

LAUGFS ECO SRI (PRIVATE) LIMITED

FINANCIAL STATEMENTS

31 MARCH 2017

APAG/CPS/AD

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF LAUGFS ECO SRI (PRIVATE) LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of LAUGFS Eco Sri (Private) Limited, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit and loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



(Contd..2/)




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Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion and Scope and Limitations of the audit are as stated above.
- b) In our opinion :
 - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company, comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

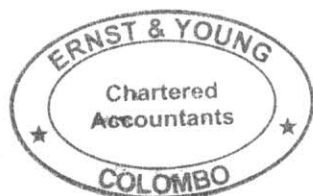


26 May 2017
Colombo

LAUGFS Eco Sri (Private) Limited
STATEMENT OF PROFIT OR LOSS
Year ended 31 March 2017

	Note	2017 Rs.	2016 Rs.
Revenue	3	1,240,302,196	1,106,426,395
Cost of Sales		<u>(224,367,842)</u>	<u>(227,265,468)</u>
Gross Profit		1,015,934,354	879,160,927
Other Operating Income	4.1	10,566,001	14,241,664
Administrative Expenses		(520,395,755)	(435,521,868)
Promotional Expenses		<u>(30,004,253)</u>	<u>(20,543,073)</u>
Operating Profit		476,100,347	437,337,650
Finance Costs	4.2	(2,056,916)	(2,634,288)
Finance Income	4.3	<u>23,596,301</u>	<u>19,533,319</u>
Profit before Tax	4.4	497,639,732	454,236,681
Income Tax Expense	5.1	(111,222,211)	(47,975,417)
Profit for the Year		<u><u>386,417,521</u></u>	<u><u>406,261,265</u></u>
Earning Per Share - Basic/Diluted	6	9.66	10.16

The accounting policies and notes on pages 8 through 30 form an integral part of the financial statements.



LAUGFS Eco Sri (Private) Limited
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2017

	Note	2017 Rs.	2016 Rs.
Profit for the Year		386,417,521	406,261,265
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax) :			
Net Gains/(Losses) on Available for Sale Financial Assets	14.1	27,749,616	(704,250)
Net Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods		<u>27,749,616</u>	<u>(704,250)</u>
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax) :			
Net Actuarial Gains/(Losses) on Defined Benefit Plans	16.2	(1,875,726)	(4,016,724)
Income Tax Effect	5.2	375,145	803,345
Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods		<u>(1,500,581)</u>	<u>(3,213,379)</u>
Other Comprehensive Income for the Year Net of Tax		<u>26,249,035</u>	<u>(3,917,629)</u>
Total Comprehensive Income for the Year Net of Tax		<u><u>412,666,556</u></u>	<u><u>402,343,635</u></u>

The accounting policies and notes on pages 8 through 30 form an integral part of the financial statements.



LAUGFS Eco Sri (Private) Limited
STATEMENT OF FINANCIAL POSITION

As at 31 March 2017


	Note	2017 Rs.	2016 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7.3	159,761,411	203,840,494
Intangible Assets	8	7,920,534	11,722,391
Available for Sale Investments	9.1	149,710,730	121,961,114
Deferred Tax Assets	5.5	14,353,101	11,390,561
		<u>331,745,776</u>	<u>348,914,560</u>
Current Assets			
Inventories	10	26,424,786	43,647,172
Trade and Other Receivables	11	56,735,585	30,998,890
Cash and Short Term Deposits	12.1	405,592,907	416,657,747
		<u>488,753,278</u>	<u>491,303,809</u>
Total Assets		<u>820,499,054</u>	<u>840,218,369</u>
EQUITY AND LIABILITIES			
Equity			
Stated Capital	13	400,000,000	400,000,000
Reserves	14	59,710,730	31,961,114
Retained Earnings		159,302,707	244,385,766
Total Equity		<u>619,013,437</u>	<u>676,346,880</u>
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	9.2	12,135,349	19,393,701
Employee Benefit Liability	16.2	36,080,901	25,776,554
		<u>48,216,250</u>	<u>45,170,255</u>
Current Liabilities			
Trade and Other Payables	17	53,622,915	78,710,142
Interest Bearing Loans and Borrowings	9.2	19,590,315	15,119,508
Income Tax Payable		80,056,137	24,871,584
		<u>153,269,367</u>	<u>118,701,234</u>
Total Equity and Liabilities		<u>820,499,054</u>	<u>840,218,369</u>

These financial statements are in compliance with the requirements of the Companies Act No: 07 of 2007.


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Finance 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:


.....
Director


.....
Director

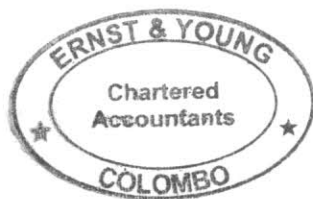
The accounting policies and notes on pages 8 through 30 form an integral part of the financial statements.



LAUGFS Eco Sri (Private) Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2017

	Note	Stated Capital Rs.	Retained Earnings Rs.	Available for Sale Reserve Rs.	Total Rs.
As at 1 April 2015		400,000,000	241,337,881	32,665,364	674,003,245
Profit for the Year		-	406,261,265	-	406,261,265
Other Comprehensive Income		-	(3,213,379)	(704,250)	(3,917,629)
Total Comprehensive Income		-	403,047,885	(704,250)	402,343,635
Dividend Paid -2015/16	15	-	(400,000,000)	-	(400,000,000)
As at 31 March 2016		400,000,000	244,385,766	31,961,114	676,346,880
Profit for the Year		-	386,417,521	-	386,417,521
Other Comprehensive Income		-	(1,500,581)	27,749,616	26,249,035
Total Comprehensive Income		-	384,916,940	27,749,616	412,666,556
Dividend Paid -2016/17	15	-	(470,000,000)	-	(470,000,000)
As at 31 March 2017		<u>400,000,000</u>	<u>159,302,707</u>	<u>59,710,730</u>	<u>619,013,437</u>

The accounting policies and notes on pages 8 through 30 form an integral part of the financial statements.

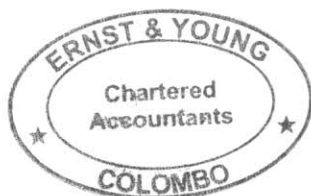


STATEMENT OF CASH FLOWS

Year ended 31 March 2017

Cash Flows Generated from / (Used in) Operating Activities	Note	2017 Rs.	2016 Rs.
Cash Flow from Operating Activities			
Net Profit before Tax		497,639,732	454,236,681
Adjustments for			
Depreciation of Property, Plant and Equipment	7.2	61,473,385	76,729,486
Amortization Intangible Assets	8	3,801,857	3,485,035
(Gain) / Loss on Disposal of Property, Plant and Equipment		(93,733)	(115,560)
Interest Income	4.3	(23,596,301)	(19,533,319)
Finance Cost	4.2	2,056,916	2,634,288
Provision for Employee Benefit Liability	16.1	9,837,696	6,771,482
Operating Profit before Working Capital Changes		<u>551,119,552</u>	<u>524,208,094</u>
(Increase) / Decrease in Inventories		17,222,386	(8,377,843)
(Increase) / Decrease in Trade and Other Receivables		(25,736,695)	2,134,568
Increase / (Decrease) in Trade and Other Payables		(25,087,226)	16,599,462
Cash Generated from Operations		<u>517,518,017</u>	<u>534,564,280</u>
Interest Paid	4.2	(2,056,916)	(2,634,288)
Tax Paid		(58,625,051)	(48,423,504)
Employee Benefit Liability Cost Paid	16.2	(1,409,075)	(315,900)
Net Cash Flows Generated from Operating Activities		<u>455,426,975</u>	<u>483,190,588</u>
Cash Flow from Investing Activities			
Acquisition of Property, Plant and Equipment	7.1	(17,474,703)	(36,171,788)
Acquisition of Intangible Assets	8	-	(15,207,427)
Proceeds from Disposal of Property, Plant and Equipment		174,133	756,564
Interest Received	4.3	23,596,301	19,533,319
Net Cash Flows Used in Investing Activities		<u>6,295,731</u>	<u>(31,089,332)</u>
Cash Flow from Financing Activities			
Capital Repayment under Finance Lease Liabilities		(6,592,848)	(5,927,344)
Dividends Paid	15	(470,000,000)	(400,000,000)
Net Cash Flows Used in Financing Activities		<u>(476,592,848)</u>	<u>(405,927,344)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		(14,870,143)	46,173,912
Cash and Cash Equivalent at the Beginning of the Year	12	<u>408,131,086</u>	<u>361,957,174</u>
Cash and Cash Equivalent at the End of the Year	12	<u>393,260,944</u>	<u>408,131,086</u>

The accounting policies and notes on pages 8 through 30 form an integral part of the financial statements.



1. CORPORATE INFORMATION

1.1 General

LAUGFS Eco Sri (Private) Limited (“Company”) is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 101, Maya Avenue, Colombo 06.

1.2 Principal Activities and Nature of Operations

The principal activity of the Company is providing motor vehicle emission testing services.

1.3 Parent Entity and Ultimate Parent Entity

The Company’s immediate Parent Company is LAUGFS Gas PLC, and the ultimate Parent Company is LAUGFS Holdings Limited, which are incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The Financial Statements of LAUGFS Eco Sri (Private) Limited for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 26 May 2017.



2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as “SLFRS”), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

2.1.1 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value.

The financial statements are presented in Sri Lankan Rupees.

2.1.2 Statement of Compliance

The financial statements of LAUGFS Eco Sri (Private) Limited have been prepared in compliance with Sri Lanka Accounting Standards.

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

2.1.3 Going Concern

The Directors have made an assessment of the Company’s ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTION

Estimates and Assumptions

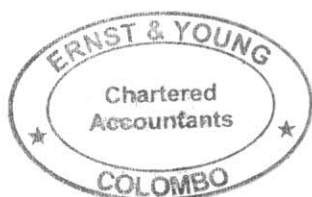
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets within the next financial year are discussed below. The respective carrying amounts of assets are given in related notes to the financial statements.

Fair Value of Property, Plant & Equipment

The property, plant and equipment of the Company are reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information the Company determines within reasonable fair value estimates, amounts that can be attributed as fair values, with the assistance of an independent valuer.

Defined Benefit Plans

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations. The Actuarial Valuation involves making assumptions about discount rates, future salary increases and other important related data. Due to the long term nature of employee benefits, such estimates are subject to significant uncertainty. Further details of assumptions together with an analysis of their sensitivity as carried out by the management in relation to the above key assumptions and the results of the sensitivity analysis are given in Note 15.



Deferred Taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax that can be recognised based upon the likely timing and the levels of future taxable profits.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.3.1 Foreign Currency Transaction**

The financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions

2.3.2 Taxation**a) Current Taxes**

In accordance with and subject to the powers conferred on the Board under Section 17 of the said Law No. 4 of 1978 and regulations the Company was exempted from income tax for a period of five (5) years reckoned from the year of assessment as may be determined by the Board ("the tax exemption period") the provisions of the Inland Revenue Act No. 10 of 2006 relating to the imposition payment and recovery of income tax shall not apply in respect of the profits and income of the enterprise.

For the above purpose the year of assessment shall be reckoned from the year in which the Enterprise commences to make profits or any year of assessment not later than two (02) years from the date of commencement of commercial operations of the enterprise, whichever year is earlier, as specified in the certificate issued by the Board of Investment. The Board of Investment has issued a certificate confirming the tax exemptions for the year of assessments 2009/2010 -2013/2014. The Company would obtain the certificate for the remaining periods on submission of audited financial statements to the board.

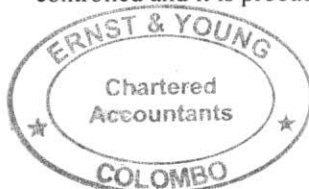
After the expiration of the aforesaid tax exemption period referred to in sub-clause (i), the profits and income of the enterprise shall be charged at the rate of ten per cent (10%) for a period of two (02) years immediately succeeding the last date of the tax exemption period during which the profits and income of the enterprise is exempted from the income tax ("the concessionary tax rate of ten per cent (10%)).

After the expiration of the aforesaid concessionary tax rate of ten per cent (10%) referred to in sub-clause (ii), the profits and income of the Enterprise shall be charged for any year of assessment at the rate of twenty per cent (20%).

b) Deferred Tax

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

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



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

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

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

Deferred tax liabilities arising from investment properties at fair value are measured based on the tax consequence of the presumption that the carrying amount of the investment properties measured at fair value will be recovered entirely through sale. This presumption is consistent with the management's business model for the investment properties.

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

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

c) Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense items as applicable. Receivable and payable are stated including the amount of sales taxes. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statements of Financial Position.

2.3.3 Revenue Recognition

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

a) Rendering of Services

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

b) Other Income

Other income is recognized on an accrual basis.



2.3.4 Operating Leases

Operating Lease payments on land use rights are recognized as an expense in the statement of profit or loss.

2.3.5 Financial Instruments - Initial Recognition and Subsequent Measurement

2.3.5.1 Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company 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 Company commits to purchase or sell the asset.

The Company's financial assets include trade and other receivables, available for sale instruments.

Subsequent Measurement

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

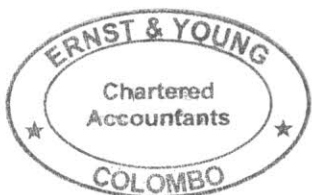
a) Financial Assets at Fair Value through Profit or Loss

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 Company that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the statement of profit or loss.

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

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 statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in selling and distribution expenses.



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 Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company's continuing involvement in it.

In that case, the Company 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 Company 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 Company could be required to repay.

2.3.5.2 Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a) Financial Assets Carried at Amortised Cost

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

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



The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral have been realized. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2.3.5.3 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company 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 Company's financial liabilities include trade and other payables, bank overdrafts & finance lease.

Subsequent Measurement

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

a) Financial Liabilities at Fair Value through Profit or Loss

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

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

Gains or losses on liabilities held-for-trading are recognized in the statement of profit or loss.

The Company 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 statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

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



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 statement of profit or loss.

2.3.5.4 Offsetting of Financial Instruments

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

2.3.5.5 Fair Value of Financial Instruments

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 9.3.

2.3.6 Cash and Short Term Deposits

Cash and short term deposits are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

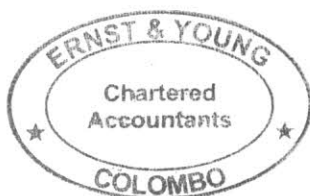
For the purpose of cash flow statement, cash and short term deposits consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.7 Property, Plant and Equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing parts of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

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

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.



2.3.8 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. 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 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 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 income statement when the asset is derecognized.

2.3.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

2.3.10 Employee Benefit Obligations**a) Defined Benefit Plan – Gratuity**

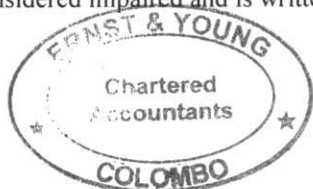
The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every financial year using Projected Unit Cost Method. Actuarial gains and losses are recognized in other comprehensive income (OCI) in the period in which it arises. The liability is not funded.

b) Defined Contribution Plans – Employee’s Provident Fund and Employee’s Trust Fund

Employees are eligible for Employee’s Provident Fund Contributions and Employee’s Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employee’s Provident Fund and Employee’s Trust Fund respectively.

2.3.11 Impairment of Non Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



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

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.3.12 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:-

Consumption Stock - At actual cost on Weighted Average Cost basis

2.4 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

2.4.1 SLFRS 9 -Financial Instruments: Classification and Measurement

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

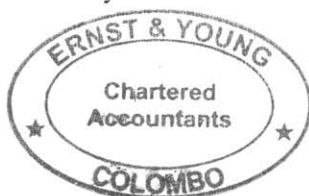
SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

2.4.2 SLFRS 15 – Revenue from Contracts with Customers

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

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

Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

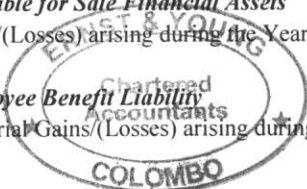


The following amendments and improvements are not expected to have a significant impact on the Company's/Group's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38).
- Equity Method in Separate Financial Statements (Amendments to LKAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28).
- Annual Improvements to SLFRS 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28).
- Disclosure Initiative (Amendments to LKAS 1).



3. REVENUE	2017 Rs.	2016 Rs.
Rendering of Services	1,240,302,196	1,106,426,395
	<u>1,240,302,196</u>	<u>1,106,426,395</u>
4. OTHER INCOME AND EXPENSES	2017	2016
	Rs.	Rs.
4.1 Other Operating Income		
Discount Shop Income	4,723,255	11,883,908
Sundry Income	2,068,896	2,357,756
Guarantee Commission Income	3,773,850	-
	<u>10,566,001</u>	<u>14,241,664</u>
4.2 Finance Costs	2017	2016
	Rs.	Rs.
Interest Expense on Finance Lease	1,968,784	2,634,288
Interest Expense on Overdrafts	88,132	-
	<u>2,056,916</u>	<u>2,634,288</u>
4.3 Finance Income	2017	2016
	Rs.	Rs.
Interest Income	23,596,301	19,533,319
	<u>23,596,301</u>	<u>19,533,319</u>
4.4 Profit Before Tax		
<i>Stated after Charging/(Crediting)</i>	2017	2016
	Rs.	Rs.
<i>Included in Cost of Sales/Service and Operational Expenses</i>		
VET Certificate Chargers	11,527,455	10,362,165
Depreciation of Property, Plant and Equipment	52,592,946	65,183,735
Land Rent	77,147,788	68,934,127
Spare Parts and Consumables	13,613,282	17,984,343
<i>Included in Administration Expenses</i>		
Directors' Fees and Emoluments	44,350,000	31,950,877
Auditors' Remuneration - Fees	386,510	354,390
Depreciation of Property, Plant and Equipment	8,880,442	11,545,751
Amortization of Intangible Assets	3,801,857	3,485,035
Personnel Costs including the following:		
- Employee Benefit including the following (included in Employee Benefits)	394,871,501	320,032,743
- Defined Benefit Plan Costs -Gratuity	9,837,696	6,771,482
- Defined Contribution Plan Costs - EPF & ETF	29,607,287	24,696,256
Donations	37,025	187,785
Loss/(Profit) on Sale of Property, Plant & Equipment	(93,733)	(115,560)
<i>Included in Promotional Expenses</i>		
Advertising and Promotional Cost	<u>28,971,192</u>	<u>18,330,105</u>
4.5 Components of Other Comprehensive Income	2017	2016
	Rs.	Rs.
<i>Available for Sale Financial Assets</i>		
Gains/(Losses) arising during the Year	27,749,616	(704,250)
<i>Employee Benefit Liability</i>		
Actuarial Gains/(Losses) arising during the Year	<u>1,875,726</u>	<u>4,016,724</u>



5. INCOME TAX

The major components of income tax expense for the years ended 31 March 2017 and 31 March 2016 are:

5.1 Statement of Profit or Loss	2017 Rs.	2016 Rs.
Current Income Tax:		
Current Income Tax Expense(Note 5.3)	113,809,606	54,626,477
Under/(Over) Provision of Current Taxes in respect of Prior Years	-	-
	<u>113,809,606</u>	<u>54,626,477</u>
Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 5.5)	(2,587,395)	(6,651,060)
	<u>(2,587,395)</u>	<u>(6,651,060)</u>
Income Tax Expense Reported in the Statement of Profit or Loss	<u>111,222,211</u>	<u>47,975,417</u>

5.2 Statement of Comprehensive Income

Deferred Income Tax:		
Deferred Taxation Charge/(Reversal) (Note 5.5)	(375,145)	(803,345)
Income Tax Charged Directly to Comprehensive Income	<u>(375,145)</u>	<u>(803,345)</u>

5.3 A Reconciliation between Tax Expense and the Product of Accounting Profit Multiplied by the Statutory Tax Rate for the Years Ended 31 March 2017 and 2016 are as follows:

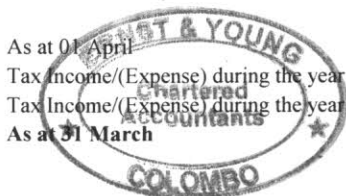
	2017 Rs.	2016 Rs.
Accounting Profit before Tax	497,639,732	454,236,681
Adjustments in respect of Current Income Tax		
Aggregate Disallowed Items	125,486,500	111,151,432
Aggregate Allowable Expenses	(88,834,401)	(75,213,446)
Other Sources of Income	(10,562,300)	(33,774,983)
Taxable Business Profit	<u>523,729,531</u>	<u>456,399,684</u>
Other Sources of Income	32,370,357	32,094,673
Total Statutory Income	556,099,888	488,494,357
Tax Losses Utilized during the Year for trade income	-	-
Taxable Business Profit	<u>556,099,888</u>	<u>488,494,357</u>
At the Statutory Income Tax Rate - Business Profit	20%	10%
- Other Income	28%	28%
Current Income Tax Expenses - Business Profit	104,745,906	45,639,968
- Other Income	9,063,700	8,986,508
	<u>113,809,606</u>	<u>54,626,477</u>

5.4 Deferred Tax Assets, Liabilities and Income Tax relates to the following.

	Statement of Financial Position		Statement of Profit or Loss		Statement of Comprehensive Income	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Deferred Tax Assets						
Capital allowances for Tax Purposes	6,839,968	6,235,250	(604,718)	(3,829,519)	-	-
Employee Benefit Liability	7,216,180	5,155,311	(1,685,724)	(2,821,541)	(375,145)	(803,345)
Trade & Other Receivables	296,953	-	(296,953)	-	-	-
	<u>14,353,101</u>	<u>11,390,561</u>	<u>(2,587,395)</u>	<u>(6,651,060)</u>	<u>(375,145)</u>	<u>(803,345)</u>
Deferred Tax (Income)/Expense			<u>(2,587,395)</u>	<u>(6,651,060)</u>	<u>(375,145)</u>	<u>(803,345)</u>
Net Deferred Tax Assets	<u>14,353,101</u>	<u>11,390,561</u>				

5.5 Reconciliation of Net Deferred Tax Asset

	2017 Rs.	2016 Rs.
As at 01 April	11,390,561	3,936,156
Tax Income/(Expense) during the year recognised in Statement of Profit or Loss	2,587,395	6,651,060
Tax Income/(Expense) during the year recognised in Statement of Comprehensive Income	375,145	803,345
As at 31 March	<u>14,353,101</u>	<u>11,390,561</u>



6. EARNINGS PER SHARE

Basic/Diluted Earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and the previous period are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

The following reflects the income and share data used in the Basic/Diluted Earnings per share computations.

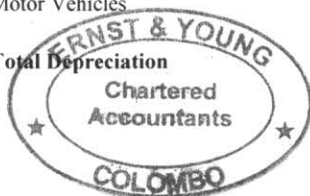
Amount Used as the Numerator:	2017 Rs.	2016 Rs.
Net Earnings attributable to Ordinary Shareholders for Basic/Diluted Earnings Per Share	386,417,521	406,261,265
	Number	Number
Weighted Average Number of Ordinary Shares for Basic/Diluted Earnings Per Share	40,000,000	40,000,000

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Gross Carrying Amounts	Balance as at 01.04.2016 Rs.	Additions during the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2017 Rs.
At Cost					
Buildings on Leasehold Land	363,501,901	458,245	1,480,414	-	365,440,560
Office Equipment	4,216,428	172,950	-	-	4,389,378
Computer and Accessories	65,827,300	6,148,138	-	(268,116)	71,707,322
Furniture and Fittings	14,398,627	5,390,396	-	-	19,789,023
Plant, Machinery & Equipment	208,642,459	3,744,869	-	-	212,387,328
Motor Vehicles	20,849,125	10,334	-	-	20,859,459
	<u>677,435,840</u>	<u>15,924,932</u>	<u>1,480,414</u>	<u>(268,116)</u>	<u>694,573,070</u>
In the Course of Construction					
Capital Working Progress	-	1,549,771	(1,480,414)	-	69,357
	<u>-</u>	<u>1,549,771</u>	<u>(1,480,414)</u>	<u>-</u>	<u>69,357</u>
Assets on Finance Lease					
Motor Vehicles	34,628,000	-	-	-	34,628,000
	<u>34,628,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,628,000</u>
Total Gross Carrying Amount	<u>712,063,840</u>	<u>17,474,703</u>	<u>-</u>	<u>(268,116)</u>	<u>729,270,427</u>

7.2 Depreciation

7.2 Depreciation	Balance as at 01.04.2016 Rs.	Charged for the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2017 Rs.
At Cost					
Buildings on Leasehold Land	268,133,024	26,711,226	-	-	294,844,250
Office Equipment	2,659,290	463,730	-	-	3,123,020
Computer and Accessories	52,888,593	4,066,354	-	(187,716)	56,767,231
Furniture and Fittings	7,340,687	2,041,111	-	-	9,381,798
Plant, Machinery & Equipment	149,973,016	22,499,659	-	-	172,472,676
Motor Vehicles	19,826,136	465,940	-	-	20,292,076
	<u>500,820,746</u>	<u>56,248,020</u>	<u>-</u>	<u>(187,716)</u>	<u>556,881,051</u>
Assets on Finance Lease					
Motor Vehicles	7,402,601	5,225,365	-	-	12,627,966
	<u>7,402,601</u>	<u>5,225,365</u>	<u>-</u>	<u>-</u>	<u>12,627,966</u>
Total Depreciation	<u>508,223,347</u>	<u>61,473,385</u>	<u>-</u>	<u>(187,716)</u>	<u>569,509,016</u>



7. PROPERTY, PLANT AND EQUIPMENT (Contd...)

7.3 Net Book Values	2017	2016
	Rs.	Rs.
At Cost		
Buildings on Leasehold Land	70,596,310	95,368,878
Office Equipment	1,266,358	1,557,137
Computer and Accessories	14,940,091	12,938,707
Furniture and Fittings	10,407,225	7,057,941
Plant, Machinery & Equipment	39,914,652	58,669,442
Motor Vehicles	567,383	1,022,989
	<u>137,692,019</u>	<u>176,615,094</u>
In the Course of Construction	69,357	-
Capital Working Progress	<u>69,357</u>	<u>-</u>
Assets on Finance Lease		
Motor Vehicles	22,000,034	27,225,400
	<u>22,000,034</u>	<u>27,225,400</u>
Total Carrying Amount of Property, Plant and Equipment	<u>159,761,411</u>	<u>203,840,494</u>

7.4 The Rates of Depreciation are Estimated as follows:

	2017	2016
Buildings on Leasehold Land	Over 10 Years	Over 10 Years
Office Equipment	Over 7 Years	Over 7 Years
Computer and Accessories	Over 4 Years	Over 4 Years
Furniture and Fittings	Over 7 Years	Over 7 Years
Plant, Machinery & Equipment	Over 7 Years	Over 7 Years
Motor Vehicles	Over 7 Years	Over 7 Years

7.5 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.17,474,703/- (2016 - Rs.36,171,788/-).Cash payment amounting Rs.17,474,703/- (2016 - Rs.36,171,788/-).

7.6 Buildings on leasehold land includes the value of Name Boards and during the year under review the Company had depreciated Name Boards over 2.5 years.

7.7 Property, plant and equipment of the Company include fully depreciated assets having a gross carrying amount of Rs.323,222,944/- (2016 - Rs.137,255,054/-).

7.8 Building on leasehold land includes fabrication cost of containers of Rs.483,485/- (2016-Rs. 6,775,387/-) & plants of vehicle emission testing areas of Rs.396,741/- (2016-Rs. 4,123,047/-).

8. INTANGIBLE ASSETS

	2017	2016
	Rs.	Rs.
Cost		
As at 1 April	15,207,427	-
Acquired during the Year	-	15,207,427
As at 31 March	<u>15,207,427</u>	<u>15,207,427</u>
Amortization		
As at 1 April	3,485,035	-
Amortization during the Year	3,801,857	3,485,035
As at 31 March	<u>7,286,892</u>	<u>3,485,035</u>
Net Book Value	<u>7,920,534</u>	<u>11,722,391</u>

Intangible assets includes the Enterprise Resource Planning System (SAP ECC 6.0) which is amortized over 4 years.

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

9.1 Financial Assets

9.1.1 Available for Sale Financial Assets

	2017 Rs.	2016 Rs.
Investments in Fellow Subsidiaries		
LAUGFS Property Developers (Pvt) Ltd.	149,710,730	121,961,114
	<u>149,710,730</u>	<u>121,961,114</u>

9.2 Financial Liabilities

9.2.1 Interest Bearing Loans and Borrowings

	2017 Amount Repayable Within 1 Year Rs.	2017 Amount Repayable After 1 Year Rs.	2017 Total Rs.	2016 Amount Repayable Within 1 Year Rs.	2016 Amount Repayable After 1 Year Rs.	2016 Total Rs.
Finance Leases (Note 9.2.2)	7,258,352	12,135,349	19,393,701	6,592,848	19,393,701	25,986,549
Bank Overdraft (Note 12.2)	12,331,963	-	12,331,963	8,526,660	-	8,526,660
	<u>19,590,315</u>	<u>12,135,349</u>	<u>31,725,664</u>	<u>15,119,508</u>	<u>19,393,701</u>	<u>34,513,209</u>

9.2.2 Finance Leases

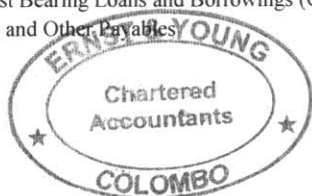
	As at 01.04.2016 Rs.	Leases Obtained Rs.	Repayments Rs.	As at 31.03.2017 Rs.
Commercial Bank of Ceylon PLC	29,965,710	-	(8,561,632)	21,404,079
	<u>29,965,710</u>	<u>-</u>	<u>(8,561,632)</u>	<u>21,404,079</u>
			As at 31.03.2017 Rs.	As at 31.03.2016 Rs.
Gross Liability			21,404,079	29,965,710
Finance Charges Allocated to Future Periods			(2,010,378)	(3,979,162)
Net Liability			<u>19,393,701</u>	<u>25,986,549</u>

Institution	Facility Amount Rs.	Repayment Terms
Commercial Bank of Ceylon PLC	34,628,000	Repayable by 30 monthly installments of Rs.713,469/- .

9.3 Fair Values

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

		Carrying Amount		Fair Value	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Financial Assets					
Trade and Other Receivables	A	35,360,500	18,456,507	35,360,500	18,456,507
Cash in Hand and at Bank	A	405,592,907	416,657,747	405,592,907	247,472,038
		<u>440,953,407</u>	<u>435,114,253</u>	<u>440,953,407</u>	<u>265,928,545</u>
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	12,135,349	19,393,701	12,135,349	19,393,701
Interest Bearing Loans and Borrowings (Current)	A	19,590,315	15,119,508	19,590,315	15,119,508
Trade and Other Payables	A	44,180,311	31,536,209	44,180,311	31,536,209
		<u>75,905,975</u>	<u>66,049,418</u>	<u>75,905,975</u>	<u>66,049,418</u>



9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd.)

9.3 Fair Values (Contd.)

There is no difference between carrying amounts and fair values of the Company's financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- A. Cash in hand and at bank, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- B. Long-term variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, risk characteristics of the financed project etc. As at 31 March 2017, the carrying amounts of such borrowings are not materially different from their calculated fair values.

9.4 Fair Value Hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a trade price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value are determined according to the following hierarchy.

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Assets Measured at Fair Value	2017 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Available for Sale Financial Assets (Non-Quoted)	149,710,730	-	-	149,710,730
Repos	205,087,357	-	205,087,357	-
	<u>354,798,087</u>	<u>-</u>	<u>205,087,357</u>	<u>149,710,730</u>

During the reporting period ending 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

10. INVENTORIES

	2017 Rs.	2016 Rs.
Inventories	27,324,786	43,647,172
Less: Provision for slow moving stocks	(900,000)	-
	<u>26,424,786</u>	<u>43,647,172</u>

11. TRADE AND OTHER RECEIVABLES

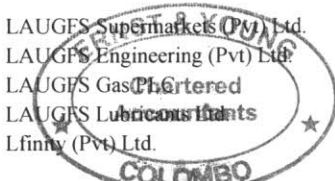
	2017 Rs.	2016 Rs.
Trade Receivables - Related Parties (Note 11.1)	8,828,404	-
- Others	3,522,518	-
Other Receivables - Related Parties (Note 11.2)	10,008,650	5,952,569
- Others	14,485,690	12,503,938
	<u>36,845,261</u>	<u>18,456,507</u>
Less- Provision for Impairment	(1,484,761)	-
	<u>35,360,500</u>	<u>18,456,507</u>
Advances and Prepayments	11,014,979	12,107,078
Loans to Company Officers	10,360,105	435,305
	<u>56,735,585</u>	<u>30,998,890</u>

11.1 Trade Receivables from Related Parties

	Relationship	2017 Rs.	2016 Rs.
Lfinity (Pvt) Ltd.	Group Company	8,827,994	-
LAUGFS Beverages (Pvt) Ltd.	Group Company	410	-
		<u>8,828,404</u>	<u>-</u>

11.2 Other Receivables from Related Parties

	Relationship	2017 Rs.	2016 Rs.
LAUGFS Supermarkets (Pvt) Ltd.	Group Company	5,860,461	5,818,952
LAUGFS Engineering (Pvt) Ltd.	Group Company	94,388	-
LAUGFS Gas Chartered	Parent Company	3,773,850	-
LAUGFS Lubricants	Group Company	36,946	128,567
Lfinity (Pvt) Ltd.	Group Company	243,005	5,050
		<u>10,008,650</u>	<u>5,952,569</u>



11. TRADE AND OTHER RECEIVABLES (Contd.)

As at 31 March, the ageing analysis of trade receivables, is as follows:

	Total Rs.	Neither Past Due nor Impaired Rs.	Past Due and Impaired			
			< 30 Days Rs.	31-60 Days Rs.	61-90 Days Rs.	> 90 Days Rs.
			2017	12,350,922	1,003,865	687,522
2016	-	-	-	-	-	-

12. CASH AND SHORT TERM DEPOSITS

12.1 Favorable Cash and Cash Equivalent Balances

	2017 Rs.	2016 Rs.
Fixed Deposits	-	7,481,435
Repos	205,087,357	161,704,273
Cash and Bank Balances	200,505,550	247,472,038
	<u>405,592,907</u>	<u>416,657,747</u>

12.2 Unfavorable Cash and Cash Equivalent Balances

	2017 Rs.	2016 Rs.
Bank Overdraft (Note 9.2.1)	(12,331,963)	(8,526,660)
Cash and Cash Equivalent for the Purpose of Statement of Cash Flow	<u>393,260,944</u>	<u>408,131,086</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

13. STATED CAPITAL

	2017		2016	
	Number	Rs.	Number	Rs.
13.1 Ordinary Shares	<u>40,000,000</u>	<u>400,000,000</u>	<u>40,000,000</u>	<u>400,000,000</u>

13.2 Rights, Preference and Restrictions of Classes of Capital

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

14. RESERVES

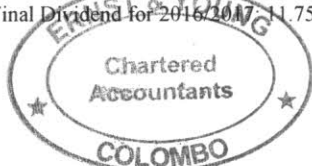
	2017 Rs.	2016 Rs.
Available for Sale Reserve (Note 14.1)	<u>59,710,730</u>	<u>31,961,114</u>
	<u>59,710,730</u>	<u>31,961,114</u>

14.1 Available for Sale Reserve

	2017 Rs.	2016 Rs.
As at 1 April	31,961,114	32,665,364
Gains/(Losses) arising during the Year	27,749,616	(704,250)
As at 31 March	<u>59,710,730</u>	<u>31,961,114</u>

15. DIVIDENDS PAID AND PROPOSED

	2017 Rs.	2016 Rs.
Declared and Paid during the Year:		
Dividends on Ordinary Shares:		
Final Dividend for 2014/2015: 9.63 Rupees per Share		400,000,000
Final Dividend for 2016/2017: 11.75 Rupees per Share	470,000,000	



16. EMPLOYEE BENEFIT LIABILITY

	2017	2016
	Rs.	Rs.
16.1 Net Benefit Expense		
Current Service Cost	7,388,923	5,317,578
Interest Cost on Benefit Obligation	2,448,773	1,453,904
Total Expenses	<u>9,837,696</u>	<u>6,771,482</u>

16.2 Employee Benefit Liability

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

As at 1 April	25,776,554	15,304,248
Current Service Cost	7,388,923	5,317,578
Interest Cost on Benefit Obligation	2,448,773	1,453,904
Actuarial (Gain)/Loss on Obligation	1,875,726	4,016,724
Benefits Paid	(1,409,075)	(315,900)
As at 31 March	<u>36,080,901</u>	<u>25,776,554</u>

16.3 Messrs. Smiles Global (Pvt) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2017. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31.03.2017 are as follows:

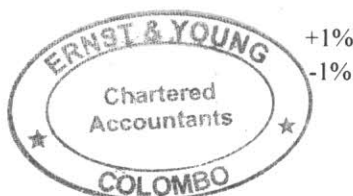
	2017	2016
Method of Actuarial Valuation:	Projected Unit Cost Method	Projected Unit Cost Method
Discount Rate:	12%	10.65%
Salary Increment Rate:	12%	12%
Retirement Age:	60 Years (for Management Staff) and 55 Years (for Other Staff)	55 years
Staff Turnover Ratio:	20%	20%
Mortality Table:	A67/70 Mortality Table	A67/70 Mortality Table

16.4 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2017.

The sensitivity of the income statement, statement of comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year is as follows.

Increase/(Decrease)		2017		
in Discount Rate	in Rate of Salary Increment	Effect on Income Statement (Reduction)/ Increase in	Effect on Statement of Financial Position	Present Value of Defined Benefit Obligation
		Rs.	Rs.	Rs.
	+1%	1,387,817	(1,387,817)	34,693,084
	-1%	(1,515,992)	1,515,992	37,596,892
	+1%	(1,634,710)	1,634,710	37,715,610
	-1%	1,522,919	(1,522,919)	34,557,982



LAUGFS Eco Sri (Private) Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2017

16. EMPLOYEE BENEFIT LIABILITY (Contd.)

16.5 Changes in the Defined Benefit Obligation

The following table demonstrates the changes in the defined benefit obligation.

2017	Amounts Charged to Profit or Loss				Remeasurement Gains/(Losses) in Comprehensive Income				Contributions by the Employer	31 March 2017	
	01 April 2016	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments			Subtotal Included in OCI
Defined Benefit Obligation	25,776,554	7,388,923	2,448,773	9,837,696	(1,409,075)	-	(4,070,048)	5,945,774	1,875,726	-	36,080,901
Benefit Liability	25,776,554	7,388,923	2,448,773	9,837,696	(1,409,075)	-	(4,070,048)	5,945,774	1,875,726	-	36,080,901

2016

2016	Amounts Charged to Profit or Loss				Remeasurement Gains/(Losses) in Other Comprehensive Income				Contributions by the Employer	31 March 2016	
	01 April 2015	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments			Subtotal Included in OCI
Defined Benefit Obligation	15,304,248	5,317,578	1,453,904	6,771,482	(315,900)	3,701,423	1,884,726	(1,569,425)	4,016,724	-	25,776,554
Benefit Liability	15,304,248	5,317,578	1,453,904	6,771,482	(315,900)	3,701,423	1,884,726	(1,569,425)	4,016,724	-	25,776,554

16.6 Following payments are expected contributions to the defined benefit plan obligation on the future years:

	2017	2016
Less than or equal to 2 years	2,472,914	1,811,246
Over 2 year and less than or equal 5 years	33,607,987	23,965,308
	36,080,901	25,776,554

The average duration of the defined benefit plan obligating at the end of the reporting period is 3.6 years. (2016: 3.7 years)



LAUGFS Eco Sri (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2017

17. TRADE AND OTHER PAYABLES

	2017 Rs.	2016 Rs.
Trade Payable -Related Parties (Note 17.1)	-	73,715
-Others	976,356	2,556,602
Other Payable -Related Parties (Note 17.2)	26,690,895	16,844,799
-Others	16,513,060	12,061,093
	<u>44,180,311</u>	<u>31,536,209</u>
Sundry Creditors including Accrued Expenses	9,442,604	47,173,933
	<u><u>53,622,915</u></u>	<u><u>78,710,142</u></u>

17.1 Trade Payables to Related Parties

	2017 Rs.	2016 Rs.
Relationship		
LAUGFS Lubricants Ltd. Group Company	-	73,715
	<u>-</u>	<u>73,715</u>

17.2 Other Payables to Related Parties

	2017 Rs.	2016 Rs.
Relationship		
Gas Auto Lanka Ltd. Group Company	10,000	86,371
LAUGFS Property Developers (Pvt) Ltd. Fellow Subsidiary	6,869,380	-
LAUGFS Petroleum (Pvt) Ltd. Group Company	935,102	1,486,320
LAUGFS Restaurants (Pvt) Ltd. Group Company	7,980	28,433
LAUGFS Holdings Ltd. Ultimate Parent Company	18,847,818	15,215,763
LAUGFS Beverages (Pvt) Ltd. Group Company	20,614	27,912
	<u>26,690,895</u>	<u>16,844,799</u>

As at 31 March, the ageing analysis of trade payables, is as follows:

	Total Rs.	< 30 Days Rs.	31-90 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2017	976,356	594,304	362,314	16,776	2,962
2016	2,630,317	874,828	706,808	208,930	839,751

18. COMMITMENTS AND CONTINGENCIES

18.1 Capital Expenditure Commitments

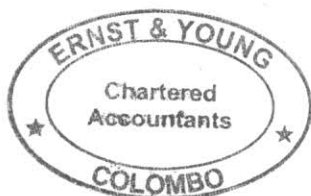
The Company does not have significant capital commitments as at the reporting date.

18.2 Contingent Liabilities

There are no significant contingent liabilities as at the reporting date.

19. ASSETS PLEDGED

There were no assets pledged as securities for liabilities as at the year period ended.



LAUGFS Eco Sri (Private) Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2017

20. RELATED PARTY DISCLOSURES

The following table provides the information pertaining to significant transactions that have been entered into with related parties for the relevant financial year. (for information regarding outstanding balances at 31 March 2017 and 31 March 2016, refer to Notes 11 and 17).

Transaction with the Related Entities	Ultimate Parent		Parent		Other Group Companies		Total	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
As at 01 April	(15,215,763)	-	-	-	-	-	(10,965,945)	3,352,422
Purchase of Goods/Services	-	-	-	(2,809,492)	(1,884,083)	(3,298,737)	(1,884,083)	(6,108,229)
Supply of Goods/Services	-	-	-	-	9,328,404	-	9,328,404	-
Transfers under Finance Arrangements	-	123,561,000	-	275,000,000	11,540,000	66,111,310	11,540,000	464,672,310
Allocation of Expenses	(17,956,900)	(12,250,232)	(181,926)	368,580	(17,365,752)	(10,578,823)	(35,504,578)	(22,460,475)
Settlement of Liabilities on behalf of the Company	-	-	94,388	105,620	(3,630,650)	5,558,639	(3,536,262)	5,664,259
Settlements	-	(123,561,000)	(94,388)	(275,000,000)	(13,749,116)	(72,573,482)	(13,843,504)	(471,134,482)
Payment for Services	14,324,845	12,241,896	423,181,915	363,348,372	19,269,311	15,419,640	456,776,071	391,009,908
Allocation/Purchase of Capital Expenditure	-	(15,207,427)	-	-	(537,805)	(1,272,000)	(537,805)	(16,479,427)
Commission on Corporate Guarantee	-	-	3,773,850	-	-	-	3,773,850	-
Supply of Fixed Asset	-	-	-	-	-	517,760	-	517,760
Dividends Paid	-	-	-	-	-	-	-	-
As at 31 March	(18,847,818)	(15,215,763)	(422,999,989)	(359,999,991)	7,220,127	4,249,818	(422,999,989)	(359,999,991)
			3,773,850				(7,853,841)	(10,965,945)

20.2 Other Group Companies include the following Companies:

- Lfinity (Pvt) Ltd.
- LAUGFS Beverages (Pvt) Ltd.
- LAUGFS Supermarkets (Pvt) Ltd.
- LAUGFS Engineering (Pvt) Ltd.
- LAUGFS Lubricants Ltd.
- Gas Auto Lanka Ltd.
- LAUGFS Property Developers (Pvt) Ltd.
- LAUGFS Petroleum (Pvt) Ltd.
- LAUGFS Restaurants (Pvt) Ltd.

20.3 Transactions with Directors/ Key Management Personnel *

- Profits & Young's Cash Benefits
- Exploiments and Fees - Non-Cash Benefits
- Total Compensation paid to Key Management Personnel

	2017 Rs.	2016 Rs.
Profits & Young's Cash Benefits	34,750,000	22,350,877
Exploiments and Fees - Non-Cash Benefits	9,600,000	9,600,000
Total Compensation paid to Key Management Personnel	44,350,000	31,950,877



* Key Management Personnel includes the Board of Directors of the Company.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

21.1 Introduction

Risk is inherent in Company's business activities, but is managed through a process of on-going identifications, measurements and monitoring, subject to risk limits and other controls. The Board of Directors of the Company places special consideration on the management of such risks as detailed below.

1. Interest Rate Risk
2. Liquidity Risk
3. Credit Risk
4. Exchange Rate Risk

21.1.1 Interest Rate Risk

The entity's exposure to interest rate risk was minimized by placing surplus funds in short to medium term deposits in a divers section of financial institution ie.Commercial Banks, Government Securities and Unit Trust.

21.1.2 Liquidity Risk

Liquidity risk arises from the financial liabilities of the entity's subsequent ability to meet their obligation to repay their financial liabilities as and when they fall due. Since the Company has no borrowings, there is no exposure to Liquidity risk.

21.1.3 Credit Risk

Credit risk is the risk counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company's not exposed to credit risk, since over 98% of business transaction are on a cash basis. Balance 2% of the business is offered on credit to state institutions and reputed corporates and the risk is insignificant.

21.1.4 Exchange Rate Risk

There is no exposure to exchange rate risk as all the transactions are done within the Country and in Sri Lankan Rupees.



LAUGFS ECO SRI (PRIVATE) LIMITED

**DETAILS TO THE INCOME STATEMENT
YEAR ENDED 31 MARCH 2017**

LAUGFS Eco Sri (Private) Limited
DETAILED INCOME STATEMENT
Year ended 31 March 2017

	Statement	2017 Rs.	2016 Rs.
Revenue		1,240,302,196	1,106,426,395
Administrative Expenses	I	(520,395,755)	(435,521,868)
Service and Operational Expenses	II	(224,367,842)	(227,265,468)
Promotional Expenses	III	(30,004,253)	(20,543,073)
Net Profit Before Interest, Other Income and Income Tax		<u>465,534,346</u>	<u>423,095,987</u>



LAUGFS Eco Sri (Private) Limited

DETAILED INCOME STATEMENT

Year ended 31 March 2017

STATEMENTS I

	2017	2016
	Rs.	Rs.
ADMINISTRATIVE EXPENSES		
Salaries and Allowances	302,300,222	247,781,565
EPF	23,685,828	19,757,005
ETF	5,921,459	4,939,251
Staff Medical	5,824,682	5,335,310
Staff Training	1,494,241	1,351,121
Staff Uniform	2,428,752	1,943,872
Over Time	53,126,296	40,783,440
Donation	37,025	187,785
Fuel	7,649,899	7,945,689
Insurance	2,192,492	2,101,627
License & Registration Fees	5,530,821	3,697,339
Meal and Accommodation	9,308,177	9,602,985
Staff Welfare	1,391,471	1,816,341
Office Rent	11,519,455	3,511,000
Professional Fee	669,381	745,640
Stamp Duty	139,877	316,240
Stationery	12,815,330	10,598,521
Telephone Charges	16,516,720	15,131,377
Depreciation of Property, Plant and Equipment	8,880,442	11,545,751
Amortisation of Computer Software	3,801,857	3,485,035
Provision for Doubtful Debts	1,484,761	-
(Profit)/Loss on Disposal of Property, Plant and Equipment	(93,733)	(115,560)
Bank Charges	608,047	349,546
Audit Fee	386,510	354,390
Electricity Charges	9,873,163	14,073,519
Water Charges	1,879,968	1,479,944
Postage & Courier Charges	2,680,751	2,708,962
Legal Fees	1,574,014	261,560
Gratuity	9,837,696	6,771,482
Annual Get-together Expenses	2,495,284	2,551,276
Sundry expenses	294,736	290,377
Head Office & Training Center Maintenance Expenses	581,589	506,425
Software Development, Maintenance & Infrastructure Fee	12,658,542	13,713,051
Provision for Slow moving stocks	900,000	-
	<u>520,395,755</u>	<u>435,521,868</u>



LAUGFS Eco Sri (Private) Limited

DETAILED INCOME STATEMENT

Year ended 31 March 2017

STATEMENTS II

	2017	2016
	Rs.	Rs.
SERVICE AND OPERATIONAL EXPENSES (COST OF SALES)		
Fuel	8,307,798	6,794,587
Land Rent	77,147,788	68,934,127
Vehicle Rent, Hiring, Transport and Travelling	28,438,487	26,034,413
Vehicle Maintenance	1,693,350	1,823,535
Emission Center Maintenance	2,480,528	3,148,039
Security Chargers	618,617	483,562
Spare Parts and Consumables	13,613,282	17,984,343
VET Certificate Chargers	11,527,455	10,362,165
Depreciation of Property, Plant and Equipment	52,592,946	65,183,735
Nation Building Tax	27,631,449	25,875,741
Provision for Pending Free Tests	316,141	641,220
	<u>224,367,842</u>	<u>227,265,468</u>

STATEMENTS III

PROMOTIONAL EXPENSES

Advertising and Promotional	28,971,192	18,330,105
Sales Commission	1,033,061	2,212,967
	<u>30,004,253</u>	<u>20,543,073</u>

