

CHOSEN

LAUGFS GAS PLC INTERIM REPORT FOR THE QUARTER ENDED 31 MARCH 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

| | Quarter ended 31 March | | | Year ended 31 March | | |
|---|------------------------|--------------------|-------------|----------------------|--------------------|-------------|
| | 2013 Rs. | 2012 Rs. | Change % | 2013 Rs. | 2012 Rs. | Change % |
| Continuing Operations: | | | | | | |
| Revenue | 2,675,861,977 | 2,475,145,164 | 8% | 10,563,163,026 | 9,107,268,054 | 16% |
| Cost of Sales | (2,131,327,734) | (1,927,079,032) | 11% | (8,836,190,513) | (7,407,218,762) | 19% |
| Gross Profit | 544,534,243 | 548,066,132 | -1% | 1,726,972,513 | 1,700,049,292 | 2% |
| Other Operating Income | 57,212,143 | 52,984,218 | 8% | 226,472,115 | 217,612,108 | 4% |
| Selling and Distribution Expenses | (97,265,804) | (121,273,871) | -20% | (326,053,129) | (333,386,255) | -2% |
| Administrative Expenses | (133,358,953) | (162,780,851) | -18% | (581,081,801) | (531,151,606) | 9% |
| Foreign Currency Exchange Gain/(Loss) | 30,143,182 | (208,130,064) | 114% | 87,629,947 | (209,763,162) | 142% |
| Operating Profit | 401,264,811 | 108,865,564 | 269% | 1,133,939,645 | 843,360,377 | 34% |
| Finance Costs | (1,759,301) | (98,972) | 1678% | (5,053,018) | (1,421,862) | 255% |
| Fair Value Gain on Investment Properties | 35,472,500 | 21,360,000 | 66% | 35,472,500 | 21,360,000 | 66% |
| Finance Income | 33,148,504 | 57,721,319 | -43% | 154,826,089 | 162,628,944 | -5% |
| Profit Before Tax from Continuing Operations | 468,126,513 | 187,847,911 | 149% | 1,319,185,216 | 1,025,927,459 | 29% |
| Income Tax Expense | (103,400,155) | (46,915,908) | 120% | (258,364,508) | (196,484,634) | 31% |
| Profit for the Period from Continuing Operations | <u>364,726,358</u> | <u>140,932,003</u> | 159% | <u>1,060,820,707</u> | <u>829,442,825</u> | 28% |
| Discontinued Operations: | | | | | | |
| (Loss) after Tax for the Period from Discontinued Operations | - | (746,368) | -100% | - | (6,959,511) | -100% |
| Profit for the Period | <u>364,726,358</u> | <u>140,185,635</u> | 160% | <u>1,060,820,707</u> | <u>822,483,314</u> | 29% |
| Attributable to: | | | | | | |
| Equity Holders of the Parent | 364,726,358 | 140,185,635 | 160% | 1,060,820,707 | 822,483,314 | 29% |
| Non-Controlling Interest | - | - | - | - | - | - |
| | <u>364,726,358</u> | <u>140,185,635</u> | 160% | <u>1,060,820,707</u> | <u>822,483,314</u> | 29% |
| Basic/Diluted Earnings Per Share for Discontinued Operations | - | - | - | - | (0.02) | -100% |
| Basic/Diluted Earnings Per Share for Continuing Operations | 0.94 | 0.36 | 159% | 2.74 | 2.14 | 28% |

Note : Change % column represents the percentage change in current period's results compared to previous period
The above figures are subject to audit.
Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

| | Quarter ended 31 March | | | Year ended 31 March | | |
|---|---------------------------|--------------------------|-------------|-----------------------------|---------------------------|-------------|
| | 2013 Rs. | 2012 Rs. | Change % | 2013 Rs. | 2012 Rs. | Change % |
| Profit for the Period | 364,726,358 | 140,185,635 | 160% | 1,060,820,707 | 822,483,314 | 29% |
| Other Comprehensive Income | | | | | | |
| (Loss) on Available for Sale Financial Assets | (18,780,672) | (86,266,235) | 78% | (28,461,033) | (225,702,591) | 87% |
| Income Tax Effect | - | - | - | - | - | - |
| Other Comprehensive Income for the Period Net of Tax | <u>(18,780,672)</u> | <u>(86,266,235)</u> | 78% | <u>(28,461,033)</u> | <u>(225,702,591)</u> | 87% |
| Total Comprehensive Income for the Period Net of Tax | <u>345,945,686</u> | <u>53,919,400</u> | 542% | <u>1,032,359,674</u> | <u>596,780,723</u> | 73% |
| Attributable to: | | | | | | |
| Equity Holders of the Parent | 345,945,686 | 53,919,400 | 542% | 1,032,359,674 | 596,780,723 | 73% |
| Non-Controlling Interest | - | - | - | - | - | - |
| | <u>345,945,686</u> | <u>53,919,400</u> | 542% | <u>1,032,359,674</u> | <u>596,780,723</u> | 73% |

The accounting policies and notes on pages 11 to 28 form an integral part of these financial statements.

Note : Change % column represents the percentage change in current period's results compared to previous period
 The above figures are subject to audit.
 Figures in brackets indicate deductions.

Laugfs Gas PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

| | As at 31.03.2013 Rs. | As at 31.03.2012 Rs. | As at 01.04.2011 Rs. |
|---|------------------------------|------------------------------|-----------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, Plant & Equipment | 6,511,466,386 | 5,529,848,680 | 4,480,465,982 |
| Investment Properties | 644,900,000 | 609,800,000 | 588,800,000 |
| Intangible Assets | 63,203,385 | 53,211,690 | 52,956,457 |
| Prepayments | 91,955,456 | 400,000 | - |
| Other Non-Current Financial Assets | 116,128,966 | 144,455,040 | 356,363,726 |
| | <u>7,427,654,193</u> | <u>6,337,715,410</u> | <u>5,478,586,164</u> |
| Current Assets | | | |
| Inventories | 388,989,528 | 620,109,359 | 291,647,968 |
| Trade and Other Receivables | 1,141,899,092 | 932,596,384 | 869,985,833 |
| Prepayments | 30,781,565 | 6,347,549 | 3,557,282 |
| Rate Regulatory Assets | 106,665,311 | 196,023,612 | 387,854,097 |
| Income Tax Recoverable | - | 38,684,316 | - |
| Other Current Financial Assets | 4,236,100 | 4,962,160 | - |
| Cash and Short-Term Deposits | 1,509,406,947 | 2,163,913,258 | 2,037,535,204 |
| | <u>3,181,978,543</u> | <u>3,962,636,638</u> | <u>3,590,580,384</u> |
| Total Assets | <u>10,609,632,736</u> | <u>10,300,352,048</u> | <u>9,069,166,548</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Stated Capital | 3,285,000,260 | 3,285,000,260 | 3,285,000,260 |
| Reserves | (321,209,089) | (292,748,056) | (67,045,465) |
| Retained Earnings | 3,524,190,615 | 3,038,703,667 | 2,791,247,541 |
| Equity attributable to Equity Holders of the Parent | <u>6,487,981,786</u> | <u>6,030,955,871</u> | <u>6,009,202,336</u> |
| Non-Controlling Interest | - | - | - |
| Total Equity | <u>6,487,981,786</u> | <u>6,030,955,871</u> | <u>6,009,202,336</u> |
| Non-Current Liabilities | | | |
| Interest Bearing Loans and Borrowings | - | - | 375,122 |
| Deferred Tax Liability | 492,335,839 | 416,226,836 | 364,535,678 |
| Deferred Income | 410,070,483 | 345,772,225 | 280,799,748 |
| Employee Benefit Liability | 32,436,193 | 34,456,236 | 23,756,017 |
| Refundable Deposits | 1,075,968,030 | 1,085,535,045 | 976,224,060 |
| | <u>2,010,810,545</u> | <u>1,881,990,342</u> | <u>1,645,690,625</u> |
| Current Liabilities | | | |
| Trade and Other Payables | 1,912,606,673 | 2,249,722,664 | 1,130,454,916 |
| Refundable Deposits | 119,552,003 | 120,615,005 | 108,469,340 |
| Income Tax Payable | 33,426,215 | - | 138,130,173 |
| Interest Bearing Loans and Borrowings | 45,255,514 | 17,068,166 | 37,219,158 |
| | <u>2,110,840,405</u> | <u>2,387,405,835</u> | <u>1,414,273,587</u> |
| Total Equity and Liabilities | <u>10,609,632,736</u> | <u>10,300,352,048</u> | <u>9,069,166,548</u> |
| Net Assets Per Share (Rs.) | 16.76 | 15.58 | 15.53 |

Note: The above figures are subject to audit.

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

(Sgd.)

Chamath Indrapala
Chief Financial Officer

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

(Sgd.)

W.K.H.Wegapitiya
Director

(Sgd.)

U.K.Thilak De Silva
Director

29 May 2013
Colombo

Laugfs Gas PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

| | Stated Capital Rs. | Retained Earnings Rs. | Available for Sale Reserve Rs. | Total Rs. |
|--|--------------------------|-----------------------------|--------------------------------------|----------------------|
| Balance as at 01 April 2012 | 3,285,000,260 | 3,038,703,667 | (292,748,056) | 6,030,955,871 |
| Profit for the nine months period | - | 696,094,349 | - | 696,094,349 |
| Other Comprehensive Income | - | - | (9,680,361) | (9,680,361) |
| Total Comprehensive Income | - | 696,094,349 | (9,680,361) | 686,413,988 |
| Dividend Paid (final 2011/2012) | - | (580,500,143) | - | (580,500,143) |
| Deferred Tax Liability Reversal during the Period | - | 3,874,788 | - | 3,874,788 |
| Balance as at 31 December 2012 | 3,285,000,260 | 3,158,172,661 | (302,428,417) | 6,140,744,504 |
| Profit for the quarter | - | 364,726,358 | - | 364,726,358 |
| Other Comprehensive Income | - | - | (18,780,672) | (18,780,672) |
| Total Comprehensive Income | - | 364,726,358 | (18,780,672) | 345,945,686.13 |
| Deferred Tax Liability Reversal during the Period | - | 1,291,596 | - | 1,291,596 |
| Balance as at 31 March 2013 | 3,285,000,260 | 3,524,190,615 | (321,209,089) | 6,487,981,786 |
| Balance as at 01 April 2011 | 3,285,000,260 | 2,791,247,541 | (67,045,465) | 6,009,202,336 |
| Profit for the nine months period | - | 682,297,679 | - | 682,297,679 |
| Other Comprehensive Income | - | - | (139,436,356) | (139,436,356) |
| Total Comprehensive Income | - | 682,297,679 | (139,436,356) | 542,861,324 |
| Dividend Paid (final 2010/2011) | - | (580,500,131) | - | (580,500,131) |
| Deferred Tax Liability Reversal during the Period | - | 4,157,024 | - | 4,157,024 |
| Transfer of Surplus on Revaluation of Property, Plant and Equipment for Disposals made during the Period | - | (69,755) | - | (69,755) |
| Balance as at 31 December 2011 | 3,285,000,260 | 2,897,132,358 | (206,481,821) | 5,975,650,797 |
| Profit for the quarter | - | 140,185,635 | - | 140,185,635 |
| Other Comprehensive Income | - | - | (86,266,235) | (86,266,235) |
| Total Comprehensive Income | - | 140,185,635 | (86,266,235) | 53,919,400 |
| Deferred Tax Liability Reversal during the Year | - | 1,385,674 | - | 1,385,674 |
| Balance as at 31 March 2012 | 3,285,000,260 | 3,038,703,667 | (292,748,056) | 6,030,955,871 |

Note : The above figures are subject to audit.
Figures in brackets indicate deductions.

Laugfs Gas PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

| | 2013 Rs. | 2012 Rs. |
|--|-----------------------------|-----------------------------|
| Cash Flows Generated from/(Used in) Operating Activities | | |
| Cash Flows from Operating Activities | | |
| Profit Before Tax from Continuing Operations | 1,319,185,216 | 1,025,927,459 |
| Profit/(Loss) Before Tax from Discontinued Operations | - | (7,567,312) |
| Profit Before Tax | <u>1,319,185,216</u> | <u>1,018,360,147</u> |
| Non-Cash Adjustment to Reconcile Profit Before Tax to Net Cash Flows: | | |
| Amortization of Intangible Assets | 8,305 | 19,931 |
| Decrease in Fair Value of Quoted Equity Securities | 726,060 | 5,771,281 |
| Depreciation of Property, Plant and Equipment | 307,702,180 | 270,226,530 |
| Fair Value Gain on Investment Properties | (35,472,500) | (21,360,000) |
| Finance Costs | 5,053,018 | 1,421,862 |
| Finance Income | (154,826,089) | (162,628,944) |
| Loss on Disposal of Quoted Equity Securities | - | 1,110,416 |
| Dividend Income | (697,968) | (1,407,823) |
| Profit/(Loss) from Managing of Hotels | - | 2,863,984 |
| Provision for Employee Benefit Liability | (1,124,129) | 10,947,544 |
| (Profit)/Loss on Disposal of Property, Plant and Equipment | 4,325,450 | 3,117,071 |
| Unrealized (Gain)/Loss on Foreign Exchange | (2,039,998) | 149,902,357 |
| Write-off of Property, Plant and Equipment | - | 1,794,735 |
| Operating Profit Before Working Capital Changes | <u>1,442,839,544</u> | <u>1,280,139,091</u> |
| Working Capital Adjustments | | |
| (Increase)/Decrease in Inventories | 231,119,831 | (328,461,391) |
| (Increase)/Decrease in Trade and Other Receivables and Prepayments | (228,666,872) | (57,519,053) |
| (Increase)/Decrease in Rate Regulatory Assets | 89,358,301 | 191,830,485 |
| Increase/(Decrease) in Trade and Other Payables | (340,166,560) | 949,370,619 |
| Increase/(Decrease) in Deferred Income | 64,298,258 | 64,972,477 |
| Cash Generated from Operating Activities | <u>1,258,782,501</u> | <u>2,100,332,227</u> |
| Employee Benefit Liability Costs Paid | (895,915) | (247,325) |
| Finance Costs Paid | (5,046,925) | (1,013,338) |
| Income Tax Paid | (104,954,870) | (307,910,063) |
| Refund/Transfers of Refundable Deposits | (281,657,634) | (276,764,275) |
| Refundable Deposits Received | 271,027,618 | 398,220,925 |
| Net Cash Flows Generated from Operating Activities | <u>1,137,254,775</u> | <u>1,912,618,151</u> |
| Cash Flows from / (Used in) Investing Activities | | |
| Acquisition of Intangible Assets | (10,000,000) | - |
| Acquisition of Property, Plant and Equipment | (1,297,196,713) | (1,326,069,341) |
| Acquisition of Leasehold Right | (91,555,456) | - |
| Dividends Received | 563,008 | 1,407,823 |
| Investments in Quoted Equity Securities | - | (60,683,378) |
| Proceeds from Disposal of Property, Plant and Equipment | 3,920,873 | 1,465,011 |
| Proceeds from Disposal of Quoted Equity Securities | - | 36,445,616 |
| Net Cash Flows from/(Used in) Investing Activities | <u>(1,394,268,287)</u> | <u>(1,347,434,270)</u> |
| Cash Flows from / (Used in) Financing Activities | | |
| Dividend Paid | (580,500,143) | (580,500,131) |
| Finance Income | 154,826,089 | 162,628,944 |
| Repayment of Interest Bearing Loans and Borrowings | (387,308) | (6,522,872) |
| Net Cash Flows Used in Financing Activities | <u>(426,061,362)</u> | <u>(424,394,060)</u> |
| Net Increase in Cash and Cash Equivalent | (683,074,874) | 140,789,821 |
| Cash and Cash Equivalent at the Beginning of the Year | <u>2,147,226,307</u> | <u>2,006,436,486</u> |
| Cash and Cash Equivalent at the End of the Year | <u>1,464,151,433</u> | <u>2,147,226,307</u> |

Note : The above figures are subject to audit.

Figures in brackets indicate deductions.

Laugfs Gas PLC

COMPANY INCOME STATEMENT

For the year ended 31 March 2013

| | Quarter ended 31 March | | | Year ended 31 March | | |
|--|------------------------|-------------------|-------------|----------------------|--------------------|-------------|
| | 2013 Rs. | 2012 Rs. | Change % | 2013 Rs. | 2012 Rs. | Change % |
| Revenue | 2,455,004,743 | 2,267,752,686 | 8% | 9,705,179,946 | 8,395,843,733 | 16% |
| Cost of Sales | (2,072,688,237) | (1,870,066,495) | 11% | (8,622,049,304) | (7,218,191,582) | 19% |
| Gross Profit | 382,316,507 | 397,686,191 | -4% | 1,083,130,642 | 1,177,652,151 | -8% |
| Other Operating Income | 414,795,782 | 52,753,920 | 686% | 717,075,712 | 306,892,718 | 134% |
| Selling and Distribution Expenses | (90,820,429) | (113,048,910) | -20% | (310,878,771) | (313,820,062) | -1% |
| Administrative Expenses | (63,607,635) | (86,118,572) | -26% | (295,263,664) | (300,660,418) | -2% |
| Foreign Currency Exchange Gain/(Loss) | 30,143,182 | (208,130,064) | 114% | 87,629,947 | (209,763,162) | 142% |
| Operating Profit | 672,827,407 | 43,142,565 | 1460% | 1,281,693,866 | 660,301,226 | 94% |
| Finance Costs | (1,755,160) | (91,540) | 1817% | (4,997,578) | (1,399,733) | 257% |
| Fair Value Gain on Investment Properties | 35,472,500 | 21,360,000 | 66% | 35,472,500 | 21,360,000 | 66% |
| Finance Income | 14,725,521 | 49,057,378 | -70% | 91,671,083 | 137,081,629 | -33% |
| Profit Before Tax | 721,270,268 | 113,468,403 | 536% | 1,403,839,872 | 817,343,122 | 72% |
| Income Tax Expense | (60,043,827) | (45,227,066) | 33% | (190,959,928) | (180,912,921) | 6% |
| Profit for the Period | 661,226,440 | 68,241,338 | 869% | 1,212,879,944 | 636,430,201 | 91% |
| Attributable to: | | | | | | |
| Equity Holders of the Parent | 661,226,440 | 68,241,338 | 869% | 1,212,879,944 | 636,430,201 | 91% |
| Non-Controlling Interest | - | - | - | - | - | - |
| | 661,226,440 | 68,241,338 | 869% | 1,212,879,944 | 636,430,201 | 91% |

Note : Change % column represents the percentage change in current period's results compared to previous period

The above figures are subject to audit.

Figures in brackets indicate deductions.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

| | Quarter ended 31 March | | | Year ended 31 March | | |
|---|---------------------------|----------------------------|--------------|-----------------------------|---------------------------|-------------|
| | 2013 Rs. | 2012 Rs. | Change % | 2013 Rs. | 2012 Rs. | Change % |
| Profit for the Period | 661,226,440 | 68,241,338 | 869% | 1,212,879,944 | 636,430,201 | 91% |
| Other Comprehensive Income | | | | | | |
| (Loss) on Available for Sale Financial Assets | (18,780,672) | (86,266,235) | 78% | (28,461,033) | (225,702,591) | 87% |
| Income Tax Effect | - | - | - | - | - | - |
| Other Comprehensive Income for the Period Net of Tax | <u>(18,780,672)</u> | <u>(86,266,235)</u> | 78% | <u>(28,461,033)</u> | <u>(225,702,591)</u> | 87% |
| Total Comprehensive Income for the Period Net of Tax | <u>642,445,768</u> | <u>(18,024,897)</u> | 3664% | <u>1,184,418,911</u> | <u>410,727,610</u> | 188% |
| Attributable to: | | | | | | |
| Equity Holders of the Parent | 642,445,768 | (18,024,897) | 3664% | 1,184,418,911 | 410,727,610 | 188% |
| Non-Controlling Interest | - | - | - | - | - | - |
| | <u>642,445,768</u> | <u>(18,024,897)</u> | 3664% | <u>1,184,418,911</u> | <u>410,727,610</u> | 188% |

The accounting policies and notes on pages 11 to 28 form an integral part of these financial statements.

Note : Change % column represents the percentage change in current period's results compared to previous period
The above figures are subject to audit.
Figures in brackets indicate deductions.

Laugfs Gas PLC

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

| | As at 31.03.2013 Rs. | As at 31.03.2012 Rs. | As at 01.04.2011 Rs. |
|---|-----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, Plant & Equipment | 4,381,634,720 | 3,984,240,880 | 3,564,239,240 |
| Investment Properties | 644,900,000 | 609,800,000 | 588,800,000 |
| Intangible Assets | 10,000,000 | 8,305 | 28,236 |
| Investments in Subsidiaries | 1,281,301,914 | 1,281,301,914 | 616,301,984 |
| Other Non-Current Financial Assets | 116,128,966 | 144,455,040 | 356,363,726 |
| | <u>6,433,965,600</u> | <u>6,019,806,139</u> | <u>5,125,733,186</u> |
| Current Assets | | | |
| Inventories | 356,332,823 | 598,253,377 | 273,237,080 |
| Trade and Other Receivables | 1,835,902,057 | 887,830,201 | 844,031,321 |
| Prepayments | 30,781,565 | 6,347,549 | 3,557,282 |
| Rate Regulatory Assets | 106,665,311 | 196,023,612 | 387,854,097 |
| Income Tax Recoverable | - | 42,864,603 | - |
| Other Current Financial Assets | 4,236,100 | 4,962,160 | - |
| Cash and Short-Term Deposits | 1,163,509,041 | 1,748,404,240 | 1,858,513,965 |
| | <u>3,497,426,898</u> | <u>3,484,685,743</u> | <u>3,367,193,745</u> |
| Total Assets | <u>9,931,392,498</u> | <u>9,504,491,882</u> | <u>8,492,926,931</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Stated Capital | 3,285,000,260 | 3,285,000,260 | 3,285,000,260 |
| Reserves | (321,209,089) | (292,748,056) | (67,045,465) |
| Retained Earnings | 2,970,569,133 | 2,333,022,933 | 2,271,619,918 |
| Equity attributable to Equity Holders of the Parent | 5,934,360,304 | 5,325,275,137 | 5,489,574,713 |
| Total Equity | <u>5,934,360,304</u> | <u>5,325,275,137</u> | <u>5,489,574,713</u> |
| Non-Current Liabilities | | | |
| Interest Bearing Loans and Borrowings | - | - | 375,122 |
| Deferred Tax Liability | 492,335,839 | 416,226,836 | 364,535,678 |
| Deferred Income | 410,070,483 | 345,772,225 | 280,799,748 |
| Employee Benefit Liability | 26,420,121 | 28,364,234 | 20,470,588 |
| Refundable Deposits | 1,075,968,030 | 1,085,535,045 | 976,224,060 |
| | <u>2,004,794,473</u> | <u>1,875,898,340</u> | <u>1,642,405,196</u> |
| Current Liabilities | | | |
| Trade and Other Payables | 1,827,194,722 | 2,181,942,795 | 1,098,265,792 |
| Refundable Deposits | 119,552,003 | 120,615,005 | 108,469,340 |
| Income Tax Payable | 22,241,129 | - | 136,246,209 |
| Interest Bearing Loans and Borrowings | 23,249,867 | 760,605 | 17,965,681 |
| | <u>1,992,237,721</u> | <u>2,303,318,405</u> | <u>1,360,947,022</u> |
| Total Equity and Liabilities | <u>9,931,392,498</u> | <u>9,504,491,882</u> | <u>8,492,926,931</u> |
| Net Assets Per Share (Rs.) | 15.33 | 13.76 | 14.18 |

Note: The above figures are subject to audit.

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

(Sgd.)

Chamath Indrapala
Chief Financial Officer

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

(Sgd.)

W.K.H.Wegapitiya
Director

29 May 2013
Colombo

(Sgd.)

U.K.Thilak De Silva
Director

Laugfs Gas PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

| | Stated Capital Rs. | Retained Earnings Rs. | Available for Sale Reserve Rs. | Total Rs. |
|--|--------------------------|-----------------------------|--------------------------------------|----------------------|
| Balance as at 01 April 2012 | 3,285,000,260 | 2,333,022,933 | (292,748,056) | 5,325,275,137 |
| Profit for the nine months period | - | 551,653,503 | - | 551,653,503 |
| Other Comprehensive Income | - | - | (9,680,361) | (9,680,361) |
| Total Comprehensive Income | - | 551,653,503 | (9,680,361) | 541,973,142.02 |
| Dividend Paid (final 2011/2012) | - | (580,500,129) | - | (580,500,129) |
| Deferred Tax Liability Reversal during the Period | - | 3,874,788 | - | 3,874,788 |
| Balance as at 31 December 2012 | 3,285,000,260 | 2,308,051,096 | (302,428,417) | 5,290,622,939 |
| Profit for the quarter | - | 661,226,440 | - | 661,226,440 |
| Other Comprehensive Income | - | - | (18,780,672) | (18,780,672) |
| Total Comprehensive Income | - | 661,226,440 | (18,780,672) | 642,445,768 |
| Deferred Tax Liability Reversal during the Period | - | 1,291,596 | - | 1,291,596 |
| Balance as at 31 March 2013 | 3,285,000,260 | 2,970,569,133 | (321,209,089) | 5,934,360,304 |
| Balance as at 01 April 2011 | 3,285,000,260 | 2,271,619,918 | (67,045,465) | 5,489,574,713 |
| Profit for the nine months period | - | 568,188,864 | - | 568,188,864 |
| Other Comprehensive Income | - | - | (139,436,356) | (139,436,356) |
| Total Comprehensive Income | - | 568,188,864 | (139,436,356) | 428,752,508 |
| Dividend Paid (final 2010/2011) | - | (580,500,129) | - | (580,500,129) |
| Deferred Tax Liability Reversal during the Period | - | 4,157,024 | - | 4,157,024 |
| Transfer of Surplus on Revaluation of Property, Plant & Equipment for Disposals made during the Period | - | (69,755) | - | (69,755) |
| Balance as at 31 December 2011 | 3,285,000,260 | 2,263,395,921 | (206,481,821) | 5,341,914,360 |
| Profit for the quarter | - | 68,241,338 | - | 68,241,338 |
| Other Comprehensive Income | - | - | (86,266,235) | (86,266,235) |
| Total Comprehensive Income | - | 68,241,338 | (86,266,235) | (18,024,897) |
| Deferred Tax Liability Reversal during the Period | - | 1,385,674 | - | 1,385,674 |
| Balance as at 31 March 2012 | 3,285,000,260 | 2,333,022,933 | (292,748,056) | 5,325,275,137 |

Note : The above figures are subject to audit.
Figures in brackets indicate deductions.

Laugfs Gas PLC

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

| | 2013 Rs. | 2012 Rs. |
|--|-----------------------------|-----------------------------|
| Cash Flows Generated from/(Used in) Operating Activities | | |
| Cash Flows from Operating Activities | | |
| Profit Before Tax | 1,403,839,872 | 817,343,122 |
| Non-Cash Adjustment to Reconcile Profit Before Tax to Net Cash Flows: | | |
| Amortization of Intangible Assets | 8,305 | 19,931 |
| Decrease in Fair Value of Quoted Equity Securities | 726,060 | 5,771,281 |
| Depreciation of Property, Plant and Equipment | 221,565,673 | 190,243,527 |
| Fair Value Gain on Investment Properties | (35,472,500) | (21,360,000) |
| Finance Costs | 4,997,578 | 1,399,733 |
| Finance Income | (91,671,083) | (137,081,629) |
| Loss on Disposal of Quoted Equity Securities | - | 1,110,416 |
| Dividend Income | (495,697,956) | (91,407,821) |
| Provision for Employee Benefit Liability | (1,238,273) | 7,940,945 |
| (Profit)/Loss on Disposal of Property, Plant and Equipment | (3,017,215) | 1,701,420 |
| Unrealized (Gain)/Loss on Foreign Exchange | (2,039,998) | 149,902,357 |
| Operating Profit Before Working Capital Changes | <u>1,002,000,462</u> | <u>925,583,283</u> |
| Working Capital Adjustments | | |
| (Increase)/ Decrease in Inventories | 241,920,554 | (325,016,297) |
| (Increase)/Decrease in Trade and Other Receivables and Prepayments | (972,505,872) | (46,589,148) |
| (Increase)/ Decrease in Rate Regulatory Assets | 89,358,301 | 191,830,485 |
| Increase/ (Decrease) in Trade and Other Payables | (352,708,075) | 925,812,116 |
| Increase/ (Decrease) in Deferred Income | 64,298,258 | 64,972,477 |
| Cash Generated from Operating Activities | <u>72,363,629</u> | <u>1,736,592,916</u> |
| Employee Benefit Liability Costs Paid | (705,840) | (47,300) |
| Finance Costs Paid | (4,991,485) | (991,209) |
| Income Tax Paid | (44,578,809) | (295,853,674) |
| Refund/Transfers of Refundable Deposits | (281,657,634) | (276,764,275) |
| Refundable Deposits Received | 271,027,618 | 398,220,925 |
| Net Cash Flows Generated from Operating Activities | <u>11,457,479</u> | <u>1,561,157,383</u> |
| Cash Flows from / (Used in) Investing Activities | | |
| Acquisition of Intangible Assets | (10,000,000) | - |
| Acquisition of Property, Plant and Equipment | (618,758,261) | (612,225,937) |
| Dividends Received | 495,562,996 | 91,407,821 |
| Investments in Quoted Equity Securities | - | (60,683,378) |
| Investments in Subsidiaries | - | (664,999,930) |
| Proceeds from Disposal of Property, Plant and Equipment | 3,188,464 | 195,926 |
| Proceeds from Disposal of Quoted Equity Securities | - | 36,445,616 |
| Net Cash Flows from/(Used in) Investing Activities | <u>(130,006,801)</u> | <u>(1,209,859,884)</u> |
| Cash Flows from / (Used in) Financing Activities | | |
| Dividend Paid | (580,500,129) | (580,500,129) |
| Finance Income | 91,671,083 | 137,081,629 |
| Repayment of Interest Bearing Loans and Borrowings | (387,308) | (6,522,872) |
| Net Cash Flows Used in Financing Activities | <u>(489,216,354)</u> | <u>(449,941,374)</u> |
| Net Increase in Cash and Cash Equivalent | (607,765,676) | (98,643,875) |
| Cash and Cash Equivalent at the Beginning of the Year | <u>1,748,024,850</u> | <u>1,846,668,725</u> |
| Cash and Cash Equivalent at the End of the Year | <u><u>1,140,259,174</u></u> | <u><u>1,748,024,850</u></u> |

Note : The above figures are subject to audit.
Figures in brackets indicate deductions.

| Operating Segments | Trading of Liquefied Petroleum | | Other Services | | Leisure & Hospitality | | Property Development | | Energy | | Eliminations/Adjustments | | Group | |
|---|--------------------------------|----------------------|--------------------|--------------------|-----------------------|---------------------|----------------------|------------------|----------------|-----------------|--------------------------|---------------------|-----------------------|-----------------------|
| | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |
| Revenue | | | | | | | | | | | | | | |
| External Customers | 9,705,179,946 | 8,395,843,733 | 857,983,080 | 711,424,321 | - | - | - | - | - | - | - | - | 10,563,163,026 | 9,107,268,054 |
| Inter-Segment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Revenue | 9,705,179,946 | 8,395,843,733 | 857,983,080 | 711,424,321 | - | - | - | - | - | - | - | - | 10,563,163,026 | 9,107,268,054 |
| Results | | | | | | | | | | | | | | |
| Operating Profit | 1,281,693,866 | 660,301,226 | 356,164,971 | 282,776,579 | (7,705,931) | (8,819,368) | (972,102) | (676,778) | (241,172) | (221,285) | (494,999,988) | (89,999,998) | 1,133,939,645 | 843,360,377 |
| Finance Costs | (4,997,578) | (1,399,733) | (30,199) | (21,429) | (25,241) | (700) | - | - | - | - | - | - | (5,053,018) | (1,421,862) |
| Fair Value Gain on Investment Properties | 35,472,500 | 21,360,000 | - | - | - | - | - | - | - | - | - | - | 35,472,500 | 21,360,000 |
| Finance Income | 91,671,083 | 137,081,629 | 62,460,895 | 25,226,733 | 400,929 | 46,335 | - | - | 293,181 | 274,247 | - | - | 154,826,089 | 162,628,944 |
| Profit/(Loss) Before Tax from Continuing Operations | 1,403,839,872 | 817,343,122 | 418,595,667 | 307,981,883 | (7,330,243) | (8,773,733) | (972,102) | (676,778) | 52,009 | 52,962 | (494,999,988) | (89,999,998) | 1,319,185,215 | 1,025,927,458 |
| Income Tax Expense | (190,959,928) | (180,912,921) | (11,933,967) | (5,500,389) | (417,256) | 5,465 | - | - | (53,359) | (76,789) | (54,999,999) | (10,000,000) | (258,364,508) | (196,484,634) |
| Profit/(Loss) for The Year from Continuing Operations | 1,212,879,944 | 636,430,201 | 406,661,700 | 302,481,494 | (7,747,499) | (8,768,268) | (972,102) | (676,778) | (1,350) | (23,827) | (549,999,986) | (99,999,998) | 1,060,820,707 | 829,442,824 |
| (Loss) for The Year from Discontinued Operations | - | - | - | - | - | (6,959,511) | - | - | - | - | - | - | - | (6,959,511) |
| Profit for the Year | 1,212,879,944 | 636,430,201 | 406,661,700 | 302,481,494 | (7,747,499) | (15,727,779) | (972,102) | (676,778) | (1,350) | (23,827) | (549,999,986) | (99,999,998) | 1,060,820,707 | 822,483,313 |
| Net Loss on Available for Sale Financial Assets | (28,461,033) | (225,702,591) | (177,322) | (14,947,474) | - | - | - | - | - | - | 177,322 | 14,947,474 | (28,461,033) | (225,702,591) |
| Total Comprehensive Income for the Year Net of Tax | 1,184,418,911 | 410,727,610 | 406,484,379 | 287,534,020 | (7,747,499) | (15,727,779) | (972,102) | (676,778) | (1,350) | (23,827) | (549,822,664) | (85,052,524) | 1,032,359,674 | 596,780,723 |
| Assets & Liabilities | | | | | | | | | | | | | | |
| Non-Current Assets | | | | | | | | | | | | | | |
| Total Non-Current Assets | 6,433,965,600 | 6,019,806,139 | 418,709,783 | 486,980,771 | 1,307,687,227 | 639,581,218 | 567,453,923 | 510,671,911 | 23,330,503 | 4,345,535 | (1,323,492,842) | (1,323,670,164) | 7,427,654,193 | 6,337,715,410 |
| Current Assets | | | | | | | | | | | | | | |
| Total Current Assets | 3,497,426,898 | 3,484,685,743 | 413,769,313 | 440,618,650 | 281,676,571 | 38,179,359 | 2,968,735 | 3,667,891 | 14,410,354 | 5,439,493 | (1,028,273,122) | (9,954,294) | 3,181,978,543 | 3,962,636,638 |
| Total Assets | | | | | | | | | | | | | 10,609,632,736 | 10,300,352,048 |
| Non-Current Liabilities | | | | | | | | | | | | | | |
| Total Non-Current Liabilities | 2,004,794,473 | 1,875,898,340 | 5,814,804 | 5,949,955 | 201,268 | 142,048 | - | - | - | - | - | - | 2,010,810,545 | 1,881,990,342 |
| Current Liabilities | | | | | | | | | | | | | | |
| Total Current Liabilities | 1,992,237,722 | 2,303,318,405 | 83,957,079 | 35,426,634 | 969,485,015 | 50,190,905 | 65,395,055 | 8,340,097 | 28,041,267 | 84,088 | (1,028,275,732) | (9,954,294) | 2,110,840,405 | 2,387,405,835 |
| Total Liabilities | | | | | | | | | | | | | 4,121,650,950 | 4,269,396,177 |

The above figures are subject to audit.
Figures in brackets indicate deductions.

| Operating Segments | Trading of Liquefied Petroleum | | | | | | | | | | | | Group | |
|--|--------------------------------|----------------------|--------------------|--------------------|-----------------------|--------------------|----------------------|--------------------|-------------------|------------------|--------------------------|------------------------|-----------------------|-----------------------|
| | Gas | | Other Services | | Leisure & Hospitality | | Property Development | | Energy | | Eliminations/Adjustments | | 2013 | 2012 |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Revenue | | | | | | | | | | | | | | |
| External Customers | 2,455,004,743 | 2,267,752,686 | 220,857,234 | 207,392,478 | - | - | - | - | - | - | - | - | 2,675,861,977 | 2,475,145,164 |
| Inter-Segment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Revenue | 2,455,004,743 | 2,267,752,686 | 220,857,234 | 207,392,478 | - | - | - | - | - | - | - | - | 2,675,861,977 | 2,475,145,164 |
| Results | | | | | | | | | | | | | | |
| Operating Profit | 672,827,407 | 43,142,565 | 90,519,969 | 74,630,203 | (1,602,252) | (8,529,044) | (262,309) | (318,748) | (218,013) | (59,413) | (359,999,991) | - | 401,264,811 | 108,865,564 |
| Finance Costs | (1,755,160) | (91,540) | (1,022) | (6,843) | (3,119) | (588) | - | - | - | - | - | - | (1,759,301) | (98,972) |
| Fair Value Gain on Investment Properties | 35,472,500 | 21,360,000 | - | - | - | - | - | - | - | - | - | - | 35,472,500 | 21,360,000 |
| Finance Income | 14,725,521 | 49,057,378 | 18,400,118 | 8,554,967 | - | - | - | - | 22,864 | 108,974 | - | - | 33,148,504 | 57,721,319 |
| Profit/(Loss) Before Tax from Continuing Operations | 721,270,268 | 113,468,403 | 108,919,065 | 83,178,327 | (1,605,371) | (8,529,632) | (262,309) | (318,748) | (195,149) | 49,561 | (359,999,991) | - | 468,126,513 | 187,847,911 |
| Income Tax Expense | (60,043,827) | (45,227,066) | (3,372,598) | (1,612,718) | - | 665 | - | - | 16,269 | (76,789) | (39,999,999) | - | (103,400,155) | (46,915,908) |
| Profit/(Loss) for The Quarter from Continuing Operations | 661,226,440 | 68,241,338 | 105,546,467 | 81,565,609 | (1,605,371) | (8,528,967) | (262,309) | (318,748) | (178,880) | (27,229) | (399,999,989) | - | 364,726,358 | 140,932,003 |
| (Loss) for The Quarter from Discontinued Operations | - | - | - | - | - | (746,368) | - | - | - | - | - | - | - | (746,368) |
| Profit for the Quarter | 661,226,440 | 68,241,338 | 105,546,467 | 81,565,609 | (1,605,371) | (9,275,335) | (262,309) | (318,748) | (178,880) | (27,229) | (399,999,989) | - | 364,726,358 | 140,185,635 |
| Net Loss on Available for Sale Financial Assets | (18,780,672) | (86,266,235) | (177,322) | (14,947,474) | - | - | - | - | - | - | 177,322 | 14,947,474 | (18,780,672) | (86,266,235) |
| Total Comprehensive Income for the Quarter Net of Tax | 642,445,768 | (18,024,897) | 105,369,145 | 66,618,134 | (1,605,371) | (9,275,335) | (262,309) | (318,748) | (178,880) | (27,229) | (399,822,667) | 14,947,474 | 345,945,686 | 53,919,400 |
| Assets & Liabilities | | | | | | | | | | | | | | |
| Non-Current Assets | | | | | | | | | | | | | | |
| Total Non-Current Assets | 6,433,965,600 | 6,019,806,139 | 418,709,783 | 486,980,771 | 1,307,687,227 | 639,581,218 | 567,453,923 | 510,671,911 | 23,330,503 | 4,345,535 | (1,323,492,842) | (1,323,670,164) | 7,427,654,193 | 6,337,715,410 |
| Current Assets | | | | | | | | | | | | | | |
| Total Current Assets | 3,497,426,898 | 3,484,685,743 | 413,769,313 | 440,618,650 | 281,676,571 | 38,179,359 | 2,968,735 | 3,667,891 | 14,410,354 | 5,439,493 | (1,028,273,122) | (9,954,294) | 3,181,978,543 | 3,962,636,639 |
| Total Assets | | | | | | | | | | | | | 10,609,632,736 | 10,300,352,049 |
| Non-Current Liabilities | | | | | | | | | | | | | | |
| Total Non-Current Liabilities | 2,004,794,473 | 1,875,898,340 | 5,814,804 | 5,949,955 | 201,268 | 142,048 | - | - | - | - | - | - | 2,010,810,545 | 1,881,990,342 |
| Current Liabilities | | | | | | | | | | | | | | |
| Total Current Liabilities | 1,992,237,722 | 2,303,318,405 | 83,957,079 | 35,426,634 | 969,485,015 | 50,190,905 | 65,395,055 | 8,340,097 | 28,041,267 | 84,088 | (1,028,275,732) | (9,954,294) | 2,110,840,405 | 2,387,405,835 |
| Total Liabilities | | | | | | | | | | | | | 4,121,650,950 | 4,269,396,177 |

The above figures are subject to audit.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate Information

Laugfs Gas PLC is a public limited liability company incorporated and domiciled in Sri Lanka and ordinary voting and non voting shares of the Company were listed on Colombo Stock Exchange.

The interim financial statements of the group and company for the Quarter ended 31 March 2013 were authorised for issue by the board of directors on 29 May 2013

2 Basis of Preparation

The interim financial statements of Laugfs Gas PLC have been prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). For all periods up to and including the year ended 31 March 2012, Laugfs Gas PLC prepared its financial statements in accordance with SLAS effective up to 31 March 2012. These financial statements for the quarter ended 31 March 2013 are the first financial statements prepared in accordance with SLFRS effective for the periods beginning on or after 01 April 2012. (Refer Note 3 for explanation of the transition)

These interim financial statements have been prepared in accordance with Sri Lanka Accounting Standard LKAS 34 - "Interim Financial Reporting". These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2012, and changes to the accounting policies as given in Note 4 to these financial statements.

The interim 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.

3 First Time Adoption Of SLFRS

The interim financial statements, for the period ended 31 March 2013, are the first financial statements prepared in accordance with SLFRS. Previously for periods up to and including the year ended 31 March 2012, the Group and Company prepared its financial statements in accordance with Sri Lanka Accounting Standards which were effective up to 31 March 2012.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 First Time Adoption Of SLFRS (Contd.)

3.1 Transition Elections

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

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

a) Deemed Cost of Property, Plant and Equipment

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

b) Business Combinations

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

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

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

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

c) Employee Benefits - Disclosure Requirements

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

- i. The present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and
- ii. The experience adjustments arising on the plan liabilities and the plan assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3 First Time Adoption Of SLFRS (Contd.)

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

| | Note | SLAS Rs. | Remeasurements/ Reclassifications Rs. | SLFRS Rs. |
|---|-----------|-----------------------------|---|-----------------------------|
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, Plant and Equipment | A,B,C,I | 4,998,630,047 | (518,164,065) | 4,480,465,982 |
| Investment Properties | B | - | 588,800,000 | 588,800,000 |
| Intangible Assets | C | 52,928,221 | 28,236 | 52,956,457 |
| Other Non-Current Financial Assets | D | 423,409,191 | (67,045,465) | 356,363,726 |
| | | <u>5,474,967,459</u> | <u>3,618,705</u> | <u>5,478,586,164</u> |
| Current Assets | | | | |
| Inventories | | 291,647,968 | - | 291,647,968 |
| Trade and Other Receivables | E | 873,543,114 | (3,557,282) | 869,985,833 |
| Prepayments | E | - | 3,557,282 | 3,557,282 |
| Rate Regulatory Assets | | 387,854,097 | - | 387,854,097 |
| Cash and Short-Term Deposits | | 2,037,535,204 | - | 2,037,535,204 |
| | | <u>3,590,580,383</u> | <u>-</u> | <u>3,590,580,384</u> |
| Total Assets | | <u>9,065,547,842</u> | <u>3,618,705</u> | <u>9,069,166,548</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Stated Capital | | 3,285,000,260 | - | 3,285,000,260 |
| Reserves | B,D,K | 1,061,400,707 | (1,128,446,172) | (67,045,465) |
| Retained Earnings | A,B,C,D,K | 1,712,832,176 | 1,078,415,365 | 2,791,247,541 |
| Equity attributable to Equity Holders of the Parent | | 6,059,233,143 | (50,030,807) | 6,009,202,336 |
| Non-Controlling Interest | | - | - | - |
| Total Equity | | <u>6,059,233,143</u> | <u>(50,030,807)</u> | <u>6,009,202,336</u> |
| Non-Current Liabilities | | | | |
| Interest Bearing Loans and Borrowings | | 375,122 | - | 375,122 |
| Deferred Tax Liabilities | G | 310,886,166 | 53,649,513 | 364,535,678 |
| Deferred Income | | 280,799,748 | - | 280,799,748 |
| Employee Benefit Liability | | 23,756,017 | - | 23,756,017 |
| Refundable Deposits | | 976,224,060 | - | 976,224,060 |
| | | <u>1,592,041,113</u> | <u>53,649,513</u> | <u>1,645,690,625</u> |
| Current Liabilities | | | | |
| Trade and Other Payables | F | 133,168,821 | 997,286,095 | 1,130,454,916 |
| Refundable Deposits | | 108,469,340 | - | 108,469,340 |
| Income Tax Payable | | 138,130,173 | - | 138,130,173 |
| Interest Bearing Loans and Borrowings | F | 1,034,505,253 | (997,286,095) | 37,219,158 |
| | | <u>1,414,273,586</u> | <u>-</u> | <u>1,414,273,586</u> |
| Total Equity and Liabilities | | <u>9,065,547,842</u> | <u>3,618,705</u> | <u>9,069,166,548</u> |

Laugfs Gas PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3 First Time Adoption Of SLFRS (Contd.)

3.3 Group Reconciliation of Equity as at 31 March 2012

| | Note | SLAS Rs. | Remeasurements/ Reclassifications Rs. | SLFRS Rs. |
|---|-----------|------------------------------|---|------------------------------|
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, Plant and Equipment | A,B,C,I | 6,182,602,080 | (652,753,400) | 5,529,848,680 |
| Investment Properties | B | - | 609,800,000 | 609,800,000 |
| Intangible Assets | C | 53,203,385 | 8,305 | 53,211,690 |
| Prepayments | | 400,000 | - | 400,000 |
| Other Non-Current Financial Assets | D | 437,203,095 | (292,748,055) | 144,455,040 |
| | | <u>6,673,408,560</u> | <u>(335,693,149)</u> | <u>6,337,715,410</u> |
| Current Assets | | | | |
| Inventories | | 620,109,359 | - | 620,109,359 |
| Trade and Other Receivables | E | 938,943,931 | (6,347,549) | 932,596,384 |
| Prepayments | E | - | 6,347,549 | 6,347,549 |
| Rate Regulatory Assets | | 196,023,612 | - | 196,023,612 |
| Income Tax Recoverable | | 38,684,316 | - | 38,684,316 |
| Other Current Financial Assets | | 4,962,160 | - | 4,962,160 |
| Cash and Short-Term Deposits | | 2,163,913,258 | - | 2,163,913,258 |
| | | <u>3,962,636,636</u> | <u>-</u> | <u>3,962,636,638</u> |
| Total Assets | | <u>10,636,045,196</u> | <u>(335,693,149)</u> | <u>10,300,352,048</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Stated Capital | | 3,285,000,260 | - | 3,285,000,260 |
| Reserves | B,D,K | 1,036,450,036 | (1,329,198,092) | (292,748,056) |
| Retained Earnings | A,B,C,D,K | 2,081,101,919 | 957,601,746 | 3,038,703,667 |
| Equity attributable to Equity Holders of the Parent | | 6,402,552,215 | (371,596,346) | 6,030,955,871 |
| Non-Controlling Interest | | - | - | - |
| Total Equity | | <u>6,402,552,215</u> | <u>(371,596,346)</u> | <u>6,030,955,871</u> |
| Non-Current Liabilities | | | | |
| Deferred Tax Liabilities | G | 380,323,640 | 35,903,196 | 416,226,836 |
| Deferred Income | | 345,772,225 | - | 345,772,225 |
| Employee Benefit Liability | | 34,456,236 | - | 34,456,236 |
| Refundable Deposits | | 1,085,535,045 | - | 1,085,535,045 |
| | | <u>1,846,087,146</u> | <u>35,903,196</u> | <u>1,881,990,342</u> |
| Current Liabilities | | | | |
| Trade and Other Payables | F | 132,049,355 | 2,117,673,309 | 2,249,722,664 |
| Refundable Deposits | | 120,615,005 | - | 120,615,005 |
| Interest Bearing Loans and Borrowings | F | 2,134,741,475 | (2,117,673,309) | 17,068,166 |
| | | <u>2,387,405,835</u> | <u>-</u> | <u>2,387,405,835</u> |
| Total Equity and Liabilities | | <u>10,636,045,196</u> | <u>(335,693,149)</u> | <u>10,300,352,048</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3 First Time Adoption Of SLFRS (Contd.)

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

| | Note | Quarter ended 31 March | | | Year ended 31 March | | |
|--|------|------------------------|---|---------------------|----------------------|---|----------------------|
| | | SLAS Rs. | Remeasurements/ Reclassifications Rs. | SLFRS Rs. | SLAS Rs. | Remeasurements/ Reclassifications Rs. | SLFRS Rs. |
| Continuing Operations: | | | | | | | |
| Revenue | H | 2,495,387,755 | (20,242,591) | 2,475,145,164 | 9,176,744,157 | (69,476,103) | 9,107,268,054 |
| Cost of Sales | A | (1,956,821,244) | 29,742,211 | (1,927,079,032) | (7,516,632,774) | 109,414,012 | (7,407,218,762) |
| Gross Profit | | 538,566,512 | 9,499,620 | 548,066,132 | 1,660,111,383 | 39,937,909 | 1,700,049,292 |
| Other Operating Income | J | 110,705,536 | (57,721,319) | 52,984,218 | 380,241,052 | (162,628,944) | 217,612,108 |
| Negative Goodwill on Acquisition | I | 174,907,171 | (174,907,171) | - | 174,907,171 | (174,907,171) | - |
| Selling and Distribution Expenses | | (121,273,871) | - | (121,273,871) | (333,386,255) | - | (333,386,255) |
| Administrative Expenses | | (162,780,851) | - | (162,780,851) | (531,151,606) | - | (531,151,606) |
| Foreign Currency Exchange Gain/(Loss) | | (208,130,064) | - | (208,130,064) | (209,763,162) | - | (209,763,162) |
| Operating Profit | | 331,994,433 | (223,128,869) | 108,865,564 | 1,140,958,582 | (297,598,206) | 843,360,377 |
| Finance Costs | | (98,972) | - | (98,972) | (1,421,862) | - | (1,421,862) |
| Fair Value Gain on Investment Properties | B | - | 21,360,000 | 21,360,000 | - | 21,360,000 | 21,360,000 |
| Finance Income | J | - | 57,721,319 | 57,721,319 | - | 162,628,944 | 162,628,944 |
| Profit Before Tax from Continuing Operations | | 331,895,461 | (144,047,550) | 187,847,911 | 1,139,536,721 | (113,609,262) | 1,025,927,459 |
| Income Tax Expense | F | (48,348,492) | 1,432,584 | (46,915,908) | (202,236,827) | 5,752,193 | (196,484,634) |
| Profit for the Period from Continuing Operations | | 283,546,969 | (142,614,966) | 140,932,003 | 937,299,894 | (107,857,070) | 829,442,824 |
| Discontinued Operations: | | | | | | | |
| (Loss) after Tax for the Period from Discontinued Operations | | (746,368) | - | (746,368) | (6,959,511) | - | (6,959,511) |
| Profit for the Period | | 282,800,601 | (142,614,966) | 140,185,635 | 930,340,383 | (107,857,070) | 822,483,313 |
| Other Comprehensive Income | | | | | | | |
| Loss on Available for Sale Financial Assets | D | - | (86,266,235) | (86,266,235) | - | (225,702,591) | (225,702,591) |
| Income Tax Effect | | - | - | - | - | - | - |
| Other Comprehensive Income for the Period Net of Tax | | - | (86,266,235) | (86,266,235) | - | (225,702,591) | (225,702,591) |
| Total Comprehensive Income for the Period Net of Tax | | 282,800,601 | (228,881,201) | 53,919,400 | 930,340,383 | (333,559,660) | 596,780,723 |

Laugfs Gas PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3 First Time Adoption Of SLFRS (Contd.)

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

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

Laugfs Gas PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3 First Time Adoption Of SLFRS (Contd.)

3.6 Company Reconciliation of Equity as at 31 March 2012

| | Note | SLAS Rs. | Remeasurements/ Reclassifications Rs. | SLFRS Rs. |
|---|-----------|-----------------------------|---|-----------------------------|
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, Plant and Equipment | A,B,C | 4,462,087,109 | (477,846,228) | 3,984,240,880 |
| Investment Properties | B | - | 609,800,000 | 609,800,000 |
| Intangible Assets | C | - | 8,305 | 8,305 |
| Investments in Subsidiaries | | 1,281,301,914 | - | 1,281,301,914 |
| Other Non-Current Financial Assets | D | 437,203,095 | (292,748,055) | 144,455,040 |
| | | <u>6,180,592,118</u> | <u>(160,785,978)</u> | <u>6,019,806,139</u> |
| Current Assets | | | | |
| Inventories | | 598,253,377 | - | 598,253,377 |
| Trade and Other Receivables | E | 894,177,750 | (6,347,549) | 887,830,201 |
| Prepayments | E | - | 6,347,549 | 6,347,549 |
| Rate Regulatory Assets | | 196,023,612 | - | 196,023,612 |
| Income Tax Recoverable | | 42,864,603 | - | 42,864,603 |
| Other Current Financial Assets | | 4,962,160 | - | 4,962,160 |
| Cash and Short-Term Deposits | | <u>1,748,404,240</u> | <u>-</u> | <u>1,748,404,240</u> |
| | | <u>3,484,685,742</u> | <u>-</u> | <u>3,484,685,743</u> |
| Total Assets | | <u>9,665,277,860</u> | <u>(160,785,978)</u> | <u>9,504,491,882</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Stated Capital | | 3,285,000,260 | - | 3,285,000,260 |
| Reserves | B,D,K | 686,272,705 | (979,020,761) | (292,748,056) |
| Retained Earnings | A,B,C,D,K | 1,550,691,346 | 782,331,587 | 2,333,022,933 |
| Equity attributable to Equity Holders of the Parent | | <u>5,521,964,310</u> | <u>(196,689,173)</u> | <u>5,325,275,137</u> |
| Non-Controlling Interest | | - | - | - |
| Total Equity | | <u>5,521,964,310</u> | <u>(196,689,173)</u> | <u>5,325,275,137</u> |
| Non-Current Liabilities | | | | |
| Deferred Tax Liabilities | G | 380,323,640 | 35,903,196 | 416,226,836 |
| Deferred Income | | 345,772,225 | - | 345,772,225 |
| Employee Benefit Liability | | 28,364,234 | - | 28,364,234 |
| Refundable Deposits | | <u>1,085,535,045</u> | <u>-</u> | <u>1,085,535,045</u> |
| | | <u>1,839,995,144</u> | <u>35,903,196</u> | <u>1,875,898,340</u> |
| Current Liabilities | | | | |
| Trade and Other Payables | F | 64,269,486 | 2,117,673,309 | 2,181,942,795 |
| Refundable Deposits | | 120,615,005 | - | 120,615,005 |
| Interest Bearing Loans and Borrowings | F | <u>2,118,433,914</u> | <u>(2,117,673,309)</u> | <u>760,605</u> |
| | | <u>2,303,318,405</u> | <u>-</u> | <u>2,303,318,405</u> |
| Total Equity and Liabilities | | <u>9,665,277,860</u> | <u>(160,785,978)</u> | <u>9,504,491,882</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3 First Time Adoption Of SLFRS (Contd.)

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

| | Note | Quarter ended 31 March | | | Year ended 31 March | | |
|---|------|------------------------|--------------------------------------|---------------------|---------------------|--------------------------------------|--------------------|
| | | SLAS | Remeasurements/ Reclassifications | SLFRS | SLAS | Remeasurements/ Reclassifications | SLFRS |
| | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Revenue | | 2,267,752,686 | - | 2,267,752,686 | 8,395,843,733 | - | 8,395,843,733 |
| Cost of Sales | A | (1,880,027,713) | 9,961,218 | (1,870,066,495) | (7,258,129,491) | 39,937,909 | (7,218,191,582) |
| Gross Profit | | 387,724,974 | 9,961,218 | 397,686,191 | 1,137,714,242 | 39,937,909 | 1,177,652,151 |
| Other Operating Income | J | 101,811,298 | (49,057,378) | 52,753,920 | 443,974,347 | (137,081,629) | 306,892,718 |
| Selling and Distribution Expenses | | (113,048,910) | - | (113,048,910) | (313,820,062) | - | (313,820,062) |
| Administrative Expenses | | (86,118,572) | - | (86,118,572) | (300,660,418) | - | (300,660,418) |
| Foreign Currency Exchange Gain/(Loss) | | (208,130,064) | - | (208,130,064) | (209,763,162) | - | (209,763,162) |
| Operating Profit | | 82,238,726 | (39,096,161) | 43,142,565 | 757,444,947 | (97,143,720) | 660,301,227 |
| Finance Costs | | (91,540) | - | (91,540) | (1,399,733) | - | (1,399,733) |
| Fair Value Gain on Investment Properties | B | - | 21,360,000 | 21,360,000 | - | 21,360,000 | 21,360,000 |
| Finance Income | J | - | 49,057,378 | 49,057,378 | - | 137,081,629 | 137,081,629 |
| Profit Before Tax | | 82,147,186 | 31,321,217 | 113,468,403 | 756,045,214 | 61,297,908 | 817,343,122 |
| Income Tax Expense | F | (46,665,114) | 1,438,048 | (45,227,066) | (186,665,114) | 5,752,193 | (180,912,921) |
| Profit for the Period | | 35,482,072 | 32,759,265 | 68,241,338 | 569,380,100 | 67,050,101 | 636,430,201 |
| Other Comprehensive Income | | | | | | | |
| Loss on Available for Sale Financial Assets | D | - | (86,266,235) | (86,266,235) | - | (225,702,591) | (225,702,591) |
| Income Tax Effect | | - | - | - | - | - | - |
| Other Comprehensive Income for the Period Net of Tax | | - | (86,266,235) | (86,266,235) | - | (225,702,591) | (225,702,591) |
| Total Comprehensive Income for the Period Net of Tax | | 35,482,072 | (53,506,970) | (18,024,897) | 569,380,100 | (158,652,490) | 410,727,610 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

3 First Time Adoption Of SLFRS (Contd.)

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

A Useful life of Property, Plant & Equipment

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

B Investment Properties

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

C Intangible Assets

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

D Investments In Quoted Equity Securities

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

E Prepayments

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

F Letter of Credit

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

G Deferred Tax

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

H Revenue

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

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

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

J Interest Income

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

K Revaluation Reserve

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

L Statement of Cash Flows

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

4 Changes to the accounting policies to these financial statements

The Accounting policies other than mention below are in line with the policies published in the annual financial statements for the year ended 31 March 2012.

The presentation and classification of the financial statements of the previous period have been amended, where relevant for better presentation and to be comparable with those of the current period.

4.1 Significant Accounting Judgments, Estimates And Assumptions

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

Judgments

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

(a) Classification of Property

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

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

The Group determines whether a property qualifies as investment property by considering whether the property generates cash flows largely independently of the other assets held by the entity. Owner occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

Estimates and Assumptions

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

(a) Revaluation of Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Group engaged an independent valuation specialist to assess fair values as at 31 March 2013.

(b) Employee Benefits

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations. The Actuarial Valuation involves making assumptions about discount rates, future salary increases and other important related data.

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS**4 Changes to the accounting policies to these financial statements (Contd.)****4.2 Summary of Significant Accounting Policies**

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

4.2.1 Investment Properties

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

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

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

4.2.2 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

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

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

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

4.2.3 Financial Assets**Initial recognition and measurement**

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

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

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

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

Subsequent measurement

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

(a) Financial assets at fair value through profit or loss

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

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

(b) Loans and Receivables

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

4 Changes to the accounting policies to these financial statements (Contd.)**(c) Held-to-Maturity Investments**

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

(d) Available-for-sale financial investments

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

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

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

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

Derecognition

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

- The rights to receive cash flows from the asset have expired,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.2.4 Financial Liabilities***Initial Recognition and Measurement***

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

NOTES TO THE FINANCIAL STATEMENTS

4 Changes to the accounting policies to these financial statements (Contd.)**Subsequent measurement**

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

a) Financial Liabilities at Fair Value through Profit or Loss

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

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

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

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

b) Loans and Borrowings

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

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

Derecognition

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

5 Share Information**5.1. Public share holdings**

The percentage of ordinary voting and non voting shares held by the public as at 31 March 2013 were 14.29% (31 December 2012 -14.29%) and 65.30% (31 December 2012- 65.30%) respectively.

5.2. Directors Share holdings

The number of shares held by the Board of directors are as follows

Ordinary Voting Shares

| As at Name of Directors | 31-03-2013 | 31-03-2012 |
|----------------------------|------------|------------|
| Mr W K H Wegapitiya | 133,500 | 133,500 |
| Mr U K Thilak De Silva | 20,000 | 20,000 |
| Mr H A Ariyaratne | 3,900 | 3,900 |
| Mr C L De Alwis | 1,000 | 1,000 |
| Mr P M Kumarasinghe | 4,800 | 4,800 |
| Mr T K Bandaranayake | Nil | Nil |

Ordinary Non Voting Shares

| As at Name of Directors | 31-03-2013 | 31-03-2012 |
|----------------------------|------------|------------|
| Mr W K H Wegapitiya | Nil | Nil |
| Mr U K Thilak De Silva | Nil | Nil |
| Mr H A Ariyaratne | 3,400 | 3,400 |
| Mr C L De Alwis | 500 | 500 |
| Mr P M Kumarasinghe | Nil | Nil |
| Mr T K Bandaranayake | Nil | Nil |

Laugfs Gas PLC

NOTES TO THE FINANCIAL STATEMENTS

5.3 Twenty Largest Shareholders of the company are as follows Ordinary Voting Shares

| As at Name of Shareholder | 31-03-2013 | | 31-12-2012 | |
|--|--------------|-------|--------------|-------|
| | No.of Shares | % | No.of Shares | % |
| 1 Laugfs Holdings Limited | 227,130,000 | 67.80 | 227,130,000 | 67.80 |
| 2 Employees Provident Fund | 57,897,800 | 17.28 | 57,897,800 | 17.28 |
| 3 Mr N Radella | 8,790,700 | 2.62 | 8,790,700 | 2.62 |
| 4 Mr N Radella & Mr R Radella | 4,547,900 | 1.36 | 4,547,900 | 1.36 |
| 5 Mr D N Madugalle | 2,957,500 | 0.88 | 2,957,500 | 0.88 |
| 6 Mrs P R A S C Rajapakshe | 1,825,900 | 0.55 | 1,825,900 | 0.55 |
| 7 Carlines Holdings (Private) Limited | 1,140,987 | 0.34 | 934,332 | 0.28 |
| 8 Laugfs Sunup Supermarket (Pvt) Ltd | 1,000,000 | 0.30 | 1,000,000 | 0.30 |
| 9 Mrs K A Fernando | 966,305 | 0.29 | 966,305 | 0.29 |
| 10 Lanka Orix Leasing Company PLC | 945,500 | 0.28 | 945,500 | 0.28 |
| 11 Gas Auto Lanka Limited | 922,600 | 0.28 | 922,600 | 0.28 |
| 12 Mr R Dahanayake | 806,900 | 0.24 | 806,900 | 0.24 |
| 13 Mr H D M P Siriwardena | 756,384 | 0.23 | 736,000 | 0.22 |
| 14 Amana Bank Limited | 650,262 | 0.19 | 495,000 | 0.15 |
| 15 J B Cocoshell (Pvt) Ltd | 405,491 | 0.12 | - | - |
| 16 Waldock Mackenzie Ltd/Hi-Line Trading (Pvt) Ltd | 348,224 | 0.10 | 286,574 | 0.09 |
| 17 Asha Lanka Fragrances (Pvt) Ltd | 322,700 | 0.10 | 322,700 | 0.10 |
| 18 Dr T Senthilverl | 259,908 | 0.08 | 259,908 | 0.08 |
| 19 Mr G Y N Mahinkanda | 221,917 | 0.07 | 221,917 | 0.07 |
| 20 Mr S A Cooray | 219,100 | 0.07 | 219,100 | 0.07 |

NOTES TO THE FINANCIAL STATEMENTS

5.4 Twenty Largest Shareholders of the company are as follows
Ordinary Non Voting Shares

| As at Name of Shareholder | 31-03-2013 | | 31-12-2012 | |
|---|--------------|-------|--------------|-------|
| | No.of Shares | % | No.of Shares | % |
| 1 Employees Provident Fund | 18,041,300 | 34.69 | 18,041,300 | 34.69 |
| 2 Bank of Ceylon No. 1 Account | 3,212,400 | 6.18 | 3,212,400 | 6.18 |
| 3 Phillip Securities Pte Ltd | 2,182,900 | 4.20 | 2,182,900 | 4.20 |
| 4 Carlines Holdings (Private) Limited | 1,285,913 | 2.47 | 1,185,063 | 2.28 |
| 5 Mr H W R W W M R S Ananda Halangoda | 697,300 | 1.34 | 697,300 | 1.34 |
| 6 Dr A S Abeygunawardena | 392,000 | 0.75 | 392,000 | 0.75 |
| 7 Mrs C N G Narayana | 378,800 | 0.73 | 378,800 | 0.73 |
| 8 Mrs S D Amarasinghe | 372,400 | 0.72 | 372,400 | 0.72 |
| 9 HSBC Intl Nom Ltd-UBS AG Singapore Branch (EX SBC) | 365,500 | 0.70 | 309,210 | 0.59 |
| 10 Naratha Ventures Private Limited | 308,000 | 0.59 | 308,000 | 0.59 |
| 11 Mr M M Salahudeen | 297,000 | 0.57 | 297,000 | 0.57 |
| 12 Mr M K De Vos & Mrs D J De Vos | 290,000 | 0.56 | 130,000 | 0.25 |
| 13 Mr R I A Goonetilleke | 256,000 | 0.49 | 256,000 | 0.49 |
| 14 Seylan Bank PLC/Thirugnanasambanandar Senthilverl | 250,000 | 0.48 | 250,000 | 0.48 |
| 15 Mrs H P Gin | 210,208 | 0.40 | 204,464 | 0.39 |
| 16 Mr R I A Goonetilleke & Mrs S N Goonetilleke | 210,000 | 0.40 | 210,000 | 0.40 |
| 17 Pan Asia Banking Corporation PLC/Ceylon and Foreign Trades PLC | 178,000 | 0.34 | 178,000 | 0.34 |
| 18 Sandwave Limited | 175,000 | 0.34 | - | - |
| 19 Mr T L M Imtiaz | 170,832 | 0.33 | 195,789 | 0.38 |
| 20 Mr A K Mohamed | 161,000 | 0.31 | 161,000 | 0.31 |

5.5 Stated Capital

Stated Capital is represented by number of shares in issue as given below.

| As at | 31-03-2013 | 31-03-2012 |
|----------------------------|--------------------|--------------------|
| Ordinary voting shares | 335,000,086 | 335,000,086 |
| Ordinary non voting shares | 52,000,000 | 52,000,000 |
| | <u>387,000,086</u> | <u>387,000,086</u> |

NOTES TO THE FINANCIAL STATEMENTS

5.6 Market price per share

| For the three months ended | 31-03-2013 | | 31-03-2012 | |
|----------------------------|--------------|------------------|--------------|------------------|
| | Rs. | | Rs. | |
| | Voting Share | Non Voting Share | Voting Share | Non Voting Share |
| Highest | 29.40 | 20.40 | 39.30 | 24.00 |
| Lowest | 23.10 | 16.60 | 20.50 | 13.40 |
| Last Traded | 24.50 | 17.80 | 25.80 | 15.60 |

6. Dividend paid

A final dividend of Rs.1.50 per share for the financial year ended 31 March 2012 was paid on 02 August 2012

7. Contingencies, capital and other commitments

There has been no significant change in the nature of the contingencies and other commitments, which were disclosed in the annual report for the year ended 31 March 2012.

8. Post balance sheet events

Subsequent to the balance sheet date, no circumstances of material nature have arisen which would require adjustment to or disclosure in these financial statements.

Corporate Information

| | | |
|----------------------------|---|--|
| Name of the company | : | Laugfs Gas PLC (A Subsidiary of LAUGFS HOLDINGS LIMITED) |
| Company No | : | PV - 8330 PB/PQ |
| Legal Form | : | A Public Quoted Company with Limited Liability |
| Subsidiaries | : | Laugfs Eco Sri (Pvt) Ltd Laugfs Leisure Ltd Laugfs Property Developers (Pvt) Ltd Laugfs Power Limited |
| Parent Enterprise | : | The Company's holding Company and controlling entity is Laugfs Holdings Limited, which is incorporated in Sri Lanka. |
| Board Of Directors | : | Mr.W.K.H.Wegapitiya (Chairman/CEO) Mr.U.K.Thilak De Silva (Managing Director) Mr.H.A.Ariyaratne Mr.T.K.Bandaranayake Mr.C.L.De Alwis Mr.P.M.Kumarasinghe PC |
| Bankers | : | Commercial Bank of Ceylon PLC Hong Kong and Shanghai Banking Corporation Ltd Hatton National Bank PLC People's Bank Bank of Ceylon Seylan Bank PLC DFCC Bank PLC Union Bank of Colombo PLC Standard Chartered Bank Pan Asia Banking Corporation PLC |
| Auditors | : | Ernst & Young (Chartered Accountants) # 201, De Saram Place, Colombo 10, Sri Lanka |
| Secretaries | : | Corporate Advisory Services (Pvt) Limited # 47, Alexandra Place, Colombo 07. Sri Lanka. |
| Registrars | : | P W Corporate Secretarial (Pvt) Ltd # 3/17, Kingsey Road, Colombo 08, Sri Lanka. |
| Registered Office | : | # 14, R.A.De Mel Mawatha, Colombo 04, Sri Lanka. |
| Corporate Website | : | www.laugfs.lk |