INVESTING *for* GROWTH

LAUGFS GAS PLC

ANNUAL REPORT 2017

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

INVESTING *for* GROWTH

An inspiration transforms into an idea, upon which exciting opportunities take form. LAUGFS Gas PLC grew into a conglomerate over time when strategic growth plans became a reality, powered by our patriotic passion to be a Sri Lankan leader in the region and the world.

Our company has led the way in industrial excellence and corporate growth. Over the years, we have catapulted into becoming a national trailblazer. Today, LAUGFS boasts of being a multi-disciplined and multi-faceted conglomerate. Each company is setting new industry standards. Each company is driven to make a difference in its quest for creating wealth for Sri Lanka.

In 2016/17 alone, our company's investments speak of its deep seated commitment to grow into a corporate giant. Investing for growth is the clarion call we heeded during the year under review. These timely investments are projected to create unprecedented growth for us in the future.

Contents

01 About the Company

6 About Us
14 Awards & Recognition
15 Financial Highlights
16 Our Investments for Growth
18 About the Report
20 Our Presence

02 Strategic Report

24 Group Chairman's Review
28 Group Managing Director's Review
32 How We Create Value
34 Stakeholder Engagement
36 Reporting What Matters
39 Overview of Strategy

03 Management Discussion and Analysis

42 Economic Review
53 Capitals Report
- Financial Capital
- Manufactured Capital
- Non-Monetized Capital

84 GRI Index
91 Independent Assurance Report

04
Segmental Review

94 Energy
100 Power
104 Services
108 Leisure
112 Property Development
114 Transportation and Logistics

05
Value Preservation

120 Our Board
126 Corporate Management
128 Corporate Governance
138 Managing Risk
141 Investment Committee Report
142 Management Committee Report
143 Remuneration Committee Report
144 Audit Committee Report
145 Report of the Related Party Transactions Review Committee
147 Annual Report of the Board of Directors
152 Statement of Directors' Responsibility

06
Financial Statements

155 Independent Auditors' Report
156 Statement of Profit or Loss
157 Statement of Other Comprehensive Income
158 Statement of Financial Position
160 Statement of Changes in Equity
162 Statement of Cash Flows
164 Notes to the Financial Statements

Supplementary Information

241 Share Information
247 Value Added Statement
248 Five Year Summary
250 Real Estate Portfolio
253 Notice of Meeting
257 Form of Proxy (Voting)
259 Form of Proxy (Non Voting)

VISION

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

MISSION

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

INVESTING *for* GROWTH

01

About the Company

About Us / Awards & Recognitions / Financial Highlights / Our Investments for Growth / About the Report / Our Presence

About Us

LAUGFS Gas PLC is a diversified conglomerate and a significant player in the country's power and energy sector. Today, our footprint covers not only Sri Lanka, but extends beyond to Bangladesh and UAE.

Our Present			Our Future
Diversified across 6 sectors	Market Capitalization Rs. 9.4 bn	Operations spanning 3 countries	Complete construction of LPG Storage Terminals in 2018
Energy	Consolidated Revenue Rs. 18 bn	Direct employment 1,671	Expanding our renewable energy presence by LAUGFS Power
Power	Total Assets Rs. 35.8 bn	Taxes paid to SL Govt Rs. 169 mn	Strengthening our vessel fleet to expand our LPG Maritime transportation capabilities
Services	Equity Rs. 7.6 bn	Total Taxes paid including overseas Rs. 259 mn	Extending our energy presence in Bangladesh
Leisure	Share Price (Closing) Rs. 28.10	Sound Health & Safety record	Revenue generation from Property Development
Property Development	Net Assets per share Rs. 19.75		
Transportation and Logistics			

OUR RELEVANCE TO THE ECONOMY

	Rs. Million
Direct Economic Value Generated	18,566
Economic Value Distributed	
Operating costs	14,701
Employee wages and salaries	1,706
Payments to providers of capital	1,937
Payments to Government	243
Economic Value Retained	(21)

INVESTMENTS IN INFRASTRUCTURE DEVELOPMENT

Built the largest solar power plant in the country with a capacity of 20 MW

Developing the renewable power sources in Sri Lanka has been a long term vision of the country.

Government has announced plans to increase contribution of renewable energy sources to 20% of the total electricity requirement by 2020.

Launched a 5 star resort in Pasikuda under the award winning Anantaya brand

Sri Lanka's tourist arrivals growth has become one of the highest in the Asian regions.

Tourist arrivals to Sri Lanka grew by 16.2% YoY in the 1st half of 2016 compared to 4% YoY growth in international tourist arrivals and 9% YoY growth in Asia Pacific region.

Extended the LPG vessel fleet with the acquisition of Gas Courage

Global LPG trade is estimated to have increased to reach 71 Million TEUs.

Increasing global demand, especially in the Asian regions such as China and India, has increased the global LPG trade via sea.

Setting up one of the largest LPG import and export terminals in South Asia

30% of global containerized trade is shipped using the east - west maritime route in Asia.

Hambantota port is located in close proximity to busy shipping routes and some of the largest emerging LPG markets, including Bangladesh and Myanmar.

About Us

GROUP STRUCTURE

LAUGFS Gas PLC is a limited liability company listed on the Colombo Stock Exchange. The Company's holding company and controlling entity is LAUGFS Holdings Limited, which is incorporated and domiciled in Sri Lanka. Our operations span across Sri Lanka, Bangladesh and the UAE.

LAUGFS Gas PLC

ENERGY	SERVICES	LEISURE	PROPERTY DEVELOPMENT	POWER	TRANSPORTATION AND LOGISTICS
LAUGFS Gas PLC LAUGFS Gas (Bangladesh) SLOGAL Energy DMCC	LAUGFS Eco Sri	LAUGFS Leisure	LAUGFS Property Developers	LAUGFS Power	LAUGFS Maritime Services LAUGFS Terminals
LPG downstream activities in Sri Lanka & Bangladesh Energy trading based in UAE	Vehicle emissions testing services	Owns and manages the Anantaya luxury chain of resorts	Constructs and operates commercial and residential properties	Renewable energy generation from solar and hydro sources	Provides LPG maritime logistics through own vessel fleet LPG import and export terminal (under construction)

SIGNIFICANT CHANGES DURING THE FINANCIAL YEAR

Significant changes during the period of review include a 20MW Solar Power Project in Hambantota, which was commissioned in February 2017 by LAUGFS Power. It is one of the prime energy infrastructure projects and the largest solar power plant in Sri Lanka.

LAUGFS Leisure commenced operations of its newest luxury resort in Pasikuda under the Anantaya luxury chain of resorts. It is a five star hotel with iconic Thai architecture on the east coast of the Island.

The balance 31% of ownership of LAUGFS Gas Bangladesh was also acquired during the year. LAUGFS is one of the largest LPG distributors in Bangladesh, which is one of the fastest growing LPG markets in the region.

The third LPG Vessel "Gas Courage" was added to the fleet during the financial year. This will contribute to efficient supply chain management with better transportation costs for LPG sourcing.

The LPG Import and Export Terminal is currently under construction at the Hambantota port. The terminal will be one of the largest in the region with modern technology. Once completed this will create significant benefits for LPG sourcing, while downstream businesses will have a stronger position with this larger storage facility.

ENHANCING SUSTAINABILITY OF OPERATIONS

As we expand our businesses, diversifying into varied sectors and extending our footprint across Sri Lanka and beyond, our commitment to making significant positive impact on the communities around us remains a priority.

Our practice of sustainability also focuses on minimizing environmental impact across our entire value chain from sourcing to delivery. Processes, systems, compliance to standards and delivery of environmentally friendly products aided our sustainability objectives. We ensure that all required environmental impact assessments are carried out before we embark on any significant operational expansions and that we fully comply with all environmental regulations.

Responsible Growth Driven By

Environment

Lower carbon footprint and reducing air pollution.

Community

100% of operational staff hired from local communities in the countries we operate in.

37% of purchases sourced from the local community by Anantaya Chilaw.

Products

Promotion of environmentally friendly products.

4,768 MT greenhouse gas (GHG) emissions eliminated through generation of renewable energy by LAUGFS Power.

Employees

1248 employees were trained during the year.

About Us

EVALUATING THE IMPACT ON CLIMATE

Company	Climate Change Risk / Opportunity	Management of Risk / Opportunity by Company
LAUGFS Gas	The adverse environmental impact of using firewood due to emissions.	Promotion of using LPG as a cleaner fuel alternative.
	Growing focus on cleaner fuels and energy sources for vehicles.	Promotion of using LPG as a transport fuel.
	Growing concerns about health hazards due to air pollution.	Awareness generation on LPG as a safer fuel compared to firewood.
LAUGFS Eco Sri	Increasing global focus on climatic change, air pollution and health detriments of vehicle emissions.	Promotion of the need and importance of Vehicle Emission Certification for a cleaner tomorrow.
LAUGFS Power	Increasing focus on emissions released from the use of fossil fuels for electricity generation.	Setting up the largest solar power plant in Sri Lanka to produce energy through clean renewable energy sources.
	Increasing global focus on the usage of clean, renewable energy to support the growing energy demands.	Supplying energy produced from hydropower to the national grid.

MAINTAINING AN EFFICIENT SUPPLY CHAIN

Our group supply chain comprises of 300-400 registered suppliers ensuring a secure source of supply to our operations in Sri Lanka and Bangladesh. Continuous engagement, screening and transparency have enabled us to build a sound supply chain with no significant supply shortages reported to date.

Sri Lanka's Largest Solar Power Project at Hambantota Commissioned by LAUGFS Power

About Us

OUR STORY

Milestones in the Power and Energy Segment

1994

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

1998

Obtained World LPG Association Membership.

2000

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

2001

Entered the LPG Domestic industry.

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

2002

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

2007

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

Milestones in Other Segments

2005

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

2007

Agreement signed between DMT and LAUGFS Eco Sri to design, implement and operate a Vehicle Emission Testing Programme.

Obtained BOI approval and signed agreement - LAUGFS Leisure Ltd and LAUGFS Property Developers (Pvt) Ltd.

2008

Obtained BOI approval and signed agreement – LAUGFS Eco Sri (Pvt) Ltd.

Opened the first VET Centre at Gampaha.

2014

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

LAUGFS Power commissioned the first Hydro Power plant in Balangoda.

2015

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

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

Commenced construction of LAUGFS LPG Terminal

Acquired Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd., Anorchi Lanka (Pvt) Ltd., Iris Eco Power Lanka (Pvt) Ltd., Pams Power (Pvt) Ltd.

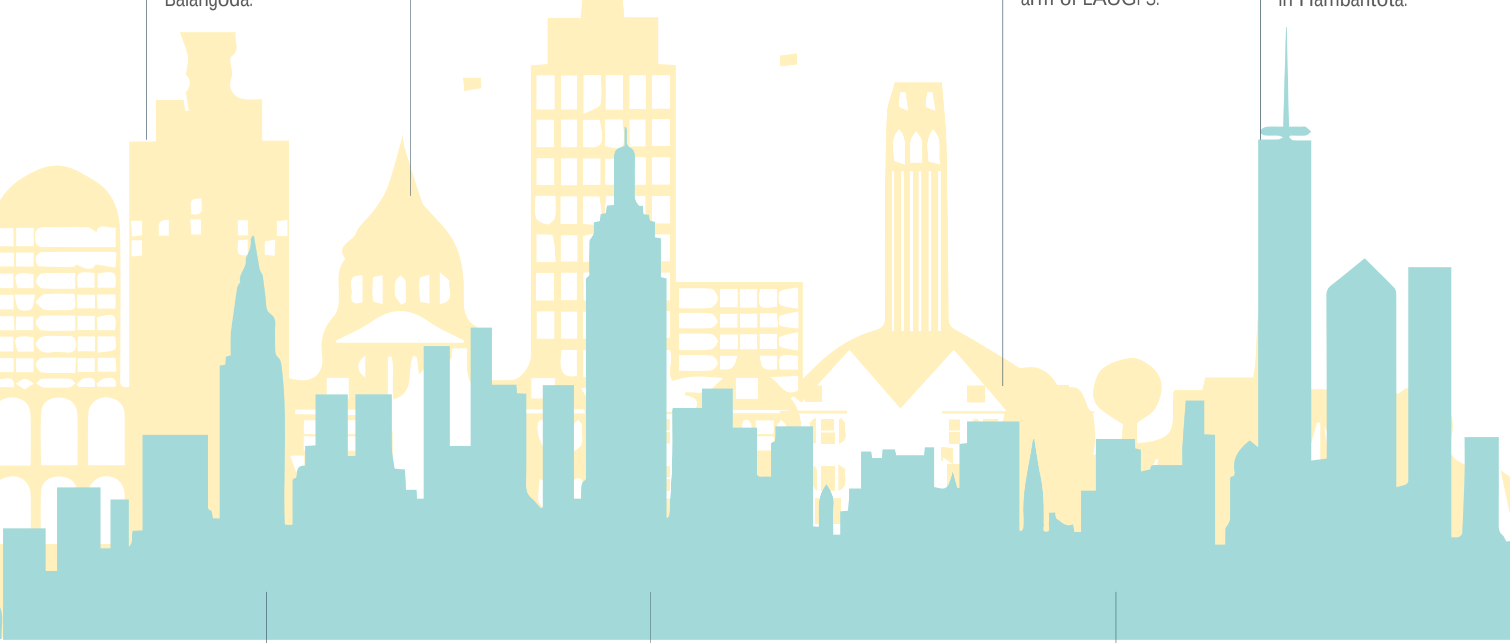
2016

Dubai operations commenced with the setting up of SLOGAL Energy DMCC, the energy trading arm of LAUGFS.

2017

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

LAUGFS Power commissioned Sri Lanka's largest solar power plant in Hambantota.



2010

LAUGFS Gas PLC went public, following an IPO drawing an unprecedented response.

2014

Anantaya Resort & Spa - Chilaw commenced operations under LAUGFS Leisure. Expanded into Real Estate & Property with the construction of our first commercial property at Maya Avenue.

2016

The newest addition to the Anantaya chain of luxury resorts opened in Pasikuda under LAUGFS Leisure.

Awards & Recognition

Reaffirming Our Commitment to Excellence

Further consolidating our position as a trusted conglomerate in Sri Lanka, we have been recognized with several prestigious accolades throughout the financial year, thus reaffirming our commitment to business excellence.

World Luxury Hotel Awards 2016

Anantaya Resort & Spa - Chilaw
Luxury Wedding Destination -
Regional Award (South West Asia)

World Luxury Hotel Awards 2016

Anantaya Resort & Spa - Chilaw
Luxury Hotel & Conference Centre
- Country Award

CA Annual Report Awards 2016

LAUGFS Gas PLC
Gold Award
(Power & Energy Sector)

National Business Excellence Awards 2016

LAUGFS Gas PLC
Winner (Other Services/Other Sector - Extra Large Category)

SLIM NASCO Awards 2016

LAUGFS Gas PLC
5 Prestigious Awards including 2 Gold Awards

CNCI Achiever Awards for Industrial & Service Excellence 2016

LAUGFS Gas PLC
Top Ten Award

CNCI Achiever Awards for Industrial & Service Excellence 2016

LAUGFS Gas PLC
Silver Award - National Level Service Sector (Extra Large category)

Group Financial Highlights

For the year ending 31 March	Group			Company		
	2017 Rs.'000	2016 Rs.'000	Change	2017 Rs.'000	2016 Rs.'000	Change
Summary of Operations						
Revenue	18,065,452	13,299,979	36%	10,386,886	9,719,503	7%
Gross Profit	4,174,872	3,663,443	14%	1,141,891	1,743,979	(35%)
Profit from Operations	1,045,758	2,066,210	(49%)	745,412	1,419,692	(47%)
Other Operating Income	380,584	339,623	12%	1,156,919	909,787	27%
Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	2,159,392	2,860,244	(25%)	1,192,977	1,828,525	(35%)
Finance Cost	(1,549,902)	(441,563)	251%	(1,225,388)	(293,858)	317%
Profit/(Loss) Before Tax	(384,019)	1,708,884	(122%)	(448,322)	1,174,556	(138%)
Income Tax Expense	(243,296)	(372,082)	(35%)	189,194	(142,588)	(233%)
Profit/(Loss) for the Year	(627,315)	1,336,802	(147%)	(259,128)	1,031,967	(125%)
Total Comprehensive Income/(Loss) for the Year Net of Tax	(257,238)	1,415,298	(118%)	(125,018)	1,050,186	(112%)
Summary of Financial Position						
Property, Plant and Equipment	22,625,858	15,632,654	45%	6,629,727	6,164,150	8%
Investment Properties	2,270,800	735,500	209%	761,500	735,500	4%
Investments in Subsidiaries	-	-	-	11,850,337	5,798,781	104%
Other Non-Current Financial Assets	122,828	119,293	3%	122,828	119,293	3%
Current Assets	7,602,549	7,657,504	(1%)	4,471,965	7,113,002	(37%)
Total Assets	35,833,993	27,313,265	31%	23,861,534	19,969,491	19%
Non Current Liabilities	19,161,137	11,449,762	67%	11,445,623	7,738,537	48%
Current Liabilities	9,028,482	6,257,916	44%	5,108,796	4,401,942	16%
Total Liabilities	28,189,619	17,707,678	59%	16,554,419	12,140,479	36%
Shareholders' Interest						
Stated Capital	3,285,000	3,285,000	-	3,285,000	3,285,000	-
Available for Sale Reserve	(193,756)	(318,968)	39%	(193,756)	(318,968)	39%
Foreign Currency Translation Reserve	186,807	48,439	286%	-	-	-
Retained Earnings	4,253,763	5,395,273	(21%)	4,215,871	4,862,981	(13%)
Net Assets (Equity) - Attributable to Equity Holders of the Parent	7,644,374	8,409,744	(9%)	7,307,115	7,829,013	(7%)
Return on Equity (%)	(8%)	14%	(157%)	(4%)	13%	(127%)
Net Assets Value per Share (Rs.)	19.75	21.73	(9%)	18.88	20.23	(7%)
Leverage						
Interest Cover (Times)	0.75	4.87	(85%)	0.63	5.00	(87%)
Financial Ratio						
Gross Profit Margin	23%	28%	(16%)	11%	18%	(39%)
EBITDA Margin	12%	22%	(44%)	11%	19%	(39%)
Net Profit Margin	(3%)	10%	(130%)	(2%)	11%	(118%)
Earnings per Share (Rs.)	(1.65)	3.32	(150%)	-	-	-
Dividend Payout (%)	161%	60%	168%	-	-	-
Asset Turnover (Times)	0.50	0.49	4%	0.44	0.49	(11%)
Equity to Assets (Times)	0.21	0.35	(39%)	0.31	0.39	(22%)
Current Ratio (Times)	0.84	1.22	(31%)	0.88	1.62	(46%)
Quick Ratio (Times)	0.68	1.08	(37%)	0.76	1.50	(49%)

Our Investments for Growth

The infinite potential we see...

We undertook a number of significant investments calculated to deliver substantial returns in the years ahead. Key investments made during the year were:

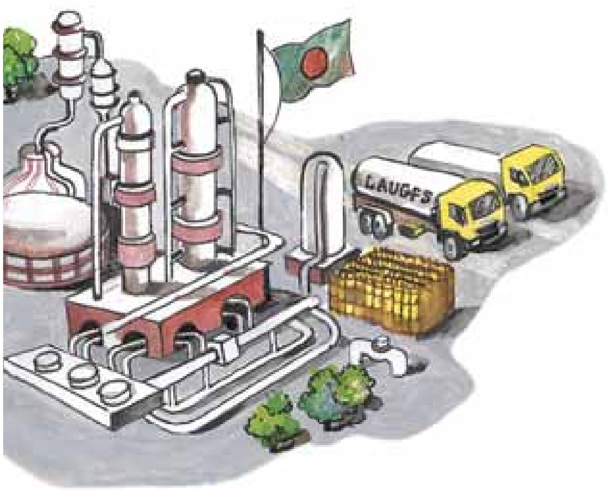
Solar Power

In keeping with global trends, focus on sustainable energy solutions has increased rapidly over the recent few years in Sri Lanka. The Government plan is to increase the contribution from renewable energy to 20% of the total energy requirement of the country by 2020. Our investment in solar power aims to contribute to the Government's efforts as well as to capitalize on this global trend and further strengthen our expansion plans in the power and energy sector.

Investment value:

Rs. 5 Bn

Value generation: from February 2017



LAUGFS Gas Bangladesh

Following our entry into Bangladesh in 2015 we took complete ownership of the company by acquiring the remaining stake. Bangladesh is a market with tremendous growth potential to increase household penetration.

The exhaustion of natural gas reserves, government support to popularize LPG as a fuel for household consumption as well as increasing acceptance by industrial consumers create tremendous potential for LPG in Bangladesh.

Investment value:

Rs.1.3 Bn

Value generation: from May 2016

Anantaya Resort Pasikuda

Following our entry into the fast growing Leisure Sector in the country through the award-winning Anantaya Chilaw in 2014, we expanded our footprint with our second luxury Resort in Pasikudah.

LAUGFS Leisure commenced operations of the 15 acre luxury Anantaya Resort in Pasikuda in 2016. The property has 46 rooms and 5 luxury villas.

Investment value:

Rs. 2.6 Bn

Value generation: from July 2016

LAUGFS LPG Import & Export Terminal

With the anticipated growth potential for LPG in South Asia, we proactively took steps to invest in a LPG Import & Export Terminal at the strategically located Hambantota Port.

This is the first and the largest investment in the Hambantota Port. This terminal will be one of the largest LPG import and export terminals in its class in South Asia in terms of storage capacity, and will be the most strategic in terms of its location, having access to serve a population of around half a billion within neighbouring countries.

Investment value (up to 31 March 2017):

Rs. 2.4 Bn

Value generation: from 2nd half of 2018

Vessel fleet expansion

In January 2017, LAUGFS Maritime purchased our third LPG vessel 'Gas Courage', now operating under the Sri Lankan flag. This was done to strengthen our LPG vessel fleet to support the fast expansion of our LPG downstream activities in Sri Lanka and Bangladesh, as well as to cater to the growing demand for LPG across the region.

Investment value:

Rs. 499 Mn

Value generation: from January 2017

About the Report

REPORTING FRAMEWORK

The fourth Integrated Report of LAUGFS Gas PLC is designed to present a balanced review of our financial, environmental and social performance for the financial year ended 31st March 2017. Report content complies with the standards, frameworks and guidelines set out in the adjacent column serving as the compass in our quest for excellence in corporate reporting. In addition, we have used the services of Ernst & Young Auditors for external assurance with the Independent Assurance Report on page 91.

The reporting principles have guided changes to the reporting structure which include the following:

Reporting Principles	How we complied
Strategic focus and future orientation	A separate section presenting an overview of our investments for growth has been added. Refer page 16.
Connectivity of information	Improved signposting to key areas in all sections of the report including the value creation model.
Stakeholder engagement	Information on stakeholder engagement mechanisms and identifying their concerns have been provided in the report.
Concise and consistent	Every effort has been made to ensure that information is presented in a concise and consistent manner.
Comparability	Comparable information has been provided wherever possible.
Reliability	Assurance has been provided by our external auditors on both financial statements and sustainability information.

REPORTING CYCLE

The financial statement of the company span from 1 April 2016 to 31st March 2017 and is prepared in accordance with Sri Lanka Accounting Standards.

Reporting Period: 1 April 2016 - 31 March 2017

Previous Report: 1 April 2015 - 31 March 2016

Reporting Cycle: Annual

REPORTING FRAMEWORKS

Overall Report Architecture

- Companies Act No.7 of 2007
- Continued Listing Rules Requirement of the Colombo Stock Exchange
- Integrated Reporting Framework

Financial Statements

- Sri Lanka Accounting & Auditing Standards Act No.15 of 1995
- Sri Lanka Financial Reporting Standards

Economic, Social & Financial Reporting

- GRI G4 Guidelines “In Accordance” with the "Core" option

Corporate Governance

- Companies Act No.7 of 2007
- Continued Listing Rules Requirement of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance

MEMBERSHIPS

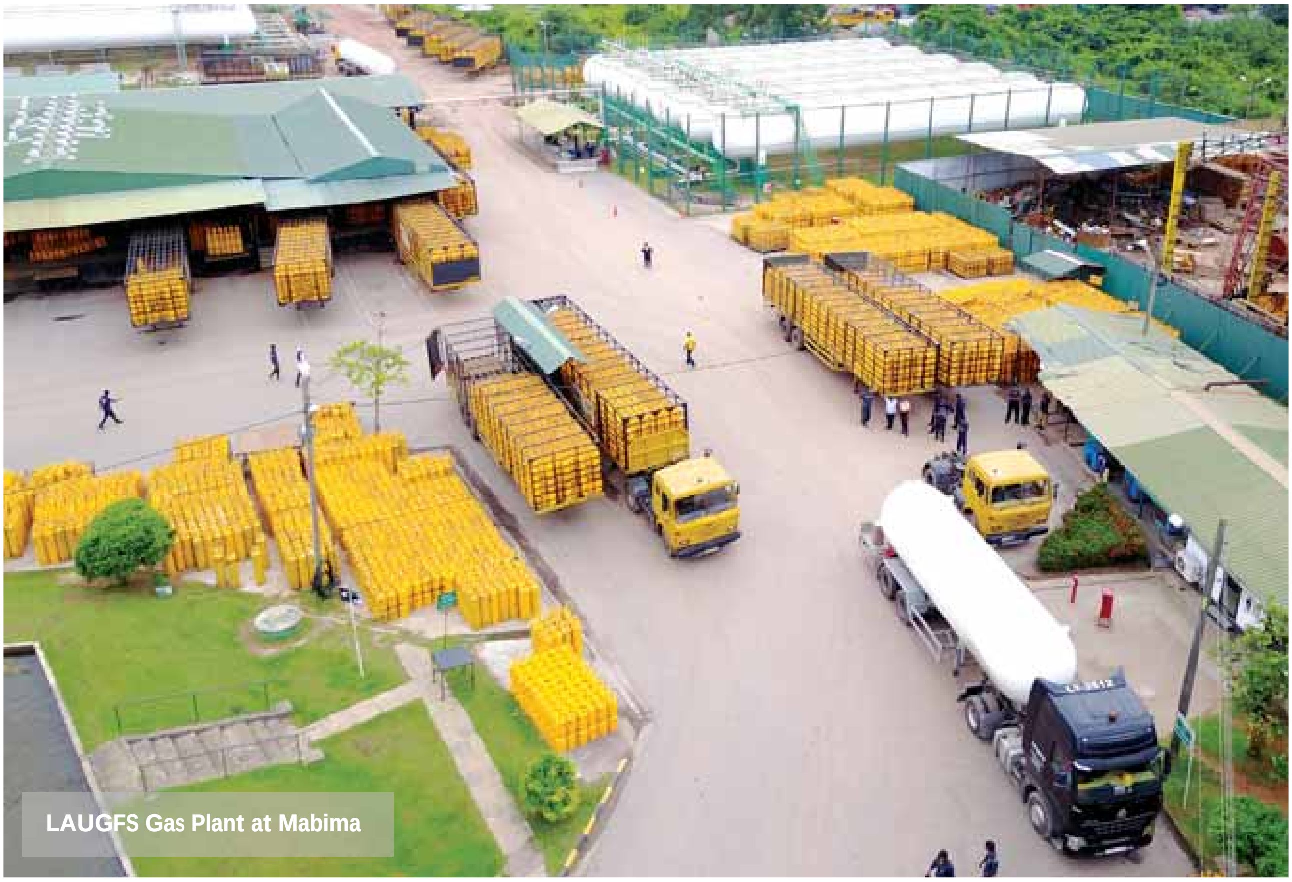
- The Ceylon National Chamber of Industries
- The Hotel Association of Sri Lanka
- World LPG Association

LIST OF COMPANIES COVERED IN THIS REPORT INCLUDE

LAUGFS GAS PLC

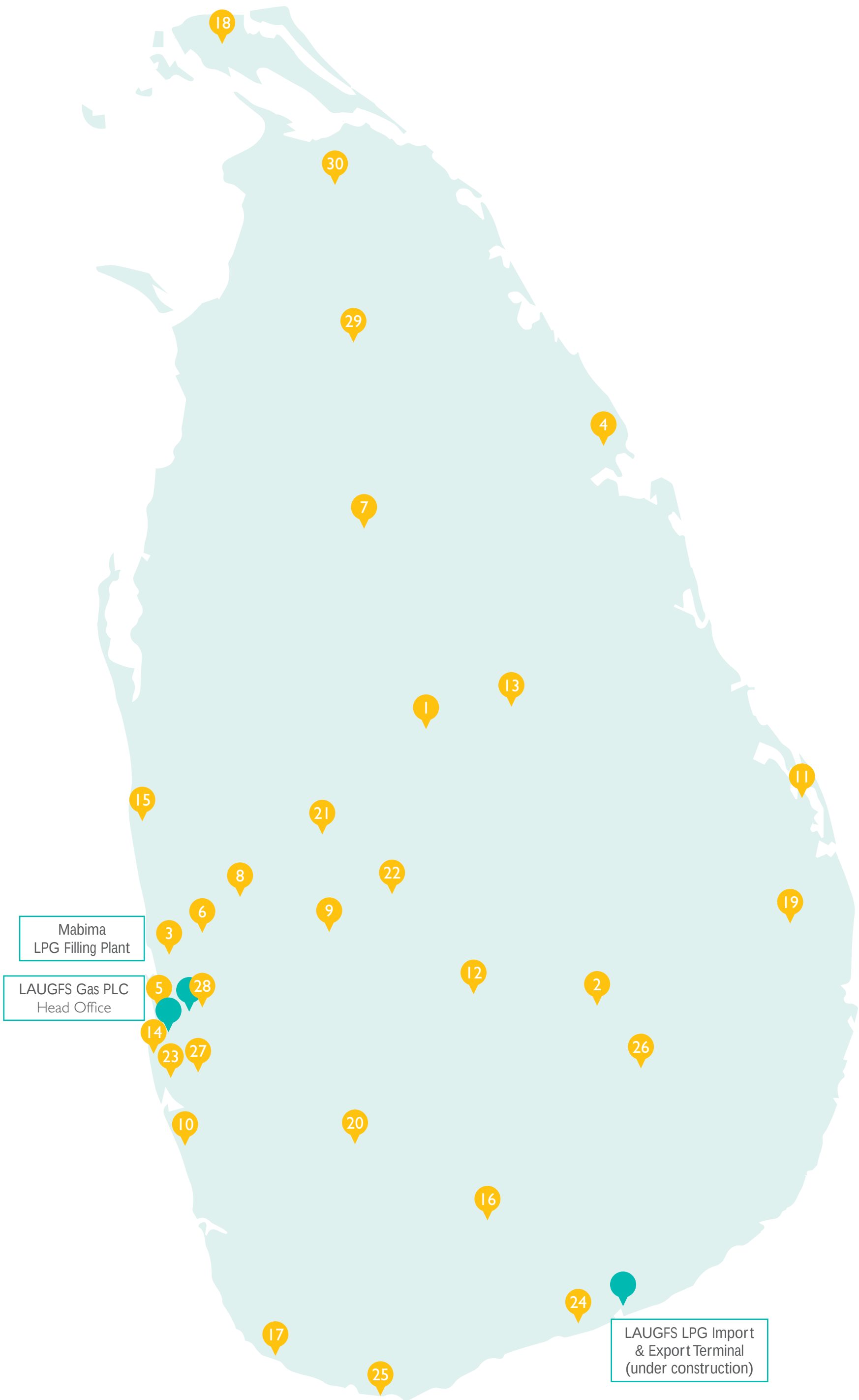
Subsidiaries

- LAUGFS Eco Sri (Pvt) Ltd.
- LAUGFS Leisure Ltd.
- LAUGFS Property Developers (Pvt) Ltd.
- LAUGFS Power Ltd.
- LAUGFS Maritime Services (Pvt) Ltd.
- LAUGFS Terminals Ltd.
- LAUGFS Gas (Bangladesh) Ltd.
- SLOGAL Energy DMCC - Dubai



LAUGFS Gas Plant at Mabima

Our Presence



LAUGFS GAS

HEAD OFFICE:

COLOMBO 06

LPG FILLING PLANT:

MABIMA

DISTRIBUTOR NETWORK:

1. Dambulla
2. Badulla
3. Siyambalape
4. Trincomalee
5. Colombo
6. Gampaha
7. Anuradhapura
8. Kotadeniyawa
9. Mawanella
10. Kaluthara
11. Baticaloa
12. Nuwara Eliya
13. Polonnaruwa
14. Dehiwala
15. Bangadeniya
16. Embilipitiya
17. Galle
18. Jaffna
19. Ampara
20. Rathnapura
21. Kurunagala
22. Kandy
23. Boralesgamuwa
24. Ambalanthota
25. Matara
26. Monaragala
27. Watareka
28. Nawagamuwa
29. Vavuniya
30. Kilinochchi

LAUGFS POWER
HEAD OFFICE:
COLOMBO 06
POWER PLANTS:
BALANGODA, GINIGATHHENA, HAMBANTOTA

LAUGFS LEISURE
HEAD OFFICE:
COLOMBO 06
ANANTAYA RESORTS & SPAS:
CHILAW AND PASIKUDA

LAUGFS TERMINALS
HEAD OFFICE:
COLOMBO 06
TERMINAL SITE:
MAGAM RUHUNUPURA MAHINDA RAJAPAKSA SEAPORT HAMBANTOTA

LAUGFS PROPERTY DEVELOPERS
HEAD OFFICE:
COLOMBO 06
PROPERTY LOCATIONS:
MAYA AVENUE

LAUGFS MARITIME SERVICES
HEAD OFFICE:
COLOMBO 06
GAS CHALLENGER, GAS COURAGE, GAS SUCCESS:
OPERATES IN INTERNATIONAL WATERS

LAUGFS GAS BANGLADESH
CORPORATE OFFICE:
DHAKA, BANGLADESH
HEAD OFFICE & TERMINAL:
MONGLA, BAGERHAT, BANGLADESH

LAUGFS Eco Sri

HEAD OFFICE:

COLOMBO 06

FIXED CENTRES:

1. Akkaraipattu
2. Akurana
3. Ambalangoda
4. Ampara
5. Anuradhapura
6. Athurugiriya
7. Avissawella
8. Baddegama
9. Badulla
10. Balangoda
11. Balapitiya
12. Bandarawela
13. Batticaloa
14. Bellanthota
15. Beruwala
16. Borella
17. Chilaw
18. Chunnakam
19. Dambulla
20. Dulapitiya
21. Elpitiya
22. Embilipitiya
23. Embuldeniya
24. Eppawela
25. Galle
26. Gampaha
27. Gampola
28. Horana
29. Ja – Ela
30. Jaffna
31. Kadawatha
32. Kaduwela
33. Kalmunai
34. Kaluthara
35. Kamburupitiya
36. Kandy
37. Katunayake
38. Kegalle
39. Kiribathgoda
40. Koswatta
41. Kotahena
42. Kotikawatta
43. Kottawa
44. Kuliyapitiya
45. Kundasale
46. Kurunegala 1
47. Kurunegala 2
48. Lindula
49. Mahiyanganaya
50. Makola
51. Matale
52. Matara
53. Matugama
54. Mawathagama
55. Meegoda
56. Meerigama
57. Melsiripura
58. Monaragala
59 Moratuwa
60. Negombo
61. Neluwa
62. Nikewaratiya
63. Nittambuwa
64. Nochchiyagama
65. Nuwara Eliya
66. Orugodawatta
67. Panadura
68. Pannala
69. Pelmadulla
70. Piliyandala
71. Polonnaruwa
72. Pugoda
73. Puttalam
74. Ragama
75. Rajagiriya
76. Rathnapura
77. Tangalle
78. Tissamaharamaya
79. Trincomalee
80. Udugampola
81. Vavuniya
82. Walimada
83. Warakapola
84. Wariyapola
85. Wattala
86. Wellawaya
87. Wennappuwa

Our Presence

LAUGFS Eco Sri

MOBILE LOCATIONS:

1 Adigma
2 Akuressa
3 Aluthgama
4 Ambanpola
5 Ampitiya
6 Anamaduwa
7 Angunukolapalassa
8 Ankumbura
9 Aralaganwila
10 Athimale
11 Ayagama
12 Badalkubura
13 Baduraliya
14 Bakamuna
15 Bibila
16 Bowatta
17 Bulathsinhala
18 Buttala
19 Chawakachcheri
20 Chenkalady
21 Dambadeniya
22 Dankotuwa
23 Deltota
24 Deniyaya
25 Dikwella
26 Dummalasuriya
27 Galagedara
28 Galenbindunuwewa
29 Galewela
30 Galgamuwa
31 Galneewa
32 Ganegoda
33 Giradurukotte
34 Giriulla
35 Hakmana
36 Hanguranketha
37 Haputhale
38 Higurana
39 Hingurakgoda
40 Hiripitiya
41 Horowpathana
42 Ingiriya
43 Ipologama
44 Kadugannawa
45 Kahatagasdigiliya
46 Kalawanchikudi
47 Kandaketiya
48 Kantale
49 Kattanakudy
50 Katupotha
51 Kebithigollewa
52 Kilinochchci
53 Kinniya
54 Kiriella 1
55 Kiriella 2
56 Kobeigane
57 Kodikkamam
58 Kokaddicholai
59 Kolonna
60 Kotapola
61 Madagama -1
62 Madagama - 2
63 Madawachchiya
64 Madirigiriya
65 Maradankadawala
66 Mahaoya
67 Mallawapitiya
68 Mapalagama
69 Meegalawe
70 Middeniya
71 Mihinthalaya
72 Mulathiv
73 Mundalama
74 Muthur
75 Natthandiya
76 Na-ula
77 Nawagattegama
78 Nawalapitiya
79 Nelliyadi
80 Ninthavur
81 Niwithigala
82 Norochchole
83 Padaviya
84 Paduwasnuwara
85 Palagala
86 Pallebadda
87 Paragahadeniya
88 Passara
89 Pelawatte
90 Paluwewa
91 Pellandeniya
92 Pemaduwa
93 Polgahawela
94 Polpithigama
95 Pothuwil
96 Pudukuduirrippu
97 Pulmudei
98 Ragala
99 Rajanganaya
100 Rambukkana
101 Ratthota
102 Ridigama
103 Saliyawewa
104 Samanthure
105 Sevanagala
106 Sewanapitiya
107 Siripura
108 Sithankerny
109 Siyambalanduwa
110 Sooriyawewa
111 Thambaala
112 Thanamalwila
113 Thirappane
114 Ududumbara
115 Udugama
116 Ukuwela
117 Urubokka
118 Uva Paranagama
119 Walachchiyana
120 Walasmulla
121 Wanduramba
122 Watthegama
123 Weligama
124 Wilgamuwa
125 Yakkalamulla

For queries regarding this Report, contact:

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

INVESTING *for* GROWTH

02

Strategic Report

Group Chairman's Review / Group Managing Director's Review / How We Create Value / Stakeholder Engagement / Reporting What Matters / Overview of Strategy

Group Chairman's Review

We commenced the year with the strategic acquisition of the remaining 31% of LAUGFS Gas (Bangladesh) Ltd., for US$ 9 mn making it a wholly owned subsidiary of LAUGFS Gas PLC.

Dear Shareholders,

It is my pleasant duty to present the Annual Report and Financial Statements for the year ending March 31, 2017 which has been a year of growth for the Group as we positioned ourselves to become a regional player in our core business and diversified our business lines simultaneously. We have also strengthened our capacity to manage our investments, to ensure that we deliver on our strategic goals, building a robust foundation for creating long term value to shareholders.

INVESTING FOR GROWTH

We commenced the year with the strategic acquisition of the remaining 31% of LAUGFS Gas (Bangladesh) Ltd., for US$ 9 mn making it a wholly owned subsidiary of LAUGFS Gas PLC. This acquisition which was done through our wholly owned subsidiary SLOGAL Energy DMCC, has been timely as we have been able to deliver revenue and asset growth of 36% and 31% respectively during the year in our first overseas venture - testimony to our capability to manage growth beyond our shores. With a new identity as LAUGFS Gas (Bangladesh) Limited, we are well positioned to take advantage of the significant growth opportunities in LPG downstream operations in Bangladesh in both the residential sector and the industrial sector. Demand for LPG is expected to grow exponentially as the country's natural gas reserves are declining and the government is promoting the use of LPG in the residential sector, which combined strengthen the potential of this strategic investment.

We continued to monitor progress of the construction of LAUGFS LPG Terminal, transferring equity of Rs.1.25 bn to facilitate advance payments for the contractor China Huanqiu Contracting & Construction Corporation in this flagship project with a construction value of US$ 60 mn. Phase I of the project will deliver storage capacity of 30,000 MT of LPG, of which majority will be utilised to serve regional markets, disrupting the current value chain to provide cost effective solutions for other countries in the region. Construction has been progressing on schedule and is now over 25% complete. Phase I is scheduled to become operational in the 2nd half of 2018, transforming our capacity to create value for stakeholders.

The Group also invested USD 3.3 mn in purchasing a new LPG vessel now named Gas Courage, increasing our fleet to 3 vessels, which are primarily used for transporting the Group's LPG requirement to Bangladesh and Sri Lanka. The increased capacity enables us to transform SLOGAL Energy DMCC operations as we seek new markets for transporting LPG, expanding our business lines and footprint.

36%

Revenue Growth

Key projects became operational during the year including the 20 MW solar farm, Anantaya Pasikuda and the landmark Head Office complex. The solar farm will strengthen cashflows and profitability in the coming months, while the other projects require a longer gestation period to realise their full potential. Anantaya Pasikuda is still in the initial period of operations. The Board and Management are fully engaged in steering these ventures to realise their potential enhancing both the Group's financial and intrinsic value.

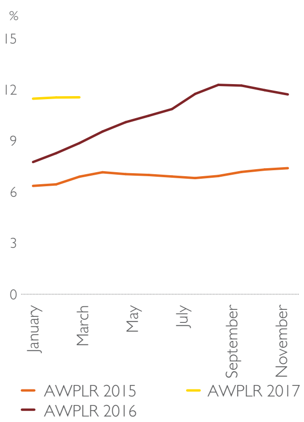
STRENGTHENING GOVERNANCE

The Board decided to strengthen the governance structures in place, creating the posts of Executive Directors to manage group finance and marketing. Accordingly, we welcomed to the Board Mr. Dilshan Perera and Mr. Asanga Ranasinghe, who joined us as Group Finance Director and Group Marketing Director during the year. They add

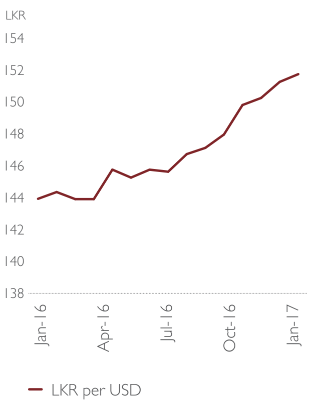
Group Chairman's Review

EXTERNAL IMPACTS

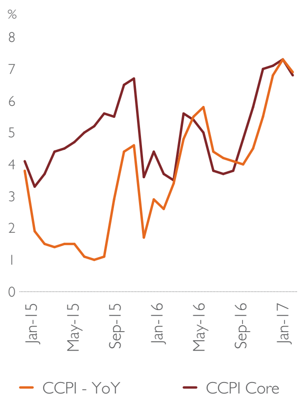
Interest Rates



Exchange Rates



Inflation



considerable strength to the executive function as they bring knowledge and skills honed in multinational environments in their respective spheres of expertise. Consequently, the Board composition has now changed to reflect a more appropriate balance of executive and non-executive directors which now stands at 4:5.

We continue to strengthen our policy framework, ensuring compliance in a highly regulated and potentially hazardous business segment. Our track record is sound, but we continue to benchmark international best practices in health and safety, as well as disaster prevention and recovery to ensure that we safeguard our people, community and the environment. We have invested in hiring seasoned professionals knowledgeable in their respective fields to provide leadership in key business sectors and centralised group functions to drive our evolution as a high performing and responsible conglomerate.

A CHALLENGING OPERATING ENVIRONMENT

The financial year under review proved to be a challenging period for businesses in a growth phase. Interest rates climbed sharply with the benchmark AWPLR moving from 8.9% to 11.5% during the financial year due to tightening monetary policy and liquidity in financial markets, adversely impacting profitability and appetite for investment as costs of finance increased drastically. Exchange rates also increased during the year as the rupee depreciated 5% against the US Dollar impacting costs of key imports. Inflation also increased by 5.6% as propelled by increased taxation, and reduced harvests disrupted demand supply dynamics resulting in a contraction of consumer purchasing power.

Price regulation was a key factor impacting profitability as the Consumer Affairs Authority failed to implement the agreed pricing formula for the retail price of LPG cylinders. Retail prices have not been revised upwards since July 2015 when LPG prices were around USD 416 /MT which have since increased to USD 573/MT in February 2017, closing the year at USD 564/MT. We strongly urge the regulators to resolve this unsustainable stance and comply with the pricing agreement reached pursuant to the Supreme Court Order, facilitating sustainable value creation to our key stakeholders.

DELIVERY OF STRATEGIC GOALS

The Group has made a loss of Rs.627 mn for the financial year ending 31st March 2017 as price regulation, rising prices of LPG in global markets and interest rates combined to exert inordinate pressure on Net Profit margins. Profit growth is a key strategic deliverable and the Board is focusing significant attention to implementing initiatives which are gaining traction to steer the course for delivery of this key goal in the financial year that has commenced. Key initiatives include making representations to the government to implement the agreed pricing formula as a matter of urgency and a review of the capital requirements of the Group in the light of the strained cashflows resulting from the delay and the increased cost of debt capital. The Board is cognisant of the urgency of the issues and are evaluating options for changing the capital structures to optimise shareholder value.

Growth is a key strategic goal where the Group has delivered in a commendable manner as enumerated above and in the Managing Director's Message, significantly strengthening cashflow in the year that has commenced. This year has seen asset

31%

Asset Growth

growth across sectors except Services with a total growth of 31% over the previous year for the Group. Aspirations in both business line diversification and geographies have been delivered within the year, driving a paradigm change within the Group which will bear fruit in the coming years as projects move beyond their gestation periods.

Market Leadership in our core businesses of Energy, Power, and Transportation & Logistics improved during the year, positioning the Group to benefit from economies of scale and new businesses, facilitating cost leadership in these key sectors.

Our people strategy is also falling into place with the recruitment of high level expertise for key roles and strengthening performance management systems and training and development. We have also nurtured a robust health and safety culture within the organisation which is key in our business.

OUR PROSPECTS

Group cashflow will strengthen significantly commencing the 1st quarter of 2017/18 financial year as revenue flows from the Power, Property Development, and Transportation & Logistics Sectors strengthen. Interest rates remain a key concern but we are confident that this can be managed in alternative ways through the financial restructuring of the Group to optimise shareholder value. Profitability is expected to improve to positive territory in the year that has commenced, thereafter moving to a growth trajectory in the medium term as key investments in the construction phase and in gestation periods bear fruit.

ACKNOWLEDGEMENTS

I commend the hard work and commitment of the team at LAUGFS Gas Group who have collectively delivered on numerous strategic goals despite significant challenges in the operating environment. I also thank the regulators for the patient hearings and assure them of our continued engagement on matters of mutual concern. To our bankers I extend our appreciation for bearing with us during this challenging time and look to their continued support on our journey. I thank my fellow Board members for their insightful contributions and constructive challenge of matters put before the Board. I conclude by thanking our shareholders who have placed confidence in our vision and leadership and look to their continued support in the future.

W K H Wegapitiya
Chairman/Group CEO

1 June 2017

Group Managing Director's Review

Our renewable power generation capacity increased from 1.05MW at the beginning of the year to 21.75MW as the solar farms with a capacity of 20 MW became operational in February 2017.

Dear Shareholders,

We steered a new course for LAUGFS Gas PLC, diversifying operations to deliver sustainable growth and realizing our aspirations of becoming a regional player in the Energy Sector. We have delivered an asset growth of 31%, investing Rs.10.6 bn into the expansion of our core operations and new growth opportunities, enhancing our revenue generating capacity significantly. Consequently, the distribution of total assets across the sectors have changed, indicating their growth potential and a more robust business model with a relatively steep growth trajectory for the Group.

Revenue for the year under review is Rs.18 bn reflecting a growth of 36% over the previous year representing diversification into new markets, new business lines and organic growth. Rs.2.8 bn of our investments are still at the construction phase and yet to generate revenue, including our flagship investment into one of the largest LPG storage Terminals in South Asia. Other investments that became operational during the year are yet to demonstrate their full potential and turn in a full year's revenue and earnings, such as the country's largest solar farm which became operational in February 2017. It is noteworthy that revenues from offshore operations now account for 32%, an increase from 16% in the previous year, which was achieved through the enhancement of efficiency of our Bangladesh operations.

Group profitability was impacted by the sharp increase in interest rates and the inordinate delay in increasing the price of gas cylinders in accordance with the agreed pricing formula, as LPG prices in global markets increased. Consequently, the Group made a loss of Rs.627 mn for the year which was softened by the Other Comprehensive Income of Rs.370 mn, resulting in a negative Total Comprehensive Income for the year of Rs.257 mn. This is a transitioning phase and we expect profitability to be restored as projects commenced during the year, turn in a full year's revenue, facilitating cost recovery and strengthening cashflow. A sectoral review of the Group provides further insights into our operations and how we plan to deliver on our corporate goals of sustained profitability and financial stability.

ENERGY SECTOR

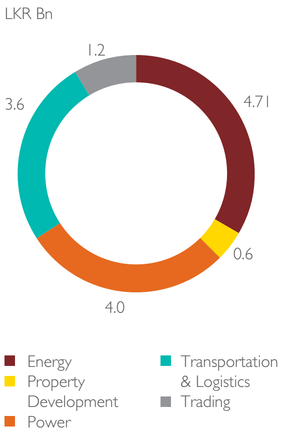
The Energy Sector recorded a revenue of Rs.16 bn reflecting 37% growth as we consolidated our position in the domestic LPG sector through increased operations in the provinces and made significant inroads into the industrial LPG sector. We increased our stake in our LPG operations in Bangladesh from 69% at the beginning of the year to 100% in April 2016. It is with pleasure that we note the increase in revenue and profits, which were 179% and 103% respectively, from our first offshore venture. Operating margins in Sri Lanka came under pressure as we were unable to implement the agreed pricing formula, resulting in the prevailing price being lagging behind the increasing LPG prices in the global markets. LPG prices reached a peak of USD 573 per metric tonne in February 2017 and closed the year at USD 564. We expect the regulator, the Consumer Affairs Authority to address this shortly, stabilizing margins in this key business.

SLOGAL Energy DMCC, our LPG trading operations in the UAE, strengthened our position procuring ~10% of our requirements for Sri Lanka. This strategic positioning will enable us to realise our aspirations, expanding our offshore businesses to lucrative markets in the region and beyond. Capacity was expanded during the year supported by the Transportation & Logistics Sector of the Group, which is pivotal to growth and profitability in this Sector.

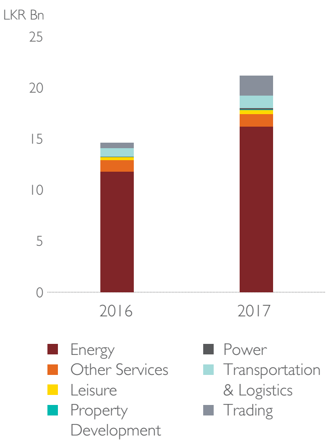
Investments in this Sector amounted to Rs.1.28 bn during the year which included the construction of new spheres for storage of LPG, branded cylinders and setting up of regional hubs in Bangladesh and a new stock of cylinders for Sri Lanka, facilitating market expansion.

Group Managing Director's Review

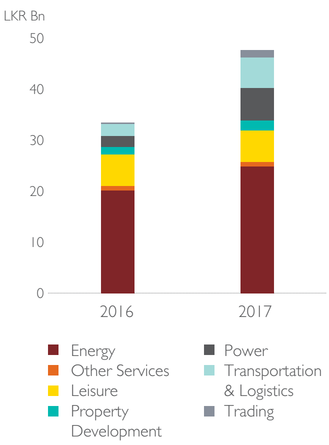
Sectorial Investments



Revenue Growth



Distribution of Assets



TRANSPORTATION & LOGISTICS SECTOR

Revenue growth of 35% was driven by expansion of the fleet as we added a new vessel, expanding our fleet to three LPG carriers, strengthening our market position as Sri Lanka's only player in this segment and supporting our regional growth aspirations. Rs.2.9 bn was invested into this sector during the year for fleet expansion and the construction of LAUGFS LPG Import & Export Terminal, which will be one of the largest Terminals in South Asia with state-of-the-art technology to manage it. This is a flagship project for the Group, aligned with the Government's agenda of becoming a regional hub, as the capacity of 30,000 MT in Phase I enables us to cater to growing regional requirements, leveraging the country's strategic location. Construction of the project is on schedule for commencing operations in 2018/19 with 25% of construction completed at the close of the 2016/17 financial year. Manufactured capital in this segment is supported with expertise to facilitate growth in this highly specialised and promising area of operations, transforming the Group's presence along the LPG value chain.

POWER

Our renewable power generation capacity increased from 1.05MW at the beginning of the year to 21.75MW as the solar farms with a capacity of 20 MW became operational in February 2017. Accordingly, revenues quadrupled during the year as commissioned mini hydro projects delivered a full year's revenue. Operations of the commissioned solar farms will grow revenues exponentially, strengthening the cashflows and profitability of the Group significantly in the financial period 2017/18 as operational costs are largely controllable. Mini hydro projects with a capacity of 2MW are scheduled for commissioning in 2017/18, as we actively look at engaging in the country's renewable energy sector.

LEISURE & HOSPITALITY

Anantaya Pasikuda came into operation during the year, adding 46 rooms and 5 villas to the sector. Anantaya Chilaw had a full year's revenue but was impacted by the airport closure during the 4th quarter. Competition within the Leisure sector intensified with an increasing number of entrants resulting in the rapid growth of capacity within the sector. Anantaya Chilaw was a winner of the World Luxury Hotels Awards in 2016 enhancing its brand equity. We are exploring further opportunities for growth in this sector, bringing in world class expertise to transform our operations.

PROPERTY DEVELOPMENT

The first commercial project of our property development sector now houses the Head Office of the Group, standing tall as a key landmark with state-of-the-art facilities, creating an inspiring environment for our employees. As it was occupied in September 2016, it is yet to turn in a year's revenue and the Group to reflect the cost saving from this milestone venture. The resources within the Group make this sector an attractive proposition for the future. However, resource allocation into other priority sectors makes it prudent to hold on to growth plans until the cashflow is strengthened, as Property Development projects are capital intensive in nature, ensuring that we optimize utilization of our resources.

VEHICLE EMISSION TESTING

Performance of the Group's vehicle emission testing operations - Eco Sri, was affected during the year due to failure to obtain the price revisions requested. This is

Revenue growth of 35% was driven by expansion of the fleet as we added a new vessel, expanding our fleet to three LPG carriers, strengthening our market position as Sri Lanka's only player in this segment and supporting our regional growth aspirations.

a relatively stable operation with an island-wide presence and an increasing mobile testing presence to drive cost efficiencies. As it is a statutory requirement to obtain an emissions test certificate prior to annual renewal of revenue licenses for all vehicles except hybrids and electric vehicles, revenue streams remain steady. Imports of three wheelers and motor cycles outpace the growth in hybrid vehicles, mitigating potential threats in the near term.

REALISING OUR POTENTIAL

The reporting period was a high growth phase as we scaled up operations in a number of sectors. Many of these projects are just coming out of their construction phase and have just commenced generating revenue and we expect cashflow to strengthen during the 2017/18 financial year significantly. Profit margins in our key sectors are expected to stabilize as we are negotiating with the regulators to expedite implementation of the agreed pricing formula for gas cylinders for the Domestic sector. Additionally, global LPG prices have stabilized since its peak in February 2017, easing some pressure on margins although they still remain above the levels at which retail prices were fixed.

We believe we are well positioned to grasp the opportunities within the region, with the significant investments in the energy sector and becoming Sri Lanka's first energy company to pursue and realise regional aspirations. LAUGFS Gas Group's expanding presence along the value chain strengthens our market positioning and cost leadership providing us with significant competitive advantage in the long term. We believe our investments have the potential to change dynamics of LPG distribution in the region, driving distribution efficiencies, resulting in better management of energy costs for consumers. A proven track record stands testimony to our ability to deliver on our vision using smart strategy, skilful use of expertise, strong governance structures and a will to win.

Financial stability is key to maintaining our course, and plans are at an advanced stage although not finalized for restoring equilibrium in debt equity ratios. This is a normal phase for an entity in a high growth stage in a capital intensive industry and the sharp increase in interest rates make it prudent to evaluate a number of options, strengthening not just financial stability but the intrinsic value of the Group. Interest by potential business partners has been encouraging with wide ranging options under discussion for collaboration, which are being carefully considered.

ACKNOWLEDGEMENTS

I wish to thank the Chairman and the Board for their guidance and counsel in charting our course and then navigating the same. Their visionary leadership and expertise has been invaluable in guiding the company to its present state. I extend my sincere appreciation to a dedicated team of employees who deliver on their goals, driving our success. Our distributors and business partners have been part of our journey and I count on their continued support, as we drive mutual growth through win-win partnerships. I welcome our shareholders to share our exhilarating journey of growth as we transform into a leading regional business, delivering long term sustainable value to our key stakeholders.

U K Thilak De Silva
Group Managing Director

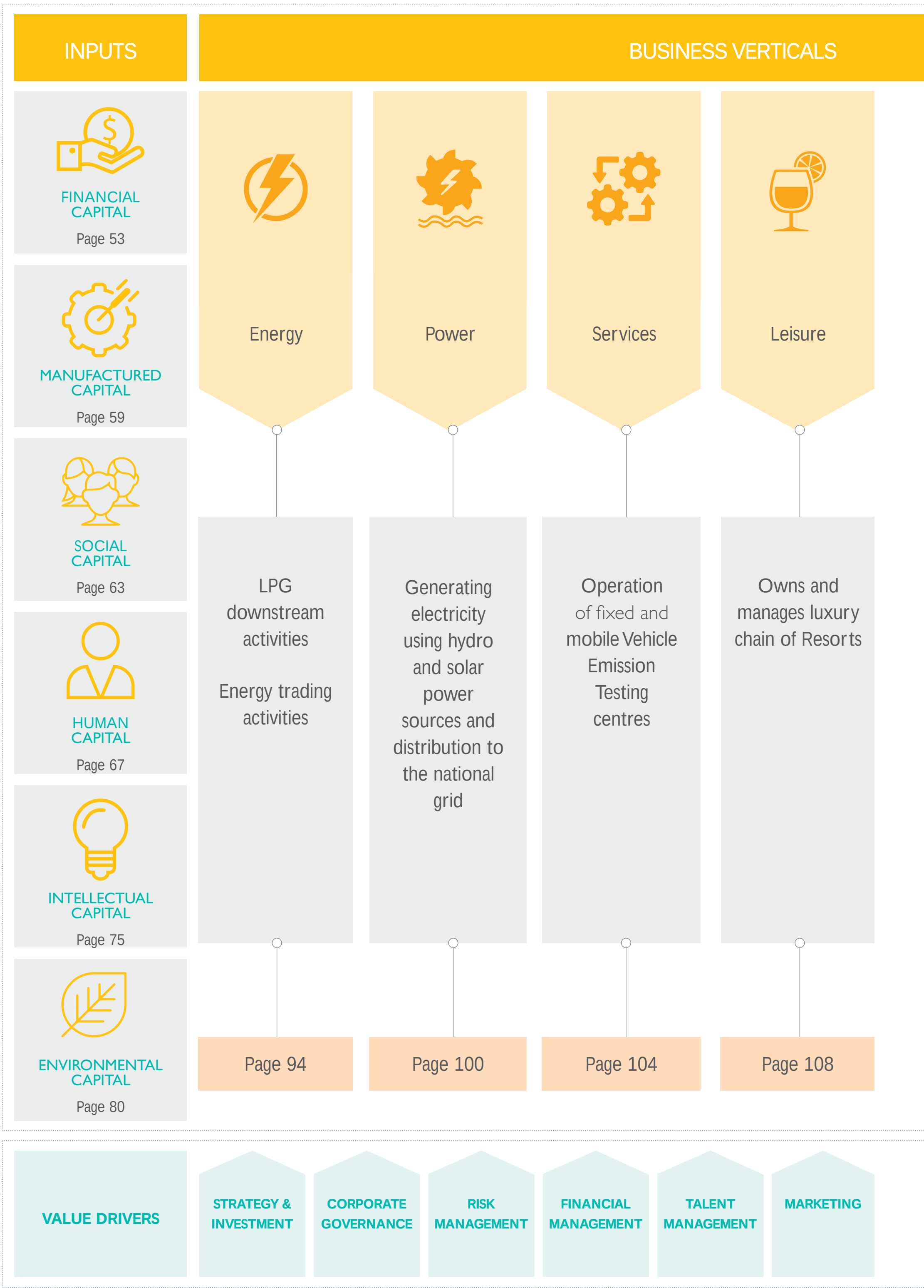
1 June 2017

How we create value

LAUGFS Gas PLC has a dual role, as the driver of value across all Group business verticals and creating value in the Energy business vertical.

In our role as a driver of value, we determine the diversification of Group activities with strategic investments, supporting sustainable value creation for key stakeholders.

Centralised functions assist in supporting and monitoring performance of business verticals, ensuring that regulatory requirements, best practices and corporate values are embedded into all our operations.



Property Development

Managing Group's land bank

Construction & Project Management

Page 112

Transportation and Logistics

Providing LPG maritime logistics services through own vessel fleet

Construction of one of the largest LPG storage terminals in South Asia

Page 114

VALUE DELIVERED

FOR SHAREHOLDERS

Refer Shareholder Relations on page 134

FOR EMPLOYEES

Refer Human Capital Report on page 67

FOR CUSTOMERS

Refer Social Capital on page 63

FOR SUPPLIERS

Refer Social Capital on page 63

FOR GOVERNMENT

Refer Social Capital on page 63

FOR COMMUNITY

Refer Social Capital on page 63

HEALTH & SAFETY

LEGAL

COMPLIANCE

Stakeholder Engagement

We have identified six primary groups of stakeholders depending on the materiality to business operations and level of interest on our business operations. Our stakeholder engagement process ensures that we identify stakeholder requirements and aim at effectively addressing any concerns with discussion and involvement.

EMPLOYEES

RELEVANCE

Our focus is on building a performance based, value driven culture, and providing an enjoyable and engaged work experience, in creating a 'one LAUGFS family'.

KEY TOPICS DISCUSSED

Corporate culture & values, Engagement, Compensation & benefits, Rewards & recognition, Capability development, Health & Safety, Compliance, Talent sourcing, HR infrastructure.

ENGAGEMENT AND FREQUENCY

Frequent messages by Chairman & MD, continuous employee engagement events, quarterly internal newsletter, continuous employee updates, annual employee satisfaction survey.

OUR RESPONSES

Engagement activities, Imparting company values, platforms for employee feedback, performance driven reward systems, talent development initiatives, health & safety initiatives, open door policy.

SHAREHOLDERS

RELEVANCE

16,567 number of shareholders forming voting shares of 25.2%

KEY TOPICS DISCUSSED

Financial performance
Matters related to dividends
Future outlook
Governance
Sustainable growth

ENGAGEMENT AND FREQUENCY

Annual: Annual Report and Annual General meetings
Quarterly: Interim Financials
Other: website, press conferences, announcements on CSE.

OUR RESPONSES

Investing for growth
Maintaining ethical practices
Transparency
Regular communication

CUSTOMERS

RELEVANCE

Our success depends on customer satisfaction and the growth in customer base

KEY TOPICS DISCUSSED

Customer care support
Loyalty programs
Value additions

ENGAGEMENT AND FREQUENCY

Customer workshops, Customer care, websites, social media and media advertisements

OUR RESPONSES

After sales services
24 hour customer care
Customer satisfaction survey

INTERMEDIARIES

RELEVANCE

5,000 dealers
The need for a strong supplier network

KEY TOPICS DISCUSSED

Enhancing working relationships
Following sustainable and responsible practices

ENGAGEMENT AND FREQUENCY

Annual dealer conventions
Other: onsite visits and meetings, workshops and awareness programs, sponsorships.

OUR RESPONSES

Increased awareness of safety standards among dealers and suppliers.
Supplier training
Screening of suppliers

COMMUNITY AND ENVIRONMENT

RELEVANCE

100% of our operational staff are hired from local communities.
Community and Environment form an integral part of our vision of sustainable growth.

KEY TOPICS DISCUSSED

Reducing air pollution
Health issues
Community development

ENGAGEMENT AND FREQUENCY

Annual : Screenings for new suppliers
Other : Web and social media,CSR, sponsorships, press releases and press conferences

OUR RESPONSES

Creating new employment opportunities
Local sourcing of food items for the hotels
CSR projects
Increasing awareness of LPG usage as a 'cleaner fuel'

GOVERNMENT

RELEVANCE

The Government plays a multi-faceted role in our businesses.

- Regulator of business
- Issue of operating licenses
- Collection of taxes
- Policymaker

KEY TOPICS DISCUSSED

Taxes generated and paid
Direct and indirect employment created
Support for country agenda including its socio-economic progress
Compliance with regulations

ENGAGEMENT AND FREQUENCY

Renewal of licenses
Submission of information and annual returns
Discussions on policy related matters

OUR RESPONSES

Compliance with regulatory requirements
Submission of accurate information on time
Engaging in policy discussions
Creating opportunities for direct and indirect employment

Reporting What Matters

We use the aspects set out in the G4 Guidelines as a guide to determine the aspects that are material, considering the inherent risks of our businesses, and policies and procedures in place to mitigate the impact, which are summarized below.

During the reporting period there were no changes in the significance and relevance of materiality from the previous year. There were also no restatements of information provided during the previous reporting period.

Material Aspects identified including the reasons for deeming it material, their Aspect Boundaries and Relevance are given below.

Aspect	Aspect Boundary		Materiality		
	Internal	External	To the Group	To the Stakeholder	Rationale for Assessment
ECONOMIC We aim to be a leader across our industries.					
Economic performance	✓		High	High	Key to creating value
Market Presence	✓		Low	Low	
Indirect Economic Impact		✓	Moderate	Moderate	Moderate impact
Procurement practices		✓	High	Moderate	Nature of products purchased makes this a vital aspect
ENVIRONMENT We are committed to adopting environmentally responsible solutions including adoption of green technology and responsible consumption and production.					
Materials		✓	High	High	
Energy	✓		High	High	Critical inputs to operations
Water	✓		High	High	
Biodiversity		✓	Moderate	High	Low probability of occurrence but potential to have a high impact
Emission		✓	High	High	Potential negative impact on environment
Effluents and Waste		✓	High	Moderate	
Products and Services		✓	Moderate	High	
Compliance	✓		High	High	Critical for sustainability of our operations
Transport	✓		Moderate	High	
Overall			Moderate	High	Relatively low in materiality
Supplier Environmental Analysis		✓	Moderate	Moderate	Effective certification systems to minimize potential impacts
Environment Grievance Mechanism		✓	Moderate	High	Effective systems in place to mitigate impacts

Aspect	Aspect Boundary		Materiality		
	Internal	External	To the Group	To the Stakeholder	Rationale for Assessment
SOCIAL – LABOUR PRACTICE AND DECENT WORK We aim to retain our position as a preferred employer in the industry					
Employment	✓		High	High	These are critical aspects for sustainable operations
Labour/Management Relations	✓		High	High	
Occupational Health and Safety	✓		High	Moderate	
Training and education	✓		High	High	
Diversity and equal opportunity	✓		Low	Low	Effectiveness of sound governance frameworks ensure preservation of these fundamental principles
Equal remuneration for women and men	✓		Low	Low	
Supplier assessment for labour practices		✓	Moderate	Moderate	Bulk of our purchases are from global companies of high reputation
Labour practices Grievance Mechanism	✓		High	High	Ensures that any concerns are effectively raised
SOCIAL - HUMAN RIGHTS We are committed to upholding human rights in our workplace					
Investment	✓		Moderate	High	Effectiveness of sound governance frameworks that reflect our corporate values
Non-Discrimination	✓		High	High	
Freedom of Association and Collective Bargaining	✓		High	High	
Child Labour	✓		High	High	
Forced Labour or Compulsory Labour	✓		High	High	
Security Practices	✓		Low	Low	
Indigenous Rights	✓		Moderate	High	
Assessment	✓		Low	Low	
Supplier Human Rights Assessment	✓		Moderate	Moderate	
Human Rights Grievance Mechanism	✓		High	High	

Reporting What Matters

Aspect	Aspect Boundary		Materiality		
	Internal	External	To the Group	To the Stakeholder	Rationale for Assessment
SOCIAL – SOCIETY Community development has been an important branch of our sustainability strategy					
Local Communities		✓	High	High	
Anti-Corruption	✓		High	High	
Public Policy	✓		High	Moderate	
Anti-Competitive Behavior	✓		High	Moderate	These aspects are important due to the nature of our business and their potential impact on our reputation
Compliance	✓		High	High	
Supplier Assessment for Impacts on Society		✓	Moderate	Moderate	
Grievance Mechanisms for Impacts on Society		✓	High	Moderate	
SOCIAL: PRODUCT RESPONSIBILITY Since inception, we have delivered trusted products safeguarding our commitment to our customers					
Customer Health and Safety		✓	High	High	
Product and Service Labeling		✓	High	High	
Marketing Communications		✓	High	High	These aspects are important due to the nature of our business and their potential impact on our reputation
Customer Privacy		✓	High	High	
Compliance		✓	High	High	

Overview of Strategy

A clear link between strategy and performance is necessary for focused value creation

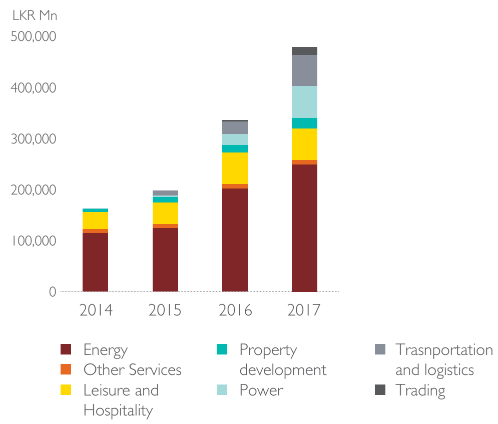
Deliver Value to Stakeholders

Growth

Deliver organic and inorganic growth through investments in complementary businesses, new market development and growth of existing businesses

Strategic Diversification

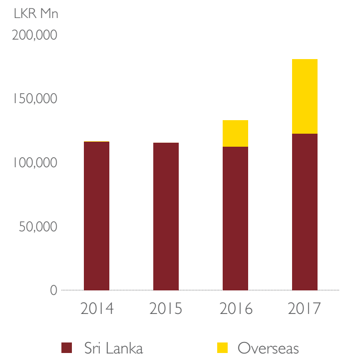
Segment Assets



We are diversified across 6 sectors

New Markets

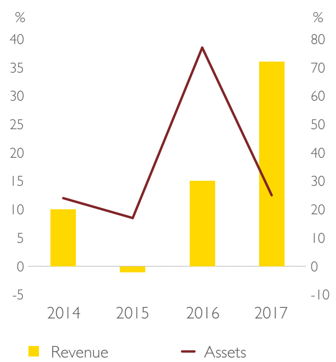
Geographic Analysis



We expanded to Bangladesh in 2015 and established a trading office in UAE to position us as an aspiring global player in LPG.

Organic Growth

Revenue and Asset Growth



Organic growth of operations drives our cash flows, supporting further expansions.

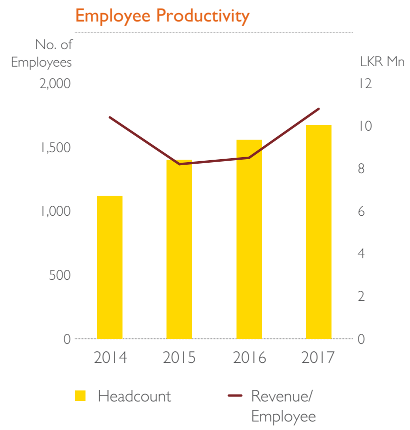
Overview of Strategy

Deliver Value to Stakeholders

Leadership

Embed responsible behaviours and decent work practices in our operations and market leadership as a means of driving cost leadership in the industries we operate in

Efficient Operations



Market Leadership

- Increased market share of LPG operations with double digit volume growth rates in FY17.
- 12% growth in the number of vehicles tested for emissions.

Community Trust

Build trust through strong customer covenants, care for our environment and community engagement

Product Responsibility

- Stringent standards ensuring safety and efficiency of vehicles.
- Cleaner and safer household products.

Health & Safety

- Zero tolerance policy for safety incidents

Responsibility for Environment

- 4,768 MT greenhouse gas (GHG) emissions eliminated through generation of renewable energy by LAUGFS Power.
- 11,384 lbs of carbon emissions prevented through E-waste recycling.

Community Engagement

- Connected to communities through 100% recruitment of operational staff from local communities.

INVESTING *for* GROWTH

03

Management Discussion and Analysis

Economic review / Capitals report / GRI index / Independent Assurance Report

Economic Review

SIGNIFICANCE

All industries across the globe are impacted by several supply and demand driven factors, some of which are short term in nature whilst other factors impact the long-term characteristics of the industry. In-depth understanding of the industry characteristics is critical in formulating the strategies for an organization.

Our economic review provides a clear and deeper understanding of the industries, in which we operate, in terms of:

1. General economic factors that impact all industries such as economic growth and trade growth, interest rates, exchange rates, inflation, etc.
2. Specific economic factors that impact the industries we operate in.

In line with the concept of relevance we have identified the economic factors below to be significant to our operations and the economic review will focus on these factors:

Energy	Renewable Energy	Services	Leisure	Property Development	Logistics
Prices • Crude oil • Propane/ Butane	Existing capacity by type	Geographical distribution of vehicles	Tourist arrivals	Demand for commercial space	Discharging operations in the Port of Colombo Transporting of LPG from Port of Colombo to Mabima storage facility
Consumption • Export/ import regions • By type • Level of market penetration	Electricity generation capacity	Number of vehicle emission tests	Length of stay	Demand for residential space	Demand for liquid cargo in Asia
Supply • Hydrocarbon supply • LPG supply	Electricity demand of the country	Air pollution statistics	Spending per tourist per day		Global trade by maritime route
			Room supply and occupancy		Outlook on trade and trans-shipments along East-West maritime route

GENERAL ECONOMIC FACTORS

Global Business Environment

Global Economic Growth

Recovery of global growth estimated at 3.5% in 2017 compared to 3.1% in 2016 is driven by recovery in investments, manufacturing activity, commodity prices and trade in the backdrop of growth in global demand. Growth in trade volumes are expected to improve to 3.8% YoY in 2017 compared to 2.2% YoY in 2016. Investor confidence improved on signs of improving global demand reversing the trend seen in 2015. Signs of growth recovery is already seen in US, Euro Area and China driven by higher infrastructure and real estate investments and ending of the cycle of inventory drawdowns in US.

	2016	2017	2018
World Output (YoY)	3.1%	3.5%	3.6%
Advanced Economies	1.7%	2.0%	2.0%
United States	1.6%	2.3%	2.5%
Euro Area	1.7%	1.7%	1.6%
United Kingdom	1.8%	2.0%	1.5%
Emerging Market and Developing economies	4.1%	4.5%	4.8%
Emerging and Developing Asia	6.4%	6.4%	6.4%
China	6.7%	6.6%	6.2%
India	6.8%	7.2%	7.7%
ASEAN-5	4.9%	5.0%	5.2%
Middle East And North Africa	3.9%	2.6%	3.4%

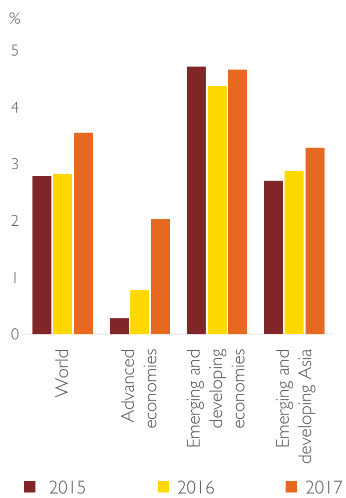
Interest Rates

Interest rates have been trending on a trajectory of fast paced growth driven by interest rate hikes in the United States, further tightening the financial conditions across the globe.

Inflation

Global inflation has been increasing since August 2016 with the recovery of commodity prices, the general rise in retail prices of gasoline and other energy related products, higher raw material prices and surging real estate markets in China. During the year, China emergence after four years of deflation, was a notable factor impacting global inflation.

Inflation Trends



Economic Review

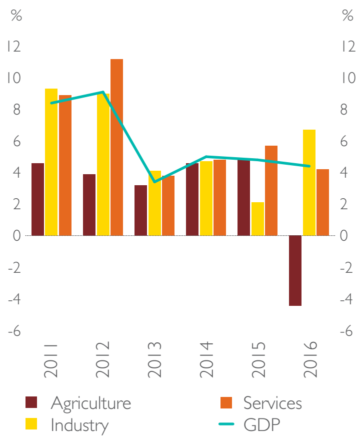
Sri Lanka Economic environment

Economic Growth

Sri Lanka GDP growth rates have remained stable at 4% during 2016 primarily driven by construction, wholesale and retail trade and improving banking activity.The increase in rate of growth though less significant than 2012 at 9.1%, has been maintained throughout the years supported by tourism, higher infrastructure and other investments and increasing trade activity. However, drought conditions that prevailed during the year impacted the agriculture sector, which witnessed a downturn in growth.

Sri Lanka GDP growth rates have remained stable at 4% during 2016 primarily driven by construction, wholesale and retail trade and improving banking activity.

Sri Lanka Economic Growth



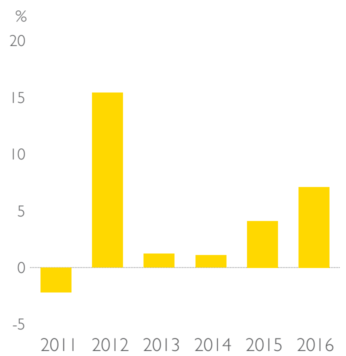
Interest Rates

The Government, in reaction to inflationary pressures shifted to a regime of increasing interest rates in reverse to the policies followed in 2015.There were two hikes in statutory interest rates in February and July 2016 and another hike in March 2017. Current statutory lending rates stand at 8.75% compared to 8.00% in March 2016; 9.3% YoY increase. Resultantly commercial bank average lending rates were on the rise to 13.29% in March 2017 compared to 11.45% in March 2016, and 16% YoY increase. Private consumption and vehicle leasing activity were impacted by the hike in interest rates.

Exchange Rates

The Rupee continued its trend of depreciation against the USD in 2016 though at a higher rate of 7.1% with the floating exchange rate policy implemented by the government, resulting in market forces determining the exchange rates.The exchange currently stands at 154 LKR/ USD as at 9th May 2016 a 5% YoY depreciation.

USD/LKR Depreciation / (Appreciation)



Inflation

Inflation levels have been increasing starting from April 2016 to date. Current inflation growth is 8.6% in March 2017 compared to 4.3% in March 2016. Both food and non-food categories contributed to the increase. Severe drought conditions increased the prices of many food categories. Non-food category increases were seen in the alcoholic beverages, tobacco and transport segments due to increasing taxes in the alcoholic segments and increasing fuel prices in the transport segments.

SPECIFIC ECONOMIC FACTORS

Energy

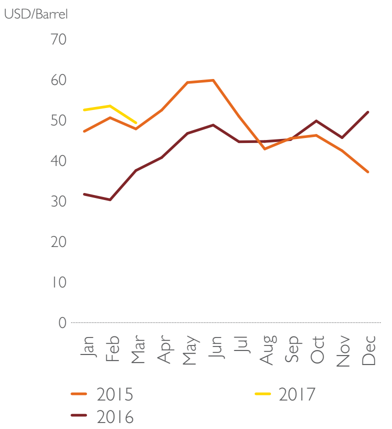
LPG is derived from two main energy processes namely crude oil refining and gas liquids extraction. Nearly 60% of LPG is derived during extraction of gas and oil whilst the remaining 40% is produced on crude oil refining.

Prices

Commodity Prices

The increase in economic activity supported the recovery of commodity prices since the second half of 2016, despite agreed restrictions on oil supply by OPEC and other producers and presence of geo political tensions in the Middle East. Currently, oil prices stand at USD 50 per barrel in March 2017, a 32% YoY growth compared to March 2016.

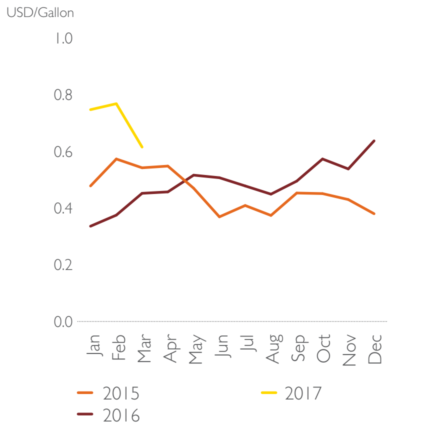
Oil Prices: WTI



Propane and Butane Prices

Oil prices play a critical role in setting the prices of LPG as nearly 60% is derived as a byproduct from gas and oil extraction. Propane and Butane prices have trended along with global oil prices. Propane prices in March 2016 increased by 36% YoY albeit a visible drop on a month on month comparison. Propane prices over the period 2016-2025 are expected to grow at an annual rate of 1.3% YoY.

Global Benchmark Propane Prices
Mont Belvieu, TX Propane Spot Price FOB



Economic Review

Global Consumption

Energy Consumption Trends in Asia Pacific

The Asia Pacific region has entered the highlights of global energy consumption growth driven by India and China. In the spotlight, was the increasing LPG demand and consumption within the region driven by increased environmental awareness, usage as a cooking fuel in many Asian homes and increasing usage in the petrochemical industry.

Global LPG Demand

LPG demand driven by Middle East and Asian regions increased to 9.7 mn barrels/day in 2017, a 5% annual five-year average growth. Demand is expected to increase to 11.3 mn barrels per day by 2025. Steady growth was seen in the residential and commercial sectors while significant growth was seen in the chemical industry demand especially in China and the Middle East. Currently the main LPG consumers are United States, China, Japan, Saudi Arabia and India.

Did you know?

- ✓ 50% of LPG used for domestic applications is from Asia.
- ✓ Cooking for life campaign organized by WLPGA aims to convert one billion people (13% of world population) from cooking with traditional fuels to cooking with LPG by 2030.
- ✓ Auto Gas demand has been increasing with transport accounting for 9% of LPG usage.
- ✓ Sri Lanka has been identified by WLPGA as one of the countries with high LPG demand growth.

Global LPG consumption by sector in 2015

Domestic	44%
Agriculture	1%
Industry	12%
Transport	9%
Refinery	8%
Chemical	26%

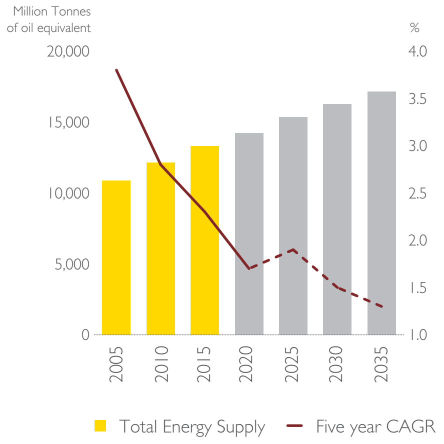
Global Supply

Hydrocarbon Mix

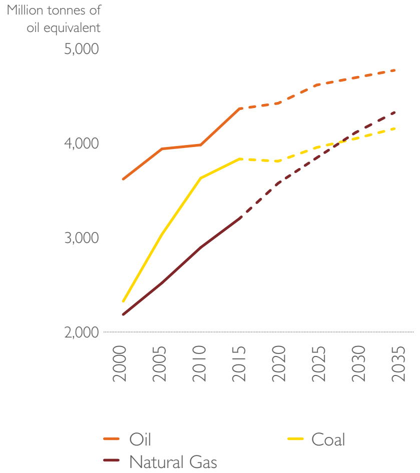
Global energy supply has been growing by 2.3% per year over the 2000 -2015 period, continuing its slow- paced growth since the hike in 2008. The trend is likely to continue to 2020 with average annual growth rates of 1.7% due to lower commodity prices, production cuts and declining drilling activity.

The predominant hydrocarbon supply across the globe has been oil, gas and coal and accounts for 86% of the global energy supply. Though oil has a higher 33% share in energy supply, a changing trend is expected with energy supply being proportionately derived from all three main sources by 2035. Signs of the shift are already visible with natural gas driven by LNG exports growing faster than oil production.

Energy Supply



Global Energy Supply - Oil, Gas and Coal

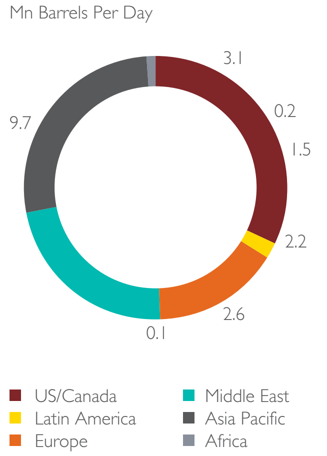


LPG supply

Global LPG supply has been increasing at a 5% annual average over the last five years to 2016 to meet growth in demand. Amidst an environment of challenged commodity prices and oil supply disruptions, the growth in LPG supply was a noticeable factor across the world mainly driven by US and Middle East regions being the main LPG suppliers.

The five main LPG producers are United States, Saudi Arabia, China, Russia and United Arab Emirates.

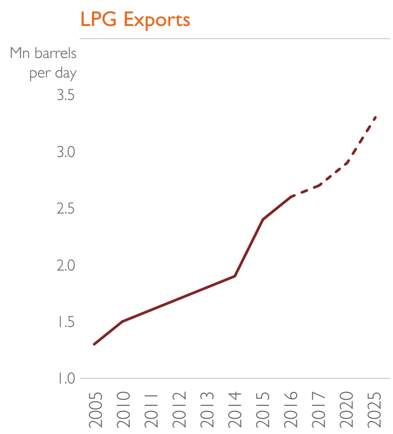
Global LPG Production

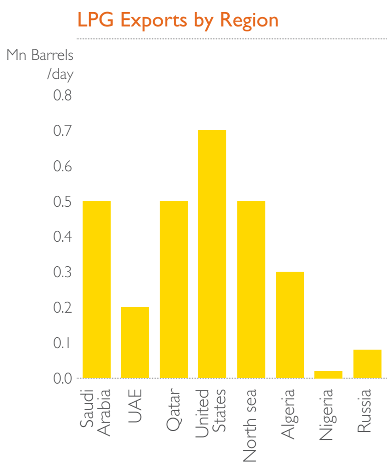


LPG Exports

LPG exports are only driven by a few countries known to have more LPG than their needs such as US and the Middle East. LPG exports account for 26% of LPG supply and has been growing at an average 15% five year CAGR to reach 2.6mn barrels per day in 2016. US and the Middle East continued to dominate the export supply. Rapid growth in natural gas production driven with higher shale gas extraction, shift to tight gas and producers targeting areas with high liquid content and relaxing of rules on oil exports drove supply growth in US. Middle East export volumes benefitted from higher LPG supply from Iran and UAE and was routed towards the Southeast Asian regions. Seventy oil and gas projects were initiated in Iran by November 2016 on expectation of the lifting of economic sanctions. However production of LPG in Iran will depend on the South Pars development and pace at which the forthcoming phases of the project will be commissioned.

Economic Review





Sri Lanka LPG industry

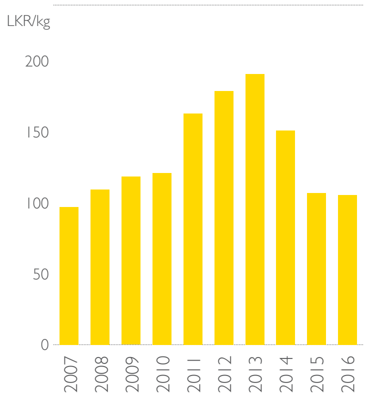
History

Started in 1960 with the setting up of the first oil refinery and the production of LPG. Ceylon Petroleum Corporation (CPC), initiated a small pilot project to distribute LPG and continued its hold as a state monopoly until 1995, when it was privatized with a 51% divesture to Shell Gas. Subsequently in 2001, LAUGFS Gas entered the LPG market breaking through the monopoly. Currently two players exist in the market; LAUGFS and Litro Gas.

LPG Pricing in Sri Lanka

Pricing of LPG, regulated by the Government and subject to the latest Government policies, have been declining. However, negotiations have been initiated by players in the industry for price revisions on account of higher global LPG import prices and LKR depreciation impacts.

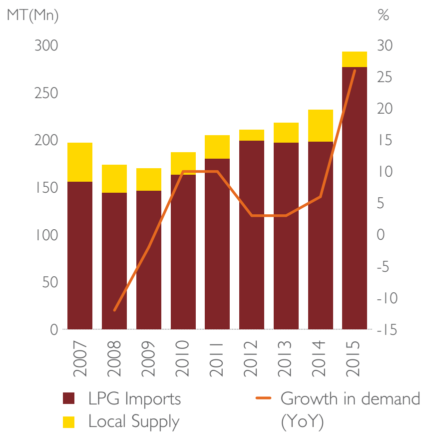
LPG Prices



Supply of LPG

Currently only 2% of local LPG requirements are met from local production limited by the capacity of the CPC refinery. Imports accounted for 98% of consumption undertaken by LAUGFS and Litro, the duopoly companies in the industry. However, the expected completion of the Sapugaskanda Refinery Expansion and Modernization (SOREM) over the next five years will result in a significant change in supply composition, adding significant refinery capacity to the current capacity of 50 MT per day.

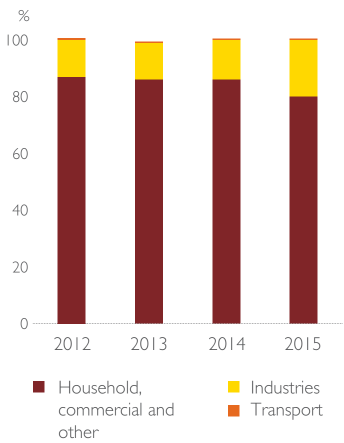
Sri Lanka LPG Demand and Supply



Demand for LPG

LPG consumption has been increasing over the years driven by higher residential, commercial and industrial demand. As per the World LPG association, Sri Lanka has been identified as one of the countries with high LPG growth across the world.

LPG Demand by Sector



Sri Lanka LPG demand is concentrated on three main sectors namely residential, commercial and industrial.

Residential Demand

The usage of LPG as a cooking fuel has increasingly become popular across the island and accounts for 80% of local LPG consumption.

The increasing population, improving per capita income and the increasing awareness of benefits of LPG usage provides scope for further penetration and growth within the residential market.

Population

Population growth increased by 1.1%, the highest growth over the last five years with a mid-year population estimate of 21 million people in Sri Lanka

Economic Review

Industrial Demand

The Industrial sector was driven by the industrial thermal applications segments using LPG as an alternative fuel for firing kilns such as in the ceramic industry. Industrial usage accounted for 20% of LPG consumption in 2015 compared to 11% in 2011. Though, lower LPG prices encouraged industrial consumers, the decline in diesel prices being a close substitute, posed a threat to the segment as businesses shifted to usage of diesel.

Bangladesh LPG Industry

The bangladesh economy has been shifting to a growth phase starting from 2011 to date maintaining an average growth rate above 6%. Single digit inflation rates and stable exchange rates have provided a favorable business environment in addition to growth prospects. The government is actively pursuing to transform Bangladesh from the current lower middle income country status to upper middle income country by 2021.

GDP Growth

GDP growth during the period 2015/2016 was 7.11% and per capita GDP growth at current prices was 12.89% over the same period.

Exchange Rates

Bangladesh Taka (BDT) maintained its exchange rate supported by the Bangladesh Bank with depreciation against the USD of 0.9% YoY in Feb 2017. On a six -month comparison, the BDT depreciated by 1.1% against the dollar.

Interest Rates

Interest rates have been trending downwards since the sharp spikes seen in 2015. Currently lending rates at March 2017 was 3.65% compared 3.68% in March 2016.

Inflation

The average inflation declined in Feb 2017 to 5.41% compared to 6.15% in Feb 2016 driven by a decline in the non- food inflation levels.

LPG Demand in Bangladesh

LPG has been gaining popularity in Bangladesh since the government initiative to preserve its depleting natural energy reserves, estimated to expire by 2031 if current usage continues. Being one of few countries to provide piped gas connections to households, demand for LPG was constrained despite its existence since 1960s until the latest government policy. Enactment of government policy to halt any new gas connections to households and planned fiscal support declining import taxes increased affordability and demand for LPG. In addition, increasing kerosene prices and decreasing accessibility of firewood provided further support to LPG demand. Currently, the number of households using LPG in 2016 was 2.1 million representing a 6% penetration in the household market. The total LPG market which was around 120,000 MT two years ago now stands at approximately 290,000 MT as at Dec 2016.

LPG Supply

LPG supply is predominantly imported to Bangladesh from countries such as Singapore, Malaysia, Saudi Arabia, Abu Dhabi and Kuwait. As a part of government initiative to increase LPG supply, several licenses have been issued to set up downstream LPG operations over the next few years.

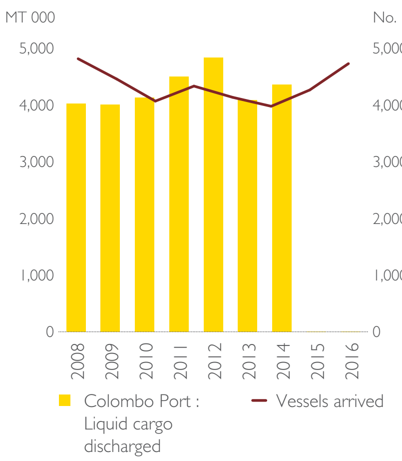
LPG Storage Terminals

The Sri Lankan Government aims to transform Sri Lanka into a 5-fold mega global hub and place the country as an economic epicenter in the globe in effectively utilizing its strategic location along popular East-West shipping route. The strategic locations of the Colombo and Hambantota Port along the East West Shipping route links Europe, East and South Asia, the Persian Gulf, and East African regions in addition to the proximity to the Indian Subcontinent. Port of Colombo has been rated among the top 30 container ports in the world. The Trincomalee port is under development and will cater to bulk and break bulk cargo.

Sri Lanka Port Activity

LPG is mainly transported by sea and increasing global demand especially in the Asia regions such as China and India has increased the global gas trade carried by sea. Global LPG trade is estimated to have increased by 12.7% YoY in 2014 to reach 71 Million TEUs. Given the higher import demand from Asian regions, the east west shipping route has the potential for gaining popularity in the LPG trade.

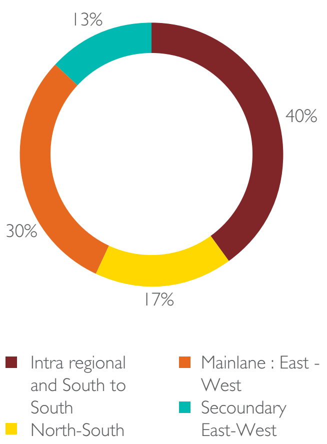
Sri Lanka Port Activity



Trade by Maritime Route

Currently 30% of containerized trade is traded using the East-West shipping route. The growing LPG demand stemming mainly from the import dependent Asian regions together with our strategic location along the East-West shipping route, increases the demand for globally reputed Sri Lankan ports to be increasingly used for transshipments and docking in LPG trade. LAUGFS terminals Ltd, the largest LPG terminal in Sri Lanka by 2018 will be able to leverage on the expected increase of LPG trade along the East-West route.

Global Containerised Trade by Maritime Route in 2014



Power: Renewable Energy

Primary Energy Supply

The primary energy supply of Sri Lanka includes fossil fuel and renewable sources such as biomass, hydro, solar and wind. Contribution from renewable energy sources, particularly solar, wind and biomass, have started to gain popularity.

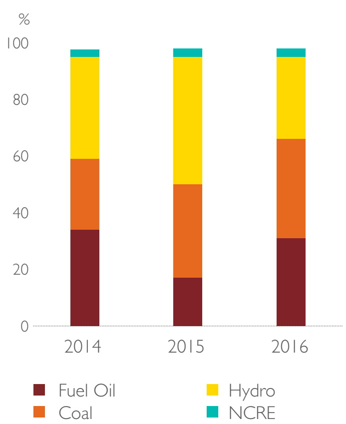
The development of renewable energy commenced in 1996 with the commissioning of the first grid-connected mini hydro plant in Dickoya with an installed capacity of 0.96MW. Total renewable energy capacity is 1,903 MW in 2016 with hydro accounting for 44% and other renewable energy accounting for 4.5% of total installed energy. There were 180 NCRE power plants by end 2014 with 154 being hydro plants. In a study done by Asian Development Bank's project titled 'Capacity Building for Clean Power Development', it was reported that the likely exploitable potential of mini-hydro, solar and wind resources would be 873MW, 3,000 MW and 5,600 MW respectively during the period 2013 to 2032.

Electricity Generation

Total electricity generation increased by 7% in 2016 to 14,149 GWh mainly contributed by the power generated from fuel oil and coal despite a decline in hydro power. Severe drought conditions that prevailed during the year impacted the hydro power generation which declined by (29%) YoY in 2016 to 4,220 GWh.

Nevertheless, renewable sources have continued to be a main source of electricity generation in the country.

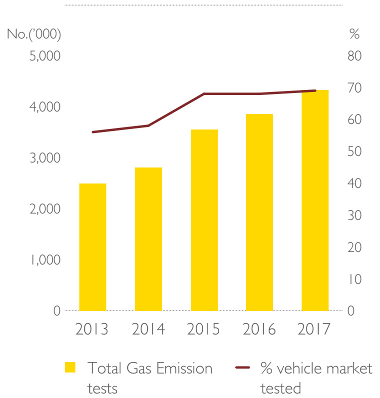
Electricity Generated



Economic Review

Services:

After a period of significant influx of vehicles in 2015, vehicle registration declined by (26%) YoY in 2016. Increasing taxes and lending limits set by loan to value ratios impacted vehicle registrations. The worst hit among the vehicle market was the three -wheeler and motor car registrations.



The high vehicle population imposed constant pressure on the government to maintain the air quality of the atmosphere. The national air quality policy introduced in 2000 and vehicle emission testing (VET) program in 2008 mandating the emission testing to obtain a revenue license, helped in controlling the level of air pollution.

The expanding regional presence of emission centers and the growing awareness of emission testing has increased the number of tests by 12% YoY in 2015. Currently 69% of the vehicle population is tested for gas emissions compared to 56% in 2011.

Leisure

Global Tourism Trends

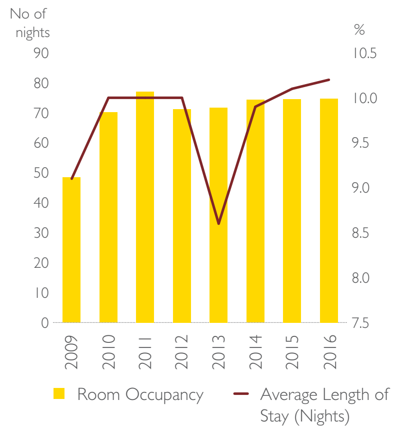
Global outbound trips increased by 3.9% YoY during the first eight months of 2016, driven by Asia, Europe and US markets. Asia benefitted from an 18% YoY growth from the Chinese market, whilst Europe and US outbound trips increased by 2.5% and 7% YoY. International travellers were found to be on slightly longer trips in 2016 with an increase in the average spending per trip. As per World Travel Monitor, the world outbound travel market is expected to increase by 7% -8% in 2016. Factors such as increasing tourists from Asia especially China and US regions, increasing length of stay and higher spending are expected to contribute to growth albeit the continued existence of violence and terror attacks. Inbound trips increased by 4% during the first eight months of 2016 mainly to safer destinations in Europe, US and Asia. In term of purpose, holidays continued to be the largest segment of outbound tourists with a 75% market share with city, and sun and beach holidays being among the most popular.

Sri Lanka Tourism Market

Sri Lanka leisure industry witnessed a significant change post the ending of the war in 2009. Several luxury hotel chains have placed their presence in the Sri Lanka hotel industry leveraging on the growth phase in tourist arrivals. In 2016, tourist arrivals continued its pace of growth with a 14% YoY growth in arrivals driven mainly by Western Europe, India and China.

Sri Lanka Tourst Arrivals and Spending

Duration of Stay and Room Occupancy



Average duration of stay has been increasing over the year and is currently 10.2 days on average. Despite a 6% annual increase in room capacity over the last 8 years, room occupancy rates have improved over the same period to reach 74% in 2016.

Property Development

Sri Lanka property market primarily consists of residential and commercial markets. Property market has benefitted from the economic growth, rising per capita incomes and increasing foreign investments in the country. With the property market attracting several local and foreign investors, there has been a growing number of apartments and commercial complexes since the ending of the war. Both luxury and mid-range projects have gained popularity in the market.

Commercial property demand especially Grade A office space has been increasing in 2016. Increasing number of multinationals setting up offices in Sri Lanka and the Government vision to transform Colombo and its suburbs into a business metropolitan area through its projects such as Western Megapolis and the Colombo Port city, increased demand for office space.

Capitals Report

FINANCIAL CAPITAL

LAUGFS Group Head Office
at Maya Avenue, Colombo 6

Profitability

Rs.1,046 Mn

Earnings Before Interest and Tax

Investment

31%

Increase in Total Assets

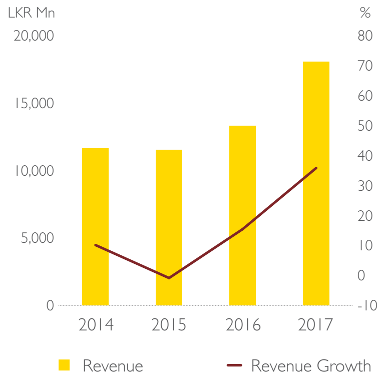
Capitals Report

HIGHLIGHTS

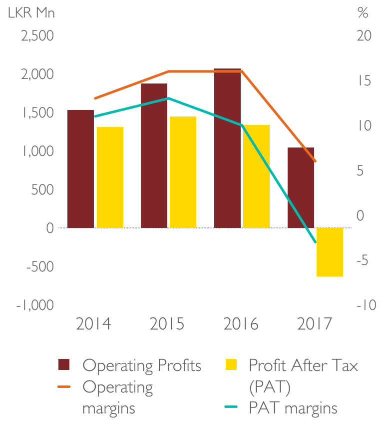
Over the last two years, we have strategically expanded our footprint in several sectors such as energy, power, leisure and property while enhancing our energy infrastructure in the form of storage terminals and vessel ownership. Capital expenditure as a percentage of sales in 2016/17 and 2015/16 was 52% and 29% compared to the four year average of 34% reflecting our growth aspirations. Being in the early stages of investments, we are yet to reap the rewards of our growth which will mature over the next 2 years. Bangladesh LPG successfully contributed a full year to profits in 2016/17 as we followed up the acquisition with an increase in our stake to 100% during this year. Despite challenging conditions such as declining local LPG prices, we continued to focus on volume growth while initiating negotiations for a price revision.

How we performed during the year

Revenue Growth

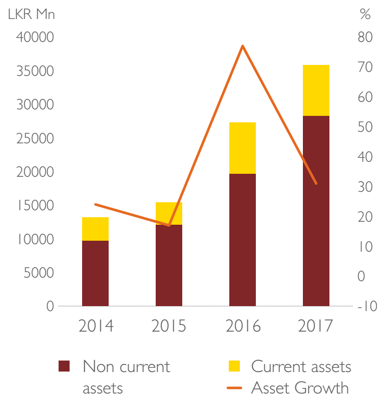


Profits and Margins

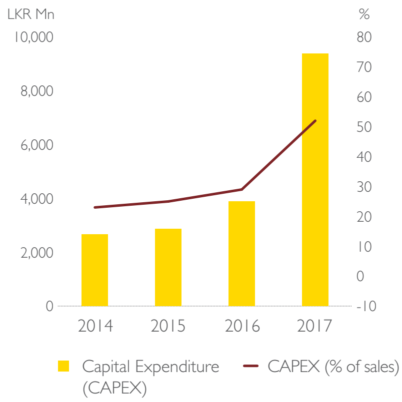


Investment for the future

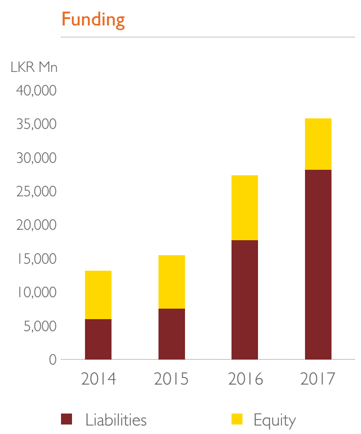
Asset Growth

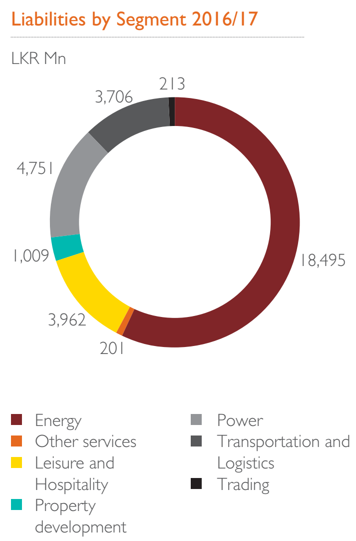


Investments

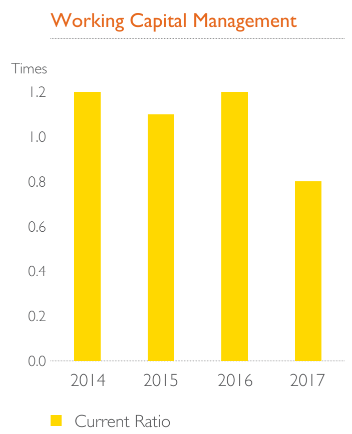


Funding profile





How we managed our business



REVIEW OF FINANCIAL PERFORMANCE

Revenue

During the financial year ended 31st March 2017, Group revenues significantly increased to LKR 18,065 mn, with the first full year's contribution of our new venture into Bangladesh adding LKR 3,742mn or 79% of revenue growth. Revenues of all sectors of the group improved during the year despite challenges such as droughts, exchange rate depreciation, delays in LPG pricing revisions etc. Revenue growth was driven by capacity enhancements, volume growth and contributions from the latest investments. The Energy Segment continued to play a dominant role in our operations with 90% of revenues from LPG sales. Though the growth momentum in the local market was impacted by declining LPG prices, the entry into Bangladesh was a strategic move that retained the growth momentum within our core energy segment. Given the infancy of certain Sectors such as Solar Power, Property, LPG Terminal and Leisure, with investments being initiated over the last two years, growth prospects will only materialise over the near future of 2 years.

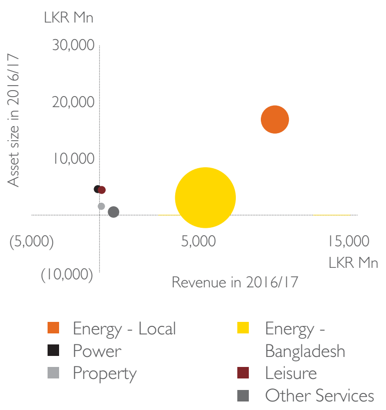
Revenue Growth of

36%

highest over the last five years

Capitals Report

Contribution to revenue growth in 2016/17 relative to size



During the period of review, assets increased by 31% YoY to LKR 36 Bn with increasing investments in property plant and equipment (PPE) and the completion of the first commercial property in 2016/17.

VOLUME GROWTH

- ✓ Local LPG revenues increased to LKR 10,387, 7% YoY growth driven by volume growth. Increased marketing of LPG for households in rural areas and increasing industrial demand drove LPG volumes.
- ✓ Revenues of other services grew by 12% YoY driven by increasing regional presence and product awareness. Number of vehicles tested during 2016/17 increased by 9%.

CAPACITY ENHANCEMENTS

- ✓ Revenues of leisure sector increased by 17% YoY during 2016/17. Available room capacity increased by 58% since July 2016 on completion of the Passikuda property.
- ✓ Number of emission testing centers increased by 9% during the year contributing to revenue growth.

NEW INVESTMENTS

- ✓ Full year contribution of Bangladesh added LKR 3,742 mn to revenues.
- ✓ Power sector revenues increased by LKR 103mn with the completion of the solar plant during the year.
- ✓ Property segment added LKR 74 mn on completion of its first commercial property during the year.

Costs

Operating costs

Net operating costs increased to LKR 3,078 mn with increasing administration costs as a result of new emission centers, opening of trading offices and the commercial operation of Anantaya Pasikuda in 2016/17. Administration expenses increased to LKR 2,367 mn in 2016/17 compared to LKR 1,292 mn in 2015/16 and accounted for 13% of revenues. Staff costs increased by 52% during the year driven by growth in the number of employees and increased investments on training of employees. Selling and distribution costs amounting to LKR 1,092 mn increased by 40% YoY with increasing marketing efforts especially in local LPG markets focused on increasing awareness of LPG usage.

As part of the cost management strategy, group wide initiatives were undertaken to:

- ✓ Reduce electricity costs using measures such as shifting to solar panels and replacing expensive lighting. The leisure sector plans to reduce energy costs by 50% during the year.
- ✓ Used local producers to source fruits for hotels and imports of fruits were completely halted during the year.
- ✓ Labour productivity improved in labour intensive industries such as emission testing as employees were trained for improved performance.

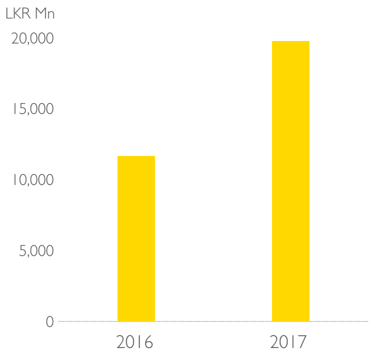
Other non -operational income and costs

- ✓ Foreign exchange losses of LKR 51 mn were incurred during the year 2016/17 due to depreciation of the LKR against the USD.

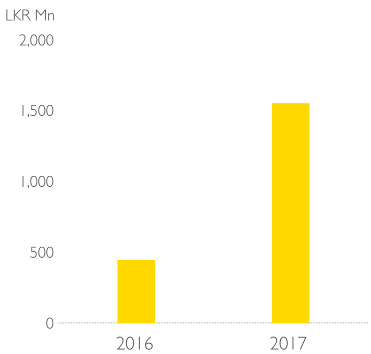
✓ Fair value gain on investment properties increased to LKR 38 mn on revaluation of the properties held by the company.

Net finance costs: In funding our investment drive over the last two years, borrowings and group finance costs significantly increased. Finance costs increased to LKR 1,550 mn compared to LKR 442 mn during the previous year. Interest income increased to LKR 82 mn during the year driven by growth in fixed deposits and rising market interest rates.

Borrowings



Finance Costs



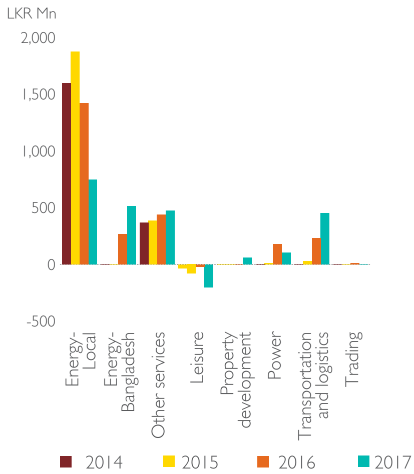
Income tax expenses: During the year under review group income taxes declined by 35% to LKR 243 mn in 2016/17 on account of a deferred tax reversal of LKR 188 mn. Current income taxes excluding the reversal increased to LKR 431 mn during 2016/17 compared to LKR 245 mn in 2015/16.

Profits and Margins

Earnings before interest and tax (EBIT) of LKR 1,046 mn in 2016/17 declined by (49%) mn despite Bangladesh LPG operations contributing LKR 512 mn to operating profits. The main Energy (Sri Lanka), Power and operating losses of Leisure Segment contributed to the decline in operating profits. Resultantly, EBIT margins declined to 6% in 2016/17 compared to 16% in 2015 /16. Pressure on local LPG margins was due to declining regulated local LPG prices despite the increasing LPG prices in global markets. EBIT margins of the local energy segment declined to 7% in 2016/17 from 15% during 2015/16 resulting in (47%) YoY decline in operating profits. However, we expect the impact to be short term and will reverse on materialization of the pricing formula for LPG. The power segment was impacted by severe drought conditions during the year that impacted generation from hydro capacity. Though the solar plant was completed during the year, it was operational for only two months of 2016/17 with full year contributions expected in 2017/18 that will improve sector profitability. In the spotlight is the growth potential from Bangladesh LPG operations that will enable a faster rebound in profitability.

During the review period, the group reported a loss after tax of LKR 627 mn due to lower LPG margins from Sri Lanka, increasing operating costs and significant growth in finance costs. The Leisure and local Energy Sector reported losses of LKR (401) mn and LKR (137)mn during the period whilst all other Sectors reported a profit after tax that subdued the losses incurred.

Operating profits

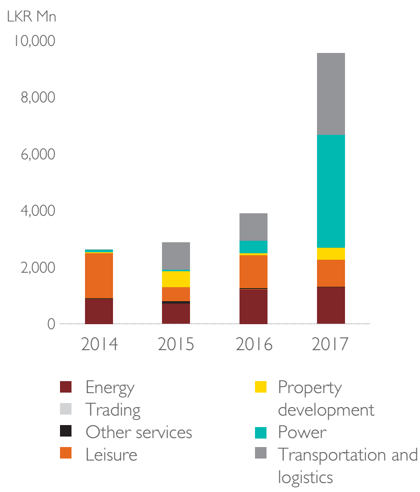


Financial Position

Assets

During the period under review, assets increased by 31% YoY to LKR 36 Bn with increasing investments in property plant and equipment (PPE) and the completion of the first commercial property in 2016/17. Capital expenditure (CAPEX)

CAPEX



Capitals Report

significantly increased to LKR 9,373 mn during 2016/17 compared to LKR 3,892 mn in 2015/16 with investments in solar power plant, storage terminal and the increased stake in Bangladesh LPG operations forming a significant part. As a result, PPE increased by 45% YoY during the year to LKR 22,626 mn and accounted for 63% of total assets. The energy sector assets accounted for 69% of group assets and increased by 23% during the year.

Current assets remained at LKR 7,603 mn in 2016/17 despite growth in receivables and inventory on account of declining cash and short term deposits. Cash and deposits declined to LKR 2,059mn, a (44%) YoY decline during 2016/17.

Liabilities

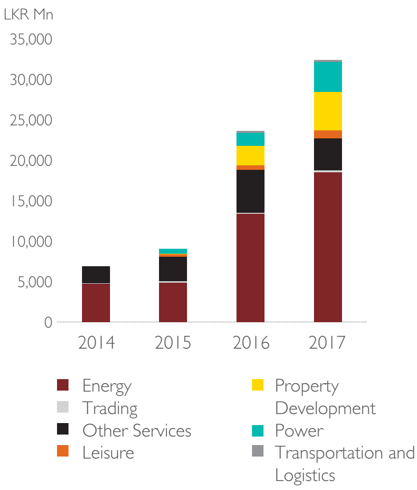
Liabilities increased by 59% during the year as borrowings increased to fund investments and meet debt repayment obligations. Interest bearing borrowing amounting to LKR 19,780 mn accounted for 70% of group liabilities and increased by LKR 8,115 mn in 2016/17. Energy, transportation and power segments formed a significant part of the growth in borrowings.

Current liabilities increased to LKR 9,028 mn, a 44% YoY growth due to increasing trade payables and short term borrowings. Trade payables accounted for 42% of current liabilities and increased to LKR 3,802 mn in 2016/17 which aided the group to fund working capital requirements.

Working Capital

The group reported a net working capital liability of LKR 1,426 mn due to an increase in short term borrowings and trade payables. Resultantly working capital ratios declined during the year.

Liabilities



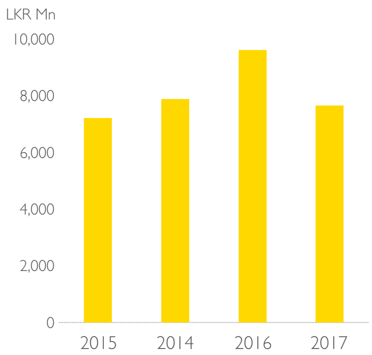
Cash Flows

Cash flows from operating activities increased in 2016/17 to LKR 1,343 mn compared to LKR (108) mn in 2015/16. Operating profits of LKR 2,225 mn and growth in trade payables contributed to the growth in operating cash flows. Net cash flows from investing activities of LKR (9,330) mn was higher than the previous year on account of the significant growth in capital expenditure. Net cash flows from financing activities declined by 24% YoY to LKR 6,015 mn. Net cash flows at the end of the period was LKR 1,416 mn.

Net Assets

Net assets of the group declined by (20%) YoY during the year with a decline in retained profits and growth in liabilities.

Net Assets



Review of quarterly performance

	1Q2016	2Q2016	3Q2016	4Q2016	1Q2017	2Q2017	3Q2017	4Q2017
Revenue	2,694,789	2,741,814	3,956,645	3,906,732	3,915,651	4,282,107	4,796,677	5,071,017
Growth (QOQ)	-5.1%	1.7%	44.3%	-1.3%	0.2%	9.4%	12.0%	5.7%
Operating profits	434,997	682,503	510,378	395,672	376,089	760,363	387,530	(478,224)
EBIT margins	16%	25%	13%	10%	10%	18%	8%	-9%
PAT	325,518	554,360	293,293	121,096	36,523	269,433	(185,664)	(747,606)
PAT margins	12%	20%	7%	3%	1%	6%	-4%	-15%
PAT growth (QoQ)	718%	70%	-47%	-59%	-70%	638%	-169%	-302%

MANUFACTURED CAPITAL

Anantaya Pasikuda -
The Newest Addition to Our
Anantaya Luxury Chain of Resorts

Energy Sector

84%

of Group Net Assets

Property Sector

85,000 Sq Feet

Premium Office Space

Capitals Report

The manufactured capital of an organization is critical to the smooth and efficient operations of our business. Given our diversity of operations our manufactured capital includes assets for production, distribution and infrastructure development. Their net carrying values are summarized below, analyzed by sector to provide readers an insight in to the Group's investments and capabilities.

	Energy	Other Services	Leisure	Property Development	Power	Transportation & Logistics	Trading	Total*
Freehold Land	365,327,500	-	616,152,906	47,544,000	27,556,625	-	-	1,056,581,031
Land Development	370,459,652	-	97,767,947	-	-	-	-	468,227,599
Buildings on Freehold Land	86,111,939	-	1,498,190,286	182,678,969	78,489,019	-	-	1,845,470,213
Buildings on Leasehold Land	18,526,412	70,596,310	2,077,386,868	-	108,507,664	909,506	-	2,275,926,760
Plant, Machinery & Equipment	1,292,934,172	56,121,103	432,554,072	20,059,649	4,389,640,941	2,941,847	117,940	6,194,369,724
Vessels & Dry Docking Costs of vessels	-	-	-	-	-	2,068,917,719	-	2,068,917,719
Cylinders in hand	4,783,524,702	-	-	-	-	-	-	4,783,524,702
Gas Stock in tank	-	-	-	-	-	4,038,456	-	4,038,456
Motor Vehicles	259,894,381	567,383	28,596,272	-	3,171,542	-	-	292,229,578
Others	145,422,358	10,407,225	258,038,564	20,841,797	324,882	2,442,297	3,759,531	441,236,656

* After eliminations & adjustments

Energy Sector

Our plant at Mabima has the capacity to store 3,100 MT of LPG and to fill 35,000 cylinders per day. The fleet of vehicles, stock of cylinders and the gas in the tank also accounted for a significant portion of the manufactured capital in this Sector. With a Net Book Value of LKR. 6,389 mn, this amounts to 84% of the Group's net assets.

Property Development Sector

Our first initiative in property development has been successfully completed, housing our Head Office in 85,000 square feet of premium office space. A land bank valued at Rs.366 mn and the new premises with a carrying value of Rs.1,673 mn comprised the manufactured capital of this Sector.

Transportation & Logistics Sector

Manufactured capital in this Sector comprises 3 LPG vessels Gas Courage, Gas Success and Gas Challenger which have a combined capacity of 8,750 MT. This is a vital link in our aspirations to become a regional player in LPG, proudly carrying the Sri Lankan flag beyond our shores.

Power Sector

Manufacturing capital in this Sector comprises 2 solar farms with a total capacity of 20MW and 3 mini hydro farms with a total capacity of 1.75 MW which are all fully functional. A 2MW hydro project is currently under construction.

Services Sector

Manufactured capital in this Sector comprises state of the art emission testing equipment including 27 mobile units and 87 fixed centers.

Leisure Sector

Manufactured capital in this Sector comprises two picturesque hotels on the pristine East and West coasts of the country. Anantaya Chilaw has a capacity of 87 rooms while Anantaya Pasikuda has 51 rooms.

Capitals Report

NON-MONETIZED CAPITAL

Non-monetized capital is pivotal for our growth and lays the foundation for our sustainability goals. Our focus area since inception instills within us an urge for 'responsible growth'. Our non-monetized capital consists of Social Capital, Human Capital, Intellectual Capital and Environmental Capital.

Social Capital	Human Capital	Intellectual Capital	Environmental Capital
✓ Community involvement ✓ Corporate Social Responsibility ✓ Improve relationships with customers, intermediaries and suppliers	✓ Talent acquisition ✓ Talent development ✓ Employee relations ✓ HR Information Systems ✓ Compensation and Benefits ✓ Compliance	✓ Learning culture ✓ Innovation ✓ Technology ✓ Design ✓ Health and Safety culture	✓ Lowering carbon footprint ✓ Reducing usage of non-renewable energy ✓ Promoting usage of environmentally friendly products ✓ Policies to minimize environmental impact due to marine and road transport ✓ Screening of suppliers

PERFORMANCE HIGHLIGHTS

Social Capital	1671 employment opportunities created across Sri Lanka and Bangladesh	15,000 families uplifted by the LAUGFS Gas Estate Sector Project	37% purchases sourced from local community by Anantaya Chilaw
Human Capital	Launched career and succession planning framework	100% of operational staff from local communities	Established Compensation & Benefit structure
Intellectual Capital	Product innovation and design with Outdoor Mate to enhance customer value.	LAUGFS Gas becomes OSHAS 180001 certified reaffirming our commitment to Health and Safety.	Received ISO/IEC 270001:2013 certification for the ISM system implemented at LAUGFS Group IT
Environmental Capital	4,768 MT GHG emissions eliminated through generation of renewable energy by LAUGFS Power	11,384 lbs of carbon emissions prevented through E-waste recycling	Built a reliable and environmentally responsible supply chain by screening suppliers.

SOCIAL CAPITAL

Winners of the Pahasara Art Competition Organized by LAUGFS HR Team

SIGNIFICANCE

Being a diversified conglomerate with our interests spanning across six sectors, we associate with varied customers, suppliers as well as community clusters. Nurturing relationships with all our stakeholders is important to enhance our growth whilst ensuring sustainability of our business operations.

Capitals Report

COMMUNITY INVOLVEMENT

Our approach is to foster a strong relationship with the varied communities within which we operate. Whilst community support is integral for the success of our business operations, developing communities also forms part of our vision for responsible growth. In addition, we ensure that all our operations cause minimal negative impact to our local communities.

Hiring from local communities

With nearly 80% of Sri Lanka's economically active population located in the rural areas, our focus on hiring from local communities serves as a strategic move for us, whilst it provides communities with improved employment opportunities.

Some of the initiatives of the Leisure Sector include providing stable employment opportunities for daily waged workers who were engaged in the initial construction of Anantaya Pasikuda. The Resort's efforts have provided safe working conditions for the female population within the local community, resulting in economic upliftment of their entire families.

Improving quality of life of local communities

During the review period, we engaged in programs to increase the awareness of LPG usage in the estate sector by visiting the homes of estate workers and promoting LPG usage. Areas such as safety, reliability and quality of LPG were explained to enhance awareness among people. This has helped to reduce numerous health, social and environmental issues faced by these communities. E.g. Eliminating respiratory illnesses caused by inhaling smoke and reducing the negative environmental impact of using firewood for cooking.

Sourcing from local communities

The Leisure Sector significantly increased sourcing of food supply from local farmers, developing both the local community and small scale operators in the country, whilst being a cost efficient strategy to the group, the small scale operators were ensured a continuous demand for cultivation.

Minimized negative impact to society:

We continuously engage in assessing our operations for incidents of corruption, sale of banned products, anti-competitive behaviour, bribery and monopoly practices, for which no cases have been identified to date. There have been no direct or indirect political contribution, in cash or kind, undertaken by us. In addition, we were not subjected to any fines related to noncompliance of laws and regulations, while there were no grievances filed on negative impacts to society.

CORPORATE SOCIAL RESPONSIBILITY

During the period under review, we continued to reaffirm our commitment as a responsible corporate citizen. All the sectors within the group contributed to our group-wide initiatives on Corporate Social Responsibility with the initiation of several programs.

In FY16/17, we worked on a broad range of CSR projects focusing on: water and sanitation, road construction, religious organizations, schools, flood relief programs, employee welfare, community support and environment protection.

Road construction project

Initiated by the Power Sector, this was completed in August 2016 and covered 100 meters of road length.

Water and sanitation projects

This was another focus area of the group, which was initiated mainly by the Energy and Leisure Sectors. Chilaw has been an area facing problems of obtaining clean water supply. As such, Anantaya Chilaw supported three schools within the vicinity with a continuous supply of clean drinking water.

LAUGFS Gas Sri Lanka conducted sanitary programs targeting children's homes during the financial year. We further engaged in distributing sanitary packs to persons affected by the floods in the Biyagama district, benefiting many families.

Donations to religious organizations and events

We continued our annual program to supply LPG free of charge to several monumental religious places in Sri Lanka, including Dalada Maligawa, Saman Devalaya, Katharagama Devalaya and Sri Pada. In addition, we continued to support other religious events such as temple Katina ceremonies, church festivals and Vesak celebrations.

Supporting Education

Anantaya Chilaw commenced construction of a cafeteria for one of the local schools. In addition, meals were also donated to the school children.

Flood relief

Together with our employees, Anantaya Pasikuda initiated a program to donate a day's salary to help support victims of the May 2016 floods. This was done in addition to the donation program initiated by the group to provide dry rations and other essentials.

Engaging Communities and Customers

Anantaya Chilaw initiated a tree planting program in the Chilaw district. We instilled the interest of tree planting in our guests by encouraging them to be involved in the tree planting campaign. We have also employed a naturalist to support us in our drive to protect nature and surrounding areas. Programs such as beach clean-ups and promoting usage of solar panels were implemented by the Leisure Sector.

Employee welfare

Several programs were initiated during the year, including annual get-togethers, performance awards, sports events etc., which are described in detail in the section on Human capital.

CUSTOMER RELATIONSHIPS

Given the diversified nature of our business operations, we need to collaborate with and understand the needs of varied customer clusters. Customer satisfaction is backed by the strong and trusted relationships we have nurtured with them.

The group initiated several programs to strengthen relationships with our customers with enhanced engagement. These include:

- ✓ Evaluating customer satisfaction and feedback: During the period of review, a customer satisfaction survey was conducted by Anantaya Chilaw covering 30,000 guests with 57% of our guests rating our services as 'Excellent'. In addition to the survey, feedback from online guest review sites such as Tripadvisor, Facebook fan page comments, and reviews on other social media platforms were also evaluated.
- ✓ Structured process to handle customer complaints.
- ✓ Customer engagement activities such as the annual bulk customer get-together and the cricket tournament held by LAUGFS Gas Sri Lanka.
- ✓ Involving customers in CSR projects such as the tree planting campaign by the Leisure sector.
- ✓ Value added services: Our sales representatives initiated a program to visit homes of estate sector workers to promote LPG usage. In addition, easy payment schemes were provided to these families when purchasing LPG.

SUPPLIER RELATIONSHIPS

Our supplier network comprises of registered suppliers from Sri Lanka and across the world. Currently the import destinations include Malaysia, Oman, Singapore, Taiwan, the UK and the Netherlands. We aim to increasingly incorporate local suppliers into our supplier network to ensure both continuity of supply for us and improved trade opportunities for local communities. The Local Procurement Division and Imports Division centralize the procurement function of the group.

Initiatives to strengthen relationships with our suppliers include the following:

- ✓ The procurement division of the organization is centralized and ensures that suppliers are selected based on predefined criteria such as quality, pricing, credit terms, delivery and technical factors. This helps us to establish a transparent process, by ensuring that suppliers have been clearly informed of our needs and specifications prior to selection.
- ✓ To encourage transparency and responsible practices, all suppliers undergo a screening process prior

Capitals Report

to selection. The screening form is a questionnaire covering areas such as legal claims, adherence to environmental laws, labour practices, human rights and impact on society and community.

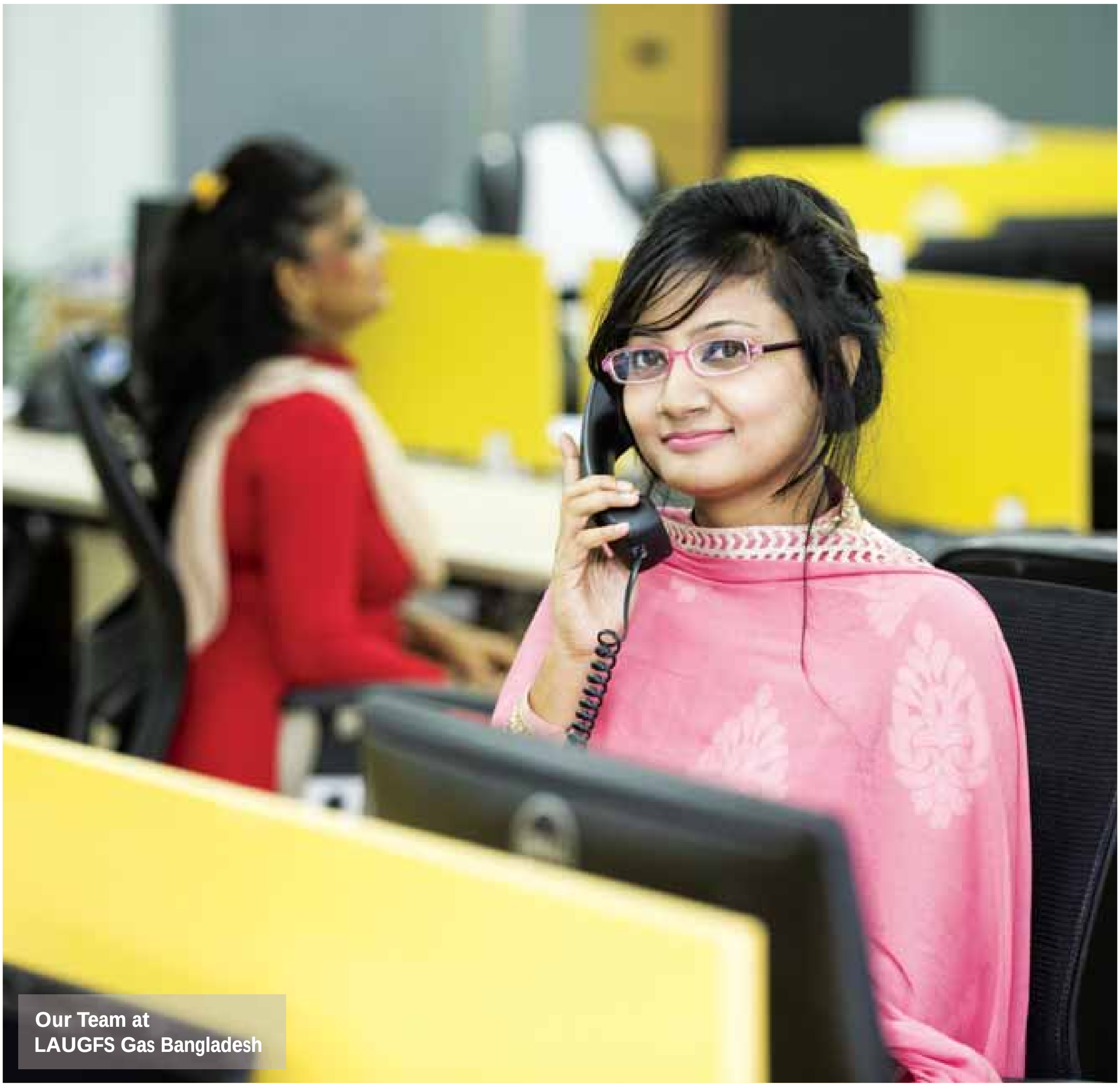
- ✓ All our major investment agreements and contracts are screened for human rights as per Sri Lankan law. In addition to human rights, all our new suppliers were screened during the period of review across the five mentioned dimensions. There was no significant negative impact on human rights, society and labour practices including instances of child labour and forced labour that were identified among our suppliers. In addition, there were no suppliers identified as a risk for collective bargaining and freedom of association and no suppliers identified as having a negative impact to the environment.

INTERMEDIARIES

The growing network of dealers of LAUGFS Gas, currently 5000 in number, has provided significant support in the delivery of our products and services. Our dealers are spread across the entire country and are engaged through dealer conventions, onsite visits and regular meetings. Ongoing communication ensures that our goals are well communicated with the dealers whilst their concerns and suggestions are also effectively captured.

- ✓ We have ensured that dealers are included within our scope of Health and Safety by conducting periodical audits.
- ✓ 1,000 new dealers were added to our existing network during the financial year

HUMAN CAPITAL



Our Team at
LAUGFS Gas Bangladesh

SIGNIFICANCE

Value creation at LAUGFS is driven by our employees. Being an important asset to our operations, maintaining a satisfied, committed and evolving workforce remains a priority for us. Our operations depend on the performance of the 1,671 employees of varying gender, age and skill sets.

Capitals Report

HR Philosophy

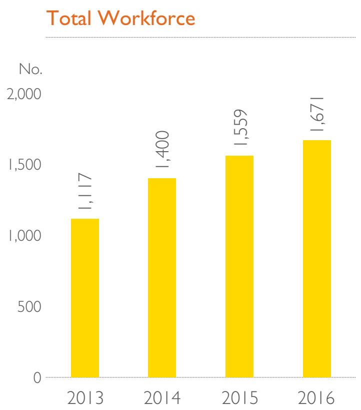
Our HR philosophy is "Great people make great teams who in turn makes great companies". Our employees are the driving force behind our performance and we ensure that every effort is made towards managing talent and creating a diversified, empowered, engaged and enjoyable work environment.

As we expand our business operations across sectors and geographies our performance driven culture creates the opportunities for career growth and personal development within and across the organization.

HR Strategy

Based on the foundation of our HR philosophy, the HR strategy of the group is formulated aligned with the long term business strategy. The talent management framework is formulated based on the five pillars of talent acquisition, talent development, employee relations, rewards and compliance.

Talent Acquisition	Talent Development	Engage & Inspire	Rewards	Compliance
Sourcing people capabilities	Developing people competencies	Building an engaged culture	Aligning rewards	Assuring compliance

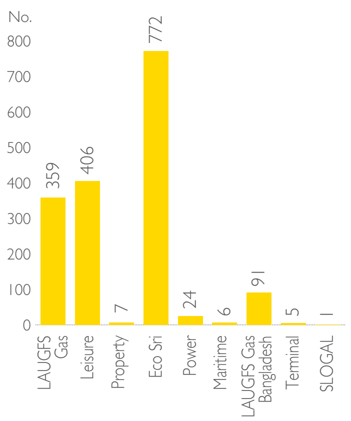


Balanced Workforce

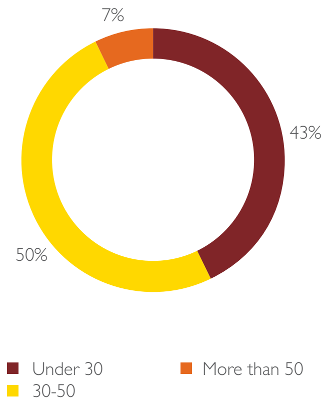
In ensuring that we maintain gender diversity across our workforce, the female population represented 11% of our total cadre, while the male population comprised of the majority due to the skill and operational needs of our organization.

Our employee population consists of a larger proportion of the younger population with 50% of cadre from the middle age of 30 to 50 years of age. Thus, employees have the opportunity to grow together with us. However, with a view of maintaining a balanced workforce, our staff cadre included employees of above 50 and below 30 years of age as well.

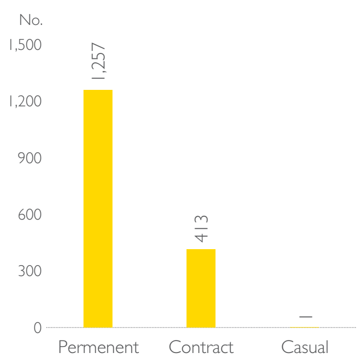
Total Workforce - Sector Wise



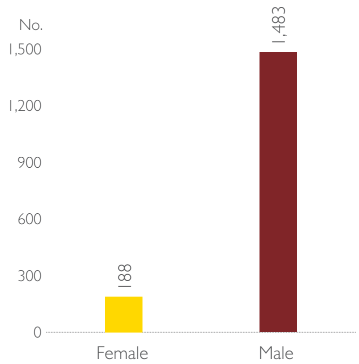
Age Wise Distribution



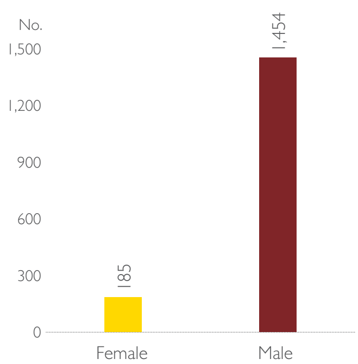
Total Number of Employees by Employment Contract



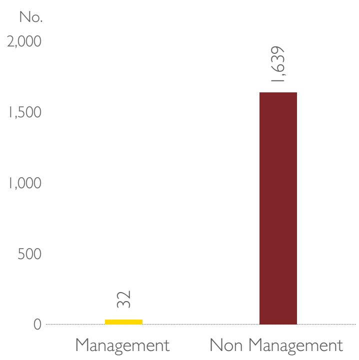
Total Workforce - Gender Wise



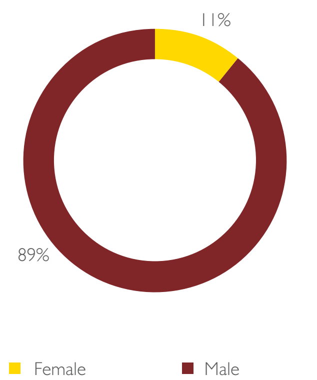
Non Management Staff



Management & Non Management Staff



Gender Wise Distribution



The growth in the total workforce remained stable as we managed to recruit new employees to adequately cover the employee turnover rate. All of the company's operation within the country of operation is driven by home grown talent. We are proud of our achievement to be a Sri Lankan multinational with all multicultural staff from Non-Executive level to Senior Management team. Majority of Senior Managers are hired from the local community. Senior Management refers to the top ranking employees of the Management of the organization who are above HOD category including CXOs, Directors, MD and the Chairman. The geographical definition of 'local' is the country which the operations exists in.

The energy segment and emission segment are the most labour intensive segments of the group. Both sectors required the employment of highly skilled employees given the nature of our product. Any operational change is notified to employees 2 weeks prior.

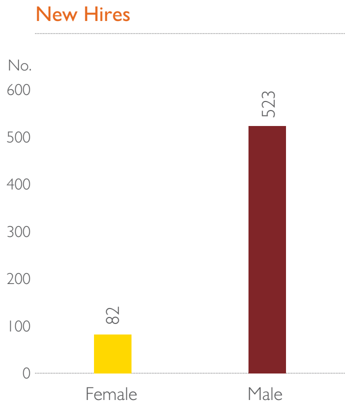
Capitals Report

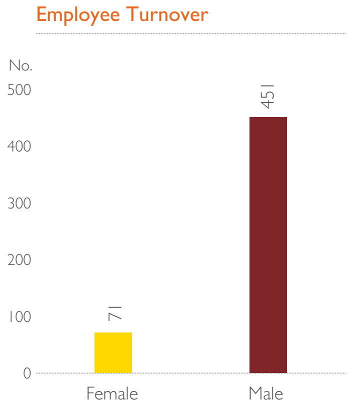
New Hires

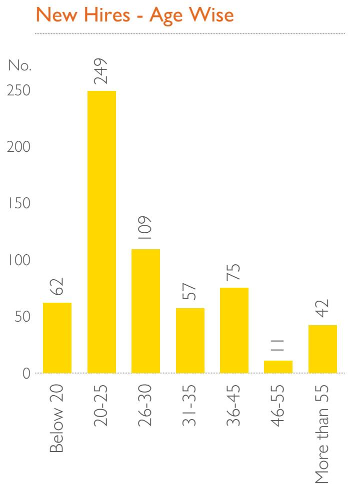
We added 605 new employees to our cadre in FY16/17 driven by increasing requirements of the Emission and Leisure segment.

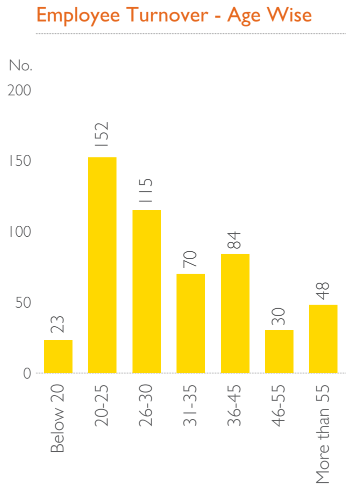
Employee turnover

The number of employees leaving the group was 522 in number, with 86% being male. The highest turnover was seen within the 20-25 age group.









Other salient features of our current employee pool are:

- ✓ 0% employees by forced labour
- ✓ 0% employees below the stipulated age limit
- ✓ Zero incidents on discrimination or violation on human rights
- ✓ No trade unions and no collective bargaining agreements.
- ✓ We are a strong proponent of the concept of equal remuneration with no gender discrimination.
- ✓ There were no grievances related to labour practices during the review period.
- ✓ There were no incidents on violations of rights of indigenous people.
- ✓ Complying with the laws of the country, the company does not employ anyone below the age of 18 years.

TALENT ACQUISITION

Recruitment and selection policy

Our recruitment and selection policy focuses on recruiting the optimal talent that best fits the specific manpower needs of the organization. Given the diversity of our business operations, skills and experiences widely vary across differing Sectors. The dynamics of certain industries such as the Leisure Segment pose a challenge to us given the limitation in skill availability in the market.

How we reach out to the labour market

Recruitment forms an integral part in the continuity of our business operations and ensuring that we maintain an optimum staff cadre at any given point of time. Our increased presence in social media networks and online recruitment system aided the recruitment process by reaching out to youth. As part of our drive to increase awareness of business operations, we continued to feature our career stories of key management personnel in websites and formulated it as part of our communication strategy in job fairs and exhibition.

During the FY 2016/17 we took part in the EDEX career fair with the objectives of elevating our employer branding initiatives as well as to help strengthen our talent pool. Our talent acquisition efforts during the year were also supported by the launch of an official LAUGFS Career page on social media, as well as active participation in a number of career guidance programmes with prominent educational institutions in the country.

The employee preference survey helped us evaluate our competitive presence in the labour market

An online survey was conducted by using a global reputed service provider to identify the core brand attributes that places us as a preferred employer in the market. An online questionnaire was used to obtain feedback from the target group which included candidates seeking employment opportunities under different disciplines and feedback from local universities.

TALENT DEVELOPMENT

Two main pillars of our talent development strategy are the focus on training and development and Performance Management System. Whilst training and development focus on ensuring a strategic fit of the employee skills with the goals of the organization, the Performance Management System ensures that we continuously measure and evaluate the performance of our employees.

Training and development

We promote a learning culture within our organization by emphasizing and encouraging a holistic approach by integrating both formal and informal learning elements. LAUGFS believes that the most effective way of learning and developing a skill or behaviour is by being on the job and in real life situations. Our learning culture is built on the 70-20-10 principle which describes our learning process:

- ✓ 70% from real life and on-the-job experiences, tasks and problem solving.
- ✓ 20% from a coaching driven culture where individuals learn through feedback, observation and working with colleagues.
- ✓ 10% from formal training.

Training Needs Analysis

Training needs are identified using the Performance Management System. Training needs will be linked to competency rating for the identification of competency gaps, which will be classified into two types:

i. Training needs for improving performance in current role – technical, functional, and behavioural

ii. Training needs for development to undertake future roles and higher responsibilities such as technical, functional, behavioural, managerial and leadership.

The strategic goals of the each SBU is separately identified and consolidated with group goals to identify both organizational and individual training needs. Based on the competency framework, each Business Unit Head, along with the SBU HR Head, categorizes the development needs into training needs and others which can be addressed through methods like job-rotation, change in job-role, job-enhancement, motivation issues etc.

Training evaluation

The training evaluation process is a four-level evaluation process which includes:

1. Pre evaluation: discussions with superior on best fit training programs and timing
2. Post evaluation: written tests, supervisor-lead discussions or an onsite demonstration of skills learnt.
3. Training effectiveness : productivity of employees is monitored post training
4. Behavioural evaluation: only the programs having a high level of strategic importance are subject to level 4 evaluation. A period of 3 months is allowed to pass before conducting an evaluation at this level.

Capitals Report

The goal of our training programs is to promote a performance driven culture within the organization to ensure that employees are part of the corporate goals. The implementation of a Performance Management System (PMS) was an important step undertaken by our organization. The PMS covers aspects from interactive, collaborative goal setting, communication and employee ownership of goals and aids in the identification of the training needs.

Career and Succession Planning

Succession planning is a systematic process for defining key positions and identifying high potential employees who may be suitable successors for key positions. Our career development plan ensures that potential candidates are prepared to move into key positions when there is an opening.

We adopt the C & S framework based on the globally accepted 9 Box Model in managing key talent. There are 4 steps involved in the process. The 9 box model is utilised to ascertain the degree of talent. The said positions will be mapped against the criticality of the role. Further career movement, development, rewards & recognition are designed based on the placement of individuals

About our On-boarding Process for new recruits

This process covers all aspects which makes the successful transition of new employees into their new roles. The process constitutes of three focus areas; a familiarization program, a buddy program and an orientation training spanning across four weeks. The components of the on-boarding process include:

- ✓ Educating recruits on the code of practices, code of ethics & code of conduct: what each employee must abide by within the overall activities of the company. This is conducted by the HR manager of the particular company.
- ✓ Work instructions provide more detailed, specific knowledge within the scope of one's job.
- ✓ Every employee is explained about their job role, its scope, with emphasis on responsibilities, activities and performance expectations.
- ✓ Open communication with superiors and immediate work teams is encouraged at all levels.
- ✓ Awareness of the performance driven culture of the organization.

Ongoing training programs for existing employees

Several training and development programs continued during the period under review in enhancing and building the required skill set for the organization. The highest number of hours in training and development is spent in the emissions segment given the growing requirement to build a technically qualified team to deal with customer requirements.

Type and frequency of training programs

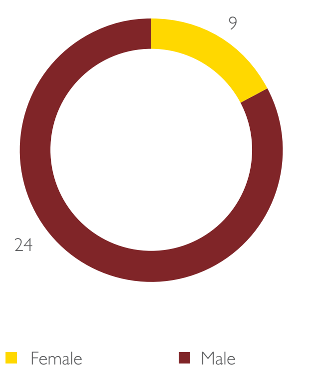
Type	Description	Beneficiaries	Frequency
Leadership development	Enhanced set of Skills to middle/senior manager category.	Senior management	Biannually
"Focus"	Supervisory skills development program focusing on areas such as commitment, motivation, innovation of ideas, technical and soft skills training.	Managerial level staff	Quarterly
Succession planning	Leisure: 10% of employees are trained for succession planning at both resorts.	All employees	Annually

Number of training hours

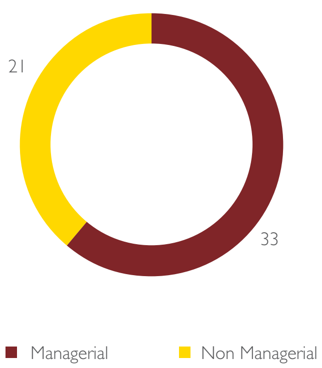
The number of training hours declined during the year due to delayed training programs in the Services Segment. This was mainly due to the uncertainty that prevailed until the latter part of the year, on whether the government emissions testing contract would continue to be given to LAUGFS. Thus, training programs were delayed until sufficient clarity was obtained.

Training coverage

Average Training Hours - Gender Wise



Average Training Hours - Employee Category Wise



Measuring performance

Implementation of a Performance Management System has been a key development implemented last year that eliminates many shortcomings of the previous system. Employees are evaluated on KRA/KPIS and competencies against a framework of enterprise drivers and initiatives. All employees are part of the Performance Management System (PMS) of the group and benefited from continuous performance and career development reviews. Factors such as employee perceptions on job roles, concerns, issues are discussed at performance appraisals. The system provides employees with clearly defined KPIs and job descriptions and collaboratively identifies training needs and professional development opportunities. Based on corporate goals, sophisticated online analytics provide accurate, real-time information to decision makers.

REWARDS

To recognize employee capabilities and contributions we remunerate our people right. This helps us attract and retain the best-fit talent. Hence LAUGFS makes every endeavour to be competitive on industry accepted levels of compensation and benefits. One such endeavour was re-establishing pay structures based on the market survey and aligning salaries and benefits of employees.

Our full time employees enjoy the below benefits:

- ✓ Personal Accident Benefit Insurance Policy and the Workman's Compensation Insurance policy extended to cover disability and invalidity coverage as well. On average, approximately 90% of the total staff subscribed to the personal accident benefit insurance policy with the company paying 50% of the annual insurance premiums.
- ✓ Employees are covered by a comprehensive Surgical and Hospitalization Insurance Policy. Preferential benefits such as medical cost reimbursement, in-patient/out-patient benefits are provided by this policy.
- ✓ Maternity Care policy and benefits provide mothers, up to 84 working days of paid leave. It has been reported that 7 employees have obtained maternity leave during the review period, while 3 has left employment to commit full-time to their motherly roles, one is still on leave. The group has introduced a paternity leave period of three days, for the father, to be utilized immediately after the birth of a child. It has been reported that 38 employees have obtained parental leave during the review period and from that 7 employees were female whilst 31 employees were male.
- ✓ Employees who have retired after completion of 5 years of continuous service are entitled for Gratuity according to the Gratuity Act.
- ✓ Introduced "LAUGFS Diriya" program for people who are committed to saving regularly and continuously as a habit and they can plan their future with responsibility and care.

Capitals Report

HEALTH & SAFETY

Sound safety policies create a safe work environment whilst increased awareness ensure that all employees implement our safety protocols. Placing of safety sign posts and other training programs such as Induction training, Tool box training, Fire Training and First Aid training conducted by HSE enhance awareness among employees. In addition regular maintenance audits ensure our premises, processors and equipment adhere to stringent safety standards.

The setting up of a health and safety committee comprising of a structured process in recording and reporting accident statistics. Fill the accident report & send to HSE Manager within 24hrs and final accident report to be compiled in three days of accident. Subsequently the form will be reviewed by the general managers & HSE Manager at HSE meetings with discussions to implement corrective / preventive actions.

EMPLOYEE RELATIONS: ENGAGE AND INSPIRE

Forming the third pillar of our HR strategy, we have increasingly worked on employee engagement programs to support and maintain employee relations across all business segments. New initiatives are organized every year with the aim of creating positive impact on the employee. While initiatives that have group level impact are organized by Group HR, HR units of individual SBU's are supported to conduct initiatives which are more specific and relevant to their own context. Group HR driven employee engagement activities are preferred where assessment of objectives and desired impact is at Group level.

Key employee engagement projects initiated during the financial year includes

"Jeewithayata Perawadanak": A Work - Life Balance Initiative

This programme initiated a companywide dialogue on work life balance through multiple sessions conducted across the group. It attracted a large participation from employees who actively contributed to the session with insightful views and experiences.

LAUGFS On Stage - Season 2

This was initiated in 2016 as an annual programme that provides a platform for our employees to identify and further enhance their creative talents. The second season of LAUGFS On Stage has also commenced with the grand finale scheduled for 1st April 2017. This has become a platform to create an opportunity for employees to showcase their hidden creative talents through training, recognition and exposure.

Pehesara Art Competition

Held for the second consecutive year this initiative provides a platform to engage with not only our employees but also their families. This year's event drew in over 240 entries from children of our staff members.

Events and Celebrations

Various celebratory programmes were carried out across our businesses to enhance engagement and camaraderie among our staff. These ranged from the annual get-together by Eco Sri to interdepartmental cricket match by LAUGFS Gas.

Employee recognition programmes

A number of recognition programmes were carried out during the year to recognize and reward our employees for their performance and contribution. For example the best Centre Performance programme by Eco Sri recognizes best performing teams on a quarterly basis, while also allowing the company to continuously improve service standards and efficiency of its VET Centres.

Great Place to Work

With our strong focus on building an engaged and inspired team, this was initiated to identify the baseline perceptions of employees on key aspects of the workplace relationship.

Employee Ambassador Programme

Initiated with the objective of enhancing employee communication and engagement, this programme provides a platform among the employees across the group to voice their views grievances and suggestions through their employee ambassadors creating an open dialog with the HR department.

Grievance Handling Process

We follow a transparent and open door policy across the company. A formal grievance mechanism is available ensuring that grievances about labour practices are filed addressed and resolved. This, further strengthens the communications within the company as it provides our employees a platform to share ideas and views across all hierarchical levels. During the period of review no grievances, have been reported on human resource/ human rights/ labour practices nor any incidents related to corruption and discrimination. LAUGFS has sustained industrial harmony in all possible ways where we have no collective bargaining agreements, nor incidents of active unions.

INTELLECTUAL CAPITAL


Training Conducted Onboard One of the LPG Vessels of LAUGFS Maritime

SIGNIFICANCE

Building our intellectual capital is a strategic move that provides us with a competitive edge in the industries we operate in. A sound health and safety culture, learning environment, a strong focus on innovation and design have helped us create our intellectual capital. A Health and Safety culture forms a core part of our intellectual capital and is of prime importance given the nature of our business operations.

Capitals Report

HEALTH AND SAFETY

Health and safety has been a key focus area since our inception. Increasing awareness across all our business segments has built a sound Health and Safety culture that we value and wish to preserve as part of our intellectual capital. Our employees benefit from several health programs such as health camps and comprehensive insurance schemes, which are covered in the Human Capital section of the report. Safety is viewed using a holistic approach encompassing our entire supply chain and value addition process. Given the nature of our operations, health and safety is an important driver to gain customer confidence in our operation.

We aim to create a safer work place to all our employees and mitigate the risks of accidents, incidents, injury and damage to people and property.

Our Safety Policies and Strategy

How we assure safety across our entire value chain

Products and Processes	Employees	Transportation and Logistics
Product packaging Purchase of accredited cylinders Safety awareness among customers	None of our current workforce is exposed to significant occupational health risks	Zero incidents at sea
Ensuring safety of premises and processes Auditing of dealers	Lost day rate at 0% No Major injuries	

Safety is a prime responsibility for us. We aim to create a safer work place to all our employees and mitigate the risks of accidents, incidents, injury and damage to people and property. Thus, we have undertaken many measures to handle the safety aspects across our entire value chain, from products, processes, employees as well as logistics and transportations.

Routine safety compliance audits

Maintenance units at our work facilities routinely inspect premises for physical safety, covering aspects such as accessibility, people movement, emergency evacuation processes, and safety and quality of equipment. In addition, fire systems, air conditioning, ventilation, storage of hazardous material and waste disposal are also monitored to minimize adverse impact on people, property and environment.

Adoption of industry-wide safety standards

LAUGFS has been a forerunner in compliance with regulations and at times taking up the role of an industry advocate for setting-up safety frameworks and higher safety benchmarks.

Safety standards at LAUGFS Gas PLC

Product safety: We are the only ISO 9001:2008 (Quality Management System) certified LPG company in Sri Lanka. In addition, we have obtained

SLS certification for all our cylinders. LAUGFS is also governed by other local government bodies such as the Central Environmental Authority. In addition LAUGFS Gas PLC has obtained the membership of the World LPG Association.

Safety standards at LAUGFS Eco Sri

LAUGFS Eco Sri has obtained the ISO 9001:2008 and ISO 14001:2004 certifications.

Safety standards at LAUGFS Maritime:

We comply with the International Safety Management Code (ISM Code) and are certified by the Lloyd's Register. It covers all aspects of Health and Safety, on board as well as ashore.

Safety standards at LAUGFS Terminals and LAUGFS Property:

LAUGFS terminals is currently constructed by a reputed contractor whilst design, materials and processes are certified by Lloyds Register, a third party consultant to the project. LAUGFS property used Tier 1 contractors given the focus on premium high end property development. The usage of small scale contractors were minimized.

Our responsibility of safety extends to our LPG customers and dealers:

Industrial consumers are audited once in three months to ensure adherence to strict Health and Safety standards. The health and safety committee (HSEC) audits all our dealers every year to ensure that they comply with health and safety guidelines.

Product packaging communicate all significant product and service information:

Nearly 90% of our product and service portfolio at LAUGFS Gas is subjected to disclosure of detailed product information. Detailed information on LPG, its properties, storage and safety are communicated by LAUGFS Gas through a brochure provided to customers at the point of purchase. These are designed in all three languages, i.e. Sinhala, Tamil and English, for the convenience of all customers. Industrial Customers are also provided with training and awareness programs such as workshops on minimizing energy utilization and sustainable practices. All our products and services are assessed to confirm compliance with standard labelling. We also assess all cylinders and accessories to ensure compliance with SLS standards and material specifications. There were no incidents of noncompliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, product and service information, labelling as well as our marketing communications.

Safety of customer confidentiality data:

Customer privacy, confidentiality and data security is also prioritized through secure IT infrastructure and systems, together with staff training. There were no cases reported on breach of customer privacy during the reporting period.

Adherence to strict internal safety guidelines:

Plant staff has been provided with strict safety guidelines. Other measures include stringent quality control on refilling of LPG cylinders, a strict set of safety guidelines applicable for road safety covering materials/goods in transit, defensive driving and vehicle maintenance.

Increasing staff awareness on health and safety:

We have implemented several awareness programs such as safety briefings, safety observation tours, planned inspections, regular tool box meetings, safety drills and workshops increasing awareness among our employees. In addition, effective design and display of safety signages, instructions and process guidelines enable employees to remember and recall our stringent safety measures.

Access restrictions to hazardous areas:

Approval systems, entry/exit recording, electronic access control, CCTV monitoring systems and PA systems assist safety personnel to effectively maintain safety at very high standards. Emergency hotline numbers, and contact lists have also been provided.

Appointment of a safety committee:

The committee comprises of 20 members which is 5% from the total staff, with 1:4 ratio of management to front-line staff. Regular meetings are held to discuss the safety framework against track record, review safety practices and assess identified risks and implement proactive measures to create a safer work environment.

Health and Safety trainings:

We are maintaining Health and Safety trainings covering 100% of our employees over the year. These trainings include the LPG Awareness Programme, PTW (Permit to Work) Training, Fire Training, First Aid Training, as well as Induction Trainings.

Capitals Report

A strong safety framework operated by the Health and Safety Department, has enabled us to lead industry standards such as OSHAS 18001-2007, placing us as the only company in the LPG sector to have done so.

Returns of our Safety Culture

We take pride in showcasing the results of our safety culture:

- ✓ No reports of fatalities and major injuries were reported during the year. The number of minor injuries reported during the review period was 110, which is significantly lower than the previous year. The lost day rate was maintained at zero since 2014.
- ✓ A strong safety framework operated by the Health and Safety Department has enabled us to lead industry standards such as OSHAS 18001-2007, placing us as the only company in the LPG sector to have done so. We were awarded with Safety Awards recognizing us as top performers of safety practices.
- ✓ There were no incidents of noncompliance with regulations and voluntary codes concerning product and service information, labelling as well as our marketing communications.
- ✓ No reported incidents of banned or disputed product sales, and non-compliance with regulations and voluntary codes concerning the health and safety impact of our products and services during their life cycle.
- ✓ There were no complaints on breach of customer privacy or loss of customer data during the year under review.
- ✓ There were no reported incidents of any negative actual or potential impacts on the environment through our supply chain during the Financial year.

AWARDS AND RECOGNITION

During the financial year we have been recognized with numerous awards for our efforts in business and process excellence.

LAUGFS Gas PLC (Group)	CA Annual Report Awards 2016 The Institute of Chartered Accountants of Sri Lanka	Gold Award (Power & Energy Sector)
LAUGFS Gas PLC (Group)	National Business Excellence Awards 2016 National Chamber of Commerce of Sri Lanka (NCCSL)	Winner (Other Services/Other Sector - Extra Large Category)
LAUGFS Leisure Anantaya Resort & Spa – Chilaw	World Luxury Hotel Awards 2016	Luxury Hotel & Conference Centre - Country Award Luxury Wedding Destination - Regional Award (South West Asia)
LAUGFS Gas	SLIM NASCO Awards 2016 - Sri Lanka Institute of Marketing	5 Awards including 2 Gold Awards
LAUGFS Gas	CNCI Achiever Awards for Industrial & Service Excellence 2016 Ceylon National Chamber of Industries	Silver Award - National Level Service Sector (Extra Large category) Top Ten Award
LAUGFS Eco Sri	CNCI Achiever Awards for Industrial & Service Excellence 2016 Ceylon National Chamber of Industries	Merit Award - National Level Service Sector (Extra Large category)
LAUGFS Corporate IT	National Best Quality ICT Awards 2016	Chairman's Appreciation Award Silver Award - Industrial Applications Category Silver Award - E-inclusion & E-community Category
LAUGFS Corporate IT	Asia Pacific ICT Alliance (APICTA) Awards 2016	Merit Award (Industrial Applications Category)

Capitals Report

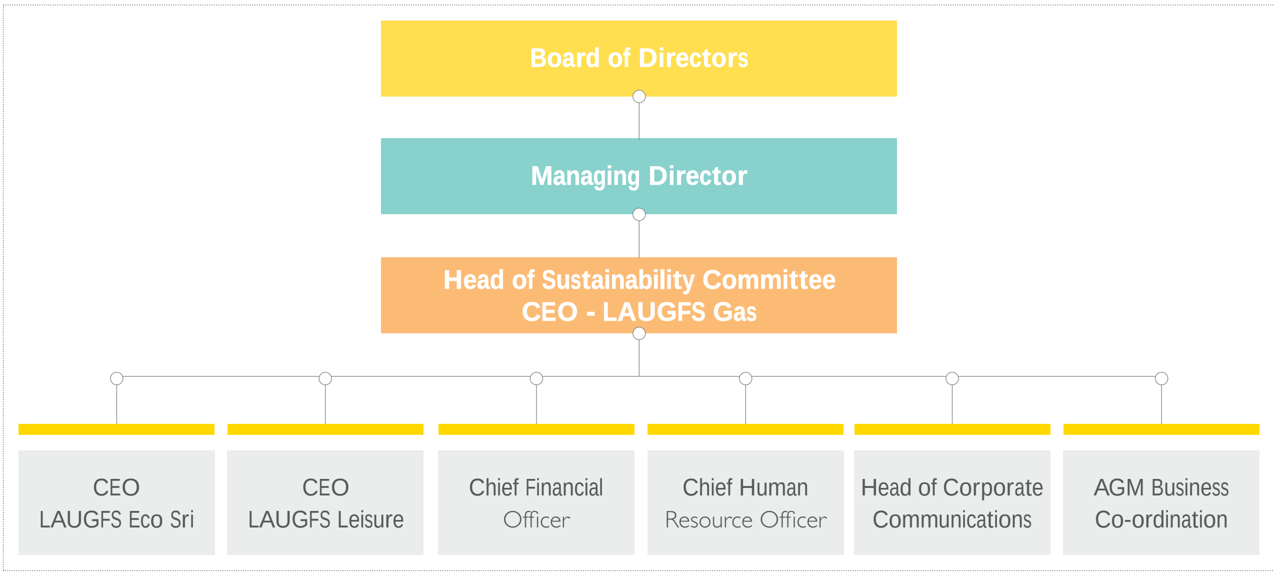
ENVIRONMENTAL CAPITAL


20 MW Solar Plant of LAUGFS Power at Hambantota

SIGNIFICANCE

Since inception, environmental sustainability has been a driving force behind our firm focus on responsible growth. The sustainability committee oversees our impact on the environment across all our business operations from production to delivery.

Sustainability Committee



We take pride in our approach to sustainability where we have effectively touched every aspect of our business operations from promoting environmentally friendly products, enhancing the usage of natural resources such as water and energy, reducing our carbon foot print and maintaining maritime risks such as spills and incidents at zero.

Promoting usage of environmentally friendly products

Our portfolio, ranging from LPG and vehicle emission testing to renewable energy, aim to promote environmentally friendly products in Sri Lanka. During the period of review, majority of our revenues were from environmentally friendly products and services, thus requiring minimal mitigation for negative environmental impact. In addition, none of our packaging materials were reclaimed.

Product or Service	Benefit to Environment
LPG	LPG is a lower carbon intensive fuel compared to petrol and diesel.
Emission testing	Emission testing results in reductions in air pollution. We tested over 2 million vehicles during the review period.
Renewable Energy	Renewable Energy reduces usage of depleting non-renewable energy reserves. We supplied 6,910 Mwh of electricity from renewable sources to the grid during the review period, which would otherwise have been generated from non-renewable sources. Further, usage of hydro and solar power minimizes carbon emissions. Our new solar power plant in Hambantota is expected to reduce emission of greenhouse gasses (GHG) by 28,000 tons annually, which would otherwise have been emitted with the use of fossil fuel.

Capitals Report

Materials

Main material consumption of the group consists of LPG cylinders which are made from steel that is 100% reusable. During the period of review, no cylinders were discarded, whilst any damaged cylinders were repaired by the team at LAUGFS Engineering, a subsidiary of LAUGFS Holdings.

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

Water

We have taken steps to minimize our impact on environment through carefully planned structures, recycling of water and ensuring that no water sources in the country are significantly affected by our operations. We recycled 26,909m³ of our water during the review period and there were no water sources that were significantly affected due to our operations.

Source	Water Withdrawn (m³)	Water Recycled (m³)	Recycled Water Reused (m³)	% Recycled
Surface Water	18000	-	-	-
Ground water	75423	26909.1	26909.1	35%
Municipal water	43657	-	-	-
Rain Water	3500	3500	3500	100%

Energy

We continue to monitor our energy consumption of the group with a focus on improving energy efficiency.

LAUGFS Maritime generates its own electricity, and uses the main engine exhaust gas to produce steam, instead of firing the main boiler when at sea. LAUGFS Power meets all its electricity requirements from hydro and solar sources.

While we make every attempt to minimize our energy consumption within and outside our organization, due to expansions in the sectors we operate in, there were no reductions in energy consumption and energy requirements of our products and services. Currently we do not assess the energy consumed outside of the organization.

Energy Consumption	Total
Fuel consumption: Non-renewable (MJ)	
Diesel	3,309,956
Petrol	411,196
Gas	915,687
Total	4,633,267
Fuel consumption: Renewable (MJ)	
Solar	247,243.86
Wind	-
Total	247,243.86
Electricity consumption	4,341,735.92

Effluents and Waste discharge

Company	Discharge Location	Quality	Discharge Volume (m^3)
Gas PLC	Internal sediment pond	Domestic waste water, untreated	20,160
Anantaya	Garden	Treated water	26,909

We have implemented many measures to ensure safe disposal of effluents, solid waste and waste water. Solid waste and waste water disposal methods adhere to approved standards. In addition to monitoring waste and effluents there were no spills reported during the period of review.

Our initiatives for waste discharge include the following:

- ✓ Water used at Anantaya is treated at its own RO plant which is reused for gardening purposes. Gas PLC had discharged 20,160 m^3 of water to its internal sediment ponds.
- ✓ Safe disposal of solid waste using methods such as recycling and reusing.
- ✓ 198,061kgs of metal were reused and recycled during the year, while there have been no significant hazardous waste reported other than e-waste, which is recycled by a third party.
- ✓ We also do not transport, import, export or treat waste deemed hazardous under the terms of Basel Convention 2 annex i, ii, iii and viii.
- ✓ No habitats and high biodiversity areas were impacted by the discharge of waste water.

Cost of Environmental Protection

During the period of review we incurred LKR 2.9 mn as environment protection costs relating to waste disposal, emission treatments and waste water treatment plants

Emissions

Direct greenhouse gas emissions (GHG) mainly occur by fuel consumption for transportation and indirect greenhouse gas emissions occur mainly through consumption of electricity. There were no significant GHG emissions reported during the review period due to the nature of our operations. In addition, there are no significant emissions of ozone depleting substances (OSD), NOx, SOx, and other air emissions.

Direct greenhouse gas emissions

Any emissions from LAUGFS Maritime Services are managed through the onboard SEEMP (Ship board Energy Efficiency Management Plan) and governed by the required international standards such as the MARPOL convention.

Indirect greenhouse gas emissions

The generation of 6,910 MWh of power from solar and hydro reduced CO_2 emissions by 4,768 MT which would otherwise have been created from thermal sources. Anantaya resort's onsite solar power facility and LAUGFS Power were the main contributors in usage of solar and hydro power.

Biodiversity

We focus on minimizing damage to bio diversity by various initiatives such as:

- ✓ Locating business operations in areas that have not been earmarked as an area of high biodiversity or protected area. No habitats and no IUCN red list species and national conservation list species have been affected by our operations.
- ✓ Obtained necessary approvals from authorities in accordance with relevant laws across all our business locations.

Compliance

- ✓ We have not been subjected to any significant fines and non-monetary sanctions for non-compliance with laws and regulations concerning the environment as well as the provision and use of products/services. In addition, we have adopted voluntary compliance of international environmental standards. For example, LAUGFS Maritime undertakes voluntary compliance of The Ballast Water Management Convention of IMO.
- ✓ Our strong focus on minimizing our environmental footprint supported by stringent system and policies, together with compliance have resulted in no environmental grievances filed during the review period.

Transport

Given the dependency on maritime transport for our LPG imports, we are exposed to maritime risks such as spills and emissions from fuel usage that could impact our environment. Thus, LAUGFS Maritime implemented a zero tolerance policy on spills at sea enabling us to continuously maintain zero spills and incidents at sea since inception.

GRI Index

GENERAL STANDARD DISCLOSURES

	Description	Page Number	External Assurance
Strategy and Analysis			
G4-1	Statement from the Chairman.	24	Yes
Organization Profile			
G4-3	Name of the organization.	6	Yes
G4-4	Primary brands, products and services.	8	Yes
G4-5	Location of the organization's headquarters.	IBC	Yes
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	8	Yes
G4-7	Nature of ownership and legal form.	8	Yes
G4-8	Markets served.	8, 20	Yes
G4-9	Scale of the reporting organization.	69	Yes
G4-10	Total number of employees by employment type, employment contract and region, broken down by gender.	68	Yes
G4-11	Percentage of total employees covered by collective bargaining agreements.	70	Yes
G4-12	Organization's supply chain.	10	Yes
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	9	Yes
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	9	Yes
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	18	Yes
G4-16	Memberships of associations and national or international advocacy organizations.	18	Yes
Identified Material Aspects and Boundaries			
G4-17	Organization entities covered by the Report and entities not covered by the Report.	19	Yes
G4-18	Process for defining the Report content and the Aspect Boundaries.	36	Yes
G4-19	Material Aspects identified in the process for defining Report content.	36	Yes
G4-20	Aspect Boundary within the organization for each Material Aspect.	36	Yes
G4-21	Aspect Boundary outside the organization for each Material Aspect.	36	Yes
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	36	Yes
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	36	Yes

	Description	Page Number	External Assurance
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organization.	34	Yes
G4-25	Basis for identification and selection of stakeholders with whom to engage.	34	Yes
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	34	Yes
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to them.	34	Yes
Report Profile			
G4-28	Reporting period.	18	Yes
G4-29	Date of most recent previous Report.	18	Yes
G4-30	Reporting cycle.	18	Yes
G4-31	Contact point for questions regarding the Report or its contents.	22	Yes
G4-32	Compliance with GRI G4 Guidelines, GRI Content Index and the External Assurance Report.	18	Yes
G4-33	Policy and current practice regarding seeking external assurance for the Report.	18	Yes
Governance			
G4-34	Governance structure of the organization, including committees of the highest governance body responsible for decision-making on economic, environmental and social impacts.	129	Yes
Ethics and Integrity			
G4-56	Values, principles, standards and norms of behavior.	72, 135	Yes

GRI Index

SPECIFIC DISCLOSURES

DMA and Indicators	Description	Page Number	External Assurance
Category: Economic			
Material Aspects: Economic Performance			
G4-EC1	Direct economic value generated, distributed and retained.	7	Yes
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	10	Yes
G4-EC3	Coverage of the organization's defined benefit plan obligations.	180	Yes
G4-EC4	Financial assistance received from government.	195	Yes
Material Aspects: Indirect Economic Impact			
G4-EC7	Development and impact of infrastructure investments and services supported.	7	Yes
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	62	Yes
Material Aspects: Procurement Practices			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	9	Yes
Category : Environment			
Material Aspects: Environmental Materials			
G4-EN1	Materials used by weight or volume.	82	Yes
G4-EN2	Percentage of materials used that are recycled input materials.	82	Yes
Material Aspects: Energy			
G4-EN3	Energy consumption within the organization.	82	Yes
G4-EN4	Energy consumption outside of the organization.	82	Yes
G4-EN6	Reduction of energy consumption.	82	Yes
G4-EN7	Reductions in energy requirements of products and services.	82	Yes
Material Aspects: Water			
G4-EN8	Total water withdrawal by source.	82	Yes
G4-EN9	Water sources significantly affected by withdrawal of water.	82	Yes
G4-EN10	Percentage and total volume of water recycled and reused.	82	Yes
Material Aspects: Biodiversity			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	83	Yes
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	83	Yes

DMA and Indicators	Description	Page Number	External Assurance
G4-EN13	Habitats protected or restored.	83	Yes
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	83	Yes
Material Aspects: Emissions			
G4-EN20	Emission of ozone-depleting substances (ODS).	83	Yes
G4-EN21	NOx, SOx, and other significant air emissions.	83	Yes
Material Aspects: Effluents and Waste			
G4-EN22	Total water discharge by quality and destination.	83	Yes
G4-EN23	Total weight of waste by type and disposal method.	83	Yes
G4-EN24	Total number and volume of significant spills.	83	Yes
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention 2 annex i, ii, iii, and viii, and percentage of transported waste shipped internationally.	83	Yes
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	83	Yes
Material Aspects: Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	81	Yes
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	82	Yes
Material Aspects: Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	83	Yes
Material Aspects: Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce.	83	Yes
Material Aspects: Overall			
G4-EN31	Total environmental protection expenditures and investments by type.	83	Yes
Material Aspects: Supplier Environment Assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	66	Yes
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	66	Yes
Material Aspects: Environmental Grievance Mechanisms			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	83	Yes

GRI Index

SPECIFIC DISCLOSURES

DMA and Indicators	Description	Page Number	External Assurance
Category: Social			
Sub-Category: Labour Practices And Decent Work			
Material Aspects: Employment			
G4-LA1	Total number and rates of new employees hired and employee turnover by age group.	70	Yes
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	73	Yes
G4-LA3	Return to work and retention rates after parental leave, by gender.	73	Yes
Material Aspects: Labour/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether it is specified in collective agreements.	69	Yes
Material Aspects: Occupational Health and Safety			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees.	73, 77	Yes
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender.	76	Yes
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	76	Yes
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	70	Yes
Material Aspects: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	73	Yes
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	72	Yes
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	73	Yes
Material Aspects: Supplier Assessment for Labour Practices			
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria.	66	Yes
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken.	66	Yes
Material Aspects: Labour Practices and Grievance Mechanisms			
G4-LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms.	70, 74	Yes

DMA and Indicators	Description	Page Number	External Assurance
Sub-Category: Human Rights			
Material Aspects: Investment			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	66	Yes
Material Aspects: Non Discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	70	Yes
Material Aspects: Freedom of Association and Collective Bargaining			
G4-HR4	Operations and suppliers identified, in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	66, 74	Yes
Material Aspects: Child Labour			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	66, 70	Yes
Material Aspects: Forced or Compulsory Labour			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	66, 70	Yes
Material Aspects: Indigenous Rights			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	70	Yes
Material Aspects: Supplier Human Rights Assessment			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	66	Yes
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	66	Yes
Material Aspects: Human Rights Grievance Mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	74	Yes
Sub Category: Society			
Material Aspects: Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	64	Yes
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	64	Yes
Material Aspects: Anti-Corruption			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	64	Yes
G4-SO5	Confirmed incidents of corruption and actions taken.	64	Yes
Material Aspects: Public Policy			
G4-SO6	Total value of political contributions by country and recipient/beneficiary.	64	Yes

GRI Index

SPECIFIC DISCLOSURES

DMA and Indicators	Description	Page Number	External Assurance
Material Aspects: Anti-Competitive Behavior			
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	64	Yes
Material Aspects: Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	64	Yes
Material Aspects: Supplier Assessment for Impacts on Society			
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	66	Yes
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	66	Yes
Material Aspects: Grievance Mechanisms for Impacts on Society			
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	64	Yes
Sub - Category: Product Responsibility			
Material Aspects: Customer Health And Safety			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	77	Yes
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	77	Yes
Material Aspects: Product and Service Labeling			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	77	Yes
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	77	Yes
G4-PR5	Results of surveys measuring customer satisfaction.	65	Yes
Material Aspects: Marketing Communications			
G4-PR6	Sale of banned or disputed products.	64	Yes
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	77	Yes
Material Aspects: Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	77	Yes
Material Aspects: Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	83	Yes

Independent Assurance Report

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

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

Independent Assurance Report to LAUGFS Gas PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2016/17

INTRODUCTION AND SCOPE OF THE ENGAGEMENT

The management of LAUGFS Gas PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting indicators in the annual report- 2016/17 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 07 of the Report.
- Limited assurance on the information presented in the Report (General Standard Disclosures and Specific Standard Disclosures of the GRI Index pages 84 to 90), prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines.

BASIS OF OUR WORK AND LEVEL OF ASSURANCE

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

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

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

MANAGEMENT OF THE COMPANY'S RESPONSIBILITY FOR THE REPORT

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

ERNST & YOUNG'S RESPONSIBILITY

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 09 March 2017. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

KEY ASSURANCE PROCEDURES

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

- Interviewing relevant the Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Independent Assurance Report

Building a better
working world

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

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

- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2017.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

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

LIMITATIONS AND CONSIDERATIONS

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

CONCLUSION

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

- The information on financial performance as specified on page 07 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2017.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.

Ernst + Young

Chartered Accountants

26 May 2017
Colombo

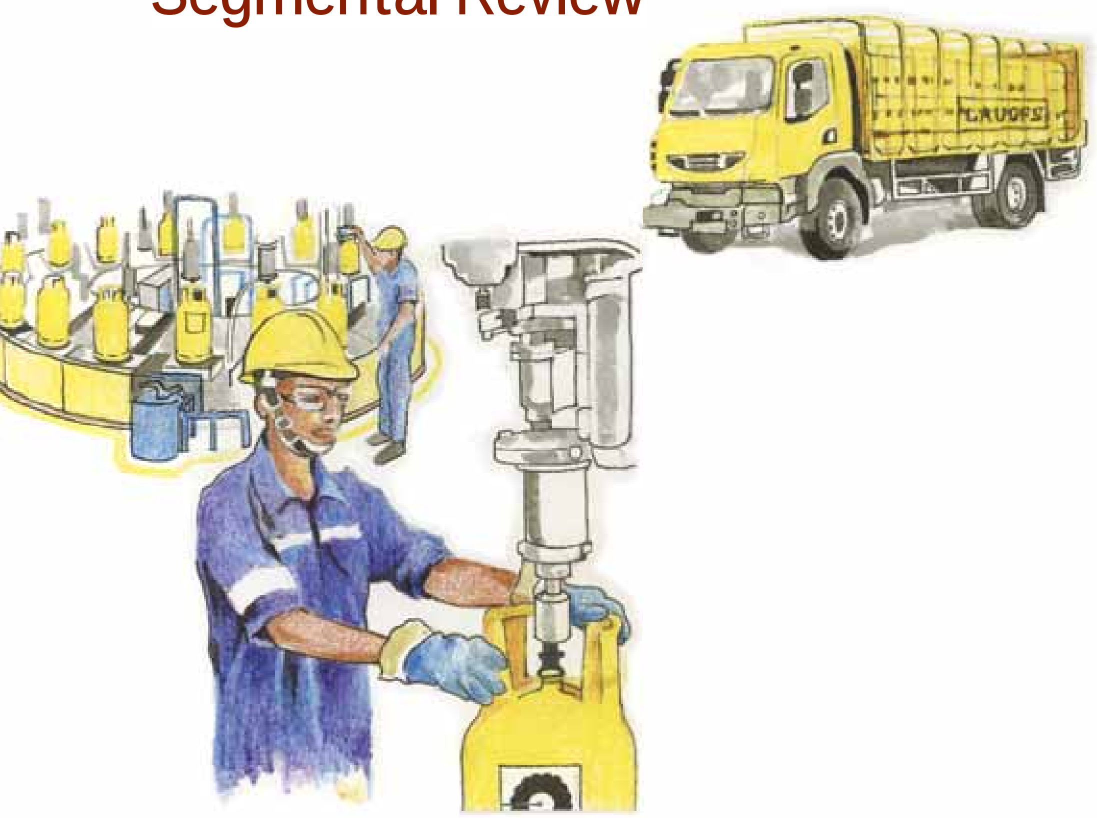
INVESTING *for* GROWTH

04

Segmental Review

Energy / Power / Services / Leisure / Property Development / Transportation and Logistics

Segmental Review



ENERGY

LAUGFS GAS PLC
LAUGFS GAS (BANGLADESH) LTD
SLOGAL ENERGY DMCC

As one of the largest energy conglomerates in the country, we are growing from strength to strength, rapidly expanding our footprint across the region.

Rs.16 BILLION

TOTAL REVENUE 2016 / 17

Our presence in the Energy Value Chain comprise of procurement, transportation, storage, refill, distribution and retail of LPG. Two Group companies engage in downstream LPG retail operations namely, LAUGFS Gas PLC and LAUGFS Gas (Bangladesh) Limited, while three Group companies engage in Sourcing, and providing Transportation and Logistics support in the supply chain. Operating in a highly-regulated industry, we comply with international best practices in health, safety and environment given the combustible nature of the product. Providing clean and safe energy to our customers form an integral part of our vision.

OUR OPERATIONS

The Energy sector comprises of three entities with well-defined roles in the value creation process as graphically depicted below:

SLOGAL Energy	LAUGFS Maritime	LAUGFS Terminals	LAUGFS Gas PLC & LAUGFS Gas Bangladesh
✓ Purchase LPG from office in Dubai ✓ Charter operation to transport LPG to Sri Lanka & Bangladesh	✓ Supply of maritime vessels for transportation of LPG	✓ At present, capital work in progress of state-of-the-art LPG storage terminal ✓ This will be the largest in South Asia	✓ Current storage facility ✓ Filling of cylinders ✓ Distribution in cylinder form and bulk form

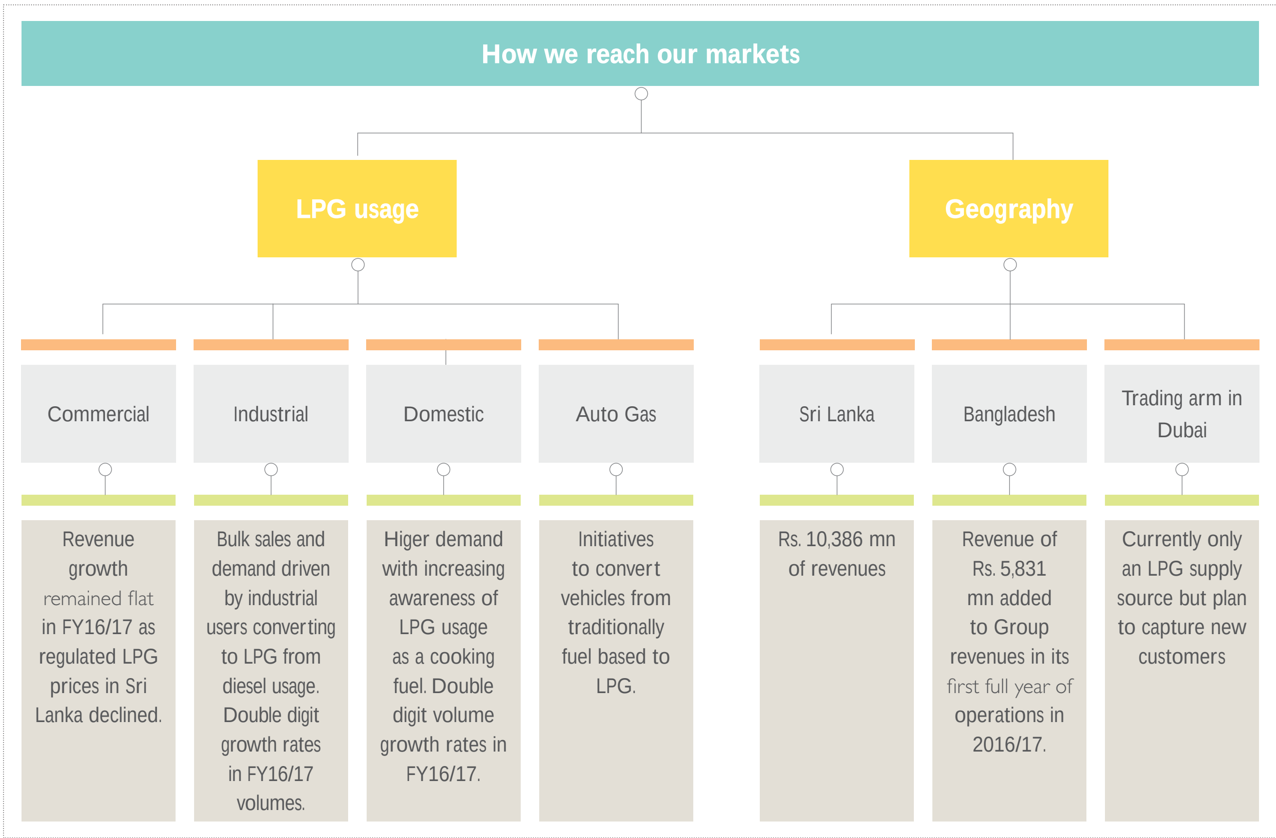
DELIVERING GROWTH

Our Energy Sector has evolved from being a local distributor of LPG in 2001, to today having a strong presence in Bangladesh, supported by our procurement hub in Dubai and own marine transportation vessel fleet. We entered the Bangladesh market with a 69% acquisition of Petredec Elpiji in 2015, while the balance 31% was acquired in April 2016. Alongside the growth in our downstream operations, we strengthened our sourcing, transportation and logistics arm. A new trading office, namely SLOGAL Energy, was opened in Dubai to source LPG from principal oil markets. In addition, LAUGFS Maritime doubled its capacity with the addition of two new ships over the past two years, catering to growth in our downstream businesses.

Significant investment was made to enhance our logistics operation over the past two years. LAUGFS Terminals embarked on the construction of the largest terminal in Hambantota of 45000 MT, to be completed in two phases. Construction is on schedule and once completed, it will be the most advanced and largest LPG storage facility in South Asia, consolidating our position as a regional player with the ability to distribute LPG beyond our shores.

Our distribution coverage spans various applications and geographies as graphically depicted below:

Segmental Review



BUSINESS ENVIRONMENT

Global demand for LPG amounted to 10.4 mb/d in 2015 and is expected to reach 11.3 mb/d in 2025, as a result of increasing demand in the petrochemical, residential and commercial sectors. By 2025, LPG will represent 4% of energy demand in US. Demand for LPG increased due to several factors such as increasing number of households using LPG as a cooking fuel, increasing usage of LPG as auto fuel and higher demand by petrochemical industries. Government support in India, China, Indonesia and other countries for these applications is expected to be strongly driven by increasing awareness of LPG as a low carbon intensive fuel. However, volatile prices for crude oil and natural gas is expected to remain a challenge for the sector.

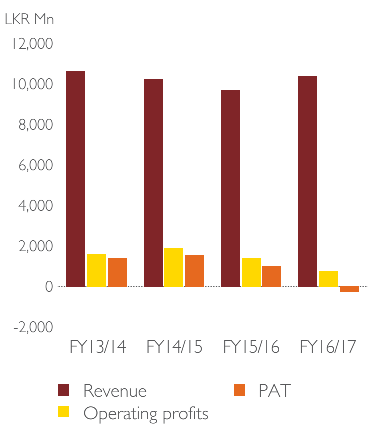
In Sri Lanka, LPG is a duopoly and has significant regulations including price regulation. The current retail price was set when the Saudi Aramco Contract Price was low. This had a significant negative impact on earnings in the 4th quarter as global prices reflected an upward trend. Consequently, Sri Lankan revenues, despite being benefitted from volume growth, declined in FY16/17 due to a decline in regulated LPG prices.

In Bangladesh, depletion of the country's natural gas reserves presents an opportunity for growth of the LPG industry segment. Popularising of LPG as a household cooking fuel by the Government and increasing industrial acceptance of LPG as a source of energy, coupled with increasing purchasing power of the consumers augur well for the LPG market in Bangladesh. The LPG penetration in households increased from 4% to 6% during 2016/17 period and is a reflection of the potential of the market.

SECTOR PERFORMANCE

LAUGFS Gas PLC & LAUGFS Gas Bangladesh	2016/17 FY	2015/16 FY
Revenue	16,217,974,439	11,808,277,748
PBT	100,386,417	1,443,734,277
PAT	81,591,520	1,199,704,988
Total Assets	24,884,836,131	20,168,866,097
Total Liabilities	18,495,334,394	13,345,655,393

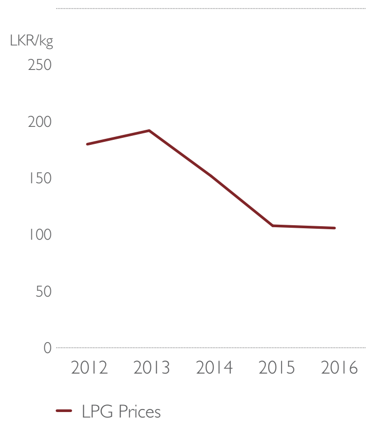
SLOGAL Energy DMCC	2016/17 FY	2015/16 FY
Revenue	1,965,930,115	527,709,652
PBT	1,383,849	12,383,457
PAT	1,383,849	12,383,457
Total Assets	1,587,513,161	317,182,570
Total Liabilities	213,166,425	297,730,089



Despite the higher LPG demand, performance of LAUGFS Gas PLC was impacted by the price ceiling on the retail price of LPG for household use. However, we expect the impact to be short term as we have initiated discussions for a pricing formula that trends alongside global prices. On materialization of the formula and the subsequent increase in prices, earnings potential of LAUGFS Gas PLC would significantly improve. LAUGFS Gas Bangladesh, being in its first full year of operations actively contributed to growth in our Energy Sector.

Sector asset growth of 23% YoY in 2016/17 was driven by investments in both local and Bangladesh operations. In Sri Lanka, significant investment was incurred for the construction of LPG import and export terminal, whilst in Bangladesh investments were incurred to set up regional hubs and for the purchase of branded cylinders. The earning potential of the Energy Segment remains attractive in 2017 with the pricing formula materializing and the expected growth in Bangladesh operations.

LAUGFS GAS: SRI LANKA



Volume growth mitigated the impact of declining LPG retail prices on revenue, buoyed by strong growth from the household segment. Marketing efforts focused on the households located in the outskirts of Colombo. We also introduced a bundled plan for estate plantation workers, with an easy payment scheme for a cylinder and a gas cooker coupled with comprehensive customer awareness program focusing on areas such as safety, time saving, improving quality of life and societal benefits of LPG usage, enhancing volume growth of the segment. In addition, new distributors and dealers were appointed in expanding market presence. Industrial applications are also gaining momentum as LPG has advantages over furnace oil and kerosene in terms of both cost and the carbon footprint. Number of distributers were increased to 30 whilst the number of dealers increased to 5000 compared to 4000 in FY15/16.

Margins declined by 7% compared to 18% in FY15/16 due to increasing LPG import costs with an increase in global Saudi Aramco LPG prices in 2016 and Rupee depreciation against the US Dollar. Operational efficiency was a key focus

Segmental Review

As we refined our distribution model by shifting to trailers from trucks and increasing the cargo capacity of vehicles, with a view of reducing the number of daily trips and costs.

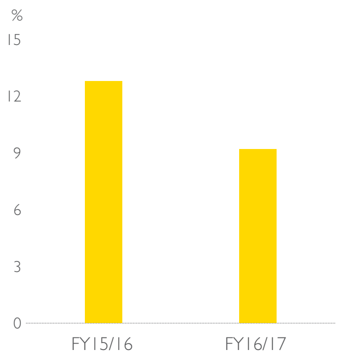
As a consequence of declining margins, the Company incurred a loss after tax of LKR (259 mn) in 2016/17 despite healthy volume growth. Ongoing discussions on pricing revisions have been initiated with the Government, but are yet to materialize. Pricing agreements for industrial customers are revised on renewal which will ease the pressure on margins in the Industrial segment in the next financial year.

LAUGFS GAS: BANGLADESH

The consolidated income statements reflect the first full year's impact of LAUGFS Gas Bangladesh with revenue of Rs. 5,831 mn and a profit of Rs. 341 mn. Performance was strongly supported by volume growth, an expanding customer base and the addition of new customer lines by promoting LPG usage across industries, commercial and domestic markets. The domestic market consisting of 34 million persons presents a sizeable market with favourable Government policies promoting LPG usage through fiscal support and limiting the availability of cheaper pipelined gas. LAUGFS Gas Bangladesh has a 13% market share and is the pioneer in the Auto gas segment with the most number of filling stations.

Being the only operator with own LPG carriers provides a strategic advantage in managing freight costs and securing LPG supply. Investments in new spheres supported the use of larger vessels as spheres eased the unloading process. We also built a network of 175 distributors and invested in branded cylinders for specific business lines,

Operating Margins



gearing for increased competition in the future. Regional distribution centres were set up in Bogra and Chittagong in close proximity to developing industrial zones. Efficiency of our plant in Mongla, measured by the throughput volumes, increased by 27% post acquisition driven by effective management.

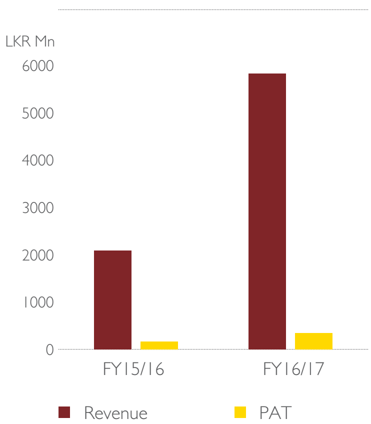
ENERGY TRADING

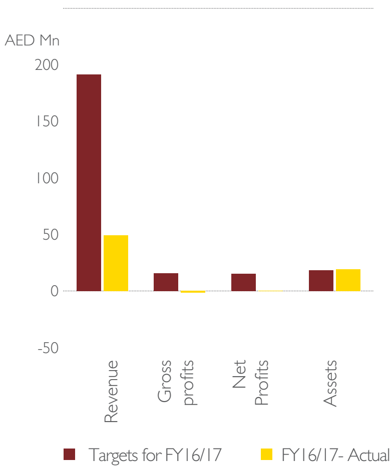
SLOGAL ENERGY DMCC

Opening of a trading office in Dubai named SLOGAL Energy in February 2016 was a strategic move marking our presence in principal oil markets. The Middle East continues to be a key supplier of LPG globally, accounting for 23% of global supply driven by factors such as ownership of global oil and gas reserves and the presence of the most economical sea route for Asian region.

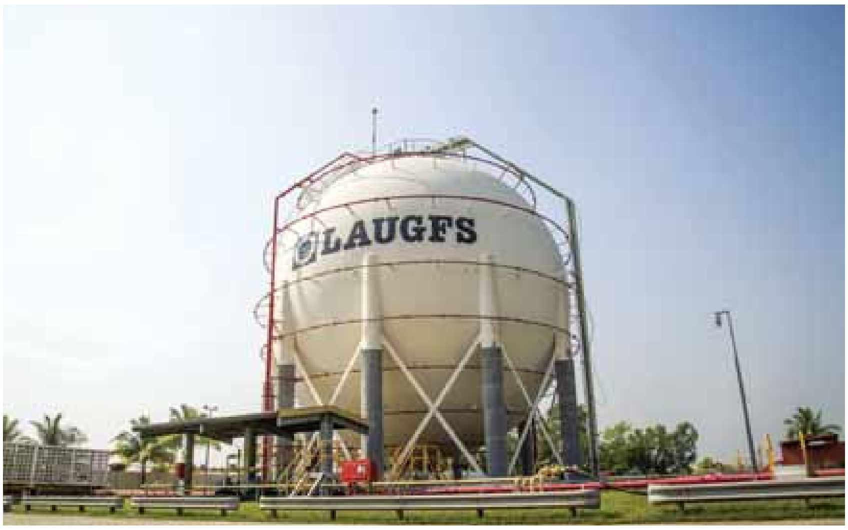
Currently, the main operations of SLOGAL is chartering of vessels owned by LAUGFS Maritime to source LPG supply from the Middle East for our downstream operations in Sri Lanka and Bangladesh. Over 10% of LPG requirements are sourced through SLOGAL. However, our plans for SLOGAL extend to exploiting trading opportunities outside the Group's existing downstream businesses. As such we are in the process of appointing experienced traders to cater to regions such as, Africa, Latin America and European continents. Apart from being an LPG trader, our client services will extend to cargo procurement at terminals or source destinations, and shipments to desired destinations on CFR basis (Cost and Freight) or FOB (Free on Board) basis.

During the period under review, revenues of SLOGAL amounted to LKR 1,966 mn in its first full year of operations. Assets of LKR 1,587 mn significantly increased during the year with the investment on acquiring the remaining 31% stake of

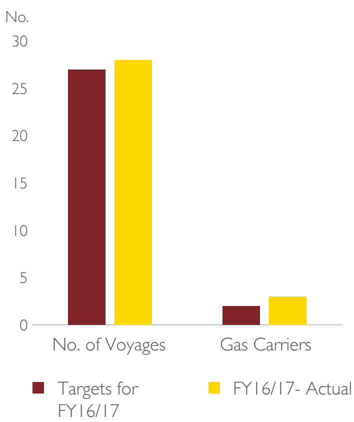




During the period of review revenues of SLOGAL amounted to LKR 1,966 mn, in its first full year of operations.



LAUGFS Gas Bangladesh in April 2016. SLOGAL profitability depends on two key factors; commodity prices and optimum utilization of vessels chartered from LAUGFS Maritime. During the review period, SLOGAL profits declined to LKR 1,384 mn.

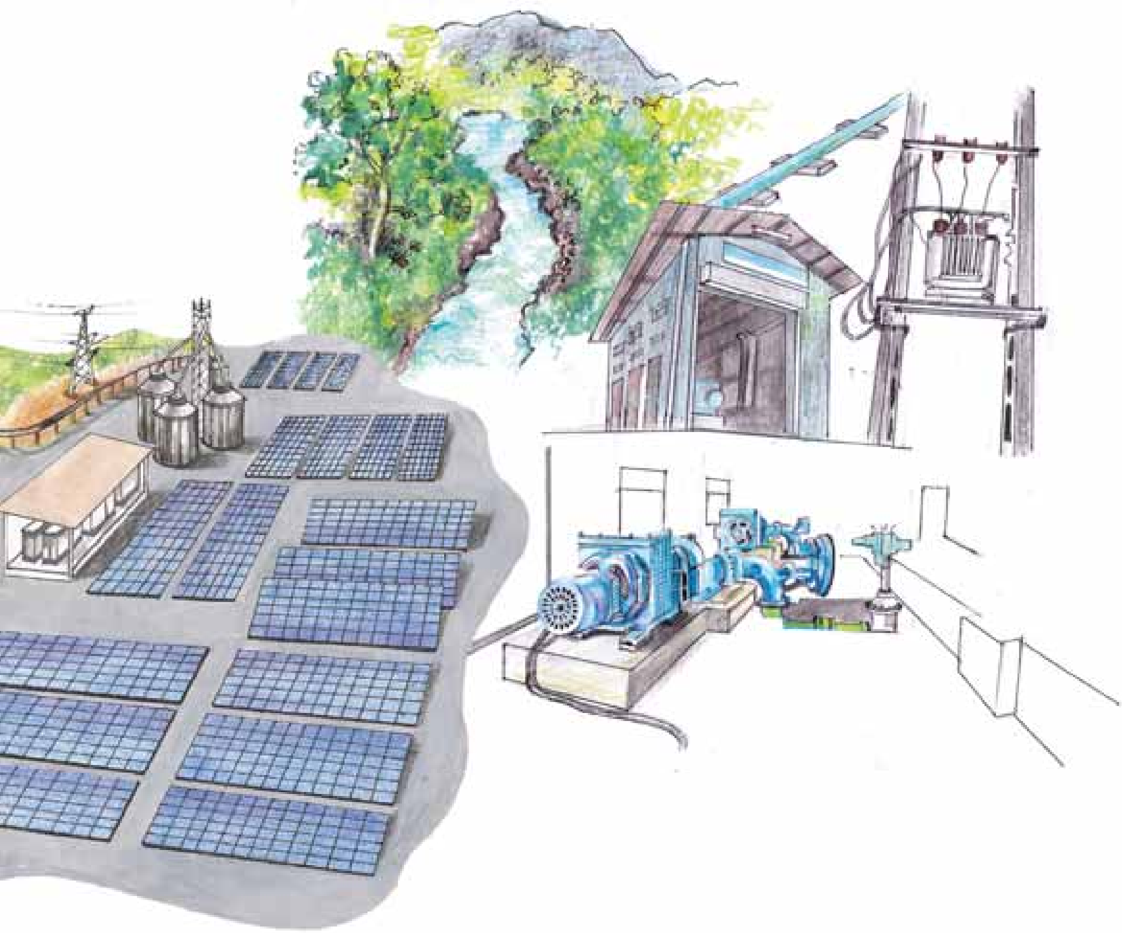


SECTOR OUTLOOK

Outlook for the sector is positive as we have increased market share in the domestic segment and see promising growth in the industrial segment in Sri Lanka and Bangladesh. Challenges faced during the year with price regulation are likely to ease in 2017/18 financial year, restoring profitability of the sector. We have also initiated discussions on the LPG pricing mechanism with the Government as a long-term measure to resolve challenges of higher and uncertain LPG import costs. In addition, agreements with industrial customers will be repriced during the year under review. Improving resource efficiency using process re-engineering, operational excellence and an innovative culture are key priorities moving forward to drive profitability of the sector.

SLOGAL will continue to be an important LPG sourcing point to both local and Bangladesh operations, while plans to extend its trading services to new downstream players in various regions and geographies is expected to further enhance its earnings potential and profitability. SLOGAL has the potential to connect LAUGFS with the global LPG industry and its significance becomes more evident as the new LPG storage terminal comes into play in 2018. The vision of SLOGAL is to extend its services beyond being a sole LPG supplier to an efficient and effective maritime logistics provider, leveraging on the growth in maritime transportation globally.

Segmental Review



POWER

LAUGFS POWER LTD

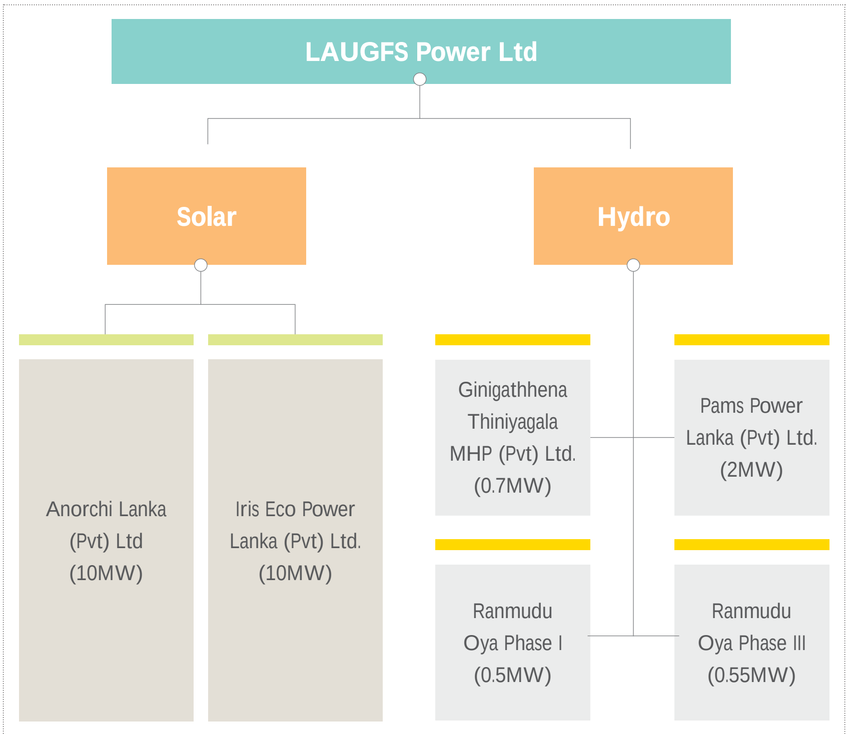
In 2016 / 17, we accelerated our trajectory of growth in the Power Sector by commissioning Sri Lanka's largest solar power project in Hambantota.

Rs.138 MILLION

TOTAL REVENUE 2016 / 17

OPERATIONS

LAUGFS Gas PLC Group operations in the Power Sector come under the umbrella of LAUGFS Power Ltd., which has four subsidiaries, each of which handle a standalone power generation project. Diversification across solar, and mini hydro facilitates stability of earnings and a significant presence in the sector.



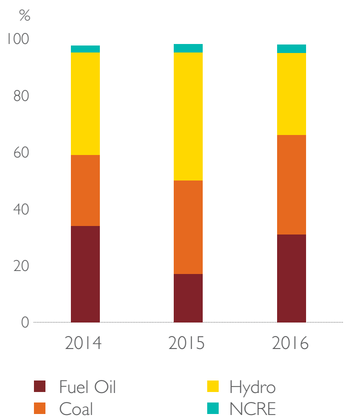
Venturing into the Power Sector in March 2014 with the commissioning of our first mini hydro power plant at Balangoda with a 0.5 MW capacity, our growth in this sector has been significant with the combined capacity of the current hydro projects recording a six fold increase to 3.75 MW as at 2017. Expanding our interest in renewable energy, we have invested approximately LKR 5 bn into Sri Lanka's largest 20 MW solar power plant, which was grid connected in February 2017, positioning the Group as one of Sri Lanka's leading players in the renewable energy sector.

BUSINESS ENVIRONMENT

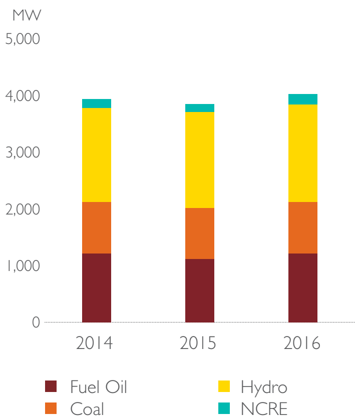
Electricity generation increased by 8% during 2016/17, while the installed capacity too increased, particularly in mini hydro power. Generation of power by Independent Power Producers increased by 25% during the year and accounted for 23% of total power generated.

Segmental Review

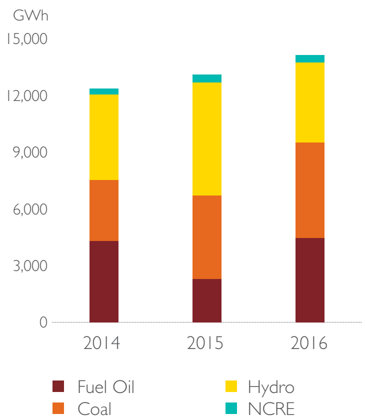
% Electricity Generated



Installed Capacity



Electricty Generated



Source: CBSL Annual Report 2016

SECTOR PERFORMANCE

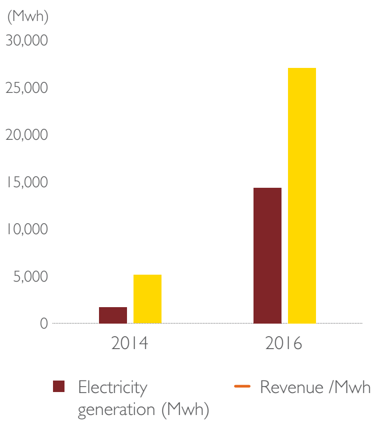
	2016/17 FY	2015/16 FY
Revenue	138,462,727	35,345,804
PBT	47,608,035	173,724,340
PAT	47,412,575	173,391,681
Total Assets	6,303,504,049	2,238,971,075
Total Liabilities	4,750,586,921	2,440,649,027

Portfolio growth was driven by the investment in the solar power plant of approximately LKR 5bn, driving the asset growth in the sector. Liabilities in the segment increased to LKR 4,750 mn, as new borrowings were taken to fund the capacity expansions. Returns were impacted by the significant decline in profits during the year and expected to return to normalcy by 2017/18, as the impact of the solar power plant materializes.

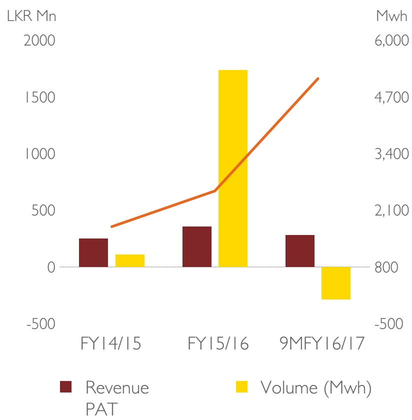
Revenue growth moderated in 2016 impacted by the decline in hydro generated electricity especially in the last two quarters, due to severe drought conditions which are the worst in 40 years. However, the new solar power plant that was operational for 2 months in 2017 added 67% to volumes, negating a decline in overall generation volumes.

Declining hydro generation volumes and higher operating costs mainly attributed to finance costs, which resulted in a significant decline in profits. Increasing contribution of the solar plant in its first full year of operations in 2017/18 enables a rebound in profitability of the sector driven by volume growth.

Power



Power Sector



We account for 4.5% of Sri Lanka's non-conventional renewable energy sources

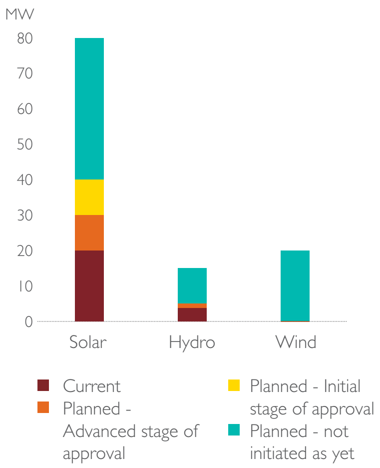
Built Sri Lanka's largest solar plants of 20MW.

100% of operational staff are employed from the local community

Zero carbon emissions

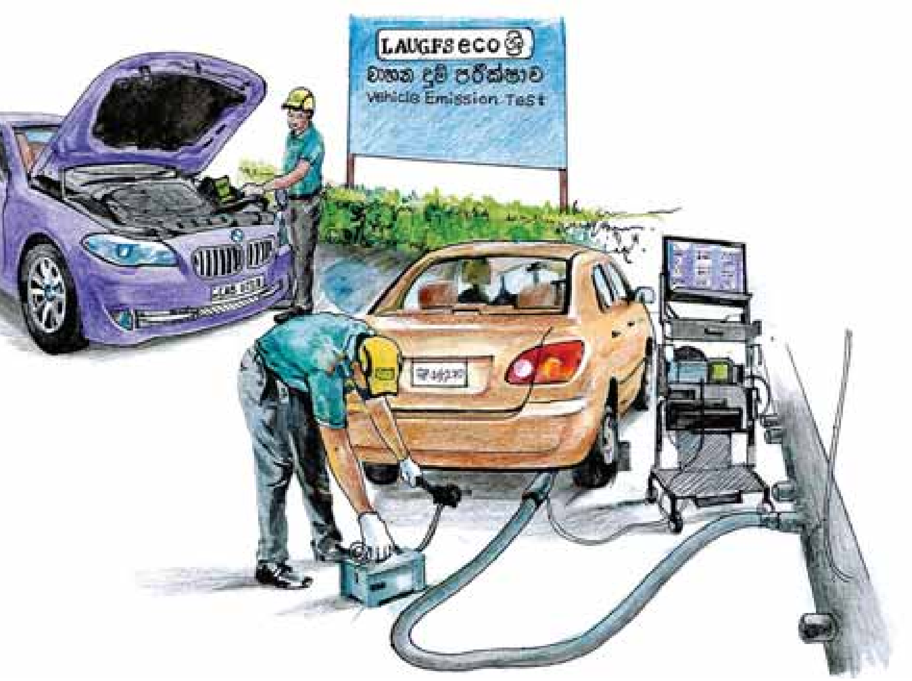
FUTURE OUTLOOK

Currently, our portfolio includes 4 mini hydro power projects and 2 solar power projects. In 2016, the acquisition of the Kehelgamuwa Oya (Pams Power Pvt Ltd) project added 2MW of hydro capacity and the construction of solar power plants added 20MW of new solar capacity. During the period under review, all completed projects were fully connected to the grid. Hydro power plants are located in the Balangoda and Ginigathena regions, while the solar projects are in the Hambantota region.



Over the next three years, we will pursue an aggressive growth strategy of LKR 10 -11 bn with capacity expansions in the solar and hydro segments, while we also consider a strategic entry into the wind power sector. The Sector will return to profitability with the full year's generation from the solar power plants in 2017/18 and the easing of the drought conditions. Solar Power will remain our focus area and aligns well with our company-wide sustainability goals of socially responsible growth. We plan on implementing solar panels across all our offices by 2020, enabling a decline in both the electricity costs and the usage of non-renewable energy sources.

Segmental Review



SERVICES

LAUGFS ECO SRI (PVT) LTD

Our vehicle emission testing operations continued to serve millions of customers with our expansive network of fixed and mobile testing centres spread across the country.

Rs.1,240 MILLION

TOTAL REVENUE

2016/17

OUR OPERATIONS & BUSINESS ENVIRONMENT

With 6.7 mn motor vehicles estimated to be on Sri Lankan roads, emissions testing has a steady stream of earnings despite the recent import duties and other fiscal measures enacted to limit the number of vehicle imports. In 2015, 62% of Sri Lankan vehicles were tested for emission services, growing at a five year compounded annual growth rate (CAGR) of 15%, which was significantly higher than the 9% growth in the vehicle population over the same period.

Our operating model is as follows:

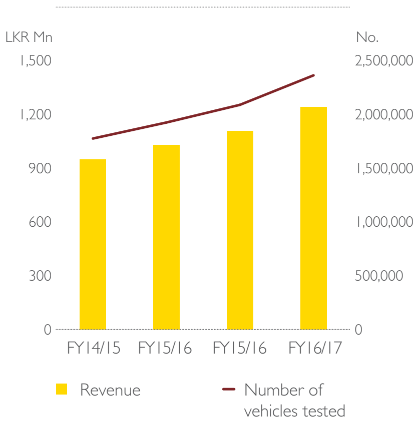
Renewal of revenue license requires an emissions test certificate	LAUGFS Eco Sri provides emission testing services as agreed with the Department of Motor Traffic at regulated prices	Emission testing process is subject to supervision of the Department of Motor Traffic with the support of the Assistant Government Agent Office

Being a pioneer in air quality management and eco solutions in Sri Lanka, LAUGFS Eco Sri is backed by state-of-the-art technology, experienced staff and widespread regional presence. Strongly supported by the Vehicle Emission Testing program implemented by the Department of Motor Traffic, Eco Sri has expanded its customer base since inception in 2008. Operating in a regulated duopoly, the pricing of emission tests is determined by the Government and consequently, profitability of this operation is significantly impacted by Government policy.

SECTOR PERFORMANCE

	2016/17 FY	2015/16 FY
Revenue	1,240,302,196	1,106,426,395
Total Assets	820,499,044	840,218,359
Total Liabilities	201,485,615	163,871,489

Segmental Review



Increasing penetration within the existing vehicle market by expanding our regional presence enabled 12% growth in the number of vehicles tested despite a challenging business environment.

Revenue from Eco Sri of LKR 1240 mn was in line with revenues in the previous year, despite declining new vehicle registrations due to Government initiatives to curb vehicle imports, increasing demand for emission free electric cars and lack of pricing revisions. Increasing penetration within the existing vehicle market by expanding our regional presence enabled a 12% growth in the number of vehicles tested despite a challenging business environment. Opportunities continue to exist within the existing vehicle population as only 62% is currently tested for emissions. Increasing awareness supported by the Government and convenient access to service centers will enable Eco Sri to capture an increasing portion of the existing vehicle population. In addition, Eco Sri has ventured into exploring new business lines such as specialized testing services for industries.

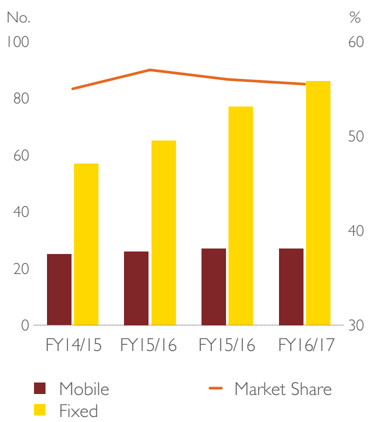
Currently, 74% of Eco Sri tested vehicles are three wheelers and motor cycles. Volume growth was driven by increasing penetration in the existing vehicle population as growth in new registrations was slow paced with the adverse impact of the Budget 2017. Increasing regional presence by establishing both fixed and mobile testing centers enabled us to leverage on the industry growth in emission testing.

Sluggish revenue growth and declining margins pressurized by the inability to obtain pricing revisions negatively impacted profitability growth. Revenue grew by 12% YoY in FY16/17 albeit at a slow pace to LKR 1,240 mn, supported by the operational cost management practices and increased employee productivity especially during peak operating hours.

FUTURE OUTLOOK

Increasing market penetration by expanding regional presence is the core strategy of Eco Sri. Currently, each district has at least 3 fixed testing centers while remote areas have mobile testing units with each unit covering minimum 4 locations. The convenient location of service centers serves to attract customers towards emission testing. To cater to the surge in demand, especially in peak hours, we increased our staff cadre and focused on recruiting technically qualified personnel, enabling an increase in the productivity of employees. Despite the challenges of operating in a regulated duopoly market, we expect volume growth to enhance the profitability of the segment.

Number of Service Centers



Employee Productivity

In 2015, 62% of Sri Lankan vehicles were tested for emission services, growing at a five year CAGR of 15%, which was significantly higher than the 9% growth in the vehicle population over the same period.

Segmental Review

LEISURE

LAUGFS LEISURE LTD

We further strengthened our presence in the Leisure Sector by expanding our award-winning Anantaya chain to Pasikuda in 2016

Rs.416 MILLION

TOTAL REVENUE 2016/17

OUR OPERATIONS

Our Leisure Sector owns and operates two hotels located in Chilaw and Pasikuda with a capacity of 87 and 51 rooms respectively. Whilst the Pasikuda hotel is viewed as a long stay destination, the Chilaw hotel is a combination of both short and long stay.

Anantaya Chilaw opened in February 2014 as a star class luxury hotel and has since been bestowed with a number of recognitions including awards at the World Luxury Hotel Awards in 2016 for service excellence and world class facilities. Anantaya Pasikuda, our second Hotel opened in July 2016 adding 51 new rooms to our current portfolio. We work with leading global tour operators located in key markets and through social media to attract tourists to our hotels, while maintaining high levels of engagement with these key stakeholders. We also ensure that our guests enjoy high levels of service which are reflected in online reviews and ratings on key travel websites.

BUSINESS ENVIRONMENT

Tourist arrivals decreased by 2.5% YoY in March 2017, mainly due to the closure of the airport in the first three months of 2017. It is noteworthy that total arrivals for the 1st quarter of 2017 were 604,953, which reflects a 3.4% growth over arrivals in the corresponding period of 2016. Arrivals reached an all-time high in December 2016 of 224,791 prior to closure of the airport. Key markets in 2016 were India, China and the UK.

Room capacity in the country increased significantly as projects approved in previous years reached completion, resulting in lower occupancy rates as the arrivals failed to keep pace with the growth. Activity in the informal sector offering bed and breakfast also increased during the year, although its impact was negligible on the business of premium brands such as Anantaya.

'Anantaya' is a chain of luxury beach Resorts built on the Eco-Luxury concept. Attracting tourists from Europe, the UK, Australia, Italy and the Gulf, our premium Anantaya brand is identified with a relaxed and luxurious lifestyle in harmony with its tranquil settings. A focus on giving tourists an authentic Sri Lankan experience in terms of cuisine and hospitality makes for treasured memories on some of the best beaches the country has to offer.

Segmental Review

Revenues increased by 17% to LKR 416 mn in FY16 / 17 with the addition of hotel revenues from Anantaya Pasikuda.

SECTOR PERFORMANCE

	2016 / 17 FY	2015 / 16 FY
Revenue	416,145,584	355,833,244
PBT	(401,728,119)	(109,266,575)
PAT	(400,705,432)	(113,422,070)
Total Assets	6,215,539,482	6,229,569,260
Total Liabilities	3,962,395,829	5,269,601,884

Revenues increased by 17% to LKR 416 mn in FY16/17 with the addition of hotel revenues from Anantaya Pasikuda which operated at an occupancy of 32% during its first four months of operations. The number of room nights in Anantaya Chilaw declined by 12% in FY16/17, mainly on account of the airport closure in 2016. . Being in the infancy stage in the industry, operating losses continued resulting in a loss after tax of LKR 401 mn in 2016/17.

During the period under review, we tied up with prominent leading global tour operators especially in the UK and Italy. We have tied up with Francorosso, a leading Italian tour operator and it was considered a strategic move to bring in new tourists to the location.

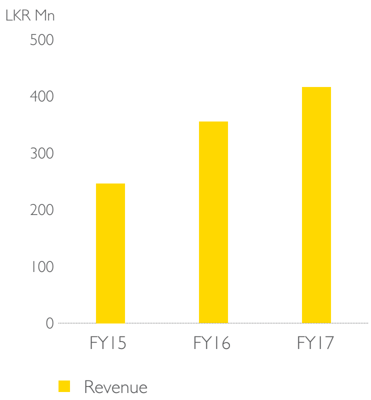
The hotels play a key role in the socioeconomic activity in the surrounding area through local purchasing of fruits and vegetables from local farmers.

Room Nights (FY16/17)

14,513
Chilaw

3,590
Pasikuda

Performance of Lesiure Segment



Global awards received at the World Luxury Hotel Awards 2016 include the Luxury Hotel and Conference Center - Country Award and Luxury Wedding Destination - Regional Award, which served to increase Sri Lanka's prominence in the global market.

Increasing income and quality of life for local communities.

37% of purchases sourced from local community by Anantaya Chilaw.

Anantaya is a premium brand, awarded with a number of prestigious global awards.

FUTURE OUTLOOK

Anantaya is a premium brand, attractively positioned globally with the prestigious global awards, recognized as a world class luxury hotel. The Group's entry into the Leisure Sector, was to leverage on the tourism boom period of the country. We are confident that both hotels will reach desired levels of occupancy that will enable a turnaround in profitability. Anantaya Chilaw will see a turnaround in 2017 with the airport resuming normal operations while Anantaya Pasikuda will require two more years for a turnaround. Strategic tie ups with global tour operators such as Kouni UK and TUI Germany, will increase the number of tourists in the location. We are also hoping to bring in an international operator for water sports for both hotels, targeting a new revenue stream. The Group is also considering a third hotel in Wadduwa with a theme park concept and a capacity of around 200 rooms with a joint venture partner, expanding our portfolio.

Segmental Review

PROPERTY DEVELOPMENT

LAUGFS PROPERTY DEVELOPERS (PVT) LTD

As the demand for commercial office space and residential properties continues to grow, we anticipate significant value creating opportunities, which we are strongly positioned to capture.

Rs.73 MILLION

TOTAL REVENUE

2016 / 17

OPERATIONS

Construction of the state-of-art-luxury office building in Havelock Town, Colombo, incurring an investment of LKR 1.2 bn, was completed during the year. The building comprising of 14 floors and 85,000 sqft of usable space with parking space for 80 vehicles, and houses the new Head Office Complex of the LAUGFS group of companies.

BUSINESS ENVIRONMENT

The real estate sector has been one of the most active sectors in the country fuelled by a scarcity of land and a dearth of housing and high end commercial premises offering state-of-the-art facilities. The sector has attracted international operators who have combined with local partners to offer ultra-luxurious housing complexes. A large number, of local operators have also been active in the housing and commercial complexes with inventories for housing and commercial space increasing at a rapid pace. Management of project costs is a critical success factor in this Segment and we have focused on building our competencies in this area with our initial venture.

The Group has a considerable land bank of properties in prime locations in Colombo and other cities. Our venture into forming LAUGFS Property Developers seeks to enhance utilization of the strategic locations of our current land bank, creating new revenue streams for the Group. In its fledgling stage, this Sector is yet to realise its potential although a review of its first project is a clear indication of the Group's ability to succeed in this new area of operations.

SECTOR PERFORMANCE

	2016/17 FY	2015/16 FY
Revenue	73,900,133	-
PBT	50,581,406	(2,206,697)
PAT	43,645,937	(2,219,349)
Total Assets	2,052,652,715	1,416,461,927
Total Liabilities	1,008,967,968	546,713,544

FUTURE OUTLOOK

The property segment contributed LKR 74 mn in revenue and LKR 43.6 mn in profits during the year with the completion of the first commercial building. Going forward, we plan to pursue a more relaxed investment growth strategy in property development, with careful scrutiny of attractive locations to increase and diversify our portfolio to residential and commercial development.

Segmental Review

TRANSPORTATION & LOGISTICS

LAUGFS MARITIME SERVICES (PVT) LTD
LAUGFS TERMINALS LTD

While we expanded our LPG vessel fleet with the acquisition of Gas Courage, construction of our LPG Terminals in Hambantota, one of the largest in South Asia, progressed rapidly during the year.

Rs.1,189 MILLION

TOTAL REVENUE

2016/17

The Transportation & Logistics Sector of the Group comprises LAUGFS Maritime and LAUGFS Terminals which are key components of the Group's LPG value chain. Our reliance on imports makes a strong and efficient transportation and logistics operation a key priority in ensuring supply stability and managing transportation costs. LAUGFS Maritime (Pvt) Ltd was established in 2014 to handle the LPG maritime transportation needs of the Group whilst LAUGFS Terminals was formed in 2015 to establish one of the largest LPG import and export storage terminals in South Asia by 2018, which is in its construction phase. This Sector is pivotal to establishing our presence as a global player in the Energy Sector.

OUR OPERATIONS

The Sector comprises of two key entities which complete the value chain in the Group's LPG operations as depicted below. Growth in fleet size and sustainable shipping solutions supported by good governance in Ship Management, the zero - tolerance policies for health and safety and environment related incidents and zero down time remain our long-term vision for the sector.

SLOGAL Energy	LAUGFS Maritime	LAUGFS Terminals	LAUGFS Gas PLC & LAUGFS Gas Bangladesh
✓ Purchase LPG from office in Dubai ✓ Charter operation to transport LPG to Sri Lanka & Bangladesh	✓ Supply of maritime vessels for transportation of LPG	✓ At present, capital work in progress of state-of-the-art LPG storage terminal ✓ This will be one of the largest in South Asia	✓ Current storage facility ✓ Filling of cylinders ✓ Distribution in cylinder form and bulk form

BUSINESS ENVIRONMENT

The total LPG fleet showed a net growth of 16 % in 2016 as measured in cubic meter capacity. The VLGC segment showed the fastest growth with an expansion of 22.2%, while the LGC and MGC segments expanded by 4.6% and 11.8% respectively. The Handy segment showed a net growth of 11.8% while the Small gas segment below 12,000cbm cargo capacity grew by a modest 1.2%. Vessel sales for demolition increased compared to 2015 despite being below average levels due to difficult market conditions across most ship sizes. In total, 18 gas carriers were sold for demolition in 2016 of which three were VLGCs. Ordering activity remained dull for most gas carrier segments. By end 2016 yard prices for large gas carriers declined by 8% YoY compared to last year while second hand values declined by 25% for modern ships and ships older than 20 years were approaching scrap values. At the end of 2016 the aggregate capacity of ships on order corresponded to 17.8% of the existing fleet as compared to 38.4% one year ago.

Segmental Review

	Existing capacity	Order book at year end
VLGC	244	37
LGC	24	0
MGC	91	32
Handy (12-23 kbcm)	126	28
Small (<12 kbcm)	777	14

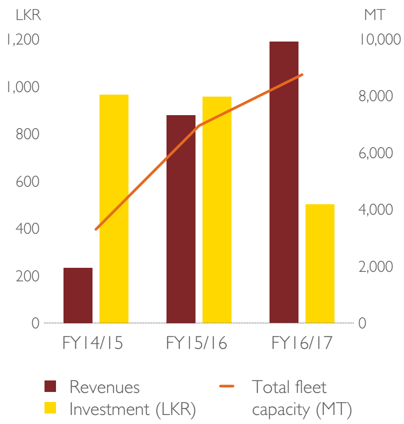
SECTOR PERFORMANCE

	2016/17 FY	2015/16 FY
Revenue	1,188,952,003	879,780,637
PBT	407,222,290	190,732,878
PAT	406,378,789	184,782,533
Total Assets	6,007,872,844	2,393,374,096
Total Liabilities	3,705,863,157	1,572,558,718

LAUGFS MARITIME

We ventured into the LPG vessel industry with the purchase of our first LPG vessel 'Gas Challenger' in November 2014. Within two years, we added two new LPG vessels namely Gas Success and Gas Courage, increasing our fleet size to three gas vessels by FY16/17 and leading the Sri Lankan market of independent LPG vessel ownership and management.

Revenues in FY16/17 grew by 35% driven by increasing fleet size and changes in the sales contract policy to time chartering since August 2016 ensuring steady incomes based on a flat fee income. Our third gas vessel "Gas Courage" was purchased in Jan 2017 and is yet to add to revenue growth in FY16/17. Currently, our only client is SLOGAL Energy, the trading arm of the Group which caters to our Sri Lankan and Bangladesh LPG operations.



We have taken steps to reduce CO_2 emissions by strengthening implementation of Environmental and Social policies underlying our zero-tolerance policy for environment and health and safety related incidents. This has increased our asset efficiency by ensuring that spills, accidents and downtime, which are the three most significant maritime risks, are maintained at zero levels since inception. Pillars of zero-tolerance policy are tabulated below:

Policy	Objective	Key processes / activities
Environmental Protection Policy	Zero tolerance and zero spills	✓ Protect environment from pollution due to system failure and/or human error ✓ Identify and avoid any conditions perceived to be unsafe and hazardous to the environment ✓ Maintaining, implementing, and monitoring relevant GMS procedures and instructions.
Quality	To be a trustworthy and dependable company	✓ Adhere to mandatory industry rules, regulations and applicable conventions, codes, guidelines and standards.
Drug & Alcohol Policy	Enhance Health & Safety	✓ No seafarer will navigate a ship or operate its onboard equipment while impaired by substances. ✓ All seafarers must be able to respond at any time in an emergency situation using their best capabilities and unobstructed judgment. ✓ "Zero Tolerance" applies to all alcoholic beverages, including beer. This means that drinks containing alcohol are not permitted.
Energy Efficiency Management Policy	Increase fuel efficiency	✓ Establish and maintain a Ship Energy Efficiency Management Plan (SEEMP) which is regularly reviewed by all concerned departments. ✓ Implementing an Environmental Management System ✓ Promote energy efficiency awareness through training of shore and sea-going personnel. ✓ Monitoring and complying with all applicable legal requirements related to ship energy efficiency management.
Security Policy	Safe work environment	✓ Implement the security procedures in operation of the ship to safeguard the security of port facilities and relevant wide range regional communities ✓ Establish protection measures to mitigate risks ✓ Enhance the ability and consciousness of ship and shore personnel ✓ Provide emergency response measures for potential security incidents.
Health & Safety Protection Policy	Safety at sea	✓ Developed its General Management System (GMS), which provides controls to: ✓ Identify all risks involved in its operations and establish safeguards against them. ✓ Minimize the effects of any accidents that may happen and prevent their re-occurrence. ✓ Continuously improve the safety management skills of personnel ashore and aboard managed vessels. ✓ Comply with all applicable laws and mandatory rules and regulations and consider the best practices recommended by the IMO, the flag administrations, the classification societies and the maritime industry organizations.

Segmental Review

LAUGFS TERMINALS

Pursuing our vision of operating one of the largest, fully automated, world class LPG terminals in South Asia, we commenced construction of the LPG terminal in April 2016 with a target completion by the 1st half of 2018. Located in close proximity to busy shipping routes, the storage terminal will not only increase the country's existing storage capacity but also serve as a break bulk hub which could be used to cater to the increasing demand of regional LPG markets by attracting global LPG traders to the Magampura Mahinda Rajapaksa Port.

Development of this storage facility will also increase the profitability of the Energy Sector by enhancing the efficiency of the prevailing logistics model.

The terminal is being constructed in two phases at a total investment cost of USD 80 million. Total capacity of the terminal will be 45,000 MT with Phase I adding 30,000 MT of capacity by 2018. Construction is undertaken by the China Huanqiu Contracting & Engineering Corporation whilst the Lloyds Registry acts as the third party inspector, to ensure quality and compliance to meet global standards. At the year-end, 25% of the construction is complete with no cost overruns or delays.

Total capacity of the LAUGFS LPG Import & Export Terminal will be 45,000 MT with Phase I adding 30,000 MT of capacity by 2018.

FUTURE OUTLOOK :

Asia continues to be the largest consumer of oil and gas with South Asia accounting for a significant proportion. The country's location and infrastructure development in the recent past provide a strong platform for growth in the logistics and maritime sector. An experienced team of professionals of international repute spearhead our venture to construct one of the largest LPG terminals in South Asia that is expected to materialize by 2018. The terminal has significant potential to increase LPG trade in Asia in addition to serving our LPG storage requirements.

INVESTING *for* GROWTH

Operating in a sector where balancing the short term and long term is of particular importance due to the combination of regulation, relatively volatile global markets and high impact risk factors, corporate governance and risk management play a key role in preserving both monetized value and intrinsic value of our businesses. Collectively they form a strong defence against potential threats and a discipline that facilitates identification and action on strategic opportunities that may arise by setting out the parameters within which the Group conduct its business.

05

Value Preservation

Our Board / Corporate Management / Corporate Governance / Managing Risk / Investment Committee Report / Management Committee Report / Remuneration Committee Report / Audit Committee Report / Report of the Related Party Transactions Review Committee / Annual Report of the Board of Directors / Statement of Directors' Responsibility

Our Board

W K H Wegapitiya Chairman / Group CEO	U K Thilak De Silva Group Managing Director	H A Ariyaratne Non-Exeecutive Director	T K Bandaranayake Independent Non-Executive Director

Mr. W K H Wegapitiya
Chairman / Group CEO

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

His entrepreneurial journey begun in 1990, starting a small freight forwarding company subsequent to a brief employment at Ceylon Shipping Corporation. Later, in 1995 he was instrumental in creating Gas Auto Lanka (Pvt) Limited, the initial enterprise of now diversified LAUGFS Holdings Limited. The visionary leadership,

P M Kumarasinghe PC
Independent
Non-Executive Director

C L De Alwis
Independent
Non-Executive Director

Dilshan Perera
Group Finance
Director

Asanga Ranasinghe
Group Marketing
Director

N M Prakash
Non-Executive
Director

remarkable entrepreneurship and his extra-ordinary personal traits to withstand and overcome all adversities thrown in his way, enabled him to succeed in all his endeavors to create the business conglomerate "LAUGFS", during a comparatively short period of time. A popular figure in the local entrepreneurial community in Sri Lanka as a success story, he was recognized as the best entrepreneur of the country many times. He is a frequent speaker, presenter and a panelist on topics such as "Business Excellence", "Leadership" and "Entrepreneurship" organized by a variety of organizations. He is a well-known personality in the global LP Gas and energy circles and also a regular participant and a speaker at international forums on LP Gas and Energy Management Presently he serves as a Board member of Sri Lanka Telecom PLC. He served on many public and private sector institutes as a honorary member of the management. He was a Board member of Mobitel (Pvt) Limited, past Chairman of the Chamber of Young Lankan Entrepreneurs (COYLE), former Senior Vice President of FCCISL, Executive council member of FCCISL, executive committee member of Ceylon Chamber of Commerce, member of National Pay Commission, and council member of University of Sri Jayawardhanpura.

Our Board

Mr. U K Thilak De Silva

Group Managing Director

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

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

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

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

Mr. De Silva had been member, mover and a participant of number of entrepreneur and management development programs conducted in the country and overseas. He was a recipient of a scholarship from the Association for Overseas Technical (AOTS) program in Japan in the year 2003. He is a regular participant in many LP Gas business forums conducted at various parts of the world over the years and widely connected to the industry personalities in the energy sector.

Mr. H A Ariyaratne

Director*

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

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

Mr. C.L.De Alwis

Director**

Mr. De Alwis graduated in Business Management and is a Diploma holder in Professional Diplomacy and World Affairs in 2011. He has a wide exposure to business in the corporate sector and was the Managing Director of Chemanex PLC and the Chairman of several of the subsidiary companies. He is also currently the Director of Link Natural Products limited. He represents the Board of the LAUGFS Gas PLC from September 2010 as is also currently a member of the Audit Committee of LAUGFS Gas PLC. Mr. De Alwis was an icon in founding JASTECA, which is an Alumni of AOTS Japan presently named as HIDA. He served as President of JASTECA for four years and is currently a Vice Patron. Moreover, he received the certificate of commendation from AOTS in 2006, as a result of his strong leadership and dedication to the network of AOTS Alumni Societies and in economic and industrial development as well as enhancement of friendly relations between Japan and Sri Lanka. In recognition of his strong commitment to his bilateral relations between Japan and Sri Lanka he was awarded Japanese Foreign Minister's Commendation Award for the year 2014. In 2016, he received the Japanese Emperor's Commendation award titled "Order of the Rising Sun with Gold Rays with Rosette" awarded to very few in the world.

He is currently the Chairman of the Sasakawa Memorial Sri Lanka Japan Cultural Trust. He was also the Chairman of the World Network of Friendship Fund affiliated to AOTS Japan. Mr. De Alwis was past president of the Sri Lanka Chine Business Corporation Council. In May 2007 in recognition of his role in building friendly relations with Sri Lankan and People Republic of China he received a prestigious award to celebrate the 50th anniversary of diplomatic relations between Sri Lanka and Chinese republic.

He was also a former President of the National Chamber of Commerce of Sri Lanka and also the Chairman of Joint Chambers Forum comprising of all the business chambers of Sri Lanka and the Employers Federation of Ceylon. He was also the President and currently an honorary member of the Sri Lanka institute of packaging. His services to the plastic and rubber institutes were highly recognized as the past President by the United Kingdom and awarded him a prestigious merit award in 1994.

Mr. Palitha M. Kumarasinghe PC
Director**

Mr Kumarasinghe is a very senior legal practitioner and a President's Counsel with over 34 years of experience in Civil, Commercial and Corporate Law, represents the Board of LAUGFS Gas PLC from September 2010 and he is the Chairman of the Related Party Transactions Review Committee, and is a member of the Audit Committee as well.

He is a leading President's Counsel in Commercial and Banking Law and is a standing Legal Counsel for several leading and reputed Commercial, Specialized and Merchant Banks and Finance Companies in the country. Mr. Kumarasinghe is a member of the Bar Council and has previously served as a Vice President, Executive Committee Member and Chairman of various Committees of the Bar Association of Sri Lanka. He has served as the President of the Colombo Law Society. Mr. Kumarasinghe had served as a member of the Public Service Commission of Sri Lanka for a maximum period of two terms of 3 years each. He has been a Member of the Incorporated Council of Legal Education of Sri Lanka and its Board of Study for several years.

Mr. Kumarasinghe has been the Chairman of the Disciplinary Committee/Legal Advisory Committee of Sri Lanka Cricket for several years. He is presently the Chairman of the committee appointed to re-draft the sports law.

Mr. Kumarasinghe has also served as the Chairman of the Environmental Council established under the National Environment Act and a Member of the Advisory Commission on Intellectual Property established under the Code of Intellectual Property Act. He is an Independent Non-Executive Director of Nawaloka Hospital PLC, and is a member of the Board of Trustees of the Kalutara Bodhi Trust.

Mr. Tissa Kumara Bandaranayake
Director**

Mr. Bandaranayake, a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Bachelor of Science from the University of Ceylon, is represented on the Board of LAUGFS Gas PLC from September 2010 and serves as the Chairman of the Audit Committee.

Mr. Bandaranayake possesses over 45 years' experience in the fields of accounting, auditing & finance and was a Senior Partner of Ernst & Young until his retirement from active practice. At present, he serves as the Chairman of the

Our Board

Quality Assurance Board established by the Institute of Chartered Accountants of Sri Lanka, comprising of senior professional representatives from both the private & state sectors as well as regulatory bodies. He was a former Chairman of the Audit Faculty of the Institute Chartered Accountants of Sri Lanka.

He holds Directorates in Nawaloka Hospitals PLC, Harishchandra Mills PLC , Overseas Reality (Ceylon) PLC, Renuka Foods PLC, Renuka Holdings PLC, Micro Holdings Limited , Brown & Co. PLC and Samson International PLC in an independent non-executive capacity, while serving as a Consultant to the Board of Directors of Noritake Lanka Porcelain (Pvt) Ltd.

Mr. Nadarajah Murali Prakash
Director*

Mr. Nadarajah Murali Prakash is currently the Group Managing Director / Chief Executive Officer of Taprobane Holdings PLC and Lanka Century Investments PLC. Taprobane Holdings PLC is a Financial Services and Investment company and the parent of Lanka Century Investments PLC, the Investment Holding and Management Company of Ceylon Leather Products PLC., Colombo City Holdings PLC., Dankotuwa Porcelain PLC., Royal Fernwood Porcelain Limited and South Asia Textiles Industries Lanka (Pvt) Ltd. Mr Prakash serves as a Director on the respective Boards of all these private and public quoted subsidiaries within the Group.

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

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

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

Mr. Dilshan Perera
Group Finance Director

Mr. Dilshan Perera is a senior finance professional with over 15 years of experience. He brings forth extensive expertise in a broad spectrum of finance functions, including treasury management, credit control, as well as taxation in different business/industrial environments. He was the Finance Director of Hela Clothing Group, where he led the Finance, Commercial and IT functions. He has also served as the Chief Financial Officer of the Hirdaramani Group, and has held senior positions in a number of blue chip companies including John Keells Group and KPMG.

Mr. Dilshan Perera is currently a Director of the LAUGFS Holdings, LAUGFS Gas PLC and LAUGFS Gas (Bangladesh) Limited Boards, while he has also served on the Board of Hela Clothing. He holds a BSc degree in Business Administration and is an Associate Member of CA Sri Lanka as well as the Chartered Institute of Management Accountants of the UK. He is also a Member of Sri Lanka Institute of Directors (SLID)

Mr. Asanga Ranasinghe
Group Marketing Director

Mr. Asanga Ranasinghe is a renowned senior marketing professional with a career spanning 25 years. He has held various Senior Leadership roles both in Sri Lanka and overseas in marketing, sales and customer development, supply chain, manufacturing and R&D. During his tenure of over 20 years at Unilever, he has served as Vice President at Unilever Pakistan, Customer Development Director for Sri Lanka and Maldives, as well as Marketing Director of Unilever Sri Lanka. Asanga was also a Chief Executive Officer at Brandix.

He currently serves on the Boards of LAUGFS Holdings, LAUGFS Gas PLC and Laugfs Gas (Bangladesh) Limited, while he has also served as a Statutory Director of the Board of Unilever Sri Lanka.

Mr. Asanga Ranasinghe is a Chemistry Special Honours graduate from the University of Colombo and holds an MBA from Postgraduate Institute of Management. He is a Chartered Marketer and Fellow of The Chartered Institute of Marketing (UK) and holds a Professional Post Graduate Diploma in Marketing (FCIM). He is also the current President of CIM Sri Lanka, and is a visiting lecturer for the MBA program at the Postgraduate Institute of Management.

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

Corporate Management

Ashan De Silva
Chief Executive Officer - LAUGFS Gas PLC

Buddhika Mathew
Head of Legal

Chamath Indrapala
Chief Financial Officer - LAUGFS Gas PLC

Dulani Nissanka
Director/Chief Human Resource Officer

Duminda Gayani
Deputy General Manager

Indika Gunawardena
Chief Information Officer

Leslie Hemachandra
Director/CEO - LAUGFS Maritime Services (Pvt) Ltd

Manjula Ediriweera
General Manager - Accounting & Finance

Mohemmed Saidul Islam
Director/CEO - LAUGFS Gas (Bangladesh) Ltd

Murad Rahimdeen
Chief Operating Officer -
LAUGFS Gas PLC

Roshan Perera
Director/Chief Executive Officer -
LAUGFS Leisure Ltd

S A Halangoda
Deputy General Manager -
Treasury & Finance

Sanjeeva Wickramasinghe
Head of Group Risk & Control

Sheranga Senanayake
Head of Corporate Communications

Sudath Jayawardhane
Country Manager -
SLOGAL Energy DMCC

Corporate Governance

Governance is key to driving performance and to delivering sustainable value to our stakeholders over the long term. The Board of Directors, as the highest decision making body of the company, is responsible for setting in place an effective corporate governance framework which maintains an appropriate balance between empowerment and accountability together with explicit statements of values and standards of conduct expected of its officers and employees.

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

Companies Act No.7 of 2007, The Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka in 2013. G4 Guidelines published by the Global Reporting Initiative have been adopted voluntarily to provide guidance in ensuring that due emphasis is given to environmental and social concerns.

Legal Requirements

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

Voluntary Codes & Frameworks

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

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

Code of Best Practice on Corporate Governance

The Company

- The Board
- Directors' Remuneration
- Relations with Shareholders
- Accountability & Audit

Shareholders

- Institutional Investors
- Other Investors
- Sustainability Reporting

THE BOARD

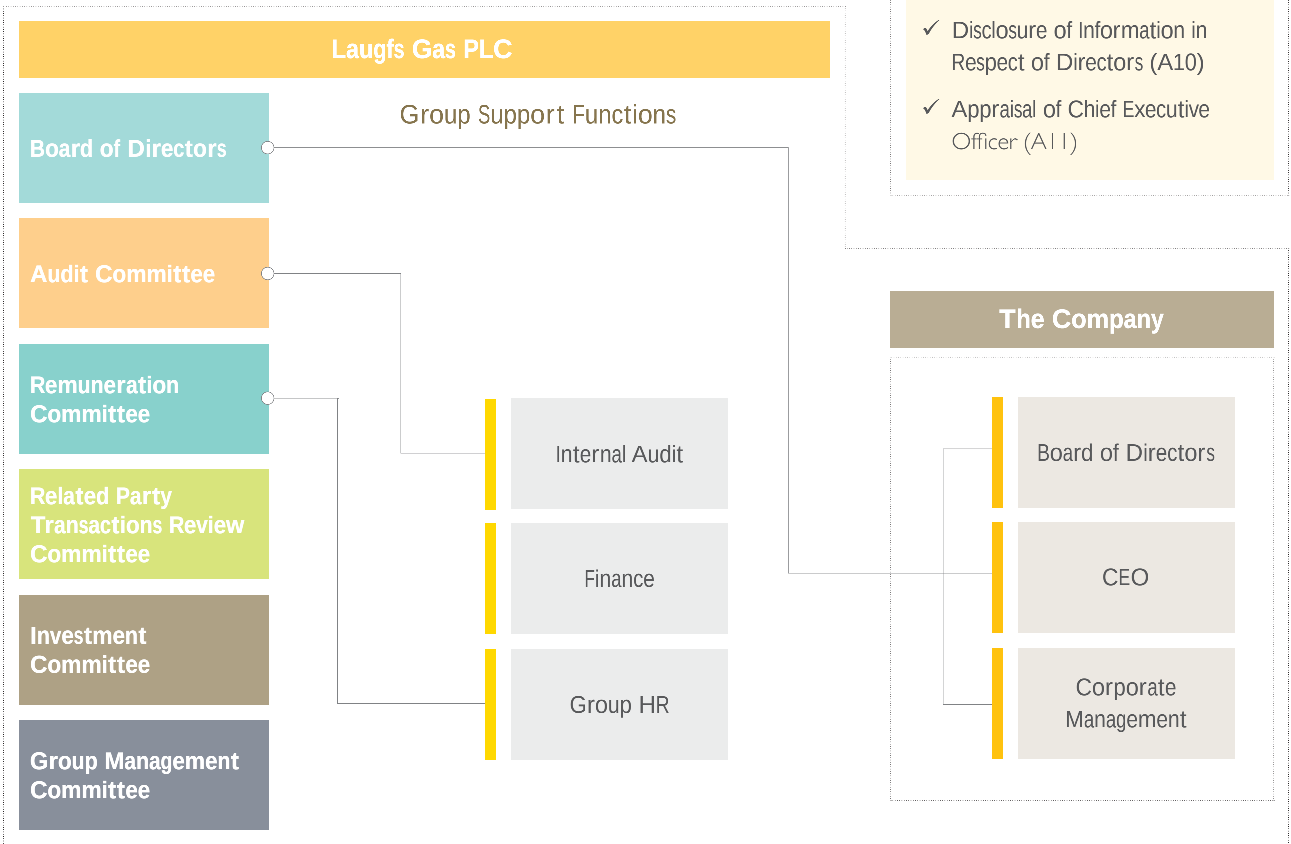
The LAUGFS Gas PLC Board comprises Four (4) Executive Directors who serve as Chairman/GCEO, Managing Director, Finance Director and Marketing Director, Two (2) Non-Executive Directors, Three (3) Non-Executive, Independent Directors whose profiles are given on page 120. The Board is deemed to have sufficient balance in line with the requirements of the Code as there are three Independent Directors and the majority of the Board comprises Non-Executive Directors of high repute as per requirements of the Code. The presence of two chartered accountants and a veteran banker on the Board ensures sufficiency of financial acumen on a collective basis. Corporate Advisory Services (Pvt) Ltd., have been appointed as the Company Secretaries while PW Corporate Secretarial (Pvt) Ltd. serves as the Registrars. The Company Secretaries provide Secretarial input for Board proceedings, maintain Board minutes and other Board records.

The positions of Group Finance Director and Group Marketing Director were created during the financial year in considering the business needs of the Group, and the need to strengthening our company governance structure.

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

The Board

- ✓ An effective Board (A1)
- ✓ Clear division of responsibility so that no one individual has unfettered powers of decisions (A2)
- ✓ Role of Chairman (A3)
- ✓ Financial Acumen (A4)
- ✓ Board Balance (A5)
- ✓ Supply of Information (A6)
- ✓ Appointments to the Board (A7)
- ✓ Re-election (A8)
- ✓ Appraisal of Board Performance (A9)
- ✓ Disclosure of Information in Respect of Directors (A10)
- ✓ Appraisal of Chief Executive Officer (A11)



Corporate Governance

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

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

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

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

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

	Board Committee & Composition	Mandate
Mandatory Committees	**Audit Committee**	
	Comprises of Non-Executive, Independent Directors with at least one member having current membership of a reputed professional accountancy body. Current members are: ✓ Mr. T. K. Bandaranayake (Chairman) ✓ Mr. P. M. Kumarasinghe PC ✓ Mr. C. L. De Alwis	Oversight of ✓ Preparation, presentation and adequacy of the disclosure of information in financial statements in accordance with prevailing Accounting Standards and all other statutory requirements ✓ The Group internal control system and Risk Management procedure are upto the industry standards ✓ Compliance of statutory requirements by the Management. ✓ The independence and performance of the Company's Auditors
	Remuneration Committee	
	Comprises of three Non-Executive Directors of whom two are Independent. Current members are: ✓ Mr. H. A. Ariyaratne (Chairman) ✓ Mr. T. K. Bandaranayake ✓ Mr. C. L. De Alwis	✓ Determine remuneration policy for the Group including incentives and equity options ✓ Ensure effective implementation of performance appraisal systems and their alignment with remuneration policy ✓ Performance appraisal of the Chief Executive Officer, Managing Director and Chief Executive Officers of subsidiary companies ✓ Succession planning and appointment of Key Management Personnel ✓ Determining compensation in the event of early retirement/ resignation of Executive Directors

	Board Committee & Composition	Mandate
Mandatory Committees	**Related Party Transactions Review Committee**	
	Comprises of four Non-Executive Directors and the Chairman is a Non-Executive, Independent Director. Current members are: ✓ Mr. P. M. Kumarasinghe PC (Chairman) ✓ Mr. T. K. Bandaranayake ✓ Mr. H. A.Ariyarathne ✓ Mr. N. M. Prakash	To monitor and regulate Related Party Transactions of the Group in line with the requirements of the Code of Best Practices on Related Party Transactions issued by the SEC and Section 9 of the Continuous Listing Rules of the Colombo Stock Exchange
Voluntary Committees	**Investment Committee**	
	Comprises of two Executive Directors and one Non-Executive Director: Mr. U. K. Thilak De Silva (Chairman) Mr. W. K. H. Wegapitiya Mr. H. A. Ariyaratne	✓ Evaluating potential investment opportunities ✓ Regular monitoring of return on investments of projects ✓ Overall direction of the Group ✓ Review of business operational results
	Management Committees	
	Comprises of four Executive Directors and one Non-Executive Directors of whom one is independent: ✓ Mr. W. K. H. Wegapitiya ✓ Mr. U. K. Thilak De Silva ✓ Mr. H. A. Ariyarathne ✓ Mr. Dilshan Perera ✓ Mr. A. Ranasinghe	✓ Making recommendations to the Board on the overall strategic direction of the Group ✓ Review of business operational results

Corporate Governance

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

Director	Board Meetings
Mr. W. K. H. Wegapitiya	10/11
Mr. U. K. Thilak De Silva	10/11
Mr. H. A. Ariyaratne	11/11
Mr. C. L. De Alwis	9/11
Mr. Palitha M. Kumarasinghe PC	10/11
Mr. T. K. Bandaranayake	11/11
Mr. N. M. Prakash	10/11
Mr. Dilshan Perera (appointed with effect from 2.11.2016)	5/5
Mr. A. Ranasinghe (appointed with effect from 2.1.2017)	3/3

Role & Responsibilities of the Board

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

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

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

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

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

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

Determining Independence of Directors

Independence of the Directors have been determined in accordance with the Continuous Listing Rules of the CSE and all three Independent, Non-executive Board members have submitted signed declarations of their Independence.

	Mr. T.K.Bandaranayake	Mr. P.M.Kumarasinghe PC	Mr. C.L.De Alwis
		Non-Executive Independent Directors	
Significant Shareholding [1]	No	No	No
Director or Employee of Another Entity or a Trustee	No	No	No
Business Connection	No	No	No
Material Business Relationship [2]	No	No	No
Employee of Company [3]	No	No	No
Family Member a Director or CEO	No	No	No
Nine Years of Continuous Service	No	No	No

Appointments & Re-Election

Non-Executive Directors are elected by Shareholders at the Annual General Meeting based on nominees recommended by the Board who carefully select them according to an assessment of the skills and experience required. Casual vacancies arising during the year are filled by the Board following the same rigorous process used for selecting nominees. One Director of the Board of Directors, except the Chairman/ GCEO, Managing Director and Executive Directors retires by rotation in terms of Article 81 of the Articles of Association. A Director retiring by rotation is eligible for re-election for a maximum tenure of 9 years and may be considered for re-appointment on reaching 70 years of age with the approval of shareholders as provided for under section 210 of the Companies Act.

New Directors appointed to the Board hold office until the next Annual General Meeting and will be eligible for re-election under Article 88 of the Articles of Association

Proposals for the re-appointment of Directors is set out in the Directors Report as well as the Notice of Meeting on page 253 of this Report.

Directors' Remuneration

The remuneration policy for the Group is determined by the Remuneration Committee. Remuneration of Senior Executives are designed to attract and retain exceptional talent and motivate high levels of performance, optimizing sustainable shareholder value creation in the long term. At present there are no employee share ownership schemes in operation.

[1] Have shares of the Company

Director of a listed Company in which they are employed, or having a significant shareholding with voting rights more than 10% of total or have a business connection where the transaction value is equivalent to or more than 10% of the turnover of the Company.

[2] Income non-cash benefits derived from Company equivalent to 20% of annual income

[3] Employed by Company two years immediately preceding appointment

Corporate Governance

SHAREHOLDER RELATIONS

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

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

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

Shareholders are provided sufficient financial information and other relevant information on the website of the company to enable them to make decisions regarding their investments. Annual Reports and Interim Financial statements are circulated to all registered shareholders within prescribed timelines. All shareholders are encouraged to participate at the Annual General Meeting and vote on matters set before the shareholders which are detailed on page 253.

The Group has robust stakeholder engagement processes and their concerns are incorporated in to the governance and strategy formulation processes as enumerated in Stakeholder Engagement on pages 34 and 35 to ensure sustainability of operations in the long term. This report is an Integrated Report which includes sustainability information and an index is provided on pages 84 to 90.

Relations with Shareholders

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

ACCOUNTABILITY & AUDIT

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

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

- ✓ The Annual Report of the Board of Directors on the Affairs of the Company given on pages 147 to 151 cover all areas of this section.
- ✓ The "Statement of Directors' Responsibilities" is given on page 152
- ✓ The Directors' Statement on Internal Controls is given on page 148
- ✓ The "Independent Auditors' Report "on page 155 For the Auditor's responsibility.
- ✓ The Capitals Report on pages 53 to 83

INTERNAL CONTROL

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

Accountability & Audit

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

Managing risk is a key pillar of good corporate governance and the Board has adopted a Group-wide risk management framework to identify, evaluate and manage significant risks in a structured manner. The detailed Risk Management report on pages 138 to 140 of the Annual Report describes the process of risk management as adopted by the Group and the key risks impacting the achievement of the Group's strategic business objectives.

The Directors' Report on page 147 contains a declaration on compliance with laws and regulations, declaration of material interests in contracts involving the Company and confirms refraining from voting on matters in which they are materially interested; equitable treatment of shareholders and confirms that the business is a going concern, review of the internal controls covering financial, operational and compliance controls and risk management and that they have obtained reasonable assurance of their effectiveness and compliance thereof. It also sets out the responsibilities of the Board for the preparation and presentation of financial statements. Related Party Transactions are disclosed on page 146.

AUDIT COMMITTEE

The Board has established an Audit Committee comprising of three Non Executive Independent Directors as stated above and information regarding its activities are provided in the Audit Committee Report on page 144.

M/S Ernst & Young are the external auditors and have not provided non-audit services to the Group during the period under review. The audit fees paid by the Company and Group to its auditors are given on page 191 in the Notes to the Financial Statements of the Annual Report.

CODE OF BUSINESS CONDUCT & ETHICS

The Company has a Code of Conduct and Ethics requiring all employees and Directors to exercise honesty, objectivity and due diligence in performing their duties, maintain confidentiality of commercial and price sensitive information, work within applicable laws and regulations, safeguard company's assets and avoid conduct which will badly reflect on them or the company's image. It also addresses issues relating to conflict of interest situations, bribery and corruption, entertainment and gifts, accurate accounting and record keeping, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations, encouraging the reporting of any illegal or unethical behavior.

Shareholders

- ✓ Institutional Shareholders
  - ✓ Shareholder voting
  - ✓ Evaluation of Governance Disclosures
- ✓ Other investors
  - ✓ Investing Divesting Decision
  - ✓ Shareholder voting

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

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

CORPORATE GOVERNANCE DISCLOSURES

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

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

Corporate Governance

COMPLIANCE WITH CSE CONTINUING LISTING REQUIREMENTS

Rule No.	Subject	Applicable requirement	Compliance Status
7.10.1(a)	Non Executive Directors (NED)	2 or at least 1/3 of the total number of Directors should be NEDs	Complied
7.10.2(a)	Independent Directors (ID)	2 or1/3 of NEDs, whichever is higher, should be independent	Complied
7.10.2(b)	Independent Directors (ID)	Each NED should submit a declaration of independence	Complied
7.10.3(a)	Disclosure relating to Directors	✓ The Board shall annually determine the independence or otherwise of the NEDs ✓ Names of IDs should be disclosed in the Annual Report (AR)	Complied Complied
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	Complied
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Complied
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Complied
7.10.4 (a-h)	Determination of Independence	Requirements for meeting criteria	Complied
7.10.5	Remuneration Committee (RC)	The RC of the listed parent company may function as the RC	Complied
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of NEDs, a majority of whom will be independent	Complied
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	✓ Names of Directors comprising the RC ✓ Statement of Remuneration Policy ✓ Aggregated remuneration paid to NED/NIDs and NED/IDs	Complied Complied Complied
7.10.6	Audit Committee (AC)	The Company shall have an AC	Complied
7.10.6(a)	Composition of Audit Committee	• Shall comprise of NEDs a majority of whom will be Independent • A NED shall be appointed as the Chairman of the Committee • CEO and Chief Financial Officer (CFO) should attend AC meetings • The Chairman of the AC or one member should be a member of a professional accounting body	Complied Complied Complied Complied

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

Managing Risk

INTRODUCTION

Risk management has become vital in the LAUGFS Group with its expansion into diversified business sectors. The process of Risk Management is developed to ensure that key risks are proactively identified and managed effectively with a view to protect shareholder value and thereby reducing and eliminating risks, in fulfilling LAUGFS's vision to be the most preferred and trusted Sri Lankan multinational. The Group follows Enterprise Risk Management (ERM) which mainly includes conducting risk analyses, implementing strategies to eliminate or reduce risks and developing a system to provide an early warning of potential risks to the company.

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

The purpose of the risk management practices of the Group is to protect the business from being vulnerable to environment, market and internal irregularities. The focus is on keeping the group of companies viable by reducing these risks. Risk management is also designed to protect our employees, customers and the general public from negative events such as fire or accidents and to preserve the physical facilities, data, records and physical assets we own or use. This process helps the group by providing a framework that enables future activity to take place in a consistent and controlled manner and also improves decision making, planning and prioritization by comprehensive and structured understanding of business activity, volatility, project opportunity and threat.

Reporting Structure

Risk Management Process & Strategies for Managing Risks

The purpose of risk management is to identify internal and external risks, which will impact the Group of companies and to come up with mitigation plans to face them. The Group Risk and Control Division is constantly in search of internal and external threats which would impact the Group.

The strategies the Group adopts to manage risk depend on the type of risk and the severity of the risk, which are outlined as follows,

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

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

During 2016/17 the Group Risk and Control Division undertook a comprehensive risk assessment of all structural, operational, financial and environmental risks by using a Risk Register uniquely prepared for LAUGFS Group, assessing the impact and mitigation plans. These identified risks have been reported to the Management of the Group companies and have analysed the impact and the actions to mitigate those risks. Risk treatment and monitoring is a continuous process, which is vital for sustainable risk management by the Group Risk and Control Division. The core risks relevant to each Company, which have a long-term impact to the Group are identified by the Management during the risk review process. Further, the Risk Register of each company along with the mitigation plan are presented for review to the Top Management.

The Group Risk & Control Division analyzes the progress of the risk assessment and mitigation process by adhering to the audit plan, increasing the number of major findings, tracking the progress of recommendations expected and implemented by each company as well as reducing the amount of critical observations noted by each company. the division also focuses on minimizing the amount of new risks which are not identified in the Risk Register as well as reducing the gap between the number of observations identified by external parties which were not identified internally.

The Risk Register comprises of risks in the following categories

Business & Operations	Finance	Environment	Reputation
1. Production & Process 2. Safety 3. Market 4. Human Resources 5. Information Technology	6. Foreign Exchange Risk and Interest Rate Risk 7. Liquidity Risk 8. Credit Risk	9. Economical, Political, Legal, Social	10. Customer service 11. Quality

Risk Exposure	Risk Response
1. Production & Process Risk Operational Risks associated with production/ processes adversely affect the smooth operation of the company and drop in productivity	✓ Use of state-of-the-art technology ✓ Appropriate forecasting of demand through statistical techniques and analyzing business environment, proper production plan ✓ Business continuity plan
2. Safety Risk Adverse impact on business processes due to hazards, accidents or injuries to employees	✓ Implementation and regular monitoring of Health, Safety and Environment (HSE) policies by the HSE department ✓ Conduct training programs to educate employees
3. Market Risk Adverse impact on business performance due to intense competition, changes in customer attitudes/ economic conditions	✓ Continuous focus on innovation ✓ Regular monitoring of customer trends
4. Human Resources Risk Risk arising as a result of inability to attract and retain best capable employees	✓ Offer attractive reward systems ✓ Develop career development programs ✓ Career and Succession planning

Managing Risk

Risk Exposure	Risk Response
5. Information Technology Risk Potential risks on lack of information accuracy due to inaccurate information from main operating system and security risk due to weak controls	✓ Centralized IT team with a sound Group IT policy ✓ Contingency plan to mitigate failures ✓ ISO 270001 Certification for information security.
6. Foreign Exchange Rate /Interest Rate Risk Risk arising as a result of adverse movement of foreign exchange and interest rates may result in declining profitability/financial position	✓ Managing foreign exchange / interest rate exposures with positive negotiations with banks, applying financial risk management techniques
7. Liquidity Risk Affects profitability and cash flow position due to inability of quick trading of a security/ asset to prevent a loss or make the required profit	✓ Centralized Group Treasury and Finance functions to make effective decisions
8. Credit Risk Adverse impact on the liquidity position as a result of delays in payments/ non payments by debtors	✓ Efficient follow up/ collection practices ✓ Appropriate credit policies
9. Environmental Risk Adverse impact on profits as a result of negative changes in the political, economic, legal and social environment	✓ Regular review of regulatory compliance ✓ Strong relationship with stakeholders influencing socio-economic stability within the country ✓ Holding the prestigious ISO 14001 international systems certification for Environmental Management System for Eco-Sri
10. Customer Service Risk Risks arising from poor customer service pose a major threat to the reputation of the company	✓ Repeated customer feedback surveys ✓ Customer inquiry system with a sound technical support system
11. Quality Risk Potential adverse impact on company's image due to low quality	✓ Holding the prestigious ISO 9001:2008 international systems certification for effective Quality Management Systems for LAUGFS Gas PLC, Eco-Sri, document of Compliance for LAUGFS Maritime Services (ISM System) ✓ Conducting internal and external audits
12. Dependency Risk Risks arising from dependence on major suppliers, buyers and third parties	✓ Managing good principal relationships with suppliers and customers ✓ Establishing alternative suppliers, new distribution channels.

Investment Committee Report

Key responsibilities

- ✓ to provide oversight of the investment functions of LAUGFS Gas PLC;
- ✓ to assist the Board of Directors in evaluating investments, mergers and acquisitions, enterprise services, joint ventures, divestures transactions, acquisition and dispose of high value assets in which the Company engages as part of its business and/or investment strategy from time to time;
- ✓ to consider matters falling under Section 185 of the Companies Act No. 7 of 2007 as major transactions and other related party transactions and investment
- ✓ to ensure compliance with the guidelines provided in prevailing accounting standards, Code of Best Practices on Corporate Governance and Listing Rules and to make necessary disclosures and/or market announcements as appropriate
- ✓ to review and oversee significant treasury matters such as capital structure and allocation strategy, derivative policy, liquidity, fixed income investments, borrowings, currency exposure, dividend policy, share issuance and repurchase, and capital spending and expenditure
- ✓ evaluates and concentrates on capitalization of investments, risk and credit management, return on capital employed in different investment activities in the Group

Composition

Director	Membership Status
Mr. U. K. Thilak De Silva	Chairman
Mr. W. K. H. Wegapitiya	Member
Mr. H. A. Ariyaratne	Member

By Invitation

- ✓ Chief Executive Officers of Companies,
- ✓ Head of Group Risk & Control,
- ✓ Head of Legal
- ✓ Heads of Finance/Chief Financial Officers of Companies

The Committee obtains advice, guidance and expertise from Independent Professionals on certain investment activities as appropriate and when required. The Committee, in discharging duties and responsibilities further focuses on formulation of investment strategies, evaluation of prospective investment opportunities, monitoring and evaluation of return on investments, the overall direction of the Group and review of business operational results.

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

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

U. K. Thilak De Silva
Chairman - Investment Committee

1 June 2017

Management Committee Report

Key responsibilities

✓ Setting up of the Group vision and ensure that the business plan is in line in order to achieve the Group vision.

✓ Making recommendations to Board of Directors in the matters related to day to day management activities, key strategic business and corporate initiatives, key promotional campaigns and key annual strategic corporate planning activities;

✓ Helping the management with directions, management guidelines and circulars and expertise to identify critical strategies and issues facing the company, market environment in order to arrange alternative strategic options;

v Ensuring the management has implemented an effective and efficient strategic corporate planning process including development of annual corporate business plans and reviewing same;

✓ Monitor and evaluate trends and opportunities in the relevant industries and market places both local and international. Understanding the organization's industry, market/ community, and core competencies;

✓ Discuss key investment opportunities and possible divestment opportunities. Discuss key Group restructuring initiatives in order to optimize the operations of the Group.

✓ Discuss the establishment and optimization of key policies in relation to the operation of the Group in order to ensure corporate governance and regulatory compliance. Implementation of necessary best practices in the organization;

✓ Discuss and decide on matters relating to Human Resources, talent acquisition and development in order to optimize the Human Resources of the Group.

✓ Advising the senior management and making recommendations to the Board of Directors on opportunities to improve the business scope, cost effectiveness and quality of services provided by the company and its' subsidiaries;

✓ Assisting the management in development of strategic business dash boards and necessary performance indicators in order to make important business and management decisions in an accurate and efficient manner;

✓ Reviewing and monitoring group budgets, evaluating of performance of individual companies in the group and introduction of new management systems.

✓ Discuss on key administrative and legal matters relevant to the operation of the Group.

Composition

Director	Membership Status
Mr. W. K. H. Wegapitiya	Chairman
Mr. U. K. Thilak De Silva	Member
Mr. H. A. Ariyarathne	Member
Mr. Dilshan Perera	Member
Mr. Asanga Ranasinghe	Member

By Invitation

The Committee regularly meets to review and evaluate financial performance and to carry out its duties and responsibilities mentioned above. The Committee invites Chief Executive Officers of the individual companies and the members of the Senior Management team as appropriate such as the Chief Human Resources Officer. Having evaluated the matters the Committee makes recommendations to the Board of Directors on various management related issues.

In conclusion, I wish to thank my colleagues Mr. U. K. Thilak De Silva, Mr. H. A. Ariyarathne, Mr. Dilshan Perera and Mr. Asanga Ranasinghe and the members of the Management Team for their valuable contribution and support to the work of the Committee.

W. K. H. Wegapitiya
Chairman- Management Committee

1 June 2017

Remuneration Committee Report

Key responsibilities

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

Composition

Director	Independent / Non-Independent	Membership Status
Mr. H. A. Ariyaratne	Non-Executive	Chairman
Mr. T. K. Bandaranayake	Independent	Member
Mr. C. L. De Alwis	Independent	Member

Activities in 2016/17

Following activities have been carried out for the Group during last financial year which covered the KM positions.

- ✓ Pay Structures have been established based on the Job evaluation and Job Banding exercise conducted during the period
- ✓ A compensation & benefits survey was carried out in order to ascertain the LAUGFS market position for all executive roles to ensure external parity. Accordingly a 3 year rollout plan has been mapped in order to bridge the Gap based on the criticality of the role and the degree of talent of the job holder
- ✓ Career and succession planning framework has been introduced to achieve the following objectives;
    - Identify high-potential employees capable of rapid advancement to critical positions of higher responsibility than those they presently hold and grooming them for future
    - Ensure the systematic and long-term development of high potentials to facilitate succession planning exercise at Laugfs
    - Provide a continuous flow of talented high potential employees ready to move into critical positions are available to enable achievement of the organizational objectives as well as Individual Career aspirations

H. A Ariyarathne
Chairman - Remuneration committee

1 June 2017

Audit Committee Report

Key responsibilities

- ✓ Maintaining an effective system of internal controls.
- ✓ Compliance with legal and regulatory requirements that may have a material impact on the Company's Financial Statements.
- ✓ External financial reporting obligations of the Company, including its obligations under the Colombo Stock Exchange Listing Rules, Rules/Regulations of the Securities Exchange Commission and the Companies Act No. 7 of 2007.
- ✓ Accounting and Financial Reporting processes of the Company,
- ✓ Audits of the Company's financial statements, the qualifications, remuneration and independence of the professional firm engaged to carry out the Company's external audit.
- ✓ Performance of the Company's internal audit function.

Composition

Director	Independent / Non-Independent	Membership Status
Mr.T.K Bandaranayake	Independent	Chairman
Mr. P.M. Kumarasinghe PC	Independent	Member
Mr. C.L. De Alwis	Independent	Member

Head of Group Risk & Control Mr. Nishan Liyanapathirana, served as the Secretary to the Committee.

Activities during the year:

Internal Audit

The Audit Committee reviewed and discussed the Audit Reports submitted by the Head of Group Risk & Control for the Internal Audits carried out in the areas of operational, financial, risk assessments & IT security reviews. The Audit Committee having reviewed these reports using their extensive experience and expertise, recommended additional controls and risk mitigation strategies that could be implemented to strengthen the existing internal control system thus minimizing the possibility of occurrence and impact of fraud, errors, operational and financial risks faced by the company.

External Audit

The Audit Committee met with the Auditors, M/s Ernst & Young, prior to the commencement of the audit to discuss the detailed audit plan and again on conclusion of the audit to discuss their detailed findings.

The Audit Committee was briefed by the External Auditors on the progress and conduct of the statutory audit and discussed & reviewed with them the management letter issued by them based on their audit.

The Audit Committee also negotiated with the external auditors the quantum of their fees and out of pocket expenses.

The Audit Committee having evaluated the independence and performance of the external auditors decided to recommend to the Board, the re-appointment of Messrs. Ernst & Young, as auditors of the Company for the current financial year, subject to the approval of the shareholders at the Annual General Meeting.

T. K. Bandaranayake
Chairman - Audit Committee

1 June 2017

Report of the Related Party Transaction Review Committee

Key responsibilities

- ✓ To assist the Board in meeting its oversight responsibilities to ensure that the interest of shareholders as a whole are taken into account when entering into Related Party Transactions.

Composition

The Committee comprised with following members, held Five (5) Related Party Transactions Committee Meetings on 7th April 2016, 24th May 2016, 11th August 2016, 2nd November 2016 and 13th February 2017, during the financial year under review,

Director	Independent / Non-Independent	Membership Status
Mr. P. M. Kumarasinghe PC	Independent	Chairman
Mr. T. K. Bandaranayake	Independent	Member
Mr. H. A. Ariyarathne	Non- Independent	Member
Mr. N. M. Prakash	Non- Independent	Member

Mr. Nishan Liyanapathirana, Head of Group Risk & Control served as the Secretary to the Committee till 9th February 2017 and Ms. Virangi Jayawardena was appointed as Pro tem Secretary till a Permanent Secretary is appointed.

By Invitation

- ✓ Group Chairman
- ✓ Group Managing Director
- ✓ Group Finance Director
- ✓ Chief Executive Officer
- ✓ Chief Financial Officer
- ✓ Head of Legal
- ✓ DGM-Treasury

Activities in 2016/17

Continuous initiatives were taken by the Committee in making awareness for strict compliance with the Rule 9 of the Listing Rules and in pursuance thereof, the Company has conducted training awareness programmes to the Staff.

Furthermore, actions were taken on a regular basis in obtaining disclosures from relevant KMPs and their spouses/dependent children in respect of matters relevant to related party transactions. The Committee also reviewed the database and software programme developed by the Company to capture, record and review the relevant Related Party Transactions in complying with Rule 9 of the Listing Rules.

The activities and views of the Committee have been communicated to the Board of Directors by tabling the minutes of the Committee Meetings.

The Committee has reviewed several Related Party Transactions, approved the transactions and directed to make Immediate Disclosure to Colombo Stock Exchange in respect of some of such transactions as appended below,

Report of the Related Party Transaction Review Committee

Name of the Related Party	Relationship	Value of Related Party Transactions entered into during the financial year	Value of Related Party Transactions as a % of Equity & as a % of Consolidated Total Assets	Terms & Conditions of the Related Party Transaction	The rationale for entering into the transaction
LAUGFS SLOGAL Energy DMCC	Wholly owned subsidiary of LAUGFS Gas Plc	Rs.1,390,000,000 (USD 9,400,000)	As a % of Equity =14.4% As a % of Assets = 5%	Equity Transfer	A strategic investment by LAUGFS Gas Plc. to acquire remaining 31% shares of LAUGFS Gas (Bangladesh) through SLOGAL Energy DMCC
LAUGFS Terminal Limited	Wholly owned subsidiary of LAUGFS Gas Plc	Rs.1,430,936,045	As a % of Equity = 14.8% As a % of Assets = 5%	Equity Transfer	As a strategic equity investment in order to make an advance payment to the contractor who is constructing the facility for LAUGFS Terminal Limited.
LAUGFS Leisure Limited	Wholly owned subsidiary of LAUGFS Gas Plc	Rs.1,700,000,000	As a % of Equity = 17.7% As a % of Assets = 6.2%	Equity Transfer	Equity investment made against the advances made in current & previous financial years to LAUGFS Leisure Limited for investments in its fully owned subsidiary of Anantaya Pasikuda.
LAUGFS Terminal Limited	Wholly owned subsidiary of LAUGFS Gas Plc	Rs.6,551,880,000 (USD 42,600,000)	As a % of Equity = 68.2% As a % of Assets = 24%	Corporate Guarantee	Investment for construction of a the LPG Terminal facility with a storage at Hambantota.
LAUGFS Power Limited	Wholly owned subsidiary of LAUGFS Gas Plc	Rs.1,750,000,000	As a % of Equity = 18.2% As a % of Assets = 6.4%	Equity Transfer	As a strategic equity investment as well as an advance payment to the contractor who is constructing two solar power projects at Hambantota.

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

Palitha Kumarasinghe PC
Chairman-Related Party Transaction Review Committee

1 June 2017

Annual Report of the Board of Directors

The Board of Directors of LAUGFS GAS PLC has pleasure in presenting the Annual Report and the Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31st March 2017. LAUGFS GAS PLC is a public limited company incorporated in Sri Lanka under the Companies Act No. 17 of 1982 and re-registered as required under the provisions of Companies Act No. 7 of 2007 and listed on the Colombo Stock Exchange since December 2010.

PRINCIPAL ACTIVITIES

The principal activities of LAUGFS GAS PLC are downstream business of Liquefied Petroleum Gas (LPG) and other related products and services. The Company caters to the domestic, commercial and industrial LPG market. The Company has also invested in a portfolio of diverse businesses comprising its main subsidiaries namely Laugfs Eco Sri (Private) Limited, Laugfs Leisure Limited, Laugfs Power Limited, Laugfs Maritime Services (Private) Limited, Laugfs Property Developers (Private) Limited and Laugfs Terminals Limited, which are operating vehicle emission testing centers to issue Vehicle Emission Test Certificates, operating two luxury hotels in Chilaw and Pasikuda and planning to develop a luxury hotel in Waskaduwa, operating and construction of hydro and solar power plants, maritime and logistics services, real estate/property development and construction of a LPG storage and export/import facility in Hambantota respectively.

In addition to the above the Company has acquired Laugfs Gas (Bangladesh) Limited which is involved in the downstream business of LPG in Bangladesh, and have incorporated a wholly owned subsidiary called Slogal Energy DMCC in Dubai in order to carry out trading activities in the Asian region.

The Company has not engaged in any activity which contravene with laws and regulations of the Country.

BUSINESS REVIEW

A review of the financial and operational performance and future business developments of the group, sectors, and its business units are described in the Chairman's message, Managing Directors message, management discussion and analysis section of the Annual Report. These Reports together with the Audited Financial Statements reflect the state of the affairs of the Company and its subsidiaries. Segment wise contribution to Group revenue, results, assets and liabilities is provided in Note 4 to the Financial Statements.

RESULTS AND APPROPRIATIONS

Revenue generated by the Company for the year under review amounted to Rs. 10,386,886,352 whilst group revenue amounted to Rs. 18,065,451,875 Contribution to group revenue, from the different business segments carried out by the subsidiaries are provided in Note 4 to the Financial Statements.

FINANCIAL STATEMENTS AND THE REPORT OF THE AUDITORS

The Financial Statements of the Company and the Group for the year ended 31st March 2017 as approved by the Board of Directors on 26th May 2017 are given on pages 156 to 240.

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 155.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation and presentation of the Financial Statements are given on pages 164 to 183 There were no material changes in the Accounting Policies adopted by the Company and its subsidiaries during the year under review.

DONATIONS

Total donations made by the Company and its subsidiaries during the year under review amounted to Rs. 5.6 million. These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.The CSR initiatives, including completed and on-going projects, are detailed in the sustainability report in the Annual Report.

INVESTMENTS

Total investments of the Company in subsidiaries, associate and other equity investments amounted to Rs. 12.3 billion The details of the investments are given in Note 13 and 17 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment as at the balance sheet date amounted to Rs. 6.6 billion and Rs. 22.6 billion for the Company and the Group respectively.

Total capital expenditure during the year for acquisition of property, plant and equipment by the Company and the Group amounted to Rs. 0.9 billion and Rs. 9.4 billion respectively.

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

STATED CAPITAL AND RESERVES

The stated capital of the Company as at 31st March 2017 was Rs. 3.3 billion consisting of 335,000,086 of ordinary voting and 52,000,000 of ordinary non-voting shares.

The total Group Equity was Rs. 7.6 billion as at 31st March 2017.

Annual Report of the Board of Directors

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

HUMAN RESOURCES

The Company has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Further the Company continued to appropriate human resources management policies to develop the team and focus their contribution towards the achievement of corporate goals.

BOARD OF DIRECTORS

The Board of Directors of the Company and their brief profiles are given on the pages 120 to 125. The following persons were the Directors of the Company as at 31st March 2017.

(a) Mr. W. K. H. Wegapitiya – The Chairman/ Group CEO

(b) Mr. U. K. Thilak De Silva – Group Managing Director

(c) Mr. H. A. Ariyaratne – Non Executive Director

(d) Mr. C. L. De Alwis – Non Executive Independent Director

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

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

(g) Mr. N. M. Prakash – Non Executive Director

(h) Mr. A. R. D. Perera – Group Finance Director (appointed on 2nd November 2016)

(i) Mr. A. N. Ranasinghe – Group Marketing Director (appointed on 2nd January 2017)

In terms of Article 81 and 82 of the Articles of Association of the Company, Mr. N. M. Prakash retire, by rotation and being eligible is being recommended by the Board for re-election at the ensuing Annual General Meeting. Mr. A. R. D. Perera and Mr. A. N. Ranasinghe retires in terms of Article 88 of the Articles of Association and being eligible are being recommended by the Board for re-election at the ensuing Annual General Meeting.

Further resolutions will be tabled at the forthcoming Annual General Meeting to re-elect Mr. T. K. Bandaranayake and Mr. C. L. De Alwis, the Directors who are above the age of 70 years and who are to be retired at the end of the Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007.

BOARD COMMITTEES

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

Audit Committee

Audit Committee comprises of three members namely Mr. T. K. Bandaranayake (Chairman of the Audit Committee), Mr. P. M. Kumarasinghe PC and Mr. C. L. De Alwis. The Broad purposes of the Committee are to oversee the preparation, presentation and adequacy of the disclosure of information in the financial statements in accordance with the Sri Lanka Accounting Standards and all other statutory requirements. The Audit Committee also ensures the Company's internal control system and Risk Management procedure are up to industrial standards. The Committee also assesses the independence and performance of the Company's Auditors. The report of the Audit Committee is given under the Board committee reports section of the annual report.

Related Party Transactions Committee Review

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

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

The report of the Related Party Transactions Review Committee is given under the Board committee reports section of the annual report.

Investment Committee

The Investment Committee comprises of Mr. U. K. Thilak De Silva (Chairman of the Investment Committee), Mr. W. K. H. Wegapitiya and Mr. H. A. Ariyarathne. Its principle focus is on evaluating investment opportunities, monitoring return on investments, the overall direction of the Group and review of business operational results. The report of the Investment Committee is given under the Board committee reports section of the annual report.

Remuneration Committee

The Remuneration Committee comprise of Mr. H. A. Ariyarathne (Chairman of the Remuneration Committee), Mr. T. K. Bandaranayake and Mr. C. L. De Alwis. This committee recommends the remuneration payable to the Executive Directors and sets guidelines for the remuneration of the senior management of the Company. The Board makes the final determination having considered the recommendations of the Remuneration Committee and also the performance of the senior management. The report of the Remuneration Committee is given under the Board Committee reports section of the annual report and the remuneration policy is given in the corporate governance report.

Management Committee

The Management Committee comprises of Mr. W. K. H. Wegapitiya (Chairman of the Management Committee), Mr. U. K. Thilak De Silva, Mr. H. A. Ariyarathne, Mr. A. R. D. Perera and Mr. A. N. Ranasinghe. Its principle focus is on the overall strategic direction and review of business operational results. The report of the Management Committee is given under the Board committee reports section of the annual report.

INTEREST REGISTER

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. In Compliance with the requirements of the Companies Act this Annual Report also contains particulars of entries made in the Interest Register.

DIRECTORS' INTEREST IN CONTRACTS

Directors' interest in contracts are disclosed in the Related Party Transactions under Note 31 to the Financial Statements.

DIRECTORS SHAREHOLDING

The shareholdings of the Directors of the Company as at 31st March 2017, and as defined under the Listing Rules of Colombo Stock Exchange are as follows.

Voting Shares			Non Voting Shares		
Name of Director	No of Shares	%	Name of Director	No of Shares	%
Mr. W. K. H. Wegapitiya	1,411,536	0 .421	Mr. W. K. H. Wegapitiya	NIL	-
Mr. U. K. Thilak De Silva	1,077,897	0 .322	Mr. U. K. Thilak De Silva	NIL	-
Mr. H. A. Ariyaratne	3,900	0 .001	Mr. H.A. Ariyaratne	3,400	0.007
Mr. P. M. Kumarasinghe PC	4,800	0.001	Mr. P. M. Kumarasinghe PC	Nil	-
Mr. C. L. De Alwis	1,000	0 .000	Mr. C. L. De Alwis	500	0.001
Mr. N. M. Prakash	17,000	0.005	Mr. N. M. Prakash	NIL	-
Mr. T. K. Bandaranayake	NIL	-	Mr. T. K. Bandaranayake	NIL	-
Mr. A. R. D. Perera	NIL	-	Mr. A. R. D. Perera	NIL	-
Mr. A.N. Ranasinghe	NIL	-	Mr. A.N. Ranasinghe	NIL	-

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

Annual Report of the Board of Directors

DIRECTORS' REMUNERATION

Directors' remuneration is established within a framework approved by the Remuneration Committee. Directors' remuneration in respect of the Company for the year is given in Note 31.5 to the Financial Statements.

SHARE INFORMATION

Information relating to earnings, dividends, net assets and market value per share is given on pages 156, 224, 158 and 241 The distribution and the composition of shareholding is given on page 241 of this Annual Report.

The details of the twenty major shareholders of the Company including the number of shares held by them are given on pages 245 and 246 of the Annual Report.

CORPORATE GOVERNANCE

The Board of Directors has ensured that the Company has complied with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. Directors are committed towards the furtherance of Corporate Governance principles of the Company. The measures taken in this regard are set out in the Corporate Governance Report. Further the Directors declare that the Company has not engaged in any activity which contravenes laws and regulations, All material interest in contracts involving the Company have been declared by the Directors and they have refrained from voting on matters in which they were materially interested, the Company has made all endeavors to ensure the equitable treatment of shareholders, the business is a going concern and a review of internal controls covering financials, operational and compliance controls and risk management has been conducted and the Directors have obtained a reasonable assurance of their effectiveness and successful adherence.

ENVIRONMENT

The Company has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability. The Group's effort in this regard is briefly described in the Sustainability Report.

STATUTORY PAYMENTS

The Board of Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the company and its subsidiaries, and all other known statutory dues as were due and payable by the company and its subsidiaries as at the balance sheet date have been paid or, where relevant provided for, except as specified in note 6 the financial statements, covering contingent liabilities.

GOING CONCERN

The Board of Directors are satisfied that the company, its subsidiaries and associates, have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

DIVIDENDS

The Company has not paid or proposed any dividend for the year under review.

DISCLOSURES ON TRANSFER PRICING:

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

It is certified that the company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act, No. 10 of 2006. The information pursuant to these Regulations is given under the certificate produced under Section 107(2)(a) of the said Act. We believe that the record of transactions entered into with related parties during the period from 1st April 2016 to 31st March 2017 are at arm's length and not prejudicial to the interests of the company. The transactions are entered into on the basis of a transfer pricing policy adopted by the company. All transactions have been submitted to the independent auditors for audit. No adverse remarks have been made in their report on the audit of such transactions.

AUDITORS

Messrs. Ernst & Young, Chartered Accountants are deemed re-appointed in terms of Section 158 of the Companies Act No. 07 of 2007 as the Auditors of the

Company. A resolution to authorize the Directors to determine the remuneration of the Auditors will be proposed at the forthcoming Annual General Meeting.

Total audit fees paid to Messrs. Ernst & Young by the Company and the Group are disclosed in Note. 5.5 to the Financial Statements. The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationship with the Company or its subsidiaries (other than the Auditor) that would have an impact on their independence.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the "Empire Ballroom" of the Mount Lavinia Hotel on 29th June 2017 at 3.00pm. The notice of meeting appears in the supplementary information section of the comprehensive Annual Report.

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

By Order of the Board

W. K. H. Wegapitiya
Director

U. K. Thilak De Silva
Director

Corporate Advisory Services (Private) Limited
Secretaries

1 June 2017

Statement of Directors' Responsibilities

The Directors are responsible under the Companies Act No. 07 of 2007, to ensure compliance of the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of the affairs of the Company and its subsidiaries as at the balance sheet date and the profit of the Company and its subsidiaries for the financial year. Further the Board of Directors ensures the compliance of all the regulatory requirements imposed by the Listing Rules of the Colombo Stock Exchange including Rule 9 on Related Party Transactions and other applicable statutory and regulatory provisions.

The Board of Directors accepts the responsibility for the integrity and objectivity of the financial statements prepared and presented. The Directors confirm that the financial statements have been prepared;

- ✓ using appropriate and applicable accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- ✓ presented in accordance with the Sri Lanka Financial Reporting Standards (SLFRS); and that
- ✓ reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and
- ✓ provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors confirm that the financial statements have been prepared on a going concern basis and are of the view that sufficient funds and other resources are available within the Company and its subsidiaries to continue its operations and to facilitate planned future expansions and capital commitments.

Further, the Directors ensure that the company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the company and its subsidiaries.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the company and of the group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

The Directors are of the view that they have duly discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

The directors confirm that to the best of their knowledge and belief that all statutory payments in relation to regulatory and statutory authorities that were due in respect of the Company and its subsidiaries as at the balance sheet date have been duly paid or where relevant provided for.

By Order of the Board

Corporate Advisory Services (Private) Limited

Secretaries

1 June 2017

INVESTING *for* GROWTH

06

Financial Statements

Independent Auditors' Report / Statement of Profit or Loss / Statement of Other Comprehensive Income / Statement of Financial Position / Statement of Changes in Equity / Statement of Cash Flows / Notes to the Financial Statements

Financial Calendar

Financial Calendar 2016/17

First Quarter Ended 30th June 2016	-	Published on 15th August 2016
Second Quarter Ended 30th September 2016	-	Published on 11th November 2016
Third Quarter Ended 31st December 2016	-	Published on 15th February 2017
Fourth Quarter Ended 31st March 2017	-	Published on 29th May 2017
Annual Report 2016/17	-	Published on 5th June 2017
7th Annual General Meeting	-	Will be held on 29th June 2017

Independent Auditors' Report

Building a better working world

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LAUGFS GAS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of LAUGFS Gas PLC, ("the Company"), and the consolidated financial statements of the Company and its Subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and statements of other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. (set out on pages 164 to 240)

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 control 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 consolidated financial statements give a true and fair view of the financial position of the Group 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.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion, 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 give a true and fair view of its financial position 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, and
- the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

26 May 2017
Colombo

Statement of Profit or Loss

Year ended 31 March 2017	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Revenue	5.1	18,065,451,875	13,299,978,832	10,386,886,352	9,719,503,073
Cost of Sales		(13,890,579,915)	(9,636,536,181)	(9,244,995,763)	(7,975,524,176)
Gross Profit		4,174,871,960	3,663,442,651	1,141,890,589	1,743,978,897
Other Operating Income	5.2	380,583,863	339,622,911	1,156,918,560	909,786,634
Gain from Bargain Purchase on Acquisition of Subsidiaries	14	-	124,365,985	-	-
Selling and Distribution Expenses		(1,091,887,968)	(777,585,809)	(735,760,800)	(649,470,144)
Administrative Expenses		(2,366,812,559)	(1,292,350,746)	(792,918,949)	(588,495,455)
Foreign Currency Exchange Gains/(Loss)		(50,997,512)	8,715,003	(24,717,466)	3,891,913
Operating Profit		1,045,757,784	2,066,209,994	745,411,933	1,419,691,843
Finance Costs	5.3	(1,549,902,248)	(441,562,841)	(1,225,387,723)	(293,858,127)
Fair Value Gain on Investment Properties	9	38,315,960	27,000,000	26,000,000	27,000,000
Finance Income	5.4	81,809,690	57,236,857	5,653,920	21,721,807
Profit/(Loss) Before Tax		(384,018,815)	1,708,884,010	(448,321,871)	1,174,555,522
Income Tax Expense	6.1	(243,295,865)	(372,081,611)	189,193,667	(142,588,498)
Profit/(Loss) for the Year		(627,314,680)	1,336,802,398	(259,128,204)	1,031,967,025
Attributable to:					
Equity Holders of the Parent		(638,026,448)	1,284,803,630	(259,128,204)	1,031,967,025
Non-Controlling Interests		10,711,768	51,998,768	-	-
		(627,314,680)	1,336,802,398	(259,128,204)	1,031,967,025
Basic/Diluted Earnings/(Loss) Per Share:	7	(1.65)	3.32		

The accounting policies and notes on pages 164 to 240 form an integral part of these financial statements.

Statement of Other Comprehensive Income

Year ended 31 March 2017	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Profit/(Loss) for the Year		(627,314,680)	1,336,802,398	(259,128,204)	1,031,967,025
Other Comprehensive Income					
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods:					
Gain/(Loss) on Available for Sale Financial Assets	5.6	2,912,536	14,184,067	2,912,536	14,184,067
Reclassification during the Year to Profit or Loss		122,300,000	-	122,300,000	-
Exchange Differences in Translation of Foreign Operations		118,427,459	69,068,232	-	-
Surplus on Revaluation of Assets Transfered to Investment Properties	8.1	136,520,433	-	-	-
Income Tax Effect	6.3	(23,961,401)	-	-	-
Net Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods		356,199,027	83,252,299	125,212,536	14,184,067
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods:					
Actuarial Gains/(Losses) on Defined Benefit Liability	5.6	20,054,963	(7,952,847)	11,122,532	5,043,721
Income Tax Effect	6.3	(6,177,512)	3,195,855	(2,224,506)	(1,008,744)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods		13,877,451	(4,756,992)	8,898,026	4,034,977
Other Comprehensive Income/(Loss) for the Year, Net of Tax		370,076,479	78,495,307	134,110,562	18,219,044
Total Comprehensive Income/(Loss) for the Year, Net of Tax		(257,238,201)	1,415,297,705	(125,017,642)	1,050,186,069
Attributable to:					
Equity Holders of the Parent		(266,593,198)	1,356,780,332	(125,017,642)	1,050,186,069
Non-Controlling Interests		9,354,997	58,517,374	-	-
		(257,238,201)	1,415,297,705	(125,017,642)	1,050,186,069

The accounting policies and notes on pages 164 to 240 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2017	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	8	22,625,858,235	15,632,654,231	6,629,726,509	6,164,150,020
Investment Properties	9	2,270,800,000	735,500,000	761,500,000	735,500,000
Intangible Assets	10	3,088,813,381	3,043,068,904	25,177,376	38,764,524
Prepayments	12	105,750,957	112,148,805	-	-
Investments in Subsidiaries	13	-	-	11,850,336,896	5,798,781,152
Other Non-Current Financial Assets	17.1	122,828,052	119,292,929	122,828,052	119,292,929
Deferred Tax Assets	6.6	17,393,629	13,096,683	-	-
		28,231,444,254	19,655,761,552	19,389,568,833	12,856,488,625
Current Assets					
Inventories	18	1,428,210,443	894,117,444	569,520,813	511,266,765
Trade and Other Receivables	19	3,822,731,147	2,886,985,156	3,390,784,309	4,813,406,843
Prepayments	12	85,250,366	52,829,020	18,879,274	25,599,285
Income Tax Recoverable		205,100,136	164,067,900	202,209,841	162,678,696
Other Current Financial Assets	17.1	2,692,200	2,272,200	2,692,200	2,272,200
Cash and Short-Term Deposits	20.1	2,058,564,316	3,657,232,155	287,878,377	1,597,778,639
		7,602,548,608	7,657,503,875	4,471,964,814	7,113,002,428
Total Assets		35,833,992,862	27,313,265,427	23,861,533,647	19,969,491,053
EQUITY AND LIABILITIES					
Equity					
Stated Capital	21	3,285,000,260	3,285,000,260	3,285,000,260	3,285,000,260
Available for Sale Reserve	22	(193,755,741)	(318,968,277)	(193,755,741)	(318,968,277)
Revaluation Reserve	23	112,559,032	-	-	-
Foreign Currency Translation Reserve	23	186,807,178	48,438,638	-	-
Retained Earnings		4,253,763,313	5,395,273,403	4,215,870,627	4,862,980,518
Equity attributable to Equity Holders of the Parent		7,644,374,042	8,409,744,024	7,307,115,146	7,829,012,501
Non-Controlling Interests		-	1,195,843,601	-	-
Total Equity		7,644,374,042	9,605,587,625	7,307,115,146	7,829,012,501

As at 31 March 2017	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	17.2	15,443,239,863	7,877,606,074	8,120,292,137	4,553,223,809
Employee Benefit Liability	25	265,104,292	297,681,941	59,874,827	62,790,585
Deferred Income	26	670,652,418	524,797,600	670,652,418	524,797,600
Refundable Deposits	27	2,092,151,469	1,881,849,669	2,002,454,924	1,801,995,713
Deferred Tax Liabilities	6.6	689,989,257	867,826,626	592,348,653	795,729,267
		19,161,137,299	11,449,761,910	11,445,622,959	7,738,536,974
Current Liabilities					
Trade and Other Payables	28	3,801,627,286	1,837,271,534	1,398,998,645	1,080,467,954
Interest Bearing Loans and Borrowings	17.2	4,336,425,078	3,787,190,722	3,472,729,814	3,114,038,560
Deferred Income	26	14,572,091	7,213,318	14,572,091	7,213,318
Refundable Deposits	27	222,494,992	200,221,746	222,494,992	200,221,746
Income Tax Payable		653,362,074	426,018,572	-	-
		9,028,481,521	6,257,915,892	5,108,795,542	4,401,941,578
Total Equity and Liabilities		35,833,992,862	27,313,265,427	23,861,533,647	19,969,491,053

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

Dilshan Perera
Finance Director

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

W. K. H. Wegapitiya
Director

U.K. Thilak De Silva
Director

The accounting policies and notes on pages 164 to 240 form an integral part of these financial statements.

26 May 2017
Colombo

Statement of Changes in Equity

Year ended 31 March 2017

Group	Note	Stated Capital Rs.	Retained Earnings Rs.
As at 01 April 2015		3,285,000,260	4,929,317,530
Profit For the Year		-	1,284,803,630
Other Comprehensive Income		-	(2,733,234)
Total Comprehensive Income		-	1,282,070,396
Dividend Paid (Final 2014/2015)		-	(774,000,182)
Deferred Tax Liability Reversal during the Year	6.2	-	20,146,024
Reversal of Surplus on Revaluation for Disposal of Property, Plant & Equipment		-	(14,776,086)
Acquisition of a Subsidiary		-	-
Effects on Common Control Combinations		-	(47,484,278)
As at 31 March 2016		3,285,000,260	5,395,273,403
Profit/(Loss) For the Year		-	(638,026,448)
Other Comprehensive Income/(Loss)		-	13,877,451
Total Comprehensive Income/(Loss)		-	(624,148,998)
Dividend Paid (Final 2015/2016)		-	(387,000,098)
Deferred Tax Liability Reversal during the Year	6.2	-	25,472,572
Reversal of Surplus on Revaluation for Disposal of Property, Plant & Equipment		-	(25,535,458)
Acquisition of Non-Controlling Interest		-	(130,298,109)
As at 31 March 2017		3,285,000,260	4,253,763,313

Company	Note	Stated Capital Rs.	Retained Earnings Rs.
As at 01 April 2015		3,285,000,260	4,599,746,713
Profit For the Year		-	1,031,967,025
Other Comprehensive Income		-	4,034,977
Total Comprehensive Income		-	1,036,002,002
Dividend Paid (Final 2014/2015)	24	-	(774,000,172)
Deferred Tax Liability Reversal during the Year	6.2	-	16,008,061
Reversal of Surplus on Revaluation of Disposal of Property, Plant & Equipment		-	(14,776,086)
As at 31 March 2016		3,285,000,260	4,862,980,518
Profit/(Loss) For the Year		-	(259,128,204)
Other Comprehensive Income		-	8,898,026
Total Comprehensive Income/(Loss)		-	(250,230,178)
Dividend Paid (Final 2015/2016)	24	-	(387,000,086)
Deferred Tax Liability Reversal during the Year	6.2	-	15,655,831
Reversal of Surplus on Revaluation of Disposal of Property, Plant & Equipment		-	(25,535,458)
As at 31 March 2017		3,285,000,260	4,215,870,627

The accounting policies and notes on pages 164 to 240 form an integral part of these financial statements.

Attributable to Equity Holders of the Parent					
Available for Sale Reserve	Revaluation Reserve	Foreign Currency Translation Reserve	Total	Non-Controlling Interests	Total Equity
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(333,152,344)	-	-	7,881,165,446	-	7,881,165,446
-	-	-	1,284,803,630	51,998,768	1,336,802,398
14,184,067	-	48,438,638	59,889,470	18,605,836	78,495,307
14,184,067	-	48,438,638	1,344,693,100	70,604,605	1,415,297,705
-	-	-	(774,000,182)	(43,806,635)	(817,806,817)
-	-	-	20,146,024	1,859,085	22,005,108
-	-	-	(14,776,086)	-	(14,776,086)
-	-	-	-	1,167,186,547	1,167,186,547
-	-	-	(47,484,278)	-	(47,484,278)
(318,968,277)	-	48,438,638	8,409,744,024	1,195,843,601	9,605,587,625
-	-	-	(638,026,448)	10,711,768	(627,314,680)
125,212,536	112,559,032	119,095,717	370,744,736	(1,356,772)	369,387,964
125,212,536	112,559,032	119,095,717	(267,281,712)	9,354,996	(257,926,716)
-	-	-	(387,000,098)	-	(387,000,098)
-	-	-	25,472,572	289,510	25,762,082
-	-	-	(25,535,458)	-	(25,535,458)
-	-	19,272,823	(111,025,286)	(1,205,488,107)	(1,316,513,393)
(193,755,741)	112,559,032	186,807,178	7,644,374,042	-	7,644,374,042

Available for Sale Reserve	Total Equity
Rs.	Rs.
(333,152,344)	7,551,594,629
-	1,031,967,025
14,184,067	18,219,044
14,184,067	1,050,186,069
-	(774,000,172)
-	16,008,061
-	(14,776,086)
(318,968,277)	7,829,012,501
-	(259,128,204)
125,212,536	134,110,526
125,212,536	(125,017,642)
-	(387,000,086)
-	15,655,831
-	(25,535,458)
(193,755,741)	7,307,115,146

Statement of Cash Flows

Year ended 31 March 2017	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Cash Flows Generated from/(Used in) Operating Activities					
Cash Flows from Operating Activities					
Profit/(Loss) Before Tax		(384,018,815)	1,708,884,010	(448,321,871)	1,174,555,522
Non-Cash Adjustment to Reconcile Profit Before Tax to Net Cash Flows:					
Amortization of Intangible Assets	10	23,703,899	20,249,133	13,587,147	12,588,904
Decrease in Fair Value of Quoted Equity Securities		(420,000)	1,923,250	(420,000)	1,923,250
Depreciation of Property, Plant and Equipment	8	969,804,296	689,547,661	402,323,645	347,522,522
Fair Value Gain on Investment Properties	9	(38,315,960)	(27,000,000)	(26,000,000)	(27,000,000)
Finance Costs	5.3	1,549,902,248	441,562,841	1,225,387,723	293,858,127
Finance Income	5.4	(81,809,690)	(57,236,857)	(5,653,920)	(21,721,807)
Gain from Bargain Purchase on Acquisition of Subsidiaries		-	(124,365,985)	-	-
Dividend Income	5.2	(3,072,799)	(1,254,268)	(771,027,108)	(579,133,598)
Provision for Contribution to Workers' Profit Participation Fund		28,879,384	14,167,303	-	-
Provision for Employee Benefit Liability	25.1	64,027,756	45,527,234	14,999,098	13,656,424
(Profit)/Loss on Disposal of Property, Plant and Equipment		(8,494,925)	4,692,256	(8,341,001)	4,807,816
Exchange Differences		104,846,086	33,048,726	43,994,080	5,859,711
Operating Profit before Working Capital Changes		2,225,031,480	2,749,745,304	440,527,795	1,226,916,873
Working Capital Adjustments:					
(Increase)/Decrease in Inventories		(511,396,743)	(116,760,749)	(58,254,048)	(46,342,790)
(Increase)/Decrease in Trade and Other Receivables and Prepayments		(962,971,062)	(754,623,891)	1,429,517,545	(2,390,879,679)
Increase/(Decrease) in Trade and Other Payables		1,978,559,052	(1,711,256,026)	332,733,990	(532,031,001)
Increase/(Decrease) in Deferred Income		153,213,591	65,870,240	153,213,591	128,287,779
Cash Flows Generated from/(Used in) Operating Activities		2,882,436,318	232,974,878	2,297,738,873	(1,614,048,818)
Employee Benefit Liability Costs Paid	25	(82,092,076)	(639,150)	(6,792,323)	(323,250)
Finance Costs Paid		(1,427,602,248)	(441,562,841)	(1,103,087,723)	(293,858,127)
Income Tax Paid		(259,488,362)	(409,888,112)	(40,286,771)	(290,741,136)
Refund/Transfers of Refundable Deposits	27	(498,560,266)	(423,588,389)	(492,685,300)	(423,290,039)
Refundable Deposits Received	27	728,654,447	934,790,156	715,417,756	929,937,608
Net Cash Flows Generated from/(Used in) Operating Activities		1,343,347,813	(107,913,459)	1,370,304,513	(1,692,323,763)

Year ended 31 March 2017	Note	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
Cash Flows from/(Used in) Investing Activities					
Acquisition of Intangible Assets	10	(1,232,125)	(79,164,320)	-	(44,142,125)
Acquisition of Property, Plant and Equipment	8.3	(9,299,556,926)	(3,892,343,909)	(924,428,703)	(1,169,194,451)
Acquisition of Investment Properties	9	(73,684,040)	-	-	-
Dividends Received		2,450,211	911,433	770,404,520	578,790,763
Investments in Subsidiaries	13	-	-	(6,051,555,744)	(3,002,479,228)
Acquisition of a Business, Net of Cash Acquired	13	-	(1,192,114,489)	-	-
Proceeds from Disposal of Property, Plant and Equipment		41,544,258	24,422,362	39,334,114	23,665,798
Net Cash Flows Used in Investing Activities		(9,330,478,622)	(5,138,288,923)	(6,166,245,813)	(3,613,359,242)
Cash Flows from/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans and Borrowings	17.2	22,853,479,775	14,978,073,923	18,192,372,580	12,793,173,423
Dividend Paid		(387,000,098)	(817,806,817)	(387,000,086)	(774,000,172)
Finance Income	5.4	81,809,690	57,236,857	5,653,920	21,721,807
Acquisition of Non-Controlling Interest		(1,316,513,393)	-	-	-
Capital Repayment under Finance Lease Liabilities		(6,592,848)	(5,927,344)	-	-
Repayment of Interest Bearing Loans and Borrowings	17.2	(15,210,152,114)	(6,347,156,423)	(14,600,699,184)	(5,704,166,329)
Net Cash Flows from Financing Activities		6,015,031,012	7,864,420,196	3,210,327,230	6,336,728,729
Net Increase/(Decrease) in Cash and Cash Equivalent		(1,972,099,797)	2,618,217,813	(1,585,614,069)	1,031,045,724
Cash and Cash Equivalent at the Beginning of the Year	20	3,388,639,389	770,421,576	1,471,483,118	440,437,394
Cash and Cash Equivalent at the End of the Year	20	1,416,539,593	3,388,639,389	(114,130,952)	1,471,483,118

The accounting policies and notes on pages 164 to 240 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

1.2 Consolidated Financial Statements

The consolidated financial statements of Laugfs Gas PLC, as at and for the year ended 31 March 2017 encompasses the Company and its Subsidiaries (together referred to as the "Group").

1.3 Principal Activities and Nature of Operations

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

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

1.4 Parent Entity and Ultimate Parent Entity

The Company's parent entity is LAUGFS Holdings Limited. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is LAUGFS Holdings Limited, which is incorporated in Sri Lanka.

1.5 Directors' Responsibility Statement

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

1.6 Date of Authorization for Issue

The financial statements of LAUGFS Gas PLC and its Subsidiaries (collectively, the Group) for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 26 May 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The financial statement of LAUGFS Gas PLC and its Subsidiaries (the Group) have been prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

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

2.2 Basis of Preparation and Measurement

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

The financial statements are presented in Sri Lankan Rupees.

2.3 Functional and Presentation Currency

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

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

Bangladeshi Taka (BDT)	LAUGFS Gas (Bangladesh) Ltd
United Arab Emirates Dirham (AED)	SLOGAL Energy DMCC
United States Dollars (USD)	LAUGFS Maldives (Pvt) Ltd

2.4 Materiality and Aggregation

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

2.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries as at 31 March 2017.

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

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

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

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

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

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

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

Notes to the Financial Statements

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

A change in the ownership interest of a Subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a Subsidiary, it derecognises the related assets (including goodwill), non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Anantaya Wadduwa (Pvt) Ltd. and Anantaya Passekudah (Pvt) Ltd. being two Subsidiary companies of LAUGFS Leisure Ltd., that have been acquired by the Group during the years ended 31 March 2012 and 31 March 2013 respectively, have been accounted for considering the actual interests of the Board of Directors of the Group. Namely, the said two companies have been accounted for based on the substance of the acquisition, being an acquisition of a free hold land and a lease hold land respectively. No goodwill has been recognized pertaining to these acquisitions since those have not been considered as business acquisitions.

2.6 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combinations are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.7 Common Control Business Combinations

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

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

2.8 Non-Controlling Interests

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

2.9 Foreign Currency

2.9.1 Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group at the functional currency spot rate at the date the transaction first qualifies for recognition. Such transactions are translated to the respective functional currencies of Group entities at exchange rates applicable on the dates of the transaction.

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

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

2.9.2 Foreign Operations

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

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

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

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

2.10 Consolidation of Subsidiaries with Different Accounting Periods

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

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

2.11 Current Versus Non-Current Classification

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

Notes to the Financial Statements

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

or

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

All other assets are classified as non-current assets.

A liability is current when:

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

or

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

The Group classifies all other liabilities as non-current.

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

2.12 Fair Value Measurement

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

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

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

- In the principal market for the asset or liability,

or

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

2.13 Revenue/Income Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risks.

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

- **Sale of Goods**

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

- **Rendering of Services**

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

- **Room Revenue**

Revenue is recognized on the rooms occupied on daily basis.

- **Food & Beverage Revenue**

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

- **Other Hotel Related Revenue**

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

- **Freight Income**

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

- **Supply of Electricity**

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

- **Rental Income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is included in other operating income in the statement of profit or loss.

- **Income from Non-Refundable Deposits**

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

- **Interest Income**

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is recognized as the interest accrued unless collectability is in doubt. Interest income is included in finance income in the statement of profit or loss.

- **Dividends**

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

- **Gains and Losses**

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

- **Others**

Other income is recognized on an accrual basis.

Revenue relating to leisure and hospitality, marine services and power generation is accumulated under

Notes to the Financial Statements

the broad category of 'Rendering of Services' within 'Revenue' in the statement of profit or loss.

2.14 Deferred Income

The Liquefied Petroleum Gas cylinders remain as a property of LAUGFS Gas PLC and issued to the customers on a temporary basis against a refundable security deposit. The Company is liable to refund the deposit for 12.5Kg, 37.5Kg, 5Kg & 2Kg cylinders on following basis subject to a minimum refund of Rs.1,000/-, Rs.1,700/-, Rs. 485/-, & Rs. 450/- respectively for an indefinite period.

1st Year – Minimum refund + Two third of the selling price of a cylinder after deducting Minimum refund

2nd Year – Minimum refund + One third of the selling price of a cylinder after deducting Minimum refund

3rd Year onwards Minimum refund.

The difference between the deposit and minimum refund is charged to deferred income over a period of three years in line with the refund policy.

2.15 Cost of Sales Recognition

The current cost of gas sold in 12.5Kg cylinders for domestic consumption is equalized to selling price base applicable to the same period (landed cost of a gas cylinder during past two months) and deferred to following two months. The accounting policy, which the Directors believe, would reflect fairly the financial position and performance of the Company taking in to account the agreement signed between the Company and the Consumer Affairs Authority (the Agreement) consequent to an order given by the Supreme Court. According to the judgment of the Supreme Court the Company is entitled to a price of landed cost plus a margin. Consequent to the judgment, the Consumer Affairs Authority has entered in to an agreement with the Company where it has permitted to a selling price of landed cost plus a margin. However, since the pricing mechanism is not functioning as required by the Agreement, the Directors are of the view that no such deferment is required and that the current cost is compared against the current selling price for gas sold in 12.5Kg cylinders.

2.16 Expenses

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

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

2.17 Finance Income and Finance Costs

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

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

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

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

2.18 Taxes

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

2.18.1 Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or in other comprehensive income is recognised in equity or in other comprehensive income and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

2.18.2 Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in Subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax assets and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in Subsidiaries, equity accounted investee and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

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

2.18.3 Sales Tax

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

Notes to the Financial Statements

- When the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities, in which case, the sales tax is recognized as a part of the cost of the asset or part of the expense items, as applicable or/and
- When receivables and payables that are stated with the amount of sales tax included the net amount of sales tax recoverable from or payable to, the taxation authorities is included as a part of receivables or payables in the statement of financial position.

2.19 Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.20 Leases

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

2.20.1 Group as a Lessee

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

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

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

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

2.20.2 Group as a Lessor for Operating Leases

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Investment Properties

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

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

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

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

2.22 Intangible Assets

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

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

The useful lives of intangible assets are assessed to be finite or infinite. For intangible assets with a finite useful life, the Group's policy is to amortize such intangible assets over a useful life of 4-10 years. Such intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The

Notes to the Financial Statements

amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

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

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

2.23 Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in the statement of profit or loss in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

2.24 Rate Regulatory Deferral Accounting

Rate regulation is a restriction on the setting of prices that can be charged to customers for services or products in an entity where certain activities that are rate regulated are not similar to the activities of an entity where rate regulation does not exist. Therefore, failure to recognize rate regulatory assets or rate regulatory liabilities would make situations which are detrimental for comparability since the revenue (prices or rates subject to regulation) for a particular period is matched with the actual cost incurred in that period, although regulated prices are determined based on a prior period which has no relevance to the current cost.

The pricing of Liquefied Petroleum Gas in 12.5 Kg cylinders being sold by LAUGFS Gas PLC is governed by the Consumer Affairs Authority Act. According to an order held by Supreme Court in 2008, LAUGFS Gas PLC and the Consumer Affairs Authority (CAA) have agreed on pricing formula, which was made effective from 1 January 2009.

The above pricing formula requires the actual landed costs of the two previous consecutive months to be considered for determination of selling prices which will be effective from the end of the third month.

The above price mechanism of Consumer Affairs Authority (CAA) allows LAUGFS Gas PLC to charge the actual landed cost incurred in the past two months to customers after the approval is obtained for price revision from the Consumer Affairs Authority (CAA).

Accordingly, the difference of landed cost of Liquefied Petroleum Gas incurred in the current month and the actual landed costs of the two previous consecutive months is recognised as rate regulatory assets or liabilities. The difference of landed cost of Liquefied Petroleum Gas between past two months and the cost previously recognized as rate regulatory assets or liabilities is reversed to statement of profit or loss.

The recoverability of rate regulatory asset recognized as above may get adversely affected by factors such as severe competition, ability of customers to frequently switch between gas providers, unfavorable price revisions by the Consumer Affairs Authority (CAA) or other detrimental macro-economic conditions etc. Therefore testing for impairment on rate regulatory assets is carried out at the end of each reporting period.

2.25 Financial Instruments

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

2.25.1 Financial Assets

2.25.1.1 Initial Recognition and Measurement

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

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

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

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

2.25.1.2 Subsequent Measurement

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

Financial Assets at Fair Value through Profit or Loss

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

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

Loans and Receivables

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

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

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

Available-for-Sale Financial Assets (AFS)

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

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other

Notes to the Financial Statements

operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

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

2.25.1.3 Derecognition

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

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

or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) the Group has transferred substantially all the risks and rewards of the asset,

or

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

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

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

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

2.25.1.4 Impairment of Financial Assets

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

Financial Assets Carried at Amortised Cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

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

Available-for-Sale Financial Assets (AFS)

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss - is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairments are recognized in the OCI.

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

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

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

2.25.2 Financial Liabilities

2.25.2.1 Initial Recognition and Measurement

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

2.25.2.2 Subsequent Measurement

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

Financial Liabilities at Fair Value through Profit or Loss

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

Notes to the Financial Statements

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

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

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

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

Loans and Borrowings

This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

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

2.25.2.3 Derecognition

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

2.25.3 Offsetting of Financial Instruments

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

2.25.4 Fair Value of Financial Instruments

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

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

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

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

2.26 Inventories

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

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

Raw Materials	- At purchase cost on weighted average cost basis
Finished Goods	- At the cost of direct materials, direct labor and an appropriate proportion of overheads based on normal operating capacity, but excluding borrowing costs
Goods in Transit	- At purchase cost
Food & Beverages	- At actual cost on weighted average cost basis
Other Inventories	- At actual cost on weighted average cost basis

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

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

2.27 Impairment of Non-Financial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculations on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.28 Cash and Short-Term Deposits

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

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

2.29 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate

Notes to the Financial Statements

can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

2.30 Employee Benefits

2.30.1 Defined Benefit Plan – Gratuity

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

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

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

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

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

This is not an externally funded defined benefit plan.

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

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

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

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

2.30.3 Short-term Benefits

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

2.31 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.

2.31.1 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.

2.31.2 SLFRS 15 – Revenue from Contracts with Customers

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

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

2.31.3 SLFRS 16 – Leases

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

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

Pending the completion of the detailed review, possible Impact from SLFRS 9, SLFRS 15 and SLFRS 16 is not reasonably estimable as of the reporting date.

The Group will adopt these standards when they become effective.

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

- Regulatory Defferal Accounts (SLFRS 14)
- 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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Notes to the Financial Statements

Use of Judgements, Estimates and Assumptions

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

3.1 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial Statements continue to be prepared on the going concern basis.

3.2 Classification of Property

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

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

The Group determines whether a property qualifies as investment property by considering whether the property generates cash flows largely independently of the other assets held by the entity. Owner occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

3.3 Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

3.4 Revaluation of Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Group engaged an independent valuation specialist to assess fair values as at 31 March 2017.

3.5 Taxes

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

3.6 Defined Benefit Plans

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

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

3.7 Fair Value Measurement of Financial Instruments

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

3.8 Development Costs

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

3.9 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. SEGMENT INFORMATION

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

Energy

Selling of Liquefied Petroleum Gas and other related products.

Other Services

Operation of vehicle emission testing centers to issue vehicle Emission Test Certificates.

Leisure & Hospitality

Operation of hotels. However, the hotel at Wadduuwa is still under design phase.

Property Development

Operation of a commercial property to given on rent at Kirullapone.

	Energy		Other Services		Leisure & Hospitality		Property Development	
Operating Segments	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue								
External Customers	16,217,974,439	11,802,373,388	1,240,302,196	1,106,426,395	416,145,584	355,833,244	52,566,930	-
Inter-Segment	-	5,904,360	-	-	-	-	21,333,203	-
Total Revenue	16,217,974,439	11,808,277,748	1,240,302,196	1,106,426,395	416,145,584	355,833,244	73,900,133	-
Results								
Operating Profit	1,257,743,722	1,686,974,077	476,100,347	437,337,650	(200,147,963)	(22,242,851)	57,524,804	(2,243,130)
Finance Costs	(1,225,387,723)	(304,269,044)	(2,056,916)	(2,634,288)	(202,269,402)	(88,649,402)	(19,392,991)	(33,084)
Fair Value Gain on Investment Properties	26,000,000	27,000,000	-	-	-	-	12,315,960	-
Finance Income	42,030,418	34,029,244	23,596,301	19,533,319	689,246	1,625,678	133,632	69,517
Profit/(Loss) Before Tax	100,386,417	1,443,734,277	497,639,732	454,236,681	(401,728,119)	(109,266,575)	50,581,406	(2,206,697)
Income Tax Expense	(18,794,897)	(244,029,289)	(111,222,211)	(47,975,417)	1,022,686	(4,155,495)	(6,935,469)	(12,652)
Profit/(Loss) for the Year	81,591,520	1,199,704,988	386,417,521	406,261,265	(400,705,432)	(113,422,070)	43,645,937	(2,219,349)
Net Profit/(Loss) on Available for Sale Financial Assets	2,912,536	14,184,067	27,749,616	(704,250)	-	-	-	-
Reclassification during the Year to Profit or Loss	122,300,000	-	-	-	-	-	-	-
Actuarial Gains/(Losses) on Defined Benefit Plans	24,331,451	(4,999,743)	(1,875,726)	(4,016,724)	(2,164,008)	683,811	(329,504)	-
Exchange Difference in Translation of Foreign Operations	48,084,914	27,556,011	-	-	(41,442)	-	-	-
Surplus on Revaluation of Assets Transfered to Investment Properties	-	-	-	-	-	-	158,347,099	-
Income Tax Effect	(6,847,628)	2,506,468	375,145	803,345	217,288	(68,381)	(27,727,167)	-
Total Comprehensive Income/ (Loss) for the Year Net of Tax	272,372,793	1,238,951,791	412,666,556	402,343,635	(402,693,595)	(112,806,641)	173,936,365	(2,219,349)

Power

Generation of hydro power.

Transportation & Logistics

Operation of vessels and providing sea cargo services.

Trading

Selling of crude oil, refined oil products and petrochemicals.

No operating segments have been aggregated to form the above reportable operating segments. The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner to transactions with third parties.

Power		Transportation & Logistics		Trading		Eliminations/Adjustments		Group	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
138,462,727	35,345,804	-	-	-	-	-	-	18,065,451,875	13,299,978,832
-	-	1,188,952,003	879,780,637	1,965,930,115	527,709,652	(3,176,215,321)	(1,413,394,649)	-	-
138,462,727	35,345,804	1,188,952,003	879,780,637	1,965,930,115	527,709,652	(3,176,215,321)	(1,413,394,649)	18,065,451,875	13,299,978,832
104,403,229	177,436,160	454,410,620	231,018,981	1,383,849	12,383,457	(1,105,660,824)	(454,454,351)	1,045,757,784	2,066,209,993
(57,773,699)	(4,196,504)	(61,569,918)	(41,780,519)	-	-	18,548,400	-	(1,549,902,248)	(441,562,841)
-	-	-	-	-	-	-	-	38,315,960	27,000,000
978,505	484,683	14,381,588	1,494,416	-	-	-	-	81,809,690	57,236,857
47,608,035	173,724,340	407,222,290	190,732,878	1,383,849	12,383,457	(1,087,112,424)	(454,454,351)	(384,018,815)	1,708,884,010
(195,460)	(332,659)	(843,500)	(5,950,346)	-	-	(106,327,014)	(69,625,754)	(243,295,865)	(372,081,611)
47,412,575	173,391,681	406,378,789	184,782,533	1,383,849	12,383,457	(1,193,439,438)	(524,080,105)	(627,314,680)	1,336,802,398
-	-	-	-	-	-	(27,749,616)	704,250	2,912,536	14,184,067
-	-	-	-	-	-	-	-	122,300,000	-
71,194	379,809	21,555	-	-	-	-	-	20,054,962	(7,952,847)
-	-	-	-	1,954,662	2,521,153	68,429,326	38,991,068	118,427,459	69,068,232
-	-	-	-	-	-	(21,826,666)	-	136,520,433	-
(8,543)	(45,577)	(6,035)	-	-	-	3,858,026	-	(30,138,913)	3,195,855
47,475,225	173,725,913	406,394,309	184,782,533	3,338,511	14,904,610	(1,170,728,368)	(484,384,787)	(257,238,201)	1,415,297,705

Notes to the Financial Statements

4. SEGMENT INFORMATION (Contd.)

Operating Segments	Energy 2017 Rs.	Energy 2016 Rs.	Other Services 2017 Rs.	Other Services 2016 Rs.	Leisure & Hospitality 2017 Rs.	Leisure & Hospitality 2016 Rs.	Property Development 2017 Rs.	Property Development 2016 Rs.
Assets & Liabilities								
Total Non-Current Assets	17,975,590,886	11,170,684,585	331,745,766	348,914,550	5,143,851,860	4,366,557,803	1,803,960,678	1,206,636,417
Total Current Assets	6,909,245,245	8,998,181,512	488,753,278	491,303,809	1,071,687,622	1,863,011,457	248,692,037	209,825,510
Total Assets	24,884,836,131	20,168,866,097	820,499,044	840,218,359	6,215,539,482	6,229,569,260	2,052,652,715	1,416,461,927
Total Non-Current Liabilities	11,761,792,885	8,095,669,664	48,216,249	45,170,255	1,735,380,450	1,750,870,867	317,237,050	233,222,237
Total Current Liabilities	6,733,541,509	5,249,985,729	153,269,366	118,701,234	2,227,015,379	3,518,731,017	691,730,918	313,491,307
Total Liabilities	18,495,334,394	13,345,655,393	201,485,615	163,871,489	3,962,395,829	5,269,601,884	1,008,967,968	546,713,544
Other Disclosures								
Depreciation for the Year	516,220,707	401,559,340	61,473,385	76,729,486	147,798,213	89,495,724	2,951,444	33,399
Purchase of Property, Plant and Equipment, and Investment Properties	1,283,804,023	1,205,398,850	17,474,703	36,171,788	950,787,779	1,175,274,232	429,612,647	63,347,732
Provision for Employee Benefit Liability	50,368,993	37,517,681	9,837,696	6,771,482	3,202,115	440,818	56,318	-
Deferred Tax Assets	-	-	14,353,101	11,390,561	2,805,443	1,564,391	-	-
Deferred Tax Liabilities	657,674,551	865,908,951	-	-	-	-	34,638,315	-

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

Power		Transportation & Logistics		Trading		Eliminations/Adjustments		Group	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
5,027,810,460	1,089,978,069	4,506,232,582	1,815,629,436	1,320,390,864	3,736,202	(7,878,138,843)	(346,375,510)	28,231,444,254	19,655,761,552
1,275,693,589	1,148,993,006	1,501,640,262	577,744,660	267,122,297	313,446,368	(4,160,285,721)	(5,945,002,446)	7,602,548,608	7,657,503,875
6,303,504,049	2,238,971,075	6,007,872,844	2,393,374,096	1,587,513,161	317,182,570	(12,038,424,564)	(6,291,377,956)	35,833,992,862	27,313,265,427
3,372,818,760	314,303,205	1,930,028,619	1,010,525,683	-	-	(4,336,714)	-	19,161,137,299	11,449,761,910
1,377,768,161	2,126,345,822	1,775,834,538	562,033,035	213,166,425	297,730,089	(4,143,844,776)	(5,929,102,341)	9,028,481,521	6,257,915,892
4,750,586,921	2,440,649,027	3,705,863,157	1,572,558,718	213,166,425	297,730,089	(4,148,181,489)	(5,929,102,341)	28,189,618,820	17,707,677,802
38,795,287	10,293,682	200,616,086	111,528,983	427,826	35,630	1,521,346	(128,582)	969,804,296	689,547,661
3,977,225,678	449,039,863	2,896,158,097	956,278,879	367,630	3,771,832	(182,189,591)	3,060,733	9,373,240,966	3,892,343,909
207,674	291,070	354,960	506,183	-	-	-	-	64,027,756	45,527,234
-	-	235,085	141,731	-	-	-	-	17,393,629	13,096,683
2,013,105	1,917,675	-	-	-	-	(4,336,714)	-	689,989,257	867,826,626

Notes to the Financial Statements

4. SEGMENT INFORMATION (Contd.)

Geographic Information	Sri Lanka 2017 Rs.	Sri Lanka 2016 Rs.	Bangladesh 2017 Rs.	Bangladesh 2016 Rs.
Revenue				
External Customers	12,234,363,788	11,211,204,156	5,831,088,087	2,088,774,676
Inter-Segment	1,210,285,206	885,684,997	-	-
Total Revenue	13,444,648,994	12,096,889,153	5,831,088,087	2,088,774,676
Results				
Operating Profit	1,637,702,970	2,240,998,654	512,331,789	267,282,234
Finance Costs	(1,549,902,248)	(431,151,925)	-	(10,410,916)
Fair Value Gain on Investment Properties	38,315,960	27,000,000	-	-
Finance Income	45,433,192	44,929,420	36,376,498	12,307,437
Profit/(Loss) Before Tax	171,549,873	1,881,776,149	548,708,287	269,178,754
Income Tax Expense	71,019,713	(201,015,066)	(207,988,564)	(101,440,791)
Profit/(Loss) for the Year	242,569,586	1,680,761,083	340,719,723	167,737,963
Net Profit/(Loss) on Available for Sale Financial Assets	30,662,152	13,479,817	-	-
Reclassification during the Year to Profit or Loss	122,300,000	-	-	-
Actuarial Gains/(Losses) on Defined Benefit Plans	6,846,043	2,090,617	13,208,919	(10,043,464)
Exchange Difference in Translation of Foreign Operations	-	-	116,514,240	66,547,079
Surplus on Revaluation of Assets Transfered to Investment Properties	136,520,433	-	-	-
Income Tax Effect	(25,515,792)	(319,358)	(4,623,121)	3,515,213
Total Comprehensive Income/(Loss) for the Year Net of Tax	513,382,424	1,696,012,161	465,819,761	227,756,790
Assets & Liabilities				
Total Non-Current Assets	33,605,238,833	19,086,273,554	1,183,953,399	912,127,307
Total Current Assets	9,058,431,600	11,403,880,869	2,437,280,432	1,885,179,085
Total Assets	42,663,670,434	30,490,154,423	3,621,233,832	2,797,306,392
Total Non-Current Liabilities	18,849,304,087	11,092,629,219	316,169,926	357,132,691
Total Current Liabilities	11,334,413,903	11,041,243,993	1,624,745,969	848,044,151
Total Liabilities	30,183,717,990	22,133,873,212	1,940,915,895	1,205,176,842
Other Disclosures				
Depreciation for the Year	853,958,062	635,603,796	113,897,062	54,036,818
Purchase of Property, Plant and Equipment, and Investment Properties	9,195,687,607	3,849,306,945	359,375,320	36,204,400
Provision for Employee Benefit Liability	28,657,861	21,665,977	35,369,895	23,861,257
Deferred Tax Assets	17,393,629	13,096,683	-	-
Deferred Tax Liabilities	629,000,073	797,646,942	65,325,898	70,179,684

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

United Arab Emirates		Eliminations/Adjustments		Group	
2017	2016	2017	2016	2017	2016
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	18,065,451,875	13,299,978,832
1,965,930,115	527,709,652	(3,176,215,321)	(1,413,394,649)	-	-
1,965,930,115	527,709,652	(3,176,215,321)	(1,413,394,649)	18,065,451,875	13,299,978,832
1,383,849	12,383,457	(1,105,660,824)	(454,454,351)	1,045,757,784	2,066,209,994
-	-	-	-	(1,549,902,248)	(441,562,841)
-	-	-	-	38,315,960	27,000,000
-	-	-	-	81,809,690	57,236,857
1,383,849	12,383,457	(1,105,660,824)	(454,454,351)	(384,018,815)	1,708,884,010
-	-	(106,327,014)	(69,625,754)	(243,295,865)	(372,081,611)
1,383,849	12,383,457	(1,211,987,838)	(524,080,105)	(627,314,680)	1,336,802,398
-	-	(27,749,616)	704,250	2,912,536	14,184,067
-	-	-	-	122,300,000	-
-	-	-	-	20,054,962	(7,952,847)
1,913,220	2,521,153	-	-	118,427,459	69,068,232
-	-	-	-	136,520,433	-
-	-	-	-	(30,138,913)	3,195,855
3,297,068	14,904,610	(1,239,737,455)	(523,375,855)	(257,238,201)	1,415,297,705
1,320,390,864	3,736,202	(7,878,138,843)	(346,375,510)	28,231,444,254	19,655,761,552
267,122,297	313,446,368	(4,160,285,721)	(5,945,002,446)	7,602,548,608	7,657,503,875
1,587,513,161	317,182,570	(12,038,424,564)	(6,291,377,956)	35,833,992,862	27,313,265,427
-	-	(4,336,714)	-	19,161,137,299	11,449,761,910
213,166,425	297,730,089	(4,143,844,776)	(5,929,102,341)	9,028,481,521	6,257,915,892
213,166,425	297,730,089	(4,148,181,489)	(5,929,102,341)	28,189,618,820	17,707,677,802
427,826	35,630	1,521,346	(128,582)	969,804,296	689,547,661
367,630	3,771,832	(182,189,591)	3,060,733	9,373,240,966	3,892,343,909
-	-	-	-	64,027,756	45,527,234
-	-	-	-	17,393,629	13,096,683
-	-	(4,336,714)	-	689,989,257	867,826,626

Notes to the Financial Statements

5. REVENUE/OTHER INCOME AND EXPENSES

		Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
5.1	Revenue				
	Sale of Goods	16,227,162,788	11,828,542,320	10,396,074,701	9,745,672,004
	Rendering of Services	1,847,477,436	1,497,605,443	-	-
	Distributor Commission	(9,188,349)	(26,168,932)	(9,188,349)	(26,168,932)
		18,065,451,875	13,299,978,832	10,386,886,352	9,719,503,073
5.2	Other Operating Income				
	Rent Income	8,672,174	8,103,202	8,672,174	8,103,202
	Income from Non-Refundable Deposits	346,830,482	296,292,517	346,830,482	296,292,517
	Project Work Income	13,372,660	16,232,623	13,372,660	16,232,623
	Sundry Income	8,238,248	17,740,301	251,000	1,042,094
	Dividend Income	3,072,799	1,254,268	771,027,108	579,133,598
	Commission on Corporate Guarantees	397,500	-	16,765,136	8,982,600
		380,583,863	339,622,911	1,156,918,560	909,786,634
5.3	Finance Costs				
	Interest Expense on Overdrafts	59,063,877	20,116,799	44,300,467	13,037,185
	Interest Expense on Loans and Borrowings	1,320,849,551	399,463,000	997,897,621	271,877,838
	Finance Charges on Lease Liabilities	1,968,784	2,634,288	-	-
	Interest on Dealer Refundable Deposits	4,615,289	8,943,105	4,615,289	8,943,105
	Annual Financing Fees to Bank	-	10,405,650	-	-
	Interest on Import Loans	33,604,747	-	33,604,747	-
	Corporate Guarantee Commission Expenses	7,500,000	-	22,669,600	-
	Impairment Loss on Available for Sale Financial Assets	122,300,000	-	122,300,000	-
		1,549,902,248	441,562,841	1,225,387,723	293,858,127
5.4	Finance Income				
	Interest Income	81,809,690	57,236,857	5,653,920	21,721,807
		81,809,690	57,236,857	5,653,920	21,721,807

		Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
5.5	**Profit/(Loss) Before Tax**				
	Stated after Charging/(Crediting)				
	Included in Cost of Sales				
	Depreciation of Property, Plant and Equipment	733,292,887	523,140,403	360,026,320	299,278,212
	Amortization of Intangible Assets	5,032,218	3,098,946	-	-
	Employees Benefits including the following;	482,294,479	229,799,550	111,233,988	85,338,823
	- Defined Contribution Plan Costs - EPF and ETF (Included in Employees Benefits)	7,342,715	6,481,939	6,838,055	6,232,999
	Included in Administration Expenses				
	Employees Benefits including the following;	853,009,693	606,732,543	159,766,197	151,924,713
	- Employee Benefit Plan Costs - Gratuity (Included in Employee Benefits)	64,027,756	45,527,232	14,999,098	13,656,424
	- Defined Contribution Plan Costs - EPF and ETF (Included in Employees Benefits)	63,424,202	50,381,508	10,189,857	15,118,209
	Depreciation of Property, Plant and Equipment	212,667,598	144,487,025	27,320,292	30,346,329
	Amortization of Intangible Assets	18,671,680	17,150,187	13,587,147	12,588,904
	Auditors' Fees - Current Year	5,857,902	3,961,655	1,410,000	1,774,486
	Auditors' Fees -Under/(Over) Provision in respect of Prior Year	32,987	(232,006)	(140,286)	(246,504)
	Donations	5,598,930	6,639,347	1,396,400	4,800,624
	Research and Development	22,805	108,472	22,805	108,472
	Included in Selling and Distribution Expenses				
	Employees Benefits including the following;	178,162,498	160,560,955	118,334,678	148,523,054
	- Defined Contribution Plan Costs - EPF and ETF (Included in Employee Benefits)	9,543,849	10,116,924	9,543,849	10,116,924
	Depreciation of Property, Plant and Equipment	23,843,812	21,920,234	14,977,033	17,897,331
	Advertising and Promotion	309,228,618	194,383,863	219,491,640	175,213,965
5.6	**Components of Other Comprehensive Income**				
	Available for Sale Financial Assets				
	Gains/(Losses) arising during the Year	2,912,536	14,184,067	2,912,536	14,184,067
	Employee Benefit Liability				
	Actuarial Gains/(Losses) arising during the Year	20,054,963	(7,952,847)	11,122,532	5,043,721

Notes to the Financial Statements

6. INCOME TAX

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

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
6.1 Statement of Profit or Loss				
Current Income Tax:				
Current Income Tax Expense (Note 6.4)	323,578,657	172,932,850	1,029,013	9,264,994
Dividend Tax of Subsidiaries	106,805,701	69,625,754	-	-
Under/(Over) Provision of Current Taxes in respect of Prior Year	1,434,366	2,633,020	(273,391)	2,633,019
	431,818,724	245,191,624	755,622	11,898,013
Deferred Income Tax:				
Deferred Taxation Charge/(Reversal) (Note 6.5)	(188,522,858)	126,889,987	(189,949,289)	130,690,485
	(188,522,858)	126,889,987	(189,949,289)	130,690,485
Income Tax Expense Reported in the Statement of Profit or Loss	243,295,865	372,081,611	(189,193,667)	142,588,498
6.2 Statement of Changes in Equity				
Deferred Tax related to Items Charged or Credited Directly to Equity during the Year (Note 6.5):				
Net Gain on Deemed Cost Adjustment of Property, Plant and Equipment Attributable to Equity Holders of the Parent	(25,472,572)	(20,146,024)	(15,655,831)	(16,008,061)
Net Gain on Deemed Cost Adjustment of Property, Plant and Equipment Attributable to Non Controlling Interest	(289,510)	(1,859,085)	-	-
	(25,762,082)	(22,005,109)	(15,655,831)	(16,008,061)
6.3 Consolidated Statement of Other Comprehensive Income				
Deferred Tax related to Items Charged or Credited Directly to Equity during the Year:				
Gain/(Loss) on Available for Sale Financial Assets	-	-	-	-
Surplus on Revaluation of Assets Transfered to Investment Properties	(23,961,401)	-	-	-
Actuarial Gain/(Loss) on Employee Benefit Liability	(6,177,512)	3,195,855	(2,224,506)	(1,008,744)
Income Tax Charged Directly to Other Comprehensive Income	(30,138,913)	3,195,855	(2,224,506)	(1,008,744)

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

		Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Accounting Profit/(Loss) before Tax		(384,018,815)	1,708,884,010	(448,321,871)	1,174,555,522
Adjustments in respect to Current Income Tax					
Consolidation Adjustments		1,087,112,424	454,454,351	-	-
Aggregate Disallowed Items		1,405,548,443	793,223,268	788,595,971	453,082,830
Income Exempt from Income Tax		-	-	-	-
Aggregate Allowable Expenses		(5,288,990,332)	(2,497,257,326)	(1,885,042,579)	(1,631,622,956)
Other Sources of Income		43,944,924	70,135,989	5,653,920	35,935,409
Qualifying Payments and Other Allowable Deductions		(4,051,099)	(737,068)	(1,978,872)	-
		(3,140,454,454)	528,703,224	(1,541,093,431)	31,950,805
At the Statutory Income Tax Rate	- Business Profit	12% - 35%	10% - 35%	20%	20%
	- Other Income	28% - 35%	28% - 35%	28%	28%
Current Income Tax Expenses	- Business Profit	312,409,081	153,501,153	-	-
	- Other Income	11,169,576	19,431,698	1,029,013	9,264,994
Income Tax Expense reported in the Statement of Profit or Loss		323,578,657	172,932,850	1,029,013	9,264,994

Notes to the Financial Statements

6. INCOME TAX (Contd.)

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

Company	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	718,780,302	567,800,958	150,979,344	133,357,119	-	-
Deemed Cost Adjustment on Buildings, and Plant and Machinery	224,830,594	240,486,426	-	-	-	-
	943,610,896	808,287,384	150,979,344	133,357,119	-	-
Deferred Tax Assets						
Employee Benefit Liability	(11,974,966)	(12,558,117)	(1,641,355)	(2,666,635)	2,224,506	1,008,744
Provision for Impairments	(22,872,653)	-	(22,872,653)	-	-	-
Provision for Inventories	(8,267,636)	-	(8,267,636)	-	-	-
Losses Available for Offsetting Against Future Taxable Income	(308,146,989)	-	(308,146,989)	-	-	-
	(351,262,243)	(12,558,117)	(340,928,633)	(2,666,635)	2,224,506	1,008,744
Deferred Income Tax Expense			(189,949,289)	130,690,485	2,224,506	1,008,744
Net Deferred Tax Liability	592,348,653	795,729,267				

Group	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	919,082,666	714,017,551	231,320,269	134,950,076	-	-
Deemed Cost Adjustment on Buildings, and Plant and Machinery	238,975,255	236,348,463	-	-	23,961,401	-
	1,158,057,921	950,366,014	231,320,269	134,950,076	23,961,401	-
Deferred Tax Assets						
Employee Benefit Liability	(76,633,322)	(90,495,915)	(16,154,312)	(5,678,997)	6,177,512	(3,195,855)
Provision for Impairments	(24,909,071)	-	(24,909,071)	-	-	-
Provision for Inventories	(24,224,434)	-	(24,224,434)	-	-	-
Losses Available for Offsetting Against Future Taxable Income	(359,695,466)	(5,140,156)	(354,555,311)	(2,381,092)	-	-
	(485,462,293)	(95,636,071)	(419,843,127)	(8,060,089)	6,177,512	(3,195,855)
Deferred Income Tax Expense			(188,522,858)	126,889,987	30,138,913	(3,195,855)
Net Deferred Tax Asset/ Liability	672,595,628	854,729,943				
Deferred Tax Liabilities	689,989,257	867,826,626				
Deferred Tax Assets	(17,393,629)	13,096,683				
	672,595,628	854,729,943				

	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
6.6 Reconciliation of Net Deferred Tax Liability				
As at 1 April	854,729,943	666,144,175	795,729,267	680,038,100
Exchange Difference on Translation of Foreign Operation	2,011,712	1,475,099	-	-
Deffered Taxes Acquired in Business Combinations	-	85,421,645	-	-
Tax (Reversal)/Expense during the Year recognised in the Statement of Profit or Loss	(188,522,858)	126,889,987	(189,949,289)	130,690,485
Tax (Reversal)/Expense during the Year recognised in the Statement of Other Comprehensive Income	30,138,913	(3,195,855)	2,224,506	1,008,744
Deferred Tax Directly Recognised in Equity	(25,762,082)	(22,005,109)	(15,655,831)	(16,008,061)
As at 31 March	672,595,628	854,729,943	592,348,653	795,729,267

6.7 Current Taxes

6.7.1 Corporate incomes taxes of Companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 10 of 2006 as amended, whilst Corporate Taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

Resident companies in the Group, excluding those which enjoy a tax holiday or concessionary rate of taxation, were liable to income tax at 28% during year of assessment 2016/17 (Y/A 2015/16 - 28 %).

6.7.2 Exemptions / Concessions Granted Under the Board of Investment Law

Company	Nature of the Exemption / Concession	Current Tax	Applicable Period
LAUGFS Gas PLC	Profit of the Company is exempt from Income Tax for a period of 3 years, at 10% for next 2 years and 20% thereafter	20%	Open-ended
LAUGFS Eco Sri (Pvt) Ltd.	Profit of the Company is exempt from Income Tax for a period of 5 years, at 10% for next 2 years and 20% thereafter	20%	Open-ended
LAUGFS Leisure Ltd.	Profit of the Company is exempt from Income Tax for a period of 10 years, at 10% for next 2 years and 20% thereafter	Exempt	10 Years ending 2024/2025
LAUGFS Maritime Services (Pvt) Ltd.	Profit of the Company is exempt from Income Tax for a period of 8 years, as per Sec. 17A of Inland Revenue Act.	Exempt	8 Years ending 2021/2022
Anantaya Passekudah (Pvt) Ltd.	Profit of the Company is exempt from Income Tax for a period of 15 years	Exempt	15 Years from 1st Year of Profit or 2 Years from Operations.

Notes to the Financial Statements

6. INCOME TAX (Contd.)

6.7 Current Taxes (Contd.)

6.7.2 Exemptions / Concessions Granted Under the Board of Investment Law (Contd.)

Company	Nature of the Exemption / Concession	Current Tax	Applicable Period
Anorchi Lanka (Pvt) Ltd.	Profit of the company is exempted from income tax for a period of 12 Years	Exempt	12 Years from 1st Year of Profit or 2 Years from Operations.
Iris Eco Power Lanka (Pvt) Ltd.	Profit of the company is exempted from income tax for a period of 12 Years	Exempt	12 Years from 1st Year of Profit or 2 Years from Operations.

6.7.3 Exemptions/Concessions Granted Under the Inland Revenue Act

Company	Nature of the Exemption / Concession	Current Tax	Applicable Period
LAUGFS Power Ltd.	Enjoys a Concessionary Tax Rate	12%	Open-ended
LAUGFS Hotel Management Services (Pvt) Ltd.	Enjoys a Concessionary Tax Rate	12%	Open-ended
Anantaya Wadduwa (Pvt) Ltd.	Enjoys a Concessionary Tax Rate	12%	Open-ended

6.7.4 Corporate Income Tax of LAUGFS Gas (Bangladesh) Ltd. is computed at the highter of 0.3% of gross receipts and tax applied on taxable profits at 35% under Sec. 16CCC of Income Tax Ordinance (ITO) 1984 imposed by the Government of Bangladesh through Finance Act 2015.

6.7.5 Slogal Energy DMCC is a Company operating within the Dubai Multi Commodities Centre (DMCC) which is a free zone in the United Arab Emirates. Hence, no tax is applicable for the profits earned.

7. EARNINGS/(LOSS) PER SHARE

7.1 Basic/Diluted Earnings/(Loss) Per Share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue or a share split.

The following reflects the income and share data used in the Basic/Diluted Earnings/(Loss) Per Share computations.

Group Amount Used as the Numerator:	2017 Rs.	2016 Rs.
Net Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent for Basic/Diluted Earnings/(Loss) Per Share	(638,026,448)	1,284,803,630

Number of Ordinary Shares Used as the Denominator:	2017 Numbers	2016 Numbers
Weighted Average Number of Ordinary Shares for Basic/Diluted Earnings/(Loss) Per Share	387,000,086	387,000,086

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

	Balance As at 01.04.2016	Additions/ Incurred during the Year	Revaluation	Transfers In/ (Out)	Disposals during the Year	Exchange Differences	Balance As at 31.03.2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
8.1 Group							
8.1.1 Gross Carrying Amounts							
At Cost							
Freehold Land	1,324,037,031	-	50,944,000	(318,400,000)	-	-	1,056,581,031
Land Development	387,918,826	-	-	100,102,704	-	2,209,697	490,231,227
Buildings on Freehold Land	1,689,018,508	1,540,144	85,576,433	183,534,219	-	-	1,959,669,305
Buildings on Leasehold Land	507,677,958	3,329,564	-	2,106,940,077	-	545,071	2,618,492,670
Plant, Machinery and Equipment	2,070,732,910	1,254,448,357	-	3,352,163,453	-	20,609,282	6,697,954,003
Office Equipment	361,167,594	23,557,134	-	103,506,824	(1,755,823)	1,089,388	487,565,117
Furniture and Fittings	280,938,801	70,089,614	-	90,362,574	(1,583,740)	832,175	440,639,424
Jetty	50,810,552	3,636,832	-	-	-	1,565,316	56,012,700
Gas Point Dealer Boards and Storage Huts	32,945,556	2,987,295	-	-	-	-	35,932,851
Motor Vehicles	430,994,470	89,856,120	-	34,444,400	(56,123,458)	2,447,775	501,619,306
Kitchen Equipment	45,719,389	840,283	-	36,224,462	-	-	82,784,134
GYM Equipment	5,910,674	-	-	5,721,893	-	-	11,632,567
Vessels	1,627,412,236	498,658,508	-	-	-	-	2,126,070,744
Dry Docking Cost of Vessels	279,360,653	-	-	-	-	-	279,360,653
Gas Stock in Tank	10,056,861	-	-	-	-	-	10,056,861
Cylinders in Hand and in Circulation	5,334,862,787	787,880,230	-	-	(53,363,089)	2,802,879	6,072,182,808
	14,439,564,806	2,736,824,082	136,520,433	5,694,600,606	(112,826,110)	32,101,584	22,926,785,401
Assets on Finance Leases							
Motor Vehicles	34,628,000	-	-	-	-	-	34,628,000
	34,628,000	-	-	-	-	-	34,628,000
Total Value of Depreciable Assets	14,474,192,806	2,736,824,082	136,520,433	5,694,600,606	(112,826,110)	32,101,584	22,961,413,401

Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT (Contd.)

8.1 Group (Contd.)

	Balance As at 01.04.2016 Rs.	Additions/ Incurred during the Year Rs.	Revaluation Rs.	Transfers In/ (Out) Rs.	Disposals during the Year Rs.	Exchange Differences Rs.	Balance As at 31.03.2017 Rs.
8.1.2 In the Course of Construction							
Buildings	2,631,428,333	1,253,257,376	-	(3,821,316,802)	-	-	63,368,908
Fire Water Storage Project	372,862	-	-	-	-	-	372,862
Fire Pump Installation	15,575,408	297,062	-	(15,575,408)	-	-	297,062
Galle Bottling Plant	1,572,917	-	-	-	-	-	1,572,917
Loading Bay	2,714,338	-	-	(2,714,338)	-	-	-
Electronic Filling Scales for 05Kg	7,060,386	-	-	(7,060,386)	-	-	-
Motor Tricycle	4,847,151	-	-	-	-	-	4,847,151
River Water Project	3,403,210	-	-	(3,316,507)	-	-	86,703
Motor Vehicles	14,890,012	-	-	(14,058,216)	-	-	831,796
Tank Installation Project	17,712,938	41,086,403	-	-	-	-	58,799,340
Land Preparation	-	893,220	-	-	-	-	893,220
Gas Shop	174,090	6,320,286	-	(5,925,306)	-	-	569,070
Solar Power Plant	352,957,792	2,659,101,650	-	(3,012,059,442)	-	-	-
Hydro Power Plant	443,564,290	109,196,822	-	(159,370,912)	-	-	393,390,199
Cylinder Pallets	1,015,558	-	-	(1,015,558)	-	-	-
LPG Terminal Project	21,436,888	2,387,720,161	-	-	-	-	2,409,157,049
Storage Tank	223,874,251	106,236,638	-	(98,183,988)	-	7,222,586	239,149,486
	3,742,600,423	6,564,109,617	-	(7,140,596,864)	-	7,222,586	3,173,335,764
Total Gross Carrying Amount	18,216,793,230	9,300,933,699	136,520,433	(1,445,996,257)	(112,826,110)	39,324,170	26,134,749,165

	Balance As at 01.04.2016 Rs.	Charged for the Year Rs.	Transfers In/ (Out) Rs.	Disposals during the Year Rs.	Exchange Differences Rs.	Balance As at 31.03.2017 Rs.
8.1.3 Depreciation						
At Cost						
Land Development	13,766,947	7,756,475	-	-	480,206	22,003,628
Buildings on Freehold Land	74,413,679	39,785,413	-	-	-	114,199,092
Buildings on Leasehold Land	279,758,885	62,695,443	-	-	111,583	342,565,911
Plant, Machinery and Equipment	563,643,754	194,621,468	-	-	5,668,248	763,933,469
Office Equipment	175,677,252	52,487,362	-	(1,522,219)	608,842	227,251,237
Furniture and Fittings	87,010,169	38,580,632	(1,014,721)	-	117,432	124,693,511
Jetty	16,410,298	6,555,856	-	-	573,586	23,539,739
Gas Point Dealer Boards and Storage Huts	15,361,140	3,431,023	-	-	-	18,792,164
Motor Vehicles	185,581,572	54,948,746	-	(32,365,145)	1,224,555	209,389,728
Kitchen Equipment	9,451,288	7,028,712	-	-	-	16,480,000
GYM Equipment	1,251,768	972,530	-	-	-	2,224,297
Vessels	90,976,063	123,702,890	-	-	-	214,678,953
Dry Docking cost of Vessels	49,700,156	72,134,568	-	-	-	121,834,724
Gas Stock in Tank	2,666,118	3,352,287	-	-	-	6,018,404
Cylinders in Hand and in Circulation	1,011,067,312	296,525,527	-	(19,339,235)	404,502	1,288,658,106
	2,576,736,398	964,578,931	(1,014,721)	(53,226,598)	9,188,955	3,496,262,965
Assets on Finance Lease						
Motor Vehicles	7,402,601	5,225,365	-	-	-	12,627,966
	7,402,601	5,225,365	-	-	-	12,627,966
Total Depreciation	2,584,138,999	969,804,296	(1,014,721)	(53,226,598)	9,188,955	3,508,890,930

Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT (Contd.)

8.1 Group (Contd.)

	2017 Rs.	2016 Rs.
8.1.4 Net Book Values		
At Cost		
Freehold Land	1,056,581,031	1,324,037,031
Land Development	468,227,599	374,151,879
Buildings on Freehold Land	1,845,470,213	1,614,604,830
Buildings on Leasehold Land	2,275,926,760	227,919,073
Plant, Machinery and Equipment	5,934,020,533	1,507,089,156
Office Equipment	260,313,880	185,490,342
Furniture and Fittings	315,945,913	193,928,632
Jetty	32,472,961	34,400,255
Gas Point Dealer Boards and Storage Huts	17,140,687	17,584,416
Motor Vehicles	292,229,578	245,412,898
Kitchen Equipment	66,304,134	36,268,101
GYM Equipment	9,408,270	4,658,906
Vessels	1,911,391,790	1,536,436,173
Dry Docking Cost of Vessels	157,525,929	229,660,497
Gas Stock in Tank	4,038,456	7,390,743
Cylinders in Hand and in Circulation	4,783,524,702	4,323,795,475
	19,430,522,437	11,862,828,408
Assets on Finance Leases		
Motor Vehicles	22,000,034	27,225,400
	22,000,034	27,225,400
In the Course of Construction		
Buildings	63,368,908	2,631,428,333
Fire Water Storage Project	372,862	372,862
Fire Pump Installation	297,062	15,575,408
Galle Bottling Plant	1,572,917	1,572,917
Loading Bay	-	2,714,338
Electronic Filling Scales for 05Kg	-	7,060,386
Motor Tricycle	4,847,151	4,847,151
River Water Project	86,703	3,403,210
Motor Vehicles	831,796	14,890,012
Tank Installation Project	58,799,340	17,712,938
Land Preparation	893,220	-
Gas Shop	569,070	174,090
Solar Power Plant	-	352,957,792
Hydro Power Plant	393,390,199	443,564,290
Cylinder Pallets	-	1,015,558
LPG Terminal Project	2,409,157,049	21,436,888
Storage Tank	239,149,486	223,874,251
	3,173,335,764	3,742,600,423
Total Carrying Amount of Property, Plant and Equipment	22,625,858,235	15,632,654,231

	Balance As at 01.04.2016 Rs.	Additions/ Incurred during the Year Rs.	Transfer In/(Out) Rs.	Disposals during the Year Rs.	Balance As at 31.03.2017 Rs.
8.2 Company					
8.2.1 Gross Carrying Amounts					
At Cost					
Freehold Land	365,327,500	-	-	-	365,327,500
Land Development	314,020,789	-	-	-	314,020,789
Buildings on Freehold Land	96,462,505	-	2,714,338	-	99,176,843
Building on Leasehold Land	6,121,851	-	-	-	6,121,851
Plant, Machinery and Equipment	915,151,395	5,488,947	125,151,848	-	1,045,792,190
Office Equipment	66,128,071	924,909	-	(1,487,707)	65,565,274
Furniture and Fittings	116,307,872	5,960,619	5,925,306	(1,583,740)	126,610,057
Gas Point Dealer Boards and Storage Huts	32,945,556	2,554,095	-	-	35,499,651
Motor Vehicles	304,266,162	89,745,786	14,058,216	(49,270,657)	358,799,507
Cylinders in Hand and in Circulation	5,251,345,252	761,565,120	-	(51,214,623)	5,961,695,749
Total Value of Depreciable Assets	7,468,076,953	866,239,476	147,849,708	(103,556,727)	8,378,609,410
In the Course of Construction					
Buildings	2,416,438	-	-	-	2,416,438
Fire Water Storage Project	372,862	-	-	-	372,862
Fire Pump Installation	15,575,408	297,062	(15,575,408)	-	297,062
Galle Bottling Plant	1,572,917	-	-	-	1,572,917
Loading Bay	2,714,338	-	(2,714,338)	-	-
Electronic Filling Scales for 05Kg	7,060,386	-	(7,060,386)	-	-
Motor Tricycle	4,847,151	-	-	-	4,847,151
River Water Project	3,403,210	-	(3,316,507)	-	86,703
Motor Vehicles	14,890,012	-	(14,058,216)	-	831,796
Tank Installation Project	17,712,938	41,086,403	-	-	58,799,340
Land Preparation	-	893,220	-	-	893,220
Gas Shop	174,090	6,320,286	(5,925,306)	-	569,070
Cylinder Pallets	1,015,558	-	(1,015,558)	-	-
Storage Tanks	94,763,703	9,592,256	(98,183,988)	-	6,171,971
	166,519,011	58,189,227	(147,849,708)	-	76,858,530
Total Gross Carrying Amount	7,634,595,965	924,428,703	-	(103,556,727)	8,455,467,941

Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT (Contd.)

8.2 Company (Contd.)

	Balance As at 01.04.2016 Rs.	Charge for the Year Rs.	Transfer In/(Out) Rs.	Disposals during the Year Rs.	Balance As at 31.03.2017 Rs.
8.2.2 Depreciation					
At Cost					
Buildings on Freehold Land	10,374,816	2,690,089	-	-	13,064,905
Buildings on Leasehold Land	1,347,905	437,100	-	-	1,785,005
Plant, Machinery and Equipment	217,277,345	53,376,948	-	-	270,654,293
Office Equipment	51,986,158	6,513,299	-	(1,334,503)	57,164,953
Furniture and Fittings	50,327,552	11,859,191	-	(1,014,721)	61,172,022
Gas Point Dealer Boards and Storage Huts	15,361,140	3,427,413	-	-	18,788,554
Motor Vehicles	124,305,967	33,677,389	-	(26,969,351)	131,014,005
Cylinders in Hand and in Circulation	999,465,062	290,342,216	-	(17,709,583)	1,272,097,695
Total Depreciation	1,470,445,945	402,323,645	-	(47,028,158)	1,825,741,432

		2017 Rs.	2016 Rs.
8.2.3	**Net Book Values**		
	At Cost		
	Freehold Land	365,327,500	365,327,500
	Land Development	314,020,789	314,020,789
	Buildings on Freehold Land	86,111,938	86,087,689
	Building on Leasehold Land	4,336,846	4,773,946
	Plant, Machinery and Equipment	775,137,897	697,874,050
	Office Equipment	8,400,320	14,141,913
	Furniture and Fittings	65,438,034	65,980,320
	Gas Point Dealer Boards and Storage Huts	16,711,097	17,584,415
	Motor Vehicles	227,785,502	179,960,196
	Cylinders in Hand and in Circulation	4,689,598,054	4,251,880,190
		6,552,867,978	5,997,631,009
	In the Course of Construction		
	Buildings	2,416,438	2,416,438
	Fire Water Storage Project	372,862	372,862
	Fire Pump Installation	297,062	15,575,408
	Galle Bottling Plant	1,572,917	1,572,917
	Loading Bay	-	2,714,338
	Electronic Filling Scales for 05Kg	-	7,060,386
	Motor Tricycle	4,847,151	4,847,151
	River Water Project	86,703	3,403,210
	Motor Vehicles	831,796	14,890,012
	Tank Installation Project	58,799,340	17,712,938
	Land Preparation	893,220	-
	Gas Shop	569,070	174,090
	Cylinder Pallets	-	1,015,558
	Storage Tanks	6,171,971	94,763,703
		76,858,530	166,519,011
	Total Carrying Amount of Property, Plant and Equipment	6,629,726,509	6,164,150,020

8.3 During the financial year, the Group and Company acquired property, plant & equipment to the aggregate value of Rs.9,300,933,699/- and Rs. 924,428,703/- respectively (2016 - Rs.3,896,474,230/- and Rs. 1,169,194,451/-) of which Rs.Nil (2016- Nil) was acquired by means of finance leases. Cash payment amounting Rs.9,299,556,926/-and Rs. 924,428,703/- respectively. (2016 - Rs.3,892,343,909/-and Rs. 1,169,194,451/-).

8.4 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/-).

Notes to the Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT (Contd.)

8.5 The amount of borrowing costs capitalised with property, plant and equipment during the year ended 31 March 2017 was Rs.326,181,684/- (2016 - Rs. 6,423,423/-).

8.6 LAUGFS Power Ltd., a Subsidiary, has constructed a hydro power plant at Balangoda with the permission obtained from the Government. The Company intends to obtain the leasehold right of the land for 30 years on which the hydro power plant has been constructed. No lease agreement has been entered into regarding this between LAUGFS Power Ltd. and the Government of Sri Lanka yet. However, the Government has granted the permission to commence construction work of the hydro power plant by the letter dated 31 July 2012.

8.7 LAUGFS Property Developers (Pvt) Ltd has recognised a freehold property located at Maya Avenue as investment properties, which was previously recognised under Property, Plant & Equipment. Corresponding surplus on revaluation amounting to Rs.136,520,433/- has been recognised in revaluation reserve in the equity at the point of transfer.

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

	2017	2016
Group		
Land Development*	13-28 Years	13-24 Years
Buildings on Freehold Land	40 - 50 Years	40 - 50 Years
Buildings on Leasehold Land*	9 - 27 Years	9 - 27 Years
Plant, Machinery and Equipment	3 - 20 Years	3 - 20 Years
Office Equipment	3 - 10 Years	3 - 10 Years
Furniture and Fittings	10 Years	10 Years
Jetty	20 Years	20 Years
Gas Point Dealer Boards	10 Years	10 Years
Gas Storage Hut at Dealer Points	5 Years	5 Years
Motor Vehicles	3 - 30 Years	3 - 30 Years
Kitchen Equipments	10 Years	10 Years
GYM Equipments	10 Years	10 Years
Cylinders in Hand and in Circulation	20 Years	20 Years
Vessels	10 Years	10 Years
Dry Docking Cost of Gas Challenger	3 Years	3 Years
Gas Stock in Tank	3 Years	3 Years
Company		
Buildings on Freehold Land	40 Years	40 Years
Buildings on Leasehold Land*	14 Years	14 Years
Plant, Machinery and Equipment	3 - 20 Years	3 - 20 Years
Office Equipment	4 Years	4 Years
Furniture and Fittings	10 Years	10 Years
Gas Point Dealer Boards	10 Years	10 Years
Gas Storage Hut at Dealer points	5 Years	5 Years
Motor Vehicles	3 - 30 Years	3 - 30 Years
Cylinders in Hand and in Circulation	20 Years	20 Years

*or period of the lease, whichever is shorter.

8.9 Property, plant and equipment of the Group and the Company includes fully depreciated assets having a gross carrying amount of Rs.382,918,647/- and Rs. 59,695,703/- respectively (2016 - Rs.187,538,836/- and Rs.50,283,782/-).

9. INVESTMENT PROPERTIES

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
As at 1 April	735,500,000	708,500,000	735,500,000	708,500,000
Addition during the Year	73,684,040	-	-	-
Transfers In/(Out)	1,423,300,000	-	-	-
Revaluation	38,315,960	27,000,000	26,000,000	27,000,000
As at 31 March	2,270,800,000	735,500,000	761,500,000	735,500,000
Rental Income derived from Investment Properties	52,566,930	4,077,107	4,077,107	4,077,107
Net Profit arising from Investment Properties	52,566,930	4,077,107	4,077,107	4,077,107

9.1 Fair value related disclosures of the Investment Properties

Fair Value hierarchy

The fair value of the Company's investment property are categorised into Level 3 of the fair value hierarchy.

Investment properties are stated at fair value, which has been determined based on valuations performed by Messrs. T. W. M. L. Wijayatunga, an accredited independent valuer, as at 31 March 2017 and 31 March 2016. Description of valuation techniques used and key inputs to valuation as follows;

	Valuation Technique	Significant Unobservable inputs	2017	2016
LAUGFS Gas PLC				
Land & Building - Galle	Direct Capital Comparison Method	Price per perch for land	Rs.1,450,000	Rs.1,325,000
		Price per square foot for building	Rs.1,500 - 2,500	Rs.1,500 - 2,500
		Depreciation rate	10% - 30%	10% - 30%
Land - Colombo	Direct Capital Comparison Method	Price per perch for land	Rs.8,750,000	Rs.8,500,000
Land & Building - Colombo	Direct Capital Comparison Method	Price per perch for land	Rs.8,500,000	Rs.8,250,000
		Price per square foot for building	Rs.1,750 - 3,750	Rs.1,500 - 3,750
		Depreciation rate	15%	15%
Land - Biyagama	Direct Capital Comparison Method	Price per perch for land	Rs.300,000	Rs.290,000

Notes to the Financial Statements

9. INVESTMENT PROPERTIES (Contd.)

9.1 Fair value related disclosures of the Investment Properties (Contd.)

Fair Value hierarchy (Contd.)

	Valuation Technique	Significant Unobservable inputs	2017	2016
LAUGFS Property Developers (Pvt) Ltd.				
Land & Building - Colombo	Direct Capital Comparison Method	Price per perch for land	Rs.7,750,000	-
		Price per square foot for building	Rs.15,750	-
		Depreciation rate	5%	-
Land - Colombo	Direct Capital Comparison Method	Price per perch for land	Rs.4,000,000	-

10. INTANGIBLE ASSETS

	Group			Company	
	Software Rs.	Goodwill Rs.	Total Rs.	Software Rs.	Total Rs.
Cost					
As at 1 April 2016	94,314,011	2,973,408,178	3,067,722,189	54,668,438	54,668,438
Additions	1,232,125	-	1,232,125	-	-
Exchange Differences on Translations of foreign operations	-	68,216,251	68,216,251	-	-
As at 31 March 2017	95,546,136	3,041,624,429	3,137,170,565	54,668,438	54,668,438
Amortization and Impairment					
As at 1 April 2016	24,653,285	-	24,653,285	15,903,914	15,903,914
Amortization	23,703,899	-	23,703,899	13,587,147	13,587,147
As at 31 March 2017	48,357,184	-	48,357,184	29,491,061	29,491,061
Net Book Values					
As at 1 April 2016	69,660,726	2,973,408,178	3,043,068,904	38,764,524	38,764,524
As at 31 March 2017	47,188,952	3,041,624,429	3,088,813,381	25,177,376	25,177,376

11. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations are allocated to the Energy, Other Services, Leisure & Hospitality, Property Development and Power cash generating units, which are also operating and reportable segments, for impairment testing purpose.

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

	2017 Rs.	2016 Rs.
Other Services	34,245,161	34,245,161
Leisure & Hospitality	9,940,734	9,940,734
Property Development	8,742,326	8,742,326
Power	639,149,594	639,149,594
Energy	2,349,546,614	2,281,330,363
	3,041,624,429	2,973,408,178

The Group performed its annual impairment test as at 31 March of each financial year. The Group considers the net assets position and future cash flows of each operating segment when reviewing for the indicators of impairment. As at 31 March 2017, there was no any significant indicator for potential impairment of goodwill and impairment of the assets of the operating segments.

12. PREPAYMENTS

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Prepayments	191,001,323	164,977,825	18,879,274	25,599,285
	191,001,323	164,977,825	18,879,274	25,599,285
Prepayments within One Year (Current)	85,250,366	52,829,020	18,879,274	25,599,285
Prepayments after One Year (Non-Current)*	105,750,957	112,148,805	-	-
	191,001,323	164,977,825	18,879,274	25,599,285

* This includes consideration paid by LAUGFS Leisure Ltd. (a Subsidiary) for the acquisition of Anantaya Passekudah (Pvt) Ltd. which has been accounted for as an acquisition of leasehold right of the land at Passekudah considering the substance of the transaction and payment made by LAUGFS Power Ltd. (a Subsidiary), Iris Eco Power Lanka (Pvt) Ltd. (a Subsidiary), Anorchi Lanka (Pvt) Ltd.(a Subsidiary), LAUGFS Gas (Bangladesh) Ltd. (a Subsidiary) for acquisition of leasehold rights of lands.

Notes to the Financial Statements

13. INVESTMENTS IN SUBSIDIARIES

Company	2017 Rs.	2016 Rs.
As at 1 April	5,798,781,152	2,796,301,924
Acquisition of Investments	6,051,555,744	3,002,479,228
As at 31 March	11,850,336,896	5,798,781,152

13.1 Investments in Subsidiaries

Non-Quoted	Country of Incorporation	% of Holding 2017	% of Holding 2016	Cost 2017 Rs.	Directors' Valuation 2017 Rs.	Cost 2016 Rs.	Directors' Valuation 2016 Rs.
LAUGFS Eco Sri (Pvt) Ltd.	Sri Lanka	100%	100%	416,301,984	416,301,984	416,301,984	416,301,984
LAUGFS Leisure Ltd.	Sri Lanka	100%	100%	3,000,000,000	3,000,000,000	1,300,000,000	1,300,000,000
LAUGFS Property Developers (Pvt) Ltd.	Sri Lanka	86%	86%	550,000,000	550,000,000	550,000,000	550,000,000
LAUGFS Power Ltd.	Sri Lanka	100%	100%	1,879,999,930	1,879,999,930	129,999,930	129,999,930
LAUGFS Maritime Services (Pvt) Ltd.	Sri Lanka	100%	100%	800,000,010	800,000,010	800,000,010	800,000,010
LAUGFS Gas (Bangladesh) Ltd	Bangladesh	69%	69%	2,597,931,346	2,597,931,346	2,597,931,346	2,597,931,346
SLOGAL Energy DMCC	United Arab Emirates	100%	100%	1,356,103,616	1,356,103,616	4,547,871	4,547,871
LAUGFS Terminals Ltd.	Sri Lanka	100%	100%	1,250,000,010	1,250,000,010	10	10
Total Non-Quoted Investments in Subsidiaries				11,850,336,896	11,850,336,896	5,798,781,152	5,798,781,152

13.2 Company effectively holds 100% interest of all the subsidiaries

14. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Acquisitions in 2017

Acquisition of additional interest in LAUGFS Gas (Bangladesh) Ltd.

On 28 April 2016, the Group acquired an additional 31% interest in the voting shares of LAUGFS Gas (Bangladesh) Ltd., increasing its ownership interest to 100%. Cash consideration of Rs. 1,316,513,393 was paid to the non-controlling shareholders. The carrying value of the net assets of LAUGFS Gas (Bangladesh) Ltd. (excluding goodwill on the original acquisition) was Rs. 1,523,052,257. Following is a schedule of additional interest acquired in LAUGFS Gas (Bangladesh) Ltd.:

	Rs.
Cash Consideration Paid to Non-Controlling Shareholders	1,316,513,393
Carrying Value of the Additional Interest in LAUGFS Gas (Bangladesh) Ltd.	(1,205,488,107)
Effect of Movements in Exchange Rates	19,272,823
Difference Recognised in Retained Earnings	130,298,109

Acquisitions in 2016

Assets Acquired and Liabilities Assumed

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

	Fair Values Recognised in Acquisition					
	Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd.	Anorchi Lanka (Pvt) Ltd.	Iris Eco Power Lanka (Pvt) Ltd.	LAUGFS Gas (Bangladesh) Ltd.	Pams Power (Pvt) Ltd.	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
Property, Plant and Equipment	42,644,681	46,566,829	46,239,156	900,175,847	321,848,537	1,357,475,051
Prepayments	-	9,288,000	9,288,000	32,589,927	-	51,165,927
Inventories	-	-	-	170,661,200	-	170,661,200
Trade and Other Receivables	-	2,591,176	3,311,176	350,222,539	-	356,124,891
Cash and Short-Term Deposits	-	4,000	1,000	1,057,802,681	-	1,057,807,681
	42,644,681	58,450,005	58,839,332	2,511,452,194	321,848,537	2,993,234,749
Liabilities						
Employee Benefit Liability	-	-	-	(170,196,780)	-	(170,196,780)
Deferred Income	-	-	-	(62,417,540)	-	(62,417,540)
Refundable Deposits	-	-	-	(74,003,749)	-	(74,003,749)
Deferred Tax Liabilities	-	-	-	(85,421,646)	-	(85,421,646)
Trade and Other Payables	(3,103,016)	(85,819,885)	(85,343,883)	(293,452,988)	-	(467,719,772)
Contingent Liability	-	-	-	(15,626,250)	-	(15,626,250)
Income Tax Payable	(24,217)	-	-	(287,280,984)	-	(287,305,201)
	(3,127,233)	(85,819,885)	(85,343,883)	(988,399,937)	-	(1,162,690,937)
Total Identifiable Net Assets at Fair Value	39,517,448	(27,369,879)	(26,504,551)	1,523,052,257	321,848,537	1,830,543,812
Non-Controlling Interest Measured at Fair Value	-	-	-	(1,167,186,547)	-	(1,167,186,547)
Goodwill on Acquisition of Subsidiaries	-	319,869,879	319,004,551	2,242,065,636	-	2,880,940,066
Gain from Bargain Purchase on Acquisition of Subsidiaries	(2,517,448)	-	-	-	(121,848,537)	(124,365,985)
Purchase Consideration Transferred	37,000,000	292,500,000	292,500,000	2,597,931,346	200,000,000	3,419,931,346

Acquisition of Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd. and Pams Power (Pvt) Ltd.

LAUGFS Power Ltd., a subsidiary of LAUGFS Gas PLC has acquired 100% of the voting shares of Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd. and Pams Power (Pvt) Ltd, engaged in generation of hydro power, on 01 April 2015 and 10 February 2016, for cash.

Acquisition of Anorchi Lanka (Pvt) Ltd and Iris Eco Power Lanka (Pvt) Ltd

LAUGFS Power Ltd., a subsidiary of LAUGFS Gas PLC has acquired 100% of the voting shares of Anorchi Lanka (Pvt) Ltd and Iris Eco Power Lanka (Pvt) Ltd for cash on 05 August 2016. The group acquired these two companies as it will enhance their strengthen in power segment where the acquired companies were engaged in generation of solar power.

Acquisition of LAUGFS Gas (Bangladesh) Ltd. (Formerly known as Petredec Elpiji Ltd)

On 10 October 2015, the Group acquired 69% of the voting shares of Petredec Elpiji Ltd., an unlisted company based in Bangladesh and engaged in sale of liquefied petroleum gas and other related products, for cash. The Group acquired Petredec Elpiji Ltd because it significantly enlarges the market for energy segment.

The Group has elected to measure the non-controlling interests in the acquire at fair value.

Notes to the Financial Statements

15. MATERIAL PARTLY-OWNED SUBSIDIARIES

15.1 Group has acquired the remaining voting shares of LAUGFS Gas (Bangladesh) Ltd. on 28 April 2016 through SLOGAL Energy DMCC. Hence, group doesn't have any partly owned subsidiaries as at the reporting date.

15.2 Financial information of subsidiaries that have material non-controlling interests for the year ended 31 March 2016 is provided below:

Proportion of Equity Interest Held by Non-Controlling Interests:

Name	Country of Incorporation and Operation	2016
LAUGFS Gas (Bangladesh) Ltd.	Bangladesh	31%

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised Statement of Profit or Loss	2016 Rs.
Revenue	2,088,774,676
Cost of Sales	(1,596,091,206)
Other Operating Income	2,456,543
Selling and Distribution Expenses	(96,677,430)
Administrative Expenses	(131,180,350)
Finance Costs	(10,410,916)
Finance Income	12,307,437
Profit before Tax	269,178,754
Income Tax	(101,440,792)
Profit for the Year	167,737,962
Other Comprehensive Income	21,027,759
Total Comprehensive Income	188,765,721
Attributable to Non-Controlling Interests	58,517,374
Dividends Paid to Non-Controlling Interests	43,806,635

Summarised Statement of Financial Position	2016 Rs.
Inventories, Trade and Other Receivables and Cash and Short-Term Deposits Balances (Current)	1,885,179,085
Property, Plant and Equipment and Other Non-Current Assets (Non-Current)	912,127,307
Trade and Other Payables and Income Tax Liabilities (Current)	(848,044,151)
Employee Benefit Liabilities, Deferred Tax Liabilities and Other Non-Current Liabilities (Non-Current)	(357,132,691)
Total Equity	1,592,129,551
Attributable to Equity Holders of the Parent	1,098,569,390
Attributable to Non-Controlling Interest	493,560,161

Summarised Cash Flow Information	2016
	Rs.
Operating	203,125,028
Investing	(36,204,400)
Financing	(129,004,288)
Net Increase/(Decrease) in Cash and Cash Equivalents	37,916,340

16. COMMON CONTROL COMBINATIONS

Acquisitions in 2016

On 28 March 2016, LAUGFS Gas PLC acquired 100% voting shares of LAUGFS Terminals Ltd. from LAUGFS Holdings Ltd. which is the ultimate parent of the Group, for cash. The Management of the Group is of the view that despite the transaction resulting a change in the immediate parent of LAUGFS Terminals Ltd., the Group is ultimately controlled by the same party which is LAUGFS Holdings Ltd., both before and after the business combination, and that control is not transitory. Hence, this transaction is a business combination involving entities or businesses under common control.

The carrying amounts of the identifiable assets and liabilities as at the date of acquisition were:

	Rs.
Assets	
Property, Plant and Equipment	21,436,887
Prepayments	10,272,313
Other Receivables	10
Cash and Short-Term Deposits	1,170,009,187
	1,201,718,397
Liabilities	
Trade and Other Payables	(1,249,202,665)
	(1,249,202,665)
Total Identifiable Net Assets at Fair Value	(47,484,268)
Effects on Common Control Combinations	47,484,278
Purchase Consideration Transferred	10

Notes to the Financial Statements

17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

17.1 Other Financial Assets

17.1.1 Available for Sale Investments

	2017 Rs.	2016 Rs.
Group/Company		
Quoted Equity Shares		
Ceylon Guardian Investment Trust PLC	1,666,490	2,213,971
Citrus Leisure PLC	10,500,000	10,050,000
Colombo City Holdings PLC	8,400,000	8,014,800
Commercial Bank of Ceylon PLC	22,998,648	21,548,978
Ceylon Grain Elevators PLC	68,900,000	68,900,000
Lanka Orix Leasing Company PLC	2,135,000	2,520,000
Three Acre Farms PLC	3,951,640	2,624,160
Browns Capital PLC	4,276,275	3,421,020
	122,828,052	119,292,929

17.1.2 Financial Instruments at Fair Value through Profit or Loss

	2017 Rs.	2016 Rs.
Group / Company		
Quoted Equity Shares		
Union Bank of Colombo PLC	140,580	164,340
Multi Finance PLC	2,551,620	2,107,860
Total Financial Instruments at Fair Value through Profit or Loss	2,692,200	2,272,200
Total Other Financial Assets	125,520,252	121,565,129
Group / Company		
Total Current	2,692,200	2,272,200
Total Non-Current	122,828,052	119,292,929
	125,520,252	121,565,129

17.2 Other financial liabilities

17.2.1 Interest Bearing Loans and Borrowings

Group	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	7,258,352	12,135,349	19,393,701	6,592,848	19,393,701	25,986,549
Term Loans	1,552,824,374	15,431,104,514	16,983,928,888	1,245,018,225	7,858,212,373	9,103,230,598
Short Term Loans	2,134,317,629	-	2,134,317,629	2,266,986,883	-	2,266,986,883
Bank Overdrafts (Note 20.2)	642,024,723	-	642,024,723	268,592,766	-	268,592,766
	4,336,425,078	15,443,239,863	19,779,664,941	3,787,190,722	7,877,606,074	11,664,796,797

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
	29,965,710	-	(8,561,632)	21,404,079

	As at 31.03.2016 Rs.	As at 31.03.2017 Rs.
Gross Liability	29,965,710	21,404,079
Finance Charges Allocated to Future Periods	(3,979,162)	(2,010,378)
Net Liability	25,986,549	19,393,701
Amount Repayable Within 1 Year	6,592,848	7,258,352
Amount Repayable Within 2 to 5 Years	19,393,701	12,135,349
Amount Repayable After 5 Years	-	-
	25,986,549	19,393,701

Notes to the Financial Statements

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

17.2 Other financial liabilities (Contd.)

17.2.1 Interest Bearing Loans and Borrowings (Contd.)

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

Term Loans	As at 01.04.2016 Rs.	Loan Obtained During the year Rs.	Exchange (Gain)/Loss Rs.	Loan Repayment During the Year Rs.	As at 31.03.2017 Rs.
Sampath Bank PLC - Loan 1	592,800,000	30,730,000	-	(58,255,000)	546,225,000
Sampath Bank PLC - Loan 2	395,200,000	20,420,000	-	(39,470,000)	395,200,000
Sampath Bank PLC - Loan 3	900,000,000	-	-	(20,000,000)	880,000,000
Sampath Bank PLC - Loan 4	-	1,500,000,000	-	-	1,500,000,000
Sampath Bank PLC - Loan 5	-	1,500,000,000	-	-	1,500,000,000
Commercial Bank of Ceylon PLC - Loan 1	440,000,000	-	-	(110,000,000)	330,000,000
Commercial Bank of Ceylon PLC - Loan 2	4,981,658	-	-	(1,233,270)	3,748,388
Commercial Bank of Ceylon PLC - Loan 3	53,059,000	-	-	(8,964,000)	44,095,000
Commercial Bank of Ceylon PLC - Loan 4	266,555,561	14,000,000	-	(33,333,324)	247,222,237
Commercial Bank of Ceylon PLC - Loan 5	67,500,000	-	-	(4,821,600)	62,678,400
Commercial Bank of Ceylon PLC - Loan 6	6,512,880	-	-	(1,595,040)	4,917,840
Commercial Bank of Ceylon PLC - Loan 7	-	70,250,000	-	-	70,250,000
Hongkong & Shanghai Banking Corporation - Loan 1	1,394,409,999	-	57,551,666	(297,636,673)	1,154,324,992
Hongkong & Shanghai Banking Corporation - Loan 2	853,641,500	294,780,000	46,328,998	(227,112,662)	967,637,836
Hatton National Bank PLC - Loan 1	1,928,570,000	-	-	(285,720,000)	1,642,850,000
Hatton National Bank PLC - Loan 2	200,000,000	62,200,000	-	-	262,200,000
Hatton National Bank PLC - Loan 3	-	80,000,000	-	(1,668,000)	78,332,000
DFCC Bank PLC - Loan 1	2,000,000,000	-	-	(190,480,000)	1,809,520,000
DFCC Bank PLC - Loan 2	-	1,500,000,000	-	-	1,500,000,000
NDB Bank PLC	-	3,000,000,000	-	-	3,000,000,000
Peoples' Bank	-	984,727,195	-	-	984,727,195
	9,103,230,598	9,057,107,195	103,880,664	(1,280,289,569)	16,983,928,888

Short Term Loans	As at 01.04.2016 Rs.	Loan Obtained During the year Rs.	Exchange (Gain)/Loss Rs.	Loan Repayment During the Year Rs.	As at 31.03.2017 Rs.
Hongkong & Shanghai Banking Corporation	49,855,355	211,095,378	820,710	(261,771,443)	-
Hatton National Bank PLC - Loan 1	1,500,000,000	3,913,900,000	-	(4,653,832,523)	760,067,477
Hatton National Bank PLC - Loan 2	49,000,034	104,000,000	-	(103,000,034)	50,000,000
Pan Asia Banking Corporation	500,000,000	1,000,000,000	-	(1,500,000,000)	-
People's Bank	142,000,000	425,750,000	-	(567,750,000)	-
Union Bank of Colombo PLC	26,131,495	150,000,000	-	(176,131,495)	-
MCB Bank	-	532,040,165	-	(232,040,165)	300,000,000
Nation Trust Bank PLC	-	1,150,000,000	-	(694,500,000)	455,500,000
Standard Chartered Bank	-	6,309,587,037	-	(5,740,836,885)	568,750,153
	2,266,986,883	13,796,372,580	820,710	(13,929,862,545)	2,134,317,629

Company	2017 Amount Repayable Within 1 Year	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.
Term Loans	986,402,855	8,120,292,137	9,106,694,992	769,756,190	4,553,223,809	5,322,979,999
Short Term Loans	2,084,317,629	-	2,084,317,629	2,217,986,849	-	2,217,986,849
Bank Overdrafts (Note 20.2)	402,009,329	-	402,009,329	126,295,520	-	126,295,520
	3,472,729,814	8,120,292,137	11,593,021,951	3,114,038,560	4,553,223,809	7,667,262,369

Term Loans	As at 01.04.2016 Rs.	Loan Obtained During the Year Rs.	Exchange (Gain)/Loss Rs.	Loan Repayment During the Year Rs.	As at 31.03.2017 Rs.
Hongkong & Shanghai Banking Corporation - Loan 1	1,394,409,999	-	57,551,666	(297,636,673)	1,154,324,992
Hatton National Bank PLC - Loan 1	1,928,570,000	-	-	(285,720,000)	1,642,850,000
DFCC Bank - Loan 1	2,000,000,000	-	-	(190,480,000)	1,809,520,000
Sampath Bank PLC - Loan 5	-	1,500,000,000	-	-	1,500,000,000
NDB Bank PLC	-	3,000,000,000	-	-	3,000,000,000
	5,322,979,999	4,500,000,000	57,551,666	(773,836,673)	9,106,694,992

Notes to the Financial Statements

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

17.2 Other financial liabilities (Contd.)

17.2.1 Interest Bearing Loans and Borrowings (Contd.)

Short Term Loans	As at 01.04.2016 Rs.	Loan Obtained During the Year Rs.	Exchange (Gain)/Loss Rs.	Loan Repayment During the Year Rs.	As at 31.03.2017 Rs.
Hongkong & Shanghai Banking Corporation	49,855,355	211,095,378	820,710	(261,771,443)	-
Hatton National Bank PLC	1,500,000,000	3,913,900,000	-	(4,653,832,523)	760,067,477
Pan Asia Banking Corporation	500,000,000	1,000,000,000	-	(1,500,000,000)	-
People's Bank	142,000,000	425,750,000	-	(567,750,000)	-
Union Bank of Colombo PLC	26,131,495	150,000,000	-	(176,131,495)	-
MCB Bank	-	532,040,165	-	(232,040,165)	300,000,000
Nation Trust Bank PLC	-	1,150,000,000	-	(694,500,000)	455,500,000
Standard Chartered Bank	-	6,309,587,037	-	(5,740,836,885)	568,750,153
	2,217,986,849	13,692,372,580	820,710	(13,826,862,511)	2,084,317,629

	Interest Rate	Repayment Terms
Sampath Bank PLC		
Loan 1	AWPLR + 1% per annum	Repayable by 99 monthly instalments up to June 2025.
Loan 2	AWPLR + 1% per annum	Repayable by 99 monthly instalments up to June 2025.
Loan 3	AWPLR + 1% per annum	Repayable by 07 monthly instalments of Rs. 4,000,000/-, 12 monthly instalments of Rs. 8,000,000/-, 83 monthly instalments of Rs. 11,400,000/- and the final instalment of Rs. 9,800,000/-.
Loan 4	AWPLR + 1.5% per annum	Repayable by 101 monthly instalment of Rs. 14,750,000/- and the final instalment of Rs. 10,250,000/-.commencing after 18 months grace period on capital from the date of 1st disbursement.
Loan 5	AWPLR + 2% per annum	Repayable by 84 monthly instalments, commencing after 1 year grace period on capital from the date of 1st disbursement.
Commercial Bank of Ceylon PLC		
Loan 1	8% per annum	Repayable by 60 monthly instalments commencing from April 2015.
Loan 2	9% per annum	Repayable by 30 monthly instalments of Rs. 135,967/-.
Loan 3	AWPLR + 2% per annum	Repayable by 59 monthly instalment of Rs. 747,000/- and the final instalment of Rs. 769,000/-.
Loan 4	9% per annum for first 5 years. thereafter AWPLR+1% for balance 3 years	Repayable by 96 monthly instalments of Rs. 2,777,777/-.
Loan 5	AWPLR + 2% per annum	Repayable by 78 monthly instalments of Rs. 803,600/- and the final instalment of Rs. 801,200/-.commencing after 12 months grace period on capital from the date of 1st disbursement.

	Interest Rate	Repayment Terms
Loan 6	8% per annum	Repayable by 48 monthly instalment of Rs. 132,920/- and the final instalment of Rs. 132,720/-.
Loan 7	AWPLR + 2% per annum	Repayable by 83 monthly instalments of Rs. 836,300/- and the final instalment of Rs. 837,100/- commencing after 12 months grace period on capital from the date of 1st disbursement.
Hongkong & Shanghai Banking Corporation		
Loan 1	3 Months LIBOR + 2.5% per annum	Repayable by 45 equal monthly instalments amounting to USD 166,666.66/-
Loan 2	3 Months LIBOR + 2% per annum	Repayable by 60 equal monthly instalments amounting to USD 133,333/- commencing from March 2016.
Hatton National Bank PLC		
Loan 1	AWPLR + 1% per annum	Repayable by 68 equal monthly instalments amounting to Rs. 23,810,000/- and final instalment of Rs.23,770,000/- together with interest commenced from January 2016.
Loan 2	AWPLR + 1% for first five years thereafter AWPLR 0.5% for balance 3 years	Repayable by 71equal monthly instalments of 4,166,000/- and final instalment of Rs 4,214,000/- after and initial grace period of 2 years.
Loan 3	AWPLR+ 1.75% per annum	Repayable by 92 monthly instalments of Rs. 834,000/- and the final instalment of Rs.770,000/-.
DFCC Bank PLC		
Loan 1	12.5% per annum	Repayable by 75 monthly instalments of Rs. 23,810,000/- and the final instalment of Rs.23,770,000/-.
Loan 2	AWPLR + 1.5% per annum	Repayable by 83 monthly instalments of Rs.747,000/- and the final instalment of Rs.769,000/-.
Peoples' Bank	LIBOR + 4.75% per annum	Repayable within 9 years including the grace period of 1 1/2 years.
NDB Bank PLC	AWPLR+2.45% to AWPLR+3.90 per annum	Repayable by 8 separate instalments amounting Rs. 150,000,000 to Rs. 450,000,000, commencing from November 2018.

Notes to the Financial Statements

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

17.3 Fair Values

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

		Carrying Amount		Fair Value	
		2017	2016	2017	2016
	Notes	Rs.	Rs.	Rs.	Rs.
Group					
Financial Assets					
Trade and Other Receivables	A	1,724,354,731	1,474,242,729	1,724,354,731	1,474,242,729
Cash and Short Term Deposits	A	2,058,564,316	3,657,232,155	2,058,564,316	3,657,232,155
Total		3,782,919,047	5,131,474,884	3,782,919,047	5,131,474,884
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	15,443,239,863	7,877,606,074	15,443,239,863	7,877,606,074
Interest Bearing Loans and Borrowings (Current)	A	3,694,400,356	3,518,597,956	3,694,400,356	3,518,597,956
Trade and Other Payables	A	1,604,687,948	1,174,251,249	1,604,687,948	1,174,251,249
Bank Overdrafts	A	642,024,723	268,592,766	642,024,723	268,592,766
Total		21,384,352,890	12,839,048,045	21,384,352,890	12,839,048,045
Company					
Financial Assets					
Trade and Other Receivables	A	1,302,090,835	1,347,241,502	1,302,090,835	1,347,241,502
Cash and Short Term Deposits	A	287,878,377	1,597,778,639	287,878,377	1,597,778,639
Total		1,589,969,212	2,945,020,141	1,589,969,212	2,945,020,141
Financial Liabilities					
Interest Bearing Loans and Borrowings (Non-Current)	B	8,120,292,137	4,553,223,809	8,120,292,137	4,553,223,809
Interest Bearing Loans and Borrowings (Current)	A	3,070,720,484	2,987,743,040	3,070,720,485	2,987,743,040
Trade and Other Payables	A	1,007,750,335	924,000,843	1,007,750,335	924,000,843
Bank Overdrafts	A	402,009,329	126,295,520	402,009,329	126,295,520
Total		12,600,772,286	8,591,263,212	12,600,772,286	8,591,263,212

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

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

A Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

B Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, risk characteristics of the financed project etc. As at 31 March 2017, the carrying amounts of such borrowings are not materially different from their calculated fair values.

17.4 Fair Value Hierarchy

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

Fair value are determined according to the following hierarchy.

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

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

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

As at 31 March 2017, the Company held the following financial instruments carried at fair value on the statement of financial position.

Group/Company Assets Measured at Fair Value	2017 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Available for Sale Financial Assets	122,828,052	122,828,052	-	-
Financial Instruments at Fair Value through Profit or Loss	2,692,200	2,692,200	-	-
	125,520,252	125,520,252	-	-

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

18. INVENTORIES

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Gas in Cylinders and Accessories	201,714,662	68,348,233	90,242,635	60,357,146
Gas in Bulk	423,230,711	183,581,309	339,839,605	149,876,603
Cylinders	343,843,264	89,280,417	-	-
Non-Trade Inventories	286,296,570	232,122,194	92,720,765	88,146,826
Food and Beverages	13,646,589	7,301,005	-	-
Goods in Transit	263,510,739	320,142,274	88,055,989	212,886,189
	1,532,242,535	900,775,432	610,858,994	511,266,765
Provision for Inventories	(104,032,092)	(6,657,988)	(41,338,181)	-
Total Inventories at the lower of Cost and Net Realisable Value	1,428,210,443	894,117,444	569,520,813	511,266,765

Notes to the Financial Statements

19. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
Trade Receivables	- Related Parties (Note 19.1)	49,214,540	47,427,396	7,252,157	45,775,733
	- Other	1,300,631,080	1,178,934,229	1,096,904,238	1,086,517,526
Less: Provision for Impairments		(130,329,524)	(6,370,249)	(120,733,512)	(6,370,249)
		1,219,516,097	1,219,991,376	983,422,883	1,125,923,009
Other Receivables	- Related Parties (Note 19.2)	206,166,634	42,464,973	117,613,072	66,508,992
	- Other	298,672,001	211,786,381	201,054,880	154,809,501
		1,724,354,731	1,474,242,729	1,302,090,835	1,347,241,502
Advances	- Related Parties (Note 19.3)	32,045,532	26,687,920	31,985,132	26,687,920
	- Other	2,053,572,855	1,383,118,449	135,092,917	243,612,356
Advances given to Subsidiaries (Note 19.4)		-	-	1,919,923,359	3,194,490,148
Loans to Company Officers		12,758,029	2,936,057	1,692,066	1,374,917
		3,822,731,147	2,886,985,156	3,390,784,309	4,813,406,843

19.1 Trade Dues from Related Parties

	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
LAUGFS Restaurant (Pvt) Ltd.	Fellow Subsidiary	-	53,826	-	53,826
LAUGFS Holdings Ltd.	Parent	7,849,172	1,604,863	-	-
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	2,568,018	476,811	360,087	476,811
LAUGFS Supermarkets (Pvt) Ltd.	Fellow Subsidiary	2,524,403	-	-	-
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	7,919,690	31,938,733	6,809,107	31,938,733
Southern Petroleum (Pvt) Ltd.	Fellow Subsidiary	-	690,323	-	690,323
LAUGFS Lubricant (Pvt Ltd.	Fellow Subsidiary	5,011,935	46,800	-	-
LAUGFS Beverages (Pvt) Ltd.	Fellow Subsidiary	57,023	-	-	-
Lfinity (Pvt) Ltd.	Fellow Subsidiary	9,153,217	-	82,963	-
LAUGFS International (Pvt) Ltd.	Fellow Subsidiary	273,339	-	-	-
LAUGFS Salt & Chemicals (Pvt) Ltd.	Fellow Subsidiary	56,613	-	-	-
LAUGFS Solution Ltd.	Fellow Subsidiary	28,307	-	-	-
LAUGFS Corporation (Rubber) Ltd.	Fellow Subsidiary	1,846,832	-	-	-
LAUGFS Business Solutions (Pvt) Ltd.	Fellow Subsidiary	10,322,126	-	-	-
LAUGFS Wellness (Pvt) Ltd.	Fellow Subsidiary	1,603,865	-	-	-
Gas Auto Lanka Ltd.	Fellow Subsidiary	-	12,616,041	-	12,616,041
		49,214,540	47,427,396	7,252,157	45,775,733

19.2 Other Dues from Related Parties

	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
LAUGFS Supermarket (Pvt) Ltd.	Fellow Subsidiary	8,937,591	5,818,952	-	-
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	2,934,420	60,000	-	-
LAUGFS Corporation (Rubber) Ltd.	Fellow Subsidiary	1,548,986	-	-	-
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	94,388	36,452,394	-	-
LAUGFS Holdings Ltd.	Parent	172,710,420	10	17,648,664	-
LAUGFS Power Ltd.	Subsidiary	-	-	1,153,650	1,344,525
LAUGFS Maritime Services (Pvt) Ltd.	Subsidiary	-	-	47,635,275	6,513,075
Pams Power (Pvt) Ltd.	Subsidiary	-	-	500,000	1,500,000
LAUGFS Gas (Bangladesh) Ltd.	Subsidiary	-	-	14,193,225	57,151,392
LAUGFS Terminals Ltd.	Subsidiary	-	-	4,923,636	-
SLOGAL Energy DMCC	Subsidiary	-	-	23,307,372	-
Iris Eco Power Lanka (Pvt) Ltd.	Subsidiary	-	-	7,500,000	-
Ginigathhena Thiniyagala Mini Hydro (Pvt) Ltd.	Subsidiary	-	-	351,250	-
LAUGFS Property Developers (Pvt) Ltd.	Subsidiary	-	-	400,000	-
LAUGFS Solutions (Pvt) Ltd.	Fellow Subsidiary	107,149	-	-	-
LAUGFS Wellness (Pvt) Ltd.	Fellow Subsidiary	447,253	-	-	-
LAUGFS Business Solutions (Pvt) Ltd.	Fellow Subsidiary	9,206,099	-	-	-
LAUGFS Salt & Chemicals (Pvt) Ltd.	Fellow Subsidiary	76,162	-	-	-
Lfinity (Pvt) Ltd.	Fellow Subsidiary	2,498,904	5,050	-	-
LAUGFS Lubricants Ltd.	Fellow Subsidiary	7,605,261	128,567	-	-
		206,166,634	42,464,973	117,613,072	66,508,992

19.3 Advances given to Related Parties

	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	31,985,132	26,687,920	31,985,132	26,687,920
Anantaya Resort & Spa (Pvt) Ltd.	Fellow Subsidiary	60,400	-	-	-
		32,045,532	26,687,920	31,985,132	26,687,920

Notes to the Financial Statements

19. TRADE AND OTHER RECEIVABLES (Contd.)

19.4 Advances given to Subsidiaries

	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
LAUGFS Leisure Ltd.	Subsidiary	-	-	93,478,063	585,017,238
LAUGFS Property Developers (Pvt) Ltd.	Subsidiary	-	-	635,825,828	254,500,000
LAUGFS Power Ltd.	Subsidiary	-	-	51,129,000	369,029,000
Anantaya Passekudah (Pvt) Ltd.	Subsidiary	-	-	60,000,000	421,779,510
Anantaya Wadduwa (Pvt) Ltd.	Subsidiary	-	-	600,000,000	600,000,000
LAUGFS Hotel Management Services (Pvt) Ltd.	Subsidiary	-	-	200,000,000	200,000,000
LAUGFS Terminals Ltd.	Subsidiary	-	-	279,490,468	104,164,400
Iris Eco Power Lanka (Pvt) Ltd.	Subsidiary	-	-	-	205,000,000
Anorchi Lanka (Pvt) Ltd.	Subsidiary	-	-	-	205,000,000
Pams Power (Pvt) Ltd.	Subsidiary	-	-	-	150,000,000
Ginigathhena Thiniyagala Mini Hydro (Pvt) Ltd.	Subsidiary	-	-	-	100,000,000
		-	-	1,919,923,359	3,194,490,148

Trade receivables are non-interest bearing and are generally on terms of 1-45 days.

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

Group	Total Rs.	Neither Past Due nor Impaired Rs.	Past Due and Impaired < 30 Days Rs.	Past Due and Impaired 31-60 Days Rs.	Past Due and Impaired 61-90 Days Rs.	Past Due and Impaired > 90 Days Rs.
2017	1,349,845,620	671,823,975	173,936,069	29,293,616	17,916,677	456,875,282
2016	1,226,361,625	603,632,328	199,741,802	49,945,491	40,459,550	332,582,455

Company	Total Rs.	Neither Past Due nor Impaired Rs.	Past Due and Impaired < 30 Days Rs.	Past Due and Impaired 31-60 Days Rs.	Past Due and Impaired 61-90 Days Rs.	Past Due and Impaired > 90 Days Rs.
2017	1,104,156,396	528,388,487	114,109,676	9,374,227	14,379,581	437,904,425
2016	1,132,293,259	564,621,632	164,742,627	37,018,950	34,663,423	331,246,627

Above to be read in conjunction with Note 32 on credit risk of trade receivables, which discusses how the Group/Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

20. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
20.1 Favorable Cash & Cash Equivalent Balances				
Fixed Deposits	960,865,501	687,454,579	-	-
Repos	205,087,357	201,339,980	-	35,935,047
Savings Accounts	399,005,751	1,764,381,525	271,101,119	1,496,798,871
Cash in Hand and at Bank	493,605,706	1,004,056,071	16,777,258	65,044,721
	2,058,564,316	3,657,232,155	287,878,377	1,597,778,639
20.2 Unfavorable Cash & Cash Equivalent Balances				
Bank Overdrafts (Note 17.2)	(642,024,723)	(268,592,766)	(402,009,329)	(126,295,520)
Cash and Cash Equivalent for the Purpose of Statement of Cash Flows	1,416,539,593	3,388,639,389	(114,130,952)	1,471,483,118

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

21. STATED CAPITAL

Group/Company	2017		2016	
	Number	Rs.	Number	Rs.
Ordinary Voting Shares (21.1)	335,000,086	2,505,000,260	335,000,086	2,505,000,260
Ordinary Non-Voting Shares (21.2)	52,000,000	780,000,000	52,000,000	780,000,000
	387,000,086	3,285,000,260	387,000,086	3,285,000,260
21.1 Ordinary Voting Shares				
As at 1 April	335,000,086	2,505,000,260	335,000,086	2,505,000,260
As at 31 March	335,000,086	2,505,000,260	335,000,086	2,505,000,260
21.2 Ordinary Non-Voting Shares				
As at 1 April	52,000,000	780,000,000	52,000,000	780,000,000
As at 31 March	52,000,000	780,000,000	52,000,000	780,000,000

21.3 Rights, Preference and Restrictions of Classes of Capital

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

Notes to the Financial Statements

22. AVAILABLE FOR SALE RESERVE

Group/Company	2017 Rs.	2016 Rs.
Available for Sale Reserve (Note 22.1)	(316,055,741)	(318,968,277)
	(316,055,741)	(318,968,277)

22.1 Available for Sale Reserve

As at 1 April	(318,968,277)	(333,152,344)
Gains/(Losses) arising during the Year	2,912,536	14,184,067
Reclassification during the Year to Profit or Loss	122,300,000	-
As at 31 March	(193,755,741)	(318,968,277)

23. OTHER RESERVES

Group	2017 Rs.	2016 Rs.
Foreign Currency Translation Reserve (Note 23.1)	186,807,178	48,438,638
Revaluation Reserve (Note 23.2)	112,559,032	-
	229,336,210	48,438,638

23.1 Foreign Currency Translation Reserve

As at 1 April	48,438,638	-
Foreign Exchange Translation Differences	119,095,718	48,438,638
Acquisition of Non-Controlling Interest	19,272,823	-
As at 31 March	186,807,178	48,438,638

23.2 Revaluation Reserve

As at 1 April	-	-
Surplus on Revaluation of Assets Transfered to Investment Properties	112,559,032	-
As at 31 March	112,559,032	-

24. DIVIDENDS PAID AND PROPOSED

	2017 Rs.	2016 Rs.
Declared and Paid during the Year:		
Dividends on Ordinary Shares:		
Final Dividend for 2014/2015: 2.00 Rupees per Share	-	774,000,172
Final Dividend for 2015/2016: 1.00 Rupees per Share	387,000,086	-

25. EMPLOYEE BENEFIT LIABILITY

		Group		Company	
		2017	2016	2017	2016
		Rs.	Rs.	Rs.	Rs.
25.1	**Net Benefit Expense**				
	Current Service Cost	43,359,277	32,604,286	8,192,599	8,478,816
	Interest Cost on Benefit Obligation	20,668,479	12,922,948	6,806,499	5,177,608
	Total Expenses	64,027,756	45,527,234	14,999,098	13,656,424
25.2	**Employee Benefit Liability**	339,419,526	297,681,941	59,874,827	62,790,585
	Fair Value of Plan Assets	(74,315,234)	-	-	-
	Net Employee Benefit Liability	265,104,292	297,681,941	59,874,827	62,790,585

25.3 Messrs. Smiles Global (Pvt) Ltd, 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 and 31.03.2016 are as follows:

	2017	2016
Method of Actuarial Valuation:	Projected Unit Credit method	Projected Unit Credit method
Discount Rate:	6%-12.75%	6%-11.59%
Salary Increment Rate:	8%-15%	10%-15%
Retirement Age:	55-60 years	55-60 years
Staff Turnover Ratio:	10% (for Management Staff) and 8%-64% (for Other Staff)	10% (for Management Staff) and 10%-56% (for Other Staff)
Mortality Table:	A67/70 Mortality Table	A67/70 Mortality Table

Notes to the Financial Statements

25. EMPLOYEE BENEFIT LIABILITY (Contd.)

25.4 Sensitivity of Assumptions Employed in Actuarial Valuation

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

Increase/(Decrease)		Group 2017		
in Discount Rate	in Rate of Salary Increment	Effect on Statement Profit or Loss (Reduction)/ Increase in Results for the Year Rs.	Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End Rs.	Present Value of Employee Benefit Obligation Rs.
+1%	-	22,060,671	(22,060,671)	317,358,855
-1%	-	(24,993,792)	24,993,792	364,413,318
-	+1%	(24,292,177)	24,292,177	363,711,703
-	-1%	21,991,944	(21,991,944)	317,427,582

25.5 Changes in the Defined Benefit Obligation

Group

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

	01 April 2016	Amounts Charged to Profit or Loss				
		Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	On Acquisition of Subsidiaries
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2017						
Defined Benefit Obligation	297,681,941	43,359,277	22,090,067	65,449,344	(9,151,742)	-
Fair value of Plan Assets	-	-	(1,421,588)	(1,421,588)	713,844	-
Net Benefit Liability	297,681,941	43,359,277	20,668,479	64,027,756	(8,437,898)	-

	01 April 2015	Amounts Charged to Profit or Loss				
		Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	On Acquisition of Subsidiaries
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2016						
Defined Benefit Obligation	71,646,681	32,604,286	12,922,948	45,527,234	(639,150)	170,196,780
Benefit Liability	71,646,681	32,604,286	12,922,948	45,527,234	(639,150)	170,196,780

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

Company 2017		
Effect on Statement Profit or Loss(Reduction)/ Increase in Results for the Year	Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End	Present Value of Employee Benefit Obligation
Rs.	Rs.	Rs.
2,156,347	(2,156,347)	57,718,480
(2,340,494)	2,340,494	62,215,321
(2,543,070)	2,543,070	62,417,897
2,383,506	(2,383,506)	57,491,321

Remeasurement Gains/(Losses) in Other Comprehensive Income							
Exchange Difference	Return on Plan Asset (excluding amounts included in net interest expense)	Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2017
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
6,469,478	-	81,554	(14,811,388)	(6,299,659)	(21,029,495)	-	339,419,526
(927,843)	974,532	-	-	-	974,532	(73,654,179)	(74,315,234)
5,541,635	974,532	81,554	(14,811,388)	(6,299,659)	(20,054,963)	(73,654,179)	265,104,292

Remeasurement Gains/(Losses) in Other Comprehensive Income							
Exchange Difference	Return on Plan Asset (excluding amounts included in net interest expense)	Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2016
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2,997,549	-	(2,839,923)	(11,268,914)	22,061,685	7,952,847	-	297,681,941
2,997,549	-	(2,839,923)	(11,268,914)	22,061,685	7,952,847	-	297,681,941

Notes to the Financial Statements

25. EMPLOYEE BENEFIT LIABILITY (Contd.)

25.5 Changes in the Defined Benefit Obligation (Contd.)

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

	2017 Rs.	2016 Rs.
Within the next 2 Years	13,387,824	8,602,201
Between 2 and 5 Years	81,148,804	64,346,366
Between 5 and 10 Years	244,882,898	224,476,830
Over 10 Years	-	256,544
Total Expected Payments	339,419,526	297,681,941

The average duration of the defined benefit plan obligating at the end of the reporting period is 1.51 - 7.89 years.
(2016: 0.93 - 7.3 years)

25.6 Changes in the Defined Benefit Obligation

Company

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

	01 April 2016	Amounts Charged to Profit or Loss			Benefits Paid
		Service Cost	Interest Cost	Sub Total included in Profit or Loss	
	Rs.	Rs.	Rs.	Rs.	Rs.
2017					
Defined Benefit Obligation	62,790,585	8,192,599	6,806,499	14,999,098	(6,792,323)
Benefit Liability	62,790,585	8,192,599	6,806,499	14,999,098	(6,792,323)

	01 April 2015	Amounts Charged to Profit or Loss			Benefits Paid
		Service Cost	Interest Cost	Sub Total included in Profit or Loss	
	Rs.	Rs.	Rs.	Rs.	Rs.
2016					
Defined Benefit Obligation	54,501,132	8,478,816	5,177,608	13,656,424	(323,250)
Benefit Liability	54,501,132	8,478,816	5,177,608	13,656,424	(323,250)

Remeasurement Gains/(Losses) in Other Comprehensive Income					
Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2017
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
32,058	(10,402,966)	(751,626)	(11,122,532)	-	59,874,827
32,058	(10,402,966)	(751,626)	(11,122,532)	-	59,874,827

Remeasurement Gains/(Losses) in Other Comprehensive Income					
Actuarial Changes arising from Changes in Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2016
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(6,155,347)	2,332,508	(1,220,882)	(5,043,721)	-	62,790,585
(6,155,347)	2,332,508	(1,220,882)	(5,043,721)	-	62,790,585

Notes to the Financial Statements

25. EMPLOYEE BENEFIT LIABILITY (Contd.)

25.6 Changes in the Defined Benefit Obligation (Contd.)

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

	2017 Rs.	2016 Rs.
Within the next 2 Years	3,129,282	4,116,689
Between 2 and 5 Years	39,864,705	39,941,061
Between 5 and 10 Years	16,880,840	18,732,835
Over 10 Years	-	-
Total Expected Payments	59,874,827	62,790,585

The average duration of the defined benefit plan obligating at the end of the reporting period is 3.19 years. (2016: 4.59 years)

26. DEFERRED INCOME

	2017 Rs.	2016 Rs.
Group		
As at 1 April	532,010,917	403,723,139
On Acquisition of Subsidiaries	-	62,417,540
Deferred during the Year	500,044,074	424,580,296
Released to the Statement of Profit or Loss during the Year - Other Operating Income	(346,830,482)	(296,292,517)
Released to the Statement of Profit or Loss during the Year- Revenue	-	(62,417,540)
As at 31 March	685,224,509	532,010,918
Total Current	14,572,091	7,213,318
Total Non-Current	670,652,418	524,797,600
	685,224,509	532,010,918
Company		
As at 1 April	532,010,917	403,723,139
Deferred during the Year	500,044,074	424,580,296
Released to the Statement of Profit or Loss during the Year - Other Operating Income	(346,830,482)	(296,292,517)
As at 31 March	685,224,509	532,010,918
Total Current	14,572,091	7,213,318
Total Non-Current	670,652,418	524,797,600
	685,224,509	532,010,918

27. REFUNDABLE DEPOSITS

	2017 Rs.	2016 Rs.
Group		
As at 1 April	2,082,071,415	1,495,569,890
Additions	728,654,447	934,790,156
On Acquisition of Subsidiaries	-	74,003,749
Refunds/Transfers	(498,560,266)	(423,588,389)
Exchange Differences	2,480,865	1,296,009
As at 31 March	2,314,646,461	2,082,071,415
Refundable Deposits within One Year (Current)	222,494,992	200,221,746
Refundable Deposits after One Year (Non-Current)	2,092,151,469	1,881,849,669
	2,314,646,461	2,082,071,415
Company		
As at 1 April	2,002,217,459	1,495,569,890
Additions	715,417,756	929,937,608
Refunds/Transfers	(492,685,300)	(423,290,039)
As at 31 March	2,224,949,915	2,002,217,459
Refundable Deposits within One Year (Current)	222,494,992	200,221,746
Refundable Deposits after One Year (Non-Current)	2,002,454,924	1,801,995,713
	2,224,949,915	2,002,217,459

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade Payables - Related Parties (Note 28.1)	1,048,273	580,336	98,018,858	255,154,996
- Others	1,266,038,450	886,902,051	901,067,276	615,665,189
Other Payables - Related Parties (Note 28.2)	27,410,694	70,838,879	8,664,201	53,180,659
- Others	310,190,531	215,929,982	-	-
	1,604,687,948	1,174,251,249	1,007,750,335	924,000,844
Provision for Workers' Profit Participation Fund	117,961,418	86,141,125	-	-
Sundry Creditors including Accrued Expenses	2,078,977,920	576,879,160	391,248,310	156,467,111
	3,801,627,286	1,837,271,534	1,398,998,645	1,080,467,955

Notes to the Financial Statements

28. TRADE AND OTHER PAYABLES (Contd.)

28.1 Trade Payable to Related Parties

	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
LAUGFS Holdings Ltd.	Parent	667,125	-	-	-
LAUGFS Beverages (Pvt) Ltd.	Fellow Subsidiary	-	242,683	-	-
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	233,892	178,973	-	-
LAUGFS Lubricants Ltd.	Fellow Subsidiary	-	73,715	-	-
LAUGFS Supermarket (Pvt) Ltd.	Fellow Subsidiary	147,256	80,505	-	-
LAUGFS Restaurant (Pvt) Ltd.	Fellow Subsidiary	-	4,460	-	-
SLOGAL Energy DMCC	Subsidiary	-	-	98,018,858	255,154,996
		1,048,273	580,336	98,018,858	255,154,996

28.2 Other Payable to Related Parties

	Relationship	Group 2017 Rs.	Group 2016 Rs.	Company 2017 Rs.	Company 2016 Rs.
LAUGFS Beverages (Pvt) Ltd.	Fellow Subsidiary	575,684	187,099	-	-
LAUGFS Supermarket (Pvt) Ltd.	Fellow Subsidiary	708,963	10,421,722	708,963	10,421,722
LAUGFS Engineering (Pvt) Ltd.	Fellow Subsidiary	848,943	-	-	-
LAUGFS Holdings Ltd.	Parent	20,078,972	58,552,432	-	42,758,937
LAUGFS Eco Sri (Pvt) Ltd.	Subsidiary	-	-	3,773,850	-
LAUGFS Petroleum (Pvt) Ltd.	Fellow Subsidiary	5,180,152	1,550,549	4,181,388	-
Southern Petroleum (Pvt) Ltd.	Fellow Subsidiary	-	4,853	-	-
LAUGFS Restaurant (Pvt) Ltd.	Fellow Subsidiary	7,980	28,433	-	-
Gas Auto Lanka Ltd.	Fellow Subsidiary	10,000	93,791	-	-
		27,410,694	70,838,879	8,664,201	53,180,659

Trade payables are non-interest bearing and are normally settled on 60 -90 days terms.

For explanations on the Group's credit risk management processes, refer to Note 32.

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

Group	Total Rs.	< 30 Days Rs.	31-90 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2017	1,267,086,722	1,144,463,657	62,712,362	735,604	59,175,100
2016	887,482,387	627,007,734	210,629,426	1,905,309	47,939,919

Company	Total Rs.	< 30 Days Rs.	31-90 Days Rs.	91-120 Days Rs.	> 120 Days Rs.
2017	999,086,134	885,166,590	56,615,417	69,707	57,234,420
2016	870,820,185	617,004,917	206,516,894	1,120,471	46,177,903

29. COMMITMENTS AND CONTINGENCIES

29.1 Capital Expenditure Commitments

The Group and Company have commitments for acquisition of property, plant and equipment incidental to the ordinary course of business as at 31 March 2017 are as follows:

	2017 Rs.
Group	
Contracted but not Provided for	
Land Development	10,096,000
Motor Vehicle	35,920,000
Plant and Machinery	88,550,000
Buildings on Freehold Land	71,164,420
Solar Power Plant	210,000,000
Research & Development for Plant Improvement	2,400,000
LPG Terminal	4,330,000,000
	4,748,130,420
Company	
Contracted but not Provided for	
Land Development	10,096,000
Buildings on Freehold Land	24,350,000
Motor Vehicle	35,920,000
Plant and Machinery	88,550,000
Research & Development for Plant Improvement	2,400,000
	161,316,000

29.2 Contingencies

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

The Company has provided corporate guarantees for several of its subsidiaries which has been disclosed in note 31.3

Notes to the Financial Statements

30. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of the Liability	Carrying Amount Pledged 2017 Rs.	Carrying Amount Pledged 2016 Rs.	Included Under
Group				
Free Hold Hotel Property of Anantaya Passekudah	Primary and Secondary mortgage bond	880,000,000	900,000,000	Property, Plant and Equipment
Mabima Refilling and Distribution Plant	Negative Pledge	1,154,324,992	1,467,800,000	Property, Plant and Equipment
Assets Located in Mabima	Negative Pledge	1,809,520,000	2,000,000,000	Property, Plant and Equipment
Land and Building	Primary and Secondary mortgage over Land and Building	1,041,425,000	1,100,000,000	Property, Plant and Equipment
Land and Building	Primary Mortgage over Land and Building	1,383,804,029	1,206,497,290	Property, Plant and Equipment
Equity Shares	Primary Mortgage over Equity Shares	130,000,000	130,000,000	Equity
Equity Shares	Primary Mortgage over Equity Shares	1,000,001,000	-	Equity
Equity Shares	Primary Mortgage over Equity Shares	300,000,000	-	Equity
Project Assets	Primary Mortgage over Land and Building	107,701,221	115,711,772	Property, Plant and Equipment
Motor Vehicle	Mortgage Bond	3,171,542	4,485,156	Property, Plant and Equipment
Motor Vehicle	Mortgage Bond	4,917,840	7,975,000	Property, Plant and Equipment
Project Assets- Terminals	Primary Mortgage over Project assets	2,409,157,049	-	Property, Plant and Equipment
Project Assets- Iris	Negative Pledge Over Project	2,104,327,872	-	Property, Plant and Equipment
Project Assets - Anorchi	Primary Mortgage over Project assets	1,200,000,000	-	Property, Plant and Equipment
Company				
Mabima Refilling and Distribution Plant	Negative Pledge	1,154,324,992	1,467,800,000	Property, Plant and Equipment
Assets Located in Mabima	Negative Pledge	1,809,520,000	2,000,000,000	Property, Plant and Equipment

31. RELATED PARTY DISCLOSURES

The following table provides the information pertaining to significant transactions that have been entered into with related parties for the relevant financial year. (for information regarding outstanding balances at 31 March 2017 and 31 March 2016, refer to Notes 19 and 28).

31.1 Transactions with the Related Parties

Group	Parent		Other Group Companies		Total	
	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nature of Transactions						
Sale of Goods/Services	20,120,698	1,969,078	126,596,420	369,075,283	146,717,119	371,044,360
Settlement of Trade & Other Receivable	56,724,358	(388,878)	(116,090,785)	(553,545,525)	(59,366,427)	(553,934,403)
Purchase of Goods/ Services	(83,778,003)	(93,973,501)	(251,057,193)	(292,771,074)	(334,835,196)	(386,744,575)
Settlement of Trade & Other Payable	273,991	12,247,924	226,928,230	347,065,427	227,202,221	359,313,351
Inter Company Rent	-	-	6,247,200	5,704,060	6,247,200	5,704,060
Other Settlements	-	-	-	-	-	-
Fund Transfers Received	(76,438,227)	(861,757,700)	(4,542,272)	(72,615,966)	(80,980,499)	(934,373,666)
Fund Transfers Given	183,000,000	942,561,000	-	71,712,433	183,000,000	1,014,273,433
Intercompany Expenses To	(17,647,311)	1,967,066	(17,845,242)	29,112,084	(35,492,554)	31,079,150
Intercompany Expenses From	(8,981,565)	(578,116)	-	(31,436,601)	(8,981,565)	(32,014,717)
Purchase of Fixed Assets on behalf of Company	152,177,620	-	12,077,671	-	164,255,291	-
Interest Income	-	-	-	-	-	-
Purchase of Fixed Assets/ Construction Work	-	-	-	(1,272,000)	-	(1,272,000)
Allocation of Expense	3,450,757	-	16,863,164	-	20,313,921	-
Allocation of Computer Software	-	(58,972,152)	-	-	-	(58,972,152)
Distributor Commission	-	-	(3,341,337)	-	(3,341,337)	-
Supply of Fixed Assets	-	-	-	517,760	-	517,760
Others	(3,616,540)	-	-	(43,586)	(3,616,540)	(43,586)
Commission on Corporate Guarantee	(7,500,000)	-	397,500	-	(7,102,500)	-

31.1.1 Other Group Companies include following Companies;

LAUGFS Engineering (Pvt) Ltd.
LAUGFS Beverages (Pvt) Ltd.
LAUGFS Supermarket (Pvt) Ltd.
Gas Auto Lanka Ltd.
LAUGFS Corporation (Rubber) Ltd.
LAUGFS Salt and Chemicals (Pvt) Ltd.
LAUGFS Petroleum (Pvt) Ltd.
LAUGFS Restaurant (Pvt) Ltd.
LAUGFS Lubricants Ltd.
LAUGFS Higher Education Services (Pvt) Ltd.
Southern Petroleum (Pvt) Ltd.
LAUGFS Business Solutions (Pvt) Ltd.
LAUGFS Solutions Ltd.
LAUGFS International (Pvt) Ltd.
Lfinity (Pvt) Ltd.
LAUGFS Wellness (Pvt) Ltd.

Notes to the Financial Statements

31. RELATED PARTY DISCLOSURES (Contd.)

31.2 Transactions with the Related Parties (Contd.)

	Parent		Subsidiaries		Other Related Companies		Total	
Company	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Nature of Transactions								
As at 1 April	(42,758,937)	-	3,005,844,143	1,068,892,310	62,041,932	205,468,335	3,025,127,139	1,274,360,645
Sale of Goods/ Services	-	79,649	372,000	9,143,631	75,713,413	368,266,406	76,085,413	377,489,685
Settlement of Trade & Other Receivables	-	(79,649)	(372,000)	(10,274,771)	(104,482,879)	(532,548,400)	(104,854,879)	(542,902,819)
Purchase of Goods/ Services	(83,506,798)	(81,723,269)	(2,194,842,882)	(1,014,184,056)	(239,709,923)	(288,866,137)	(2,518,059,602)	(1,384,773,463)
Settlement of Trade & Other Payables	-	-	1,933,741,583	759,029,060	240,375,616	303,737,798	2,174,117,199	1,062,766,858
Investments Made by the Company	-	-	(4,263,959,590)	(404,547,862)	-	-	(4,263,959,590)	(404,547,862)
Other Settlements	44,665,734	-	(52,341,883)	-	(2,952,898)	-	(10,629,046)	-
Fund Transfers Received	(69,000,000)	(738,196,700)	(360,000,000)	(5,803,134,353)	-	-	(429,000,000)	(6,541,331,053)
Fund Transfers Given	183,000,000	819,000,000	3,426,583,000	7,671,397,479	-	-	3,609,583,000	8,490,397,479
Receivable Acquired under Business Combination	-	-	-	48,818,654	-	-	-	48,818,654
Intercompany Expenses To	306,803	1,925,758	87,275,399	95,338,182	58,315	323,457	87,640,516	97,587,397
Intercompany Expenses From	(7,558,139)	-	(449,138)	(918,383)	-	-	(8,007,277)	(918,383)
Dividend Declared by the Subsidiaries	-	-	340,046,217	577,879,330	-	-	340,046,217	577,879,330
Inter Company Rent	-	-	-	-	6,247,200	5,704,060	6,247,200	5,704,060
Distributor Commission	-	-	-	-	(3,341,337)	-	(3,341,337)	-
Commission on Corporate Guarantee	(7,500,000)	-	1,198,036	8,982,600	397,500	-	(5,904,405)	8,982,600
Allocation of Computer Software	-	(43,764,725)	-	-	-	-	-	(43,764,725)
Others	-	-	(4,999,827)	(577,679)	-	(43,586)	(4,999,827)	(621,265)
As at 31 March	17,648,664	(42,758,937)	1,918,095,060	3,005,844,143	34,346,939	62,041,932	1,970,090,662	3,025,127,139

31.2.1 Subsidiaries include the following Companies;

LAUGFS Eco sri (Pvt) Ltd.
LAUGFS Leisure Ltd.
LAUGFS Property Developers (Pvt) Ltd.
LAUGFS Power Ltd.
LAUGFS Maritime Services (Pvt) Ltd.
LAUGFS Hotel Management Services (Pvt) Ltd.
Anantaya Wadduwa (Pvt) Ltd.
Anantaya Passekudah (Pvt) Ltd.
LAUGFS Gas (Bangladesh) Ltd.
SLOGAL Energy DMCC
LAUGFS Terminals Ltd.
Iris Eco Power Lanka (Pvt) Ltd.
Anorchi Lanka (Pvt) Ltd.
Pams Power (Pvt) Ltd.
Ginigathhena Thiniyagala Mini Hydro (Pvt) Ltd.
LAUGFS Maldives (Pvt) Ltd.

31.2.2 Other Related Companies include the following Companies;

LAUGFS Engineering (Pvt) Ltd.
LAUGFS Petroleum (Pvt) Ltd.
Lfinity (Pvt) Ltd.

31.3 The Company has provided corporate guarantees for its subsidiaries in the value of Rs.3,253,027,195/- for term loans and has gained a commission of Rs.16,765,136/- during the financial year. Further, Company has obtained corporate guarantees from its subsidiaries in the value of Rs.4,533,920,000/- for terms and has incurred a commission of Rs.22,669,600/- during the financial year.

31.4 Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2016 - Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Notes to the Financial Statements

31. RELATED PARTY DISCLOSURES (Contd.)

31.5 Transactions with Key Management Personnel of the Company or its Parent

Key Management Personnel (KMPs) are defined as those persons such as directors, chief executive officers and other senior executives etc. who have authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, direct or indirectly.

Compensation of Key Management Personnel

Group	2017 Rs.	2016 Rs.
Directors' Emoluments (Cash Benefits)	178,784,100	135,807,089
Non-cash Benefits	13,724,040	9,600,000
Total Compensation paid to Key Management Personnel	192,508,140	145,407,089

Company	2017 Rs.	2016 Rs.
Directors' Emoluments (Cash Benefits)	108,257,284	90,265,938
Non-cash Benefits	3,233,040	-
Total Compensation paid to Key Management Personnel	111,490,324	90,265,938

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

32.1 Introduction

Risk is inherent in Group's business activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Board of Directors places special consideration on the management of such risks. The Group is mainly exposed to;

a. Market risk
b. Commodity price risk
c. Interest rate risk
d. Foreign currency risk
e. Liquidity risk
f. Equity price risk
g. Credit risk

a. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial risk management is carried out by finance divisions of respective group companies under policies approved by the Board which set out the principles and procedures with respect to risk tolerance, delegated authority levels, internal controls, and management of foreign currency, interest rate and counterparty credit exposures and the reporting of exposures.

b. Commodity Price Risk

LAUGFS Gas PLC being the parent is mainly affected by LPG price. In managing commodity price risk the increase in cost is, passed on to the customer by the agreement with Consumer Affairs Authority (CAA), which ensures in recovering total landed cost plus a reasonable profit margin. The Company also conducts appropriate trend analysis in market prices regularly and takes proactive measures in procurement to prevent any future losses and thereby increasing the overall profitability of the Company.

c. Interest Rate Risk

Interest rate risk is the risk that the entity's financial position will be adversely affected by movements in floating interest and this risk is minimized by diversifying Company and Group operations. Interest rate risk is managed by constantly monitoring and negotiating the rates with the banks through assistance from the Group Treasury.

The sensitivity of the income statement and statement of financial position is the effect of the assumed changes in interest rate of long term borrowings on the profit or loss and retained earnings for the year is as follows.

	2017	
Increase/(Decrease) in Interest Rate	Effect on Income Statement	Effect on Statement of Financial Position
	Rs.	Rs.
1%	(86,825,321)	86,825,321
-1%	86,825,321	(86,825,321)

d. Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign exchange rate changes is minimized by positive negotiations with banks applying financial risk management techniques.

The sensitivity of the income statement and statement of financial position is the effect of the assumed changes in exchange rate on the profit or loss and retained earnings for the year is as follows.

	2017	
Increase/(Decrease) in Exchange Rate	Effect on Income Statement	Effect on Statement of Financial Position
	Rs.	Rs.
1%	(92,166,585)	99,782,236
-1%	92,166,585	(99,782,236)

Notes to the Financial Statements

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

32.1 Introduction (Contd.)

e. Liquidity Risk

Liquidity Risk arises from the financial liabilities of the entity and the entity's subsequent ability to meet their obligation to repay their financial liabilities as and when they fall due. The Group & Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans, loan notes, & overdrafts.

f. Equity Price Risk

The key objective of entity when managing capital is to safeguard its ability to continue as a going concern and maintain optimal returns to shareholders and benefits for other stakeholders. During the past years the management has tried its best to maintain a steady percentage of payout as its dividend. In addition to this with regard to investment in shares, the investment Committee reviews and approves all equity investment decisions.

g. Credit Risk

Credit Risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables). The Group minimizes credit risk towards its customers by having high level scrutiny before converting a cash customer to a credit customer. Also the Group adheres to the policy of obtaining bank guarantees from distributors and adequate cash deposits from dealers.

32.2 Capital Management

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

33. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

Share Information

Number of Shares in issue

Ordinary Voting	335,000,086
Ordinary Non Voting	52,000,000

Listed on the Main Board of the Colombo Stock Exchange

Stock Symbol

Ordinary Voting	LGL N 0000
Ordinary Non Voting	LGL X 0000

Listed on the Main Board of the Colombo Stock Exchange

Share Prices For The Year

LGL N

	As at 31/03/2017	As at 31/03/2016
Market price per share		
Highest during the year -	Rs.45.50 (11-05-16)	Rs. 46.40 (13-10-15)
Lowest during the year -	Rs.27.60 (22-03-17)	Rs. 33.20 (09.03.16)
As at end of the year -	Rs.28.10	Rs. 36.50

LGL X

	As at 31/03/2017	As at 31/03/2016
Market price per share		
Highest during the year -	Rs. 42.00 (12-05-16)	Rs.41.00 (13-10-15)
Lowest during the year -	Rs. 24.00 (27-03-17)	Rs. 32.90 (10-03-16)
As at end of the year -	Rs. 24.80	Rs. 35.40

Public Holding

The Public Holding percentage of Voting Shares – 25.2202% comprising of 9,282 shareholders.

Share Information

Distribution of Shareholdings as at 31st March 2017

LGL N

From		To	No of Shareholders	No of Shares	%
1	-	1,000	7,610	2,814,953	0.84
1,001	-	10,000	1,444	4,480,208	1.34
10,001	-	100,000	204	6,232,707	1.86
100,001	-	1,000,000	29	9,076,389	2.71
Over 1,000,000			8	312,395,829	93.25
			9,295	335,000,086	100.00

LGL X

From		To	No of Shareholders	No of Shares	%
1	-	1,000	5,793	2,020,882	3.89
1,001	-	10,000	1,257	3,597,501	6.92
10,001	-	100,000	187	5,497,151	10.58
100,001	-	1,000,000	29	9,896,883	19.03
Over 1,000,000			6	30,987,583	59.58
			7,272	52,000,000	100.00

Analysis of Shareholders As At 31st March 2017

LGL N

	No of Shareholders	No of Shares	%
Local Individuals	9,031	16,506,061	4.93
Local Institutions	222	317,268,919	94.70
Foreign Individuals	40	1,122,706	0.34
Foreign Institutions	2	102,400	0.03
	9,295	335,000,086	100.00

LGL X

	No of Shareholders	No of Shares	%
Local Individuals	7,075	12,104,737	23.29
Local Institutions	154	32,819,096	63.11
Foreign Individuals	36	766,428	1.47
Foreign Institutions	7	6,309,739	12.13
	7,272	52,000,000	100.00

Residency

LGL N

Category	No of Shareholders	No. of Shares	%
Resident	9,253	333,774,980	99.63
Non Resident	42	1,225,106	0.37
Total	9,295	335,000,086	100.00

LGL X

Category	No of Shareholders	No. of Shares	%
Resident	7,229	44,923,833	86.40
Non Resident	43	7,076,167	13.60
Total	7,272	52,000,000	100.00

Share Information

Directors' Shareholding As At 31st March 2017

LGL N

	No. of Shares	%
Mr. C L De Alwis	1,000	0.000
Mr T K Bandaranayake	Nil	Nil
Mr P M Kumarasinghe	4,800	0.001
Mr W K H Wegapitiya	1,411,536	0.421
Mr U K T N De Silva	1,077,897	0.322
Mr H A Ariyaratne	3,900	0.001
Mr. N M Prakash	17,000	0.005
Mr. A R D Perera (Appointed W. E. F 02/11/2016)	Nil	Nil
Mr. A N Ranasinghe (Appointed W. E. F 02/01/2017)	Nil	Nil

LGL X

	No. of Shares	%
Mr. C L De Alwis	500	0.001
Mr T K Bandaranayake	Nil	Nil
Mr P M Kumarasinghe	Nil	Nil
Mr W K H Wegapitiya	Nil	Nil
Mr U K T N De Silva	Nil	Nil
Mr H A Ariyaratne	3,400	0.007
Mr. N M Prakash	Nil	Nil
Mr. A R D Perera (Appointed W. E. F 02/11/2016)	Nil	Nil
Mr. A N Ranasinghe (Appointed W. E. F 02/01/2017)	Nil	Nil

Chief Executive Officers' Shareholding As At 31st March 2017

	No. of Shares	%
Mr. U K A T De Silva	12,600	0.004 (LGL N)
	22,500	0.043 (LGL X)

Twenty Major Shareholders of The Company – (Voting)

	For the year ended 31st December	31st March 2017		31st March 2016	
		No of Shares	%	No of Shares	%
1	LAUGFS HOLDINGS LIMITED	246,057,450	73.450	246,057,450	73.450
2	EMPLOYEES PROVIDENT FUND	57,897,800	17.283	57,897,800	17.283
3	SEYLAN BANK PLC / CARLINES HOLDINGS (PRIVATE) LIMITED	2,094,467	0.625	1,021,082	0.305
4	MR. W K H WEGAPITIYA	1,411,536	0.421	1,320,528	0.394
5	DEUTSCHE BANK AG AS TRUSTEE FOR NAMAL ACUITY VALUE FUND	1,339,563	0.400	409,000	0.122
6	DEUTSCHE BANK AG-NATIONAL EQUITY FUND	1,318,182	0.393	1,318,182	0.393
7	DEUTSCHE BANK AG - NAMAL GROWTH FUND	1,198,934	0.358	400,000	0.119
8	MR. U K T N DE SILVA	1,077,897	0.322	1,077,897	0.322
9	LAUGFS SUNUP SUPERMARKET (PVT) LTD	1,000,000	0.299	1,000,000	0.299
10	SEYLAN BANK PLC / ALMAS ORGANISATION (PVT) LIMITED	924,665	0.276	924,665	0.276
11	GAS AUTO LANKA LIMITED	922,600	0.275	922,600	0.275
12	MR. M K DE VOS & MRS. D J DE VOS	810,000	0.242	860,000	0.257
13	MR. G Y N MAHINKANDA	779,272	0.233	779,272	0.233
14	MR. H D M P SIRIWARDENA	749,000	0.224	749,000	0.224
15	PEOPLE'S LEASING FINANCE PLC / CARLINES HOLDINGS (PRIVATE) LIMITED	502,500	0.150	502,500	0.150
16	MR. H A VAN STARREX	354,939	0.106	113,977	0.034
17	MR. C S KARIYAWASAN	221,716	0.066	-	-
18	EMPLOYEES TRUST FUND BOARD	205,304	0.061	205,304	0.061
19	CEYLON BISCUITS LIMITED	170,000	0.051	170,000	0.051
20	BANK OF CEYLON NO. 1 ACCOUNT	168,727	0.050	168,727	0.050
		319,204,552	95.285	315,897,984	94.298
	OTHERS	15,795,534	4.715	19,102,102	5.702
	TOTAL	335,000,086	100.000	335,000,086	100.000

Share Information

Twenty Major Shareholders of The Company – (Non Voting)

	For the year ended 31st December	31st March 2017		31st March 2016	
		No of Shares	%	No of Shares	%
1	EMPLOYEES PROVIDENT FUND	18,041,300	34.695	18,041,300	34.695
2	HSBC INTL NOM LTD - STATE STREET LUXEMBOURG C/O SSBT - ALLIANCEBERNSTEIN NEXT 50 EMERGING MARKETS (MASTER) FUND SICAV-SIF S.C.SP.	3,846,247	7.397	3,846,247	7.397
3	BANK OF CEYLON NO. 1 ACCOUNT	3,420,538	6.578	3,420,538	6.578
4	DEUTSCHE BANK AG AS TRUSTEE FOR J B VANTAGE VALUE EQUITY FUND	2,505,696	4.819	2,158,696	4.151
5	SEYLAN BANK PLC / CARLINES HOLDINGS (PRIVATE) LIMITED	2,083,382	4.007	763,157	1.468
6	SEYLAN BANK PLC / ALMAS ORGANISATION (PVT) LIMITED	1,090,420	2.097	1,090,420	2.097
7	PERSHING LLC S/A AVERBACH GRAUSON & CO.	941,392	1.810	838,108	1.612
8	COMMERCIAL BANK OF CEYLON PLC/DUNAMIS CAPITAL PLC	872,812	1.678	909,772	1.750
9	MR. A.M. WEERASINGHE	813,471	1.564	813,471	1.564
10	HSBC INTERNATIONAL NOMINEES LTD-MORGAN STANLEY AND CO. INTL PLC - OWN A/C	704,271	1.354	704,271	1.354
11	DEUTSCHE BANK AG - NATIONAL EQUITY FUND	663,000	1.275	-	-
12	WALDOCK MACKENZIE LTD / MR. S N P PALIHENA AND MRS. A S PALIHENA	600,000	1.154	600,000	1.154
13	SEYLAN BANK PLC / SASHIMAAL RUHASH FERNANDO	502,018	0.965	-	-
14	DEUTSCHE BANK AG AS TRUSTEE TO ASTRUE ALPHA FUND	484,147	0.931	865,155	1.664
15	MR. G H I JAFFERJEE	442,008	0.850	442,008	0.850
16	GOLD INVESTMENT LIMITED	390,000	0.750	390,000	0.750
17	MRS C N G NARAYANA	378,800	0.728	378,800	0.728
18	MRS S D AMARASINGHE	372,400	0.716	372,400	0.716
19	NARATHA VENTURES PRIVATE LIMITED	308,000	0.592	308,000	0.592
20	MR. M A VALABHJI	280,000	0.538	280,000	0.538
		38,739,902	74.500	36,222,343	69.658
	OTHERS	13,260,098	25.500	15,777,657	30.342
	TOTAL	52,000,000	100.000	52,000,000	100.000

Value Added Statement

For the Year ended 31 March	2017 Rs. '000	2017 %	2016 Rs. '000	2016 %
Revenue	18,065,452		13,299,979	
Other Income	500,710		548,226	
	18,566,161		13,848,205	
Cost of Material & Services Provided	(14,700,795)		(9,845,460)	
Value addition	3,865,366	100	4,002,745	100
Distribution of Value Addition				
To Employees				
Salaries & Other Benefits	1,705,975	44	1,142,500	29
To Providers of Funds				
Dividend Paid	387,000	10	817,807	20
Interest Cost	1,549,902	40	441,563	11
To Government				
As Taxes & Levies	243,296	6	372,082	9
	3,886,173	100	2,773,952	69
To Expansion & Growth				
Depreciation and Amortization	993,508	26	709,797	18
Profit/(Loss) After Dividend	(1,014,315)	(26)	518,996	13
	(20,807)	(0)	1,228,792	31
	3,865,366	100	4,002,745	100

Five Year Summary

For the year ended 31 March	2013 Rs.	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.
Summary of Operations					
Revenue	10,563,163,026	11,631,029,941	11,521,800,102	13,299,978,832	18,065,451,875
Gross Profit	1,726,972,513	2,501,716,821	3,294,443,218	3,663,442,651	4,174,871,960
Earnings Before Interest Tax, Depreciation and Amortization	1,621,404,132	2,009,867,346	2,496,501,052	2,860,243,646	2,159,391,628
Depreciation and Amortization	(307,710,485)	(357,426,111)	(530,209,023)	(709,796,794)	(993,508,195)
Profit Before Finance Cost	1,313,693,647	1,652,441,235	1,966,292,029	2,150,446,851	1,165,883,434
Profit/(Loss) Before Tax	1,308,640,629	1,632,717,086	1,840,590,583	1,708,884,010	(384,018,815)
Income Tax Expense	(258,364,508)	(323,355,445)	(392,529,879)	(372,081,611)	(243,295,865)
Profit/(Loss) for the Year	1,050,276,121	1,309,361,641	1,448,060,705	1,336,802,398	(627,314,680)
Attributable To:					
Equity Holders	1,050,276,121	1,309,361,641	1,448,060,705	1,284,803,630	(638,026,448)
Non-Controlling Interests	-	-	-	51,998,768	10,711,768
	1,050,276,121	1,309,361,641	1,448,060,705	1,336,802,398	(627,314,680)

As at 31 March	2013 Rs.	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.
Summary of Financial position					
Capital and Reserves					
Stated Capital	3,285,000,260	3,285,000,260	3,285,000,260	3,285,000,260	3,285,000,260
Available for Sale Reserve	(321,209,089)	(338,325,183)	(333,152,345)	(318,968,277)	(193,755,741)
Other Reserves	-	-	-	48,438,638	299,366,210
Retained Earnings	3,524,190,615	4,254,470,118	4,929,317,530	5,395,273,403	4,253,763,313
	6,487,981,786	7,201,145,195	7,881,165,445	8,409,744,024	7,644,374,042
Non-Controlling Interests	-	-	-	1,195,843,601	-
Total Equity	6,487,981,786	7,201,145,195	7,881,165,445	9,605,587,625	7,644,374,042

As at 31 March	2013 Rs.	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.
Assets and Liabilities					
Current Assets	3,181,978,543	3,441,664,005	3,371,250,449	7,657,503,875	7,602,548,608
Current Liabilities	2,110,840,405	2,722,120,902	2,876,835,095	6,257,915,892	9,028,481,521
Net Current Assets	1,071,138,138	719,543,103	494,415,354	1,399,587,983	(1,425,932,912)
Property Plant & Equipment and Investments Properties	7,156,366,386	9,449,737,335	11,783,468,623	16,368,154,231	24,896,658,235
Other Non Current Assets	208,084,422	207,550,969	204,337,770	244,538,417	245,972,638
Intangible Assets	63,203,385	67,258,446	63,948,925	3,043,068,904	3,088,813,381
Non Current Liabilities	2,010,810,545	3,242,944,658	4,665,005,226	11,449,761,910	19,161,137,299
Net Assets	6,487,981,786	7,201,145,195	7,881,165,445	9,605,587,625	7,644,374,042

For the year ended 31 March	2013 Rs.	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.
Summary of Cash Flows					
Net Operating Cash Flows	1,137,254,774	1,827,011,808	1,367,870,537	(107,913,459)	1,343,347,813
Net Cash Used in Investing Activities	(1,394,268,287)	(2,639,027,515)	(2,811,682,507)	(5,138,288,923)	(9,330,478,622)
Net Cash Used in/(from) Financing activities	(426,061,362)	882,688,364	679,409,456	7,864,420,196	6,015,031,012
Financial Ratio					
GP Margin	16%	22%	29%	28%	23%
EBITDA Margin	15%	17%	22%	22%	12%
NP Margin	10%	11%	13%	10%	-3%
Earnings per Share	2.71	3.38	3.74	3.32	(1.65)
Current Ratio (Times)	1.51	1.26	1.17	1.22	0.84

Real Estate Portfolio

Owning company and location	Building in (Sq.Ft)		Land in acres		Net book value	
					2017	2016
	Free Hold	Leasehold	Freehold	Leasehold	Rs.'000	Rs.'000
PROPERTIES IN COLOMBO						
LAUGFS Gas PLC						
No 112A, Kumarathunga Munidasa Mawatha, Colombo 03.	-	-	0.25	-	350,000	340,000
No 02, Havelock Place, Colombo 05.	3,200	-	0.22	-	319,500	308,700
LAUGFS Property Developers (Pvt) Limited.						
No 101, Maya Avenue, Colombo 06.	87,307	-	0.30	-	1,653,523	315,000
No. 69/2, Maya Avenue, Colombo 06	-	-	0.13		86,000	
PROPERTIES OUTSIDE COLOMBO						
LAUGFS Gas PLC						
Biyagama Road, Mabima.	35,898	-	31.84	-	765,460	765,436
Biyagama Road, Mabima.	-	-	1.02	-	49,000	47,400
Matara Road, Galupiadda, Galle.	680	-	0.18	-	43,000	39,400
Katuwawala , Borelasgamuwa	9,813	-	-	0.40	4,337	4,774
LAUGFS Eco Sri (Pvt) Limited -Fixed Centre						
Anuradhapura	1,552	-	-	0.24	757	1,129
Balapitiya	1,038	-	-	0.19	288	463
Bellanthota	3,242	-	-	0.46	2,640	4,343
Embuldeniya	5,783	-	-	0.25	2,487	4,121
Galle	2,854	-	-	0.50	1,909	3,203
Kaduwela	1,895	-	-	1.00	1,815	3,165
Kaluthara	3,063	-	-	0.73	1,911	3,183
Kandy	2,673	-	-	0.40	1,335	2,081
Katunayaka	2,496	-	-	0.38	1,580	2,416
Kegalle	1,770	-	-	0.47	368	699
Kiribathgoda	2,652	-	-	0.50	2,383	3,984
Kottawa	2,554	-	-	0.48	1,634	2,611
Kotikawatta	2,342	-	-	0.38	2,060	2,889
Kurunagala	2,673	-	-	0.25	1,450	2,305
Matale	2,652	-	-	0.38	2,298	3,534
Matara	1,427	-	-	0.36	445	514
Miriswatta	2,820	-	-	0.47	2,051	3,180
Polonnaruwa	988	-	-	0.39	446	857
Rathnapura	2,452	-	-	0.37	1,494	2,451
LAUGFS Eco Sri (Pvt) Limited -Fabricated Plants						
Akkaraipattu	540	-	-	0.12	86	108
Akurana	960	-	-	0.02	618	772
Ampara	712	-	-	0.16	266	361
Athurugiriya	1,096	-	-	0.09	326	404
Avissawella	380	-	-	0.02	192	243
Baddegama	274	-	-	0.15	858	1,017
Badulla	2,058	-	-	0.03	899	956
Bandarawela	3,844	-	-	0.10	272	408

Owning company and location	Building in (Sq.Ft)		Land in acres		Net book value	
					2017	2016
	Free Hold	Leasehold	Freehold	Leasehold	Rs.'000	Rs.'000
Batticaloa	2,101	-	-	0.20	361	513
Chilaw	432	-	-	0.16	52	103
Chunnakkam	540	-	-	0.24	365	417
Dambulla	803	-	-	0.10	134	202
Diulapitiya	2,224	-	-	0.08	313	407
Elpitiya	4,093	-	-	0.22	81	137
Embilipitiya	3,240	-	-	0.09	474	531
Eppawala	320	-	-	0.10	556	656
Gampola	1,716	-	-	0.09	121	195
Horana	1,232	-	-	0.14	689	891
Ja Ela	3,061	-	-	0.21	810	1,003
Jaffna	320	-	-	0.13	412	505
Kadawatha	525	-	-	0.18	73	99
Kalmunai	1,692	-	-	0.08	149	197
Kamburupitiya	3,300	-	-	0.18	-	-
Kosswatta	1,530	-	-	0.04	1,267	1,550
Kotahena	640	-	-	0.01	42	75
Kuliyapitiya	1,352	-	-	0.02	13	42
Kundasale	3,115	-	-	0.07	2	15
Lindula	784	-	-	0.02	159	194
Mahiyanganaya	2,655	-	-	0.32	642	718
Makola	4,844	-	-	0.15	729	926
Matugama	2,538	-	-	0.07	277	379
Meegoda	3,114	-	-	0.18	158	300
Monaragala ii	2,180	-	-	0.16	132	237
Negambo	133	-	-	0.03	1,725	2,114
Nittambuwa	2,476	-	-	0.16	483	579
Orugodawatta	839	-	-	0.02	193	286
Panadura	674	-	-	0.05	2,466	2,874
Pannala	2,696	-	-	0.19	-	-
Pelmadulla	2,622	-	-	0.23	72	198
Piliyandala	830	-	-	0.06	793	954
Pugoda	1,064	-	-	0.09	611	772
Puttalam	1,406	-	-	0.08	146	243
Rajagiriya	200	-	-	0.15	2,139	2,493
Tangalle	2,345	-	-	0.14	61	134
Tissamaharama	968	-	-	0.06	75	108
Trincomalee	1,508	-	-	0.09	334	422
Udugampola	1,563	-	-	0.06	245	331
Vavniya	495	-	-	0.19	243	289
Warakapola	2,030	-	-	0.09	98	213
Wariyapola	3,632	-	-	0.25	123	256

Real Estate Portfolio

Owning company and location	Building in (Sq.Ft)		Land in acres		Net book value 2017	Net book value 2016
	Free Hold	Leasehold	Freehold	Leasehold	Rs.'000	Rs.'000
Wattala	465	-	-	0.08	668	909
Welimada	2,294	-	-	0.11	205	254
Wennappuwa	2,350	-	-	0.30	235	498
Bambalapitiya Stores	504	-	-	0.18	1,187	1,360
Bellanthota Training Centre	-	-	-	-	60	77
Borella	232	-	-	0.12	1,682	1,909
Wellawaya	165	-		0.09	818	961
Ragama	80	-		0.20	357	47
Nochchiyagama	152	-		0.13	1,389	1,573
Nuwara eliya	173	-		0.06	1,828	2,077
Neluwa	120	-		0.13	629	718
Melsiripura	165	-		0.22	821	935
Ambalangoda	192	-		0.43	1,185	1,391
Balangoda	640	-		0.33	2,025	2,089
Beruwala	173	-		0.17	1,075	1,218
Kurunegala 2	152	-		0.14	1,147	1,294
Mawathagama	192	-		0.24	1,556	1,744
Meerigama	192	-		0.13	980	1,106
Nikawaratiya	200	-		0.25	215	254
Moratuwa	160	-		0.12	1,510	-
LAUGFS Gas (Bangladesh) Ltd						
Mongla,Bangladesh	-	3,499	-	10.47	14,190	15,040
LAUGFS Leisure Limited.						
Karukupane, Bangadeniya, Chilaw	140,607	-	17.95	-	1,614,250	1,644,577
Anantaya Wadduwa (Pvt) Ltd						
Wadduwa	-	-	15.00	-	500,000	500,000
Anantaya Passekudah (Pvt) Ltd						
Coconut Board Road,Passekudah	189,771	-	-	18.25	2,158,175	79,164
LAUGFS Power Limited						
Marathenna, Pabagolla, Pinnawala, Balangoda.	3,803		1.25	1.65	50,945	32,379
Ginigathhena Thiniyagala MHP	-		-	0.98	7,755	-
Thiniyagala, Ginigathhena.						
Anorchi Lanka (Pvt) Ltd	3,600		-	44	854	-
Baruthankanda, Hambanthota						
Iris Eco Power Lanka (Pvt) Ltd	3,600		-	44	858	-
Baruthankanda, Hambanthota						
PAMS Power (Pvt) Ltd *						
Dagampitiya, Thiniyagala.	-		-	1.02	19,491	-

* Government has given authority to construct the power plant in the above land and still not received relevant lease agreement. Presently building is under construction and incurred cost is Rs. 393,890,199 as at 31 March 2017.

Notice of Meeting

Notice is hereby given that the 7th Annual General Meeting of Laugfs Gas PLC will be held on 29th June 2017 at 3.00pm at the "Empire Ballroom" of the Mount Lavinia Hotel, No 100, Hotel Road, Mount Lavinia, for following purposes;

1. To receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2017 with the Report of the Auditors thereon.

2. To re-elect as a Director Mr.T. K. Bandaranayake, who is over the age of 70 years and who retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007 by passing the following ordinary resolution.

   "Resolved that Mr.T. K. Bandaranayake, who is over the age of 70 years be and is hereby re-elected as a Director of the Company and it is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director"

3. To re-elect as a Director Mr. C. L. De Alwis, who is over the age of 70 years and who retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007 by passing the following ordinary resolution.

   "Resolved that Mr. C. L. De Alwis, who is over the age of 70 years be and is hereby re-elected as a Director of the Company and it is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director"

4. To re-elect as Director, Mr. N. M. Prakash, who retires by rotation in terms of Article 81 of the Articles of Association of the Company.

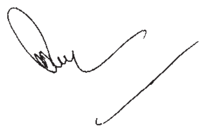
5. To re-elect as Director, Mr. A. R. D. Perera, who retires in terms of Article 88 of the Articles of Association of the Company.

6. To re-elect as Director, Mr. A. N. Ranasinghe, who retires in terms of Article 88 of the Articles of Association of the Company.

7. To authorise the Directors to determine and make donations.

8. To re-appoint Auditors M/s. Ernst & Young and to authorise the Directors to determine their remuneration.

By Order of the Board
LAUGFS GAS PLC



Corporate Advisory Services (Private) Limited
Secretaries

1 June 2017

Notes:

i. A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.

ii. A Proxy need not be a member of the Company.

iii. A member wishing to vote by Proxy at the Meeting may use the Proxy Form enclosed.

iv. In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.

THE SHAREHOLDERS ARE REQUESTED TO BRING AN ACCEPTABLE FORM OF IDENTITY.

Notes

Notes

Form of Proxy - Voting

*I/We ……

of …… being

*a member/ members of the LAUGFS GAS PLC, hereby appoint ………………………………………………………………………

…………………………… of ……………………………………………………………………………………………………or

failing him/her W. K. H. Wegapitiya or failing him U. K. Thilak De Silva, or failing him H. A. Ariyaratne, or failing him C. L. De Alwis, or failing him T. K. Bandaranayaka or failing him P. M. Kumarasinghe PC, as *my/our proxy, to represent *me/us and to speak and vote whether on a show of hands or on a poll for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on 29th June 2017 at 3.00pm at the "Empire Ballroom" of the Mount Lavinia Hotel, No 100, Hotel Road, Mount Lavinia and at any adjournment thereof and at every poll which may be taken in consequence thereof .

Routine Business

		For	Against
1.	To receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2017 with the Report of the Auditors thereon.	☐	☐
2.	To re-elect as a Director Mr. T. K. Bandaranayake, who is over the age of 70 years and who retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act	☐	☐
3.	To re-elect as a Director Mr. C. L. De Alwis, who is over the age of 70 years and who retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007	☐	☐
4.	To re-elect as Director, Mr N. M. Prakash, who retires by rotation in terms of Article 81 of the Articles of Association of the Company.	☐	☐
5.	To re-elect as Director, Mr. A. R. D. Perera, who retires in terms of Article 88 of the Articles of Association of the Company.	☐	☐
6.	To re-elect as Director, Mr. A. N. Ranasinghe, who retires in terms of Article 88 of the Articles of Association of the Company.	☐	☐
7.	To authorize the Directors to determine and make donations.	☐	☐
8.	To re-appoint Auditors M/s. Ernst & Young and to authorize the Directors to determine their remuneration.	☐	☐

Signed this ………… day ……………………… 2017

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

………………………………………………

Please provide the details :

Shareholder's NIC No / Company Registration No ………………………………………………

Folio No / Number of Shares held ………………………………………………

Proxy holder's NIC No (if not a Director) ………………………………………………

Note - See instructions to complete the proxy

* Delete inappropriate words

Form of Proxy - Voting

INSTRUCTIONS TO COMPLETE PROXY

1. The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy, duly signed and dated.

2. The completed Proxy should be deposited with the Head of Legal of Laugfs Gas PLC at the Registered Office of the Company at No. 101, Maya Avenue, Colombo 6, not less than 48 hours before the time appointed for holding the Meeting.

3. Please indicate with an "X" in the space provided how your proxy is to vote on the resolution. If no indication is given the proxy in the discretion will vote as he thinks fit.

4. The Proxy shall –

   (a) in the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of the Company or corporate body in accordance with the Articles of Association or the Constitution of that Company or corporate body. The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer.

   (c) in the case of joint-holders, the first joint-holder has the power to sign the proxy without the concurrence of the other joint-holder/s.

5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated

Form of Proxy - Non-Voting

*I/We ………

of …… being

*a member/ members of the LAUGFS GAS PLC, hereby appoint ………………………………………………………………………

…………………………… of ……………………………………………………………………………………………………or

failing him/her W. K. H. Wegapitiya or failing him U. K. Thilak De Silva, or failing him H. A. Ariyaratne, or failing him C. L. De Alwis, or failing him T. K. Bandaranayaka or failing him P. M. Kumarasinghe PC, as *my/our proxy, to represent and speak on behalf of *me/us at the Annual General Meeting of the Company to be held on 29th June 2017 at 3.00pm at the "Empire Ballroom" of the Mount Lavinia Hotel, No 100, Hotel Road, Mount Lavinia and at any adjournment.

Signed this …………. day ……………………… 2017

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

……………………………………………

Please provide the details :

Shareholder's NIC No / Company Registration No ……………………………………………

Folio No / Number of Shares held ……………………………………………

Proxy holder's NIC No (if not a Director) ……………………………………………

Note - See instructions to complete the proxy

* Delete inappropriate words

Form of Proxy - Non-Voting

INSTRUCTIONS TO COMPLETE PROXY

1. The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy, duly signed and dated.

2. The completed Proxy should be deposited with the Head of Legal of Laugfs Gas PLC at the Registered Office of the Company at No. 101, Maya Avenue, Colombo 6, not less than 48 hours before the time appointed for holding the Meeting.

3. The Proxy shall –

   (a) in the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of the Company or corporate body in accordance with the Articles of Association or the Constitution of that Company or corporate body. The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer.

   (c) in the case of joint-holders, the first joint-holder has the power to sign the proxy without the concurrence of the other joint-holder/s.

4. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated

Corporate Information

Name of the Company:

LAUGFS Gas PLC (A Subsidiary of LAUGFS Holdings Limited)

Company No:

PV - 8330 PB/PQ

Legal Form:

A Limited Liability Company listed in the Colombo Stock Exchange.

Subsidiaries:

LAUGFS Eco Sri (Pvt) Ltd.
LAUGFS Leisure Ltd.
LAUGFS Property Developers (Pvt) Ltd.
LAUGFS Power Ltd.
LAUGFS Maritime Services (Pvt) Ltd.
LAUGFS Terminals Ltd.
LAUGFS Gas (Bangladesh) Ltd.
Slogal Energy DMCC - Dubai

Sub Subsidiaries:

LAUGFS Hotel Management Services (Pvt) Ltd.
Anantaya Wadduwa (Pvt) Ltd.
Anantaya Passekudha (Pvt) Ltd.
Anorchi Lanka (Pvt) Ltd.
Iris Eco Power Lanka (Pvt) Ltd.
Pams Power (Pvt) Ltd.
Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd.
LAUGFS Maldives (Pvt) Ltd - Yet to commence operations

Principal Activities & Nature of Operations:

LAUGFS Gas PLC - Downstream Business of Liquefied Petroleum Gas & other related Products & Services.

LAUGFS Eco Sri (Pvt) Ltd - Operating Vehicle Emission Testing Centers to issue Vehicle Emission Test Certificates for Motor Vehicles.

LAUGFS Leisure Ltd. - Operating a Luxury Hotels, Anantaya Resort & Spa, Chilaw and Passikudha.

LAUGFS Hotel Management Services (Pvt) Ltd. - Managing the operations of Hotels

LAUGFS Maldives (Pvt) Ltd – Proposed Resort Project in the Maldives (yet to commence operations)

LAUGFS Property Developers (Pvt) Ltd - Real Estate Developments

LAUGFS Power Ltd - Hydro & Solar Power projects

Anantaya Wadduwa (Pvt) Ltd - Holding and managing a beach front property at Wadduwa

Anantaya Passekudha (Pvt) Ltd - Holding and managing a beach front property at Passekudha

LAUGFS Maritime Services (Pvt) Ltd – Shipping and Logistics operations

LAUGFS Gas (Bangladesh) Ltd - Downstream Business of Liquefied Petroleum Gas & other related Products & Services

Slogal Energy DMCC - Trading of Liquefied Petroleum Gas and other Petroleum Products

Anorchi Lanka (Pvt) Ltd. - Solar Power projects

Iris Eco Power Lanka (Pvt) Ltd. - Solar Power projects

Pams Power (Pvt) Ltd. - Hydro Power projects

Ginigathhena Thiniyagala - Mini Hydro Power (Pvt) Ltd. - Hydro Power projects

LAUGFS Terminals Ltd - Providing of LPG storage facilities

Parent Enterprise:

The Company's holding Company and controlling entity is LAUGFS Holdings Limited, which is incorporated and domiciled in Sri Lanka.

Board of Directors:

Mr. W.K.H. Wegapitiya (Chairman/ Group CEO)
Mr. U.K.Thilak De Silva (Group Managing Director)
Mr. H.A. Ariyaratne
Mr. T.K. Bandaranayake
Mr. C.L. De Alwis
Mr. P.M. Kumarasinghe PC
Mr. N.M. Prakash
Mr. A. R. D. Perera
Mr. A. N. Ranasinghe

Bankers:

Seylan Bank PLC
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
People's Bank
Bank of Ceylon
DFCC Bank PLC
Union Bank of Colombo PLC
Standard Chartered Bank
Pan Asia Banking Corporation PLC
MCB Bank Limited
Hongkong and Shanghai Banking Corporation Ltd

Auditors:

Ernst & Young (Chartered Accountants)
201, De Saram Place,
Colombo 10, Sri Lanka.

Secretaries:

Corporate Advisory Services (Pvt) Ltd
47, Alexandra Place,
Colombo 07,
Sri Lanka.

Registrars:

PW Corporate Secretarial (Pvt) Ltd
3/17, Kinsey Road,
Colombo 08,
Sri Lanka

Registered Office:

101, Maya Avenue,
Colombo 06, Sri Lanka.
Telephone: (011) 55 66 220
Fax: (011) 25 83 824
Corporate Website: www.laugfsgas.lk

Designed & produced by
emagewise
Photography by Dimitri Crusz

www.laugfsgas.lk