 68

MANUFACTURED CAPITAL

State of the art storage and filling facility.

Page 72

SOCIAL AND RELATIONSHIP CAPITAL

Customers, Suppliers, Dealers

Page 74

HUMAN CAPITAL

1,609 employees

Page 78

INTELLECTUAL CAPITAL

Certifications, Safety Culture

Page 85

NATURAL CAPITAL

Materials, Energy

Page 89

SOURCE

TRANSPORT

STORE AND FILL

DISTRIBUTE

CUSTOMERS

CORPORATE GOVERNANCE

HOW WE CREATE VALUE
AN INTERGRATED VALUE CHAIN

SLOGAL ENERGY

Many registered suppliers

LAUGFS MARITIME

Three LPG vessels

LAUGFS TERMINALS

One of the largest storage terminal in South Asia

LAUGFS GAS SRI LANKA

Storage and filling plant in Mabima

6,000 dealers islandwide

LAUGFS GAS BANGLADESH

Storage and filling plant

5 regional distribution centers

175 Distributors

RISK MANAGEMENT

RELIABLE SUPPLY CHAIN

ROBUST INVENTORY MANAGEMENT

WHAT WE DELIVERED

SHAREHOLDERS
Page 27

FOR EMPLOYEES
Page 26

FOR CUSTOMERS
Page 26

FOR DISTRIBUTORS
Page 26

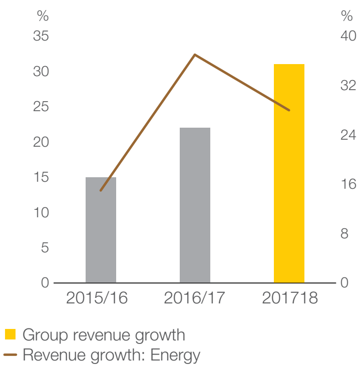
FOR SUPPLIERS
Page 26

FOR GOVERNMENT
Page 27

FOR COMMUNITY
Page 27

Strategic **report**

Strategy and Measuring Success

Strategy	KPI	Initiatives
GROWTH	Revenue Growth  	**Market penetration** 3 new customers were part of the SMART project. Market penetration in Bangladesh improved to 9% from 6% last year. In Sri Lanka, penetration was 29%. **Product accessibility** Added 1,500 new dealers. **New stream of revenue** LAUGFS Maritime chartered one of the vessels to third parties which provided a new stream of revenue.
EFFICIENT OPERATIONS	**Revenue Per Employee** Rs. 13.3 mn	**Implementation of sales and operational planning system.** Cost savings from the implementation of sales and operational planning system and synchronizing the activities of two teams namely sales and marketing and supply chain management at the same time. This also supported inventory management and enhanced employee productivity.
EXPANSION	**Total PPE** Rs. 17,070 mn	**CAPEX** Invested Rs 6,078 mn as CAPEX. **Capacity addition** Invested on LAUGFS Terminal which will come online in 2018 with 30,000 MT of storage capacity. **Value of cylinders in hand increased by 21%.**
RESPONSIBLE BUSINESS	**Responsibility to environment Carbon Foot print** 3,048,665 MT	**Health and safety** All products complied with ISO quality standards **Measured carbon foot print both direct and indirect under scope 1, scope 2 and scope 3.**

What we delivered in 2017/18

This segment sets out the performance of our sectors and how they delivered on strategy.

CORE	NON CORE
Slogal Energy DMCC Page 48	LAUGFS Leisure Ltd Page 54
LAUGFS Maritime Services (Pvt) Ltd Page 50	LAUGFS Power Ltd Page 64
LAUGFS Storage Terminals Ltd Page 50	LAUGFS Eco Sri Ltd Page 60
LAUGFS Gas PLC Page 44	

Management discussion and analysis

PERFECTING OUR CRAFT

Our new structure enables us to focus our attention on the finer aspects of our individual operations, transforming each business unit into a dynamic force in its own right.

Management discussion **and analysis**

Energy

LAUGFS GAS PLC
LAUGFS GAS (BANGLADESH) LTD.

Rs.
20,721 Mn
REVENUE

Our interests in the LPG industry since 1994 enabled us to develop a rich history of expertise backed by state of the art storage and filling facilities in Sri Lanka and Bangladesh and an efficient supply chain. We cater to domestic, commercial, industrial and auto gas segments of which the household (domestic) market plays a crucial role.

SRI LANKA	BANGLADESH
29% Number of households 5 mn and market penetration	34mn Number of households; 9% penetration

PERFORMANCE

Revenue increased by 28% to Rs 20,721 mn driven by revenue growth across both locations namely Sri Lanka and Bangladesh. LAUGFS Gas Sri Lanka accounted for 62% of energy revenue of the group. Despite revenue growth, performance was severely impacted by rising costs of LPG and increasing finance costs. Operating profits declined by 61% to Rs 485 mn and loss after tax amounted to Rs 1,060 mn.

ECONOMIC PRESENCE

The only private sector operator in a duopoly LPG market in Sri Lanka with a **30%** market share.

6,000
NO OF DEALERS

463
NO OF EMPLOYEES

327 hours
TRAINING AND DEVELOPMENT

Total GHG emissions (scope 3): 3,048,665 MT
EMISSIONS

9,100,342 MJ
ENERGY

2 Injuries
HEALTH AND SAFETY

2
STANDARDS

Rs. -1,060Mn
PAT

Rs. 21,276Mn
ASSETS

Rs. 2,411Mn
CAPEX

Management discussion **and analysis**

Energy

RELEVANCE TO GROUP

97%
OF GROUP REVENUE

68%
OF GROUP ASSETS

28%
OF EMPLOYEES

71%
OF LIABILITIES

LAUGFS GAS SRI LANKA (LGSL)

PERFORMANCE

Revenue amounted to Rs 12,834 mn increasing by 24% compared to 7% last year. Double digit volume growth and the government decision to increase LPG prices in September 2017 contributed to revenue growth. Our focus to add new customers in the domestic market was well driven by an expanding dealer network, appointment of a new channel development officers and the implementation of a new sales and operational planning system. However, profitability and margins deteriorated. Rising LPG costs coupled with an absence of a pricing formula for price revisions, challenged growth. Operating profits of LGSL declined by 76% to Rs 181.9 mn. In the meantime, finance costs increased by 37% to Rs 1,682mn. Hence, Loss after tax worsened to Rs 1,271 mn compared to Rs 259 mn last year.

During the year, we focused on several cost management initiatives by streamlining work flows and implementation of a sales and operational system which supported inventory management and productivity.

Structural changes in processes supported in coordinating two core teams towards revenue generation and supply chain management.

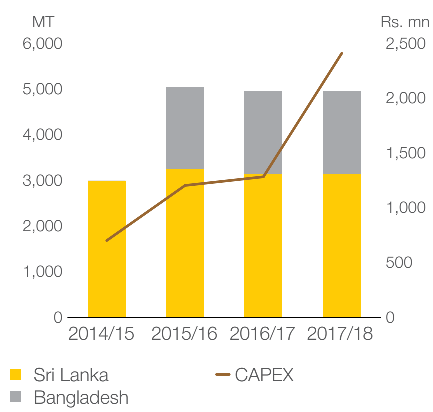
ASSETS AND LIABILITIES OF LGSL

Property, plant and equipment increased by 14% to Rs 7,586 mn. Investments in cylinders, Tank installation and LPG pipelines supported asset growth. Capital expenditure amounted to Rs1,453mn. Interest bearing liabilities increased by 13% to Rs 13,112 mn as new borrowings were obtained to fund asset growth and repay debt that fell due in 2017/18.

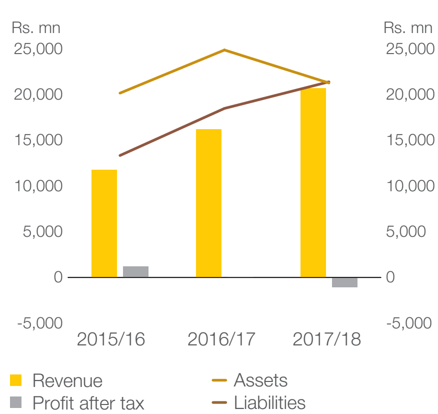
STRATEGY IN 17/18

During the year, we focused on expanding market penetration by enhancing product accessibility and affordability. Dealer network expanded with 1,500 new dealers and supported by a channel development manager. In addition, initiatives such as the Rural Development Project focused on uplifting the living standards of low income families.

Capacity



Performance



“Strong growth projections for an increase in LPG demand are driven by multiple factors including rising awareness of LPG usage and its wide benefits, economic growth, rising costs of electricity and favourable government policies.

We will continue to focus on product accessibility and affordability which will enable us to leverage on the opportunities that unfold.”

OUTLOOK

Strong growth projections for an increase in LPG demand are driven by multiple factors including rising awareness of LPG usage and its wide benefits, economic growth, rising costs of electricity and favourable government policies. We will continue to focus on product accessibility and affordability which will enable us to leverage on the opportunities that unfold. In addition, we plan to extend our global reach to new geographies primarily in the Asian region to leverage on strong growth in LPG imports. In the meantime, negotiations are underway for the implementation of a new common pricing formula to the industry which will enable timely pricing revisions

LAUGFS GAS BANGLADESH

Revenue increased by 35% to Rs 7,888 mn driven by volume growth. Number of LPG cylinders sold increased by 22% in 2017/18. Demand was primarily driven by the government decision to limit availability of cheaper pipelined gas (LNG) to households. However, rising costs of LPG deteriorated operating profits which declined by 41% to Rs 303mn. Profits after tax amounted to Rs 210 mn compared to Rs 341mn last year.

OPPORTUNITIES

- Increasing awareness on the benefits of LPG usage.
- Improving global economic growth and prosperity.
- Low market penetration in Bangladesh.
- Favourable government policies.

CHALLENGES

- LPG supply is impacted by OPEC policies and sanctions, tensions in global markets and changing energy mix.
- Fluctuating prices of oil, propane and Butane.
- Regulated pricing.
- Intense competition.
- Severe drought conditions and subdued economic growth in Sri Lanka

Trading

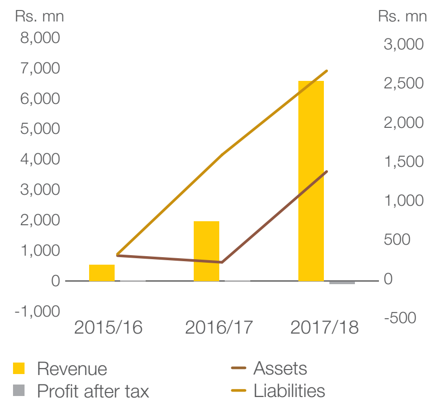
SLOGAL ENERGY DMCC

Rs.
6,573Mn
REVENUE

SLOGAL Energy, the trading and sourcing hub of the group based in UAE support the procurement of LPG with a strong supply base.

Procurement of LPG from Middle East and other countries, a key supplier in the global LPG market.	Charter vessels from LAUGFS Maritime. During the year chartered two vessels.	Transport LPG to downstream companies of the group.	Future plans to commence activity as a trading hub.

Performance



Revenue from the trading segment amounted to Rs 6,573 mn compared to Rs 1,966 mn last year, a significant increase. The number of voyages during the year increased to 32 from 23 last year with increasing procurement activity by both Sri Lanka and Bangladesh based downstream companies of the group. However, the trading segment reported operating losses of Rs 98 mn during the year as a result of starting the trading operation from second half of the financial year, by taking on board a professional LPG trader. Losses after tax amounted to Rs 98 mn in 17/18 compared to profit of Rs 1.4 mn last year.

OUTLOOK

We plan to exploit the trading opportunities in global markets as LPG is a widely traded product. The low refinery output to net deliveries ratio of 40% in OECD regions show that net deliveries are much higher than refinery output, indicating lucrative trading opportunities. As such, we appointed an experienced trader to cater to South Asian region to support our strategic plan of commencing activities as a trading hub. Asian LPG growth, is mainly driven by global economic shift from West to East, namely to India and China growth. Sri Lanka being located at the centre of the Indian Ocean Rim has strategic advantage in supplying LPG to South Asian market.

OPPORTUNITIES

- Presence in principle oil markets.
- Global economic growth supports an increase in demand for LPG.
- Growth in demand driven by Asian regions such as India, Bangladesh and China.

CHALLENGES

- LPG supply is impacted by OPEC policies and sanctions.
- Fluctuating oil prices impact costs of transportation.
- Fluctuating charter rates.

Rs.
-98 Mn
PAT

Rs.
2,662 Mn
ASSETS

"We appointed an experienced trader to cater to South Asian region to support our strategic plan of commencing activities as a trading hub."

Transportation and Logistics

LAUGFS MARITIME SERVICES (PVT) LTD.
LAUGFS TERMINAL LTD.

Rs.
1,308Mn
REVENUE

Driven by two companies, the transportation and logistics arm plays a crucial role in our value chain by supporting supply stability and timely delivery of LPG imports, being a pre-requisite for the smooth functioning of our business.

LAUGFS MARITIME

Chartering of LPG vessels

LAUGFS TERMINAL

Operations will commence on completion of the storage terminal in 2018.

PERFORMANCE

Revenue from transportation and logistics operations amounted to Rs 1,308 mn reflecting a slow paced growth of 10% compared to 35% last year. This was mainly due to declining charter rates and the impact of one vessel being dry docked in compliance with the three year routine maintenance requirements. The average operating days of the three ships was 314 compared to 340 last year. Revenue from chartering to inhouse operators declined to Rs 775 mn compared to Rs 1,189 mn last year. However, the impact of the decline was negated with the chartering of one ship to external customers for the first time since inception which providing additional revenue of Rs 533 mn in 2017/18. Despite revenue growth, operating profits declined by 53% to Rs 216 mn. Net finance costs increased by 23% to Rs 54 mn due to declining finance income. Resultantly, Profit after tax declined by 60% to Rs 162 mn in 2017/18 compared to Rs. 406 mn last year.

ECONOMIC PRESENCE

Market leader in independent LPG vessel management and ownership in Sri Lanka.

A pioneer in the construction of South Asia largest LPG storage terminal.

23
NO OF EMPLOYEES

24 hours per employee
TRAINING AND DEVELOPMENT

100.65g Carbon emissions
EMISSIONS

42,899kWh
ENERGY - NON- RENEWABLE

Zero oil spills
HEALTH AND SAFETY

Six policies on zero tolerance
STANDARDS

Rs. 162Mn
PAT

Rs. 10,807Mn
ASSETS

Rs. 3,393Mn
CAPEX

Management discussion **and analysis**

Transportation and Logistics

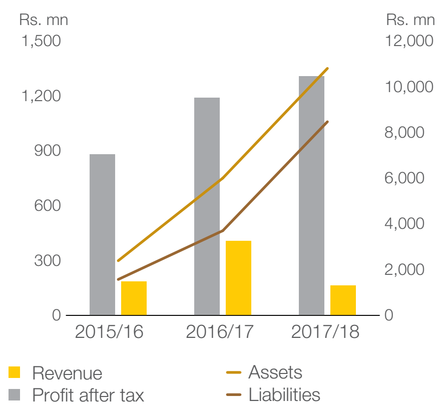
RELEVANCE TO GROUP

34%
OF ASSETS

28%
OF LIABILITIES

56%
OF CAPEX

Performance



"The commencement of LAUGFS terminals in 2018 will mark a significant breakthrough in our history being one of the largest terminal in South Asia constructed under stringent safety standards in compliance with Lloyds Registry."

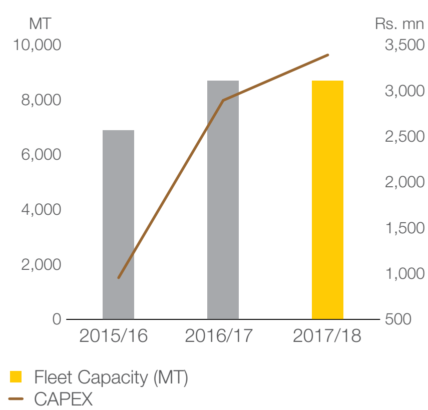
INVESTMENT

Assets increased by 80% to Rs. 10,807mn with the capitalization of investment in LAUGFS Terminal which will commence operations in 2018. Capital expenditure amounted to Rs 3,393 mn compared to Rs 2,896 mn last year and was incurred on the construction of South Asia largest LPG storage terminal of 30,000 MT. Liabilities increased to Rs 8,473 mn compared to Rs 3,706 mn last year as new borrowings were obtained to fund asset growth.

OUTLOOK

The commencement of LAUGFS terminals in 2018 will mark a significant breakthrough in our history being one of the largest terminal in South Asia constructed under stringent safety standards in compliance with Lloyds Registry. This will assist in leveraging the emerging opportunities that unfold with Sri Lanka being increasingly considered a lucrative maritime route in Asia with potential to benefit from significant net imports of LPG to the region. In addition, we will continue to expand our vessel fleet with the commencement of terminal at Hambantota.

Capacity



OPPORTUNITIES

- Strategic location of Sri Lanka alongside key maritime routes in South Asia.
- Growth in seaborne transportation with improving trade activity in global markets.
- Asia being among the leading net importers of LPG.

CHALLENGES

- Oversupply in global shipping markets.
- Adverse weather conditions.

"We are leveraging the emerging opportunities that unfold with Sri Lanka being increasingly considered a lucrative maritime route in Asia with potential to benefit from significant net imports of LPG to the region."

Leisure

LAUGFS LEISURE LTD.
ANANTAYA PASSEKUDAH (PVT) LTD.
ANANTAYA WADDUWA (PVT) LTD.
LAUGFS HOTEL MANAGEMENT SERVICES (PVT) LTD.
LAUGFS MALDIVES (PVT) LTD.

Rs.
649Mn
REVENUE

Our resort brand Anantaya is based on a theme of luxury which is endless and the Chilaw resort reflects peace and tranquility in harmony with lagoons, natural reserves and bird parks situated in Bangadeniya fishing village closer to Kalpitiya, Chilaw in Puttalam district of Sri Lanka.

In Passikudah, Anantaya lies overlooking the turquoise blue waters of the coral kissed ocean of Passikudah in the Baticaloa district of Sri Lanka. Both resorts are equipped with wellness and beauty spas. Passikudah resort is a five star beach resort officially classified by Sri Lanka tourism and both were recognized at the World Luxury Hotel Awards in 2017.

PERFORMANCE

Revenue improved by 56% in the year under review with a 5% growth in the room inventory coupled with increased occupancy in both resorts despite the moderate growth in tourist arrivals in Sri Lanka especially in the European market segment. The partial closure of BIA, breakdown of Dengue epidemic and Sri Lankan airlines moving out from Frankfurt, Paris and other European cities adversely affected tourist arrivals from our principal markets in Europe and Eastern Europe.

ECONOMIC PRESENCE

Operator of luxury hotel chain with new concepts and experiences that add value to tourist destinations in Sri Lanka and support growth in foreign exchange earnings.

401
NO OF EMPLOYEES

25 to 30 hours per employee
TRAINING AND DEVELOPMENT

Zero carbon emissions
EMISSIONS

27,717
ROOM NIGHTS

No Injuries
HEALTH AND SAFETY

Anantaya Chilaw - Unclassified Luxury Resort
Anantaya Passikuda - Classified Five Star Resort
STANDARDS

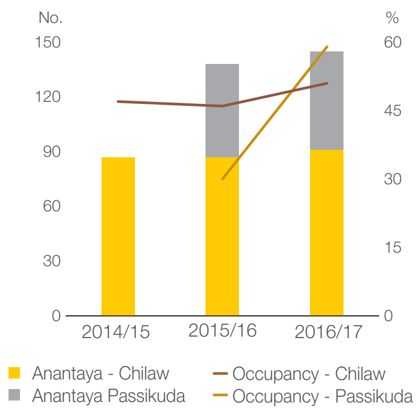
Rs. -421 Mn
PAT

Rs. 5,390 Mn
ASSETS

Rs. 171 Mn
CAPEX

Leisure

Room Capacity



INDUSTRY

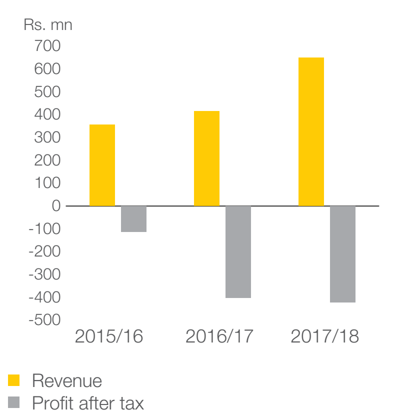
Average Occupancy rate declined to 73% compared to 75% in 2016.

Growth in Tourist arrivals subdued to 3.2% compared to 14% last year.

Earnings from tourist increased by 11.6%.

"Sri Lanka tourism is continuing to grow as a destination that has value for the discerning traveller. Though challenging, due to increased room inventory across Sri Lanka, we are confident that our two resorts will turn around with expected results and we have seen a very positive outlook in the demand that is getting created for Sri Lanka's new tourist destination, Passikudah."

Performance



We have ventured into new partnerships in order to increase occupancy and revenue in both resorts and Passikudah has shown an improvement of 59% in occupancy whilst Anantaya Chilaw supporting with 51% occupancy contributed to the revenue growth.

However, operating losses recovered to Rs 147 mn in 17/18 compared Rs. 200 mn in 16/17. Finance cost increased by 36% with new borrowings of Rs. 300 mn resulting in a consolidated loss of Rs. 421 mn compared to Rs. 401 mn in the previous year.

INVESTMENTS

Capital expenditure during the year amounted Rs. 171 mn primarily incurred on the addition of 8 rooms to our inventory in both resorts, assets increased by Rs. 171 mn in 2017/18 and the value of the hotel properties now stands at Rs 5,390 mn.

OUTLOOK

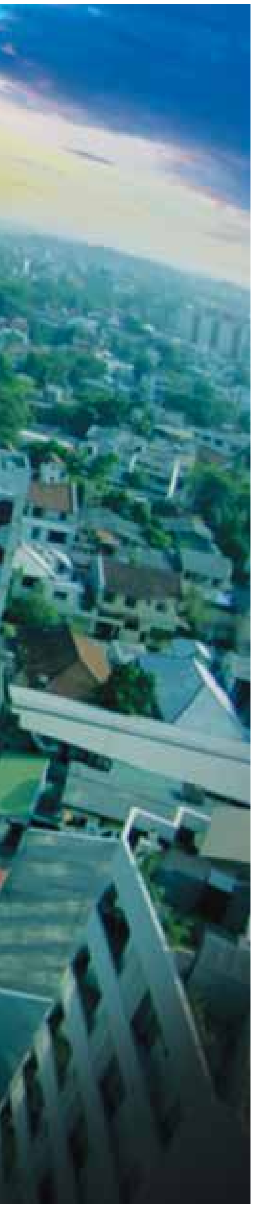
Sri Lanka tourism is continuing to grow as a destination that has value for the discerning traveller. Though challenging, due to increased room inventory across Sri Lanka, we are confident that our two resorts will turn around with expected results and we have seen a very positive outlook in the demand that is getting created for Sri Lanka's new tourist destination, Passikudah. We are planning to increase the room inventory due to the demand in both resorts and also look at the possibility of the third property in Wadduwa with strategic partnership with tour operators who will bring new business to destination Sri Lanka as LAUGFS Leisure feels that this is an important factor for sustainable tourism development in Sri Lanka. All this will increase the revenue to the sector with higher guest spending as we are looking at Chilaw for MICE markets and destination weddings, Passikudah as a small luxury hotel for luxury holiday makers and Wadduwa (over 200 room larger hotel) for family holidays. Investments in the sector have been divested by LAUGFS Gas Plc on 31st March 2018 and are not reflected in the consolidated balance sheet although the income statement reflects operations for the full year. Moving forward, these operations will not form part of LAUGFS Gas PLC.

"Revenue improved by 56% in the year under review with a 5% growth in the room inventory coupled with increased occupancy in both resorts despite the moderate growth in tourist arrivals in Sri Lanka especially in the European market segment."

Property

LAUGFS PROPERTY DEVELOPERS (PVT) LTD

Rs.
146Mn
REVENUE



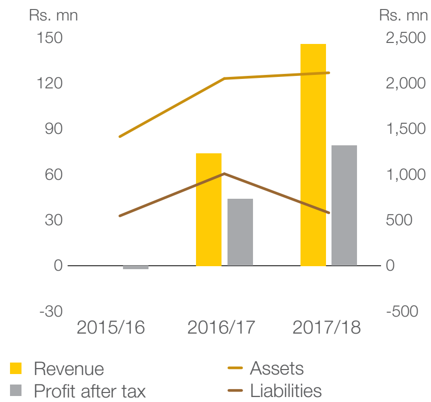
LAUGFS property developers, the property development arm of the group holds a diverse land bank of 0.43 acres located in prime locations in Colombo and other cities. Engaged in the development of luxury commercial properties, our current real estate portfolio is valued at Rs 1,829 mn and includes two properties with a cumulative rentable space of 87,307 sqft.

Total revenue from property development amounted to Rs 146mn compared to Rs 74 mn last year driven by significant growth in revenue from internal customers on completion of the state of art luxury office building in Havelock town. The new building holds 87,307 sqft of usable space with occupancy rate of 100% in 2017/18. Operating profits improved to Rs 81mn compared to Rs 58mn last year and profit after tax amounted to Rs 79mn compared to Rs 44mn last year. Assets amounted to Rs 2,116 mn growing at 3% in 2017/18. Liabilities declined by 42% to Rs 581 mn as new shares were issued on capitalization of borrowings obtained from parent company.

OUTLOOK

The Budget 2018 opened new opportunities for the real estate market in Sri Lanka by relaxing limitations on property ownership by foreigners which include listed companies with foreign owners. This will create a significant change in the real estate market in Sri Lanka driving growth in demand for properties and condominiums. However, we slowed our pace of growth during the year 2017/18 due to the ongoing restructuring activities of the group.

Performance



COMMERCIAL PROPERTIES

Rs 2,116 mn, 0.43 acres at Havelock Place and Maya Aveneue

Rs.
79Mn
PAT

Rs.
2,116Mn
ASSETS

Rs.
13Mn
CAPEX

Services

LAUGFS ECO SRI LTD.

Rs.
1,340Mn
REVENUE

LAUGFS Eco Sri holds a leading market share of 55% in vehicle emission testing with a wide network of mobile and fixed testing centres located island wide. Service quality and accessibility drive our competitive strength which is backed by a skilled team and state of the art technology.

PERFORMANCE

Revenue growth slowed in 2017/18 to 8% compared to 12% last year with declining new vehicle registrations due to tax revisions, changing loan to value ratios and currency depreciation. However, registrations in the motorcycle category which account for 76% of the total registration, marginally improved by 1.25% compared to 8% decline last year. This supported a 8% growth in the number of vehicles tested at emission centres driving revenue growth in a lacklustre environment. With prices being regulated by the government and last pricing revision being in 2011, performance was adversely impacted by the rising costs of labour and other overheads. Hence, operating profits declined marginally during the year whilst operating margins declined to 34% from 39% last year. Similarly profit after tax has a marginal drop of 3% compared with last year.

OUTLOOK

We plan on extending our strong regional presence by adding 5 fixed and 7 mobile centers in 9 regions. In addition, 7 mobile units will aid in enhancing the accessibility of services to customers in remote areas. Given intense competition in the duopoly market, we will continue to focus on extending our reachability, enhancing skills and competencies of our team and maintaining an up to date state

ECONOMIC PRESENCE

Prominent role in air quality management in Sri Lanka facilitating the vehicle emission program (VET) of the government.

675
NO OF EMPLOYEES

210 hours per employee
TRAINING AND DEVELOPMENT

114
FIXED AND MOBILE CENTRES

127
MOBILE LOCATIONS

Rs. 376Mn
PAT

Rs. 388Mn
ASSETS

Rs. 48Mn
CAPEX

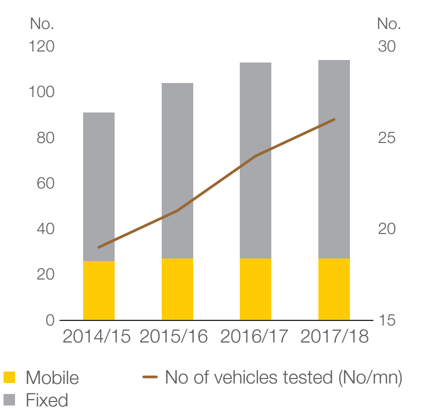
INDUSTRY

Growth in total vehicle population of 6.7% compared to 7.8% last year.

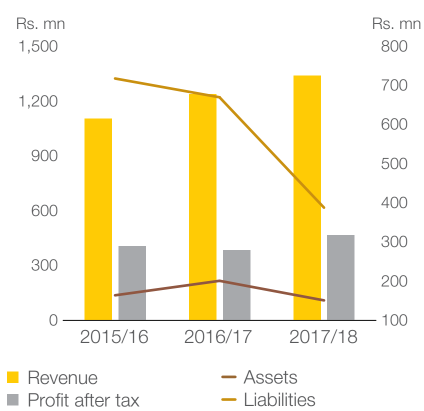
Motor cycles account for 56% of total vehicle population and 76% of new registrations

"The existing vehicle population of 7.3 mn vehicles will continue to provide a steady stream of income for emission testing service providers."

Location Capacity



Performance



of the art technology to retain our market leadership position. Although, declining vehicle registrations continue to challenge growth, the existing vehicle population of 7.3 mn vehicles will continue to provide a steady stream of income for emission testing service providers.

Assets and liabilities of the sector have been divested by LAUGFS Gas PLC on 31 March 2018 and are not reflected on the consolidated Balance sheet although the income statement reflects operations for the full year. Moving forward, these operations will not form part of LAUGFS Gas PLC.

OPPORTUNITIES

- Increasing demand for Motor cycles.
- Growth in vehicle fleet
- Emission testing is mandated for reconditioned vehicles ensuring a steady stream of revenue from emission services.

CHALLENGES

- Intense competition.
- Regulated pricing
- Changing government policies
- Subdued economic growth
- Increasing demand for hybrid vehicles

"We will continue to focus on extending our reachability, enhancing skills and competencies of our team and maintaining an up to date state of the art technology to retain our market leadership position."

Power

LAUGFS POWER LTD.
IRISH ECO POWER LANKA (PVT) LTD.
ANORCHI LANKA (PVT) LTD.
PAMS POWER (PVT) LTD.
GINIGATHHENA THINIYAGALA MINI HYDRO (PVT) LTD.

Rs.
1,068Mn
REVENUE

Being the single largest supplier of solar power energy, we play a crucial role in the supply of renewable energy of the country. Our business model is driven by the concepts of build, own and operate which support an aggressive growth strategy fuelling an increase in installed capacity being the core driver of our performance. Currently, our renewable energy capacity of 21.75 MW includes both solar and hydro energy projects located in Hambanthota, Ginigathhena & Balangoda regions. Electricity generated is sold to Ceylon Electricity Board (CEB) with a guaranteed tariff rate for the next 20 years.

PERFORMANCE

In 2017/18 revenue has increased to Rs 1,068 mn compared to Rs 138 mn last year with a full year of operations of the new 20 MW solar power plant commissioned in Feb 2017. Despite drought conditions that adversely impacted hydro power generation, total electricity generation increased to 43,620 Mwh compared to 6,981 Mwh last year. Growth in revenue grew at 672% in operating profitability. Although finance costs increased by 615% with increasing liabilities, the impact was curtailed by significant

ECONOMIC PRESENCE

We account for 3.7% of Sri Lanka non-conventional renewable energy.

31
NO OF EMPLOYEES

300 hours
TRAINING AND DEVELOPMENT

Zero carbon emissions
EMISSIONS

24,311kWh
ENERGY

Zero Injuries
HEALTH AND SAFETY

In line with CEB
GUIDELINE AND INSTRUCTIONS

Rs.
341 Mn
PAT

Rs.
6,161 Mn
ASSETS

Rs.
171 Mn
CAPEX

Management discussion **and analysis**

Power

"During the year, we invested Rs 171 mn on capacity expansions. The 12 MW solar power project and 2 MW mini hydro project are expected to commence operations in the next financial year."

revenue growth. Profits after tax increased by 4,350% to Rs 341 and ROE improved to 14% compared to 1% last year.

INVESTMENTS

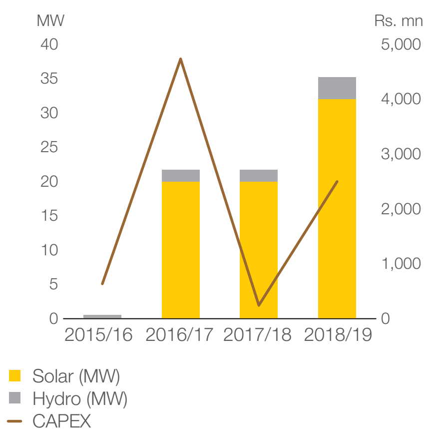
During the year, we invested Rs 171 mn on capacity expansions. The 12 MW solar power project and 2 MW mini hydro project are expected to commence operations in the next financial year.

OUTLOOK

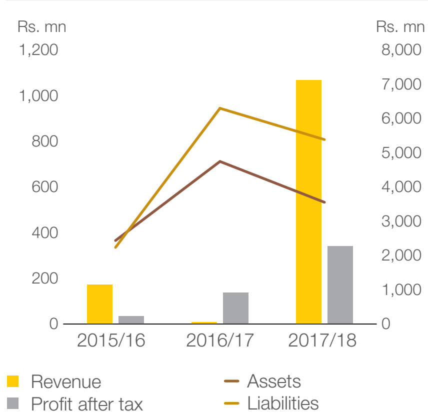
We plan to continue our aggressive growth strategy to 2018/19 at an investment cost of Rs 2.5 BN which will include two solar power projects of 10 MW and 2 MW. In addition, we are looking to extend our opportunities to wind and floating solar projects which will further diversify our renewable energy capacity whilst supporting our medium -term goals to increase the renewable energy portfolio to 80 MW by 2020.

Assets and liabilities of the sector have been divested by LAUGFS Gas PLC on 31 March 2018 and are not reflected on the consolidated Balance sheet although the income statement reflects operations for the full year. Moving forward, these operations will not form part of LAUGFS Gas PLC.

Installed Capacity



Performance



OPPORTUNITIES

- Increasing demand for electricity.
- Rising costs of power generation from thermal sources due to rising oil prices.
- Government plan to increasing sourcing electricity from renewable sources.

CHALLENGES

- Severe drought conditions.
- No licenses are issued for wind power projects.
- Competitive bidding policy introduced by the government replacing the standard tariff option. This intensified the price competition.

“We plan to continue our aggressive growth strategy to 2018/19 at an investment cost of Rs 2.5 BN which will include two solar power projects of 10 MW and 2 MW. We are also looking to extend our opportunities to wind and floating solar projects which will be further diversify our renewable energy capacity.”

Capitals Report

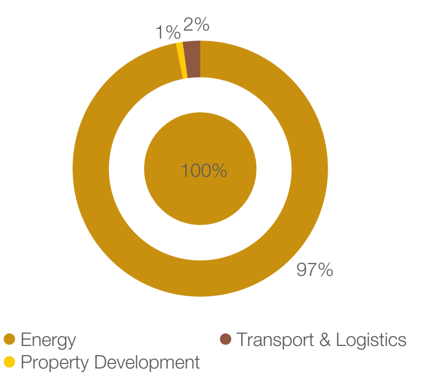
FINANCIAL CAPITAL

"LAUGFS Gas was able to drive double digit volume growth in both Sri Lanka and Bangladesh despite subdued economic growth and inclement weather conditions which challenged growth in LPG demand through an extensive island wide distribution network."

REVENUE

Group revenue increased by 31% to Rs 21,354mn, driven by volume growth in LPG sales and the charter of an LPG vessel to an external party. Accordingly, Energy sector revenue which accounted for 97% of group revenue increased by 28%. LAUGFS Gas was able to drive double digit volume growth in both Sri Lanka and Bangladesh despite subdued economic growth and inclement weather conditions which challenged growth in LPG demand through an extensive island wide distribution network, increasing awareness on LPG usage among households and the continuation of the SMART project which provide easy payment schemes to low income consumers. Trading activities increased by 234% with revenue increasing to Rs.6.57 bn from Rs.1.96 bn reflecting greater efficiencies within the supply chain and improved capacity in trading although this is masked at Group level due to consolidation. Moving forward, this is a key development as the capacity building developed during the year is key to improving margins and stability in the supply chain.

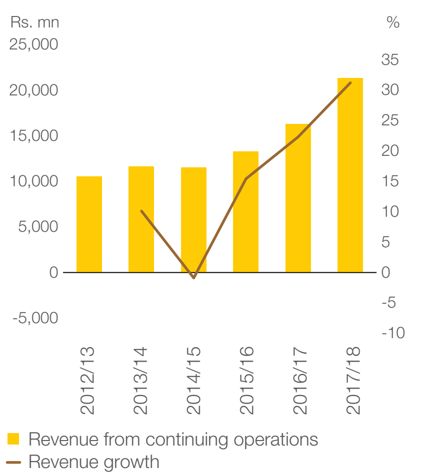
Revenue Mix



GROSS PROFITS

Gross profits declined by 23% to Rs 2,144 mn as gross profit margins declined to 10% in 2017/18 compared to 17% last year due to increasing costs of LPG imports and depreciation of the rupee. LPG prices during the year increased by 23% compared to last year. Although LPG prices were increased by Rs.110 to Rs.1,431 in September 2017, this was insufficient as prices continued their upward trend during the year, making price regulation the root cause for declining margins. Consequently, gross profits declined substantially by 50% to Rs.576 mn for LAUGFS Gas. Gross profits declined at Group level by 23% as margins declined from 17% to 10% reflecting the dual impact of volatility in LPG prices and price regulation. Negotiations are underway with the government on the implementation of a pricing formula in the industry to take account of rising costs of LPG imports.

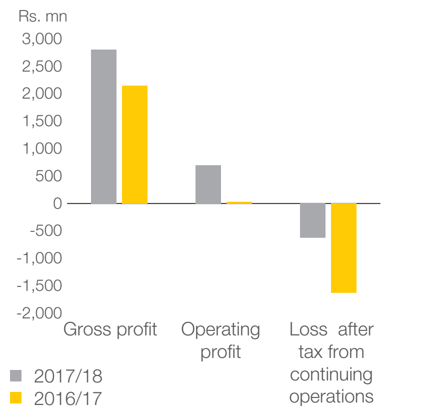
Revenue Growth



Operating profits

Operating profits of the Group amounted to Rs 36mn compared to Rs 700 mn last year primarily due to the rising costs of LPG imports and 33% increase in selling and distribution expenses of the group.

Performance



Net Finance costs

Group net finance costs increased by 37% to Rs 1,767mn in 2017/18 with significant growth in borrowings to fund capital expenditure in the Energy and Transport & Logistics segments and meet debt obligations that fell during the year.

Fair value on Investment properties

During the year fair value gain amounted to Rs 106mn compared to Rs 38mn last year with the completion of the state of art luxury office building in Havelock town in 2017.

Income taxes

Group income tax expense amounted to Rs 49 mn with a significant decline of 62% compared to last year due to dividend tax of subsidiaries declined to Rs 54 mn compared to Rs 102 mn last year.

Profit after tax

Group Loss after tax from continuing operations amounted to Rs 1,628 mn compared to a loss of Rs 623 mn last year. This was primarily due to the rising costs of LPG imports, increasing selling and distribution expenses and growth in finance costs. The group recognized a profit of Rs 296mn from discontinued operations reflecting the divestment of the non- core

FINANCIAL CAPITAL

operations of LAUGFS Eco Sri Ltd., LAUGFS Leisure Ltd. and LAUGFS Power Ltd. during the financial year. Loss after tax of the group amounted to Rs 1,332 mn compared to a loss of Rs 627 last year.

Earnings per share

Earnings per share from continuing operations was Rs (3.44) per share compared to Rs (1.65) per share last year. The number of shares in issue remained at 387 mn shares in line with last year.

Impact of the divesture

	Value of Divested companies (Rs mn)	Value of LAUGFS Gas PLC excluding divested entities as at 31st March 2018.
PPE	10,153	17,070
Assets	11,983	31,395
Interest bearing liabilities	5,835	20,944
Total liabilities	**7,366**	**29,953**
Identifiable Net Assets	3,934	1,441

The financial statements of the group for the year ended 31st March 2018 exclude the operations of the divested entities.

Assets

Group Assets amounted to Rs 31,395mn declining by (12%) compared to last year with the divestment of the non – core businesses of the group. Assets of the divested entities amounted to Rs 10,897 mn as at the financial year ending 31st March 2018.

Property, plant and equipment (PPE) amounted to Rs 17,070 mn representing 54% of assets in 2017/18 primarily comprising of the investment in LPG storage terminal, the largest in South Asia and inventory of cylinders in hand and circulation. Growth in PPE of continuing operations was 40% which was driven by capital expenditure of Rs 6,066mn incurred on the LPG terminal project and cylinders in hand and circulation. The terminal project is expected to commence operations in 2018 and to date, an investment value of Rs 5,677 mn has been recognized as assets and represent 33% of PPE at net book value.

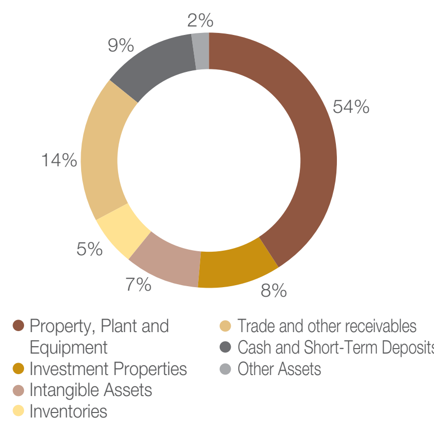
FINANCIAL POSITION

Significant changes during the year

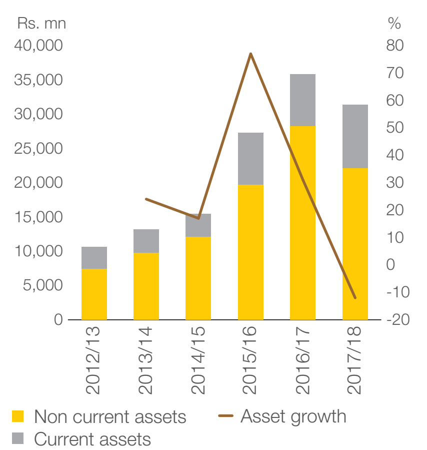
During the year LAUGFS Gas PLC, underwent a phase of restructuring driven by the underlying objective of transforming to a pure play energy company. All non-core businesses of the group were divested as at 31st March 2018 including LAUGFS Power, LAUGFS leisure and LAUGFS Eco Sri Ltd.

Investment properties increased by 10% to Rs 2,507 mn with the completion of the state of the art luxury office building in Havelock town during the year. Trade receivables accounting to 14% of group assets increased by 17% during the year on account of an increase in advances provided to the divested subsidiaries which amounted to Rs 1,129 mn. We continually monitor the ageing of trade receivables and during the year, 56% was neither past due nor impaired whilst the remaining was past due but not impaired. Credit risk is managed through assessment of customers prior to offering credit and obtaining bank guarantees from distributors and cash deposits from dealers. Inventories consisted primarily of Gas in bulk and Gas in cylinders and stock of cylinders in hand which increased by 32% which led to growth in inventory.

Asset Composition



Asset Growth



Cash and short- term deposits

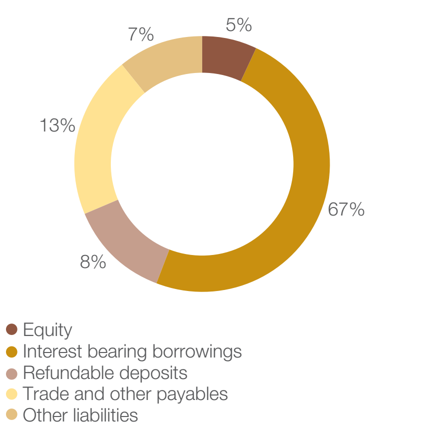
Cash and short-term deposits amounted to Rs 2,957 mn, increasing by 44% in 2017/18 with significant growth in cash in hand and at bank to Rs 2,557 mn compared to Rs 494 mn last year. Net cash flows from operating activities declined to Rs 299 mn compared to Rs 1,369 mn last year with declining profitability, significant growth in trade receivables and finance costs payments. Net Cash outflow from investing reduced to Rs 5,847 mn compared to Rs 9,330 mn last year with a significant decline in capital expenditure with the completion of the state of art luxury office building in Havelock town and the divestment of non- core business segments such as leisure and power which had heavy capital expenditure last year. Net cash flows from financing activities amounted to Rs 6,403 mn with a 7% growth to last year supported by new borrowings of Rs 22,421 mn. Group net cash flows improved to Rs 855mn compared to Rs (1,972) mn last year and net cash equivalents of Rs 227 mn was related to group restructuring, which cumulatively supported the significant growth in cash and short-term deposits.

ASSET FUNDING

Equity

Group equity amounted to Rs 1,442 mn declining by 81% to last year with a significant decline in the stated capital and retained earnings of the group on the divestment of non-core businesses. Stated capital declined to Rs 1,000 mn compared to Rs 3,285 mn and retained earnings declined to Rs 156 mn compared to Rs 4,254 mn last year. This had a significant impact on the funding mix of the group with equity accounting for 5% of group funds compared to 21% last year.

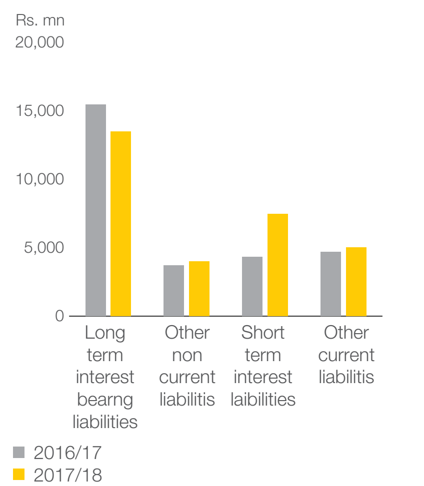
Funding Mix



Liabilities

Group liabilities amounted to Rs 29,953 mn increasing by 6% in 2017/18 with a 72% increase in short term borrowings to Rs 7,459 mn. Total interest- bearing liabilities amounted to Rs 20,944 mn compared to Rs 19,779 mn last year and accounted for 70% of group funding base. Trade and other payables amounted to Rs 4,184 mn and accounted for 14% of the funding base.

Group Liabilities



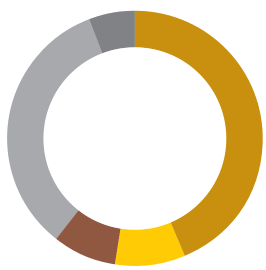
Material issue and why it is material to us	GRI indicators covered	Management approach (Policies)	How we evaluate
Economic/ Financial capital Growth in the earnings of the company is critical in enhancing shareholder return. In addition, our economic presence both direct and indirect plays an integral role in our mission of being an exemplary Sri Lankan entity.	GRI 201. GRI 202. GRI 204	Formulation of strategies. Materiality mapping.	Volume growth. Market penetration Growth in profitability. Investment Market leadership

MANUFACTURED CAPITAL

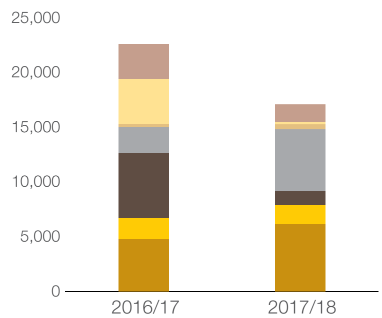
"Our manufactured capital is an integral aspect of our operations - therefore we invest significantly in the maintenance and development of our assets year on year to ensure we remain competitive amid a challenging business environment."

Manufactured capital represents 52% of group assets in 2017/18 and excludes the value of freehold and leasehold land which is part of natural capital. The net book value of PPE amounted to Rs 17,070 mn, a (25%) decline to last year due to the divesture of certain subsidiaries namely LAUGFS Power, LAUGFS leisure and LAUGFS Eco Sri as at 31st March 2018.

Net Book Value of Assets of Non Current Assets



Net Book Value of Assets of Non Current Assets



CYLINDERS IN HAND AND INVESTMENT IN THE LPG TERMINAL ACCOUNT FOR 71% MANUFACTURED CAPITAL

ENERGY : INVESTMENT IN 17/18 RS 2,411 MN

- Two locations with state of the art storage and filling centers. Capacity of 3,100 MT in Sri Lanka and 1,800 MT in Bangladesh.
- Regional distribution centers in Bangladesh to hold 3,000 MT.
- Cylinder plants have a filling capacity of 35,000 cylinders in Sri lanka.

TRANSPORTATION

- Fleet size : 3
- Value of fleet : Rs 2,408 mn

LAUGFS TERMINAL : INVESTMENT IN 17/18 WAS RS 3,195 MN

- Construction of largest storage terminal in South Asia with 45,000 MT capacity is nearing completion of Phase I for 30,000 MT and commercial operations are expected to commence in 2018.

SOCIAL CAPITAL

"Our relationships matter to us, and we consider them of the utmost priority in all we do. Ranging from our customers, suppliers and the communities in which we operate, our reach spans across boundaries, creating a vast network of connections that matter."

Our performance is driven by a network of external suppliers, customers and intermediaries each playing a distinct role in our value chain supporting a revenue generation of Rs 21,354 mn, 31% growth to last year.

OUR CUSTOMER VALUE PROPOSITION	Quality	• Complied with health and safety standards. • Product labelling • Sourcing from reputed suppliers.
	Accessibility	• Added 1000 dealers • Provided home delivery and online ordering facilities.
	Product affordability	• Easy payment schemes offered from the Prajasaviya project to low income families partnering through Samurdhi Bank Islandwide.
	Customer satisfaction	• Online guest reviews and surveys, customer feedback forms. • Structured process to handle complaints. • Engagement such as annual customer get togethers.

INTERMEDIARIES Enhance income and develop safe work practices	Engagement	• Dealer conventions • Onsite visits • Regular meetings
	Health and safety	• Periodic audits on the safety standards at dealer locations. • Appointed a channel development officer to oversee operations of dealers.

SNAPSHOT OF SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

5 mn households
Manufacturers
Tourists
Vessel charterers
Other end customers

MARKET INTERMEDIARIES

31 distributors
6,000 dealers

SUPPLIERS

600-700 registered suppliers
225 Local
25 Foreign
50 SME
100 Large scale

COMMUNITIES

Island wide presence

OTHER SOCIAL IMPACTS

CUSTOMER HEALTH AND SAFETY

There were no incidents of non -compliance to health and safety aspects of product.

All safety precautions were covered in product labelling designed in all three languages of Sinhala, Tamil & English and no incidence of non – compliance concerning labelling and marketing communications were identified.

CUSTOMER PRIVACY

All customer details are maintained in the CRM system with restricted access.

SOCIAL CAPITAL

SUPPLIERS Strengthen relationships with suppliers	Training and development	• Awareness programs on safety standards. • Training provided to suppliers.
	Instill Responsible business practices	• 70% of new suppliers were screened for labour practices, human rights and impact on society and community. • All agreements and contracts include a clause on human rights protection as per Sri Lankan laws.
	Transparency	• Onsite visits to foster transparent business dealings. • Suppliers, freight forwarders, shipping liners are registered in the import/export management system (IEMS). • Prices are determined by inhouse experts after negotiation ensuring a fair return to suppliers.

COMMUNITIES Engagement, awareness and upliftment	Income generation	• 100% of operational staff from local communities. • Employment opportunities. • Source of income to local entrepreneurs such as farmers. • 23% of purchases by Anantaya resorts from local suppliers
	Engagement and development	• Water and sanitation projects were conducted in two rural schools in Rambukkana and Madhirigiriya benefitting 549 • Social projects are developed assessing the requirements of the beneficiaries • Donations • Tree planting programs with communities and customers. • Programs to clean the environment such as beach clean ups.
	Awareness	• Awareness generation on LPG usage as a safer and cleaner energy alternative to firewood.

OTHER SOCIAL IMPACTS

No complaints concerning breaches of customer privacy were received during the reporting period.

SUPPLIER ASSESMENTS

No suppliers identified as having a negative impact on human rights, society, labour practices including instances of child labour and forced labour.

No suppliers identified as a risk for collective bargaining and freedom of association.

MINIMIZE NEGATIVE IMPACT ON SOCIETY

All operations are assessed periodically for risks related to corruption during operational and process audits.

No incidents of corruption, sale of banned products, anti-competitive behavior, bribery and monopoly practices.

No direct or indirect political contributions in cash or kind.

There were no negative impacts or no grievances filed on negative impact to society and violations of rights of indigenous communities.

No fines related to noncompliance of laws and regulations in social economic area

No incidents of discrimination related to human rights reported.

All significant agreements have included provisions to secure Human Rights.

Training on human rights policies and procedures received by all security personnel.

"Tree of Life" Project

Community Development Project

Flood Relief Operation

"Diviyata Saviyak" Programme

Material issue and why it is material to us	GRI indicators covered	Management approach (Policies)	How we evaluate
Social and relationship capital Our performance is driven by a network of external suppliers, customers and intermediaries each playing a distinct role in our value chain.	GRI 417 GRI416 GRI418 GRI 413 GRI419 GRI 205 GRI 206 GRI 408 GRI 409	A health and safety framework cover all aspects on health and safety across our entire value chain.	Instances of non- compliance to laws and regulations. Value of fines related to non-compliance. No of incidents of non -compliance to health and safety aspects of product. No of instances of non-compliance to safety precautions covered in product labelling

HUMAN CAPITAL

TALENT POOL

A team of 1,609 employees across the company enrich our performance by supporting efficient and reliable production and service delivery to varied clientele. Developing and nurturing our employees continue to be an important area of focus for the Group as our operations are driven by a pool of skilled employees inclusive of expatriates with specialized expertise in the LPG industry. The talent Management framework gears our team towards productivity enhancement whilst strong governance and up to date policies create a conducive work environment.

HUMAN RESOURCE STRATEGY

Five pillars form the core of our talent management framework and are driven by sound policies, effective planning and monitoring to ensure a competent workforce at any given time. Our HR philosophy is driven on the concept of "Great people make great teams who in turn make great companies" which exemplifies the criticality of individual performance in achieving the corporate goals.

TALENT ACQUISITION	TALENT DEVELOPMENT	EMPLOYEE ENGAGEMENT	COMPENSATION & BENEFITS	HR COMPLIANCE & SYSTEMS
Launched many Employer Brand development initiatives, augment social media presence and strengthen the industry partnership to build talent pipelines	2017/18 Business plan was aligned to all employees through Goal Cascading	Great Places to Work (GPTW) rollout Continue the Employee Ambassador program	Market Mapping to ensure external parity whilst maintaining people cost	HRSAT (Human Resource System Audit) was continued in assuring compliance
Certain critical talent gaps were bridged by sourcing the required competencies from the respective industries	Establishing the Leadership forum to build leadership capabilities	Many employee engagement initiatives were launched	Continue the Performance Based Rewards scheme to drive performance	Personal files E- filling was launched to facilitate the geographical spread of the Business Units
	Session with a Leader – Current leaders to build future leaders of LAUGFS	Key talent retention		LAUGFS HRIS Won National Best Quality ICT Award (Silver) for Performance Management System

OUR PLAN FOR 2018/19

Developing an evolving team geared to face the operational needs of the business restructure and growth strategies of the organization.

Business Awareness

- Introducing town hall meetings and cross functional business forums ensuring all employees are well informed of the corporate goals and challengers.

Training and Development

- Launching of the LAUGFS academy partnering with NAITA institution for the delivery certification programs.

Recruitment & Selection

- Bringing in new talent with technical expertise.
- Launch talent hunting programs.

Talent & Succession

- Robust process in critical talent identification with more ownership by the line Management.
- Competency assessments based development initiatives.

Recognition

- Introduced a 3 fold structured recognition program.

HUMAN CAPITAL

TALENT ACQUISITION

During the year, we recruited 540 employees which helped maintain our permanent cadre in line with last year. Attracting the right talent plays a crucial part in developing a competent team, hence, we chose a variety of means to reach the labour markets including social media, LinkedIn, online recruitment systems, participation in career fairs, career guidance programs and sponsorships to universities. In addition, we focused on bringing in external talents from multinational backgrounds to enhance our practices and processors. During the year two expatriates with specialized LPG expertise joined our team.

Given our competitive position in the labour market, we were able to attract talent although shortages in skilled labour continued in to 2017. Local communities in the countries we operate in continued to be a key source of talent 100% of operational staff and 93% of Senior Manager category and above were hired from local communities. All employees are full time employees. As a trusted Sri Lankan Conglomerate, which nurtures and grooms the local talent, we adopted "LAUGFS, Pride of Sri Lankan Talent" as the Employer branding tagline. In addition, LAUGFS partnered with few professional/ academic bodies to build a talent pipeline.

TALENT DEVELOPMENT

A learning culture is integral to our performance given the dynamic business environments. Our talent development program is founded on 70-20-10 process which highlights that 70% of learning is from real life and on the job experiences whilst 10% is from formal training programs. Training needs are identified by the heads of each SBU with the support of the performance management system which highlights competency gaps. Training programs cover various skill sets including technical, functional, and behavioral

skills. A four -level evaluation program continually evaluates the effectiveness of training programs and includes pre- and post evaluations, monitoring of employee productivity through KPIs and behavioral evaluations specific to programs that have a high level of strategic importance.

Few key initiatives which was organized last year are;

1. Leadership Forum- The leadership forum has been established through a leadership charter to build leadership capabilities and the capacity of the executive leaders of LAUGFS Group whilst providing a platform to share experience, achievements, initiatives with the team and create greater synergies and collaboration between Business Units for the betterment of the group. The forum comprise of the Key Management Personnel holding CXO positions of LAUGFS Group .

2. IGNITE - IGNITE is a thematic platform to develop LAUGFS employees in the aspects of Leadership, Business Acumen, Career, Personality and many other areas which help to unleash their true potential. This will provide great opportunity for employees to listen to industry experts, share knowledge, have interactive discussions by creating a varied and inspiring learning environment. We have conducted 3 programs during the year covering the areas such as email etiquette, customer care, visioning for future etc.

3. Session with a leader- This is a development initiative of LAUGFS Talent Development team initiated with the aim of providing an opportunity for employees to learn, grow and have interactive discussions by creating varied and learning environment. Senior leadership team of LAUGFS will conduct sessions on different topics to impart their wisdom & share their experience with employees and also this will create a platform to build relationships with the senior team.

More than 41 training programs were conducted during the year to upgrade the skill levels of employees focusing on functional, managerial competencies and skill development requirements.

We monitor employee productivity through Key performance indicator (KPI) which are measurable objectives assigned to all employees. During the year, employee

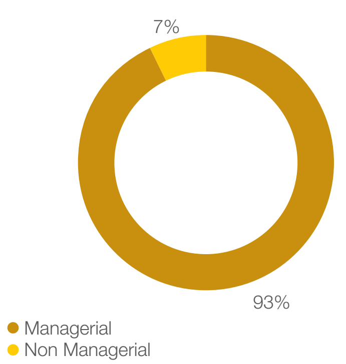
productivity improved by a considerable amount in all sectors. Introduced KPIs for Non-executive employees which led to increase productivity.

We adopted the C& S framework based on the globally accepted 9 Box Model in managing key talent. Through this we identified key talents of the Company and recognized them. Further we matched their salaries to industry standards. All employees are connected to the PMS which serves as a platform for continuous monitoring of performances against measurable predefined targets and identifying both competency gaps and career progression opportunities. Performance is evaluated using the four by four model which include four key areas namely Business KPIs, Individual KPIs, competencies and initiatives/enterprise drivers. All employees are part of the performance management system (PMS) of the group and benefitted from continuous performance and career development reviews.

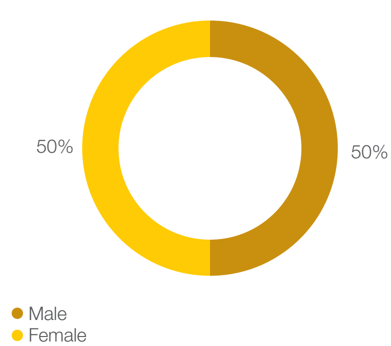
Program	Objective
Knowledge sharing session with participation of an industry expert	Platform to develop LAUGFS employees in the aspects of Leadership, Business Acumen, Career, Personality and many other areas which help to unleash their true potential. This will provide great opportunity for employees to listen to industry experts, share knowledge, have interactive discussions by creating a varied and inspiring learning environment
Leadership & managerial skill development	To equip participants with knowledge and skills to become highly competent at leading and influencing team members to achieve results. Through; • Implementing best-in class practices for leadership, communication and coaching skills • Harmonize and apply techniques and practices to optimize productivity • Develop a learning attitude for self and others
Functional competencies development.	Related to the discipline that employee is attached to Eg; industrial relations, tax, branding
Soft skill development	To cater to the skill development requirements (Eg: communication skills, planning and organizing etc more generic)
Programs conducted in partnership with NAITA	Equip future workforce with the necessary skills to bridge the labour-market gap and providing learning opportunities and develop them in a well-structured manner
Induction	Gives new employee an objective view of the Company, other subsidiaries, organizational culture, and work ethic, which will allow the employee to better integrate into the workplace.
Toastmasters in-house program	Platform to build the skills to become more confident public speakers and stronger leaders

LAUGFS
PERFORMANCE PLUS
Performance Management System

Average Training Hours by Category



Average Training Hours by Gender



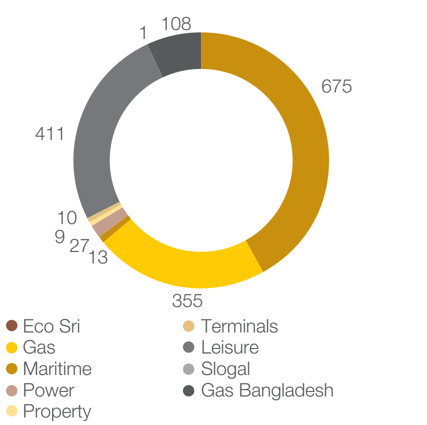
HUMAN CAPITAL

EMPLOYEE ENGAGEMENT

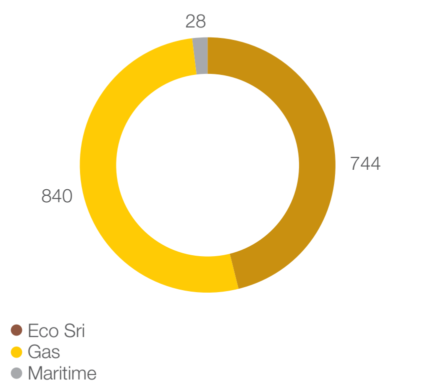
A conscious effort was taken to enhance employee welfare and strengthen engagement with employees to improve employee retention. An employee engagement survey, namely the 'Great place to work 'survey was done in 2016 to identify areas of improvement and action plans were introduced during the year. Revamped the employer ambassador programs which focused on appointing employee groups to raise any employee concerns or suggestions. Employee Ambassador meetings were held once in two months to review progress.

Conducted the wellness day where medical experts from VLCC, a renowned wellness center addressed the employees on improving well being. LAUGFS Pehasara Art competition was conducted for the 3rd consecutive year to showcase talents of children of employees. Further various spiritual as well as other activities were organized for Vesak celebrations. A fun filled event named "Friday Night Fever was organized to increase employee engagement. Family annual get together was organized by LAUGFS Gas. In addition, separate events were organized by SBUs such as the employee of the month initiatives by Leisure and other services sectors. "HR Pulse" is a quarterly magazine that caters to the operational staff by publishing the articles written by employees. In addition, team gatherings were organized every Friday of the week.

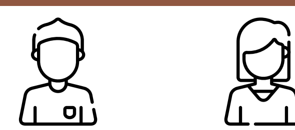
Cadre by Sector



Cadre by Age



GENDER DIVERSITY



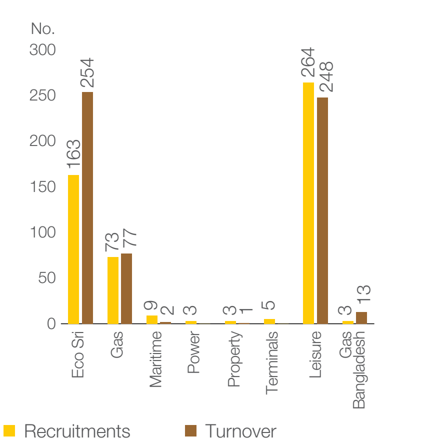
CADRE

Male	Female
1,409	200

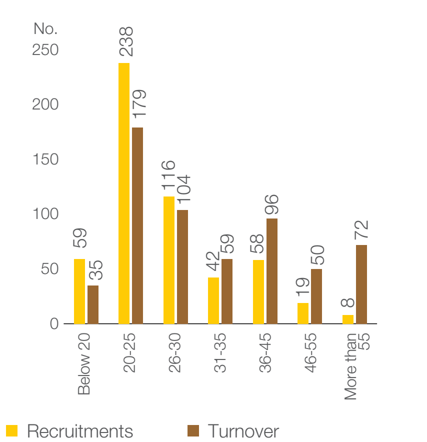
RECRUITMENTS

Male	Female
449	91

Recruitments and Turnover by Sector



Recruitments and Turnover by Age



HR SYSTEMS AND COMPLIANCE

Human resource function is headed by the Director/Group CHRO. Human resources strategies and policies are continually evaluated in line with best practices in HR and kept up to date. In the meantime, all employees are regularly updated on the policy frameworks and adherence to policy frameworks are monitored through Corporate HR.

During the year, employee birthday leave policy, declaring a half day leave on employees' birthday was implemented while ensuring adherence to the HR policy framework which is in place.

We are an equal opportunity employer and ensure our recruitments are free from discrimination of any form including race, religion, caste and gender. Selections are purely based on job requirements and skills and competencies of the applicants. However, given the nature of our operations, there is an increasing demand for the male gender, hence 87% of our workforce are male dominant. We also maintained zero child labour and forced labour incidents.

An open- door policy and a formal grievance mechanism ensure that grievances are promptly addressed. During the year, there were no grievances reported on human rights, labour practices and incidents related to corruption and discrimination.

We maintained industrial harmony and no collective bargaining or incidents of trade unions reported during the year. Our policy includes a minimum notice period of two weeks provided to employees prior to the implementation of significant operational changes.

EMPLOYEE COMPENSATION AND BENEFITS

We strive to provide a fair and attractive remuneration package to all employees within the group. A salary survey was conducted last year and the findings were used in 2017/18 to re align the compensation and benefit structures in par with market trends. In addition to the statutory benefits including defined benefit plan contributions such as EPF and ETF, the following benefits were provided to our permanent cadre:

Ongoing	In 2017/18
• 50% contributions to Personal accident benefit insurance and the workman compensation insurance policy. • Surgical and Hospitalization Insurance Policy. • Maternity care policy and benefits with 84 days of paid leave and three days of paternity leave.	Reformed health insurance scheme with the policy effective from 1 April 2018 and automated the claim process to facilitate faster recoveries.

Parental Leave	2016/17
Employees entitled to parental leave	1,609
Employees on parental leave	36
Employees who returned to work during the period after parental leave	36
Return to work rate of employees on parental leave.	100%

HEALTH AND SAFETY

The health and safety committee (HSE) comprises of 25 members of which 13 form the steering committee that oversee the health and safety aspects of employees, which is of paramount importance given the combustible nature of our core product, LPG. In addition, 65 employees were appointed under three teams namely Emergency response, Firefighting, and First aid. On average, 27% of workers represented health and safety committees. A safety culture forms a core part of a health and safe work environment. During the year, we decentralized the health and safety function by assigning responsibilities to line mangers who were appointed as safety managers. No major injuries or occupational diseases were reported. Further there are no any employees involved in high risk occupation. Lost day rate is 0% and absentee rate is 0.71% .

HSE Committee: 25 members	Emergency Response Team 15 members
HSE Steering Committee - 13 members	Fire Fighting Team 25 members
Joint Safety Committee- 12 members	First Aid Team 25 members

Several initiatives have been undertaken to create a safe work place which includes:

1. Health and safety policy is continually reviewed and kept up to date. The driving hours policy sets the minimum requirements for vehicle safety in line with international LPG guidelines which includes the driving speed, standard working hours of drivers and minimum requirements for vehicle conditions.
2. Health and safety review committee is notified of any incident within 24 hours and subsequently reviewed by the committee. During the year, there were no fatalities reported.
3. Structured procedure for the reporting of accidents in line with the ILO standards.
4. Awareness through regular training programs such as induction training, tool box training, fire training and first aid trainings.
5. Routine safety audits were undertaken weekly and monthly in addition to the annual audit.
6. Monitoring of health and safety aspects at monthly meetings.

Capitals Report

HUMAN CAPITAL

Material issue and why it is material to us	GRI indicators covered	Management approach (Policies)	How we evaluate
Human capital A competent team supports and efficient and reliable production and service delivery to varied clientele.	GRI 401 GRI 402 GRI 403 GRI 404	Human resource policies covering areas of recruitment, grievances, disciplinary policies, etc. In addition, and health and safety committee is appointed.	1.Employee productivity. 2.No of grievances filed during the year. 3. Number of injuries.

INTELLECTUAL CAPITAL

"LAUGFS Gas has been a trail blazer in the corporate annals of the country, forging ahead with vision and commitment to realise our lofty ambitions. As we have demonstrated this year, we are extremely adaptable to change which has been a key contributor to our success."

INTELLECTUAL CAPITAL

Intellectual capital comprises our organization culture, brand, systems, processes and the tacit knowledge of our team.

ORGANISATION CULTURE

Our culture is shaped by our values and the tone at the top. We are a team shaped by our experiences and we strive to raise the bar for our own performance. LAUGFS Gas has been a trail blazer in the corporate annals of the country, forging ahead with vision and commitment to realise our lofty ambitions. As we have demonstrated this year, we are extremely adaptable to change which has been a key contributor to our success.

OUR VALUES

- Customer Centricity
- Innovativeness
- Teamwork
- Integrity
- Responsible Corporate Citizen

HEALTH & SAFETY

Given the nature of our core product, LPG, systems and processes in place to ensure Health and safety, play a paramount role in enhancing consumer confidence, reputation and brand image. Hence, over the years of experience we developed a sound health and safety framework covering our entire value chain including products, processors and employees enabling us to be the only LPG company in Sri Lanka to comply with OSHAS quality management certification.

Certification	Description
LAUGFS Maritime	
Environmental standards	• Garbage Management Plan • Ballast Water Management Plan • Ship Energy Efficiency Management Plan • MARPOL Compliance • Environmental Management System • In the process of obtaining the TMS certification,
LAUGFS Leisure	
Certifications	• Quality: GMP certification
LAUGFS Gas	
Standards	• Central Environmental authority and local bodies. • ISO and OSHAS quality certifications
Memberships of industry and other associations.	• WLPGA (World Liquid Petroleum Gas Association)
SLOGAL	
Memberships of industry and other associations.	• DMCCA (Dubai Multi Commodities Centre Authority)
LAUGFS Eco Sri	• ISO 9001 quality certification

WHAT WE ACHIEVED

CUSTOMER HEALTH AND SAFETY

There were no incidents of noncompliance with regulations and voluntary codes concerning product and service information, labelling as well as our marketing communications.

COMPLIANCE

No reported incidents of banned or disputed product sales, and non-compliance with regulations and voluntary codes concerning the health and safety impact of our products and services during its life cycle.

SUPPLY CHAIN

There were no reported incidents of any negative actual or potential impacts on the environment through our supply chain during the Financial year.

TRANSPORTATION

zero spills and incidents at sea since 2014

Systems & Processes in Place to Facilitate Health and safety across our entire value chain

CUSTOMER	Given the combustible nature of LPG, we ensure that we deliver a high - quality product to our customer homes. • All products comply with health and safety standards. We are the only ISO 9001:2015 (Quality management system) certified LPG company in Sri Lanka. • Product labelling gives due mention of all safety precautions. In addition, a brochure is distributed on LPG purchase with all detailed information on LPG, its properties, storage and safety. • Purchase of accredited cylinders from reputed suppliers and all cylinders are SLS certified. Brochures are designed in all three languages for consumers. • Industrial consumers are audited once in three months to ensure compliance to health and safety standards.
DEALERS	• Periodical audits are performed at dealer premises ensuring the adoption of safety standards.
LPG VESSELS USED IN TRANSPORTATION	• Minimize maritime risks with the adoption of a zero -tolerance policy on spills at sea. • Compliance with International Safety Management Code (ISM Code). • Certified by Lloyds Register.
LPG STORAGE TERMINALS	• The construction of the LPG terminal was undertaken by a reputed constructor and design, materials and processors re certified by Lloyds Register.
STORAGE AND FILLING PLANTS.	• Health and safety assessments of LPG filling plants. • Routine safety compliance audits on premises covering several aspects including emergency evaluation processors and safety and quality of equipment. In addition, storage of waste materials and waste disposal are monitored.
EMPLOYEES	• Comprehensive insurance scheme • Health and safety committee with responsibilities delegated to safety managers. The safety committee comprises of 29 members representing 2% of workforce and engage in periodical meetings to review the adequacy of the safety framework. • Health and safety trainings such as LPG awareness programs, fire training, etc. • Awareness programs such as safety briefings, regular tool box meetings, safety drills and workshops. • Plant staff adhere with stringent safety guidelines including quality controls applied on refilling cylinders which avoid instances on over filling. • Access restrictions to hazardous areas by using electronic access control mechanisms and CCTV monitoring. In addition, emergency hot line numbers and contacts are available.

INTELLECTUAL CAPITAL

There is a case filed by the Consumer Affairs Authority where the allegation made is the sale of a substandard LPG cylinder. The matter is still pending in Court.

INTEGRATED SYSTEMS

The Energy sector's entire procurement process is being integrated with the S.A.P. & in-house developed robust 'Imports & exports management system – IEMS' to gather and process the data to management information whenever required. The main philosophy in centralizing back-end of supply chain is to maintain a single platform of works to share among all companies listed under LAUGFS um. Most of the main shipping liners, freight forwarders and cargo consolidators' non-vessel operation common carriers (NVOCC) are registered and working closely with the team.

NATURAL CAPITAL

"We are conscious of the potential impacts of our operations on the environment and have set in place processes to ensure compliance with the licenses issued by the Central Environment Authority and secure social license to operate our businesses."

Capitals Report

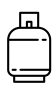
NATURAL CAPITAL

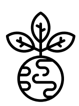
Nature, provides the core raw materials to our business in the form of LPG, which is a by-product of oil and gas, two most widely used forms of energy. We are conscious of the potential impacts of our operations on the environment and have set in place processes to ensure compliance with the licenses issued by the Central Environment Authority and secure social license to operate our businesses. Our core product LPG which is considered a clean fuel has supported transforming 29.1% of Sri Lanka households from kerosene and firewood which are purported to have a higher carbon footprint. In addition, renewable energy generation and emission testing services support in reducing air pollution and minimizing usage of fossil fuel. During the year, the Group reduced greenhouse gas (GHG) emissions by 33,406 tCO2e through renewable energy plants which would otherwise be emitted on use of fossil fuel.

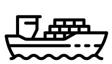
Board of Directors → Managing Director → Sustainability Committee

Driven by a Sustainability Committee, we adopt stringent controls, environmental standards and guidelines that continually monitor and minimize any negative impact on the environment.

OUR ACTIVITIES







KEY INITIATIVES

- Deliver environmentally friendly products and services to customers.
- Supplier Screening: 70% of new supplier screened for environmental criteria.
- Stringent policies, standards and practices.
- Usage of recycled materials.
- Treatment of water prior to discharge.
- Responsible disposal of waste.
- Usage of renewable energy.
- Reforestation: Tree planting programs initiated by LAUGFS leisure.

MATERIAL

We consumed 95.6mn Kg of steel and 91,069 MT of LPG for the supply of our core product, LPG cylinders. Steel being our main raw material was fully recycled and reused. In addition, no cylinders were discarded during the year and all damaged cylinders were reused. The centralized procurement division screened suppliers prior to selection and no suppliers were identified as having a negative impact on the environment.

"100% of Steel was Recycled and Reused."

ENERGY

The leisure sector accounted for a significant part of the group electricity consumption while auto fuel consumption was led by Laugh Gas being the distribution arm. Companies started focusing on shifting to renewable and other forms of energy generation such as steam to reduce consumption of non- renewable energy. LAUGFS Maritime generated electricity using steam whilst LAUGFS Leisure initiated plans to use solar power for garden lighting and irrigation systems.

"Energy Intensity Ratio of LAUGFS Gas was 334.9 KJ/KG.

Reduced Energy Consumption in the Resorts by 167,335 MJ."

WATER

During the year, 75,671 m3 was withdrawn. LAUGFS Leisure recycled and reused 62% of its water consumption, total recycling amounting to 18,000 m3. The main uses of water consumption were for operational needs. There were no water bodies affected by water discharges and/or runoff. No water sources were significantly affected by withdrawal of water.

EMISSIONS

Fuel consumption contributes to direct emissions which was managed by adherence to environmental standard and emission guidelines such as MARPOL convention for vessels, Ship Board energy efficiency standards and IMO standards. During the year, LAUGFS Maritime worked on obtaining the TMS certification to improve the safety and minimize

WHAT WE USED DURING THE YEAR

MONETISED NATURAL CAPITAL

Free hold land of 34 acres and leasehold land of 11 acres valued at Rs 764 mn represent 5% of assets. The solar power plant used 45 acres of land.

MATERIALS

Product	Material Used	Weight	Recycled
2kg cylinderSteel	Steel	2.8kg	100%
5kg cylinder	Steel	7.8kg	100%
12.5kg cylinder	Steel	12.7kg	100%
37.5kg cylinder	Steel	29.6kg	100%

ENERGY

Non- Renewable		26,811,609
Electricity	MJ	17,057,778
Fuel - Diesel	MJ	9,401,558
Petrol	Mj	50,225
Other	Mj	302,048
Renewable	MJ	167,535
Solar power	MJ	167,535
Total		26,979,144
Consumption outside the organization: LAUGFS gas	MJ	29,941,751

WATER

Surface water	m3	4,533
Ground water	m3	47,659
Municipal water	m3	23,479
Total water withdrawn	m3	75,671

NATURAL CAPITAL

environmental impact of tanker operations by performing routine self- assessments and periodic audits. Electricity contributes to indirect emissions and initiatives such as use of renewable energy were undertaken.

BIO DIVERSITY

We ensure impact on bio diversity is minimal by locating business operations in areas that are not earmarked as protected areas and ensure that our operations are located away from areas with high biodiversity. There were no negative impacts identified due on biodiversity and habitats including IUCN Red List species and national conservation list species due to our operations, products or services.

NON -COMPLIANCE TO ENVIRONMENTAL LAWS

All business operations comply with relevant CEA licenses and there were no fines of any kind monetary and non-monetary for non – compliance of laws and regulations. Stringent systems, policies and compliance to standards ensured that no environmental grievances were filed during the period.

WASTE

Stringent polices such as the zero -tolerance policy of LAUGFS Maritime ensured no significant maritime risks such oil spills. In 2017/18, LAUGFS Gas initiated work on introducing a sewage and water treatment plant.

"No Emissions of Ozone Depleting Substances nor other Significant Air Emissions such as Nitrogen."

IMPACT

EFFLUENTS AND WASTE		
Water discharge	m3	10,912
Recycled through effluent treatment.	m3	50 (Daily Avg.)
To internal sediment ponds	m3	10,912
Water bodies affected by water discharge		None
Solid Waste		
Non -hazardous waste		
Recycle	Kg	44,123
Landfill	Kg	56,372
Hazardous waste	kg	None
Significant spills		None
Transport of hazardous waste		None

EVALUATING THE IMPACT ON CLIMATE

Climate Change Risk/opportunity	Management of Risk/opportunity
The adverse environmental impact of using firewood and charcoal as a cooking fuel.	Promotion of using LPG as a cleaner fuel alternative
Growing focus on cleaner fuels and energy sources for vehicles.	Promotion of using LPG as a transport fuel.
Growing concerns about health hazards due to air pollution.	Enhance awareness on LPG as a safer fuel Promotion of Vehicle Emission Testing

Material issue and why it is material to us	GRI indicators covered	Management approach (Policies)	How we evaluate
Environment The environment plays an integral role in our business by supplying the core raw materials for the product namely LPG.	GRI 301 GRI 302 GRI 303 GRI 304 GRI 305 GRI 306 GRI 308	The zero -tolerance policy of LAUGFS maritime. Strong commitment on environmental driven by a sustainability committee.	1.No of oil spills. 2.Energy intensity 3.Water consumption 4.Carbon footprint 5.Material consumption 6.Recycling of materials. 7.Number of suppliers screened for environment criteria.

GRI Content Index

STANDARD DISCLOSURES 102

GRI Criteria	Indicator	Page number	External Assurance
Organizational profile			
102-1	Name of the organization	6	Yes
102-2	Activities, brands, products, and services	8	Yes
102-3	Location of headquarters	8	Yes
102-4	Location of operations	8	Yes
102-5	Ownership and legal form	10	Yes
102-6	Markets served	10	Yes
102-7	Scale of the organization	6	Yes
102-8	Information on employees and other workers	82	Yes
102-9	Supply chain	73	Yes
102-10	Significant changes to the organization and its supply chain	10	Yes
102-11	Precautionary Principle or approach	90	Yes
102-12	External initiatives	14	Yes
102-13	Membership of associations	14	Yes
Strategy			
102-14	Statement from senior decision-maker	16	Yes
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	86,108	Yes
Governance			
102-18	Governance structure	108	Yes
Stakeholder engagement			
102-40	List of stakeholder groups	26	Yes
102-41	Collective bargaining agreements	83	Yes
102-42	Identifying and selecting stakeholders	26	Yes
102-43	Approach to stakeholder engagement	26	Yes
102-44	Key topics and concerns raised	24	Yes
Reporting practice			
102-45	Entities included in the consolidated financial statements	123	Yes
102-46	Defining report content and topic Boundaries	14	Yes
102-47	List of material topics	26	Yes
102-48	Restatements of information	24	Yes
102-49	Changes in reporting	24	Yes
102-50	Reporting period	14	Yes
102-51	Date of most recent report	14	Yes
102-52	Reporting cycle	14	Yes

GRI Content Index

GRI Criteria	Indicator	Page number	External Assurance
102-53	Contact point for questions regarding the report	14	Yes
102-54	Claims of reporting in accordance with the GRI Standards	14	Yes
102-55	GRI content index	93	Yes
102-56	External assurance	14	Yes

MANAGEMENT APPROACH 103

GRI Criteria	Indicator	Page number	External Assurance
Management Approach			
103-1	Explanation of the material topic and its Boundary	71,77,92	Yes
103-2	The management approach and its components	71,77,92	Yes
103-3	Evaluation of the management approach	71,77,92	Yes

SPECIFIC STANDARDS 200-400

GRI Criteria	Indicator	Page number	External Assurance
Economic			
201-1	Direct economic value generated and distributed	6	Yes
201-2	Financial implications and other risks and opportunities due to climate change	92	Yes
201-3	Defined benefit plan obligations and other retirement plans	156	Yes
202-2	Proportion of senior management hired from the local community	80	Yes
203-1	Infrastructure investments and services supported	6	Yes
203-2	Significant indirect economic impacts	6	Yes
204-1	Proportion of spending on local suppliers	75	Yes
205-1	Operations assessed for risks related to corruption	76	Yes
205-2	Communication and training about anti-corruption policies and procedures	76	Yes
205-3	Confirmed incidents of corruption and actions taken	76	Yes
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	76	Yes
Environmental			
301-1	Materials used by weight or volume	91	Yes
301-2	Recycled input materials used	91	Yes
302-1	Energy consumption within the organization	91	Yes
302-4	Reduction of energy consumption	91	Yes
303-1	Water withdrawal by source	91	Yes

GRI Criteria	Indicator	Page number	External Assurance
303-2	Water sources significantly affected by withdrawal of water	91	Yes
303-3	Water recycled and reused	91	Yes
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	92	Yes
304-2	Significant impacts of activities, products, and services on biodiversity	92	Yes
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	92	Yes
305-6	Emissions of ozone-depleting substances	92	Yes
305-7	Nitrogen oxides (NOX), sulphur	92	Yes
306-1	Water discharge by quality and destination	92	Yes
306-2	Waste by type and disposal method	92	Yes
306-3	Significant spills	92	Yes
306-4	Transport of hazardous waste	92	Yes
306-5	Water bodies affected by water discharges and/or runoff	92	Yes
307-1	Non-compliance with environmental laws and regulations	92	Yes
308-1	New suppliers that were screened using environmental criteria	90	Yes
308-2	Negative environmental impacts in the supply chain and actions taken	92	Yes
Social			
401-1	New employee hires and employee turnover	82	Yes
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	83	Yes
401-3	Parental leave	83	Yes
402-1	Minimum notice periods regarding operational changes	83	Yes
403-1	Workers representation in formal joint management–worker health and safety committees	83	Yes
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	83	Yes
403-3	Workers with high incidence or high risk of diseases related to their occupation	83	Yes
403-4	Health and safety topics covered in formal agreements with trade unions	N/A	Yes
404-1	Average hours of training per year per employee	81	Yes
404-2	Programs for upgrading employee skills and transition assistance programs	81	Yes
404-3	Percentage of employees receiving regular performance and career development reviews	81	Yes
405-1	Diversity of governance bodies and employees	82	Yes
406-1	Incidents of discrimination and corrective actions taken	76	Yes
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	76	Yes
408-1	Operations and suppliers at significant risk for incidents of child labour	76	Yes

Management discussion **and analysis**

GRI Content Index

GRI Criteria	Indicator	Page number	External Assurance
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	76	Yes
411-1	Incidents of violations involving rights of indigenous peoples	76	Yes
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	76	Yes
413-1	Operations with local community engagement, impact assessments, and development programs	76	Yes
413-2	Operations with significant actual and potential negative impacts on local communities	76	Yes
414-1	New suppliers that were screened using social criteria	76	Yes
414-2	Negative social impacts in the supply chain and actions taken	86	Yes
415-1	Political contributions	76	Yes
416-1	Assessment of the health and safety impacts of product and service categories	75	Yes
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	75	Yes
417-1	Requirements for product and service information and labelling	87	Yes
417-2	Incidents of non-compliance concerning product and service information and labelling	86	Yes
417-3	Incidents of non-compliance concerning marketing communications	86	Yes
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	75	Yes
419-1	Non-compliance with laws and regulations in the social and economic area	76	Yes

Independent Assurance Report

Ernst & Young
Chartered Accountants
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Colombo 10
Sri Lanka

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Independent Assurance Report to LAUGFS Gas PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2017/18

INTRODUCTION AND SCOPE OF THE ENGAGEMENT

The management of LAUGFS Gas PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report-2017/18 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 131 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' - Core guidelines.

BASIS OF OUR WORK AND LEVEL OF ASSURANCE

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

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

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

MANAGEMENT OF THE COMPANY'S RESPONSIBILITY FOR THE REPORT

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

ERNST & YOUNG'S RESPONSIBILITY

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 04 May 2018. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

KEY ASSURANCE PROCEDURES

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

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance which is properly derived from the Company's audited financial statements for the year ended 31 March 2018.

Independent Assurance Report

EY
Building a better working world

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- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: In accordance' - Core guidelines.

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

LIMITATIONS AND CONSIDERATIONS

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

CONCLUSION

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

- The information on financial performance as specified on page 134 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2018.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.

Ernst + Young

Ernst & Young
Chartered Accountants

25th May 2018
Colombo

Value preservation

A MATTER OF PRECISION

The prudent governance of our movements is the underlying reason behind our enduring success. Even as we evolve, our excellence in leadership and integrity secure a path for lasting growth.

Value **preservation**

Board of Directors

DESHABANDU W K H WEGAPITIYA
Chairman / Group CEO

MR. U K THILAK DE SILVA
Group Managing Director

MR. H A ARIYARATNE
Non-Executive Director

MR. T K BANDARANAYAKE
Independent Non-Executive Director

DESHABANDU W K H WEGAPITIYA
Chairman / Group CEO

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

His entrepreneurial journey begun in 1990, starting a small freight forwarding company subsequent to a brief employment at Ceylon Shipping Corporation. Later, in 1995 he was instrumental in creating Gas Auto Lanka (Pvt) Limited, the initial enterprise of now diversified LAUGFS Holdings Limited. The visionary leadership, remarkable entrepreneurship and his extra-ordinary personal traits to withstand and overcome all adversities thrown in his way, enabled him to succeed in all his endeavors to create the business conglomerate “LAUGFS”, during a comparatively short period of time. A popular figure in the local entrepreneurial community in Sri Lanka as a success story, he was recognized as the best entrepreneur of the country many times. He is a frequent

MR. NADARAJAH MURALI PRAKASH
Independent Non-Executive Director

MR. DILSHAN PERERA
Group Finance Director

MR. ASANGA RANASINGHE
Group Marketing Director

PROF. SAMPATH AMARATUNGE
Independent Non-Executive Director

speaker, presenter and a panelist on topics such as "Business Excellence", "Leadership" and "Entrepreneurship" organized by a variety of organizations. He is a well-known personality in the global LP Gas and energy circles and also a regular participant and a speaker at international forums on LP Gas and Energy Management. Presently he serves as a Board member of Sri Lanka Telecom PLC. He served on many public and private sector institutes as a honorary member of the management. He was a Board member of Mobitel (Pvt) Limited, past Chairman of the Chamber of Young Lankan Entrepreneurs (COYLE), former Senior Vice President of FCCISL, Executive council member of FCCISL, executive committee member of Ceylon Chamber of Commerce, member of National Pay Commission, and council member of University of Sri Jayawardhanapura.

MR. U K THILAK DE SILVA
Group Managing Director

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

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

Value **preservation**

Board of Directors

of renewable energy generation and also higher education.

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

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

Mr. De Silva had been member, mover and a participant of number of entrepreneur and management development programs conducted in the country and overseas. He was a recipient of a scholarship from the Association for Overseas Technical (AOTS) program in Japan in the year 2003.

He is a regular participant in many LP Gas business forums conducted both locally and internationally over the years and widely connected to the industry personalities in the energy sector.

MR. H A ARIYARATNE
Non Executive Director

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

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

MR. TISSA KUMARA BANDARANAYAKE
Independent Non-Executive Director

Mr. Bandaranayake, a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Bachelor of Science from the University of Ceylon, is represented on the Board of LAUGFS Gas PLC from September 2010 and serves as the Chairman of the Audit Committee. Mr. Bandaranayake possesses over 45 years' experience in the fields of accounting, auditing & finance and was a Senior Partner of Ernst & Young until his retirement from active practice. At present, he serves as the Chairman of the Quality Assurance Board established by the Institute of Chartered Accountants of Sri Lanka, comprising of senior professional representatives from both the private & state sectors as well as regulatory bodies. He was a former Chairman of the Audit Faculty of the Institute Chartered Accountants of Sri Lanka. He holds Directorates in Nawaloka Hospitals PLC, Harishchandra Mills PLC , Overseas Reality (Ceylon) PLC, Renuka Foods PLC, Renuka Holdings PLC, Micro Holdings Limited , Brown & Co. PLC and Samson International PLC in an independent non-executive capacity, while serving as a Consultant to the Board of Directors of Noritake Lanka Porcelain (Pvt) Ltd.

MR. NADARAJAH MURALI PRAKASH
Independent Non-Executive Director

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

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

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

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

MR. DILSHAN PERERA
Group Finance Director

Mr. Dilshan Perera is a senior finance professional with over 15 years of experience. He brings forth extensive expertise in a broad spectrum of finance functions, including treasury management, credit control, as well as taxation in different business/industrial environments. He was the Finance Director of Hela Clothing Group, where he led the Finance, Commercial and IT functions. He has also served as the Chief Financial Officer of the Hirdaramani Group, and has held senior positions in a number of blue chip companies including John Keels Group and KPMG. Mr. Dilshan Perera is currently a Director of the LAUGFS Holdings, LAUGFS Gas PLC and LAUGFS Gas (Bangladesh) Limited Boards. He holds a BSc degree in Business Administration and is an Associate Member of CA Sri Lanka as well as the Chartered Institute of Management Accountants of the UK. He is also a Member of Sri Lanka Institute of Directors (SLID)

MR. ASANGA RANASINGHE
Group Marketing Director

Mr. Asanga Ranasinghe is a renowned senior marketing professional with a career spanning 25 years. He has held various Senior Leadership roles both in Sri Lanka and overseas in marketing, sales and customer development, supply chain, manufacturing and R&D. During his tenure of over 20 years at Unilever, he has served as Vice President at Unilever Pakistan, Customer Development Director for Sri Lanka and Maldives, as well as Marketing Director of Unilever Sri Lanka. Asanga was also a Chief Executive Officer at Brandix. As the Sector Managing Director & Group Marketing Director, he currently serves on the Boards of LAUGFS Holdings, LAUGFS Gas PLC and LAUGFS Gas (Bangladesh) Limited. He is also an Independent Director of Diesel & Motor Engineering PLC. Asanga Ranasinghe is a Chemistry Special Honors graduate from the University of Colombo and holds an MBA from Postgraduate Institute of Management. He is a Chartered Marketer and Fellow of The Chartered Institute of Marketing (UK) and holds a Professional Post Graduate Diploma in Marketing (FCIM). He is also the current President of CIM Sri Lanka, and is a visiting lecturer for the MBA program at the Postgraduate Institute of Management.

PROF. SAMPATH AMARATUNGE
Independent Non-Executive Director

Professor Sampath Amaratunge, a visionary and builder of organizations, astute university administrator, academic par-excellence, renowned business consultant and humanist is presently the Vice Chancellor, University of Sri Jayewardenepura, for a second consecutive term in office. Professor Amaratunge, BA (Hons.) in Economics from the University of Sri Jayewardenepura, MA in Economics from the University of Colombo, MSc. in Economics of Rural Development from Saga National University and Ph.D. from Kogoshima National University in Japan, counts over 27 years' service in the University of Sri Jayewardenepura. An authority in Rural Economic Development, Professor Amaratunge has won several awards including the prestigious Research Excellence Award (2002) of the Kyushu Society of Rural Economics, Japan. He has over 75 refereed publications to his credit, both locally and internationally.

Having provided yeoman service as Dean, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura (2008-2014) in completing several important infrastructure development projects and setting up of speciality facility units for undergraduate and postgraduate level education, Professor Amaratunge continued his organization building endeavors under his stewardship as Vice Chancellor (2014-2017) of the university. Thus, he spearheaded setting up of two new Faculties of Study, Engineering and Technology, to the already existing cluster of five (Faculties of Arts and Humanities, Management Studies and Commerce, Applied Sciences, Medicine and Graduate Studies).

He served with distinction as Chairman, Federation of University Teachers Associations (FUTA) of Sri Lanka (2009 – 2012), a period studded with noteworthy achievements such as establishing sister unions; a research grant scheme for academics and a facility scheme for entry at grade one for their children. Professor Amaratunge had the honour of being the youngest appointed member of the University Grants Commission (2010), and held key positions in several state commissions of importance. In addition, not confining his services to the academia, he sits on Boards of Management of several prominent corporates as an independent director.

Value **preservation**

Corporate Management

ASHAN DE SILVA
Chief Executive Officer
LAUGFS Gas PLC

BIMAL WEERASINGHE
Chief Operating Officer -
LAUGFS Eco Sri Ltd

BUDDHIKA MATHEW
Head of Legal

CHAMATH INDRAPALA
Chief Financial Officer -
LAUGFS Gas PLC

DULANI NISSANKA
Director/Chief Human Resource Officer

DUMINDA GAYANI
Deputy General Manager - Imports & Exports

HESHAN DE SILVA
General Manager -
LAUGFS Terminals Ltd.

INDIKA GUNAWARDENA
Chief Information Officer

LESLIE HEMACHANDRA
Director/CEO -
LAUGFS Maritime Services (Pvt) Ltd

MAHINDA SENERATH
General Manager -
LAUGFS Power (Pvt) Ltd

MOHAMED ALFARSI
Chief Executive Officer -
SLOGAL Energy DMCC

MOHEMMED SAIDUL ISLAM
Director/CEO -
LAUGFS Gas (Bangladesh) Ltd

RANJITH JAYAWARDENA
Chief Operating Officer -
LAUGFS Gas (Bangladesh) Ltd

ROSHAN PERERA
Director/CEO -
LAUGFS Leisure Ltd

S A HALANGODA
Deputy General Manager - Treasury & Finance

SANJEEVA WICKRAMASINGHE
Head of Group Risk & Control

SHERANGA SENANAYAKE
Head of Corporate Communications

SUDATH JAYAWARDHANE
Country Manager -
SLOGAL Energy DMCC

Value **preservation**

Corporate Governance

"The Corporate Governance of LAUGFS encompasses practically every aspect of managing the company ranging from strategy formulation, appointment of Directors and key management personnel to internal controls and performance measurement."

Corporate governance comprises the framework of policies, organization structures, systems and processes by which a firm is directed and controlled and involves balancing the interests of stakeholders with the company's objectives. Consequently, it encompasses practically every aspect of managing the company ranging from strategy formulation, appointment of Directors and key management personnel to internal controls and performance measurement.

The Board of Directors is responsible for setting in place an effective corporate governance framework facilitating achievement of the strategic objectives, accountability, and compliance with regulatory requirements and setting the tone at the top.

OVERSEEING CHANGE IN 2017/18

The Board of Directors reviewed the business needs of its Group companies and resolved on the actions summarized alongside during the year which have been notified to the CSE. The Board monitored progress of the arrangement to segregate the subsidiaries and ensured compliance with regulatory requirements including obtaining approval of shareholders at an Extraordinary General Meeting and obtaining sanction from the Commercial High Court and CSE for the same. Services of professionals were obtained on various aspects of the transaction to facilitate completion of the transaction ensuring compliance with all regulatory requirements.

OUR FRAMEWORK FOR GOVERNANCE

The Group corporate governance framework has been developed to comply with the following legal requirements and voluntarily adopted frameworks of best practice.

LEGAL REQUIREMENTS

- Companies Act No.7 of 2007
- Shop & Office (Regulation of Employment & Remuneration) Act No.19 of 1954
- Colombo Stock Exchange Listing Rules
- Consumer Affairs Authority Act No.9 of 2003 and Orders and Directions issued by the Consumer Affairs Authority
- Inland Revenue Act No.10 of 2006

VOLUNTARY CODES & FRAMEWORKS

- Code of Best Practice on Corporate Governance
- G4 Guidelines issued by Global Reporting Initiatives
- IR Framework issued by IIRC

HIGHLIGHTS FOR 2017/18

- The Board resolves to segregate subsidiaries not relating to the core business of Gas and list the same on the CSE with a mirrored share holding

The Group is reviewing the Code of Best Practice on Corporate Governance published by the Institute of Chartered Accountants in December 2017 with a view to implementing the additional requirements in the year that has commenced.

The Corporate Governance report is structured in line with the Code of Best Practice on Corporate Governance to provide comprehensive review of relevant matters in a concise and logical manner.

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE	The Company	**The Board -** 11 Principles
		Directors' Remuneration - 3 Principles
		Relations with Shareholders - 3 Principles
		Accountability & Audit - 5 Principles
	Shareholders	**Institutional Investors -** 2 Principles
		Other Investors - 2 Principles
		Sustainability Reporting

OUR BOARD

The LAUGFS Gas PLC Board comprises 8 Directors whose profiles are given on page 100. The Board is deemed to have sufficient balance in line with the requirements of the Code as there are three Independent Directors. The presence of two chartered accountants and a veteran banker on the Board ensures a sufficiency of financial acumen on a collective basis. Corporate Advisory Services (Pvt) Ltd., have been appointed as Company Secretaries while PW Corporate Secretarial (Pvt) Ltd., serve as the Registrars. The Company Secretaries provide Secretarial input for Board proceedings maintain Board minutes and other Board records.

The governance structures of the Group is given below with reporting lines clearly identified.

THE BOARD (11 PRINCIPLES)

- An effective Board (A1)
- Chairman & Chief Executive Officer (A2)
- Role of Chairman (A3)
- Financial Acumen (A4)
- Board Balance (A5)
- Supply of Information (A6)
- Appointments to the Board (A7)
- Re-election (A8)
- Appraisal of Board Performance (A9)
- Disclosure of Information in Respect of Directors (A10)
- Appraisal of Chief Executive Officer (A11)

Board Composition

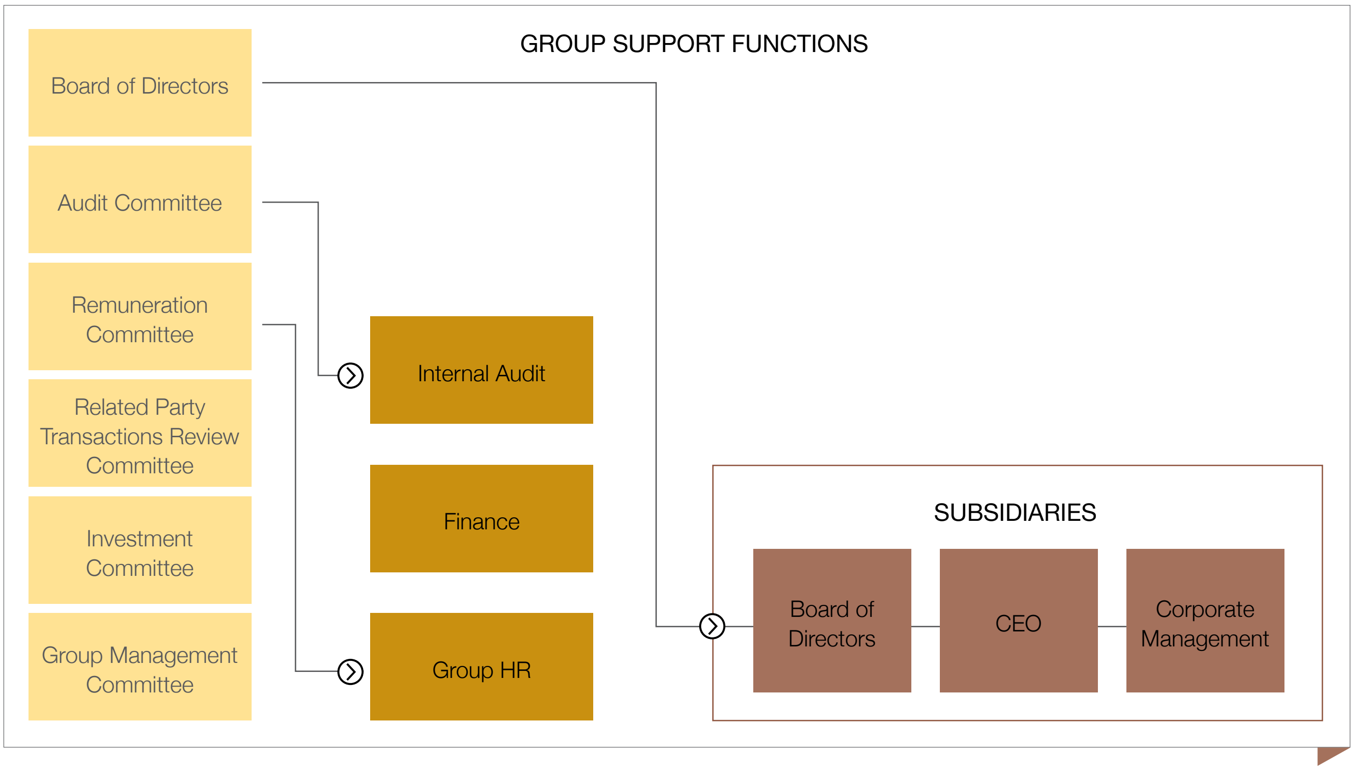
Executive Directors

Non-Executive Non-Independent Directors

Non-Executive Independent Directors

Value **preservation**

Corporate Governance



Mr. W. K. H. Wegapitiya serves as the Chairman and Chief Executive Officer (CEO) of LAUGFS Gas PLC. As Chairman of the company Mr.Wegapitiya ensures effective functioning of the Board securing the participation of both Executive and Non-Executive Directors and taking in to consideration views of Directors on matters under consideration. As the CEO of the company he is accountable to the Board for implementation of the strategic plans approved by the Board and reports on progress against agreed key performance indicators and compliance with regulatory requirements and Board approved policies and procedures.

The appropriateness of combining the role of Chairman and CEO is discussed by the Board of Directors on an annual basis and its continuation is deemed appropriate in view of the following advantages:

- Unity of command and single point of accomplishment and responsibility
- Eliminates internal or external ambiguities as it pertains to the ultimate spokesperson of the organization
- Expeditious decision making process
- More appropriate and effective for the group at present given the highly specialized nature of the business of the Group

Experience has proved that this structure has enabled the sustained growth of the Group as the Chairman and CEO has been able to effectively balance his role as the Chairman of the Board of Directors and the CEO of the Company / Group.

The Board has set in place an organization structure and a sound policy framework which includes policies for accounting, risk management, management of human resources, codes of conduct and sustainability. Board committees assisting the Board in discharge of duties are as follows:

	Board Committee & Composition	Mandate
MANDATORY COMMITTEES	**Audit Committee**	
	Comprises Non-executive, independent Directors with at least one member having current membership of a reputed professional accountancy body. Current members are: • Mr.T.K. Bandaranayake (Chairman) • Mr. N.M. Prakash	Oversight of • preparation, presentation and adequacy of the disclosure of information in financial statements in accordance with prevailing Accounting Standards and all other statutory requirements • the Group's internal control system and Risk Management procedure are upto the industry standards • compliance of statutory requirements by the management. • the independence and performance of the Company's Auditors.
	Remuneration Committee	
	Comprises of two Non-Executive Directors of whom one is independent. Current members are: • Mr.H.A.Ariyaratne (Chairman) • Mr.T.K.Bandaranayake	• Determine remuneration policy for the Group including incentives and equity options • Ensure effective implementation of performance appraisal systems and their alignment with remuneration policy • Performance appraisal of the Chief Executive Officer, Managing Director and Chief Executive Officers of subsidiary companies • Succession planning and appointment of Key Management Personnel • Determining compensation in the event of early retirement/resignation of executive directors
	Related Party Transactions Review Committee	
	Comprises three Non-Executive Directors and the Chairman is a Non-executive, independent Director. Current members are: • Mr. N. M. Prakash (Chairman) • Mr. T. K. Bandaranayake • Mr. H. A.Ariyarathne	To monitor and regulate related party transactions of the Group in line with the requirements of the Code of Best Practices on Related Party Transactions issued by the SEC and Section 9 of the Continued Listing Rules of the Colombo Stock Exchange
VOLUNTARY COMMITTEES	**Investment Committee**	
	Comprises two executive directors and one non-executive director: • Mr.U.K.Thilak De Silva (Chairman) • Mr.W.K.H.Wegapitiya • Mr.H.A.Ariyaratne	• Evaluating potential investment opportunities, • Regular monitoring of return on investments of projects, • Overall direction of the Group • Review of business operational results
	Management Committees	
	Comprises four Executive Directors and one Non-Executive Director of whom one is independent: • Mr. W. K. H. Wegapitiya (Chairman) • Mr. U. K. Thilak De Silva • Mr. H. A. Ariyarathne • Mr. Dilshan Perera • Mr. Asanga Ranasinghe	• Making recommendations to the Board on the overall strategic direction of the Group • Review of business operational results

Value **preservation**

Corporate Governance

Meetings of the Board are given below and the respective Chairmen provide inputs on the agenda to the secretaries who convene the meetings. The Chairmen are also responsible for ensuring that information is provided to directors giving them sufficient time for review of matters in preparation for the meeting.

ATTENDANCE	
Director	Board Meetings
Mr.W.K.H.Wegapitiya	5/9
Mr.U.K.Thilak De Silva	8/9
Mr.H.A.Ariyaratne	8/9
Mr.C.L.De Alwis *	6/9
Mr.Palitha M. Kumarasinghe PC **	6/9
Mr.T.K.Bandaranayake	8/9
Mr.N.M.Prakash	6/9
Mr.Dilshan Perera	9/9
Mr.A.Ranasinghe	8/9

* Passed away on 11th May 2018

** Resigned with effect from 31st December 2017

ROLE & RESPONSIBILITIES OF THE BOARD

The Board of Directors is responsible and accountable for the stewardship functions of the Group including the following:

- Providing strategic direction for the Group and inputs for development of short, medium and long term strategic plans including resource allocation to facilitate accomplishment of corporate goals
- Setting in place robust governance structures and a sound policy framework to ensure compliance with applicable regulatory requirements of the countries we operate in and industry best practice
- Effective stewardship of the company's resources through sufficiently robust systems of internal control and management of risk
- Ensuring that the corporate management team have the required skills, experience and knowledge for implementation of strategy
- Review and approval of major acquisitions, disposals and capital expenditure
- Effective shareholder communication and maintaining high standards of disclosure, reporting, ethics and integrity across the group.

The Board and the Audit Committee receive statements of compliance on recurrent statutory requirements from management on a quarterly/monthly which clearly identify any exceptions.

Directors have access to the Company Secretaries advice whose appointment and removal are a matter for the whole Board. Additionally, directors can seek independent professional advice when deemed necessary, for which the expenses are borne by the company, strengthening the independence of the Board and the quality of its decisions.

The board has delegated authority to the CEO, Managing Director and Corporate Management on clearly defined aspects of the Group's operations to facilitate effective implementation of strategies approved by the Board. A schedule of matters is reserved for the attention of the Board is given alongside.

MATTERS RESERVED FOR THE BOARD

- Investments, acquisitions and disposals of a significant nature
- Changes to the scope of the Group's activities
- Capital expenditure of a significant nature
- Appointment and dismissal of KMPs
- Appointment and removal of the Company Secretary
- Significant borrowings
- Performance review
- Appraisal of performance of the CEO

DETERMINING INDEPENDENCE OF DIRECTORS

Independence of the Directors have been determined in accordance with the Continuing Listing Rules of the CSE and all three independent, non-executive Board members have submitted signed declarations of their independence.

Director	(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) Appointment of Directors	(g) Continuously served for more than nine years
Mr. T. K. Bandaranayake	No	No	No	No	No	No	No
Mr. N. M. Prakash	No	No	No	No	No	No	No
Mr. S. P. P. Amaratunge	No	No	No	No	No	No	No

a) Carrying not less than 10% of voting rights of a company

b) Self or close family member is a Director or employee of another company or a Trustee

c) Any relationship resulting in income / non cash benefits equivalent to 10% of the directors annual income

d) Close family member who is a Director or CEO

e) Relationship resulting in transaction value equivalent to 10% of the turnover of the company

f) Has been employed by the company during the period of two years immediately preceding appointment as a Director

g) Has served on the Board continuously for a period exceeding nine years

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

APPOINTMENTS & RE-ELECTION

Casual vacancies arising during the year are filled by the Board following a rigorous process used for selecting nominees. One third of the Board of Directors, except the Chairman/CEO and the Managing director, retire by rotation in terms of Article 82 of the Articles of Association. A Director retiring by rotation is eligible for re-election and thereafter may be considered for re-appointment on reaching 70 years of age with the approval of shareholders as provided for under section 210 of the Companies Act.

Proposals for the re-appointment of Directors is set out in the Directors Report as well as the Notice of Meeting on page 236 of this Report.

RELATIONS WITH SHAREHOLDERS

- Constructive use of AGM and General Meetings
- Communication with shareholders
- Major and material transactions

DIRECTORS' REMUNERATION

Remuneration policy for the Group is determined by the Remuneration Committee. Remuneration of Senior Executives including the CEO and Managing Director are designed to attract and retain exceptional talent and motivate high levels of performance, optimizing sustainable shareholder value creation in the long term. An appropriate balance is maintained between fixed and variable components of total remuneration reflecting the risk appetite of the company. At present there are no employee share ownership schemes in operation.

Compensation of Non-executive, independent Directors is determined by the Remuneration Committee to attract and

Value **preservation**

Corporate Governance

retain Directors of high repute with requisite knowledge and expertise commensurate with the time they are expected to spend on matters relating to the Group. The fees received by NED/IDs are approved by the Board and reviewed annually by the Remuneration Committee to ensure they are in line with comparable entities and they also do not receive any performance/ incentive payments. The aggregate remuneration paid to directors is disclosed on page 100 of this report.

DIRECTORS' REMUNERATION (3 PRINCIPLES)

- Remuneration Procedures
- The Level & Makeup of Remuneration
- Disclosure of Remuneration

SHAREHOLDER RELATIONS

The Board of Directors ensures that information provided to shareholders is timely and accurate, reflecting the quarterly and annual performance of the company and Group. Narrative explanations provided seek to balance adequate coverage of the subject with the need for concise information on material matters. All other material and price sensitive information about the Group is promptly communicated to the CSE and also released to shareholders, press and employees as required.

The Annual General Meetings are key mechanisms for constructive engagement with shareholders. Notice of the AGM, its agenda and the Annual Report are circulated to shareholders 15 working days prior to the meeting and are also uploaded to the Company Investor Relations website http://www.laugfsgas.lk/investment-related. The Chairman ensures that Chairmen of the Board Committees including the Audit Committee are available to clarify any points that may be raised by shareholders.

In the unlikely event that the net assets of the Company fall below a half of shareholders' funds, shareholders would be notified and an extraordinary resolution would be passed on the proposed way forward.

ACCOUNTABILITY & AUDIT

The Board is cognizant of its responsibility to present a balanced assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act No 07 of 2007 and the CSE Continuing listing requirements. Financial statements which are part of this Annual Report are prepared and presented in accordance with the Sri Lanka Accounting Standards and has been audited by the external auditors appointed by the Shareholders. The Annual Report also conforms to the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.

The following specialised information requirements are also included in this Annual Report:

- The Annual Report of the Board of Directors on the Affairs of the Company given on pages 123 to 127 cover all areas of this section.
- The "Statement of Directors' Responsibilities" is given on page 128
- The Directors' Statement on Internal Controls is given on page 124
- The "Independent Auditors' Report "on page 131 For the Auditor's responsibility.
- The Capitals Report on pages 68 to 92.

ACCOUNTABILITY & AUDIT (5 PRINCIPLES)

- Financial Reporting
- Internal Control
- Audit Committee
- Code of Conduct & Ethics
- Corporate Governance Disclosures

INTERNAL CONTROL

The Board is responsible for the establishment and effective operation of a system of internal controls and is assisted in discharge of this duty by the Audit Committee. The Internal Audit function of the Group provides assurance that systems designed to safeguard the Company's assets, provide an accurate and timely assessment of its financial performance and position, management information for decision making and compliance with regulatory requirements are in place and functioning according to expectations.

Managing risk is a key pillar of good corporate governance and the Board has adopted a group-wide risk management framework to identify, evaluate and manage significant risks in a structured manner. The detailed Risk Management report on page 34 of the Annual Report describes the process of risk management as adopted by the group and the key risks impacting the achievement of the group's strategic business objectives.

The Directors' Report on page 123 contains a declaration on compliance with laws and regulations, declaration of material interests in contracts involving the Company and confirms refrain from voting on matters in which they were materially interested; equitable treatment of shareholders and confirms that the business is a going concern, review of the internal controls covering financial, operational and compliance controls and risk management and that they have obtained reasonable assurance of their effectiveness and compliance thereof. It also sets out the responsibilities of the Board for the preparation and presentation of financial statements. Related party transactions are disclosed on page 121 of the 122.

AUDIT COMMITTEE

The Board has established an Audit Committee comprising 2 Non Executive Independent Directors as stated above and information regarding its activities is provided in the Audit Committee Report on page 119.

Ernst & Young are the external auditors and have not provided non-audit services to the Group during the period under review. The audit fees paid by the Company and Group to its auditors are given on page 167 in the Notes to the Financial Statements of the Annual Report.

CODE OF BUSINESS CONDUCT & ETHICS

The Company has a Code of Conduct and Ethics requiring all employees and Directors 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 company's assets and avoid conduct which will badly reflect on them or company's image. It also addresses issues relating to conflict of interest situations, bribery and corruption, entertainment and gifts, accurate accounting and record keeping, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations, encouraging the reporting of any illegal or unethical behaviour.

The Chairman of the Board affirms that there has not been any material violation of any of the provisions of the code of conduct.

Each director provides declarations of interest prior to appointment and on an annual basis and are aware of the continuing responsibility to determine whether he has a potential or actual conflict of interest arising from external associations, interests or personal relationships which may influence judgement in material matters, which are considered by the Board from time to time.

We provide onboarding trainings for new recruits on the code of practices, code of ethics & code of conduct that each employee must abide by within the overall activities in the company. This is conducted by the HR manager of the particular company.

CODE OF CONDUCT

This can be used to highlight key provisions of the Code of Conduct. Otherwise, delete.

SHAREHOLDERS

Institutional Shareholders

- Shareholder voting
- Evaluation of Governance Disclosures

Other investors

- Investing Divesting Decision
- Shareholder voting

CORPORATE GOVERNANCE DISCLOSURES

The Board of Directors has taken reasonable measures to ensure that financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the ICASL and the requirements of the CSE and other applicable authorities.

The Company and its subsidiaries are compliant with all the mandatory rules and regulations stipulated by the Corporate Governance Listing Rules published by the CSE (revised in 2014) and also by the Companies Act No. 07 of 2007. The Group has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines jointly set out by the ICASL and the SEC and has voluntarily adopted the relevant provisions as far as is practicable.

SHAREHOLDERS

Shareholders are provided sufficient financial information and other relevant information on the website of the company to enable them to decisions regarding their investments. Annual Reports and Interim Financial statements are circulated to all registered shareholders within prescribed timelines. All shareholders are encouraged to participate at the Annual General Meeting and vote on matters set before the shareholders which are detailed on page 234.

SUSTAINABILITY

The Group has robust stakeholder engagement processes and their concerns are incorporated in to the governance and strategy formulation processes as enumerated in Stakeholder Engagement on page 26 to ensure sustainability of operations in the long term. This report is an Integrated Report which includes sustainability information and an index is provided on page 93.

Value **preservation**

Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status
7.10.1(a)	Non Executive Directors (NED)	2 or at least 1/3 of the total number of Directors should be NEDs	Complied
7.10.2(a)	Independent Directors (ID)	2 or1/3 of NEDs, whichever is higher, should be independent	Complied
7.10.2(b)	Independent Directors (ID)	Each NED should submit a declaration of independence	Complied
7.10.3(a)	Disclosure relating to Directors	• The Board shall annually determine the independence or otherwise of the NEDs • Names of IDs should be disclosed in the Annual Report (AR)	Complied Complied
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, 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 AR including the Director's areas of expertise	Complied
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Complied
7.10.4 (a-h)	Determination of Independence	Requirements for meeting criteria	Complied
7.10.5	Remuneration Committee (RC)	The RC of the listed parent company may function as the RC	Complied
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of NEDs, a majority of whom will be independent	Complied
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of the Chief Executive Officer (CEO) and NEDs	Complied
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	• Names of Directors comprising the RC • Statement of Remuneration Policy • Aggregated remuneration paid to NED/NIDs and NED/IDs	Complied Complied Complied
7.10.6(a)	Composition of Audit Committee	• Shall comprise of NEDs a majority of whom will be Independent • A NED shall be appointed as the Chairman of the Committee • CEO and Chief Financial Officer (CFO) should attend AC meetings • The Chairman of the AC or one member should be a member of a professional accounting body	Complied Complied Complied Complied

Rule No.	Subject	Applicable requirement	Compliance Status
7.10.6(b)	Audit Committee Functions	Overseeing of the –	
		• Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards	Complied
		• Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	Complied
		• Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards	Complied
		• Assessment of the independence and performance of the external auditors	Complied
		• Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditor	Complied
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	• Names of Directors comprising the AC	Complied
		• The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied
		• The AR shall contain a Report of the AC setting out the manner of compliance with their functions	Complied
9	Related party transactions review committee	• Names of Directors comprising the Committee.	Complied
		• Will monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines.	

Value **preservation**

Investment Committee Report

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

The purposes of the Investment Committee of the Board of Directors mainly are;

i. To provide oversight of the investment functions of LAUGFS Gas PLC;

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

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

The Committee reviews and oversee significant treasury matters such as capital structure and allocation strategy, derivative policy, liquidity, fixed income investments, borrowings, currency exposure, dividend policy, share issuance and repurchase, and capital spending and expenditure. From time to time, the Committee reports to the Board of Directors and make recommendations to the Board as to scope, direction, quality, investment levels and execution of Company's investment activities, mergers and acquisition, acquisition and dispose of assets, enterprise services, joint venture and divestiture transactions. Further the Committee evaluates and concentrates on capitalization of investments, risk and credit management, return on capital employed in different investment activities in the Group.

The Committee obtains advice, guidance and expertise from Independent Professionals on certain investment activities as appropriate and when required. The Committee in discharging duties and responsibilities further 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 of investments.

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

U K Thilak De Silva
Chairman
Investment Committee

5th June 2018

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. Ariyarathne, Mr. Dilshan Perera and Mr. Asanga Ranasinghe. The Committee assists the Board of Directors with its' responsibilities to improve strategic and management direction in an efficient manner.

Main responsibilities of the Management Committee include;

- Setting up of the Group vision and ensure that the business plan is in line in order to achieve the Group vision.
- Making recommendations to Board of Directors in the matters related to day to day management activities, key strategic business and corporate initiatives, kay promotional campaigns and key annual strategic corporate planning activities;
- Helping the management with directions, management guidelines and circulars and expertise to identify critical strategies and issues facing the company, market environment in order to arrange alternative strategic options;
- Ensuring the management has implemented an effective and efficient strategic corporate planning process including development of annual corporate business plans and reviewing same;
- Monitor and evaluate trends and opportunities in the relevant industries and market places both local and international. Understanding the organization's industry, market/ community, and core competencies;
- Discuss key investment opportunities and possible divestment opportunities. Discuss key Group restructuring initiatives in order to optimize the operations of the Group.
- Discuss the establishment and optimization of key policies in relation to the operation of the Group in order to ensure corporate governance and regulatory compliance. Implementation of necessary best practices in the organization;
- Discuss and decide on matters relating to Human Resources, talent acquisition and development in order to optimize the Human Resources of the Group.
- Advising the senior management and making recommendations to the Board of Directors on opportunities to improve the business scope, cost effectiveness and quality of services provided by the company and its' subsidiaries;
- Assisting the management in development of strategic business dash boards and necessary performance indicators in order to make important business and management decisions in an accurate and efficient manner;
- Reviewing and monitoring group budgets, evaluating of performance of individual companies in the group and introduction of new management systems.
- Discuss on key administrative and legal matters relevant to the operation of the Group.

The Committee regularly meets to review and evaluate financial performance and to carry out its duties and responsibilities mentioned above. The Committee invites Chief Executive Officers of the individual companies and the members of the Senior Management team as appropriate such as the Chief Human Resources Officer. 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. Ariyarathne, Mr. Dilshan Perera and Mr. Asanga Ranasinghe 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

5th June 2018

Value **preservation**

Remuneration Committee Report

COMPOSITION

The committee will comprise of Non-Executive & Independent Non-Executive Directors and will operate within agreed terms of reference and is committed to the principles of accountability and transparency, ensuring the remuneration arrangements are aligned with performance.

1. Mr. H. A. Ariyarathne (Chairman) – Non Executive Director
2. Mr. T. K. Bandaranayake - Independent Non-Executive Director
3. Late Mr. C. L. De Alwis - Independent Non-Executive Director

KEY RESPONSIBILITIES

- To make recommendations to the Board on Company's remuneration policy / structure and its specific application to the Board of Directors, Executive Directors and general application to the Key Management Personnel (KMP)
- To review and make recommendations on the remuneration and incentive framework, including any proposed equity incentive awards including terminal benefits/pension rights for the Executive Directors and KMPs
- To evaluate the performance of the Group Chief Executive Officer and Chief Executive Officers and KMPs and to ensure that management development plans and succession plans are in place for Executive Directors and KMPs
- Effective communication with shareholders on the remuneration policy and the committee's work on behalf of the Board through a Remuneration Committee Report.
- Recommending and ensuring that the appropriate service contracts are available for Executive Directors.
- To review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive
- To ensure that no Director or any of his associates is involved in deciding his own remuneration
- To review from time to time as appropriate the Terms of Reference and the effectiveness of the Remuneration Committee and recommend to the Board any necessary changes

ACTIVITIES IN 2017/18

- Following activities have been carried out for the group during last financial year which covered the KM positions;
- Mapping of Key Talent and Critical Positions of KMPs was carried out in the 1st quarter based on the Career & Succession Planning framework which was launched in the previous year.
- The 2nd phase of the 3 year rollout plan of the compensation review was carried out for KMPs to ensure internal and external parity. This was carried out based on the Pay Structure which was established followed by the Job evaluation & Job Banding exercise and the compensation & benefits market survey carried out in the previous year.
- Established the Leadership forum to build leadership capabilities of KMPs of LAUGFS Group whilst providing a platform for knowledge sharing, recognition and to create greater synergies and collaborations between Business Units. The forum comprises of the Key Management Personnel holding C-Suite positions of LAUGFS group governed by the Leadership Charter
- Re-establishing the Terms of Reference of Remuneration Committee followed by a comprehensive review of the TOR by the Committee.

H. A Ariyarathne
Chairman
Remuneration committee

5th June 2018

Audit Committee Report

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, established by and accountable to the Board of Directors, comprises the following three Independent Non-Executive Directors.

Director	Independent/Non Independent	Membership status	Notes
Mr. Tissa Bandaranayake	Chairman	Independent Non Executive	
Mr. Palitha Kumarasinghe, PC	Member	Independent Non Executive	Resigned w.e.f 31.12.2017
Mr. C.L De Alwis	Member	Independent Non Executive	Deceased 11.05. 2018
Mr. Murali Prakash	Member	Independent Non Executive	Appointed on 13.02.2018

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

Mr. Tissa Bandaranayake, is a fellow member of the Institute of Chartered Accountants of Sri Lanka with extensive experience in finance, audit and related areas, is leading the Committee.

The other members, who are professionals, having wealth of experience in multiple Industries. Brief profiles of each member are given on pages 100 & 103 of this report.

MEETINGS AND ATTENDANCE

The Committee formally met four times during the year ended 31st March 2018. The below personnel are permanent attendees by invitation while Heads of functions within the Group, whose internal audit reports which were being reviewed and the External Auditors attended the meeting by invitation on requirement basis.

PERMANENT ATTENDEES

Group Managing Director	Chief Executive Officer
Group Finance Director	Chief Financial Officer
Sector – Managing Director	

Attendance of the members at these meetings were given in the page 110 The proceedings of the Audit Committee are regularly reported to the Board of Directors.

ROLE OF THE AUDIT COMMITTEE

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

- External financial reporting obligations of the Company, including its obligations under the Colombo Stock Exchange Listing Rules, Rules/ Regulations of the Securities Exchange Commissions and Companies Act No. 7 of 2007.
- 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.
- Accounting and financial reporting processes of the Company,
- Audits of the Company's financial statements, the qualifications, remuneration and independence of the Chartered accounting firm engaged into carrying out the Company's external audit.
- Review & evaluate the performance of the Company's internal audit function.
- Compliance with Code of Best Practices on Corporate Governance jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

INTERNAL AUDIT

The Audit Committee reviewed and discussed in detail, the Audit Reports submitted by the Head of Group Risk & Control for the Audits carried out in the areas of Operational, financial, Food Safety and HSE and follow-up audits. The Audit Committee, having reviewed these reports, endorsed additional controls and risk mitigation strategies where necessary in order to strengthen the existing internal control system. The Group Risk & Control select companies for review according to the annual plan, which was designed based on risk ratings. Follow-up audits and reviews are scheduled to ascertain that audit recommendations are being acted upon.

EXTERNAL AUDIT

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

Value **preservation**

Audit Committee Report

The Committee also met the External Auditors, without management being present, prior to the finalization of the financial statements. The External Auditors' reports on the audit of the Company and Group financial statements for the year, were discussed with management and the auditors. The Committee reviewed the management letter issued by them based on their audit and advised on the rectification actions. The Audit Committee also negotiated with the external auditors the quantum of their fees and out of pocket expenses.

The performance of the External Auditors has been evaluated and discussed with the senior management of the Company and the Committee has recommended to the Board that M/S Ernst & Young be re-appointed as the Auditors of the Group for the financial year ending 31 March 2019, subject to approval by the shareholders at the Annual General Meeting at a remuneration to be decided by the management.

Tissa Bandaranayake
Chairman
Audit Committee

5th June 2018

Related Party Transactions Review Committee Report

Related Party Transactions Review Committee was established by the Board of Directors in terms of the code of best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the section 09 of the Listing rules of the Colombo Stock Exchange.

COMPOSITION OF THE COMMITTEE

The Related Party Transaction Review Committee comprised with Two (02) Independent Directors and one Non-Independent Directors, as followed,

Director	Independent Directors / Non-Independent Directors	Membership Status	Remarks
Mr. P M Kumarasinghe PC	Independent	Chairman	Resigned w.e.f 31.12.17
Mr. M Prakash	Independent	Chairman	Appointed as Chairman w.e.f 01.01.2018
Mr. Tissa Bandaranayake	Independent	Member	
Mr. H A Ariyarathne	Non-Independent	Member	

The Committee met four times during the year under review on 26th May 2017, 10th August 2017, 10th November 2017 and 13th February 2018. The attendance of the members at these meetings is detailed in page 110.

The Group Chairman, Group Managing Director, Sector- Managing Director, Group Director-Finance, Chief Executive Officer, Chief Financial Officer, Head of Legal, DGM-Treasury, attended these meetings by invitation.

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

MANDATE

To assist the Board in meeting its oversight responsibilities to ensure that the interest of shareholders as a whole is taken to consideration when entering into related party transactions guided by the code of best practices.

ACTIVITIES IN 2017/18

- Continuous fulfillment initiatives were activated by the Group Risk & Control Division in making awareness for compliance within key management personnel under the Rule 9 of the Listing Rules in collaboration with Ms. Ernest & Young.
- The RPTRC also reviewed related transactions which arose as a result of the restructuring related to LAUGFS Gas PLC and its subsidiaries and the necessary disclosures were made to the CSE.
- Group level Transfer pricing policy is currently under development with proper professional guidance.
- All major related transactions were reviewed and recurrent transactions for the year were approved separately.

The minutes of the RPTRC meeting are tabled at the Board meetings regularly in-order to communicate the activities to the Board of Directors.

The Committee has reviewed relevant Related Party Transactions, approved the transactions and directed to make immediate disclosure to Colombo Stock Exchange in respect of the non recurrent transaction/s listed below.

NON RECURRENT TRANSACTIONS

Name of the Related Party	Relationship	Value of Related Party Transactions entered into during the financial year	Value of Related Party Transactions as a % of Equity & as a % of Consolidated Total Assets	Terms & Conditions of the Related Party Transactions	The rationale for entering into the transactions
SLOGAL Energy DMCC	Wholly owned subsidiary	Rs.1,472,595,000 (USD 9,500,000)	As a % of Equity =192.6% As a % of Assets = 89.9 %	Corporate Guarantee	Facilitate SLOGAL Energy DMCC trading activities with the expansion of trading activities of SLOGAL on behalf of LAUGFS Gas in Sri Lanka & Bangladesh.

Value **preservation**

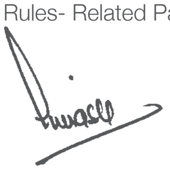
Related Party Transactions Review Committee Report

RECURRENT TRANSACTIONS

The below transaction was tabled and approved in the RPTRC.

Name of the Related Party	Relationship	Nature of The Transaction	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as a % of Net Revenue/Income	Terms and Conditions of the Related Party Transactions
SLOGAL Energy DMCC	Wholly owned subsidiary of	Purchase of LPG and Freight Charges	6,573,403,371	31% (net revenue) 23% (gross revenue)	Procuring of LPG from SLOGAL Energy DMCC at negotiated rates (through a contract) based on the prevailing market rates at that time. This was tabled approved through a RPTR paper on 28th December. The Purchasing contract was from 2017 December to 2018 June, on equal or more favourable terms to LAUGFS GAS PLC.

The Committee has put in place, the necessary processes to identity, review, disclose and monitor Related Party Transactions according to the provisions governed in the Section 9 of the Listing Rules- Related Party Transaction.



Murali Prakash
Chairman-Related Party Transaction *Review Committee*

5th June 2018

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 2018. LAUGFS GAS PLC is a public limited company incorporated in Sri Lanka under the Companies Act No. 17 of 1982 and re-registered as required under the provisions of Companies Act No. 7 of 2007 and listed on the 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 LPG market. Its subsidiaries LAUGFS Maritime Services (Private) Limited is providing maritime LPG logistic services, LAUGS Gas (Bangladesh) Limited is engaged in LPG downstream business in Bangladesh, SLOGAL Energy DMCC which is incorporated in the UAE is engaged in Energy trading business activities, LAUGFS Terminals Limited is constructing a LPG import, export and storage facility at the Port of Hambantota, and LAUGFS Property Developers (Pvt) Ltd owns the Head office building.

The Company underwent a major restructuring process on 31st March 2018 where it's former subsidiaries namely LAUGFS Leisure Ltd engaged in the leisure sector, LAUGFS Power Ltd engaged in the renewable energy sector and LAUGFS Eco Sri Ltd engaged in vehicle emission testing was vested with the shareholders of LAUGFS Gas PLC by way of a scheme of arrangement as per section 256 of the Companies Act No. 7 of 2007, whereby the LAUGFS Gas Group transformed it self into a pure play Energy Company in order to enhance its business operations. Whilst initial approval to proceed with this process was granted by the Commercial high Court under case bearing number HC (Civil) 01/2018/CO on 10th January 2018, the Company managed to obtain requisite shareholder approval for the same at the Extraordinary General Meeting held on 20th March 2018, whereby the final order approving the process by the Commercial High Court was granted on 23rd March 2018. As a result of this restructuring process the stated capital of the Company was also reduced to Rs. 1 billion after following all requisite formalities.

The Company has not engaged in any activity which contravene any local, foreign or International law or regulations.

BUSINESS REVIEW

A review of the financial and operational performance and future business developments of the group, sectors, and its business units are described in the Chairman's message, Managing Directors message, Management discussion and analysis section of the Annual Report. These Reports together with the Audited Financial Statements reflect the state of the affairs of the Company and its subsidiaries. Segment wise contribution to group revenue, results, assets and liabilities is provided in Note 04 to the Financial Statements.

RESULTS AND APPROPRIATIONS

Revenue generated by the Company for the year under review amounted to Rs. 12.8 bn whilst group revenue amounted to Rs. 21.3 bn Contribution to group revenue, from the different business segments carried out by the subsidiaries are provided in Note 04 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 2018 as approved by the Board of Directors on 25th May 2018 are given on pages 134 to 223.

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 131.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation and presentation of the Financial Statements are given on pages 142 to 159 There were no material changes in the Accounting Policies adopted by the Company and its subsidiaries during the year under review.

DONATIONS

Total donations made by the Company and its subsidiaries during the year under review amounted to Rs. 2.6 mn of these, the donations to approved charities were Nil. These amounts do not include contributions on account of Corporate Social Responsibility (CSR) initiatives. The CSR initiatives, including completed and on-going projects, are detailed in the sustainability report in the Annual Report.

INVESTMENTS

Total investments of the Company in subsidiaries, associate and other equity investments amounted to Rs. 6.9 bn The details of the investments are given in Note 13 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment as at the balance sheet date amounted to Rs. 7.6 bn and Rs. 17.1 bn 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. 1.4 bn and Rs 6.1 bn respectively.

Value **preservation**

Annual Report of the Board of Directors

Details of property, plant and equipment are given in Note 8 to the Financial Statements.

STATED CAPITAL AND RESERVES

The stated capital of the Company was reduced from Rs. 3,285,000,260 to Rs. 1,000,000,000 with effect from 31st March 2018 as per the scheme of arrangement. The stated capital of the Company consist of 335,000,086 ordinary voting and 52,000,000 ordinary non-voting shares.

The total Group Equity was Rs. 1.055 bn as at 31st March 2018.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

HUMAN RESOURCES

The Company has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Further the Company continued to appropriate 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 and their brief profiles are given on the pages 100 to 103. Mr. P. M. Kumarasinghe PC tendered his resignation 31st December 2017 and with deep regret we note that Mr. C. L. De Alwis passed away on 11th May 2018. Accordingly the following persons were the Directors of the Company as at 31st March 2018, whilst Mr. S. P. P. Amaratunge was appointed to the Board on 25th May 2018 as an Independent Non Executive Director.

(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 (passed away on 11th May 2018)

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

(f) Mr. N. M. Prakash – Independent Non Executive Director

(g) Mr. A. R. D. Perera – Group Finance Director

(h) Mr. A. N. Ranasinghe – Group Marketing Director

In terms of Article 81 and 82 of the Articles of Association of the Company Mr. H. A. Ariyaratne retire by rotation and being eligible are being recommended by the Board for re-election at the ensuing Annual General Meeting. Prof. S. P. P. Amaratunge retires in terms of Article 88 of the Articles of Association 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 who is above the age of 70 years and who are to be retired at the end of the Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007.

BOARD COMMITTEES

The following members serve on the Board, Audit, Related Party Transactions Review, Investment, Remuneration and Management Committees;

Audit Committee

Audit Committee comprises of two members namely Mr. T. K. Bandaranayake (Chairman of the Audit Committee), Mr. N. M. Prakash. 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 up to industrial 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.

Related Party Transactions Committee Review

The Related Party Transactions Committee Review comprises of Mr. N. M. Prakash (Chairman of the Committee), Mr. T. K. Bandaranayake, Mr. H. A. Ariyarathne. This Committee was established on 15th December 2015 as a requirement under Section 9 of the Colombo Stock Exchange Listing Rules, in order to monitor and regulate related party transactions in the best interests of the shareholders in order to ensure that the operations of the Group of Companies is compliant with Section 9 of the Colombo Stock Exchange Listing Rules.

As required under Section 9.3.2(d) of the Colombo Stock Exchange Listing Rules, the Board of Directors would like to hereby declare and confirm that there had been related party transactions during the year under review, and all such transactions were proceeded as per provisions stipulated under Section 9 of the Colombo Stock Exchange Listing Rules pertaining to Related Party Transactions.

The report of the Related Party Transactions Review 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. Ariyarathne. 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 comprise of Mr. H. A. Ariyarathne (Chairman of the Remuneration Committee), Mr. T. K. Bandaranayake and Late 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. Ariyarathne, Mr. A. R. D. Perera and Mr. A. N. Ranasinghe. 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. 07 of 2007. In Compliance with the requirements of the Companies Act this Annual Report also contains particulars of entries made in the Interest Register.

DIRECTORS' INTEREST IN CONTRACTS

Directors' interest in contracts are disclosed in the related party transactions under Note 31 to the Financial Statements.

DIRECTORS SHAREHOLDING

The shareholdings of the Directors of the Company as at 31st March 2018, and as defined under the Listing Rules of Colombo Stock Exchange are as follows.

Voting Shares			Non-voting Shares		
Name of Director	No of Shares	%	Name of Director	No of Shares	%
Mr. W.K.H.Wegapitiya	1,411,536	0 .418	Mr. W.K.H.Wegapitiya	Nil	-
Mr. U.K. Thilak De Silva	1,077,897	0 .322	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. N.M. Prakash	17,000	0.005	Mr. N.M. Prakash	Nil	-
Mr. P.M. Kumarasinghe	4,800	0 .001	Mr. P.M. Kumarasinghe	Nil	-
Mr. T.K. Bandaranayake	Nil	-	Mr. T.K. Bandaranayake	Nil	-
Mr. A.R.D. Perera	Nil	-	Mr. A.R.D. Perera	Nil	-
Mr. A.N. Ranasinghe	Nil	-	Mr. A.N. Ranasinghe	Nil	-
Mr. S. P. P. Amaratunge	Nil	-	Mr. S. P. P. Amaratunge	Nil	-

Value **preservation**

Annual Report of the Board of Directors

M/s. W. K. H. Wegapitiya and U. K. Thilak De Silva are shareholders of LAUGFS Holdings Limited, which is the holding Company holds significant stakes of the Company directly. Mr. H. A. Ariyaratne and Mr. N.M. Prakash serves as Directors in LAUGFS Holdings Limited which is the holding company holds significant stake of LAUGFS Gas PLC.

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 31 to the Financial Statements.

SHARE INFORMATION

Information relating to earnings, dividends, net assets and market value per share is given on page 227 The distribution and the composition of shareholding are given on page 228 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 page 231 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 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 endeavors to ensure the 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 briefly 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 balance sheet date have been paid or, where relevant provided for, except as specified in note 29 the financial statements, covering contingent liabilities.

GOING CONCERN

The Board of Directors are satisfied that the company, its subsidiaries and associates, 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 not declared or proposed any dividend for the year under review

DISCLOSURES ON TRANSFER PRICING:

The Company has adopted a Transfer Pricing Policy in terms of the Regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006 in order to secure the transparency and accuracy of all the transactions including related party transactions. The management is committed to monitor and review the Transfer Pricing Policy from time to time. All the related party transactions are disclosed under Note 31 to the financial statements.

It is certified that the company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act, No. 10 of 2006. The information pursuant to these Regulations is given under certificate produced under Section 107(2)(a) of the said Act. We believe that the record of transactions entered into with related parties during the period from 1st April 2017 to 31st March 2018 are at arm's length and not prejudicial to the interests of the company. The transactions are entered into on the basis of a transfer pricing policy adopted by the company. All transactions have been submitted to the independent auditors for audit. No adverse remarks have been made in their report on the audit of such transactions.

AUDITORS

Messrs. Ernst & Young, Chartered Accountants are deemed re-appointed in terms of Section 158 of the Companies Act No. 07 of 2007 as the Auditors of the Company. A resolution to authorize 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. 5.5 to the Financial Statements. The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationship with the Company or its subsidiaries (other than the Auditor) that would have an impact on their independence.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the "Grand Ballroom" of Waters Edge on 29th June 2018 at 2.00pm. The notice of meeting appears in the supplementary information section of the comprehensive Annual Report.

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

By Order of the Board

W. K. H. Wegapitiya
Director

U. K. Thilak De Silva
Director

Corporate Advisory Services
(Private) Limited
Secretaries

5th June 2018

Value **preservation**

Statement of Directors' Responsibilities

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

The financial statements Comprise:

- the statements of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year,
- the statements of comprehensive income, which presents a true and fair view of the profit or loss and/or other comprehensive income of the Company and its subsidiaries for the financial year.
- The Board of Directors accepts the responsibility for the integrity and objectivity of the financial statements prepared and presented. The Directors confirm that the financial statements have been prepared;
- using appropriate and applicable accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- presented in accordance with the Sri Lanka Financial Reporting Standards (SLFRS); 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.

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 balance sheet date have been duly paid or where relevant provided for.

By Order of the Board

Corporate Advisory Services (Private) Limited
Secretaries

5th June 2018

Financial statements

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Financial Calendar

FINANCIAL CALENDAR FOR 2017/2018

- First Quarter ended 30th June 2017 – Published on 15th August 2017
- Second Quarter ended 30th September 2017 – Published on 14th November 2017
- Third Quarter ended 31st December 2017 – Published on 15th February 2018
- Fourth Quarter ended 31st March 2018 – Published on 30th May 2018
- Annual Report for 2017/2018 – Published on 5th June 2018
- 8th Annual General Meeting – Will be held on 29th June 2018

Independent Auditor's Report

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LAUGFS GAS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LAUGFS Gas PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters common to both Group and Company

Key audit matter	How our audit addressed the key audit matter
Group Restructuring	
LAUGFS Gas PLC has carried out a group restructuring with effect from 31 March 2018 as more fully described in Note 15 to the financial statements. We focused on this transaction because of the materiality of the transaction and the complexity of the associated accounting and disclosures. Accordingly, Group restructuring has been considered as a Key Audit Matter.	Our audit procedures focused on accounting for the restructuring transactions and related disclosures, which included, among others the following procedures; • We inspected the related minutes of the meetings of Board of Directors and legal correspondence, to understand the nature of the transaction; • We discussed with the lawyers, Investment bankers and other professionals involved, to understand related regulatory aspects of the transaction; • We evaluated the appropriateness of the related accounting policy as disclosed in Note 2.9 and adequacy of the disclosures in Note 15 to the financial statements.

Financial **statements**

Independent Auditor's Report

Other Information Included in the 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and those Charged with Governance

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the

direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1697.

25 May 2018
Colombo

Financial **statements**

Statement of Profit or Loss

Year ended 31 March 2018		Group		Company	
		2018	2017	2018	2017
Continuing Operations	**Note**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Revenue	5.1	21,354,621,221	16,270,541,369	12,834,119,400	10,386,886,352
Cost of Sales		(19,210,053,674)	(13,468,755,622)	(12,258,443,285)	(9,244,995,763)
Gross Profit		2,144,567,547	2,801,785,747	575,676,115	1,141,890,589
Other Operating Income	5.2	468,028,370	373,664,901	1,003,102,112	1,156,918,560
Selling and Distribution Expenses		(1,377,164,948)	(1,036,524,237)	(898,517,189)	(735,760,800)
Administrative Expenses		(1,226,454,557)	(1,380,235,159)	(576,471,500)	(792,918,949)
Foreign Currency Exchange Gains/(Loss)		27,382,856	(58,393,531)	78,137,795	(24,717,466)
Operating Profit		36,359,268	700,297,720	181,927,333	745,411,933
Finance Costs	5.3	(1,767,152,515)	(1,289,307,132)	(1,682,219,234)	(1,225,387,723)
Fair Value Gain on Investment Properties	9	106,443,346	38,315,960	43,000,000	26,000,000
Finance Income	5.4	45,408,133	56,545,638	5,904,568	5,653,920
Loss Before Tax		(1,578,941,768)	(494,147,814)	(1,451,387,333)	(448,321,871)
Income Tax Expense	6.1	(49,134,733)	(128,612,866)	180,483,941	189,193,667
Loss for the Year from Continuing Operations		(1,628,076,501)	(622,760,680)	(1,270,903,392)	(259,128,204)
Discontinued Operations:					
Profit/(Loss) after Tax for the Year from Discontinued Operations	15.3	296,263,212	(4,554,000)	-	-
Loss for the Year		(1,331,813,289)	(627,314,680)	(1,270,903,392)	(259,128,204)
Attributable to:					
Equity Holders of the Parent		(1,331,813,289)	(638,026,448)	(1,270,903,392)	(259,128,204)
Non-Controlling Interests		-	10,711,768	-	-
		(1,331,813,289)	(627,314,680)	(1,270,903,392)	(259,128,204)
Loss Per Share					
Basic/Diluted Loss Attributable to Ordinary Equity Holders of the Parent	7	(3.44)	(1.65)		
Loss Per Share for Continuing Operations					
Basic/Diluted Loss from Continuing Operations Attributable to Ordinary Equity Holders of the Parent	7	(4.21)	(1.64)		

The accounting policies and notes on pages 142 to 223 form an integral part of these financial statements.

Statement of Other Comprehensive Income

Year ended 31 March 2018		Group		Company	
		2018	2017	2018	2017
	Note	Rs.	Rs.	Rs.	Rs.
Loss for the Year		(1,331,813,289)	(627,314,680)	(1,270,903,392)	(259,128,204)
Other Comprehensive Income					
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods :					
Gain on Available for Sale Financial Assets	5.6	12,802,667	2,912,536	12,802,667	2,912,536
Reclassification during the Year to Profit or Loss	22.1	181,675,342	122,300,000	181,675,342	122,300,000
Exchange Differences in Translation of Foreign Operations		(62,872,719)	118,427,459	-	-
Surplus on Revaluation of Assets Transferred to Investment Properties	8.1	18,447,766	136,520,433	-	-
Income Tax Effect	6.3	(15,662,389)	(23,961,401)	-	-
Net Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods		134,390,667	356,199,027	194,478,009	125,212,536
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods :					
Actuarial Gains on Defined Benefit Liability	5.6	44,045,020	20,054,963	7,888,505	11,122,532
Income Tax Effect	6.3	(13,154,174)	(6,177,512)	(1,577,701)	(2,224,506)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods		30,890,846	13,877,451	6,310,804	8,898,026
Other Comprehensive Income for the Year, Net of Tax		165,281,513	370,076,479	200,788,813	134,110,562
Total Comprehensive Income/(Loss) for the Year, Net of Tax		(1,166,531,776)	(257,238,201)	(1,070,114,579)	(125,017,642)
Attributable to:					
Equity Holders of the Parent		(1,166,531,776)	(266,593,198)	(1,070,114,579)	(125,017,642)
Non-Controlling Interests		-	9,354,997	-	-
		(1,166,531,776)	(257,238,201)	(1,070,114,579)	(125,017,642)

The accounting policies and notes on pages 142 to 223 form an integral part of these financial statements.

Financial **statements**

Statement of Financial Position

As at 31 March 2018	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	8	17,070,442,596	22,625,858,235	7,586,202,122	6,629,726,509
Investment Properties	9	2,507,306,661	2,270,800,000	804,500,000	761,500,000
Intangible Assets	10	2,343,400,577	3,088,813,381	12,364,383	25,177,376
Prepayments	12	6,292,356	105,750,957	-	-
Investments in Subsidiaries	13	-	-	6,874,035,002	11,850,336,896
Other Non-Current Financial Assets	17.1	137,634,283	122,828,052	137,634,283	122,828,052
Deferred Tax Assets	6.5	207,947	17,393,629	-	-
		22,065,284,420	28,231,444,254	15,414,735,790	19,389,568,833
Current Assets					
Inventories	18	1,563,783,872	1,428,210,443	771,275,960	569,520,813
Trade and Other Receivables	19	4,470,102,013	3,822,731,147	3,381,683,945	3,390,784,309
Prepayments	12	69,801,807	85,250,366	34,073,223	18,879,274
Income Tax Recoverable		266,230,014	205,100,136	265,237,064	202,209,841
Other Current Financial Assets	17.1	2,678,340	2,692,200	2,678,340	2,692,200
Cash and Short-Term Deposits	20.1	2,957,222,783	2,058,564,316	122,949,401	287,878,377
		9,329,818,829	7,602,548,608	4,577,897,933	4,471,964,814
Total Assets		31,395,103,249	35,833,992,862	19,992,633,723	23,861,533,647
EQUITY AND LIABILITIES					
Equity					
Stated Capital	21	1,000,000,000	3,285,000,260	1,000,000,000	3,285,000,260
Available for Sale Reserve	22	722,268	(193,755,741)	722,268	(193,755,741)
Revaluation Reserve	23	86,841,931	112,559,032	-	-
Foreign Currency Translation Reserve	23	123,987,459	186,807,178	-	-
Retained Earnings/(Losses)		(156,052,810)	4,253,763,313	(406,607,885)	4,215,870,627
Equity attributable to Equity Holders of the Parent		1,055,498,848	7,644,374,042	594,114,383	7,307,115,146
Non-Controlling Interests		386,183,727	-	-	-
Total Equity		1,441,682,575	7,644,374,042	594,114,383	7,307,115,146

As at 31 March 2018		Group		Company	
		2018	2017	2018	2017
	Note	Rs.	Rs.	Rs.	Rs.
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	17.2	13,486,082,991	15,443,239,863	6,245,291,408	8,120,292,137
Employee Benefit Liability	25	174,390,844	265,104,292	54,274,256	59,874,827
Deferred Income	26	810,971,725	670,652,418	810,971,725	670,652,418
Refundable Deposits	27	2,364,096,899	2,092,151,469	2,271,708,916	2,002,454,924
Deferred Tax Liabilities	6.5	649,944,896	689,989,257	451,743,910	592,348,653
		17,485,487,355	19,161,137,299	9,833,990,215	11,445,622,959
Current Liabilities					
Trade and Other Payables	28	4,183,661,075	3,801,627,286	2,429,679,146	1,398,998,645
Interest Bearing Loans and Borrowings	17.2	7,458,522,323	4,336,425,078	6,866,726,671	3,472,729,814
Deferred Income	26	15,711,206	14,572,091	15,711,206	14,572,091
Refundable Deposits	27	252,412,102	222,494,992	252,412,102	222,494,992
Income Tax Payable		557,626,613	653,362,074	-	-
		12,467,933,319	9,028,481,521	9,564,529,125	5,108,795,542
Total Equity and Liabilities		31,395,103,249	35,833,992,862	19,992,633,723	23,861,533,647

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

Dilshan Perera
Finance Director

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

W. K. H. Wegapitiya
Director

U.K. Thilak De Silva
Director

The accounting policies and notes on pages 142 to 223 form an integral part of these financial statements.

25 May 2018
Colombo

Statement of Changes in Equity

Year ended 31 March 2018

Group	Note	Stated Capital Rs.	Retained Earnings Rs.
As at 01 April 2016		3,285,000,260	5,395,273,403
Loss For the Year		-	(638,026,448)
Other Comprehensive Income/(Loss)		-	13,877,451
Total Comprehensive Income/(Loss)		-	(624,148,998)
Dividend Paid (Final 2015/2016)		-	(387,000,098)
Deferred Tax Liability Reversal during the Year	6.2	-	25,472,572
Reversal of Surplus on Revaluation for Disposal of Property, Plant & Equipment		-	(25,535,458)
Acquisition of Non-Controlling Interest		-	(130,298,109)
As at 31 March 2017		3,285,000,260	4,253,763,313
Profit/(Loss) for the Year		-	(1,331,813,289)
Other Comprehensive Income/(Loss)		-	30,890,846
Total Comprehensive Income/(Loss)		-	(1,300,922,442)
Deferred Tax Liability Charge during the Year	6.2	-	(117,891,059)
Group Restructuring Adjustments		(2,285,000,260)	(2,991,002,622)
As at 31 March 2018		1,000,000,000	(156,052,810)

Company	Note	Stated Capital Rs.	Retained Earnings Rs.
As at 01 April 2016		3,285,000,260	4,862,980,518
Loss For the Year		-	(259,128,204)
Other Comprehensive Income		-	8,898,026
Total Comprehensive Income/(Loss)		-	(250,230,178)
Dividend Paid (Final 2015/2016)	24	-	(387,000,086)
Deferred Tax Liability Reversal during the Year	6.2	-	15,655,831
Reversal of Surplus on Revaluation of Disposal of Property, Plant & Equipment		-	(25,535,458)
As at 31 March 2017		3,285,000,260	4,215,870,627
Loss for the Year		-	(1,270,903,392)
Other Comprehensive Income		-	6,310,804
Total Comprehensive Income/(Loss)		-	(1,264,592,588)
Deferred Tax Liability Reversal during the Year	6.2	-	(45,454,105)
Group Restructuring Adjustments		(2,285,000,260)	(3,312,431,819)
As at 31 March 2018		1,000,000,000	(406,607,885)

The accounting policies and notes on pages 142 to 223 form an integral part of these financial statements.

Attributable to Equity Holders of the Parent					
Available for Sale Reserve	Revaluation Reserve	Foreign Currency Translation Reserve	Total	Non-Controlling Interests	Total Equity
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(318,968,277)	-	48,438,638	8,409,744,024	1,195,843,601	9,605,587,625
-	-	-	(638,026,448)	10,711,768	(627,314,680)
125,212,536	112,559,032	119,095,717	370,744,736	(1,356,772)	369,387,964
125,212,536	112,559,032	119,095,717	(267,281,712)	9,354,997	(257,926,716)
-	-	-	(387,000,098)	-	(387,000,098)
-	-	-	25,472,572	289,510	25,762,082
-	-	-	(25,535,458)	-	(25,535,458)
-	-	19,272,823	(111,025,286)	(1,205,488,107)	(1,316,513,393)
(193,755,741)	112,559,032	186,807,178	7,644,374,042	-	7,644,374,042
-		-	(1,331,813,289)	-	(1,331,813,289)
194,478,009	2,785,376	(62,872,719)	165,281,513	-	165,281,513
194,478,009	2,785,376	(62,872,719)	(1,166,531,776)	-	(1,166,531,776)
-	-	-	(117,891,059)	-	(117,891,059)
-	(28,502,478)	53,000	(5,304,452,360)	386,183,727	(4,918,268,633)
722,268	86,841,931	123,987,459	1,055,498,848	386,183,727	1,441,682,575

Available for Sale Reserve	Total Equity
Rs.	Rs.
(318,968,277)	7,829,012,501
-	(259,128,204)
125,212,536	134,110,562
125,212,536	(125,017,642)
-	(387,000,086)
-	15,655,831
-	(25,535,458)
(193,755,741)	7,307,115,146
-	(1,270,903,392)
194,478,009	200,788,813
194,478,009	(1,070,114,579)
-	(45,454,105)
-	(5,597,432,079)
722,268	594,114,383

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Statement of Cash Flows

Year ended 31 March 2018	Note	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
Cash Flows Generated from/(Used in) Operating Activities					
Cash Flows from Operating Activities					
Loss Before Tax from Continuing Operations		(1,578,941,768)	(494,147,814)	(1,451,387,333)	(448,321,871)
Profit Before Tax from Discontinued Operations		400,143,197	110,128,999	-	-
Loss Before Tax		(1,178,798,571)	(384,018,815)	(1,451,387,333)	(448,321,871)
Non-Cash Adjustment to Reconcile Profit/(Loss) Before Tax to Net Cash Flows:					
Amortization of Intangible Assets	10	24,978,886	23,703,899	13,185,498	13,587,147
Decrease in Fair Value of Quoted Equity Securities		13,860	(420,000)	13,860	(420,000)
Depreciation of Property, Plant and Equipment	8	1,298,452,329	969,804,296	459,309,512	402,323,645
Fair Value Gain on Investment Properties	9	(106,443,346)	(38,315,960)	(43,000,000)	(26,000,000)
Finance Costs	5.3	1,767,152,515	1,289,307,132	1,682,219,234	1,225,387,723
Finance Income	5.4	(45,408,133)	(56,545,638)	(5,904,568)	(5,653,920)
Dividend Income	5.2	(4,359,720)	(3,072,799)	(509,152,304)	(771,027,108)
Provision for contribution to workers' profit participation fund		18,030,732	28,879,384	-	-
Provision for Employee Benefit Liability	25.1	67,976,597	64,027,756	14,286,861	14,999,098
Transfer of Employee Benefit Liability		(4,934,032)	-	(8,260,237)	-
(Profit)/Loss on Disposal of Property, Plant and Equipment		28,379,857	(8,494,925)	28,457,872	(8,341,001)
Exchange Differences		88,317,864	104,846,086	8,906,081	43,994,080
Operating Profit before Working Capital Changes		1,953,358,837	1,989,700,416	188,674,476	440,527,795
Working Capital Adjustments:					
(Increase)/Decrease in Inventories		(253,318,740)	(511,396,743)	(201,755,147)	(58,254,048)
(Increase)/Decrease in Trade and Other Receivables and Prepayments		(3,045,038,062)	(962,971,062)	(6,093,585)	1,429,517,545
Increase/(Decrease) in Trade and Other Payables		3,286,917,452	1,978,559,052	726,666,545	332,733,990
Increase/(Decrease) in Deferred Income		141,458,422	153,213,591	141,458,422	153,213,591
Cash Flows Generated from/(Used in) Operating Activities		2,083,377,909	2,647,105,253	848,950,711	2,297,738,873
Employee Benefit Liability Costs Paid		(42,940,854)	(82,092,076)	(3,738,692)	(6,792,323)
Finance Costs Paid		(1,585,477,173)	(1,167,007,132)	(1,500,543,891)	(1,103,087,723)
Income Tax Paid		(459,667,532)	(259,488,362)	(63,969,666)	(40,286,771)
Refund/Transfers of Refundable Deposits	27	(593,163,426)	(498,560,266)	(590,474,178)	(492,685,300)
Refundable Deposits Received	27	896,681,110	728,654,447	889,645,280	715,417,756
Net Cash Flows Generated from (Used in) Operating Activities		298,810,028	1,368,611,864	(420,130,442)	1,370,304,513

Year ended 31 March 2018		Group		Company	
		2018	2017	2018	2017
	Note	Rs.	Rs.	Rs.	Rs.
Cash Flows from/(Used in) Investing Activities					
Acquisition of Intangible Assets	10	(12,220,278)	(1,232,125)	(372,505)	-
Acquisition of Property, Plant and Equipment	8.3	(6,066,140,413)	(9,299,556,926)	(1,453,726,666)	(924,428,703)
Acquisition of Investment Properties	9	(11,956,654)	(73,684,040)	-	-
Dividends Received		4,359,720	2,450,211	509,152,304	770,404,520
Investments in Quoted Equity Securities		(2,003,563)	-	(2,003,563)	-
Investments in Subsidiaries	13	(150)	-	(320,000,150)	(6,051,555,744)
Proceeds from Disposal of Property, Plant and Equipment		14,198,798	41,544,258	9,483,669	39,334,114
Group Restructuring Adjustments	20.4	227,032,550	-	-	-
Net Cash Flows Used in Investing Activities		(5,846,729,990)	(9,330,478,622)	(1,257,466,911)	(6,166,245,813)
Cash Flows from/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans and Borrowings	17.2	22,429,049,122	22,853,479,775	16,846,917,233	18,192,372,580
Dividend Paid		-	(387,000,098)	-	(387,000,086)
Finance Income	5.4	45,408,133	56,545,638	5,904,568	5,653,920
Acquisition of Non-Controlling Interest		-	(1,316,513,393)	-	-
Capital Repayment under Finance Lease Liabilities		(7,258,352)	(6,592,848)	-	-
Repayment of Interest Bearing Loans and Borrowings	17.2	(16,064,381,915)	(15,210,152,114)	(15,438,253,136)	(14,600,699,184)
Net Cash Flows from Financing Activities		6,402,816,988	5,989,766,961	1,414,568,665	3,210,327,230
Net Increase/(Decrease) in Cash and Cash Equivalent		854,897,026	(1,972,099,797)	(263,028,690)	(1,585,614,069)
Cash and Cash Equivalent at the Beginning of the Year	20	1,416,539,593	3,388,639,389	(114,130,952)	1,471,483,118
Cash and Cash Equivalent at the End of the Year	20	2,271,436,618	1,416,539,593	(377,159,641)	(114,130,952)

The accounting policies and notes on pages 142 to 223 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

LAUGFS Gas PLC (the Company) is a public limited liability Company incorporated and domiciled in Sri Lanka and is listed in the Colombo Stock Exchange. The registered office of the Company is located at No. 101, Maya Avenue, Colombo 06 and the principal place of business is situated at No. 311/1, Biyagama Road, Mabima, Heiyanthuduwa.

1.2 Consolidated Financial Statements

The consolidated financial statements of LAUGFS Gas PLC, as at and for the year ended 31 March 2018 encompasses the Company and its Subsidiaries (together referred to as the "Group").

1.3 Principal Activities and Nature of Operations

During the year, the principal activities of the companies within the Group dealt within these financial statements were as follows.

Company	Activities
Continuing Operations within the group;	
LAUGFS Gas PLC	Sale of liquefied petroleum gas and other related products
LAUGFS Property Developers (Pvt) Ltd.	Operation of a commercial property at Kirulapone
LAUGFS Maritime Services (Pvt) Ltd.	Operation of vessels and providing marine cargo services
LAUGFS Gas (Bangladesh) Ltd.	Sale of liquefied petroleum gas and other related products
SLOGAL Energy DMCC	Trading and export of liquefied petroleum gas and other related products
LAUGFS Terminals Ltd.	Operation of LPG storage terminal. However, such LPG storage facility is still under construction.
Discontinued Operations from the Group with effect from 31 March 2018 as a result of Group Restructuring;	
LAUGFS Eco Sri Ltd.	Providing motor vehicle emission testing services
LAUGFS Leisure Ltd.	Operation of hotel property at Chilaw
Anantaya Passekudah (Pvt) Ltd.	Operation of hotel property at Passikudah
Anantaya Wadduwa (Pvt) Ltd.	Constructing and operation a hotel property at Waskaduwa. However, such property is under construction.
LAUGFS Hotel Management Services (Pvt) Ltd.	Manage hotel operations. However, during the year under review there were no commercial operations
LAUGSF Maldives (Pvt) Ltd.	Operations of hotel property at Maldives. However the company is still in start-up phase.
LAUGFS Power Ltd.	Generation of hydro power
Iris Eco Power Lanka (Pvt) Ltd.	Engaged in solar power generation projects
Anorchi Lanka (Pvt) Ltd.	Engaged in solar power generation projects
Pams Power (Pvt) Ltd	Generation of hydro power However, company has not commenced commercial operations yet.
Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd.	Generation of hydro power.

1.4 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.

1.5 Directors' Responsibility Statement

The Board of Directors is responsible for preparation and presentation of financial statements.

1.6 Date of Authorization for Issue

The financial statements of LAUGFS Gas PLC and its Subsidiaries (collectively, the Group) for the year ended 31 March 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 25 May 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The financial statement of LAUGFS Gas PLC and its Subsidiaries (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).

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

2.2 Basis of Preparation and Measurement

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

The financial statements are presented in Sri Lankan Rupees.

2.3 Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the holding Company operates. Each entity within the Group uses the currency of the primary economic environment in which they operate as their functional currency.

The following Subsidiaries are using different functional currencies other than Sri Lankan Rupees (LKR);

LAUGFS Gas (Bangladesh) Ltd - Bangladeshi Taka (BDT)

SLOGAL Energy DMCC - United Arab Emirates Dirham (AED)

LAUGFS Maldives (Pvt) Ltd - United State Dollars (USD)

2.4 Materiality and Aggregation

Each material class of similar items are presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries as at 31 March 2018.

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a Subsidiary begins when the Group obtains control over the Subsidiary and ceases when the Group loses control of the Subsidiary. Assets, liabilities, income and expenses of a Subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the Subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full consolidation.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 related assets (including goodwill), non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.6 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 acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combinations are expensed 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, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, 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 Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised 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 disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.7 Common Control Business Combinations

Business combinations between entities under common control are accounted for using pooling of interest method. Accordingly,

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No new goodwill is recognised as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity.

2.8 Non-Controlling Interests

Profit or loss and each component of OCI are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2.9 Group Reorganisations Under Common Control

Reorganisations between Group entities under common control are accounted for using the reorganisation method of accounting. Under the reorganisation method of accounting, assets and liabilities are incorporated/disposed at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired/disposed entity as recognised and measured in that entity's pre reorganisation financial statements. Any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired/disposed entity, is included in equity.

2.10 Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

  Or

- Is a subsidiary acquired exclusively with a view to resale

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 statement of profit or loss.

Additional disclosures are provided in Note 15. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.11 Foreign Currency

2.11.1 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. Such transactions are translated to the respective functional currencies of Group entities at exchange rates applicable on the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Foreign currency differences arising on retranslation and all differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.11.2 Foreign Operations

The results and financial position of all Group entities that have a functional currency other than the Sri Lankan Rupee are translated into Sri Lankan Rupees as follows:

- Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition are translated to Sri Lankan Rupees at the exchange rate prevailing at the reporting date.
- Income and expenses are translated at the average exchange rates for the period/year.

The exchange differences arising on translation for consolidation are recognised in OCI. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the statement of profit or loss as part of the profit or loss on disposal. On the partial disposal of a Subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation.

2.12 Consolidation of Subsidiaries with Different Accounting Periods

The financial statements of all Subsidiaries in the Group other than LAUGFS Maldives (Pvt) Ltd, are prepared for a common financial year, which ends on 31 March.

LAUGFS Maldives (Pvt) Ltd with a 31 December financial year end prepares for consolidation purpose, additional financial information as of the same date as the financial statements of the parent.

2.13 Current Versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

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

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

All other assets are classified as non-current assets.

A liability is current when:

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

  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

2.14 Fair Value Measurement

The Group measures financial instruments such as investments in equity securities, and non-financial assets such as investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (Notes 3, 9 and 17)
- Quantitative disclosures of fair value measurement hierarchy (Note 17)
- Investment properties (Note 9)
- Financial instruments (including those carried at amortised cost) (Note 17)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability,

  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described in Note 17.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties and significant liabilities, such as retirement benefit liability.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.15 Revenue/Income 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 received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

- Sale of Goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

- Rendering of Services

Revenue from rendering of services is recognized in the period in which the services are rendered or performed in proportion to the stage of completion of the transaction at the reporting date.

- Room Revenue

Revenue is recognized on the rooms occupied on daily basis.

- Food & Beverage Revenue

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

- Other Hotel Related Revenue

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

- Freight Income

Income from freight is recognized in the period in which the services are rendered or performed.

- Supply of Electricity

Revenue from energy supplied is recognised upon delivery of energy to Ceylon Electricity Board. Delivery of electrical energy shall be completed when electrical energy meets the specifications as set out in Power Purchase Agreements (PPA) is received at the metering point.

- 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 statement of profit or loss.

- Income from Non-Refundable Deposits

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

- 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 statement of profit or loss.

- Dividends

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

- Gains and Losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment.

- Others

Other income is recognized on an accrual basis.

Revenue relating to leisure and hospitality, marine services and power generation is accumulated under the broad category of 'Rendering of Services' within 'Revenue' in the statement of profit or loss.

2.16 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.

2.17 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 and performance of the Company taking in to account the agreement signed between the Company and the Consumer Affairs Authority (the Agreement) consequent to an order given by the Supreme Court. According to the judgment of the Supreme Court the Company is entitled to a price of landed cost plus a margin. Consequent to the judgment, the Consumer Affairs Authority has entered in to an agreement with the Company where it has permitted to a selling price of landed cost plus a margin. However, since the pricing mechanism is not functioning as required by the Agreement, the Directors are of the view that no such deferment is required and that the current cost is compared against the current selling price for gas sold in 12.5Kg cylinders.

2.18 Expenses

Expenses are recognized in the statement of profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

2.19 Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss that are recognised in the statement of profit or loss. Interest income is recognised as it accrues in the statement of profit or loss.

Finance costs comprise interest expense on borrowings, finance leases and changes in the fair value of financial assets at fair value through profit or loss that are recognised in the statement of profit or loss.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

2.20 Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

2.20.1 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 in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or in other comprehensive income is recognised in equity or in other comprehensive income and not in the statement of profit or loss. 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.

Tax withheld on dividend income from Subsidiaries is recognised as an expense in the statement of profit or loss at the same time as the liability to pay the related dividend is recognised.

2.20.2 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.
- In respect of taxable temporary differences associated with investments in Subsidiaries, equity accounted investee 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, the carry forward of unused tax assets and unused tax losses. Deferred tax assets are recognised 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.
- In respect of deductible temporary differences associated with investments in Subsidiaries, equity accounted investee and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that

the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax liabilities arising from investment properties at fair value are measured based on the tax consequence of the presumption that the carrying amount of the investment properties measured at fair value will be recovered entirely through sale. This presumption is consistent with the management's business model for the 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 tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2.20.3 Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- When 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
- When receivables and payables 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 statement of financial position.

2.21 Property, Plant and Equipment

The Group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration purpose and are expected to be used for more than one year.

Property, plant and equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Items of property, plant & equipment including construction in progress are measured at cost net of cost of day to day servicing, accumulated depreciation and accumulated impairment, if any.

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset and the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. The cost of self- constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and includes the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized. Gains are not classified as revenue.

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Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment, in reflecting the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are disclosed in Note 8.6.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized.

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.

2.22 Leases

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

2.22.1 Group as a Lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2.22.2 Group as a Lessor for Operating Leases

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Investment Properties

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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 statement of profit or loss in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer,

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

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, the deemed cost for subsequent accounting is the fair value at the date of change in use. If 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.

2.24 Intangible Assets

An Intangible asset is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

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 the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be finite or infinite. For intangible assets with a finite useful life, the Group's policy is to amortize such intangible assets over a useful life of 4-10 years. Such 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 statement of profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 statement of profit or loss when the asset is derecognized.

2.25 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.
- 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 the statement of profit or loss in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

2.26 Rate Regulatory Deferral Accounting

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 incurred in the current month and the actual landed costs of the two previous consecutive months is recognised as rate regulatory assets or liabilities. 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 statement of profit or loss.

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.

2.27 Financial Instruments

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

2.27.1 Financial Assets

2.27.1.1 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, transaction costs that are attributable to the acquisition of the financial asset.

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 cash and short-term deposits, trade and other receivables, loans and other receivables and investments made in quoted equity securities.

2.27.1.2 Subsequent Measurement

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

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 statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the statement of profit or loss.

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

Loans and Receivables

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

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 statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs.

The Group did not have any held-to-maturity investments during the years ended 31 March 2018 and 31 March 2017.

Available-for-Sale Financial Assets (AFS)

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

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

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate.

When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

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

2.27.1.3 Derecognition

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

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

  Or

- 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.

2.27.1.4 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. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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 reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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.

The amount of any impairment loss identified is measured as the difference between the asset's 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 is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) 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. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. 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 write-off is later recovered, the recovery is credited to profit or loss.

Available-for-Sale Financial Assets (AFS)

For AFS financial assets, 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 AFS, 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 statement of profit or loss - is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairments are recognized in the OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

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 statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

2.27.2 Financial Liabilities

2.27.2.1 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.

2.27.2.2 Subsequent Measurement

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

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 repurchasing in the near term. This category also 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 statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in LKAS 39 are satisfied.

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

Loans and Borrowings

This is the category most relevant to the Group. 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 profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

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

2.27.2.3 Derecognition

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

2.27.3 Offsetting of Financial Instruments

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

2.27.4 Fair Value of Financial Instruments

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 17.3 and Note 17.4.

2.28 Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing inventories to its present location and condition is accounted for as follows:

Raw Materials - At purchase cost on weighted average cost basis

Finished Goods - At the cost of direct materials, direct labour and an appropriate proportion of overheads based on normal operating capacity, but excluding borrowing costs

Goods in Transit - At purchase cost

Food & Beverages - At actual cost on weighted average cost basis

Other Inventories - At actual cost on weighted average cost basis

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

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

2.29 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. The recoverable amount 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. When 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 of disposal, recent market transactions are taken into account. 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 companies or other available fair value indicators.

The Group bases its impairment calculations on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover 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, including impairment on inventories, are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI 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 statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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 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.

2.30 Borrowing Costs

Borrowing costs 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 capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.31 Cash and Short-Term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.32 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 asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.33 Employee Benefits

2.33.1 Defined Benefit Plan – Gratuity

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 25.3. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

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

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

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

This is not an externally funded defined benefit plan.

The Group operates a defined benefit plan in Bangladesh, which requires contributions to be made to a separately administered fund. The amount recognized as defined benefit liabilities has been netted with the fair value of the plan assets of the reporting period. Any surplus in plan assets has been measured based on the requirements of LKAS 19 – Employee Benefits.

2.33.2 Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

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

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

2.33.3 Short-term Benefits

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

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

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

2.34.1 SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

2.34.2 SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

2.34.3 SLFRS 16 – Leases

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

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

The Group has commenced a high level assessment of the potential impact on its Consolidated Financial Statements resulting from the application of the SLFRS 9, SLFRS 15 and SLFRS 16. Any gaps identified will be addressed, and any impact to the current systems and processes will be modified where necessary.

The Group is expecting to complete the process before the end of 1st quarter 2018/2019.

The following amendments and improvements are not expected to have a significant impact on the Company's/ Group's financial statements.

- Changes in Liabilities arising from Financing Activities (Amendments to LKAS 7).
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to LKAS 12).
- Clarification of the scope of the disclosure requirements (Amendments to SLFRS 12).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with SLFRS/LKAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Use of Judgements, Estimates and Assumptions

In the process of applying the accounting policies, management has made following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in these financial statements.

3.1 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Further, there is no any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 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.

3.3 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.

3.4 Impairment of Non-Financial Assets

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 of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or 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.

3.5 Revaluation of Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Group engaged an independent valuation specialist to assess fair values as at 31 March 2018.

3.6 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.

3.7 Defined Benefit Plans

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about defined benefit obligations are given in Note 25.

3.8 Fair Value Measurement of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.9 Development Costs

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.10 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.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven reportable segments as follows:

Energy

Selling of Liquefied Petroleum Gas and other related products.

Property

Operation of a commercial property given on rent at Kirullapone.

Transportation & Logistics

Operation of vessels and providing sea cargo services.

Operating Segments	Energy 2018 Rs.	Energy 2017 Rs.	Property 2018 Rs.	Property 2017 Rs.
Revenue				
External Customers	20,718,434,276	16,217,974,439	102,839,116	52,566,930
Inter-Segment	3,448,760	-	43,564,339	21,333,203
Total Revenue	20,721,883,036	16,217,974,439	146,403,455	73,900,133
Results				
Operating Profit	485,692,839	1,257,743,722	81,175,343	57,524,804
Finance Costs	(1,682,219,234)	(1,225,387,723)	(30,713,254)	(19,392,991)
Fair Value Gain on Investment Properties	43,000,000	26,000,000	74,743,346	12,315,960
Finance Income	44,723,011	42,030,418	354,661	133,632
Profit/(Loss) Before Tax	(1,108,803,383)	100,386,417	125,560,096	50,581,406
Income Tax Expense	48,392,322	(18,794,897)	(46,758,078)	(6,935,469)
Profit/(Loss) for The Year from Continuing Operations	(1,060,411,062)	81,591,520	78,802,019	43,645,937
Profit/(Loss) for The Year from Discontinued Operations	-	-	-	-
Profit/(Loss) for the Year	(1,060,411,062)	81,591,520	78,802,019	43,645,937
Net Profit/(Loss) on Available for Sale Financial Assets	12,802,667	2,912,536	-	-
Reclassification during the year Year to Profit or Loss	181,675,342	122,300,000	-	-
Actuarial Gains/(Losses) on Defined Benefit Plans	36,966,601	24,331,451	(130,304)	(329,504)
Exchange Difference in Translation of Foreign Operations	(33,308,699)	48,084,914	-	-
Surplus on Revaluation of Assets Transferred to Investment Properties	-	-	-	158,347,099
Income Tax Effect	(11,755,034)	(6,847,628)	(16,481,275)	(27,727,167)
Total Comprehensive Income/(Loss) for the Year Net of Tax	(874,030,185)	272,372,793	62,190,440	173,936,365

Trading

Selling of crude oil, refined oil products and petrochemicals.

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.

Transportation & Logistics		Trading		Eliminations/Adjustments		Group	
2018	2017	2018	2017	2018	2017	2018	2017
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
533,347,829	-	-	-	-	-	21,354,621,221	16,270,541,369
775,125,111	1,188,952,003	6,573,403,371	1,965,930,115	(7,395,541,581)	(3,176,215,321)	-	-
1,308,472,940	1,188,952,003	6,573,403,371	1,965,930,115	(7,395,541,581)	(3,176,215,321)	21,354,621,221	16,270,541,369
215,765,676	454,410,620	(95,225,682)	1,383,849	(651,048,908)	(1,070,765,275)	36,359,268	700,297,720
(54,147,111)	(61,569,918)	(3,265,687)	-	3,192,770	17,043,500	(1,767,152,515)	(1,289,307,132)
-	-	-	-	(11,300,000)	-	106,443,346	38,315,960
329,458	14,381,588	1,002	-	-	-	45,408,133	56,545,638
161,948,023	407,222,290	(98,490,367)	1,383,849	(659,156,138)	(1,053,721,775)	(1,578,941,768)	(494,147,814)
344,215	(843,500)	-	-	(51,113,193)	(102,039,000)	(49,134,733)	(128,612,866)
162,292,239	406,378,789	(98,490,367)	1,383,849	(710,269,331)	(1,155,760,774)	(1,628,076,501)	(622,760,680)
-	-	-	-	296,263,212	(4,554,000)	296,263,212	(4,554,000)
162,292,239	406,378,789	(98,490,367)	1,383,849	(414,006,119)	(1,160,314,775)	(1,331,813,289)	(627,314,680)
-	-	-	-	-	-	12,802,667	2,912,536
-	-	-	-	-	-	181,675,342	122,300,000
1,049,191	21,555	-	-	6,159,532	(3,968,540)	44,045,020	20,054,962
-	-	12,646,732	1,954,662	(42,210,752)	68,387,883	(62,872,719)	118,427,459
-	-	-	-	18,447,766	(21,826,666)	18,447,766	136,520,433
(431,315)	(6,035)	-	-	(148,939)	4,441,916	(28,816,563)	(30,138,913)
162,910,114	406,394,309	(85,843,635)	3,338,511	(431,758,512)	(1,113,280,181)	(1,166,531,776)	(257,238,201)

4. SEGMENT INFORMATION (CONTD.)

Operating Segments	Energy 2018 Rs.	Energy 2017 Rs.	Property 2018 Rs.	Property 2017 Rs.
Assets & Liabilities				
Total Non-Current Assets	14,815,419,120	17,975,590,886	1,884,935,653	1,803,960,678
Total Current Assets	6,460,889,430	6,909,245,245	230,829,011	248,692,037
Total Assets	21,276,308,550	24,884,836,131	2,115,764,663	2,052,652,715
Non-Current Liabilities				
Total Non-Current Liabilities	10,185,365,202	11,761,792,885	409,157,808	317,237,050
Total Current Liabilities	11,218,357,980	6,733,541,509	171,566,044	691,730,918
Total Liabilities	21,403,723,182	18,495,334,394	580,723,852	1,008,967,968
Other Disclosures				
Depreciation for the Year	569,706,538	516,220,707	7,167,003	2,951,444
Purchase of Property, Plant and Equipment, and investment properties	2,411,346,241	1,283,804,023	13,398,621	429,612,647
Provision for Employee Benefit Liability	50,339,185	50,368,993	277,142	56,318
Deferred Tax Assets	-	-	-	-
Deferred Tax Liabilities	489,422,564	657,674,551	168,513,401	34,638,315

Inter-segment revenues are eliminated upon consolidation; and operation results, assets and liabilities of discontinued segments are reflected in the adjustments/eliminations column.

Transportation & Logistics		Trading		Eliminations/Adjustments		Group	
2018	2017	2018	2017	2018	2017	2018	2017
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
7,646,447,116	4,506,232,582	1,320,155,770	1,320,390,864	(3,601,673,239)	2,625,269,243	22,065,284,420	28,231,444,254
3,161,061,480	1,501,640,262	1,341,979,941	267,122,297	(1,864,941,033)	(1,324,151,233)	9,329,818,829	7,602,548,608
10,807,508,596	6,007,872,844	2,662,135,711	1,587,513,161	(5,466,614,272)	1,301,118,010	31,395,103,249	35,833,992,862
6,898,955,414	1,930,028,619	-	-	(7,991,069)	5,152,078,747	17,485,487,355	19,161,137,299
1,574,468,105	1,775,834,538	1,373,632,610	213,166,425	(1,870,091,422)	(385,791,870)	12,467,933,319	9,028,481,521
8,473,423,519	3,705,863,157	1,373,632,610	213,166,425	(1,878,082,491)	4,766,286,877	29,953,420,674	28,189,618,820
255,214,522	200,616,086	484,936	427,826	3,597,729	864,059	836,170,727	721,080,123
3,393,227,034	2,896,158,097	147,072	367,630	259,895,915	4,763,298,569	6,078,014,883	9,373,240,966
684,593	354,960	-	-	16,675,677	13,247,485	67,976,597	64,027,756
207,947	235,085	-	-	-	17,158,544	207,947	17,393,629
-	-	-	-	(7,991,069)	(2,323,609)	649,944,896	689,989,257

4. SEGMENT INFORMATION (CONTD.)

Geographic Information	Sri Lanka 2018 Rs.	Sri Lanka 2017 Rs.	Bangladesh 2018 Rs.	Bangladesh 2017 Rs.
Revenue				
External Customers	13,466,857,585	10,439,453,282	7,887,763,636	5,831,088,087
Inter-Segment	822,138,210	1,210,285,206	-	-
Total Revenue	14,288,995,795	11,649,738,488	7,887,763,636	5,831,088,087
Results				
Operating Profit	478,868,352	1,257,347,357	303,765,506	512,331,789
Finance Costs	(1,763,886,828)	(1,289,307,132)	-	-
Fair Value Gain on Investment Properties	117,743,346	38,315,960	-	-
Finance Income	6,588,688	20,169,140	38,818,443	36,376,498
Profit/(Loss) Before Tax	(1,160,686,443)	26,525,325	342,583,949	548,708,287
Income Tax Expense	134,070,079	181,414,698	(132,091,619)	(207,988,564)
Profit/(Loss) for The Year from Continuing Operations	(1,026,616,364)	207,940,023	210,492,329	340,719,723
Profit/(Loss) for The Year from Discontinued Operations	296,263,212	(4,554,000)	-	-
Profit/(Loss) for the Year	(730,353,152)	203,386,022	210,492,329	340,719,723
Net Profit/(Loss) on Available for Sale Financial Assets	12,802,667	2,912,536	-	-
Reclassification during the year to Profit or Loss	181,675,342	122,300,000		
Actuarial Gains/(Losses) on Defined Benefit Plans	14,966,924	6,846,043	29,078,096	13,208,919
Exchange difference in translation of foreign operations	-	-	(75,507,893)	116,514,240
Surplus on revaluation of Assets transferred to Investment Properties	18,447,766	136,520,433	-	-
Income Tax Effect	(18,639,230)	(25,515,792)	(10,177,333)	(4,623,121)
Total Comprehensive Income for the Year Net of Tax	(521,099,682)	446,449,244	153,885,198	465,819,761
Assets & Liabilities				
Total Non-Current Assets	22,349,219,079	23,101,830,747	1,997,582,810	1,183,953,399
Total Current Assets	7,969,788,420	6,222,297,111	1,882,991,501	2,437,280,432
Total Assets	30,319,007,499	29,324,127,858	3,880,574,311	3,621,233,831
Total Non-Current Liabilities	17,142,103,436	18,849,304,087	351,374,989	316,169,926
Total Current Liabilities	11,310,563,276	7,576,360,996	1,653,828,856	1,624,745,969
Total Liabilities	28,452,666,712	26,425,665,083	2,005,203,845	1,940,915,895
Other Disclosures				
Depreciation for the Year	721,691,037	605,891,176	110,397,026	113,897,062
Purchase of Property, Plant and Equipment	4,860,352,323	4,250,199,447	957,619,573	359,375,320
Provision for Employee Benefit Liability	15,248,596	15,410,376	36,052,324	35,369,895
Deferred Tax Assets	207,947	235,085	-	-
Deferred Tax Liabilities	620,257,310	626,986,968	37,678,655	65,325,898

Inter-segment revenues are eliminated upon consolidation; and operation results, assets and liabilities of discontinued segments are reflected in the adjustments/eliminations column.

United Arab Emirates		Eliminations/Adjustments		Group	
2018	2017	2018	2017	2018	2017
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	21,354,621,221	16,270,541,369
6,573,403,371	1,965,930,115	(7,395,541,581)	(3,176,215,321)	-	-
6,573,403,371	1,965,930,115	(7,395,541,581)	(3,176,215,321)	21,354,621,221	16,270,541,369
(95,225,682)	1,383,849	(651,048,908)	(1,070,765,275)	36,359,268	700,297,720
(3,265,687)	-	-	-	(1,767,152,515)	(1,289,307,132)
-	-	(11,300,000)	-	106,443,346	38,315,960
1,002	-	-	-	45,408,133	56,545,638
(98,490,367)	1,383,849	(662,348,907)	(1,070,765,275)	(1,578,941,768)	(494,147,814)
-	-	(51,113,193)	(102,039,000)	(49,134,733)	(128,612,866)
(98,490,367)	1,383,849	(713,462,100)	(1,172,804,274)	(1,628,076,501)	(622,760,680)
-	-	-	-	296,263,212	(4,554,000)
(98,490,367)	1,383,849	(713,462,100)	(1,172,804,274)	(1,331,813,289)	(627,314,680)
-	-	-	-	12,802,667	2,912,536
		-	-	181,675,342	122,300,000
-	-	-	-	44,045,020	20,054,962
12,646,732	1,954,662	(11,557)	(41,442)	(62,872,719)	118,427,459
-	-	-	-	18,447,766	136,520,433
-	-	-	-	(28,816,563)	(30,138,913)
(85,843,635)	3,338,511	(713,473,657)	(1,172,845,717)	(1,166,531,776)	(257,238,201)
1,320,155,770	1,320,390,864	(3,601,673,239)	2,625,269,243	22,065,284,420	28,231,444,254
1,341,979,941	267,122,297	(1,864,941,033)	(1,324,151,233)	9,329,818,829	7,602,548,608
2,662,135,711	1,587,513,161	(5,466,614,272)	1,301,118,010	31,395,103,249	35,833,992,862
-	-	(7,991,069)	(4,336,714)	17,485,487,355	19,161,137,299
1,373,632,610	213,166,425	(1,870,091,422)	(385,791,870)	12,467,933,319	9,028,481,521
1,373,632,610	213,166,425	(1,878,082,491)	(390,128,584)	29,953,420,674	28,189,618,820
484,936	427,826	3,597,729	864,059	836,170,727	721,080,123
147,072	367,630	259,895,915	4,763,298,569	6,078,014,883	9,373,240,966
-	-	16,675,677	13,247,485	67,976,597	64,027,756
-	-	-	17,158,544	207,947	17,393,629
-	-	(7,991,069)	(2,323,609)	649,944,896	689,989,257

Notes to the Financial Statements

5. REVENUE/OTHER INCOME AND EXPENSES

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
5.1 Revenue				
Sale of Goods	21,208,217,766	16,217,974,439	12,834,119,400	10,386,886,352
Rendering of Services	146,403,455	52,566,930	-	-
	21,354,621,221	16,270,541,369	12,834,119,400	10,386,886,352
5.2 Other Operating Income				
Rent Income	7,372,138	8,672,174	7,372,138	8,672,174
Income from Non-Refundable Deposits	448,354,871	346,830,482	448,354,871	346,830,482
Project Work Income	6,265,042	13,372,660	6,265,042	13,372,660
Sundry Income	1,676,599	1,319,287	230,000	251,000
Dividend Income	4,359,720	3,072,799	509,152,304	771,027,108
Commission on Corporate Guarantees	-	397,500	31,727,757	16,765,136
	468,028,370	373,664,901	1,003,102,112	1,156,918,560
5.3 Finance Costs				
Interest Expense on Overdrafts	44,109,628	44,554,277	42,657,332	44,300,467
Interest Expense on Loans and Borrowings	1,435,842,979	1,076,732,819	1,352,361,994	997,897,621
Interest on Dealer Refundable Deposits	4,481,516	4,615,289	4,481,516	4,615,289
Interest on Import Loans	101,043,050	33,604,747	101,043,050	33,604,747
Corporate Guarantee Commission Expenses	-	7,500,000	-	22,669,600
Impairment Loss on Available for Sale Financial Assets	181,675,342	122,300,000	181,675,342	122,300,000
	1,767,152,515	1,289,307,132	1,682,219,234	1,225,387,723
5.4 Finance Income				
Interest Income	45,408,133	56,545,638	5,904,568	5,653,920
	45,408,133	56,545,638	5,904,568	5,653,920

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
5.5 Profit/(Loss) Before Tax				
Stated after Charging/(Crediting)				
Included in Cost of Sales				
Depreciation of Property, Plant and Equipment	763,566,077	648,424,110	419,736,162	360,026,320
Amortization of Intangible Assets	6,049,207	5,032,218	-	-
Employees Benefits including the following;	704,950,218	475,690,298	132,529,669	111,233,988
- Employee Benefit Plan Costs - Gratuity (Included in Employee Benefits)	5,440,716	-	-	-
- Defined Contribution Plan Costs - EPF and ETF (Included in Employees Benefits)	7,952,113	6,838,055	6,961,503	6,838,055
Included in Administration Expenses				
Employees Benefits including the following;	342,368,377	297,381,605	155,708,962	159,766,197
- Employee Benefit Plan Costs - Gratuity (Included in Employee Benefits)	31,762,201	50,780,273	14,286,861	14,999,098
- Defined Contribution Plan Costs - EPF and ETF (Included in Employees Benefits)	31,122,543	17,874,001	15,299,729	10,189,857
Depreciation of Property, Plant and Equipment	50,331,143	48,812,201	26,279,793	27,320,292
Amortization of Intangible Assets	13,268,934	13,587,147	13,185,498	13,587,147
Auditors' Remuneration	2,541,143	2,366,526	1,300,000	1,250,000
Donations	2,576,273	2,399,677	692,781	1,396,400
Research and Development	-	22,805	-	22,805
Included in Selling and Distribution Expenses				
Employees Benefits including the following;	265,834,010	178,162,498	118,691,669	118,334,678
- Employee Benefit Plan Costs - Gratuity (Included in Employee Benefits)	945,680	-	-	-
- Defined Contribution Plan Costs - EPF and ETF (Included in Employee Benefits)	23,591,518	9,543,849	9,493,516	9,543,849
Depreciation of Property, Plant and Equipment	22,273,508	23,843,812	13,293,557	14,977,033
Advertising and Promotion	342,636,972	263,784,956	262,033,932	219,491,640
5.6 Components of Other Comprehensive Income				
Available for Sale Financial Assets				
Gains/(Losses) arising during the Year	12,802,667	2,912,536	12,802,667	2,912,536
Employee Benefit Liability				
Actuarial Gains/(Losses) arising during the Year	44,045,020	20,054,963	7,888,505	11,122,532

6. INCOME TAX

The major components of income tax expense for the years ended 31 March 2018 and 31 March 2017 are as follows:

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
6.1 Statement of Profit or Loss				
Current Income Tax:				
Current Income Tax Expense (Note 6.4)	168,370,027	209,659,398	2,214,668	1,029,013
Dividend Tax of Subsidiaries	53,912,177	102,517,687	-	-
Under/(Over) Provision of Current Taxes in respect of Prior Year	7,843,219	1,429,046	4,937,940	(273,391)
	230,125,423	313,606,131	7,152,608	755,622
Deferred Income Tax:				
Deferred Taxation Charge/(Reversal) (Note 6.5)	(180,990,690)	(184,993,266)	(187,636,549)	(189,949,289)
Income Tax Expense Reported in the Statement of Profit or Loss	49,134,733	128,612,866	(180,483,941)	(189,193,667)
6.2 Statement of Changes in Equity				
Deferred Tax Related to Items Charged or Credited Directly to Equity during the year(Note 6.5):				
Tax Charge/(Reversal) on Deemed Cost Adjustment of Property, Plant and Equipment and investment Properties Attributable to Equity Holders of the Parent	117,891,059	(25,472,572)	45,454,105	(15,655,831)
Tax Charge/(Reversal) on Deemed Cost Adjustment of Property, Plant and Equipment Attributable to Non Controlling Interest	-	(289,510)	-	-
	117,891,059	(25,762,082)	45,454,105	(15,655,831)
6.3 Consolidated Statement of Other Comprehensive Income				
Deferred Tax related to Items Charged or Credited Directly to Equity during the Year:				
Surplus on Revaluation of Assets Transferred to Investment Properties	(15,662,389)	(23,961,401)	-	-
Actuarial Gain/(Loss) on Retirement Benefit Liability	(13,154,174)	(6,177,512)	(1,577,701)	(2,224,506)
Income Tax Charged Directly to Other Comprehensive Income	(28,816,563)	(30,138,913)	(1,577,701)	(2,224,506)

6.4 A Reconciliation between Tax Expense and the Product of Accounting Profit Multiplied by the Statutory Tax Rate for the Years Ended 31 March 2018 and 31 March 2017 are as follows:

		Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Accounting Loss before Tax		(1,578,941,768)	(494,147,814)	(1,451,387,333)	(448,321,871)
Adjustments in respect to Current Income Tax					
Consolidated Adjustments		649,462,030	1,082,824,409	-	-
Aggregate Disallowed Items		1,114,303,729	1,175,738,260	699,901,842	788,595,971
Aggregate Allowable Expenses		(2,553,003,972)	(5,090,427,998)	(1,749,094,809)	(1,885,042,579)
Tax Losses		2,842,553,839	3,919,336,499	2,500,580,300	1,544,768,479
Taxable Business Income		474,373,858	593,323,356	-	-
Other Sources of Income		12,852,617	10,968,262	12,168,507	5,653,920
Total Statutory Income		487,226,475	604,291,618	12,168,507	5,653,920
Deductions Under Section 32		(4,498,416)	(3,838,892)	(4,258,977)	(1,978,872)
Total Taxable Income		482,728,059	600,452,726	7,909,529	3,675,048
At the Statutory Income Tax Rate	- Business Profit	20% - 35%	20% - 35%	20%	20%
	- Other Income	28% - 35%	28% - 35%	28%	28%
Current Income Tax Expenses	- Business Profit	166,030,850	207,663,175	-	-
	- Other Income	2,339,176	1,996,224	2,214,668	1,029,013
Income Tax Expense reported in the Statement of Profit or Loss		168,370,027	209,659,398	2,214,668	1,029,013

6. INCOME TAX (CONTD.)

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

Company	Statement of Financial Position 2018 Rs.	Statement of Financial Position 2017 Rs.	Statement of Profit or Loss 2018 Rs.	Statement of Profit or Loss 2017 Rs.	Statement of Other Comprehensive Income 2018 Rs.	Statement of Other Comprehensive Income 2017 Rs.
Deferred Tax Liabilities						
Property, Plant and Equipment and Investment Properties	1,297,693,076	943,610,896	308,628,075	150,979,344	-	-
	1,297,693,076	943,610,896	308,628,075	150,979,344	-	-
Deferred Tax Assets						
Employee Benefit Liability	(10,854,851)	(11,974,965)	(457,587)	(1,641,355)	1,577,701	2,224,506
Provision for Impairments	(21,703,289)	(22,872,653)	1,169,364	(22,872,653)	-	-
Provision for Inventories	(630,219)	(8,267,636)	7,637,417	(8,267,636)	-	-
Losses Available for Offsetting Against Future Taxable Income	(812,760,807)	(308,146,989)	(504,613,818)	(308,146,989)	-	-
	(845,949,166)	(351,262,243)	(496,264,624)	(340,928,633)	1,577,701	2,224,506
Deferred Income Tax Expense			(187,636,549)	(189,949,289)	1,577,701	2,224,506
Net Deferred Tax Liability	451,743,910	592,348,653				

Group	Statement of Financial Position 2018 Rs.	Statement of Financial Position 2017 Rs.	Statement of Profit or Loss 2018 Rs.	Statement of Profit or Loss 2017 Rs.	Statement of Other Comprehensive Income 2018 Rs.	Statement of Other Comprehensive Income 2017 Rs.
Deferred Tax Liabilities						
Property, Plant and Equipment and Investment Properties	1,649,955,871	1,158,057,920	370,243,173	223,188,370	15,662,389	23,961,401
	1,649,955,871	1,158,057,920	370,243,173	223,188,370	15,662,389	23,961,401
Deferred Tax Assets						
Employee Benefit Liability	(52,017,771)	(76,633,322)	3,645,543	(14,130,658)	13,154,174	6,177,512
Provision for Impairments	(23,411,293)	(24,909,071)	1,169,364	(24,612,118)	-	-
Provision for Inventories	(70,050,796)	(24,224,434)	(46,524,134)	(24,224,434)	-	-
Losses Available for Offsetting Against Future Taxable Income	(854,739,062)	(359,695,466)	(509,524,636)	(345,214,426)	-	-
	(1,000,218,922)	(485,462,293)	(551,233,863)	(408,181,636)	13,154,174	6,177,512
Deferred Income Tax Expense			(180,990,690)	(184,993,266)	28,816,563	30,138,913
Net Deferred Tax Asset/Liability	649,736,949	672,595,627				

	2018	2017
Deferred Tax Liabilities	649,944,896	689,989,257
Deferred Tax Assets	(207,947)	(17,393,629)
	649,736,949	672,595,628

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
6.6 Reconciliation of Net Deferred Tax Liability				
As at 1 April	672,595,628	854,729,943	592,348,653	795,729,267
Exchange Difference on Translation of Foreign Operation	(980,066)	2,011,712	-	-
Tax (Reversal)/Expense during the Year recognised in the Statement of Profit or Loss from Continuing Operations	(180,990,690)	(184,993,266)	(187,636,549)	(189,949,289)
Tax (Reversal)/Expense during the Year recognised in the Statement of Profit or Loss from Discontinued Operations	(4,057,687)	(3,529,592)	-	-
Tax (Reversal)/Expense during the Year recognised in the Statement of Other Comprehensive Income	28,816,563	30,138,913	1,577,701	2,224,506
Deferred Tax Directly Recognised in Equity	117,891,059	(25,762,082)	45,454,105	(15,655,831)
Group Restructuring Adjustment	16,462,142	-	-	-
As at 31 March	649,736,949	672,595,628	451,743,910	592,348,653

6.7 Current Taxes

6.7.1 Corporate incomes taxes of Companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 10 of 2006 as amended, whilst Corporate Taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

Resident companies in the Group, excluding those which enjoy a tax holiday or concessionary rate of taxation, were liable to income tax at 28% during year of assessment 2017/18 (Y/A 2016/17 - 28 %).

6.7.2 Exemptions / Concessions Granted Under the Board of Investment Law

Company	Nature of the Exemption / Concession	Current Tax	Applicable Period
LAUGFS Gas PLC	Profit of the Company is exempt from Income Tax for a period of 3 years, at 10% for next 2 years and 20% thereafter	20%	Open-ended
LAUGFS Maritime Services (Pvt) Ltd.	Profit of the Company is exempt from Income Tax for a period of 8 years, as per Sec. 17A of Inland Revenue Act.	Exempt	8 Years ending 2021/2022

6.7.3 Corporate Income Tax of LAUGFS Gas (Bangladesh) Ltd. is computed at the highter of 0.3% of gross receipts and tax applied on taxable profits at 35% under Sec. 16CCC of Income Tax Ordinance (ITO) 1984 imposed by the Government of Bangladesh through Finance Act 2015.

6.7.4 Slogal Energy DMCC is a Company operating within the Dubai Multi Commodities Centre (DMCC) which is a free zone in the United Arab Emirates. Hence, no tax is applicable for the profits earned.

7. EARNINGS/(LOSS) PER SHARE

7.1 Basic/Diluted Earnings/(Loss) Per Share is calculated by dividing the net profit/(loss) 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/(Loss) Per Share computations.

	Group	
	2018 Rs.	2017 Rs.
Amount Used as the Numerator:		
Net Profit/(Loss) attributable to Ordinary Equity Holders of the Parent		
Continuing operations	(1,628,076,501)	(633,472,448)
Discontinued operations	296,263,212	(4,554,000)
Net Profit/(Loss) attributable to ordinary equity holders of the parent for Basic/Diluted Earnings/(Loss) Per Share	(1,331,813,289)	(638,026,448)

	2018 Number	2017 Number
Number of Ordinary Shares Used as the Denominator:		
Weighted Average Number of Ordinary Shares for Basic/Diluted Earnings/(Loss) Per Share	387,000,086	387,000,086

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

8. PROPERTY, PLANT AND EQUIPMENT

	Balance As at 01.04.2017 Rs.	Additions/ Incurred during the Year Rs.	Transfers In/ (Out)* Rs.	Revaluation Rs.	Disposals during the Year Rs.	Exchange Differences Rs.	Group Restructuring Rs.	Balance As at 31.03.2018 Rs.
8.1 Group								
8.1.1 Gross Carrying Amounts								
At Cost								
Freehold Land	1,056,581,031	8,000,000	(25,500,000)	5,088,000	-	-	(643,709,531)	400,459,500
Land Development	490,231,227	1,101,434	-	-	-	(1,376,532)	(101,204,138)	388,751,991
Buildings on Freehold Land	1,959,669,305	17,769,353	(95,413,322)	13,359,766	-	-	(1,692,587,908)	202,797,193
Buildings on Leasehold Land	2,618,492,670	116,959,826	5,876,142	-	(2,393,828)	(339,553)	(2,712,890,410)	25,704,848
Plant, Machinery and Equipment	6,697,954,003	120,033,938	28,217,903	-	(853,237)	(13,506,464)	(4,957,921,626)	1,873,924,518
Office Equipment	487,565,117	26,279,503	1,472,669	-	(7,356,041)	(858,184)	(380,278,677)	126,824,386
Furniture and Fittings	440,639,424	10,827,434	482,758	-	(731,593)	(547,200)	(256,950,662)	193,720,162
Jetty	56,012,700	-	-	-	-	(1,013,081)	-	54,999,620
Gas Point Dealer Huts	35,932,851	34,745,480	-	-	-	(82,186)	-	70,596,146
Motor Vehicles	501,619,306	2,843,045	-	-	(7,636,571)	(1,454,297)	(54,791,890)	440,579,593
Kitchen Equipments	82,784,134	3,327,210	(312,415)	-	-	-	(85,798,929)	-
GYM Equipments	11,632,567	68,290	-	-	-	-	(11,700,857)	-
Vessels	2,126,070,744	-	-	-	-	-	-	2,126,070,744
Dry Docking Cost of Vessels	279,360,653	91,689,352	-	-	(57,090,730)	-	-	313,959,275
Gas Stock in Tank	10,056,861	2,842,022	-	-	(5,222,089)	-	-	7,676,794
Cylinders in Hand and in Circulation	6,072,182,808	1,416,656,223	-	-	(61,898,941)	(2,813,501)	-	7,424,126,589
	22,926,785,401	1,853,143,111	(85,176,265)	18,447,766	(143,183,029)	(21,990,997)	(10,897,834,628)	13,650,191,359
Assets on Finance Leases								
Motor Vehicles	34,628,000	-	-	-	-	-	(34,628,000)	-
	34,628,000	-	-	-	-	-	(34,628,000)	-
Total Value of Depreciable Assets	22,961,413,401	1,853,143,111	(85,176,265)	18,447,766	(143,183,029)	(21,990,997)	(10,932,462,628)	13,650,191,359

Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

8.1 Group (Contd.)

	Balance As at 01.04.2017	Additions/ Incurred during the Year	Transfers In/ (Out)*	Revaluation	Disposals during the Year	Exchange Differences	Group Restructuring	Balance As at 31.03.2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
8.1.2 In the Course of Construction								
Buildings	63,368,908	9,118,797	(7,008,114)	-	-	-	(61,381,343)	4,098,248
Fire Water Storage Project	372,862	-	-	-	-	-	-	372,862
Fire Pump Installation	297,062	-	-	-	-	-	-	297,062
Galle Bottling Plant	1,572,917	-	-	-	-	-	-	1,572,917
Motor Tricycle	4,847,151	658,200	-	-	(220,325)	-	-	5,285,026
River Water Project	86,703	-	-	-	-	-	-	86,703
Motor Vehicles	831,796	-	-	-	-	-	-	831,796
Tank Installation Project	58,799,340	27,292,643	(28,216,834)	-	-	-	-	57,875,149
Land Preparation	893,220	60,000	-	-	-	-	-	953,220
Gas Shop	569,070	58,500	(512,108)	-	-	-	-	115,462
Hydro Power Plant	393,390,199	170,115,267	-	-	-	-	(563,505,466)	-
LPG Terminal Project	2,409,157,049	3,267,955,187	-	-	-	-	-	5,677,112,236
Storage Tank	239,149,486	228,559,827	-	-	-	(9,767,296)	-	457,942,018
LPG Pipe Lines	-	7,436,010	-	-	-	-	-	7,436,010
12.5kg Carousel	-	79,477	-	-	-	-	-	79,477
Cylinder Requalification Plant	-	126,351,184	-	-	-	(954,528)	-	125,396,656
Cylinders	-	375,312,210	-	-	-	(2,418,808)	-	372,893,402
	3,173,335,764	4,212,997,303	(35,737,056)	-	(220,325)	(13,140,632)	(624,886,809)	6,712,348,244
Total Gross Carrying Amount	26,134,749,165	6,066,140,413	(120,913,320)	18,447,766	(143,403,354)	(35,131,629)	(11,557,349,437)	20,362,539,603

	Balance As at 01.04.2017 Rs.	Charged for the Year Rs.	Transfers In/ (Out) Rs.	Revaluation Rs.	Disposals during the Year Rs.	Exchange Differences Rs.	Group Restructuring Rs.	Balance As at 31.03.2018 Rs.
8.1.3 Depreciation								
At Cost								
Land Development	22,003,628	9,033,292	-	-	-	(396,780)	(5,936,049)	24,704,091
Buildings on Freehold Land	114,199,092	43,554,418	(2,806,661)	-	-	-	(135,303,341)	19,643,508
Buildings on Leasehold Land	342,565,911	75,106,196	-	-	(371,222)	(92,628)	(408,394,675)	8,813,582
Plant, Machinery and Equipment	763,933,469	388,123,620	-	-	(699,216)	(4,702,124)	(518,016,147)	628,639,603
Office Equipment	227,251,237	53,404,401	4,037,676	-	(7,254,376)	(532,175)	(178,088,857)	98,817,905
Furniture and Fittings	124,693,511	45,362,860	(73,241)	-	(219,811)	(106,854)	(81,852,736)	87,803,731
Jetty	23,539,739	6,830,647	-	-	-	(477,357)	-	29,893,030
Gas Point Dealer Huts	18,792,164	4,793,520	-	-	-	(8,783)	-	23,576,901
Motor Vehicles	209,389,728	50,392,093	-	-	(5,789,529)	(966,347)	(30,148,371)	222,877,574
Kitchen Equipments	16,480,000	12,470,102	(3,964,435)	-	-	-	(24,985,666)	-
GYM Equipments	2,224,297	1,167,914	-	-	-	-	(3,392,211)	-
Vessels	214,678,953	156,989,495	-	-	-	-	-	371,668,448
Dry Docking cost of Vessels	121,834,724	92,088,541	-	-	(57,090,730)	-	-	156,832,535
Gas Stock in Tank	6,018,404	3,660,218	-	-	(5,222,089)	-	-	4,456,533
Cylinders in Hand and in Circulation	1,288,658,106	350,249,648	-	-	(24,177,725)	(360,465)	-	1,614,369,564
	3,496,262,965	1,293,226,964	(2,806,661)	-	(100,824,698)	(7,643,512)	(1,386,118,051)	3,292,097,006
Assets on Finance Lease								
Motor Vehicles	12,627,966	5,225,365	-	-	-	-	(17,853,330)	-
	12,627,966	5,225,365	-	-	-	-	(17,853,330)	-
Total Depreciation	3,508,890,930	1,298,452,329	(2,806,661)	-	(100,824,698)	(7,643,512)	(1,403,971,382)	3,292,097,006

*The transfer amounting to Rs. 2,806,661/- relates to the accumulated depreciation as at revaluation date which was eliminated against the gross carrying amount of the revalued asset.

Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT (CONTD...)

8.1.4 Net Book Values

	2018 Rs.	2017 Rs.
At Cost		
Freehold Land	400,459,500	1,056,581,031
Land Development	364,047,900	468,227,599
Buildings on Freehold Land	183,153,685	1,845,470,213
Buildings on Leasehold Land	16,891,266	2,275,926,760
Plant, Machinery and Equipment	1,245,284,915	5,934,020,533
Office Equipment	28,006,481	260,313,880
Furniture and Fittings	105,916,431	315,945,913
Jetty	25,106,590	32,472,961
Gas Point Dealer Huts	47,019,245	17,140,687
Motor Vehicles	217,702,019	292,229,578
Kitchen Equipments	-	66,304,134
GYM Equipments	-	9,408,270
Vessels	1,754,402,295	1,911,391,790
Dry Docking Cost of Vessels	157,126,740	157,525,929
Gas Stock in Tank	3,220,261	4,038,456
Cylinders in Hand and in Circulation	5,809,757,025	4,783,524,702
	10,358,094,353	19,430,522,437
Assets on Finance Leases		
Motor Vehicles	-	22,000,034
	-	22,000,034
In the Course of Construction		
Buildings	4,098,248	63,368,908
Fire Water Storage Project	372,862	372,862
Fire Pump Installation	297,062	297,062
Galle Bottling Plant	1,572,917	1,572,917
Motor Tricycle	5,285,026	4,847,151
River Water Project	86,703	86,703
Motor Vehicles	831,796	831,796
Tank Installation Project	57,875,149	58,799,340
Land Preparation	953,220	893,220
Gas Shop	115,462	569,070
Hydro Power Plant	-	393,390,199
LPG Terminal Project	5,677,112,236	2,409,157,049
Storage Tank	457,942,018	239,149,486
LPG Pipe Lines	7,436,010	-
12.5kg Carousel	79,477	-
Cylinder Requalification Plant	125,396,656	-
Cylinders	372,893,402	-
	6,712,348,247	3,173,335,764
Total Carrying Amount of Property, Plant and Equipment	17,070,442,596	22,625,858,235

8.2 Company

	Balance As at 01.04.2017 Rs.	Additions/ Incurred during the Year Rs.	Transfer In/(Out) Rs.	Disposals during the Year Rs.	Balance As at 31.03.2018 Rs.
8.2.1 Gross Carrying Amounts					
At Cost					
Freehold Land	365,327,500	8,000,000	-	-	373,327,500
Land Development	314,020,789	-	-	-	314,020,789
Buildings on Freehold Land	99,176,843	1,072,000	-	-	100,248,843
Building on Leasehold Land	6,121,851	-	-	-	6,121,851
Plant, Machinery and Equipment	1,045,792,190	13,721,297	28,217,903	-	1,087,731,390
Office Equipment	65,565,274	2,027,949	-	-	67,593,223
Furniture and Fittings	126,610,057	1,058,349	511,040	-	128,179,446
Gas Point Dealer Huts	35,499,651	23,866,552	-	-	59,366,202
Motor Vehicles	358,799,507	2,827,045	-	-	361,626,552
Cylinders in Hand and in Circulation	5,961,695,749	1,308,752,893	-	(61,898,941)	7,208,549,701
Total Value of Depreciable Assets	8,378,609,410	1,361,326,085	28,728,943	(61,898,941)	9,706,765,497
In the Course of Construction					
Buildings	2,416,438	1,681,810	-	-	4,098,248
Fire Water Storage Project	372,862	-	-	-	372,862
Fire Pump Installation	297,062	-	-	-	297,062
Galle Bottling Plant	1,572,917	-	-	-	1,572,917
Motor Tricycle	4,847,151	658,200	-	(220,325)	5,285,026
River Water Project	86,703	-	-	-	86,703
Motor Vehicles	831,796	-	-	-	831,796
Tank Installation Project	58,799,340	27,292,643	(28,216,834)	-	57,875,149
Land Preparation	893,220	60,000	-	-	953,220
Gas Shop	569,070	58,500	(512,108)	-	115,462
Storage Tanks	6,171,971	-	-	-	6,171,971
LPG Pipe Lines	-	7,436,010	-	-	7,436,010
Cylinders	-	55,133,940	-	-	55,133,940
12.5kg Carousel	-	79,477	-	-	79,477
	76,858,530	92,400,581	(28,728,942)	(220,325)	140,309,844
Total Gross Carrying Amount	8,455,467,941	1,453,726,666	-	(62,119,266)	9,847,075,341

8. PROPERTY, PLANT AND EQUIPMENT (CONTD...)

8.2 Company (Contd…)

	Balance As at 01.04.2017	Additions/ Incurred during the Year	Transfer In/(Out)	Disposals during the Year	Balance As at 31.03.2018
	Rs.	Rs.	Rs.	Rs.	Rs.
8.2.2 Depreciation					
At Cost					
Buildings on Freehold Land	13,064,905	2,847,280	-	-	15,912,185
Buildings on Leasehold Land	1,785,005	437,100	-	-	2,222,105
Plant, Machinery and Equipment	270,654,293	60,106,247	-	-	330,760,540
Office Equipment	57,164,953	4,768,041	-	-	61,932,994
Furniture and Fittings	61,172,022	13,131,884	-	-	74,303,906
Gas Point Dealer Huts	18,788,554	3,587,651	-	-	22,376,204
Motor Vehicles	131,014,005	32,248,750	-	-	163,262,755
Cylinders in Hand and in Circulation	1,272,097,695	342,182,558	-	(24,177,725)	1,590,102,528
Total Depreciation	1,825,741,432	459,309,512	-	(24,177,725)	2,260,873,219

	2018 Rs.	2017 Rs.
8.2.3 Net Book Values		
At Cost		
Freehold Land	373,327,500	365,327,500
Land Development	314,020,789	314,020,789
Buildings on Freehold Land	84,336,658	86,111,938
Building on Leasehold Land	3,899,746	4,336,846
Plant, Machinery and Equipment	756,970,851	775,137,897
Office Equipment	5,660,228	8,400,320
Furniture and Fittings	53,875,540	65,438,034
Gas Point Dealer Huts	36,989,998	16,711,097
Motor Vehicles	198,363,797	227,785,502
Cylinders in Hand and in Circulation	5,618,447,172	4,689,598,054
	7,445,892,278	6,552,867,978
In the Course of Construction		
Buildings	4,098,248	2,416,438
Fire Water Storage Project	372,862	372,862
Fire Pump Installation	297,062	297,062
Galle Bottling Plant	1,572,917	1,572,917
Motor Tricycle	5,285,026	4,847,151
River Water Project	86,703	86,703
Motor Vehicles	831,796	831,796
Tank Installation Project	57,875,149	58,799,340
Land Preparation	953,220	893,220
Gas Shop	115,462	569,070
Storage Tanks	6,171,971	6,171,971
LPG Pipe Lines	7,436,010	-
Cylinders	55,133,940	-
12.5kg Carousel	79,477	-
	140,309,844	76,858,530
Total Carrying Amount of Property, Plant and Equipment	7,586,202,122	6,629,726,509

Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT (CONTD...)

8.3 During the financial year, the Group and Company acquired property, plant & equipment to the aggregate value of Rs.6,066,140,413/- and Rs. 1,453,726,668/- respectively (2017 - Rs.9,300,933,699/- and Rs. 924,428,703/-) of which Rs.Nil (2017- Nil) was acquired by means of finance leases. Cash payment amounting Rs.6,066,140,413/-and Rs. 1,453,726,668/- respectively. (2017 - Rs.6,066,140,413/-and Rs. 924,428,703/-).

8.4 The amount of borrowing costs capitalised with property,plant and equipment during the year ended 31 March 2018 was Rs.365,116,693/- (2017-Rs.326,181,684/-).

8.5 Consequence to the Group restructuring, Group has recognised a freehold property located at Maya Avenue as investment properties, which was previously recognised under Property, Plant & Equipment in the Group financial statements. Corresponding surplus on revaluation amounting to Rs.18,447,766/- has been recognised in revaluation reserve in the equity at the point of transfer.

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

	2018 Rs.	2017 Rs.
Group		
Land Development*	13-28 Years	13-28 Years
Buildings on Freehold Land	40 - 50 Years	40 - 50 Years
Buildings on Leasehold Land*	9 - 27 Years	9 - 27 Years
Plant, Machinery and Equipment	3 - 20 Years	3 - 20 Years
Office Equipment	3 - 10 Years	3 - 10 Years
Furniture and Fittings	10 Years	10 Years
Jetty	20 Years	20 Years
Gas Point Dealer Huts	5-10 Years	5-10 Years
Motor Vehicles	3 - 30 Years	3 - 30 Years
Kitchen Equipments	10 Years	10 Years
GYM Equipments	10 Years	10 Years
Cylinders in Hand and in Circulation	20 Years	20 Years
Vessels	10 Years	10 Years
Dry Docking Cost of Gas Challenger	3 Years	3 Years
Gas Stock in Tank	3 Years	3 Years
Company		
Buildings on Freehold Land	40 Years	40 Years
Buildings on Leasehold Land*	14 Years	14 Years
Plant, Machinery and Equipment	3 - 20 Years	3 - 20 Years
Office Equipment	4 Years	4 Years
Furniture and Fittings	10 Years	10 Years
Gas Point Dealer Huts	5-10 Years	5-10 Years
Motor Vehicles	3 - 30 Years	3 - 30 Years
Cylinders in Hand and in Circulation	20 Years	20 Years

*or period of the lease, whichever is shorter.

9. INVESTMENT PROPERTIES

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
As at 1 April	2,270,800,000	735,500,000	761,500,000	735,500,000
Addition during the Year	11,956,655	73,684,040	-	-
Transfers In/(Out)	118,106,661	1,423,300,000	-	-
Revaluation	106,443,346	38,315,960	43,000,000	26,000,000
As at 31 March	2,507,306,661	2,270,800,000	804,500,000	761,500,000

Rental Income derived from Investment Properties	102,839,116	52,566,930	5,343,222	4,077,107
Net Profit arising from Investment Properties	102,839,116	52,566,930	5,343,222	4,077,107

9.1 Fair value related disclosures of the Investment Properties

Fair Value hierarchy

The fair value of the Company's investment property are categorised into Level 3 of the fair value hierarchy.

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 2018 and 31 March 2017. Description of valuation techniques used and key inputs to valuation as follows

	Valuation Technique	Significant Unobservable inputs	2018	2017
LAUGFS Gas PLC				
Land & Building - Galle	Direct Capital Comparison Method	Price per perch for land	Rs.1,550,000	Rs.1,450,000
		Price per square foot for building	Rs.1,500 - 2,500	Rs.1,500 - 2,500
		Depreciation rate	10% - 30%	10% - 30%
Land - Colombo	Direct Capital Comparison Method	Price per perch for land	Rs.9,250,000	Rs.8,750,000
Land & Building - Colombo	Direct Capital Comparison Method	Price per perch for land	Rs.9,000,000	Rs.8,500,000
		Price per square foot for building	Rs.1,750 - 4,000	Rs.1,750 - 3,750
		Depreciation rate	15%	15%
Land - Biyagama	Direct Capital Comparison Method	Price per perch for land	Rs.315,000	Rs.300,000

Notes to the Financial Statements

9. INVESTMENT PROPERTIES (CONTD.)

9.1 Fair value related disclosures of the Investment Properties (Contd.)

	Valuation Technique	Significant Unobservable inputs	2018	2017
LAUGFS Property Developers (Pvt) Ltd				
Land & Building - Colombo	Direct Capital Comparison Method	Price per perch for land	Rs.8,000,000	Rs.7,750,000
		Price per square foot for building	Rs.17,500	Rs.15,750
		Depreciation rate	10%	5%
Land - Colombo	Direct Capital Comparison Method	Price per perch for land	Rs.4,250,000	Rs.4,000,000

10 INTANGIBLE ASSETS

	Group			Company	
	Software Rs.	Goodwill Rs.	Total Rs.	Software Rs.	Total Rs.
Cost					
As at 1 April 2017	95,546,136	3,041,624,429	3,137,170,565	54,668,438	54,668,438
Additions	12,220,278	-	12,220,278	372,505	372,505
Exchange Differences on Translations of Foreign Operations	(7,855)	(42,495,370)	(42,503,225)	-	-
Group Restructuring	(23,195,078)	(683,335,489)	(706,530,567)	-	-
As at 31 March 2018	84,563,481	2,315,793,570	2,400,357,052	55,040,942	55,040,942
Amortization and Impairment					
As at 1 April 2017	48,357,184	-	48,357,184	29,491,061	29,491,061
Amortization	24,978,886	-	24,978,886	13,185,498	13,185,498
Group Restructuring	(16,379,595)	-	(16,379,595)	-	-
As at 31 March 2018	56,956,475	-	56,956,475	42,676,559	42,676,559
Net Book Values					
As at 1 April 2017	47,188,952	3,041,624,429	3,088,813,381	25,177,376	25,177,376
As at 31 March 2018	27,607,006	2,315,793,570	2,343,400,577	12,364,383	12,364,383

11. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations are allocated to the Energy, Other Services, Leisure & Hospitality, Property Development and Power cash generating units, which are also operating and reportable segments, for impairment testing purpose.

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

	2018 Rs.	2017 Rs.
Other Services	-	34,245,161
Leisure & Hospitality	-	9,940,734
Property Development	8,742,326	8,742,326
Power	-	639,149,594
Energy	2,307,051,244	2,349,546,614
	2,315,793,570	3,041,624,429

The Group performed its annual impairment test as at 31 March of each financial year. The Group considers the net assets position and future cash flows of each operating segment, among other factors, when reviewing for the indicators of impairment. As at 31 March 2018, there was no any significant indicator for potential impairment of goodwill and impairment of the assets of the operating segments.

12. PREPAYMENTS

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Prepayments	176,897,779	191,001,323	34,073,223	18,879,274
Group restructuring adjustment	(100,803,615)	-	-	-
	76,094,163	191,001,323	34,073,223	18,879,274
Prepayments within One Year (Current)	69,801,807	85,250,366	34,073,223	18,879,274
Prepayments after One Year (Non-Current)*	6,292,356	105,750,957	-	-
	76,094,163	191,001,323	34,073,223	18,879,274

13. INVESTMENTS IN SUBSIDIARIES

13.1 Company

Non-Quoted	Country of Incorporation	% of Holding 2018	% of Holding 2017	Cost 2018 Rs.	Directors' Valuation 2018 Rs.	Cost 2017 Rs.	Directors' Valuation 2017 Rs.
LAUGFS Eco Sri Ltd.	Sri Lanka	0%	100%	-	-	416,301,984	416,301,984
LAUGFS Leisure Ltd.	Sri Lanka	0%	100%	-	-	3,000,000,000	3,000,000,000
LAUGFS Property Developers (Pvt) Ltd.	Sri Lanka	75%	86%	870,000,020	870,000,020	550,000,000	550,000,000
LAUGFS Power Ltd.	Sri Lanka	0%	100%	-	-	1,879,999,930	1,879,999,930
LAUGFS Maritime Services Ltd.	Sri Lanka	100%	100%	800,000,010	800,000,010	800,000,010	800,000,010
LAUGFS Gas (Bangladesh) Ltd	Bangladesh	69%	69%	2,597,931,346	2,597,931,346	2,597,931,346	2,597,931,346
SLOGAL Energy DMCC	United Arab Emirates	100%	100%	1,356,103,616	1,356,103,616	1,356,103,616	1,356,103,616
LAUGFS Terminals Ltd.	Sri Lanka	100%	100%	1,250,000,010	1,250,000,010	1,250,000,010	1,250,000,010
Total Non-Quoted Investments in Subsidiaries				6,874,035,002	6,874,035,002	11,850,336,896	11,850,336,896

13.2 Investments in LAUGFS Eco Sri Ltd (formally known as LAUGFS Eco Sri (Pvt) Ltd), LAUGFS Leisure Ltd and LAUGFS Power Ltd have been vested to the shareholders of LAUGFS Gas PLC, with effect from 31 March 2018 (Note 15.2.1).

14. ACQUISITION OF NON-CONTROLLING INTERESTS

Acquisitions in 2018

None.

Acquisitions in 2017

Acquisition of additional interest in LAUGFS Gas (Bangladesh) Ltd.

On 28 April 2016, the Group acquired an additional 31% interest in the voting shares of LAUGFS Gas (Bangladesh) Ltd., increasing its ownership interest to 100%. Cash consideration of Rs. 1,316,513,393 was paid to the non-controlling shareholders. The carrying value of the net assets of LAUGFS Gas (Bangladesh) Ltd. (excluding goodwill on the original acquisition) was Rs. 1,523,052,257. Following is a schedule of additional interest acquired in LAUGFS Gas (Bangladesh) Ltd.:

	2017 Rs.
Cash Consideration Paid to Non-Controlling Shareholders	1,316,513,393
Carrying Value of the Additional Interest in LAUGFS Gas (Bangladesh) Ltd.	(1,205,488,107)
Effect of Movements in Exchange Rates	19,272,823
Difference Recognised in Retained Earnings	130,298,109

15. GROUP RESTRUCTURING

15.1 Arrangement

The Board of Directors of LAUGFS Gas PLC at a meeting held on 23 December 2017 resolved to segregate its Subsidiaries not relating to the core business of Gas (LAUGFS Eco Sri Limited, LAUGFS Leisure Limited and LAUGFS Power Limited) from LAUGFS Gas PLC, with the Subsidiaries having imitated shareholding to LAUGFS Gas PLC and that segregation be effected in terms of an "Arrangement" approved by court under Sec. 256 of the Companies Act No. 07 of 2007.

The restructuring arrangement has been dully approved by the shareholders of the LAUGFS Gas PLC at a Extraordinary General Meeting held on 20 March 2018 and the Commercial High Court of The Western Province on 23 March 2018 in following manner,

- Each ordinary voting share of the LAUGFS Gas PLC as at 31 March 2018 being vested with one (01) ordinary voting share of LAUGFS Leisure Limited, one (01) ordinary voting share of LAUGFS Power Limited and one (01) ordinary voting share of LAUGFS Eco Sri Limited; and each ordinary non-voting share of the Company as at 31 March 2018 being vested with one (01) ordinary non-voting share of LAUGFS Leisure Limited, one (01) ordinary non-voting share of LAUGFS Power Limited and one (01) ordinary non-voting share of LAUGFS Eco Sri Limited, in addition to the shares which each shareholder holds in LAUGFS Gas PLC as at 31 March 2018.

- Stated capital of LAUGFS Gas PLC be reduced from Rs.3,285,000,260/- to Rs.1 000,000,000/- as at 31 March 2018.

15.2 Company

15.2.1 Investments in Subsidiaries Vested to Shareholders of LAUGFS Gas PLC

LAUGFS Eco Sri Limited (incorporated and domiciled in Sri Lanka), LAUGFS Leisure Limited (incorporated and domiciled in Sri Lanka) and LAUGFS Power Limited (incorporated and domiciled in Sri Lanka) were 100% owned subsidiaries of LAUGFS Gas PLC up to 31 March 2018. With effect from the restructuring arrangement, investments in said companies have been vested to the shareholders of LAUGFS Gas PLC on 31 March 2018.

	Rs.
Reduction of Stated Capital under Sec. 256 of the Companies Act No. 07 of 2007	2,285,000,260
Amount recognised in Retained Earnings	3,312,431,819

15.3 Group

Consequent to the restructuring arrangement, LAUGFS Eco Sri Limited, LAUGFS Leisure Limited and LAUGFS Power Limited became direct subsidiaries of LAUGFS Holdings Limited with effect from 31 March 2018. The Management of the Group is of the view that despite the transaction resulting a change in the immediate parent of above companies., the Group and above companies are ultimately controlled by the same party which is LAUGFS Holdings Ltd., both before and after the vesting of shares, and that control is not transitory. Hence, this transaction is a group reorganization involving entities or business under common control.

15.3.1 Discontinued Operations

Financial results of LAUGFS Eco Sri Limited, LAUGFS Leisure Limited and LAUGFS Power Limited for the year ended 31 March 2018 are classified as discontinued operations with the vesting of shares on 31 March 2018.

The businesses of LAUGFS Eco Sri Limited, LAUGFS Leisure Limited and LAUGFS Power Limited represented the entirety of the Group's Other Services, Leisure & Hospitality and Power operating segments respectively until 31 March 2018. With said companies are classified as discontinued operations, the Other Services, Leisure & Hospitality and Power segments are no longer presented in the segment note. The results of LAUGFS Eco Sri Limited, LAUGFS Leisure Limited and LAUGFS Power Limited for the year are presented below;

15. GROUP RESTRUCTURING (CONTD.)

15.3.1 Discontinued Operations (Contd.)

	2018				2017			
	LAUGFS Eco Sri Limited	LAUGFS Leisure Limited	LAUGFS Power Limited	Total	LAUGFS Eco Sri Limited	LAUGFS Leisure Limited	LAUGFS Power Limited	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	1,339,933,463	648,814,392	1,068,339,528	3,057,087,383	1,240,302,196	416,145,584	138,462,727	1,794,910,506
Cost of Sales	(260,217,754)	(255,144,828)	(265,287,591)	(780,650,173)	(224,367,842)	(158,129,559)	(39,326,893)	(421,824,294)
Gross Profit	1,079,715,709	393,669,564	803,051,937	2,276,437,210	1,015,934,354	258,016,025	99,135,833	1,373,086,212
Other Operating Income	4,790,103	6,110	-	4,796,213	6,792,151	126,811	-	6,918,962
Expenses	(630,561,529)	(540,699,085)	(55,368,195)	(1,226,628,809)	(544,296,553)	(458,542,179)	(31,706,378)	(1,034,545,111)
Operating Profit/(Loss)	453,944,282	(147,023,410)	747,683,742	1,054,604,613	478,429,952	(200,399,343)	67,429,455	345,460,063
Finance Income	28,870,597	344,993	5,609,117	34,824,707	23,596,301	689,246	978,505	25,264,052
Finance Costs	(1,265,961)	(274,889,448)	(413,130,714)	(689,286,124)	(2,056,916)	(202,269,402)	(56,268,798)	(260,595,115)
Profit/(Loss) Before Tax from Discontinued Operations	481,548,918	(421,567,866)	340,162,145	400,143,197	499,969,336	(401,979,498)	12,139,162	110,129,000
Income Tax Expense	(105,113,369)	752,882	480,501	(103,879,985)	(111,222,211)	1,022,686	(4,483,476)	(114,683,000)
Profit/(Loss) for the Year from Discontinued Operations	376,435,550	(420,814,984)	340,642,646	296,263,212	388,747,126	(400,956,812)	7,655,686	(4,554,000)

The net cash flows incurred by LAUGFS Eco Sri Limited, LAUGFS Leisure Limited and LAUGFS Power Limited are, as follows:

	2018				2017			
	LAUGFS Eco Sri Limited	LAUGFS Leisure Limited	LAUGFS Power Limited	Total	LAUGFS Eco Sri Limited	LAUGFS Leisure Limited	LAUGFS Power Limited	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Operating	340,094,141	(183,780,972)	342,433,982	498,747,151	455,426,975	(837,852,089)	(875,980,493)	(1,258,405,608)
Investing	(243,708,914)	(172,945,764)	(168,581,103)	(585,235,781)	(17,300,570)	(952,009,904)	(3,338,633,546)	(4,307,944,020)
Financing	(408,498,397)	111,999,953	(103,710,258)	(400,208,702)	(452,996,547)	1,632,519,400	4,226,529,454	5,406,052,306
Net cash (outflow)/inflow	(312,113,170)	(244,726,783)	70,142,622	(486,697,332)	(14,870,143)	(157,342,593)	11,915,414	(160,297,321)

	2018	2017
Earnings/(Loss) Per Share		
Basic/Diluted Profit/(Loss) for the year from discontinued operations	0.77	(0.01)

Above financial results relating to LAUGFS Leisure Limited and LAUGFS Power Limited are consolidated results which include;
- Anantaya Passekudah (Pvt) Limited, Anantaya Wadduwa (Pvt) Limited and LAUGFS Hotel Management Services (Pvt) Limited (fully owned subsidiaries of LAUGFS Leisure Limited) and

- Anorchi Lanka (Pvt) Limited, Iris Eco Power Lanka (Pvt) Limited, Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Limited, Pams Power (Pvt) Limited (fully owned subsidiaries of LAUGFS Power Limited) respectively.

15.3.2 Assets and Liabilities Transferred

The carrying values of the identifiable assets and liabilities as at the date of restructuring were:

		2018			
	Note	LAUGFS Eco Sri Limited Rs.	LAUGFS Leisure Limited Rs.	LAUGFS Power Limited Rs.	Total Rs.
Assets					
Property, Plant and Equipment	8.1	158,074,858	5,057,977,558	4,937,325,639	10,153,378,055
Deferred Tax Assets	6.6	13,656,925	1,597,481	1,207,736	16,462,142
Intangible Assets (excluding Goodwill)	10	4,118,677	2,696,806	-	6,815,484
Prepayments	12	-	70,903,851	29,899,765	100,803,615
Inventories		38,241,504	79,503,808	-	117,745,311
Trade and Other Receivables		69,745,445	152,600,867	432,068,711	654,415,023
Income Tax Recoverable		-	5,488,687	5,421,497	10,910,184
Cash and Short-Term Deposits	20.4	104,514,848	18,909,083	115,671,431	239,095,361
		388,352,256	5,389,678,141	5,521,594,778	11,299,625,176
Liabilities					
Interest Bearing Loans and Borrowings (excluding Bank Overdrafts)	17.2	(12,135,349)	(1,937,997,800)	(3,418,452,452)	(5,368,585,601)
Bank Overdrafts	20.4	(25,455,078)	(434,401,771)	(6,271,063)	(466,127,911)
Employee Benefit Liability	25.5	(40,767,791)	(8,100,515)	(1,428,405)	(50,296,711)
Trade and Other Payables		(43,532,866)	(1,177,152,531)	(231,800,412)	(1,452,485,809)
Income Tax Payable		(28,094,936)	-	(231,099)	(28,326,035)
		(149,986,019)	(3,557,652,617)	(3,658,183,431)	(7,365,822,067)
Total Identifiable Net Assets at 31 March 2018		238,366,237	1,832,025,524	1,863,411,348	3,933,803,109
Goodwill	10	34,245,161	9,940,734	639,149,594	683,335,489
Non-Controlling Interest arising on Group restructuring*	16	386,183,727	-	-	386,183,727
Consolidation adjustments		-	-	-	301,130,035
Group's Carrying Amount of the Investment Transferred to the Shareholders		658,795,125	1,841,966,258	2,502,560,942	5,304,452,360
* Interests held by transferred subsidiaries in remaining group assets.					
Reduction of Stated Capital under Sec. 256 of the Companies Act No. 07 of 2007					2,285,000,260
Amount recognised in Retained Earnings and Other Reserves					3,019,452,100

Carrying amounts relating to LAUGFS Leisure Limited and LAUGFS Power Limited are consolidated values which include;
- Anantaya Passekudah (Pvt) Limited, Anantaya Wadduwa (Pvt) Limited and LAUGFS Hotel Management Services (Pvt) Limited (fully owned subsidiaries of LAUGFS Leisure Limited) and

- Anorchi Lanka (Pvt) Limited, Iris Eco Power Lanka (Pvt) Limited, Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Limited, Pams Power (Pvt) Limited (fully owned subsidiaries of LAUGFS Power Limited) respectively.

16. MATERIAL PARTLY-OWNED SUBSIDIARIES

16.1 LAUGFS Eco Sri Limited (fully owned subsidiary of the group before restructuring) owned 25% of interests of LAUGFS Property Developers (Pvt) Limited.

16.2 Financial information of subsidiaries that have material non-controlling interests for the year ended 31 March 2018 is provided below:

Proportion of Equity Interest Held by Non-Controlling Interests: :

Name	Country of Incorporation and Operation	2018
LAUGFS Property Developers (Pvt) Limited	Sri Lanka	25%

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	2018 Rs.
Summarised Statement of Profit or Loss	
Revenue	146,403,455
Direct Operating Expenses	(9,180,052)
Administrative Expenses	(56,048,059)
Fair Value Gain on Investments Properties	74,743,345
Finance Costs	(30,713,254)
Finance Income	354,652
Profit before Tax	125,560,087
Income Tax	(46,758,078)
Profit for the Year	78,802,009
Other Comprehensive Income	(16,611,579)
Total Comprehensive Income	62,190,430
Attributable to Non-Controlling Interests	-
Dividends Paid to Non-Controlling Interests	-

	2018 Rs.
Summarised Statement of Financial Position	
Trade and Other Receivables, Prepayments and Cash and Short-Term Deposits Balances (Current)	230,829,011
Property, Plant and Equipment, Investment Properties and Other Non-Current Assets (Non-Current)	1,884,935,642
Trade and Other Payables and Interest Bearing Loans and Borrowings (Current)	(161,871,938)
Employee Benefit Liabilities, Deferred Tax Liabilities and Other Non-Current Liabilities (Non-Current)	(409,157,807)
Total Equity	1,544,734,908
Attributable to Equity Holders of Parent	1,158,551,181
Attributable to Non-Controlling Interest	386,183,727

	2018 Rs.
Summarised Cash Flow Information	
Operating	(446,419,788)
Investing	(13,398,631)
Financing	466,573,346
Net Increase/(Decrease) in Cash and Cash Equivalents	6,754,928

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

17.1 Other Financial Assets

	2018 Rs.	2017 Rs.
17.1.1 Available for Sale Investments		
Group/Company		
Quoted Equity Shares		
Ceylon Guardian Investment Trust PLC	1,516,672	1,666,490
Citrus Leisure PLC	11,250,000	10,500,000
Colombo City Holdings PLC	9,178,800	8,400,000
Commercial Bank of Ceylon PLC	26,346,151	22,998,648
Ceylon Grain Elevators PLC	71,500,000	68,900,000
Lanka Orix Leasing Company PLC	4,130,000	2,135,000
Three Acre Farms PLC	3,449,600	3,951,640
Browns Capital PLC	10,263,060	4,276,275
	137,634,283	122,828,052
17.1.2 Financial Instruments at Fair Value through Profit or Loss		
Group / Company		
Quoted Equity Shares		
Union Bank of Colombo PLC	126,720	140,580
Multi Finance PLC	2,551,620	2,551,620
Total Financial Instruments at Fair Value through Profit or Loss	2,678,340	2,692,200
Total Other Financial Assets	140,312,623	125,520,252
Group / Company		
Total Current	2,678,340	2,692,200
Total Non-Current	137,634,283	122,828,052
	140,312,623	125,520,252

17.2 Other financial liabilities

17.2.1 Interest Bearing Loans and Borrowings

Group	2018 Amount Repayable Within 1 Year Rs.	2018 Amount Repayable After 1 Year Rs.	2018 Total Rs.	2017 Amount Repayable Within 1 Year Rs.	2017 Amount Repayable After 1 Year Rs.	2017 Total Rs.
Finance Leases	-	-	-	7,258,352	12,135,349	19,393,701
Term Loans	1,806,827,043	13,486,082,991	15,292,910,034	1,552,824,374	15,431,104,514	16,983,928,888
Short Term Loans	4,965,909,115	-	4,965,909,115	2,134,317,629	-	2,134,317,629
Bank Overdrafts (Note 20.2)	685,786,165	-	685,786,165	642,024,723	-	642,024,723
	7,458,522,323	13,486,082,991	20,944,605,314	4,336,425,078	15,443,239,863	19,779,664,941

Finance Leases	As at 01.04.2017 Rs.	Leases Obtained Rs.	Repayments Rs.	Group Restructuring Rs.	As at 31.03.2018 Rs.
Commercial Bank of Ceylon PLC	21,404,079	-	(8,561,632)	(12,842,447)	-
Finance Charges Allocated to Future Periods	(2,010,378)	-	1,303,280	707,098	-
	19,393,701	-	(7,258,352)	(12,135,349)	-

	As at 31.03.2018 Rs.	As at 31.03.2017 Rs.
Gross Liability	-	21,404,079
Finance Charges Allocated to Future Periods	-	(2,010,378)
Net Liability	-	19,393,701
Amount Repayable Within 1 Year	-	7,258,352
Amount Repayable Within 2 to 5 Years	-	12,135,349
	-	19,393,701

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

17.2 Other financial liabilities (Contd.)

17.2.1 Interest Bearing Loans and Borrowings (Contd.)

Term Loans	As at 01.04.2017 Rs.	Loan Obtained Rs.	Exchange (Gain)/Loss Rs.	Repayments Rs.	Group Restructuring Rs.	As at 31.03.2018 Rs.
Sampath Bank PLC - Loan 1	546,225,000	-	-	(16,500,000)	(529,725,000)	-
Sampath Bank PLC - Loan 2	395,200,000	-	-	(10,250,000)	(384,950,000)	-
Sampath Bank PLC - Loan 3	880,000,000	200,000,000	-	(60,000,000)	(1,020,000,000)	-
Sampath Bank PLC - Loan 4	1,500,000,000	-	-	(59,000,000)	(1,441,000,000)	-
Sampath Bank PLC - Loan 5	1,500,000,000	-		(89,285,715)	-	1,410,714,285
Commercial Bank of Ceylon PLC - Loan 1	330,000,000	-	-	(110,000,120)	-	219,999,880
Commercial Bank of Ceylon PLC - Loan 2	3,748,388	-	-	(1,349,135)	(2,399,252)	-
Commercial Bank of Ceylon PLC - Loan 3	44,095,000	-	-	(8,964,000)	(35,131,000)	-
Commercial Bank of Ceylon PLC - Loan 4	247,222,237	-	-	(33,333,324)	-	213,888,913
Commercial Bank of Ceylon PLC - Loan 5	62,678,400	-	-	(9,643,200)	(53,035,200)	-
Commercial Bank of Ceylon PLC - Loan 6	4,917,840	-	-	(1,595,040)	(3,322,800)	-
Commercial Bank of Ceylon PLC - Loan 7	70,250,000	-	-	(8,363,000)	(61,887,000)	-
Hongkong & Shanghai Banking Corporation - Loan 1	1,154,324,992	-	12,232,317	(812,201,673)	-	354,355,636
Hongkong & Shanghai Banking Corporation - Loan 2	967,637,836	-	19,603,733	(247,122,960)	-	740,118,609
Hatton National Bank PLC - Loan 1	1,642,850,000	-	-	(285,720,000)	-	1,357,130,000
Hatton National Bank PLC - Loan 2	262,200,000	37,800,000	-	-	(300,000,000)	-
Hatton National Bank PLC - Loan 3	78,332,000	-	-	(10,008,000)	-	68,324,000
DFCC Bank PLC - Loan 1	1,809,520,000	-	-	(285,720,000)	-	1,523,800,000
DFCC Bank PLC - Loan 2	1,500,000,000	-	-	-	(1,500,000,000)	-
NDB Bank PLC	3,000,000,000	-			-	3,000,000,000
Peoples' Bank	984,727,195	2,099,398,588	61,129,737	-	-	3,145,255,521
Standard Chartered Bank - Loan 1	-	3,109,576,395	40,223,588	-	-	3,149,799,983
Standard Chartered Bank - Loan 2	-	110,356,906	(833,698)	-	-	109,523,207
	16,983,928,888	5,557,131,889	132,355,676	(2,049,056,167)	(5,531,450,252)	15,292,910,034

Short Term Loans	As at 01.04.2017 Rs.	Loan Obtained Rs.	Repayments Rs.	Group Restructuring Rs.	As at 31.03.2018 Rs.
Hatton National Bank PLC - STL 1	760,067,477	6,450,848,504	(5,496,124,890)	-	1,714,791,091
Hatton National Bank PLC - STL 2	50,000,000	25,000,000	(50,000,000)	(25,000,000)	-
MCB Bank	300,000,000	1,082,079,978	(1,082,079,978)	-	300,000,000
Nation Trust Bank PLC	455,500,000	455,500,000	(455,500,000)	-	455,500,000
Standard Chartered Bank	568,750,153	7,858,488,751	(6,931,620,880)	-	1,495,618,023
Sampath Bank PLC	-	1,000,000,000	-	-	1,000,000,000
	2,134,317,629	16,871,917,233	(14,015,325,748)	(25,000,000)	4,965,909,115

Company	2018 Amount Repayable Within 1 Year Rs.	2018 Amount Repayable After 1 Year Rs.	2018 Total Rs.	2017 Amount Repayable Within 1 Year Rs.	2017 Amount Repayable After 1 Year Rs.	2017 Total Rs.
Term Loans	1,400,708,514	6,245,291,408	7,645,999,922	986,402,855	8,120,292,137	9,106,694,992
Short Term Loans	4,965,909,115	-	4,965,909,115	2,084,317,629	-	2,084,317,629
Bank Overdrafts (Note 20.2)	500,109,042	-	500,109,042	402,009,329	-	402,009,329
	6,866,726,671	6,245,291,408	13,112,018,079	3,472,729,814	8,120,292,137	11,593,021,951

Term Loans	As at 01.04.2017 Rs.	Loan Obtained Rs.	Exchange (Gain)/Loss Rs.	Repayments Rs.	As at 31.03.2018 Rs.
Hongkong & Shanghai Banking Corporation - Loan 1	1,154,324,992	-	12,232,318	(812,201,673)	354,355,637
Hatton National Bank PLC - Loan 1	1,642,850,000	-	-	(285,720,000)	1,357,130,000
DFCC Bank PLC - Loan 1	1,809,520,000	-	-	(285,720,000)	1,523,800,000
Sampath Bank PLC - Loan 5	1,500,000,000	-	-	(89,285,715)	1,410,714,285
NDB Bank PLC	3,000,000,000	-	-	-	3,000,000,000
Sampath Bank PLC	9,106,694,992	-	12,232,318	(1,472,927,388)	7,645,999,922

Short Term Loans	As at 01.04.2017 Rs.	Loan Obtained Rs.	Exchange (Gain)/Loss Rs.	Repayments Rs.	As at 31.03.2018 Rs.
Hatton National Bank PLC	760,067,477	6,450,848,504	-	(5,496,124,890)	1,714,791,091
MCB Bank	300,000,000	1,082,079,978	-	(1,082,079,978)	300,000,000
Nation Trust Bank PLC	455,500,000	455,500,000	-	(455,500,000)	455,500,000
Standard Chartered Bank	568,750,153	7,858,488,751	-	(6,931,620,880)	1,495,618,023
Sampath Bank PLC - Loan 5	-	1,000,000,000	-	-	1,000,000,000
	2,084,317,629	16,846,917,233	-	(13,965,325,748)	4,965,909,115

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD...)

	Interest Rate	Repayment Terms
Sampath Bank PLC		
Loan 5	AWPLR + 2% per annum	Repayable by 79 monthly instalments of Rs.17,857,142.86/-
Commercial Bank of Ceylon PLC		
Loan 1	8% per annum	Repayable by 24 monthly instalments of Rs.9,166,666/-
Loan 4	9% per annum for first 5 years. Thereafter AWPLR +1% for balance 3 years	Repayable by 77 monthly instalments of Rs. 2,777,777/-.
Hongkong & Shanghai Banking Corporation		
Loan 1	3 Months LIBOR + 2.5% per annum	Repayable by 13 equal monthly instalments amounting to USD 166,666.66/- and final instalment of USD.83,333.33/- together with interest
Loan 2	3 Months LIBOR + 2% per annum	Repayable by 35 equal monthly instalments amounting to USD 135,897.44/-.
Hatton National Bank PLC		
Loan 1	AWPLR + 1% for first five years Thereafter AWPLR 0.5% for balance 2 years	Repayable by 56 equal monthly instalments amounting to Rs. 23,810,000/- and final instalment of Rs.23,770,000/- together with interest.
Loan 3	AWPLR + 1.75% per annum	Repayable by 81 monthly instalments of Rs. 834,000/- and the final instalment of Rs.770,000/-.
DFCC Bank PLC		
Loan 1	12.5% per annum	Repayable by 63 monthly instalments of Rs. 23,810,000/- and the final instalment of Rs.23,770,000/-.
Peoples' Bank	3 Months LIBOR + 4.75% per annum	Repayable 89 installent of USD 251,000 and final installment of USD 261,000 after the grace period of 2 1/2 years.
NDB Bank PLC	AWPLR + 2.45% to AWPLR + 3.9% per annum	Repayable by 8 separate instalments amounting Rs. 150,000,000 to Rs. 450,000,000, commencing from November 2018.
Standard Chartered Bank		
Loan 1	3 Months LIBOR + 2.1% per annum	Repayable by 32 Quarterly installment of USD 625,000 after a grace period of 2 years.
Loan 2	6-months T-Bill + 4.5%	Repayable within 4 years quarterly basis with 15 months grace period

17.3 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		2018	2017	2018	2017
	Notes	Rs.	Rs.	Rs.	Rs.
Financial Assets					
Trade and Other Receivables	A	2,803,875,740	1,724,354,731	2,803,875,740	1,724,354,731
Cash and Short Term Deposits	A	2,957,222,783	2,058,564,316	2,957,222,783	2,058,564,316
Total		5,761,098,523	3,782,919,047	5,761,098,523	3,782,919,047
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	13,486,082,991	15,443,239,863	13,486,082,991	15,443,239,863
Interest Bearing Loans and Borrowings (Current)	A	6,772,736,158	3,694,400,356	6,772,736,158	3,694,400,356
Trade and Other Payables	A	2,189,267,125	1,604,687,948	2,189,267,125	1,604,687,948
Bank Overdrafts	A	685,786,165	642,024,723	685,786,165	642,024,723
Total		23,133,872,439	21,384,352,890	23,133,872,439	21,384,352,890
Company					
Financial Assets					
Trade and Other Receivables	A	3,055,985,971	3,222,014,193	3,055,985,971	3,222,014,193
Cash and Short Term Deposits	A	122,949,401	287,878,377	122,949,401	287,878,377
Total		3,178,935,372	3,509,892,570	3,178,935,372	3,509,892,570
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	6,245,291,408	8,120,292,137	6,245,291,408	8,120,292,137
Interest Bearing Loans and Borrowings (Current)	A	6,366,617,629	3,070,720,485	6,366,617,629	3,070,720,485
Trade and Other Payables	A	1,710,544,689	1,007,750,335	1,710,544,689	1,007,750,335
Bank Overdrafts	A	500,109,042	402,009,329	500,109,042	402,009,329
Total		14,822,562,768	12,600,772,286	14,822,562,768	12,600,772,286

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 2018, the carrying amounts of such borrowings are not materially different from their calculated fair values.

Notes to the Financial Statements

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD...)

17.4 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 2018, the Company held the following financial instruments carried at fair value on the statement of financial position.

Group/Company Assets Measured at Fair Value	2018 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Available for Sale Financial Assets	137,634,283	137,634,283	-	-
Financial Instruments at Fair Value through Profit or Loss	2,678,340	2,678,340	-	-
	140,312,623	140,312,623	-	-

During the reporting period ending 31 March 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

18. INVENTORIES

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Gas in Cylinders and Accessories	302,062,348	201,714,662	191,755,285	90,242,635
Gas in Bulk	270,728,230	423,230,711	211,300,199	339,839,605
Cylinders	703,384,347	343,843,264	-	-
Non-Trade Inventories	146,462,354	286,296,570	93,677,854	92,720,765
Work in Progress	29,092,383	-	-	-
Food and Beverages	-	13,646,589	-	-
Goods in Transit	342,642,193	263,510,739	277,693,716	88,055,989
	1,794,371,855	1,532,242,535	774,427,054	610,858,994
Provision for Inventories	(230,587,983)	(104,032,092)	(3,151,093)	(41,338,181)
Total Inventories at the lower of Cost and Net Realisable Value	1,563,783,872	1,428,210,443	771,275,960	569,520,813

19. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Trade Receivables	- Related Parties (Note 19.1)	45,143,415	49,214,540	3,023,358	7,252,157
	- Other	1,333,173,847	1,300,631,080	1,236,310,030	1,096,904,238
Less: Provision for Impairments		(126,864,511)	(130,329,524)	(121,984,500)	(120,733,512)
		1,251,452,751	1,219,516,097	1,117,348,888	983,422,883
Other Receivables	- Related Parties (Note 19.2)	1,297,784,650	206,166,634	1,720,922,913	2,037,536,431
	- Other	254,638,340	298,672,001	229,314,170	201,054,880
Less: Provision for Impairments		-	-	(11,600,000)	-
		2,803,875,740	1,724,354,731	3,055,985,971	3,222,014,193
Advances	- Related Parties (Note 19.3)	33,034,904	32,045,532	33,034,904	31,985,132
	- Other	1,631,146,077	2,053,572,855	290,801,637	135,092,917
Loans to Company Officers		2,045,291	12,758,029	1,861,433	1,692,066
		4,470,102,013	3,822,731,147	3,381,683,945	3,390,784,309

19. TRADE AND OTHER RECEIVABLES (CONTD.)

19.1 Trade Dues from Related Parties

	Relationship	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
LAUGFS Holdings Ltd.	Parent	38,349	7,849,172	-	-
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	2,990,667	2,568,018	805,448	360,087
LAUGFS Supermarkets (Pvt) Ltd.	Fellow Subsidiary	1,276,639	2,524,403	-	-
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	1,449,395	7,919,690	756,951	6,809,107
Southern Petroleum (Pvt) Ltd.	Fellow Subsidiary	1,354,938	-	1,354,938	-
LAUGFS Lubricant Ltd.	Fellow Subsidiary	1,507,398	5,011,935	-	-
LAUGFS Beverages (Pvt) Ltd.	Fellow Subsidiary	-	57,023	-	-
Lfinity (Pvt) Ltd.	Fellow Subsidiary	708,989	9,153,217	106,021	82,963
LAUGFS International (Pvt) Ltd.	Fellow Subsidiary	-	273,339	-	-
LAUGFS Salt & Chemicals Ltd.	Fellow Subsidiary	291,898	56,613	-	-
LAUGFS Solution Ltd.	Fellow Subsidiary	224,274	28,307	-	-
LAUGFS Eco Sri Ltd.	Fellow Subsidiary/Subsidiary	978,366	-	-	-
LAUGFS Corporation (Rubber) Ltd.	Fellow Subsidiary	468,479	1,846,832	-	-
LAUGFS Business Solutions (Pvt) Ltd.	Fellow Subsidiary	32,254,958	10,322,126	-	-
LAUGFS Wellness (Pvt) Ltd.	Fellow Subsidiary	207,360	1,603,865	-	-
LAUGFS Leisure Ltd.	Fellow Subsidiary/Subsidiary	1,092,172	-	-	-
LAUGFS Life Sciences (Pvt) Ltd	Fellow Subsidiary	299,534	-	-	-
		45,143,415	49,214,540	3,023,358	7,252,157

19.2 Other Dues from Related Parties

	Relationship	Group 2018 Rs.	Group 2017 Rs.	Company 2018 Rs.	Company 2017 Rs.
LAUGFS Supermarkets (Pvt) Ltd.	Fellow Subsidiary	299,502	8,937,591	-	-
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	250,860	2,934,420	-	-
LAUGFS Eco Sri Ltd.	Fellow Subsidiary/Subsidiary	542,798	-	-	-
LAUGFS Corporation (Rubber) Ltd.	Fellow Subsidiary	103,198	1,548,986	-	-
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	-	94,388	-	-
LAUGFS Holdings Ltd.	Parent	149,497,219	172,710,420	-	17,648,664
LAUGFS Power Ltd.	Fellow Subsidiary/Subsidiary	51,324,275	-	51,129,000	52,282,650
LAUGFS Maritime Services (Pvt) Ltd.	Subsidiary	-	-	-	47,635,275
PAMS Power (Pvt) Ltd.	Fellow Subsidiary/Subsidiary	-	-	-	500,000
Anantaya Wadduwa (Pvt) Ltd.	Fellow Subsidiary/Subsidiary	300,000,000	-	300,000,000	600,000,000
LAUGFS Gas (Bangladesh) Ltd.	Subsidiary	-	-	19,059,028	14,193,225
LAUGFS Terminals Ltd.	Subsidiary	-	-	448,858,538	284,414,104
LAUGFS Leisure Ltd.	Fellow Subsidiary/Subsidiary	718,959,798	-	718,768,830	93,478,063
SLOGAL Energy DMCC	Subsidiary	-	-	26,077,502	23,307,372
Iris Eco Power Lanka (Pvt) Ltd	Fellow Subsidiary/Subsidiary	60,000,000	-	60,000,000	7,500,000
Ginigathhena Thiniyagala Mini Hydro (Pvt) Ltd	Fellow Subsidiary/Subsidiary	-	-	-	351,250
LAUGFS Property Developers (Pvt) Ltd.	Subsidiary	-	-	85,418,999	636,225,828
LAUGFS Hotel Management Services (Pvt) Ltd.	Fellow Subsidiary/Subsidiary	-	-	-	200,000,000
LAUGFS On Reid (Pvt) Ltd	Subsidiary	-	-	11,600,000	-
Anantaya Passekudah (Pvt) Ltd.	Fellow Subsidiary/Subsidiary	-	-	-	60,000,000
LAUGFS Solutions Ltd.	Fellow Subsidiary	148,851	107,149	-	-
LAUGFS Wellness (Pvt) Ltd.	Fellow Subsidiary	157,952	447,253	-	-
LAUGFS Business Solutions (Pvt) Ltd.	Fellow Subsidiary	14,499,450	9,206,099	-	-
LAUGFS Salt & Chemicals Ltd.	Fellow Subsidiary	62,843	76,162	-	-
Lfinity (Pvt) Ltd.	Fellow Subsidiary	1,468,399	2,498,904	-	-
LAUGFS Life Sciences (Pvt) Ltd	Fellow Subsidiary	54,847	-	-	-
LAUGFS Lubricants Ltd.	Fellow Subsidiary	414,657	7,605,261	11,017	-
		1,297,784,650	206,166,634	1,720,922,913	2,037,536,431

19. TRADE AND OTHER RECEIVABLES (CONTD...)

19.3 Advances given to Related Parties

		Group		Company	
		2018	2017	2018	2017
	Relationship	Rs.	Rs.	Rs.	Rs.
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	33,034,904	31,985,132	33,034,904	31,985,132
Anantaya Resort & Spa (Pvt) Ltd.	Fellow Subsidiary	-	60,400	-	-
		33,034,904	32,045,532	33,034,904	31,985,132

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	Neither Past Due nor Impaired	< 30 Days	31-60 Days	61-90 Days	> 90 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2018	1,378,317,262	774,585,046	209,843,353	17,860,754	15,015,743	361,012,366
2017	1,349,845,620	671,823,975	173,936,069	29,293,616	17,916,677	456,875,282

			Past Due and Impaired			
Company	Total	Neither Past Due nor Impaired	< 30 Days	31-60 Days	61-90 Days	> 90 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2018	1,239,333,388	674,115,620	206,102,597	15,114,466	13,522,807	330,477,898
2017	1,104,156,396	528,388,487	114,109,676	9,374,227	14,379,581	437,904,425

Above to be read in conjunction with Note 33 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.

20. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
20.1 Favourable Cash & Cash Equivalent Balances				
Fixed Deposits	223,768,016	960,865,501	-	-
Repos	34,682	205,087,357	-	-
Savings Accounts	176,770,729	399,005,751	41,952,373	271,101,119
Cash in Hand and at Bank	2,556,649,357	493,605,706	80,997,028	16,777,258
	2,957,222,783	2,058,564,316	122,949,401	287,878,377
20.2 Unfavorable Cash & Cash Equivalent Balances				
Bank Overdrafts (Note 17.2)	(685,786,165)	(642,024,723)	(500,109,042)	(402,009,329)
Cash and Cash Equivalent for the Purpose of Statement of Cash Flows	2,271,436,618	1,416,539,593	(377,159,641)	(114,130,952)

20.3 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.

20.4 Consequence to the group restructuring, net cash & cash equivalents amounting to Rs.(227,032,550)/- (favourable - Rs.239,095,361/-, unfavourable - Rs.466,127,911/-) has been derecognised as of 31 March 2018.

21. STATED CAPITAL

Group/Company	2018 Number	2018 Rs.	2017 Number	2017 Rs.
Ordinary Voting Shares (Note 21.1)	335,000,086	762,557,096	335,000,086	2,505,000,260
Ordinary Non-Voting Shares (Note 21.2)	52,000,000	237,442,904	52,000,000	780,000,000
	387,000,086	1,000,000,000	387,000,086	3,285,000,260

21.1 Ordinary Voting Shares

As at 1 April	335,000,086	2,505,000,260	335,000,086	2,505,000,260
Group Restructuring Adjustment (Note 15.1)	-	(1,742,443,164)	-	-
As at 31 March	335,000,086	762,557,096	335,000,086	2,505,000,260

21.2 Ordinary Non-Voting Shares

As at 1 April	52,000,000	780,000,000	52,000,000	780,000,000
Group Restructuring Adjustment (Note 15.1)	-	(542,557,096)	-	-
As at 31 March	52,000,000	237,442,904	52,000,000	780,000,000

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 (except, non-voting ordinary shares) at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

22. AVAILABLE FOR SALE RESERVE

Group/Company	2018 Rs.	2017 Rs.
Available for Sale Reserve (Note 22.1)	722,268	(193,755,741)
	722,268	(193,755,741)

22.1 Available for Sale Reserve

As at 1 April	(193,755,741)	(318,968,277)
Gains/(Losses) arising during the Year	12,802,667	2,912,536
Reclassification during the Year to Profit or Loss	181,675,342	122,300,000
As at 31 March	722,268	(193,755,741)

23. OTHER RESERVES

Group	2018 Rs.	2017 Rs.
Foreign Currency Translation Reserve (Note 23.1)	123,934,459	186,807,178
Revaluation Reserve (Note 23.2)	86,841,931	112,559,032
	210,776,390	299,366,210

23.1 Foreign Currency Translation Reserve

As at 1 April	186,807,178	48,438,638
Foreign Exchange Translation Differences	(62,872,719)	119,095,717
Acquisition of Non-Controlling Interest	-	19,272,823
Group Restructuring Adjustment	53,000	-
As at 31 March	123,987,459	186,807,178

23.2 Revaluation Reserve

As at 1 April	112,559,032	-
Surplus on Revaluation of Assets Transferred to Investment Properties	18,447,766	136,520,433
Tax Impact of Revaluation Gain	(15,662,389)	(23,961,401)
Attributable to Non-Controlling Interest	(28,502,478)	-
As at 31 March	86,841,931	112,559,032

24. DIVIDENDS PAID

	2018 Rs.	2017 Rs.
Declared and Paid during the Year:		
Dividends on Ordinary Shares:		
Final Dividend for 2015/2016: 1.00 Rupees per Share	-	387,000,086

25. EMPLOYEE BENEFIT LIABILITY

	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
25.1 Net Benefit Expense				
Current Service Cost	45,685,246	43,359,277	7,101,882	8,192,599
Interest Cost on Benefit Obligation	22,291,351	20,668,479	7,184,979	6,806,499
Total Expenses	67,976,597	64,027,756	14,286,861	14,999,098
25.2 Employee Benefit Liability				
Employee Benefit Liability	276,892,751	339,419,526	54,274,256	59,874,827
Fair Value of Plan Assets	(102,501,907)	(74,315,234)	-	-
Net Employee Benefit Liability	174,390,844	265,104,292	54,274,256	59,874,827

25.3 Messrs. Smiles Global (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2018. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31.03.2018 and 31.03.2017 are as follows:

	2018	2017
Method of Actuarial Valuation:	**Projected Unit Credit method**	**Projected Unit Credit method**
Discount Rate:	6%-10%	6%-12.75%
Salary Increment Rate:	7%-12%	8%-15%
Retirement Age:	55-60 years	55-60 years
Staff Turnover Ratio:	5%-55%	8%-64%
Mortality Table:	A67/70 Ult Table	A67/70 Ult Table

25.4 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 2018.

		Group 2018			Company 2018		
Increase/(Decrease) in Discount Rate	in Rate of Salary Increment	Effect on Statement Profit or Loss (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 Employee Benefit Obligation	Effect on Statement Profit or Loss (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 Employee Benefit Obligation
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
+1%	-	24,046,217	(24,046,217)	252,846,534	1,925,446	(1,925,446)	52,348,810
-1%	-	(19,366,978)	19,366,978	296,259,729	(2,089,252)	2,089,252	56,363,508
-	+1%	(19,080,369)	19,080,369	295,973,120	(2,332,903)	2,332,903	56,607,159
-	-1%	24,260,205	(24,260,205)	252,632,546	2,184,769	(2,184,769)	52,089,487

25. EMPLOYEE BENEFIT LIABILITY (CONTD...)

25.5 Changes in the Defined Benefit Obligation

Group

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

2018	Amounts Charged to Profit or Loss						
	01 April 2017	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	Adjustment due to transfer of employees into/ (out of) Company	Group Restructuring
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	339,419,526	45,685,246	26,398,127	72,083,374	(28,524,917)	(4,934,031)	(50,296,711)
Fair value of Plan Assets	(74,315,234)	-	(4,106,777)	(4,106,777)	7,753,014	-	-
Net Benefit Liability	265,104,292	45,685,246	22,291,351	67,976,597	(20,771,903)	(4,934,031)	(50,296,711)

2017	Amounts Charged to Profit or Loss						
	01 April 2016	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	Adjustment due to transfer of employees into/ (out of) Company	Group Restructuring
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	297,681,941	43,359,277	22,090,067	65,449,344	(9,151,742)	-	-
Fair value of Plan Assets	-	-	(1,421,588)	(1,421,588)	713,844	-	
Net Benefit Liability	297,681,941	43,359,277	20,668,479	64,027,756	(8,437,898)	-	-

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

Year ended 31 March 2018	2018	2017
	Rs.	Rs.
Within the next 2 Years	7,246,950	13,387,824
Between 2 and 5 Years	254,513,514	81,148,804
Between 5 and 10 Years	14,918,153	244,882,898
Over 10 Years	214,133	-
Total Expected Payments	276,892,751	339,419,526

The average duration of the defined benefit plan obligating at the end of the reporting period is 4.6 - 11.56 years. (2017: 1.51 - 7.89 years)

			Remeasurement (Gains)/Losses in Other Comprehensive Income				
Exchange Difference	Return on Plan Asset (excluding amounts included in net interest expense)	Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2018
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(4,158,959)	-	(31,402,263)	(7,534,366)	(7,758,903)	(46,695,532)	-	276,892,751
1,568,902	2,650,512	-	-	-	2,650,512	(36,052,324)	(102,501,907)
(2,590,057)	2,650,512	(31,402,263)	(7,534,366)	(7,758,903)	(44,045,020)	(36,052,324)	174,390,844

			Remeasurement (Gains)/Losses in Other Comprehensive Income				
Exchange Difference	Return on Plan Asset (excluding amounts included in net interest expense)	Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2017
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
6,469,478	-	81,554	(14,811,388)	(6,299,659)	(21,029,495)	-	339,419,526
(927,843)	974,532	-	-	-	974,532	(73,654,179)	(74,315,234)
5,541,635	974,532	81,554	(14,811,388)	(6,299,659)	(20,054,963)	(73,654,179)	265,104,292

25. EMPLOYEE BENEFIT LIABILITY (CONTD...)

25.6 Changes in the Defined Benefit Obligation (Contd.)

Company

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

2018		Amounts Charged to Profit or Loss		
	01 April 2017	Service Cost	Interest Cost	Sub Total included in Profit or Loss
	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	59,874,827	7,101,882	7,184,979	14,286,861
Benefit Liability	59,874,827	7,101,882	7,184,979	14,286,861

2017		Amounts Charged to Profit or Loss		
	01 April 2016	Service Cost	Interest Cost	Sub Total included in Profit or Loss
	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation	62,790,585	8,192,599	6,806,499	14,999,098
Benefit Liability	62,790,585	8,192,599	6,806,499	14,999,098

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

	2018	2017
	Rs.	Rs.
Within the next 2 Years	**4,796,716**	3,129,282
Between 2 and 5 Years	**38,461,205**	39,864,705
Between 5 and 10 Years	**11,016,334**	16,880,840
Total Expected Payments	**54,274,256**	59,874,827

The average duration of the defined benefit plan obligating at the end of the reporting period is 4.06 years. (2017: 3.19 years)

	Benefits Paid	Adjustment due to transfer of employees into/(out of) Company	Remeasurement Gains/(Losses) in Other Comprehensive Income: Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	(3,738,692)	(8,260,237)	(957,148)	(7,003,450)	72,094	(7,888,504)	-	54,274,256
	(3,738,692)	(8,260,237)	(957,148)	(7,003,450)	72,094	(7,888,504)	-	54,274,256

	Benefits Paid	Adjustment due to transfer of employees into/(out of) Company	Remeasurement Gains/(Losses) in Other Comprehensive Income: Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	(6,792,323)	-	32,058	(10,402,966)	(751,626)	(11,122,532)	-	59,874,827
	(6,792,323)	-	32,058	(10,402,966)	(751,626)	(11,122,532)	-	59,874,827

Notes to the Financial Statements

26. DEFERRED INCOME

Group/Company	2018 Rs.	2017 Rs.
As at 1 April	685,224,509	532,010,917
Deferred during the Year	589,813,294	500,044,074
Released to the Statement of Profit or Loss during the Year - Other Income	(448,354,871)	(346,830,482)
As at 31 March	826,682,933	685,224,509
Total Current	15,711,206	14,572,091
Total Non-Current	810,971,725	670,652,418
	826,682,931	685,224,509

27. REFUNDABLE DEPOSITS

Group	2018 Rs.	2017 Rs.
As at 1 April	2,314,646,461	2,082,071,415
Additions	896,681,110	728,654,447
Refunds/Transfers	(593,163,426)	(498,560,266)
Exchange Differences	(1,655,144)	2,480,865
As at 31 March	2,616,509,001	2,314,646,461
Refundable Deposits within One Year (Current)	252,412,102	222,494,992
Refundable Deposits after One Year (Non-Current)	2,364,096,899	2,092,151,469
	2,616,509,001	2,314,646,461
Company		
As at 1 April	2,224,949,915	2,002,217,459
Additions	889,645,280	715,417,756
Refunds/Transfers	(590,474,177)	(492,685,300)
As at 31 March	2,524,121,018	2,224,949,915
Refundable Deposits within One Year (Current)	252,412,102	222,494,992
Refundable Deposits after One Year (Non-Current)	2,271,708,916	2,002,454,924
	2,524,121,018	2,224,949,915

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Trade Payables - Related Parties (Note 28.1)	1,147,185	1,048,273	866,436,380	98,018,858
- Others	1,827,967,499	1,266,038,450	524,600,874	901,067,276
Other Payables - Related Parties (Note 28.2)	20,018,372	27,410,694	18,377,400	8,664,201
- Others	340,134,069	310,190,531	301,130,035	-
	2,189,267,125	1,604,687,948	1,710,544,689	1,007,750,335
Provision for Workers' Profit Participation Fund	133,722,412	117,961,418	-	-
Sundry Creditors including Accrued Expenses	1,860,671,538	2,078,977,920	719,134,457	391,248,310
	4,183,661,075	3,801,627,286	2,429,679,146	1,398,998,645

		Group		Company	
		2018	2017	2018	2017
	Relationship	Rs.	Rs.	Rs.	Rs.
28.1 Trade Payable to Related Parties					
LAUGFS Holding Ltd.	Parent	-	667,125	-	-
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	38,742	233,892	-	-
LAUGFS Supermarkets (Pvt) Ltd.	Fellow Subsidiary	-	147,256	-	-
SLOGAL Energy DMCC	Subsidiary	-	-	866,436,380	98,018,858
LAUGFS Business Solutions (Pvt) Ltd	Fellow Subsidiary	1,108,443	-	-	-
		1,147,185	1,048,273	866,436,380	98,018,858

28. TRADE AND OTHER PAYABLES (CONTD.)

28.2 Other Payable to Related Parties

		Group		Company	
		2018	2017	2018	2017
	Relationship	Rs.	Rs.	Rs.	Rs.
LAUGFS Beverages (Pvt) Ltd.	Fellow Subsidiary	88,726	575,684	36,363	-
LAUGFS Supermarkets (Pvt) Ltd.	Fellow Subsidiary	5,479,063	708,963	5,448,138	708,963
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	673,597	848,943	-	-
LAUGFS Holdings Ltd.	Parent	7,007,948	20,078,972	5,998,004	-
LAUGFS Eco Sri Ltd.	Fellow Subsidiary/ Subsidiary	-	-	-	3,773,850
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	4,357,609	5,180,152	4,191,975	4,181,388
LAUGFS Leisure Ltd.	Fellow Subsidiary/ Subsidiary	6,500	-	-	-
LAUGFS Maritime Services (Pvt) Ltd.	Subsidiary	-	-	596,460	-
LAUGFS Business Solutions (Pvt) Ltd.	Fellow Subsidiary	1,110,929	-	812,460	-
Lfinity (Pvt) Ltd.	Fellow Subsidiary	1,294,000	-	1,294,000	-
LAUGFS Restaurant (Pvt) Ltd.	Fellow Subsidiary	-	7,980	-	-
Gas Auto Lanka Ltd.	Fellow Subsidiary	-	10,000	-	-
		20,018,372	27,410,694	18,377,400	8,664,201

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 33.

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.
2018	1,829,114,684	1,465,667,972	296,279,140	2,870,141	64,297,431
2017	1,267,086,722	1,144,463,657	62,712,362	735,604	59,175,100

Company	Total Rs.	< 30 Days Rs.	31-90 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2018	1,391,037,254	1,028,278,782	295,804,650	2,846,391	64,107,431
2017	999,086,134	885,166,590	56,615,417	69,707	57,234,420

29. COMMITMENTS AND CONTINGENCIES

29.1 Capital Expenditure Commitments

The Group and Company have commitments for acquisition of property, plant and equipment incidental to the ordinary course of business as at 31 March 2018 are as follows:

Group	2018 Rs.
Contracted but not Provided for	
Land Development	24,000,000
Motor Vehicle	41,500,000
Plant and Machinery	204,411,149
Buildings on Freehold Land	123,111,214
Spherical Tank	557,785,889
Cylinder Requalification Plant	68,293,620
LPG Terminal	3,228,415,238
SAP Implementation	7,423,150
	4,254,940,260

29. COMMITMENTS AND CONTINGENCIES (CONTD.)

29.1 Capital Expenditure Commitments (Contd.)

Company	2018 Rs.
Contracted but not Provided for	
Land Development	24,000,000
Buildings on Freehold Land	123,111,214
Motor Vehicle	41,500,000
Plant and Machinery	162,454,663
	351,065,877

29.2 Contingencies

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

The Company has provided corporate guarantees for several of its subsidiaries which has been disclosed in note 31.3

30. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of the Liability	Carrying Amount Pledged 2018 Rs.	Carrying Amount Pledged 2017 Rs.	Included Under
Group				
Mabima Refilling and Distribution Plant	Negative Pledge	354,355,636	1,154,324,992	Property, Plant and Equipment
Assets Located in Mabima	Negative Pledge	1,523,800,000	1,809,520,000	Property, Plant and Equipment
Vessel	Mortgage Bond	118,117,500	-	Property, Plant and Equipment
Land and Building	Primary Mortgage	282,212,913	233,222,237	Property, Plant and Equipment Investment Property
Project Assets- Terminals	Primary Mortgage over Project assets	5,711,465,132	2,409,157,049	Property, Plant and Equipment
Company				
Mabima Refilling and Distribution Plant	Negative Pledge	354,355,636	1,154,324,992	Property, Plant and Equipment
Assets Located in Mabima	Negative Pledge	1,523,800,000	1,809,520,000	Property, Plant and Equipment

31. 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 2018 and 31 March 2017, refer to Notes 19 and 28).

	Parent		Other Group Companies		Total	
Group	2018	2017	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
31.1 Transactions with the Related Parties						
Nature of Transactions						
Sale of Goods/Services	43,972,332	20,120,698	141,406,208	126,596,420	185,378,540	146,717,119
Settlement of Trade & Other Receivable	(90,472,933)	56,724,358	(160,895,273)	(116,090,785)	(251,368,206)	(59,366,427)
Purchase of Goods/Services	(94,262,000)	(83,778,003)	(377,837,296)	(251,057,193)	(472,099,296)	(334,835,196)
Settlement of Trade & Other Payable	36,304,385	273,991	389,777,515	226,928,230	426,081,900	227,202,221
Inter Company Rent	-	-	6,267,600	6,247,200	6,267,600	6,247,200
Fund Transfers Received	-	(76,438,227)	-	(4,542,272)	-	(80,980,499)
Fund Transfers Given	95,000,000	183,000,000	-		95,000,000	183,000,000
Intercompany Expenses To	1,256,878	(17,647,311)	418,053	(17,845,242)	1,674,931	(35,492,554)
Intercompany Expenses From	(6,446,805)	(8,981,565)	(483,259)	-	(6,930,064)	(8,981,565)
Adjustment due to transfer of employee in/Out company	(3,485,648)	-	(1,448,383)	-	4,934,031	-
Purchase of Fixed Assets on behalf of company	-	152,177,620	-	12,077,671	-	164,255,291
Purchase of fixed assets/ construction work	-	-	(2,891,939)	-	(2,891,939)	-
Allocation of Expense	966,811	3,450,757	(6,238,748)	16,863,164	(5,271,937)	20,313,921
Distributor commission	-	-	-	(3,341,337)	-	(3,341,337)
Others	-	(3,616,540)	-	-	-	(3,616,540)
Group Restructuring	-	-	1,132,890,909	-	-	-
Commission on Corporate Guarantee	-	(7,500,000)	-	397,500	-	(7,102,500)

31. RELATED PARTY DISCLOSURES (CONTD.)

31.1.1 Other Group Companies include following Companies;

LAUGFS Engineering (Pvt) Ltd.

LAUGFS Beverages (Pvt) Ltd.

LAUGFS Supermarket (Pvt) Ltd.

Gas Auto Lanka Ltd.

LAUGFS Corporation (Rubber) Ltd.

LAUGFS Salt and Chemicals (Pvt) Ltd.

LAUGFS Petroleum (Pvt) Ltd.

LAUGFS Restaurant (Pvt) Ltd.

LAUGFS Lubricants Ltd.

LAUGFS Higher Education Services (Pvt) Ltd.

Southern Petroleum (Pvt) Ltd

LAUGFS Business Solutions (Pvt) Ltd.

LAUGFS Solutions Ltd.

LAUGFS International (Pvt) Ltd

Lfinity (Pvt) Ltd.

LAUGFS Wellness (Pvt) Ltd.

LAUGFS Life Sciences (Pvt) Ltd.

Year ended 31 March 2018	Parent		Subsidiaries		Other Related Companies		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Company	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.

31.2 Transactions with the Related Parties

Nature of Transactions								
As at 1 April	17,648,664	(42,758,937)	1,918,095,060	3,005,844,143	34,346,939	62,041,932	1,970,090,662	3,025,127,139
Sale of Goods/Services	-	-	4,712,830	372,000	50,135,522	75,713,413	54,848,352	76,085,413
Settlement of Trade & Other Receivables	-	-	(4,712,830)	(372,000)	(53,153,838)	(104,482,879)	(57,866,668)	(104,854,879)
Purchase of Goods/Services	(84,456,000)	(83,506,798)	(6,881,305,482)	(2,194,842,882)	(350,569,622)	(239,709,923)	(7,316,331,104)	(2,518,059,602)
Settlement of Trade & Other Payables	-	-	6,113,055,913	1,933,741,583	340,203,664	240,375,616	6,453,259,577	2,174,117,199
Investments Made by the Company	-	-	(320,000,000)	(4,263,959,590)	-	-	(320,000,000)	(4,263,959,590)
Other Settlements	(25,597,470)	44,665,734	5,548,436	(52,341,883)	(1,998,800)	(2,952,898)	(22,047,834)	(10,629,046)
Fund Transfers Received	-	(69,000,000)	(794,085,873)	(360,000,000)	-	-	(794,085,873)	(429,000,000)
Fund Transfers Given	95,000,000	183,000,000	301,785,579	3,426,583,000	-	-	396,785,579	3,609,583,000
Intercompany Expenses To	250,891	306,803	11,176,962	87,275,399	218,598	58,315	11,646,451	87,640,516
Intercompany Expenses From	(5,284,611)	(7,558,139)	(33,659,502)	(449,138)	(351,259)	-	(39,295,372)	(8,007,277)
Adjustment due to transfer of employee in/Out company	(3,559,478)	-	(3,252,375)	-	(1,448,383)	-	(8,260,237)	-
Dividend Declared by the Subsidiaries	-	-	504,792,584	340,046,217	-	-	504,792,584	340,046,217
Inter Company Rent	-	-	-	-	6,267,600	6,247,200	6,267,600	6,247,200
Distributor commission	-	-	-	-	-	(3,341,337)	-	(3,341,337)
Commission On Corporate Guarantee	-	(7,500,000)	31,727,757	1,198,036	-	397,500	31,727,757	(5,904,405)
Allocation of Computer Software	-	-	-	-	-	-	-	-
Group Restructuring	-	-	(1,129,897,830)	-	1,129,897,830	-	-	-
Others	-	-	-	(4,999,827)	-	-	-	(4,999,827)
As at 31 March	(5,998,004)	17,648,664	(276,018,774)	1,918,095,060	1,153,548,250	34,346,939	871,531,472	1,970,090,662

31. RELATED PARTY DISCLOSURES (CONTD...)

31.2.1 Subsidiaries include the following Companies;

LAUGFS Property Developers (Pvt) Ltd.

LAUGFS Maritime Services (Pvt) Ltd.

LAUGFS Gas (Bangladesh) Ltd.

SLOGAL Energy DMCC.

LAUGFS Terminals Ltd.

LAUGFS On Reid (Pvt) Ltd.

31.2.2 Other Related Companies include the following Companies;

LAUGFS Engineering (Pvt) Ltd.

LAUGFS Petroleum (Pvt) Ltd.

LAUGFS Life Sciences (Pvt) Ltd.

Lfinity (Pvt) Ltd.

LAUGFS Eco Sri Ltd.

LAUGFS Leisure Ltd.

LAUGFS Hotel Management Services (Pvt) Ltd.

Anantaya Wadduwa (Pvt) Ltd.

Anantaya Passekudah (Pvt) Ltd.

Iris Eco Power Lanka (Pvt) Ltd.

Anorchi Lanka (Pvt) Ltd.

Pams Power (Pvt) Ltd.

Ginigathhena Thiniyagala Mini Hydro (Pvt) Ltd.

LAUGFS Maldives (Pvt) Ltd.

31.3 The Company has provided corporate guarantees for its subsidiaries in the value of Rs.6,345,551,404/- for term loans and has gained a commission of Rs.31,727,757/- during the financial year.

31.4 Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2018, the Company has recorded an impairment of Rs. 11,600,000/- (2017 - Nil) relating to amounts owed by related parties. 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.

31.5 Transactions with Key Management Personnel of the Company or its Parent

Key Management Personnel (KMPs) are defined as those persons such as directors, chief executive officers and other senior executives etc. who have authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, direct or indirectly.

	2018 Rs.	2017 Rs.
Compensation of Key Management Personnel		
Group		
Directors' Emoluments (Cash Benefits)	223,114,810	178,784,100
Non-cash Benefits	3,798,000	13,724,040
Total Compensation paid to Key Management Personnel	226,912,810	192,508,140
Company		
Directors' Emoluments (Cash Benefits)	104,291,624	108,257,284
Non-cash Benefits	2,772,000	3,233,040
Total Compensation paid to Key Management Personnel	107,063,624	111,490,324

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

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 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 particular financial instrument will fluctuate since of changes in the market prices in financial markets in which they are involved. There are four main sources of risk that affect the overall market: interest rate risk, equity price risk, foreign exchange risk and commodity risk.

Management of the financial risk is carried out by the respective group companies in conjunction with the Group treasury Division under the 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 Global LPG prices. In managing commodity price risk the increase in cost is, passed on to the customer by the agreement with Consumer Affairs Authority (CAA – Pricing formula), which supports in recovering total landed cost plus a reasonable profit margin for the industry players, however in the recent year concluded the company was unable to pass commodity price increases to the market since of price control of CAA. The industry is now moving towards discussing and agreeing with the CAA for a new more pragmatic industry pricing formula which should help the industry in a positive manner to transfer global price changes in reasonable and transparent manner. In managing this risk the Group have been proactive by establishing a specialized trading arm in Dubai which will enhance the ability to procure LPG at better rates, while with the commissioning of the LAUGFS Terminals in 2018 which will be one of the most pivotal terminals for South East Asia would support the Group in managing the commodity risk to an extent in a positive context in coming years. The Company also conducts appropriate trend analysis in market prices regularly and take proactive measures in procurement procedures, in order to prevent any future losses and thereby increasing the overall profitability of the Company. Please refer to the annual report for detail information commodity price changes during period.

c. Interest Rate Risk

Interest rate risk is the risk of increased volatility due to changes of interest rates. This is currently managed by the Group Treasury by way of invest excess funds in diversified portfolios, effective decision making ,constant monitoring and negotiating the best rates with the banks on loans and other instruments.

The sensitivity of the income statement is the effect of the assumed changes in interest rate of long term borrowings for the year is as follows.

	2018	
Increase/(Decrease) in Interest Rate	**Effect on Income Statement**	**Effect on Statement of Financial Position**
	Rs.	**Rs.**
1%	(144,646,614)	144,646,614
-1%	144,646,614	(144,646,614)

d. Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign exchange rate changes is minimized by positive negotiations with banks applying financial risk management techniques by the Group Treasury Division.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

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.

Increase/(Decrease) in Interest Rate	2018	
	Effect on Income Statement	Effect on Statement of Financial Position
	Rs.	Rs.
1%	(128,060,355)	128,060,355
-1%	128,060,355	(128,060,355)

e. Liquidity Risk

Liquid 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 approach in managing liquidity is to ensure, that they will have reasonable adequate liquid to meet its liabilities as an when it is due, without incurring unacceptable losses or risking the Group's reputation. The Group maintains sufficient liquidity to fund its day-to-day operations by Cash flow forecasting performed by Finance Divisions of each Subsidiary company of the Group along with the Group treasury division and rigorously monitors the company liquidity requirements to ensure it has sufficient funds to meet the operational needs.

Liquidity risk is managed in accordance with a framework of policies, controls and limits approve by the Group Treasury & the BOD. These policies, controls and limits ensure that the Group monitors and manages liquidity risk in a manner that ensures sufficient sources of funds are available over a range of market conditions.

The Group and company's objective is to maintain a balance between continuity of funding and the flexibility through the multiple source of funding including bank loans, loan notes and overdrafts.

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. The share price movements of the investment on quoted securities are regularly monitored and reviewed by Investment Committee as well as the Board of Directors.

During the past years management has made great effort to maintain a steady percentage of pay-out as its dividend. In addition to this with regards to investment in shares, the investment committee reviews and approves all equity investment decisions. The investments on non-quoted shares of subsidiary companies are made after extensive analysis of the respective company's financial position, performance and future growth potentials. The Group Treasury Division measures the fair value of the quoted and non-quoted equity security investments regularly.

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 Group is exposed to credit risk from its operating activities. The Group minimize credit risk toward its customers by having high level scrutiny prior to converting to a cash customer to a credit customer. Also the Group adheres to the policy of obtaining Bank Guarantees from distributors and adequate cash deposits from dealers.

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 Group is exposed to credit risk from its operating activities. The Laughs Group consists with a Centralized Treasury Division which is headed by the DGM-Group Treasury who is actively monitors credit rating and ensures the Group deposits their excess funds are invested in a prudent manner.

The customer credit risk is managed based on the Group's established policy, procedures and control relating to Customer Credit Risk Management. The Management assesses the credit quality of the customer, through analysis of financial position, past experience, future potentials and other market factors. Regular monitoring is exercised for utilizing of credits by the Credit Division which is decentralized at company level. The provision for impairment is assessed collectively based on the historical payment behaviour and extensive analysis of customer credit risk.

33.2 Capital Management

The Board of Directors reviews the capital structure of the companies of the Group on regular basis. The intention of the Board of Directors is to maintain an optimum capital structure while minimizing cost of financing and safeguarding key stakeholders' interest. The Group have entered in the restructuring process which is ongoing at the current juncture.

Supplementary **information**

Five Year Summary

Year ended 31 March	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.	2018 Rs.
Summary of Operations					
Revenue	11,631,029,941	11,521,800,102	13,299,978,832	16,270,541,369	21,354,621,221
Gross Profit	2,501,716,821	3,294,443,218	3,663,442,651	2,801,785,747	2,144,567,547
Earnings Before Interest Tax, Depreciation and Amortization	2,009,867,346	2,496,501,052	2,860,243,646	1,534,858,806	1,043,699,616
Depreciation and Amortization	(357,426,111)	(530,209,023)	(709,796,794)	(739,699,488)	(855,488,869)
Profit Before Finance Cost	1,652,441,235	1,966,292,029	2,150,446,851	795,159,318	188,210,747
Profit/(Loss) Before Tax	1,632,717,086	1,840,590,583	1,708,884,010	(494,147,814)	(1,578,941,768)
Income Tax Expense	(323,355,445)	(392,529,879)	(372,081,611)	(128,612,866)	(49,134,733)
Profit/(Loss) for the Year	1,309,361,641	1,448,060,705	1,336,802,398	(622,760,680)	(1,628,076,501)
Profit/(Loss) after Tax for the Year from Discontinued Operations	-	-	-	(4,554,000)	296,263,212
Attributable To:					
Equity Holders	1,309,361,641	1,448,060,705	1,284,803,630	(638,026,448)	(1,331,813,289)
Non-Controlling Interests	-	-	51,998,768	10,711,768	-
	1,309,361,641	1,448,060,705	1,336,802,398	(627,314,680)	(1,331,813,289)

As at 31 March	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.	2018 Rs.
Summary of Financial position					
Capital and Reserves					
Stated Capital	3,285,000,260	3,285,000,260	3,285,000,260	3,285,000,260	1,000,000,000
Available for Sale Reserve	(338,325,183)	(333,152,345)	(318,968,277)	(193,755,741)	722,268
Revaluation Reserve	-	-	-	112,559,032	86,841,931
Foreign Currency Translation Reserve	-	-	48,438,638	186,807,178	123,987,459
Retained Earnings	4,254,470,118	4,929,317,530	5,395,273,403	4,253,763,313	(156,052,810)
Equity attributable to Equity Holders of the parent	7,201,145,195	7,881,165,445	8,409,744,024	7,644,374,042	1,055,498,848)
Non-Controlling Interests	-	-	1,195,843,601	-	386,183,727
Total Equity	7,201,145,195	7,881,165,445	9,605,587,625	7,644,374,042	1,441,682,575
Assets and Liabilities					
Current Assets	3,441,664,005	3,371,250,449	7,657,503,875	7,602,548,608	9,329,818,829
Current Liabilities	2,722,120,902	2,876,835,095	6,257,915,892	9,028,481,521	12,467,933,319
Net Current Assets	719,543,103	494,415,354	1,399,587,983	(1,425,932,912)	(3,138,114,490)
Property Plant & Equipment and Investments Properties	9,449,737,335	11,783,468,623	16,368,154,231	24,896,658,235	19,577,749,258
Other Non Current Assets	207,550,969	204,337,770	244,538,417	245,972,638	144,134,587
Intangible Assets	67,258,446	63,948,925	3,043,068,904	3,088,813,381	2,343,400,577
Non Current Liabilities	3,242,944,658	4,665,005,226	11,449,761,910	19,161,137,299	17,485,487,355
Net Assets	7,201,145,195	7,881,165,445	9,605,587,625	7,644,374,042	1,441,682,575

Year ended 31 March	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.	2018 Rs.
Summary of Cash Flows					
Net Operating Cash Flows	1,827,011,808	1,367,870,537	(107,913,459)	1,368,611,864	298,810,028
Net Cash Used in Investing Activities	(2,639,027,515)	(2,811,682,507)	(5,138,288,923)	(9,330,478,622)	(5,846,729,990)
Net Cash Used in/(from) Financing activities	882,688,364	679,409,456	7,864,420,196	5,989,766,961	6,402,816,988
Financial Ratio					
GP Margin	22%	29%	28%	17%	10%
EBITDA Margin	17%	22%	22%	9%	5%
NP Margin	11%	13%	10%	-4%	-6%
Earnings/(Loss) per Share (Rs.)	3.38	3.74	3.32	(1.65)	(3.44)
Current Ratio (Times)	1.26	1.17	1.22	0.84	0.75

Supplementary **information**

Real Estate Portfolio

Year ended 31 March 2018					Net book value	
Owning company and location	Building in (Sq.Ft)		Land in acres		2018	2017
	Free Hold	Leasehold	Freehold	Leasehold	Rs.'000	Rs.'000
PROPERTIES IN COLOMBO						
LAUGFS Gas PLC						
No 112A, Kumarathunga Munidasa Mawatha, Colombo 03.	-	-	0.25	-	370,000	350,000
No 02, Havelock Place, Colombo 05.	3,200	-	0.22	-	337,000	319,500
LAUGFS Property Developers (Pvt) Limited.						
No 101, Maya Avenue, Colombo 06.	87,307	-	0.30	-	1,738,091	1,597,084
No. 69/2, Maya Avenue, Colombo 06	-	-	0.13	-	91,000	86,000
PROPERTIES OUTSIDE COLOMBO						
LAUGFS Gas PLC						
Biyagama Road, Mabima.	43,098	-	31.97	-	771,685	765,460
Biyagama Road, Mabima.	-	-	1.02	-	51,500	49,000
Matara Road, Galupiadda, Galle.	680	-	0.18	-	46,000	43,000
Katuwawala , Borelasgamuwa	9,813	-	-	0.40	3,900	4,337
LAUGFS Gas (Bangladesh) Ltd						
Mongla,Bangladesh	-	3,499	-	10.47	62,684	70,628

Share Information

NUMBER OF SHARES IN ISSUE

Ordinary Voting	335,000,086
Ordinary Non-voting	52,000,000

STOCK SYMBOL

Ordinary Voting	LGL N 000
Ordinary Non-voting	LGL X 000

Listed in the Main Board of the Colombo Stock Exchange

SHARE PRICES FOR THE YEAR

LGL N

	As at 31/03/2018	As at 31/03/2017
Market price per share		
Highest during the year	Rs.39.80 (09-03-2018	Rs.45.50 (11-05-16)
Lowest during the year	Rs.20.90 (22/12/2017)	Rs.27.60 (22-03-17)
As at end of the year	Rs.35.50	Rs.28.10

LGL X

	As at 31/03/2018	As at 31/03/2017
Market price per share		
Highest during the year	Rs.33.00 (04-01-2017)	Rs. 42.00 (12-05-16)
Lowest during the year	Rs.18.50 (12-12-2017)	Rs. 24.00 (27-03-17)
As at end of the year	Rs.25.80	Rs. 24.80

PUBLIC HOLDING

Public Holding percentage as at 31st March 2018 being 25.2201% comprising of 9,184 shareholders.

Supplementary **information**

Share Information

SHARE DISTRIBUTION AS AT 31ST MARCH 2018

LGL N

From		To	No of Holders	No of Shares	%
1	-	1,000	7,510	2,719,522	0.81
1,001	-	10,000	1,447	4,675,321	1.39
10,001	-	100,000	202	5,988,849	1.79
100,001	-	1,000,000	26	5,890,941	1.76
Over 1,000,000			9	315,725,453	_94.25
			9,194	335,000,086	100.00

LGL N

From		To	No of Holders	No of Shares	%
1	-	1,000	5,709	1,980,090	3.81
1,001	-	10,000	1,294	3,934,744	7.56
10,001	-	100,000	210	6,047,948	11.64
100,001	-	1,000,000	24	7,512,626	14.45
Over 1,000,000			____7	32,524,592	_62.54
			7,244	52,000,000	100.00

ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2018

LGL N

From	No of Holders	No of Shares	%
Local Individuals	8,937	16,645,568	4.97
Local Institutions	218	317,503,589	94.78
Foreign Individuals	36	696,223	0.21
Foreign Institutions	_____3	___154,706	_0.04
	9,194	335,000,086	100.00

LGL X

From	No of Holders	No of Shares	%
Local Individuals	7,056	13,267,830	25.52
Local Institutions	152	33,260,145	63.96
Foreign Individuals	30	692,710	1.33
Foreign Institutions	6	_4,779,315	_9.19
	7,244	52,000,000	100.00

RESIDENCY

LGL N

Category	No of Holders	No of Shares	%
Resident	9,155	334,149,157	99.75
Non Resident	39	850,929	0.25
Total	9,194	335,000,086	100

LGL X

Category	No of Holders	No of Shares	%
Resident	7,208	46,527,975	89.48
Non Resident	36	5,475,025	10.52
Total	7,244	52,000,000	100

Supplementary **information**

Share Information

DIRECTOR'S SHAREHOLDING AS AT 31ST MARCH 2018

LGL N

	No of Shares	%
Mr C Lal De Alwis	1,000	0.000
Mr T K Bandaranayake	Nil	Nil
Mr P M Kumarasinghe	4,800	0.001
Mr W K H Wegapitiya	1,411,536	0.418
Mr U K T N De Silva	1,077,897	0.322
Mr H A Ariyaratne	3,900	0.001
Mr. N M Prakash	17,000	0.005
Mr. A R D Perera	Nil	Nil
Mr. A N Ranasinghe	Nil	Nil
Prof. S. P. P. Amaratunge	Nil	Nil

LGL X

	No of Shares	%
Mr C Lal De Alwis	500	0.001
Mr T K Bandaranayake	Nil	Nil
Mr P M Kumarasinghe	Nil	Nil
Mr W K H Wegapitiya	Nil	Nil
Mr U K T N De Silva	Nil	Nil
Mr H A Ariyaratne	3,400	0.007
Mr. N M Prakash	Nil	Nil
Mr. A R D Perera	Nil	Nil
Mr. A N Ranasinghe	Nil	Nil
Prof. S. P. P. Amaratunge	Nil	Nil

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING AS AT 31ST MARCH 2018

	No of Shares	%
Mr. U K A T De Silva	12,600	0.004 (LGL N)
	22,500	0.043 (LGL X)

TWENTY MAJOR SHAREHOLDERS OF THE COMPANY – (VOTING)

		31St March 2018		31St March 2017	
		No Of Shares	(%)	No Of Shares	(%)
1	LAUGFS Holdings Limited	247,980,050	74.024	246,057,450	73.450
2	Employees Provident Fund	57,897,800	17.283	57,897,800	17.283
3	Seylan Bank PLC / Carlines Holdings (Private) Limited	1,953,696	0.583	2,094,467	0.625
4	Amana bank PLC / Almas Organisation (Pvt) Ltd	1,547,795	0.462	-	-
5	Mr. W K H Wegapitiya	1,411,536	0.421	1,411,536	0.421
6	Deutsche Bank Ag as Trustee for Namal Acuity Value Fund	1,339,563	0.400	1,339,563	0.400
7	Deutsche Bank AG-National Equity Fund	1,318,182	0.393	1,318,182	0.393
8	Deutsche Bank AG - Namal Growth Fund	1,198,934	0.358	1,198,934	0.358
9	Mr. U K T N De Silva	1,077,897	0.322	1,077,897	0.322
10	Mr. G Y N Mahinkanda	794,572	0.237	779,272	0.233
11	Mr. H D M P Siriwardena	749,000	0.224	749,000	0.224
12	Seylan Bank PLC / Mohamed Mushtaq Fuad	625,521	0.187	-	-
13	Mr. M K De Vos & Mrs. D J De Vos	436,000	0.130	810,000	0.242
14	Mr. A Rajaratnam	209,705	0.063	-	-
15	Employees Trust Fund Board	205,304	0.061	205,304	0.061
16	Mr. C S Kariyawasan	200,000	0.060	221,716	0.066
17	Mr. H A Van Starrex	197,098	0.059	354,939	0.106
18	J.B. Cocoshell (Pvt) Ltd	187,669	0.056	-	-
19	Ceylon Biscuits Limited	170,000	0.051	170,000	0.051
20	Bank of Ceylon No. 1 Account	168,727	0.050	168,727	0.050
		319,669,049	95.424	315,854,787	94.285
	Others	15,331,037	4.576	19,145,299	5.715
	Total	335,000,086	100.000	335,000,086	100.000

Supplementary **information**

Share Information

TWENTY MAJOR SHAREHOLDERS OF THE COMPANY – (NON VOTING)

		31St March 2018		31St March 2017	
		No Of Shares	(%)	No Of Shares	(%)
1	Employees Provident Fund	18,041,300	34.695	18,041,300	34.695
2	HSBC Intl Nom Ltd - State Street Luxembourg C/O SSBT - Alliancebernstein Next 50 Emerging Markets (Master) Fund SICAV-SIF S.C.SP.	3,846,247	7.397	3,846,247	7.397
3	Bank of Ceylon No. 1 Account	3,420,538	6.578	3,420,538	6.578
4	Deutsche Bank AG as Trustee for J B Vantage Value Equity Fund	2,505,696	4.819	2,505,696	4.819
5	Seylan Bank PLC / Carlines Holdings (Private) Limited	2,213,417	4.257	2,083,382	4.007
6	Amana Bank PLC / Almas Organisation (Pvt) Ltd	1,249,845	2.404	-	-
7	J.b. Cocoshell (Pvt) Ltd	1,247,549	2.399	-	-
8	Mr. A.m. Weerasinghe	813,471	1.564	813,471	1.564
9	Commercial Bank of Ceylon PLC / Dunamis Capital PLC	793,906	1.527	872,812	1.678
10	Seylan Bank PLC / S.R. Fernando	704,992	1.356	502,018	0.965
11	Deutsche Bank AG - National Equity Fund	663,000	1.275	663,000	1.275
12	Mr. G H I Jafferjee (Deceased)	442,008	0.850	442,008	0.850
13	Mr. S Sivashanth	404,447	0.778	-	-
14	Gold Investment Limited	390,000	0.750	390,000	0.750
15	Mrs C N G Narayana	378,800	0.728	378,800	0.728
16	Mrs S D Amarasinghe	372,400	0.716	372,400	0.716
17	Naratha Ventures Private Limited	308,000	0.592	308,000	0.592
18	Pershing LIC S/A Averbach Grauson & Co.	307,604	0.592	941,392	1.810
19	Mr. M A Valabhji	280,000	0.538	280,000	0.538
20	People's Leasing & Finance PLC / C.D. Kohombanwickramage	167,934	0.323	49,634	0.095
		38,551,154	74.137	35,910,698	69.059
	Others	13,448,846	25.863	16,089,302	30.941
	Total	52,000,000	100.000	52,000,000	100.000

Value Added Statement

For the Year ended 31 March			Restated	
	2018		2017	
Continued Operations	**Rs. '000**	**(%)**	**Rs. '000**	**(%)**
Revenue	21,354,621		16,270,541	
Other Income	619,880		468,526	
	21,974,501		16,739,068	
Cost of Material & Services Provided	(19,332,120)		(13,887,733)	
Value addition	2,642,381	100	2,851,335	100
Distribution of Value Addition				
To Employees				
Salaries & Other Benefits	1,598,681	61	1,316,476	46
To Providers of Funds				
Dividend Paid	-	-	387,000	14
Interest Cost	1,767,153	67	1,289,307	45
To Government				
As Taxes & Levies	49,135	2	128,613	5
	3,414,969	129	3,121,396	109
To Expansion & Growth				
Depreciation and Amortization	855,489	32	739,699	26
Profit After Dividend	(1,628,077)	(62)	(1,009,761)	(35)
	(772,588)	(29)	(270,061)	(9)
	2,642,381	100	2,851,335	100

Supplementary **information**

Our Reach

LAUGFS GAS

LPG Filling Plant:

Mabima

Distributor Network:

1 Kaluthara
2 Anuradhapura
3 Polonnaruwa
4 Galle
5 Watareka
6 Mawanella
7 Bangadeniya
8 Akkaraipattu
9 Matara
10 Ambalanthota
11 Vavuniya
12 Gampaha
13 Trincomalee
14 Jaffna
15 Dambulla
16 Manikhinna
17 Siyambalape
18 Kurunegala
19 Batticaloa
20 Haliela
21 Monaragala
22 Boralesgamuwa
23 Colombo
24 Negombo
25 Embilipitiya
26 Nawagamuwa
27 Rathnapura
28 Kilinochchi
29 Kesbewa
30 Kiribathkumbura
31 Bandarawela

LAUGFS ECO SRI (PVT) LTD

Head office:

Colombo 06

Fixed Centres:

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

LAUGFS ECO SRI (PVT) LTD

Mobile Locations:

1	Adigma	27	Dummalasuriya	53	Katupotha	79	Nawagattegama	105	Ridigama
2	Akuressa	28	Galagedara	54	Kebithigollewa	80	Nawalapitiya	106	Saliyawewa
3	Aluthgama	29	Galenbindunuwewa	55	Kilinochchi	81	Nelliyadi	107	Samanthure
4	Ambanpola	30	Galewela	56	Kinniya	82	Ninthavur	108	Sevanagala
5	Ampitiya	31	Galgamuwa	57	Kiriella 1	83	Niwithigala	109	Sewanapitiya
6	Anamaduwa	32	Galneewa	58	Kiriella 2	84	Norochchole	110	Siripura
7	Angunukolapalassa	33	Ganegoda	59	Kobeigane	85	Padaviya	111	Sithankerny
8	Ankumbura	34	Giradurukotte	60	Kodikkamam	86	Paduwasnuwara	112	Siyambalanduwa
9	Aralaganwila	35	Giriulla	61	Kokaddicholai	87	Palagala	113	Sooriyawewa
10	Athimale	36	Hakmana	62	Kolonna	88	Pallebadda	114	Thambaala
11	Ayagama	37	Hambegamuwa	63	Kotapola	89	Paragahadeniya	115	Thanamalwila
12	Badalkubura	38	Hanguranketha	64	Madagama 1	90	Passara	116	Thirappane
13	Baduraliya	39	Haputhale	65	Madagama 2	91	Pelawatte	117	Ududumbara
14	Bakamuna	40	Hataraliyadda	66	Madawachchiya	92	Paluwewa	118	Udugama
15	Bibila	41	Higurana	67	Madirigiriya	93	Pellandeniya	119	Ukuwela
16	Bowatta	42	Hingurakgoda	68	Maradankadawala	94	Pemaduwa	120	Urubokka
17	Bulathsinhala	43	Hiripitiya	69	Mahaoya	95	Pitabeddara	121	Uva Paranagama
18	Buttala	44	Horowpathana	70	Mallawapitiya	96	Polgahawela	122	Walachchiyana
19	Chawakachcheri	45	Ingiriya	71	Mapalagama	97	Polpithigama	123	Walasmulla
20	Chenkalady	46	Ipologama	72	Meegalawe	98	Pothuwil	124	Wanduramba
21	Dambadeniya	47	Kadugannawa	73	Middeniya	99	Pudukuduirrippu	125	Watthegama
22	Dalukana	48	Kahatagasdigiliya	74	Mihinthalaya	100	Pulmudei	126	Wilgamuwa
23	Dankotuwa	49	Kalawanchikudi	75	Mundalama	101	Ragala	127	Yakkalamulla
24	Deltota	50	Kandaketiya	76	Muthur	102	Rajanganaya		
25	Deniyaya	51	Kantale	77	Narammala	103	Rambukkana		
26	Dikwella	52	Kattanakudy	78	Na-ula	104	Ratthota		

Notice of Meeting

Notice is hereby given that the 8th Annual General Meeting of LAUGFS Gas PLC will be held on 29th June 2018 at 2.00pm at the "Grand Ballroom" of the Waters Edge, No. 316, Ethul Kotte Road, Battaramulla, Sri Lanka, for following purposes;

ROUTINE BUSINESS:

1. To receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2018 with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. T. K. Bandaranayake, who is over the age of 70 years and who retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007 by passing the following ordinary resolution.

   "Resolved that Mr. T. K. Bandaranayake, who is over the age of 70 years be and is hereby re-elected as a Director of the Company and it is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director"
3. To re-elect as Director, Mr. H. A. Ariyarathne, who retires by rotation in terms of Article 81 of the Articles of Association of the Company.
4. To re-elect as Director, Prof. S. S. P. Amaratunge, who retires in terms of Article 88 of the Articles of Association of the Company.
5. To re-appoint Auditors M/s. Ernst & Young and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS:

1. To consider and pass if thought fit the following resolution as a Special Resolution, pertaining to the Amendment of Article 89 of the Articles of Association of the Company.

   IT IS HEREBY RESOLVED THAT the following be added at the bottom of existing Article 89 of the Articles of Association;

   "Such Directors' meetings may be held by contemporaneously linking by telephone or other means of visual or oral communication of all the Directors"
2. To consider and pass if thought fit the following resolution as a Special Resolution, pertaining to the Amendment of Article 96 of the Articles of Association of the Company.

   IT IS HEREBY RESOLVED THAT the following new Article 96 be substituted with the existing Article 96 of the Articles of Association;

   "A resolution in writing signed by all the Directors for the time being in Sri Lanka (Provided such number of Directors in Sri Lanka shall constitute a valid quorum of Directors hereinbefore set out) shall be as effective as a resolution passed at a meeting of the Directors duly convened and held and may consist of several documents in the like form, each signed by one or more of the Directors. An expression by a Director of consent or dissent to such a resolution by means of a communication by telefax or telefacsimile transreceiver or by telephone or email or fax or electronic or online or other means of visual or oral communication shall be deemed for all purposes to be equivalent to such Director signing a resolution in writing for the purpose of this Article"

By Order of the Board
LAUGFS GAS PLC

Corporate Advisory Services (Private) Limited
Secretaries

5th June 2018

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.

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 T. K. Bandaranayaka or failing him A. R. D Perera, or failing him A. N. Ranasinghe 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 2018 at 2.00pm at the "Grand Ballroom" at the Waters Edge and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
Routine Business		
1. receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2018 with the Report of the Auditors thereon.	❑	❑
2. To re-elect as a Director Mr. T. K. Bandaranayake, who is over the age of 70 years and who retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007	❑	❑
3. To re-elect as Director, Mr. H. A. Ariyarathne, who retires by rotation in terms of Article 81 of the Articles of Association of the Company.	❑	❑
4. To re-elect as Director, Prof. S. S. P. Amaratunge, who retires In terms of Article 88 of the Articles of Association	❑	❑
5. To re-appoint Auditors M/s. Ernst & Young and to authorize the Directors to determine their remuneration.	❑	❑
Special Business		
1. To pass as a Special Resolution, the amendment of Article 89 of the Articles of Association of the Company as proposed under the Notice calling the meeting.	❑	❑
2. To pass as a Special Resolution, the amendment of Article 96 of the Articles of Association of the Company as proposed under the Notice calling the meeting.	❑	❑

Signed this …………. day …………………….. 2018

*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 of LAUGFS Gas PLC at the Registered Office of the Company at No. 101, Maya Avenue, Colombo 6, not less than 48 hours before the time appointed for holding the Meeting.

3. For voting shares please indicate with an “X” in the space provided how your proxy is to vote on the resolution. If no indication is given the proxy in the discretion will vote as he thinks fit.

4. The Proxy shall –

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

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

   (c) in the case of joint-holders, the first joint-holder has the power to sign the proxy without the concurrence of the other joint-holder/s.

5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated

Form of Proxy - 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 T. K. Bandaranayake or failing him A. R. D Perera, or failing him A. N. Ranasinghe as *my/our proxy, to represent *me/us and to speak at the Annual General Meeting of the Company to be held on 29th June 2018 at 2.00pm at the “Grand Ballroom” at the Waters Edge and at any adjournment thereof which may be taken in consequence thereof.

Signed this …………. day ……………………. 2018

*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 of LAUGFS Gas PLC at the Registered Office of the Company at No. 101, Maya Avenue, Colombo 6, not less than 48 hours before the time appointed for holding the Meeting.

3. 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 REGISTRATION NO

PV - 8330 PB/PQ

LEGAL FORM

A Limited Liability Company listed in the Colombo Stock Exchange.

SUBSIDIARIES

LAUGFS Property Developers (Pvt) Ltd.

LAUGFS Maritime Services (Pvt) Ltd.

LAUGFS Terminals Ltd.

LAUGFS Gas Ltd. in Bangladesh

Slogal Energy DMCC in the UAE

SUB-SUBSIDIARIES

LAUGFS On Ried (Pvt) Ltd.

PRINCIPAL ACTIVITIES & NATURE OF OPERATIONS

LAUGFS Gas PLC - Downstream Business of Liquefied Petroleum Gas & other related Products & Services.

LAUGFS Property Developers (Pvt) Ltd - Owning Company of the Head Office Building

LAUGFS Maritime Services (Pvt) Ltd – Shipping operations

LAUGFS Gas (Bangladesh) Ltd - Downstream Business of Liquefied Petroleum Gas & other related Products & Services

Slogal Energy DMCC - Trading of Liquefied Petroleum Gas and other Petroleum Products

LAUGFS Terminals Ltd - Providing of LPG storage facilities

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

Deshabandu 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. N.M. Prakash

Mr. A. R. D. Perera

Mr. A. N. Ranasinghe

Prof. S. P. P. Amaratunge

BANKERS

Seylan Bank PLC
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
People's Bank
Bank of Ceylon
DFCC Bank PLC
Union Bank of Colombo PLC
Standard Chartered Bank
Pan Asia Banking Cooperation
HSBC
MCB Bank Limited
Sampath Bank PLC

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.

REGISTRARS

PW Corporate Secretarial (Pvt) Ltd
3/17, Kinsey Road,
Colombo 08,
Sri Lanka

REGISTERED OFFICE

101, Maya Avenue,
Colombo 06, Sri Lanka.
Telephone: (011) 55 66 220
Fax: (011) 25 83 824

CORPORATE WEBSITE

www.laugfsgas.lk

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