

APAG/NYR/DM

## LAUGFS GAS PLC

### INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF LAUGFS GAS ON THE STATEMENTS OF FINANCE POSITION IMMEDIATE AFTER PROPOSED RESTRUCTURE BY LAUGFS GAS PLC AND RELATED COMPANIES

#### Introduction and the Scope of the Engagement

The management of Laugfs Gas PLC ("the Company") engaged us to provide an independent assurance report on the statement of Financial Position immediate after proposed restructure by Laugfs Gas PLC ("the Statement") for the purpose of submission to the court obtaining legal clearance for the proposed restructure.

#### *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 ("ICASL")

The evaluation criteria used for this limited assurance is based on the request to obtaining legal clearance for the proposed restructure by Laugfs Gas PLC and related companies.

Our engagement provides limited 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.

#### *Respective Responsibilities of Management and Auditors*

The management of the company is responsible for the preparation of the Statement. Our responsibility is to express a conclusion based on the work performed.

#### *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:

- Inquired of relevant/responsible personnel/Management and advisors of the company regarding the proposed restructure arrangements and related process;
- Cross checking the relevant amounts included in the Statement to the reviewed financial statements for the period ended 30 November 2017;

(Contd...2/)



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- Checking the arithmetical accuracy of the proposed restructure adjustments provided by the management;
- Checking whether the proposed restructure adjustments have been properly adjusted in the statements as per Note no 2 in the statements which is in compliance with Sri Lanka Accounting Standards.

### **Conclusion**

Based on the procedures performed, as described above, we conclude that nothing has come to our attention that causes us to believe the information presented in the Statement is not fairly presented, in all material respects, in accordance with the above mentioned evaluation criteria.

### ***Restriction for the purpose and use of the report***

This Report is made solely for the purpose of submission to the court obtaining legal clearance for the proposed restructure by Laugfs Gas PLC and related companies. Our key assurance procedures have been undertaken so that we provide a limited assurance on the Statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume the responsibility to anyone other than the addressee, for the stated key assurance procedures, for this report, or for the opinion we have formed. This report should not to be used, circulated, quoted or otherwise referred to for any other purpose.

22 December 2017  
Colombo

*Ernst & Young*

LAUGFS Gas PLC

Statement of Financial Position as at 30 November 2017 adjusted for proposed restructuring transactions

We hereby confirm the financial position of the company as at 30 November 2017 after incorporating adjustments relating to the proposed restructure by Laugfs Gas PLC and related companies.

	Notes	Rs.
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment		7,120,776,309
Investment Properties		761,500,000
Intangible Assets		16,490,612
Investments in Subsidiaries	2	6,874,034,982
Other Non-Current Financial Assets		134,262,875
		<u>14,907,064,777</u>
<b>Current Assets</b>		
Inventories		393,272,198
Trade and Other Receivables		3,236,368,898
Prepayments		8,546,875
Income Tax Recoverable		245,325,652
Other Current Financial Assets		2,909,130
Cash and Short Term Deposits		348,305,899
		<u>4,234,728,652</u>
<b>Total Assets</b>		<u><u>19,141,793,429</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stated Capital		1,000,000,000
Reserves		(4,324,482)
Retained Earnings		53,722,333
<b>Total Equity</b>		<u>1,049,397,851</u>
<b>Non-Current Liabilities</b>		
Interest Bearing Loans and Borrowings		7,415,660,620
Deferred Tax Liabilities		361,394,307
Deferred Income		747,100,080
Employee Benefit Liability		66,349,344
Refundable Deposits		2,119,141,669
		<u>10,709,646,020</u>
<b>Current Liabilities</b>		
Trade and Other Payables		1,509,743,034
Deferred Income		15,082,388
Refundable Deposits		235,460,185
Interest Bearing Loans and Borrowings		5,622,463,950
		<u>7,382,749,558</u>
<b>Total Equity and Liabilities</b>		<u><u>19,141,793,429</u></u>

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



W. K. H. Wegapitiya  
Director



U. K. Thilak De Silva  
Director





LAUGFS Gas PLC

Statement of Changes in Equity period ended 30 November 2017 adjusted for proposed restructuring transactions

	Stated Capital Rs.	Retained Earnings Rs.	Available for Sale Reserve Rs.	Total Rs.
<b>As at 01 April 2016</b>	3,285,000,260	4,862,980,518	(318,968,277)	7,829,012,501
Loss for the Year	-	(259,128,204)	-	(259,128,204)
Other Comprehensive Income	-	8,898,026	125,212,536	134,110,562
Total Comprehensive Income/(Loss)	-	(250,230,178)	125,212,536	(125,017,642)
Dividend Paid (Final 2015/16)	-	(387,000,086)	-	(387,000,086)
Deferred Tax Liability Reversal during the Year	-	15,655,831	-	15,655,831
Reversal of Surplus on revaluation of Disposal of Property, Plant & Equipment	-	(25,535,458)	-	(25,535,458)
<b>As at 31 March 2017</b>	3,285,000,260	4,215,870,627	(193,755,741)	7,307,115,146
Profit for the Year	-	(1,159,047,237)	-	(1,159,047,237)
Other Comprehensive Income	-	2,181,744	189,431,259	191,613,004
Total Comprehensive Income/(Loss)	-	(1,156,865,493)	189,431,259	(967,434,233)
Deferred Tax Liability Reversal during the Year	-	10,884,165	-	10,884,165
Reversal of Surplus on revaluation of Disposal of Property, Plant & Equipment	-	(4,865,312)	-	(4,865,312)
Proposed Restructure adjustments	(2,285,000,260)	(3,011,301,654)	-	(5,296,301,914)
<b>As at 30 November 2017 adjusted for proposed restructuring transactions</b>	<u>1,000,000,000</u>	<u>53,722,333</u>	<u>(4,324,482)</u>	<u>1,049,397,851</u>

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

.....  
W. K. H. Weerapathya  
Director

.....  
U. K. Thilak De Silva  
Director



LAUGFS Gas PLC  
NOTES TO THE STATEMENTS

1. BASIS OF PREPARATION

These statements were derived from the financial statements of Laugfs Gas PLC for the period ended 30 November 2017 and after incorporating following proposed restructure adjustments stated in note no 02.

2. INVESTMENTS IN SUBSIDIARIES	30.11.2017 Rs.	31.03.2017 Rs.
As at 1 April	5,798,781,152	2,796,301,924
Acquisition of Investments	(4,976,301,914)	3,002,479,228
As at 30 November/31 March	<u>822,479,238</u>	<u>5,798,781,152</u>

2.1 Investments in Subsidiaries

	% of Holding		Cost	Cost
	30.11.2017	31.03.2017	30.11.2017 Rs.	31.03.2017 Rs.
<b>Non Quoted</b>				
LAUGFS Eco Sri (Pvt) Ltd. (Note 2.2)	100%	100%	-	416,301,984
LAUGFS Leisure Ltd. (Note 2.2)	100%	100%	-	3,000,000,000
LAUGFS Property Developers (Pvt) Ltd. (Note 2.2)	100%	86%	870,000,000	550,000,000
LAUGFS Power Ltd.	100%	100%	-	1,879,999,930
LAUGFS Maritime Services (Pvt) Ltd.	100%	100%	800,000,010	800,000,010
LAUGFS Gas (Bangladesh) Ltd	69%	69%	2,597,931,346	2,597,931,346
SLOGAL Energy DMCC	100%	100%	1,356,103,616	1,356,103,616
LAUGFS Terminals (Pvt) Ltd	100%	100%	1,250,000,010	1,250,000,010
<b>Total Non-Quoted Investments in Subsidiaries</b>			<u>6,874,034,982</u>	<u>11,850,336,896</u>

- 2.2 Directors of Laugfs Gas PLC proposed to transfer its investments in subsidiaries (shares of Laugfs Leisure, Laugfs Eco and Laugfs Power) at zero consideration to its shareholders through a scheme of arrangement via court order. To facilitate the above, a capital reduction is proposed to be carried out parallelly to this transfer of investments. The financial impact of this transaction to the financial statements of the Company is given below.

The carrying value of the investments in subsidiaries to be transferred to the company's owners;

	Rs.
LAUGFS Eco Sri	416,301,984
LAUGFS Leisure	3,000,000,000
LAUGFS Power	1,879,999,930
<b>Total</b>	<u>5,296,301,914</u>

As a result the investment in subsidiaries, stated capital and retained earnings will be decreased as follows;

	Rs.
Investments in subsidiaries	5,296,301,914
Stated capital (As a part of capital reduction)	2,285,000,260
Retained earnings	3,011,301,654

