



LAUGFS Gas PLC
Annual Report 2012

CHOSEN.

CHOSEN.

At LAUGFS, we believe that we represent the true spirit of Sri Lanka: forthright, creative and passionate. Whatever we choose to do, (and we do a lot), we think creatively, work harder and deliver more. This is how our products and services have become the preferred choice of thousands of Sri Lankans all across the island.

Our customers' loyalty is the backbone of our success because our distinctive product offering is created around their preferences. We have touched their lives in numerous ways, bringing comfort, convenience and reliability to people and communities, wherever we go.

And so, we shall continue to bring the unique values of LAUGFS to every customer, shareholder, employee and business associate we partner, for many years to come.

LAUGFS.
Renowned. Iconic. Chosen.

"At LAUGFS, we always had a burning desire to build a home-grown business that embodies a truly Sri Lankan identity. We have fulfilled that desire with a highly diversified business conglomerate in a relatively short span of time. We built it with our uncanny ability to espy opportunities, that others may not - and more importantly being able to convert such insights into new arms of its diversified interests. These endeavours will continue into the future since opportunities are limitless..."

W. K. H. Wegapitiya, Chairman

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

- To 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

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The industry segments

ENERGY

This segment covers the importation, storage, filling, distribution and sale of Liquefied Petroleum Gas (LPG) for domestic, industrial and auto gas users. The Company has an island-wide sales network of distributors and dealers and the total LPG market in the country is presently shared with one more player.

The hydro power project under LAUGFS Power Ltd is in progress at Balangoda area in the Sabaragamuwa Province.

- LAUGFS Gas PLC
- LAUGFS Power Ltd

SERVICES

Under this sector the Company engages in testing and certification of vehicle emissions. This was made mandatory for the issuance of vehicle revenue license in the island except in the North and operations are presently carried out in a duopoly market.

- LAUGFS Eco Sri (Pvt) Ltd

569_{mn}
Net profit

302_{mn}
Net profit

LEISURE

This sector engages in management and operations of hotels of which some are under construction. The construction of a luxury hotel in Chilaw in the North Western Province is in progress, and the Company also acquired a property in Waskaduwa in the Western Province and finalised negotiations on the property at Pasikudha in the Eastern Province.

The Company was engaged in the management of two hotels at Induruwa in the Southern coast.

- LAUGFS Leisure Ltd
- LAUGFS Hotel Management Services (Pvt) Ltd
- Mag Consultants and Agents (Pvt) Ltd

1,314mn
Non Current Assets

PROPERTY

Property development and real estate is covered under this segment.

The construction of a fully fledged serviced apartment complex for renting purposes, to foreign tourists and local guests is in progress in Colombo 06.

- LAUGFS Property Developers (Pvt) Ltd

511mn
Non Current Assets

Financial highlights

For the year ended 31 March	Group			Company		
	2012	2011		2012	2011	
	Rs.'000	Rs.'000	Change	Rs.'000	Rs.'000	Change
Summary of Operations						
Revenue	9,176,744	7,061,563	30%	8,395,844	6,495,219	29%
Gross Profit	1,660,111	1,357,213	22%	1,137,714	1,001,272	14%
Profit from Operations	585,810	826,483	-29%	313,471	625,873	-50%
Other Income	380,241	318,360	19%	443,974	314,990	41%
Negative Goodwill on Acquisition	174,907	-	-	-	-	-
Earnings Before Interest, Tax and Depreciation (EBITD)	1,451,143	1,399,736	4%	987,646	1,121,304	-12%
Finance Cost	1,422	104,042	-99%	1,400	75,071	-98%
Profit Before Tax	1,139,537	1,040,801	9%	756,045	865,791	-13%
Taxation	202,237	189,823	7%	186,665	189,823	-2%
Profit / (Loss) from Discontinued Operation	(6,960)	1,723	-504%	-	-	-
Profit After Tax	930,340	852,700	9%	569,380	675,968	-16%
Summary of Financial Position						
Property, Plant & Equipment	6,182,602	4,998,630	24%	4,462,087	4,082,403	9%
Other Non Current Assets	437,603	423,409	3%	1,718,505	1,039,711	65%
Intangible Assets	53,203	52,928	1%	-	-	-
Current Assets	3,962,637	3,590,580	10%	3,484,686	3,367,194	3%
Total Assets	10,636,045	9,065,548	17%	9,665,278	8,489,308	14%
Non Current Liabilities	1,846,087	1,592,041	16%	1,839,995	1,588,756	16%
Current Liabilities	2,387,406	1,414,274	69%	2,303,318	1,360,947	69%
Total Liabilities	4,233,493	3,006,315	41%	4,143,314	2,949,703	40%

For the year ended 31 March	Group			Company		
	2012	2011		2012	2011	
	Rs.'000	Rs.'000	Change	Rs.'000	Rs.'000	Change
Shareholders' Interest						
Stated Capital	3,285,000	3,285,000	0%	3,285,000	3,285,000	0%
Revaluation Reserve	1,036,450	1,061,401	-2%	686,273	692,794	-1%
Retained Earnings	2,081,102	1,712,832	22%	1,550,691	1,561,811	-1%
Net Assets (Equity)	6,402,552	6,059,233	6%	5,521,964	5,539,605	0%
Return on Equity	15%	14%	7%	10%	12%	-17%
Net Assets Value per Share (Rs.)	16.54	15.66	6%	14.27	14.31	0%
Leverage						
Long Term Debt	-	375	-100%	-	375	-100%
Gearing	33%	17%	94%	38%	18%	111%
Interest Cover (Times)	802	11	7,191%	541	13	4,062%
Financial Ratio						
Gross Profit Margin	18%	19%	-5%	14%	15%	-7%
EBITD Margin	16%	20%	-20%	12%	17%	-29%
Net Profit Margin	10%	12%	-17%	7%	10%	-30%
Earnings / (Losses) per Share from						
Discontinued Operation(Rs.)	(0.02)	0.01	-300%	-	-	-
Earnings per Share from Continuing Operation(Rs.)	2.42	2.84	-15%	1.47	2.26	-35%
Assets Turnover (Times)	0.86	0.78	10%	0.87	0.77	13%
Equity to Assets (Times)	0.60	0.67	-10%	0.57	0.65	-12%
Current Ratio (Times)	1.66	2.54	-35%	1.51	2.47	-39%
Quick Ratio (Times)	1.40	2.33	-40%	1.25	2.27	-45%
Long term Debt to Total Debt (Times)	0.00	0.00	0%	0.00	0.00	0%

CHOSEN.

“At home and at work...LAUGFS remains part of our lives every day. It is our first choice every time...”





Chairman's message

It is with immense pleasure that I present before you the Annual Report and Financial Statements of LAUGFS Gas PLC and its subsidiaries for the financial year ended 31st March 2012. It has a special significance this year since it presents the performance of your Company for the full year of business operations after the historic IPO conducted in December 2010. On behalf of all of us at LAUGFS Gas PLC and its subsidiaries, I thank you once again for joining with us to “Share the Golden Harvest”. Your team here had been working very hard to earn the business of customers and win the confidence of investors like you, over the period, and their unstinted efforts will certainly be continued into the future to add value to your investment.

Business and Financial Performance

Your Company was on the move as has been always, amidst the gloom and doom in the external environment and our overall report is indicative of very solid performances with Earnings Before Tax of Rs. 1.14 billion for the year under review which is a 10% growth over the corresponding period last year. What's just as compelling to me, is the story behind the numbers. It reveals how we are addressing the challenges and positioning your Company for sustainable profitable growth.

The Group Revenue of Rs. 9.18 billion recorded significant growth over 30%, compared to previous year and it also earned a Gross Profit of Rs. 1.66 billion whilst maintaining a comfortable Gross Margin of 18%, at Group level. However, the Group Earnings Before Tax would have been much more attractive, if not for the substantial negative impact made by the depreciation of the Sri Lankan Rupee against the United States Dollar, on the business operations of LAUGFS Gas PLC, from the commencement of the last quarter of the financial year. As you are aware, your Company imports major portion of its LP Gas requirements from overseas destinations and this makes it vulnerable to the adverse exchange

What's just as compelling to me, is the story behind the numbers. It reveals how we are addressing the challenges and positioning your Company for sustainable profitable growth.

rate fluctuations, especially from the time since the Central Bank allowed greater flexibility in the exchange rates with its limited interventions in the domestic foreign exchange market, from the beginning of last quarter of the financial year.

The statement of financial position of the Group reveals a robust position with a total Net Asset Value of Rs. 6.4 billion, a growth of Rs. 343 million over previous year. It is heartening to note the impressive Net Current Asset situation of Rs.1.58 billion of the Group and it is a reflection of prudent working capital management undertaken by your Company.

As for subsidiary highlights LAUGFS Leisure Ltd, the entity engaged with the tourism sector, acquired a 15 acre block of land at Waskaduwa, Kalutara having approximately 500 metres long beach frontage which is located in the strip, popularly called the "Golden Beach" of the South Western tourism zone of the island. This was the only available land in this all important and profitable pristine beach of this part of the country. Your Company has hired globally renowned Architects for hotel designs from overseas and they have produced magnificent preliminary designs for the hotel which can be considered unique in our country and will be an icon in the hotel industry once constructed. The construction of the hotel at this site will be commenced shortly once the preliminaries are completed. LAUGFS Leisure Ltd moved with yet another but timely acquisition of land in Passikudah in the East coast and your team is busy at the moment in preparation of architectural designs with world renowned experts. The proposed hotel on the beautiful beach of Passikudah too, shall be operational within the next two to three year period.

The property development arm of the Group, the LAUGFS Property Developers (Pvt) Ltd, is expected to complete the construction at Maya Avenue, Colombo 6, ahead of schedule by early next year and be ready for occupation by mid next year. It is a structure with ten floors with a total floor area of 79,500 sqft, the use of which shall be determined by the market requirements.

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Macroeconomic overview

The private sector has now been established, in our economy, as the undisputed main engine of growth. In the circumstances your Company has always been concerned and vigilant about macroeconomic fundamentals and its performance which has a direct bearing on the creation of a conducive environment for private sector growth and performance.

The economy of Sri Lanka grew by an impressive 8.3% in 2011 and it was a follow up by a similar rate of growth in the previous year. The exceptional economic performance of two consecutive years amply demonstrates that the country is undoubtedly on a growth path. The inflation remained at single digit level for the third consecutive year, and the market interest rates remained relatively stable during the first three quarters of 2011, but moved upwards in the fourth quarter. The Central Bank maintained lower policy interest rates, in the wake of lower inflation outlook and this has led to credit growth to support economic activity. It is noteworthy that private sector credit grew by 34.5% and sustained the expansion of domestic economic activity.

The overall confidence of the economy necessitated the credit growth and thereby stimulated the economic activity. The developments observed subsequently, however compelled to take certain corrective policy measures. The slowdown of international capital flows due to fiscal crises especially in Western economies, the growth of imports, including the significant portion represented by petroleum sector which is about 47% of the export revenue, led to an high trade deficit. The ultimate impact of these elements were the withdrawal of Central Bank from its policy of defending the exchange rates by using the official reserves which was depleted significantly towards final quarter of the last year and first quarter of the current year. As described earlier your Company had a direct impact of these measures due to sudden escalation of exchange rates, since 85% of LP Gas requirements are imported.

However, it is interesting to note the growth of the Services element of the economy, an indication of the journey towards economic prosperity with a growth of the tertiary sector. The Services element accounted for almost 60% of GDP and it was an 8% growth over the previous year. The growth particularly reflected the gradual exploitation of the potential of this element such as tourism and hospitality, transport, communication, finance, banking and insurance, real estate and finally the wholesale and retail trade. Your Company has taken cognizance of this growth in order to decide on its future investment strategy, to contribute further to the economic growth and prosperity of the country and to create value to all its stakeholders.

Sectoral overview

LP Gas

The petroleum industry in Sri Lanka consists of four distinct markets, namely petroleum fuels, LP Gas, Bunkering and Lubricants. Sri Lanka focuses on downstream activities of those markets and engages with import, storage, transportation, distribution, wholesale and retail trade. As far as the petroleum fuels and lubricants are concerned, activities involve refining and blending as well. However, it has to be stressed that the industry is almost totally import dependent and vulnerable to vagaries of global supply and demand, international political vicissitudes and even to seasonal conditions in respect to certain products.

LP Gas is not an "on-purpose" product like crude or other petro-chemicals. It is a processed product from associated gas (from crude oil wells) non-associated gas (from gas wells) and process of refining. Therefore, LP Gas production depends on the changes in these industries. Also the influence of these industries, on supply of LP Gas, varies considerably by region because of the dependence on sources. The supply, in Asia is mostly linked to refining, in Middle East, supply is linked mostly to associated gas with a growing linkage to non-associated gas, whilst North America is essentially linked to non-associated gas.

Global LP Gas production has generally been expanding since the year 2000 with year on year variation in growth rates. Obviously, refining is the largest source of LP Gas in Asia, accounting for 80% of total regional production. The LP Gas supply is increasing in three regions but primarily occurring in the region of East of Suez. On the other side of the equation, the strongest growth markets are Asia and the Middle East, accounting for over 80% of global LP Gas demand growth and the demand will continue to expand in the region.

Over 85% of total LP Gas demand through 2015, is expected to occur in just two end-use sectors, the domestic and commercial users, and this is even evident in the case of Sri Lanka. Only modest growth is expected in the other end-use markets for LP Gas. As far as the domestic and commercial users are concerned, Asia is clearly the largest user having accounted for 42% of global end use of domestic and commercial purposes. Between 2011-2015 Asia's domestic and commercial demand of LP Gas is projected to expand by about 9 million metric tons per year. This is around two-thirds of total worldwide LP Gas demand growth in this sector.

The revelations made above are indicative of stable demand and supply equilibrium under which planning could be made in a more certain and conducive environment, especially due to its origin, benefits and its applications. LP Gas plays a pivotal role in the transition towards a more secure, sustainable and competitive energy model that

has to be promoted extensively in our country in its path to sustainable economic development. In this backdrop the remarkable Indian experience will be a role model for us. In India, 130 million households or 700 million of its population have access to LP Gas which is a 58.3% penetration level as against Sri Lanka's around 30%. It is planned in India to cover 40 million more households or 200 million of population with LP Gas access by 2015, increasing the level of penetration to incredible standards of 75%. Given the economic growth momentum in Sri Lanka, it could outnumber the remarkable achievements of India and your Company has completed the mapping out of the strategy to achieve the highest possible penetration in the ensuing years.

Tourism / Leisure

As all of us have witnessed, the tourism industry in our country was stagnant for nearly thirty long years due to war against terrorism. A decade prior to the dawn of peace in the year 2009, the industry grew only by 4% with 450,000 average arrivals of tourists. Since the aftermath of the war, the country is ramping up its efforts to recapture its status as one of Asia's most sought after holiday destinations. It was in this backdrop, the Government announced under "Mahinda Chinthana – Vision for the future" the setup of the goal for the country to attract 2.5 million tourists annually by the year 2016. It is indeed a very ambitious target in the context of the current status of the industry, but the positive aspect of such an optimistic target is that it demands a comprehensive strategy to achieve the objectives laid down.

It is heartening to note both the public and private sectors were stimulated and working in partnership with each other to promote Sri Lanka's diverse array of tourist attractions. The public sector role is justifiably focused on development of tourism related infrastructure and institutions like improvement of road and railway networks, domestic air strips, sea plane jetties, convention centres, performance art theatres, city beautification and new city development. We in the private sector shall contribute with required investments in product development in hotel room inventory and leisure initiatives like golf courses, theme parks and shopping centers and the list may be quite comprehensive.

Continuous growth is our business philosophy and our commitment is to create value to all our stakeholders. We have focused all our energies towards these goals and everyone shall be reaping the "Golden Harvest" that we promised in years to come, as well.

Apart from the infrastructure development the Government has a role to contribute to promote Sri Lanka together with the private sector. We have been struggling in the recent past in search of a value proposition for the country and pleased to be made to understand that we have finally settled for an exciting value proposition "Refreshingly Sri Lanka – Wonder of Asia". It is certainly on par with successful propositions marketed effectively throughout the world like "Amazing Thailand", "Malaysia – truly Asia" and "Incredible India".

One significant characteristic we have to recognize in the industry is changing arrival patterns from different markets. The European markets which contributed to the bulk of tourist arrivals, may be 15-20 years before, has reduced to about 30% of the total volume. The new emerging markets have now become India, the already number one, along with Russian Federation & Middle East. However, a pleasant by product due to opening up new markets, is that Sri Lanka is increasingly becoming "Season less". The national differential in seasonal occupancy which was in the region of 19% in the year 2001, has now reduced to mere 6%. Promoting the island as a year-round destination is vital to smoothing out the volatility of tourism returns throughout the year.

Your Company in development of investment criteria in the tourism and leisure sector has taken cognizance of all aspects described above. It is true the industry is rife with optimism but mere additions to hotel room inventory may not be a prudent investment. We have identified the glaring gap in the three star and four star markets at reasonable price points and three hotels are lined up for operations in the next two to three years will be in these categories. Your Company has also identified that there is a huge shortfall in the supply of leisure infrastructure like water and theme parks, private camping experiences and ancillary leisure activities and the product icons to come up with LAUGFS Leisure Ltd in the ensuing years would meet the demands of the modern tourist. The tourism industry in this new century demands a multilingual, multitalented and deeply skilled workforce and your hotels are turning towards in-house training with the establishment of state-of-the-art hotel school at the site of its first hotel at Karukapone, Chilaw.

Acknowledgement

I earnestly believe a diversified conglomerate like "LAUGFS" shall win the heart and admiration of all its stakeholders with its valued contribution to the society at large. Continuous growth is our business philosophy and our commitment is to create value to all our stakeholders. We have focused all our energies towards these goals and everyone shall be reaping

the “Golden Harvest” that we promised in years to come, as well. In this process, I am glad that the Company was able to declare a first and final dividend of Rs 1.50 per share, for the financial year ended 31st March 2012.

Finally, I must conclude expressing my sincere and grateful thanks to the colleagues in the Board of Directors for their resolute and unstinted support and consistent encouragement. Also I am grateful to all our stakeholders for their enthusiastic engagement and would like to acknowledge the commitment and dedication of the “LAUGFS” team in sustaining and strengthening a truly national enterprise.



W K H Wegapitiya

Chairman/CEO

20th August 2012



Managing director's message

I feel privileged and honoured to be associated with the presentation of the Annual Report and the financial statements of LAUGFS Gas PLC and its subsidiaries for the financial year ended 31st March 2012. It was quite creditable to repeat the excellent performance made in the previous year, with Group consolidated Profit Before Tax of Rs. 1.14 billion. LAUGFS Gas PLC and its subsidiaries earned Rs. 930.3 million Profit After Tax which is attributable to the equity holders of the parent. However, I may be compelled to repeat my assertion made last year under Managing Director's Review. Although the performance made during the period under review exceeded our expectations in the backdrop of the uncertainties and volatilities of a truly turbulent external environment, we are yet to exploit the full potential. It is the greatest challenge for us to position your Company for long term growth and profitability reaping the full potential while performing exceptionally in the current market place. This is a challenge we embrace. We always recognized, throughout our existence, that our consumers' needs and the competitive environment were changing and that it faced a dual challenge to perform in the short term, while making some bold, transformative moves to realize future growth opportunities and create long term shareholder value. Our move to list the Company in the Colombo Stock Exchange in December 2010 and to invite every one of you to "Share the Golden Harvest" was a result of this approach. We began our new journey in December 2010, stepped up our investments in emerging and developing markets, boosted the outlays on capacity and infrastructure development significantly, to focus on making our business more efficient and align the operating structure to serve the customer better and create value.

The reflections of the Group performances of the full financial year of business operations from the commencement of our new journey are briefly described below, which are elaborated at length under the Management Discussion and Analysis and also in the audited Financial Statements included in the report. The Group Revenue increased to Rs. 9.18 billion from Rs. 7.06 billion in the previous year which is a commendable achievement of 30% increase under difficult circumstances. The most striking and notable feature is the remarkable reduction of the finance cost from Rs. 104.04 million last year to Rs. 1.42 million in the current year and the Group at the moment is totally free of interest bearing non-current liabilities.

It was quite creditable to repeat the excellent performance made in the previous year, with Group consolidated Profit Before Tax of Rs. 1.14 billion.

The value of the Group Total Assets moved up from Rs. 9.07 billion last year to Rs. 10.64 billion at the end of the financial year on 31st March 2012. The Net Asset Value of the Group too, increased by Rs. 343.3 million during the period under review.

As far as the parent LAUGFS Gas PLC is concerned, its revenue increased by 29.3% to Rs. 8.39 billion during the year. The Profit Before Tax earned for the year ended was Rs. 756 million, a drop of Rs. 109.7 million, mainly due to the foreign exchange losses incurred to the extent of Rs. 209.8 million. The Company is highly vulnerable to the adverse variations of the rate of exchange, since 85% of its LP Gas requirements are directly imported and even the balance quantity purchased from the Ceylon Petroleum Corporation, is always settled at world market dollar equivalent prices. Our team in finance, treasury and economic affairs involved with external environment scanning, identified the constraints inflicted on the Balance of Trade and the Current Account of the country due to heavy imports. It also observed the depletion of foreign exchange reserves of the Central Bank due to its active intervention in the domestic foreign exchange markets. Our team also captured the Government initiative in the latter part of 2011 made through the budget proposals to depreciate the Sri Lankan Rupee against the US Dollar. The Company's team was crafting its strategy to deal with the inevitable having taken cognizance of these developments of described but unable to cope up with it since it was a free-fall of Rupee since early February 2012. However, the Company is now confident that it should be able to mitigate the adverse impact of foreign exchange volatilities to a greater extent with its strategic and operational measures planned to be implemented immediately. The only other operational subsidiary LAUGFS Eco Sri (Pvt) Ltd too performed well during the period under review and recorded a Revenue of Rs. 780.9 million as against Rs. 566.3 million for the corresponding period last year. At the end of the year the Company was operating 90 test centres island wide except in the Northern Province. The Company carried out 1,433,285 emission tests during the year as against 1,026,915 same period last year. According to the official information 65-70% of the city air pollution is caused by vehicular emissions and the Particulate Matter that this emission releases, cause significant health complications of the population. It is heartening to note that the level of air pollution caused by vehicular emissions have reduced in a tangible manner, especially during the last three years, of implementation of mandatory emission tests.

At "LAUGFS" we have a quiet confidence in our willingness to dedicate and to work hard, to learn and ultimately, to prevail. This is how we compete, win and earn your trust.

LP Gas Industry outlook – the energy source of our future

The study by the World LP Gas Association (WLPGA) titled “LP Gas : Efficient Energy for modern world” quantified the primary energy efficiency of using LP Gas compared with other energy sources in four selected applications in six regions of the world. The primary energy efficiency is a measure of the total amount of energy to obtain a useful output in a given situation. The four applications were cooking, distributed power generation, residential space heating and residential water heating. The results have demonstrated how effective and efficient the LP Gas can be, compared with other type of fuels. The study findings, based on existing scientific research clearly proved LP Gas is on the top among the most energy efficient options in many applications and regions around the world.

Energy is essential to meet the basic social needs like cooking, boiling water or transportation. Therefore, switching to clean energy sources has the potential to directly impact the lives of millions. The improvements in public health flowing from the use of cleaner fuels not only reduce the cost of providing health care and social services but also contributes to the macro economy to reduce the impact of diminished productivity. The research has shown whether used in homes for cooking, or heating or in outdoors as transport fuel or for distributed power generation, LP Gas, with its intrinsically clean burning characteristics, offers practical avenues towards cleaning the air we breath and improving our health.

Moreover, LP Gas will play a major role to address climate change by reducing Green House Gas (GHG) emissions. LP Gas demonstrates the lower GHG emission than petrol, diesel and electricity on an energy – equivalent basis. It is therefore among the most attractive options for lowering emissions in nearly every application in the world.

The foregoing amply demonstrate LP Gas is a clean – burning and efficient fuel. It is a modern and safe energy providing heat and power to both urban and rural consumers. LP Gas can be used anywhere and it is available now without large investments in technology and infrastructure. It is a multi-purpose energy with literally thousands of applications. It is portable; can be transported, stored and used virtually anywhere in the world and there are sufficient reserves to last many decades.

All these facts lead us to an undisputed conclusion that LP Gas is an exceptional source of energy due to its origin, benefits applications and its industry. Therefore LP Gas plays a pivotal role in the transition towards a more secure, sustainable and competitive, energy model. It is precisely why all developed and emerging economies especially in Asia including South Korea, Malaysia, Vietnam, China and our closest neighbour India record a high penetration of LP Gas in their population. In the circumstances our country as an emerging economy cannot be an exception and it is only a matter of time that we too as a country embrace LP Gas as a major source of energy with a high level of penetration well over 50%. LAUGFS Gas PLC as one of the two players involved in the local LP Gas industry is ready for the challenge and has already mapped out the strategy to claim the lion’s share in the levels of penetration in the years to come.

Opportunities in tourism and leisure – our way forward

Sri Lanka is poised for an unprecedented growth in tourism and has set ambitious targets for itself within an accelerated time frame. The resurgence of the tourist industry is largely due to dawn of peace in the country, after the annihilation, of the most dreaded and ruthless terrorist outfit of the world. This beautiful country has inherent advantages of having highly diversified products which could be pitched against any other well established tourism destination in the world. However, success is not only the dawn of peace and the abundance tourist attractions but also the marketing of the product. The successful marketing entails the clear understanding the market, the behaviors, expectations of the customers and the industry trends. The authorities have identified a number of global trends in the tourism industry as, regional and short haul travel, defensive mindset and tight budgets, demanding more green, activity orientation against destination orientation.

In formulation of our Company policy and its way forward, it has taken into account the trends as identified above and the un-paralleled diversity of our tourism products. The tourism products have been identified under a number of categories as pristine beaches, sports and adventure, heritage, mind and body wellness, scenic beauty, wildlife and nature, people and culture and the year round festivals.

The first hotel now under construction at Chilaw focuses few of the attributes like the pristine, unsophisticated beach of the West Coast, sports and adventure, mind and body wellness and scenic beauty with its unique location between the sea and the lagoon. The second hotel lined up at Waskaduwa too would focus around the Southern beach, one of the main attractions for decades even during the height of the war against terrorism. The third hotel of the chain to come up in the attractive East Coast in Passikudah will have in addition to the above, edge on scenic beauty and closeness to heritage sites in the North Central Province.

The hotel chain to come up under LAUGFS will not be restricted to the three sites owned by the Company at present, but will be expanded in future as indicated in the prospectus published on the eve of the Initial Public Offering in December 2010. The chain shall focus more on sports and adventure, heritage, wildlife and nature and the year round festivals, in the hotel and leisure outfits to be brought into the market in medium to long term.

It is interesting to note that whatever we shall bring in as hotel and leisure products, the prospective tourist could cover all these in a matter of few days. We cannot think of any tourist destination in the world where you can find all these products in one place. Sri Lanka is probably the only country which makes it possible.

Our Talent Strategy

LAUGFS has proved as a business entity that it is capable of achieving what others wouldn't have even dreamt of. It is a success story un-paralleled. The force behind this story was its family. We proudly call it the "LAUGFS family" and it has its unique culture. The culture is the foundation of any successful enterprise and ours inspire people to improve every

day. It does not mean we agree always but we agree to disagree and the culture is to respect each other and their views. We deliver results. That is the ultimate output of a strong culture. We believe this culture and resiliency matters in an organization. At "LAUGFS" we have a quiet confidence in our willingness to dedicate and to work hard, to learn and ultimately, to prevail. This is how we compete, win and earn your trust.

It is not only the culture that contributes to prevail but also our talent strategy. We follow the talent equation to the letter and it is competence, commitment and contribution. The competence is knowledge, skills and values for today's and tomorrow's jobs. Commitment is the building up of the value proposition of our people and contribution of them is visible when they feel that their personal needs are being met through their participation in the affairs of the organization. It is demonstrated at "LAUGFS" always.

Conclusion

At 'LAUGFS' we work together and see the future as interesting, exciting and filled with opportunity. We have a better portfolio invested having competitive advantages and have a culture that drives us. We hope to capture every corner, with optimism and are ready for the future.

'LAUGFS' works for investors, this means better earnings growth and solid dividend foundation. For employees it means a belief in a better way, a relentless drive to invent and build things that matter. For customers it means more profitable solutions. And for society 'LAUGFS' will help to create a country that works better.



U K Thilak De Silva
Managing Director

20th August 2012

Board of directors



From L to R : H A Ariyaratne, T K Bandaranayake, U K Thilak De Silva (Managing Director), W K H Wegapitiya (Chairman), C L De Alwis, P M Kumarasinghe PC

W K H Wegapitiya

Chairman / CEO

Mr. W K H Wegapitiya is the founder Chairman of LAUGFS Gas PLC and also its parent LAUGFS Holdings Ltd, one of the highly diversified conglomerates in the country having its operations in a very wide business landscape stretched in a spectrum of downstream operations of LP Gas, Petroleum Fuel distribution & sale, import, distribution and sale of Lubricants, Heavy Engineering, Vehicle Emission Testing, Leisure & Hospitality, Consumer Retail & Bottled Water, Tea Trading, Restaurant Chains, Property Development and Real Estate, manufacturing of Salt and Salt Base Chemicals, manufacture and export of Industrial Solid Tires and providing Higher Education.

He entered the Sri Jayawardenepura University after his secondary education and graduated with a Bachelor of Science in Business Administration special degree. He is also a holder of Master of Business Administration (MBA) degree from the Postgraduate Institute of Management, Sri Jayawardenepura University. He also obtained the Certificate on Energy Management from the Oxford University, England.

Mr. Wegapitiya embarked on his entrepreneurial journey, soon after he left his brief employment at, the then Ceylon Shipping Corporation, with the setting up of a freight forwarding Company in the name of Freight Masters (Pvt) Ltd, in the year 1990. His engagement with import/export trade opened new vistas and initiated a novel and pioneering project in Sri Lanka with few of his colleagues to introduce Liquefied Petroleum Gas as an alternative fuel to Petroleum Fuel driven automobiles. This proved to be an outstanding success and led the foundation to enter into LP Gas downstream activity of import, storage, distribution and sale of LP Gas which was dominated then, by a very strong and formidable multi-national in the global energy sector.

The visionary leadership, remarkable entrepreneurship and his extraordinary personal traits to withstand and overcome all adversities thrown his way, enable him to succeed in all his endeavors to create the business conglomerate "LAUGFS", during a comparatively short period of time.

The success of Mr. Wegapitiya's entrepreneurial journey has been recognized both locally and internationally. He was conferred "National Gold" award for Entrepreneurship in the year 2005 and he was adjudged as the "Entrepreneur of year" in the year 2006 with the prestigious platinum award by the Federation of Chamber of Commerce and Industry in Sri Lanka. In the year 2007, he was awarded the "Asian Leadership for Excellence in Entrepreneurship" by Asian Leadership Organization located in Mumbai, India. He was adjudged as the "Entrepreneur of the Year 2012" at the Asia Pacific Entrepreneurship Awards. He is a frequent speaker, presenter and a panellist on "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 speaker in international forums on LP Gas and Energy Management.

He is a member of the Board of Directors of Sri Lanka Accounting and Auditing Standards Monitoring Board, Federation of Chambers of Commerce and Industry and also a Committee Member of the Ceylon Chamber of Commerce. Mr. Wegapitiya is a long standing member of Chamber of Young Lankan Entrepreneurs and also it's past president.

U K Thilak De Silva

Managing Director

Mr. Thilak De Silva has been the Managing Director of LAUGFS Gas PLC from its inception in 2001 and its parent, highly diversified conglomerate LAUGFS Holdings Ltd since 1995. Mr. De Silva is also the Managing Director of all subsidiaries of the LAUGFS Group, engaged with petroleum fuel distribution, import, distribution and sale of Lubricants, Heavy Engineering, Vehicular Emission Testing, Leisure & Hospitality, Property Development and Real Estate, Consumer Retailing, Tea Trading, Restaurant Chains, Bottled Water, manufacturing of Salt and Salt Base Chemicals, manufacture & export of Industrial Solid Tires, and providing Higher Education. He was instrumental along with Mr. Wegapitiya the Chairman, in the phenomenal growth of "LAUGFS" over the years and his un-tiring efforts, store house of business & industry knowledge, and amazing charisma made an indelible imprint of the story of growth of the Group.

Mr. De Silva hails from a widely known, well respected family of business from the Southern Sri Lanka having had its lucrative business operations both in South and in Central highlands. After his secondary education, he left to the United Kingdom for his higher studies in the spheres of engineering technology and business management. Having qualified from prestigious institutions in London in both disciplines he returned to Sri Lanka to take up the position as one of the executive directors in the family business.

In the year 1995 however, he had to leave the business in the hands of the rest of the competent members of the family to join with his colleagues to commence the ground breaking initiative of "LAUGFS" to convert the vehicles driven by traditional petroleum fuels in to Liquefied Petroleum Gas driven automobiles. This initiative proved to be a startling success and became the turning point that laid the foundation to create one of the largest business conglomerates in the country, having an annual turnover exceeding Rs. 20 billion.

Mr. De Silva had been a participant of a number of entrepreneur and management development programs both local and overseas. He was a recipient of the scholarship of the Association for Overseas Technical Scholarship (AOTS) programme in Japan in 2003. He is a regular participant in many LP Gas business forums conducted at various parts of the world and is widely connected with the industry personalities in the energy sector.

H A Ariyaratne

Director*

Mr. Ariyaratne is a Banker with over 30 years of experience in the industry and has wide exposure to Development Banking, Investment Banking, Asset Management, Venture Capital, etc. Mr. Ariyaratne, a First Class Honours Science Graduate, currently serves as the Executive Vice President in charge of overall lending at DFCC Bank.

He serves for the Boards of LAUGFS Holdings Ltd, LAUGFS Sunup Supermarkets (Pvt) Ltd, LAUGFS Engineering (Pvt) Ltd, Kuruwita Textile Mills Ltd and Wayamba Plantations (Pvt) Ltd and is a former Chief Executive Officer of Lanka Ventures Limited.

C L De Alwis

Director**

Mr. De Alwis, a graduate in Business Management was appointed to the Board of LAUGFS Gas PLC in September 2010.

He currently serves as the Chairman of Senkadagala Finance PLC, Director of Link Natural Products (Pvt) Ltd., and Ceylon Tapes Ltd. He is the Immediate Past President of the National Chamber of Commerce of Sri Lanka, Member of Tertiary & Vocational Education Commission and also a member of the Board of Governors of the University of Vocational Technology. He was the Managing Director of Chemanex PLC.

Mr. Alwis was instrumental in founding JASTECA (Alumni of AOTS, Japan) and later served as its President for 4 years. He is the recipient of a certificate of commendation from AOTS Japan in 2006, in recognition of his leadership and dedication to the network of AOTS Alumni Societies and Economic & Industry Development as well as enhancement of friendly relations between Japan and Sri Lanka. Furthermore, he is the Vice Patron of the Japan - Sri Lanka Technical Cultural Association and General Secretary of the Sasakawa Memorial Sri Lanka – Japan Cultural Trust. He is currently the Chairman of the World Network of Friendship Fund affiliated to the Association for Overseas Technical Scholarship (AOTS) Japan.

He is the Deputy President of the Sri Lanka – China Business Cooperation Council. His role in building friendly relations between Sri Lanka and China was recognized by the Chinese Government from whom he received a prestigious award to celebrate the 50th Anniversary of Diplomatic Relations in May 2007.

He is the Chairman of Joint Chambers Forum and a Past President and an Honorary Member of the Sri Lanka Institute of Packaging. His services to the Plastic & Rubber Industry and the development of human resources have been recognized by the Plastic & Rubber Institute in UK which awarded him the prestigious Merit Award in 1994.

Palitha M Kumarasinghe PC

Director**

Mr. Kumarasinghe, a Lawyer with over 30 years of experience in Civil, Commercial and Corporate Law, is a President's Counsel and was appointed to the Board of LAUGFS Gas PLC in September 2010.

Mr. Kumarasinghe is a leading Counsel in Commercial Law and Banking Law and is a standing Legal Counsel for several Commercial, Specialized and Merchant Banks and Finance Companies. He has served as the Vice President and Executive Committee Member of the Bar Association of Sri Lanka from 2003 to 2005 and was the President of the Colombo Law Society during that period.

Mr. Kumarasinghe is a member of the Public Service Commission of Sri Lanka for the 2nd Term since May 2011 and he has served previously there as a Member from April 2006 to April 2009. He is a Member of the Incorporated Council of Legal Education of Sri Lanka and its Board of Study. He is the Chairman of the Environmental Council established under the National Environment Authority Act since June 2010. He was a Member of the Advisory Commission on Intellectual Property. Mr. Kumarasinghe is a Director of Sri Lanka Law College Foundation and is the Chairman of the Disciplinary Committee and the Legal Affairs Committee of Sri Lanka Cricket.

Tissa Kumara Bandaranayake

Director**

A Fellow of the Institute of Chartered Accountants of Sri Lanka, Mr Bandaranayake has read for a Bachelor of Science from the University of Ceylon. He was appointed to the Board of LAUGFS Gas PLC in September 2010.

He has over 45 years of experience in the fields of accounting, auditing and finance and was a Senior Partner of Ernst & Young until his retirement from active practice.

He currently serves as the Chairman of the Quality Assurance Board established by the Institute of Chartered Accountants of Sri Lanka and was the immediate Past Chairman of the Audit Faculty of the Institute Chartered Accountants of Sri Lanka.

He serves on the Boards of Nawaloka Hospitals PLC, DFCC Bank PLC, Central Finance PLC, Overseas Reality (Ceylon) PLC, Coco Lanka PLC, Renuka Holdings PLC, Micro Holdings Limited and Samson International PLC in an independent, non executive capacity, and also acts as a Consultant to the Board of Directors of Noritake Lanka Porcelain (Pvt) Ltd. He is also on the Board Audit Sub-Committee of DFCC Vardhana Bank.

* Non-Executive Director

** Independent Non-Executive Director

Management team



Wasantha Ranasinghe
Chief Financial Officer - LAUGFS Gas PLC
Chief Executive Officer - LAUGFS Power Ltd



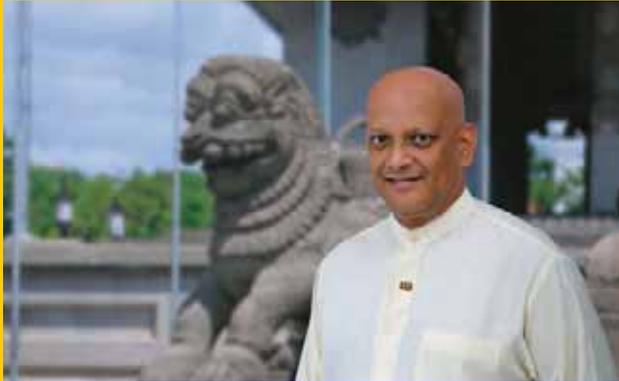
Mohan Perera
Chief Operations Officer - LAUGFS Gas PLC



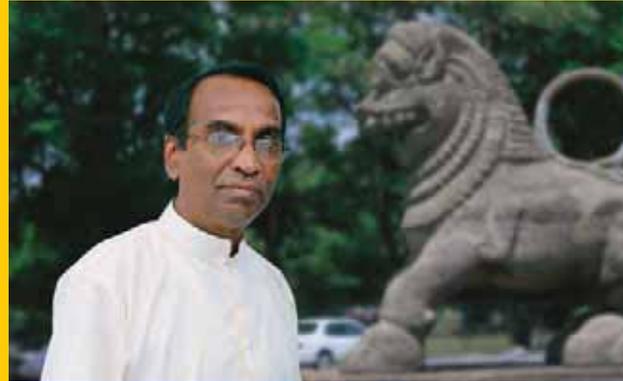
Upali Navarathna
Chief Executive Officer - LAUGFS Eco Sri (Pvt) Ltd



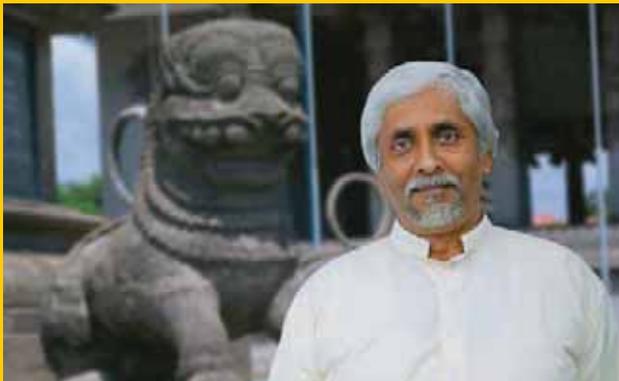
Aruna Jayalath
General Manager - LAUGFS Leisure Ltd



Kirthi P Goonesekera
General Manager - LAUGFS Property Developers (Pvt) Ltd



Sarath De Silva
General Manager (Special Projects)

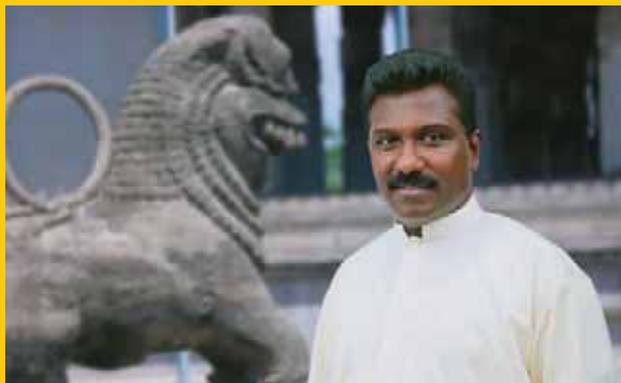


Hector Perera
Group General Manager - Human Resource Development

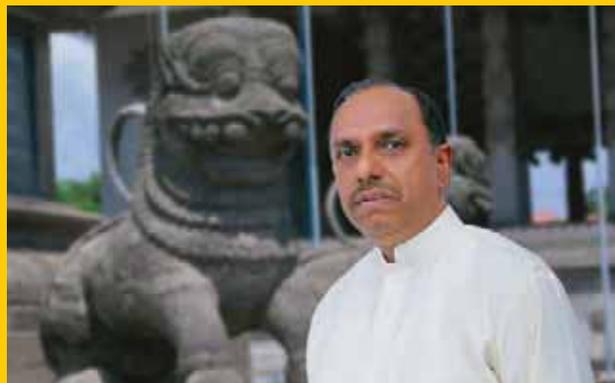


Manjula Ediriweera
General Manager - Finance & Accounting

**Management
team**
continued



Ajith Kumarage
General Manager (Projects)



Kolitha Rodrigo
General Manager (Financial Planning)
LAUGFS Eco Sri (Pvt) Ltd



Nishan Perera
Head of Group Risk & Control



Chamath Indrapala
Head of Finance - LAUGFS Gas PLC



Keerthi Pathiraja
Head of Legal/Board Secretary



Ashan De Silva
Group Project Manager



Kanishka Weeramunda
Chief Information Officer



Deepal Perera
Head of Corporate Communications

CHOSEN.

Our lives are made so much easier and safer because we rely on LAUGFS Gas for light and heat. Every one in our fleet has chosen this fine product for his boat..."



Management discussion and analysis

Economic Outlook

Sri Lanka economy which grew by 8.3% in 2011 was the highest achieved in post-independence history, helped to attain an average of over 8% for the first time in two consecutive years. Areas such as improved consumer and investor confidence arising from the peace dividend, capacity utilization, expansion of infrastructure facilities and renewed economic activity in the Northern and Eastern provinces were some factors behind the growth. The highest growth drivers were the Industry and Service sectors. As indicated by the Central Bank Annual Report 2011, Sri Lanka economy is expected to grow at a slower rate of 7.2% in 2012. The original growth projection for 2012 was revised downward from 8% to 7.2%, considering the likely impact of the developments in the domestic and global environment and the policy measures that were taken in early 2012 to curtail aggregate demand and strengthen the external sector. Further the high international energy prices, the sluggish recovery of the global economy and weakening investor sentiments on a global scale too have been factored into the downward revision of the growth forecast for 2012. Nevertheless the International Monetary Fund (IMF) expects the economy to grow only at around 6.75% in 2012 considering all major factors.

The increase in policy interest rates, the curtailment of domestic credit expansion and rising of fuel prices are likely to slowdown the country's economic activity. The recent depreciation of the exchange rate is expected to curtail imports but the expected increase in export earnings are likely to reduce, depending on the economic conditions of our trading partner countries. Per capita income which amounted to USD 2,836 in 2011 is expected to surpass USD 4,000 in 2015 which is one year ahead of year of target. Improved revenue mobilization with the full implementation of tax reforms and the rationalization of the recurrent expenditure is expected to reduce the overall fiscal deficit to below 5% of GDP by 2016, thus generating savings and improving the debt to GDP ratio to 60% during this period. Improved infrastructure facilities are expected to provide impetus to the private sector investment thus raising the overall investment to the desired level. Industrial exports are likely to gain from Cess and Duty concessions granted for machinery, equipment and raw material imports enabling domestic industries to access new technology and markets.

The booming tourism industry and the transportation including port and airport related industries and worker remittances are expected to grow in 2012.

The economy is expected to expand by around 8% in 2013 and continue to grow over 8% over the medium term with the expected revival of the global economy. The increase in capacity utilization, improved productivity, infrastructure facilities and continued expansion of income generating activities in the Northern and Eastern provinces will provide the basis for sustained growth over the medium term. The Government of Sri Lanka adopted

a more cautious approach in conduct of the monetary policy during the latter part of the year 2011. Some major economic factors that affect our industries are given below:

- The unemployment rate declined to the lowest levels of 4.2% in 2011 due to the renewed economic activity.
- The average annual inflation was 6.7% while year on year inflation was 4.9% during the latter part of 2011 and was maintained at a single digit level for the 3rd consecutive year.
- The debt to GDP ratio declined to 78.5% in 2011 from 81.9% in 2010 which was achieved after three years.
- The per capita income increased to USD 2,836 in 2011 from USD 2,400 in the previous year.
- The growth of exports was 22.4% and was out paced by growth in imports by 50.7% in 2011.
- Tourist arrivals exceeded 850,000 with earnings recording USD 830 million.
- Foreign Direct Investments (FDI's) exceeded USD 1 billion for the first time.
- Gross official reserves by year end 2011 were USD 6 billion compared with USD 6.6 billion in Dec. 2010.
- Rupee depreciated 2.6% against USD by the year end 2011.
- Market interest rates were stable in the first three quarters of 2011, but began increasing from then on.
- The Re-purchase rate and Reverse Re-purchase rates were reduced from 7.25% and 9% respectively to 7% and 8.5% respectively in January in 2011 and held throughout the year.
- Average Weighted Deposit Rates (AWDR) which was 6.23% & in December 2010, was increased to 7.24% by December 2011.
- The Average Weighted Fixed Deposit Rate (AWFDR) remained in a range of 8.11%-8.24% during January –November 2011 before increasing to 8.95% in December 2011.

During the year 2011, weekly Average Weighted Prime Lending Rate (AWPR) was around 8.92% -9.96% till November 2011 and increased to 10.7% in end December 2011. Yield rates pertaining to Government securities in the primary market also increased towards the end of the year. Considering emerging macro- economic imbalances, particularly the high growth of imports and credit and to ensure that inflation continues to remain single digit levels, the Central Bank raised the Repurchase rate and Reverse Repurchase rates to restrict the credit growth. The trends in the increase of interest rates are likely to remain unchanged in the short term.

In financial market performance, credit extended to the private sector banks expanded rapidly, while Central Bank resorted to moral suasion to restrain the expansion while daily auctions under the open market operations were re-commenced towards the later part of the year to maintain short term interest rates at a desired level amidst declining excess liquidity.

The price indices of the CSE declined after 2 years after a record performance in 2009 and 2010, with funds raised by way of IPO's and Rights Issues increased in 2011. Measures such as restriction on credit extended by brokers, continued net foreign outflows, liquidity decrease due to several IPOs, Rights Issues, Private Placements and the impact of the development in global financial markets among other factors impacted negatively on the the performance of the share market. The current Price to Earnings Ratio (PER) of the CSE declined and foreigners were net sellers in the market during 2011/12 continuing a downward trend which started in the latter part of 2009.

The Economic Challenges and the Future

As per data from the Department of Census and Statistics, during the first quarter of 2012, Sri Lanka's Gross Domestic Product (GDP) dipped slightly to reach 7.9% as compared to 8% in the corresponding quarter of the previous year. Among the sectors, Industry and Services sectors recorded decreases in their contribution to the GDP from 11.1% and 9.5% in 2011 to reach 10.8% and 5.8% respectively during the quarter.

The inflation is expected to continue to be at single digit levels in 2012, notwithstanding the recent adjustment to domestic energy prices. The debt to GDP ratio is also expected to improve below 79% in 2011, the lowest after 1981.

The depreciation of the Rupee is expected to have a contraction on imports while foreign fund flows will be encouraged.

With the policy interest rates being increased in February 2012 by the Central Bank and directing commercial banks to limit the growth of their credit in 2012 to 18%, whilst allowing them to raise funds from abroad by expanding their credit by a further 5%.

These monetary policy measures are expected to decelerate monetary expansion significantly during the course of the year 2012, thereby helping to mitigate the second-round effects of the recent increases in administratively determined prices, on inflation.

The recent revision of Sri Lanka's foreign currency rating outlook and sovereign rating outlook from 'positive' to 'stable' and lowering the country's long-term local currency rating from BB- to B+ by S & P, the international credit rating Company may weaken the country's stand in the international markets and investor confidence.

The key challenge facing Sri Lanka in the short term is managing numerous risks arising from global developments. Clear signs of global recovery are yet to be seen whilst geo-political tensions in some oil producing countries, adverse weather and climatic conditions, and higher demand from emerging economies could continue to keep commodity prices high.

Sri Lanka was able to attract Foreign Direct Investments (FDI) of over US Dollars 1 billion in 2011 which is below its potential, though comparatively high in value compared with the comparable countries in the region. The projection

of FDI's for 2012 is US Dollars 2 billion where better business facilitation, investment promotional activities in overseas countries and prompt investor information availability is forthcoming.

The Global Economic Outlook

The global economic recovery continued to remain fragile with the renewed challenges in 2011. The advanced economies which showed a slower-than expected recovery at the beginning of the year 2011, were affected through uncertainties towards the latter part of the year. Global financial conditions deteriorated mainly in the Euro zone reflecting the downgrading of sovereign ratings in many countries by international rating agencies. Almost all major economic regions have expressed a lower growth in 2011 where advanced economies are estimated to have expanded by 1.6% while emerging and developing economies are estimated to have grown by 6.2% in 2011. Economies in the developing Asia marked a decline in their average growth to 7.9% in 2011 compared to the strong recovery of 9.5% in 2010.

Owing to uneven global recovery and worsening of the European debt crisis, caused a liquidity freeze in the European inter-bank market. Meanwhile official flows such as Official Development Assistance (ODA) have been affected by the stringent austerity measures and sovereign debt problems in the advanced economies. Persistence of a lower interest rate regime in many advanced economies may have diverted capital inflow to emerging markets and developing economies. Under these circumstances, capital flows in excess of the absorptive capacity of emerging markets and developing economies, or with speculative motive, could lead to exchange rate misalignment and create booms and asset price bubbles, thus posing challenges to economic stability.

The global economic outlook for 2012 is mixed, with downside risk to global economic recovery continuing to persist. The growth prospects for emerging markets and developing economies during 2012 are expected to be moderate due to a likely deterioration in the external environment and possible threats to domestic climate due to continuation of macro-economic policy tightening. Growth in the emerging markets and developing economies is expected to remain relatively robust in 2012 compared to the advanced economies.

Future Impact on the Group

The world oil demand is expected to reduce in the short term due to the European debt crisis and the slow recovery of the economy of United States and deceleration of the growth in emerging markets. Organization of Petroleum Exporting Countries (OPEC) which produces a third of global-oil, stated that daily average demand for its crude oil in 2013 would stay below its current production level as additional barrels coming from non-OPEC producers will be enough to compensate for modest demand growth. With economic sanctions coming in full force to Iran from July 2012, its production has come down to its lowest in 20 decades as stated by OPEC. Due to the above supply constraints and the indirect relationship of crude oil to LPG, local gas prices are also expected to be impacted.

Management discussion and analysis

continued

The hydro power project under LAUGFS Power Ltd is in progress at Balangoda area in the Sabaragamuwa Province. This will supply power to the national grid through an agreement with the Ceylon Electricity Board (CEB). The initial preparations have been completed in this regard and commercial operations are expected to commence mid- 2012. The Company has utilized Rs. 3.9 million on Plant, Property and Equipment as at the financial year end and expects to expand in to further activities in the Power sector considering the vast opportunities available.

With the 'green' concept becoming more prominent in Sri Lanka and with the expected rise of vehicle population and also with Vehicle Emission Testing (VET) rate increases, revenue of LAUGFS Eco Sri is expected to rise further.

Though Sri Lanka anticipates high tourist arrivals in the short term, the European economic crisis stemming from the Greece bail out together with the faltering US economic recovery and the slow growth of the emerging markets may delay the country's tourism targets. Sri Lanka tourism authorities expect 950,000 tourists by end 2012.

The momentum of the real estate sector in the country is expected to slow down in the year ahead as a result of the rising cost of funds and construction. The global audit firm, KPMG along with the Research Intelligence Unit real estate issue titled 'Changing Citiscape' noted that 'cautious optimism' is likely to be the sentiment in Sri Lanka's real estate market in the coming few months. It further said that "The recent increase in interest rates and the likely consequences of inflation as a result of price increases of a number of essentials, are likely to have both demand side and supply side implications for the real estate sector".

The Group performance is likely to consolidate further in coming years with LP Gas sales moving to North and East through the appointment of additional distributors for LP Gas and with VET programmes are also expected to cover the Northern areas, the issue of VET certificates are likely to increase steadily. With the Leisure sector investing heavily in beach frontage areas in Chilaw and Waskaduwa areas in North Western and Western provinces respectively, the Leisure sector is likely to contribute heavily in the longer term. With the finalization of the current plans to develop hotel properties in Pasikudha in the Eastern province, this sector is poised for an early take-off whilst properties in the cultural triangle and other tourist attractions are also being considered for expansion areas for this sector.

IFRS Convergence

The Institute of Chartered Accountants of Sri Lanka (ICASL) with the gazette notification dated 30 December 2011 has made it mandatory to converge with the International Financial Reporting Standards (IFRS) by January 2012 for those entities with financial reporting periods beginning on or after 01 January 2012. ICASL has published the Sri Lankan version of IFRS and IAS (International Accounting Standards) as SLFRS and LKAS.

The Group has taken adequate steps to ensure that all reporting financial statements as at 31 March 2013 together with the relevant comparatives will be issued in compliance to the new ruling by the ICASL and for this purpose the Group initiated a special IFRS project and outlined the convergence approach which created IFRS awareness teams, development of technical competencies across the Group, establishing expert support panels where ever necessary through timelines for implementation and aligning systems and processes to facilitate convergence.

Summary of key consolidated income statement items

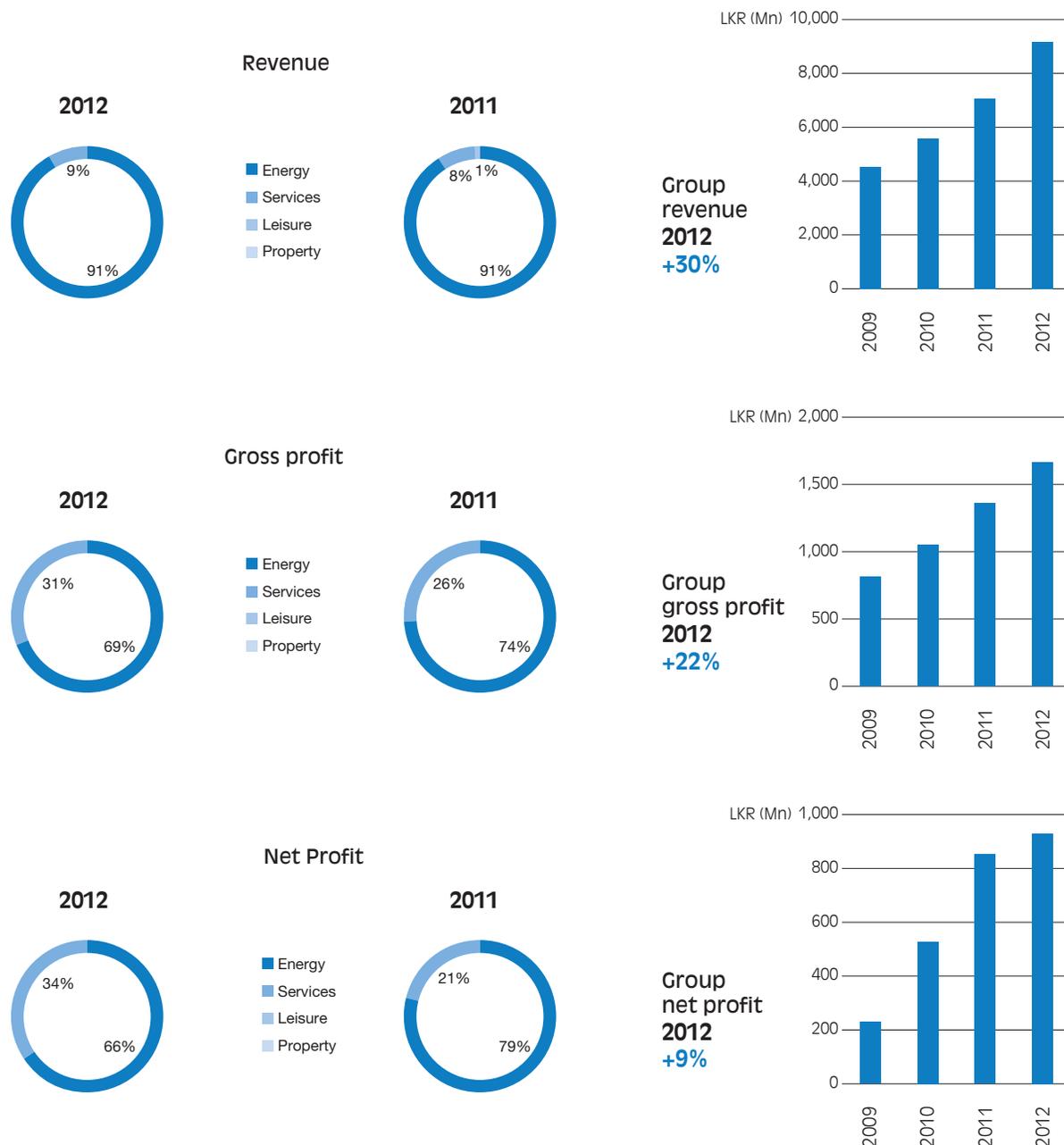
LKR (Mn)

Item	2012	2011	Change	Change %
Revenue	9,177	7,062	2,115	29.9
Other operating income	380	318	62	19.5
Selling and Distribution expenses	333	194	139	71.6
Administrative expenses	531	373	158	42.3
Foreign Exchange (Gain)/ Loss	210	(36)	246	-683.3
EBIT	1,141	1,145	(4)	-0.3
Finance cost	1	104	(103)	-99.0
Tax expenses	202	190	12	6.3
Profit for the period	930	853	77	9.0

Group Operational Review

Earnings Before Interest and Tax of the LAUGFS Gas PLC Group for the financial year was at Rs. 1.1 billion with the previous year also registering a similar figure. The Profit After Tax for the year under review was Rs. 930 million compared to Rs. 853 million in the previous year which is a 9% increase. The revenue for the year registered a healthy increase of 30% and stood at Rs. 9.2 billion whereas the Gross profit for the same period was Rs. 1.7 billion compared to Rs.1.4 billion in the previous year. Retained Earnings of the Group increased to Rs. 2.0 billion compared to Rs. 1.7 billion in the previous year.

Sector Contribution to Group performance



Summary of key consolidated balance sheet items

LKR (Mn)

Item	2012	2011	Change	Change %
Non current assets				
Property, Plant and Equipment	6,183	4,999	1,184	23.7
Other Non Current Investments	437	423	14	3.3
Intangible Assets	53	53	-	-
Current assets				
Inventories	620	292	328	112.3
Trade and Other Receivables	939	874	65	7.4
Rate Regulatory Assets	196	388	(192)	-49.5
Income Tax Receivable	39	-	39	-
Short Term Investments	5	-	5	-
Cash and Bank Balances	2,164	2,038	126	6.2
Shareholders' funds	6,403	6,059	344	5.7
Non current liabilities	1,846	1,592	254	16
Current liabilities				
Trade and Other Payables	132	133	(1)	-0.8
Refundable Deposits	121	108	13	12.0
Income Tax Liabilities	-	138	(138)	-100.0
Interest Bearing Liabilities	2,135	1,035	1,100	106.3

Review

The Total Assets of the Group increased by Rs. 1.6 billion during the year under review which is a 17.3% increase over the corresponding year. The Non-Current Assets increased by Rs. 1.2 billion to Rs. 6.6 billion as at the end of the financial year under review from Rs. 5.4 billion in the previous year. The significant increase was that of Property, Plant and Equipment which was 23.7% from last year.

The Current Assets also increased by Rs. 372 million in the current year which is a 10.4% increase over the previous year. Inventories contributed to a major share of the increase amounting to Rs. 328 million which is a 113% increase mainly due to high cost of sales in the backdrop of the depreciated currency and the global costs. Regulated assets decreased by Rs. 192 million which is 50% compared to previous year.

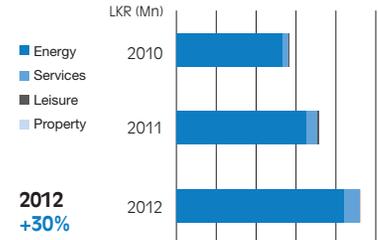
The Retained Earnings continued to grow and stood at Rs. 2,081 million by the end of the financial year under review compared to Rs. 1,713 million which is an increase of Rs. 368 million or 21.5%.

The Non Current Liabilities increased by Rs. 254 million to reach Rs. 1,846 million as at the year end (2011: Rs. 1,592 million). The contributory areas were the increase of Refundable Deposits by Rs. 109 million and increase in the Deferred Income of Rs. 65 million in the current year to reach RS. 346 million.

The Current Liabilities increased by Rs. 973 million to record Rs. 2,387 million as at the end of the financial year under review with Interest Bearing Liabilities contributing with Rs. 1,100 million to reach Rs. 2,135 million by the current year end.

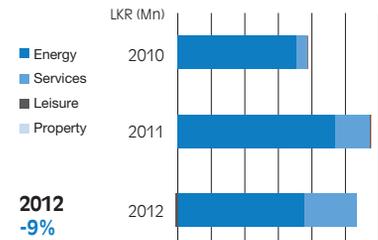
Revenue

LKR (Mn)	Energy	Services	Leisure	Property
2012	8,396	781	20	-
2011	6,495	566	75	-
2010	5,305	287	54	-



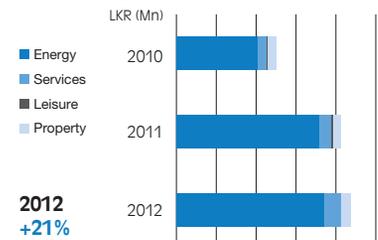
EBIT

LKR (Mn)	Energy	Services	Leisure	Property
2012	757	308	(16)	(1)
2011	941	207	3	(2)
2010	710	63	0	-



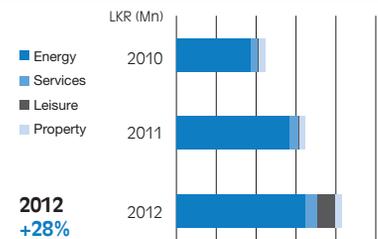
Net Capital Employed

LKR (Mn)	Energy	Services	Leisure	Property
2012	7,372	847	1,302	506
2011	7,128	641	53	442
2010	4,036	466	53	444



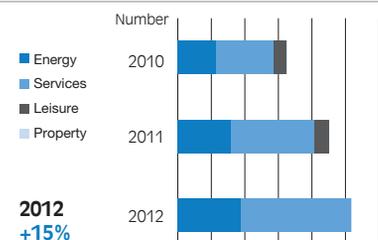
Total Assets

LKR (Mn)	Energy	Services	Leisure	Property
2012	9,675	882	1,353	514
2011	8,489	666	84	452
2010	5,575	555	63	450



Employees

Number	Energy	Services	Leisure	Property
2012	376	654	5	5
2011	319	495	87	-
2010	228	340	81	-



Energy



Our strategy seeks to reinforce our position as a leader in the energy sector.

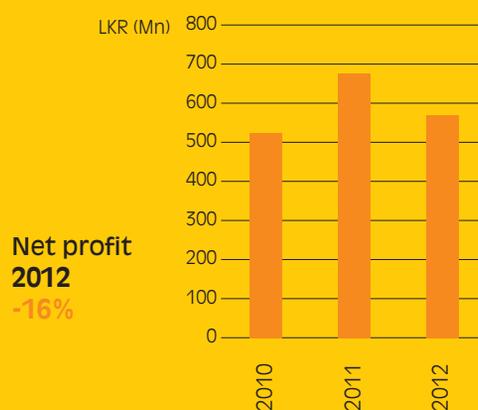
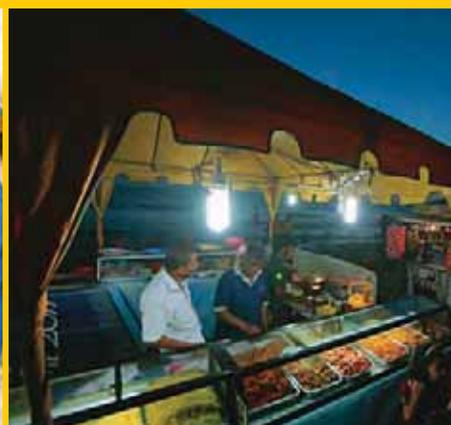
We will do this by fine tuning our products so that we will always be chosen by the majority of users in this sector..."

Liquefied Petroleum Gas (LPG)

The crude oil prices in the world market reached the highest recorded in recent years peaking at USD 1,950 per metric ton in the month of March 2012. In the backdrop of the highly volatile crude oil prices, LP Gas prices also reached exorbitant levels. Due to the global geo-political uncertainties, the curtailment to crude oil supply and economic sanctions to oil producing countries, the possibility of reduced oil prices in the world market seems remote. The procurement of LP Gas from Ceylon Petroleum Corporation (CPC) is 15.5% of the Company's total requirement, remained unchanged at 50% of its refinery output.

Over view

Supply uncertainties caused by political disturbances in oil producing countries in the Middle East and North Africa exerted an upward pressure on international crude oil prices. Though the crude oil prices do not have a direct relationship to the gas prices, there is an indirect link with a timing difference as gas is an associate product of crude oil. Average crude oil price imported by CPC increased by 36% to USD 109 per barrel in 2011. International oil prices (Brent) increased in 2011 to USD 112 per barrel reflecting a 40% increase compared to 2010. 2012 LP Gas prices surpassed all previous prices in the world market and peaked in March 2012.



At present LAUGFS Gas PLC is entitled to draw 50% of the output of CPC refinery. There is an urgent need to expedite the Sapugaskanda Oil Refinery Expansion and Modernization (SOREM) Project. This oil refinery was established in 1969 and the non-modernization of the plant has resulted in a poor yield as a sizable portion of the output comprises low value products thereby reducing refinery margins making the operations less economical. As per the Central Bank Report 2011, The feasibility study of this project has been completed and the land acquisition is nearing completion.

Cairn Lanka Private Ltd (CLPC), the local subsidiary of Cairn India (Pvt) Ltd. has the exploration license for the block at the Mannar Basin. Following the evaluation of the Environmental Impact Assessment, the Marine Environmental Protection Authority issued the environmental license to CLPL to commence an exploratory drilling program in August 2011 which led to the successful discovery of natural gas and condensates in two wells. The commercial viability of new discoveries has to be assessed through appraisal drilling. However, new discoveries have confirmed the occurrences of an active petroleum system in the Mannar Basin. Consequently CLPL has notified the Government of their intent to enter into the second exploration phase.

Review

LAUGFS Gas increased the sales by volume and value in the current financial year compared to the previous year in spite of the many challenges faced by the Company which operates in a duopoly market with the only competitor, 'Litro' being a Government entity. Despite the adversities, the Company has shown reasonably satisfactory results during the current financial year under review. The Net Profit Before Tax was Rs. 756 million which is a 12.7% decrease over the last year (2011: Rs. 866 million). The Net Profit After Tax was Rs. 569 million (2011: Rs. 676 million) which is a decrease of 15.8% compared to the previous year. The total revenue showed increased performance by recording Rs. 8,396 million resulting in 29.3% increase over the last year (2011: Rs. 6,495 million). The total assets stood at Rs. 9,665 million, an improvement of 13.9% (2011: Rs. 8,489 million). The Company experienced a significant loss on foreign exchange amounting to Rs. 210 million (2011: gain of Rs. 36 million) due to the depreciation of the Rupee against the US Dollar.

The Company contributed 91.5% to Group Revenue and 61.2% to Group Profitability. The Company's Non-Current Assets were 93.3% of the Group. The Company has 376 employees out of a total of 1,040 in the Group as at the end of the year under consideration.

With the infusion of Rs. 2.5 billion through the very successful Initial Public Offering (IPO) in December 2010, the Company was able to settle all debts, invest in the expansion of LP Gas storage capacity, increase the investment in the Leisure sector and property development sectors. With the interest rates increasing again by the year end and the expected increase in the future too, the Company has an advantage due to reduced finance cost through the settlement of all bank loans.

Though the inflation is expected to rise in the short term, the Company has very ambitious plans to double its present market share of its domestic cylinders (12.5 Kg) by the end of 2013 through aggressive strategic plans now being undertaken. With the economy of the country poised at a high growth rate and with the per capita income increased,

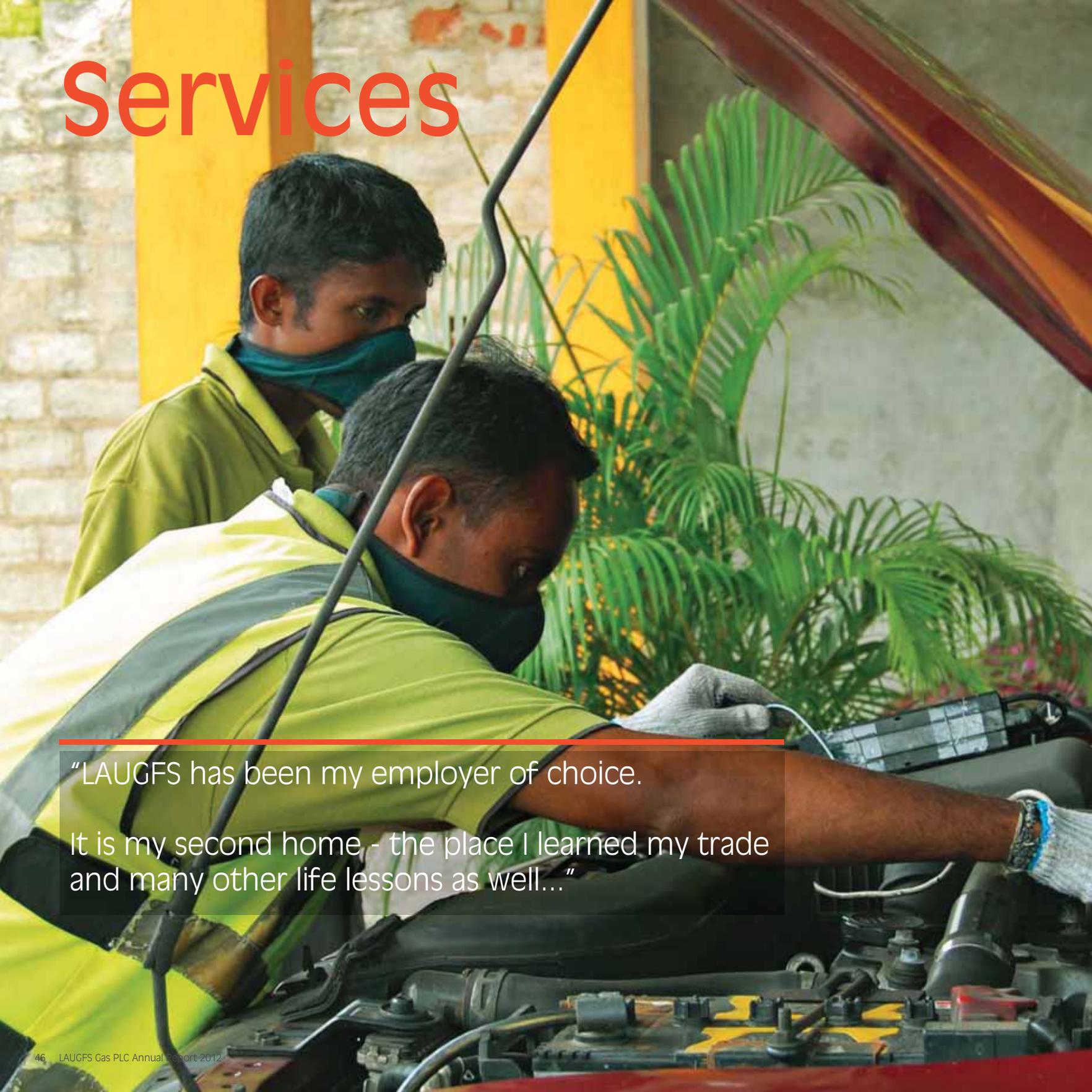
above Company goals seem achievable. The Company maintained its dominant role as the market leader in the commercial, industrial and auto gas sectors through enhanced and superior customer relationship management and committed technical service teams. The Company has expanded its distribution network through 16 distributors and 2,500 dealers by the end of the financial year end covering the entire island including the North and East by offering easier access to our products and increasing customer convenience. The Company increased its storage capacity to 2,700 metric tons by the end of the financial year and has plans to increase it further by another 250 metric tons by year end.

The Company continued its technological advancement in the sphere of management also by installing a high end software in the most important field of Human Resources and plans to embark on Enterprise Resources Planning (ERP) software in the coming year in order to increase its management efficiencies of the Company.

With the floating of the Sri Lankan Rupee, the Company incurred heavy foreign exchange losses during the current financial year compared to the foreign exchange gains in the previous year. With the plant improvements planned in the future and increased productivity, and human resource development through advanced information technology and prudent investment policies, the Company expects better results in future. The Company has undertaken stringent financial and administrative measures to combat the increased electricity costs, fuel costs and other inflationary conditions in order to post higher profits in the ensuing years. The prices of the domestic cylinder of 12.5 Kg was increased twice during the year under review in April 2011 by 14% and August 2011 by 8%.



Services

The image shows two male technicians in high-visibility green shirts and blue face masks working on a car engine. One technician is in the foreground, leaning over the engine, while the other is behind him, looking on. The background features a yellow pillar and a green plant. The overall scene is brightly lit, suggesting an outdoor or well-lit indoor setting.

"LAUGFS has been my employer of choice.

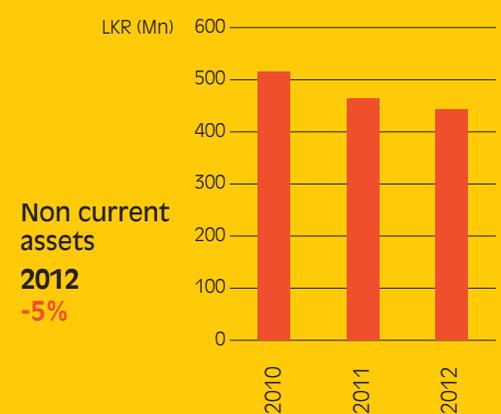
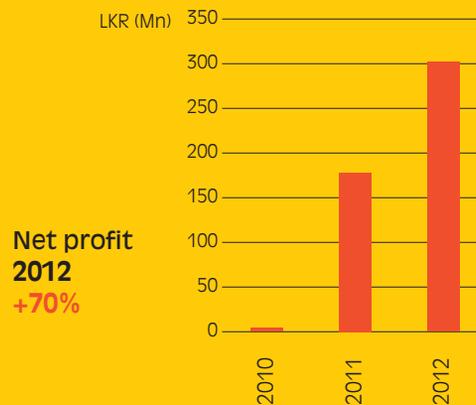
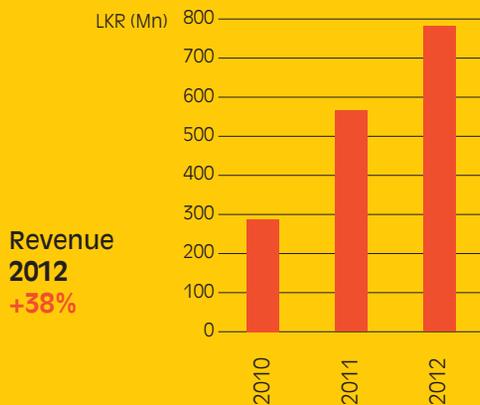
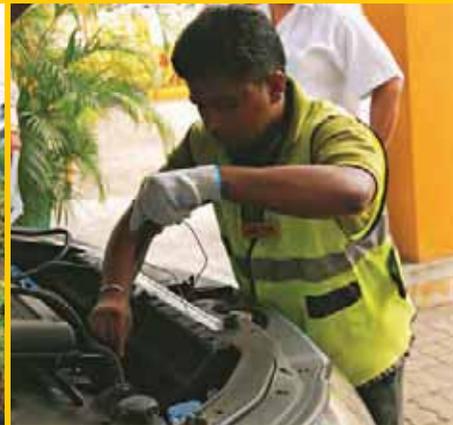
It is my second home - the place I learned my trade and many other life lessons as well..."

Overview:

Sri Lanka is a signatory to a number of Multilateral Environment Agreements (MEAs), and has taken many proactive measures for environmental conservation and the country continues to encounter several challenges in conservation of the environment amidst high economic growth. Vehicle Emissions Testing (VET) which was launched in 2008 to control the air pollution and the planning activities for comprehensive natural action plan for the Basel Convention and Stockholm Convention for E-waste management, was continued with enhanced commitment during the year 2011.

VET certification for all vehicles was made mandatory by the Registrar of Motor Traffic (RMT) in November 2008 to re-new revenue licenses. The contract with the Government for this programme was initially for five years with provision for extension. The programme commenced in the Western province and subsequently expanded to cover the whole island except the North at present.

The Company has increased awareness on environment protection and global warming through increased advertising and promotional campaigns and educational programmes.



At present the Company operates 90 VET centers situated at strategic locations in the country by way of fixed, semi-fixed centers totaling to 67 and 23 mobile testing centers and enjoys a larger market share in a duopoly market. The Company increased its emission tests by 40% during the financial year through value added services such as discount shops, free gifts to customers etc. The Company plans to set up Equipment Testing Centers mainly for Vehicle Health Reports.

Review

VET sales increased by 38% in the current financial year compared to the previous year in spite of the many challenges faced by the Company. The Company has shown satisfactory results during the current financial year under review. The net profit before tax was Rs. 308 million which is an 73% increase over the last year (2011: Rs. 178 million). The total revenue shows increased performance by recording Rs. 781 million (2011: Rs. 566 million). The total assets stood at Rs. 882 million, an improvement of 32% (2011: Rs. 666 million).

The Company contributed 8.5% to Group revenue. The Company's Non-Current Assets were Rs. 441.5 million and contributed 6.7% of the Group. The Company had 654 employees out of a total of 1,040 in the Group as at the end of the year under consideration.

The Company continued to carve into the competitors' market share through innovative sales promotional activities, continuous human resource activities including on the job staff training, improved technological advances in management information systems, increased efficiency and advanced customer care activities. The Company also took great initiatives in internal controls and cost controls. The Company has introduced a 'Help Desk' for the convenience of customers who wish to seek advice on their vehicle performance through centralized technical advice.

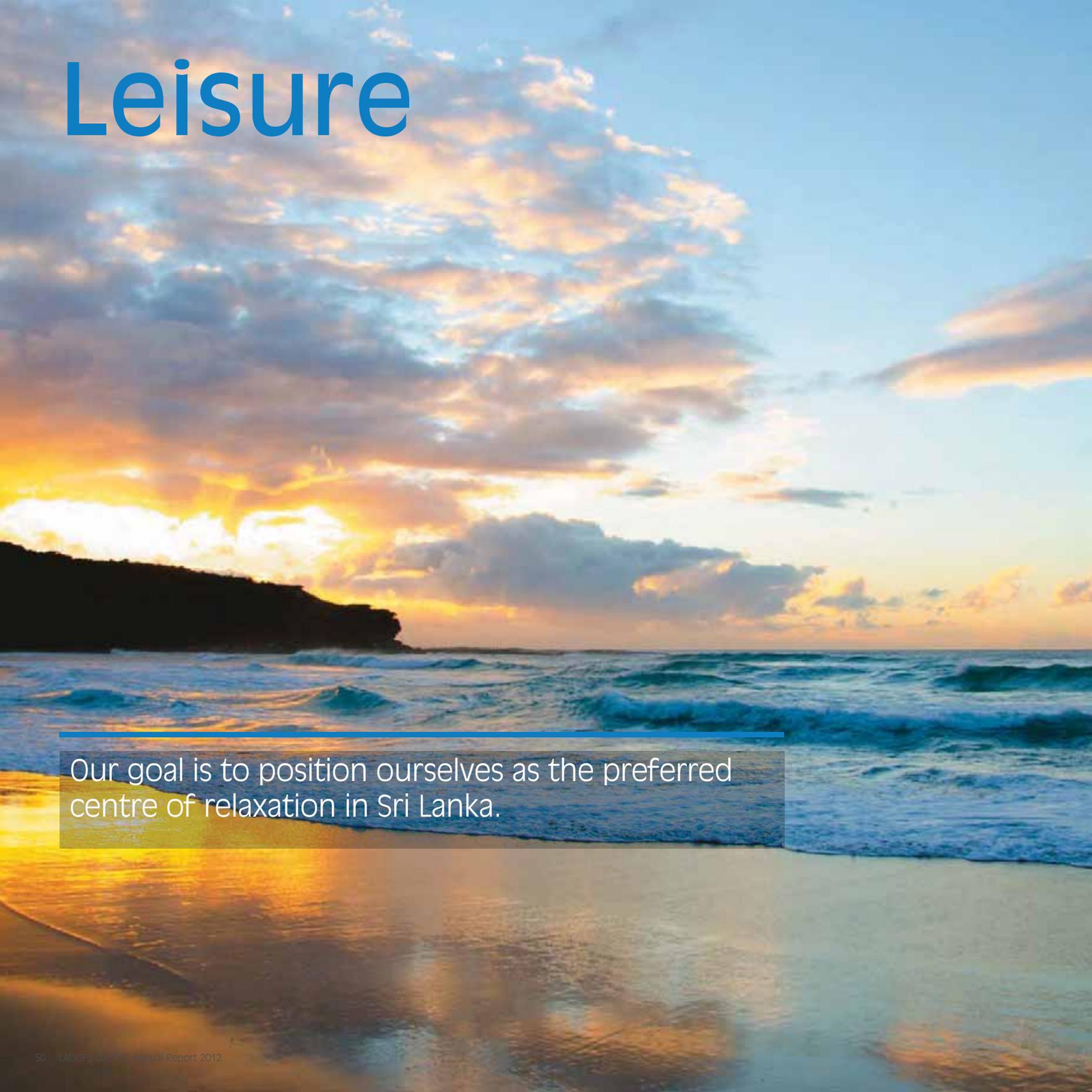
Future Plans and Outlook

The estimated vehicle population is over 2.65 million vehicles as at 2010 and over 520,000 vehicles have been newly registered during 2011 and is expected to grow at around 12% - 14% annually in the short term as per data at divisional secretariats of the country. The estimated growth in terms of Revenue is around Rs. 200 million for the Company.

With the current macro-economic changes, the growth targets may dampen due to unfavourable conditions in vehicle imports. The Company plans to enter into complementary areas of current business in order to sustain the success of the business with intentions of maintaining and improving the 'Go Green' concept in place at present.



Leisure

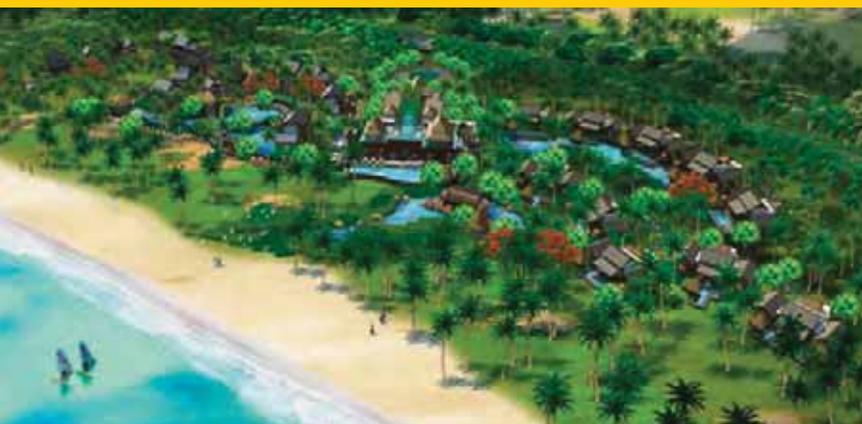


Our goal is to position ourselves as the preferred centre of relaxation in Sri Lanka.

Overview:

Sri Lanka's tourism sector is poised for growth with an increased number of tourist arrivals and a rapidly evolving tourism infrastructure. The tourism industry expanded substantially in 2011, both in terms of arrivals and earnings. Renowned major international hotel chains are being established in Sri Lanka while reputed airlines are expected to add Sri Lanka as one of their destinations.

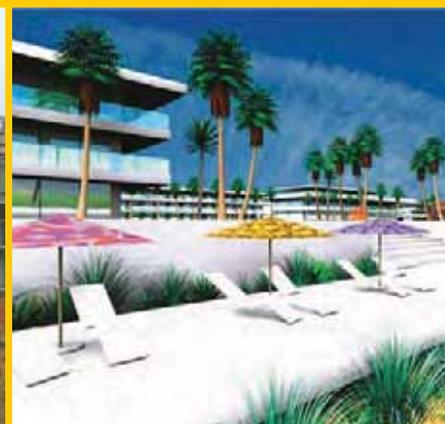
Over the medium term, the industry is poised to achieve the target of 2.5 million tourists by 2016 and the spending target of USD150 per person where Sri Lanka is expected to promote the country under 08 unique themes namely, Heritage, Festive, Scenic, Essence, Thrill, Bliss, Pristine & the Wild. The industry continues infrastructure development mainly to support the increasing traffic at the international airports by building a new airport at Mattala and improving transport links between locations (attractions). Further, with the increase in room capacity, upgrading of existing facilities and training, the above targets seems achievable. Sri Lanka already reached 850,000 tourist arrivals with earnings of USD 830 million for the calendar year 2011. With the cessation of the three decade war and with the public and private sector participation in promoting tourism, the above seems achievable targets.



An artist's Impression of the proposed Hotel at Passikudah



Construction site of the proposed Ananthaya Hotel at Chilaw



An artist's Impression of the proposed Hotel at Waskaduwa

Review

The Company discontinued its operations in the management of hotels by handing over the management contract of the two hotel properties back to its owners in September 2011, after the expiry of the contract period. The Company has previously entered into a three year management contract in 2008 to manage two hotels situated in Induruwa, in the Southern coast, namely Emerald Bay Hotel, a 50 roomed '3' star hotel and Temple Tree Resort & Spa, a 10 roomed hotel under the 'boutique' concept.

The Leisure sector of the Company continued to grow with the nearing of the completion of the luxury 88 roomed hotel being constructed at Chilaw, scheduled to be opened in early 2013 and is situated on the North Western coast, on a 18 acre property with a lagoon and beach frontage under an eco-friendly concept. The acquisition of a 15 acre property in Waskaduwa, Kalutara district, in the Western province, in February 2012, with a one of the longest beach frontage in the area, has given the Company a good leverage for the future in the Leisure industry. This will be another luxury hotel with space reserved for a longer term project of building luxury villas. The Company subsequently acquired another 15 acre block of hotel property for a 4-star resort in Passikudah, in the Eastern coast. Both these hotels are expected to be completed by 2014 in time for the winter season. LAUGFS will continue to look for new opportunities to expand.

The loss for the financial year under review of the above two hotels up to the date of handing over the properties to the owners in September 2011, amounted to Rs. 7 million, mainly due to the off-season period for tourism. The total value of Property, Plant and Equipment (PPE) amounts to Rs. 814.3 million which includes the PPE at Waskaduwa in the Western Province and the capital work-in-progress of the hotel under construction in Chilaw in the North Western Province.

The Company's Non Current Assets contributed 19.9% to the Group total. The Company has utilized 27.8% as construction cost as at the end of the financial year of the Rs. 500 million IPO (Initial Public Offer) funds allocated.

Future Plans and Outlook

With the rapid growth in the emerging markets in the region such as China, Japan and India, the tourism sector looks bright though there is a slow growth in the European market due to debt crisis etc. However as a mitigating factor, the Company has plans to enter into the MICE (Meetings, Incentives, Conventions and Events) market and also to strengthen the local tourism sector. The Company is looking into setting up hotels in the Cultural Triangle and in other areas in order to cater to the travelling foreign and local tourists.



An artist's Impression of the proposed Ananthaya Hotel at Chilaw

Property

We follow international standards bringing style, elegance and the concept of “easy maintenance” to every building. We will become the obvious choice for customers and clients in the property sector.

An artist's impression of the proposed building at Maya Avenue Colombo 06

Overview

The construction work of the apartment complex under LAUGFS Property Developers (Pvt) Ltd consisting of ten floors at Maya Avenue, Colombo 6, is expected to be completed by mid 2013 which is a BOI approved venture. Total Property, Plant and Equipment value as at the end of the financial year under review was Rs. 511 million and of which Rs. 58.7 million was spent during the current period. The Company's Non- Current Assets amounted 7.7% of the Group total as at the end of the financial year end.

Future Plans and Outlook

The property and real estate sector was adversely affected by the ripple down effect of the global economic melt- down and the recent European debt crisis. Though the local demand for apartments has diminished, with the expected overall increase in tourist arrivals in the future, the demand is expected to increase for these fully furnished apartments among the high end frequent travellers. The Company plans to be engaged in property development and real estate businesses in the future, aligning itself based on the market conditions.

The construction sector has been growing at a rapid pace in the last few years reflecting major infrastructure development activities undertaken by both public and private sector. With the construction projects in the pipeline, the Company expects a growth momentum in the medium term.



CHOSEN.

"We live far from the nearest big city and LAUGFS Gas has helped us stay up late when we needed to study. We know we can rely on LAUGFS every night."



Sustainability report

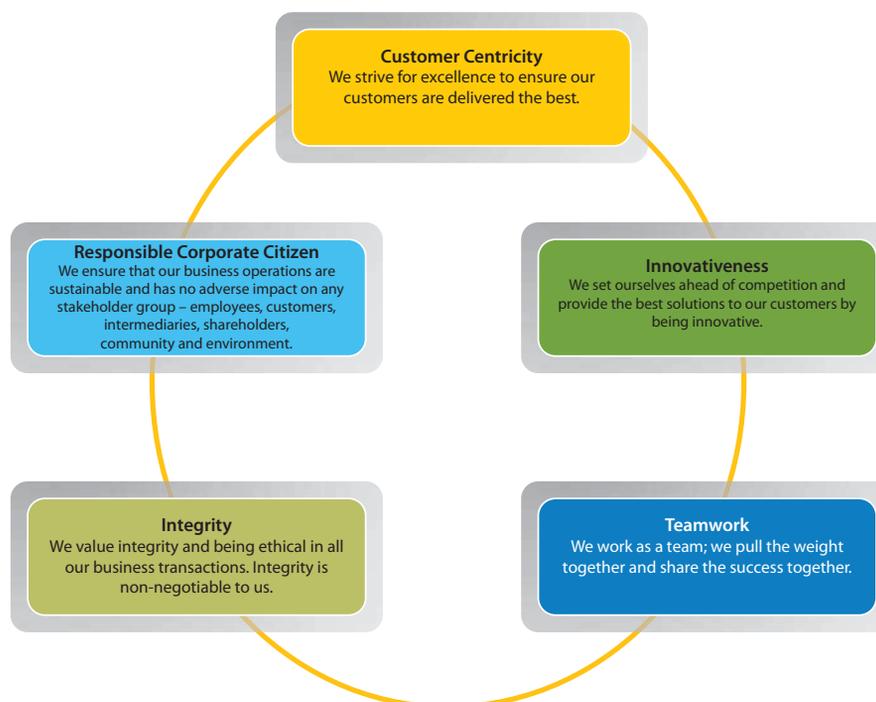
The prevailing wisdom is that business success equates results or shareholder value. However, LAUGFS believes in pursuing 'Shared Value', which we consider as the best measure of business success.

LAUGFS has become a household name in Sri Lanka. We touch the lives of people of many walks of life, spread across our island nation. Therefore, for LAUGFS, 'sustainable business' is not a mere corporate catch-phrase, but a reality that the Company has practiced since its inception.

For us, Corporate Social Responsibility is not about engaging in a number of activities or community programmes, in order to 'give back' to the society. Instead, it is about, how we engage and conduct our business activities; it is about us feeling responsible towards all our stakeholders.

LAUGFS is built on a solid value framework that guides our business as we grow from strength to strength. In our relentless journey to create value, we work hand in hand with all our stakeholders. We take every measure to ensure that all our business activities have a positive impact on all our stakeholders, today and in to the future as well. As a result, we have a well managed, profitable business that is sustainable.

Our Values



Employees

Employees are the lifeblood of LAUGFS. We have a highly engaged, self-motivated workforce that has proven to be the driving force of the Company. Everyone at LAUGFS is empowered to make decisions and take action to strive towards the set goals. The collective contribution has resulted in us achieving our business purposes whilst transforming the Company to reach the next phase of success.

Our fair, transparent HR practices, open communication channels, superior work conditions and family culture have fueled a psychological bond between the people and the Company.

We have 1,040 people at LAUGFS, spread in LAUGFS Gas, Eco Sri, Leisure and Property.

Selecting and retaining the right people

Being an equal opportunity employer that thrives on a culture of meritocracy, we always seek to fill positions internally, giving team members the opportunity to climb their career ladder. At the same time, we believe that a healthy business needs regular injections of fresh ideas, perspectives and experiences from the outside world. Therefore, we strive to maintain the desired balance between internal and external selection of people for the roles available in the Company. As a diversified business conglomerate, we have the ability of providing employees with the opportunity of vertical and lateral moves within the Group. Also, in selecting people, we place great importance on finding the right person for the job, who, most importantly, fits the culture of LAUGFS. This has proven to be a success factor in retaining people with the Company.

We listen first, then respond

The loyalty and commitment we observe in our team is due to the open communication process we have at LAUGFS. The listening and responding milieu, the broad forums for ideas and suggestions, all form a part of our culture. One key initiative of the year was the launch of the 'Idea Forum', in which membership is open to all employees.



Idea Forum meeting

The Idea Forum engages people with the Company, by giving everyone the opportunity to share their ideas for the betterment of the Company and its people. Many suggestions, areas of improvement have been identified through the Idea Forum, making employees the Change Agents of LAUGFS.

In addition, the Chairman, Managing Director and Senior Management interact with the employees frequently, engaging them in brainstorming sessions and open forums where anyone is free to voice his/her opinion, suggestion or idea.

In order to increase our effectiveness and productivity, we invested in a Human Resource Information System (HRIS) during the year. The prominent HR solution is expected to fulfill the vital requirements of our business conglomerate, enabling the relevant users to generate and analyse employee trends and HR related reports for decision making. It is being implemented in modules, at present.

In addition, we created our own platform of social media by launching the intranet to all employees of LAUGFS. The intranet provides employees with easy access to information about the Company, Directory, Announcements, News, etc. Bridging the geographical and demographical gap between employees, the intranet serves as the hub of internal communication.



Intranet

'Idiriya' is the unique employee handbook at LAUGFS. It outlines our philosophy in terms of people management as well as all policies and processes pertaining to employment at LAUGFS. All employees are provided with a copy of 'Idiriya' as they join the Company.

Developing talent for the future

At LAUGFS, learning and development is an enduring process. As testimony to the fact that the Company places great importance on the personal and professional development of people, we launched the 'LAUGFS Business School', during the year. The objectives of the LAUGFS Business School are three-fold; equip the Company with a set of highly competent

and valued talent, prepare all employees for the challenges of the changing business arena and through this add value to the business; and to equip LAUGFS with an enriched leadership pipeline, ready to take on leadership roles in succession.

All Senior Management completed the 'Strategic Leadership Development Programme' which was a five-month module, covering a variety of subject areas, such as Macro Economic Environment, Competitive Strategy and Operations Management, Strategic Human Resource Management and Development, Strategic Service Management, Change Management, Strategic Financial Management, Marketing in the new era and Business Etiquette. At present, the second-line leaders are attending the 'Leadership Development Programme' at the LAUGFS Business School.



LAUGFS Business School 'Strategic Leadership Development Programme' Participants

In addition, a variety of programmes were conducted throughout the year to develop knowledge, skills and enhance the performance levels of employees. Our people participated in external training programmes as well.

LAUGFS Gas invested Rs. 1.3mn and Eco Sri, Rs. 2.6mn in Learning and Development during the period under review.

Paying for performance

LAUGFS remuneration policy is designed to align individuals to overall business goals. The performance reviews are not limited to the end of the year, but instead are on-going. The transparent culture we have at LAUGFS enables employees to discuss their performance related matters with their superiors on a 'need-to' basis. The immediate feedback puts people on the right track and ensures a smooth operation. The performance management policy ensures that rewards and career growth are tied purely to an employee's performance rather than seniority in the Company. The ultimate objective of this process is to ensure that the remuneration and benefits system attracts and retains the desired employees.

The remuneration policy of the Company is approved every year by the remuneration committee of the Company represented by 3 members of the Board of Directors; one Non-Executive Director and two Non-Executive independent Directors.

Caring for our people

'Caring for others' is an inherent quality of our corporate culture. LAUGFS has throughout the years, reached out to those employees who are less fortunate. Some of the noteworthy initiatives are:

- Offering of scholarships and book donations to the children of deserving employees
- Offering of financial assistance to the spouses of employees who faced untimely deaths
- Offering of financial assistance to employees who underwent heart surgery
- Conducting an eye clinic for employees
- Organizing staff get-togethers

Customers

Exceeding customer expectations whilst delivering a delightful service to our customers is one of our key focus areas. We strongly believe in earning our customers' trust and building sustainable relationships. Having a Customer Relationship Management (CRM) unit helps in ensuring that we deliver the best to our customers at all times. As a result of our endeavours, our customers have proven to be our strongest brand ambassadors.

Customer Engagement Initiatives

We continuously look for creative ways in which we can engage with our customers. During the year under review, LAUGFS Gas reached out to untapped markets through a number of initiatives. Many promotional campaigns were launched to interact with existing and new customers. Through these campaigns, we were able to increase the product and brand awareness, sales volume and enhance the brand image of the Company.

Group sales promotions were conducted at:

Brandix-Katunayake, Brandix-Seeduwa, Pranthan Chemicals, National Savings Bank, Hotel Cinnamon Lakeside



Group sales promotions

Street Promotions were conducted in the cities of:
Kandy, Nuwara Eliya, Galle, Jaffna



Street promotions

In addition, a mass street promotion was conducted with the participation of all the staff members of LAUGFS Holdings in July 2011. The entire team came together, displaying the team spirit of LAUGFS.



LAUGFS family street promotion

We also participated in the Jaffna International Trade Fair, CSE Investor Day, Culinary Art exhibition at the BMICH, among many other events.



Jaffna Trade Fair



CSE Investor Day

Eco Sri distributed 300,000 copies of the Eco Newspaper, free of charge, among all customers who visited the emission testing centres, island-wide. The paper contains details of latest environment conservation initiatives, tips on how to maintain vehicles, etc.



Eco Newspaper

Presence in the virtual market

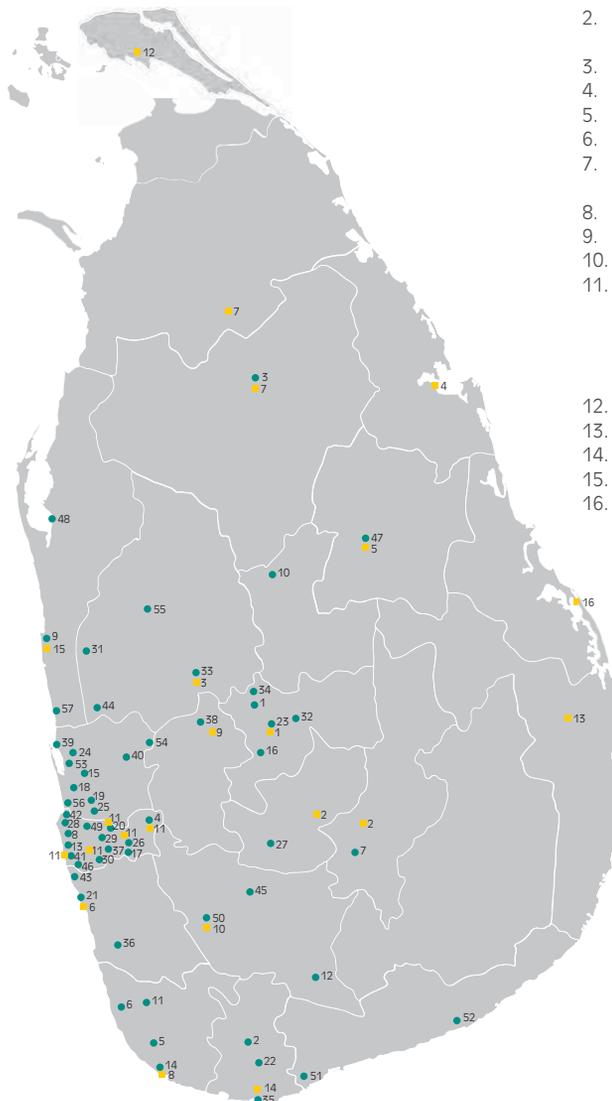
Going beyond the boundaries of the country, we, for the first time, entered the virtual market, tapping an exclusive market – the Sri Lankan expatriates. LAUGFS Gas gift vouchers are made available on-line.

Banded Offer

Creating a landmark in LP Gas marketing, LAUGFS launched a bundled pack offer, which consisted of the complete set of accessories inclusive of single burner cooker, regulator, rubber hose, clips and 12.5Kg/5Kg gas cylinder. The pack was introduced at a special price, and directed at providing a total solution for new LPG users.

Exceeding our customers' expectations

We believe in creating a memorable experience to our customers. In an era where the difference between Company A and B is blurring, it is the 'experience' we create for our customers that would differentiate us in the market. LAUGFS has taken measures to reach customers even at the far corners of the country.



LAUGFS GAS

1. Kandy
2. Nuwara Eliya & Badulla
3. Kurunegala
4. Trincomalee
5. Polonnaruwa
6. Kalutara
7. Anuradhapura & Vavuniya
8. Galle
9. Mawanella
10. Ratnapura
11. Nugegoda, Awissawella, Kaduwela, Malambe, Athurugiriya
12. Jaffna
13. Ampara
14. Matara
15. Chilaw
16. Batticaloa

Eco Sri

- 1 Akurana
- 2 Akuesssa
- 3 Anuradapura
- 4 Avissawella
- 5 Baddegama
- 6 Balapitiya
- 7 Bandarawela
- 8 Bellanthota
- 9 Chilaw
- 10 Dambulla
- 11 Elpitiya
- 12 Embilipitiya
- 13 Embuldeniya
- 14 Galle
- 15 Gampaha
- 16 Gampola
- 17 Horana
- 18 Ja-Ela
- 19 Kadawatha
- 20 Kaduwela
- 21 Kalutara
- 22 Kamburupitiya
- 23 Kandy
- 24 Katunayaka
- 25 Kiribathgoda
- 26 Koswatte
- 27 Kotagala
- 28 Kotahena
- 29 Kotikawatta
- 30 Kottawa
- 31 Kuliypitiya
- 32 Kundasale
- 33 Kurunagala
- 34 Matale
- 35 Matara
- 36 Matugama
- 37 Meegoda
- 38 Meepitiya
- 39 Negombo
- 40 Nittambuwa
- 41 Nugegoda
- 42 Orugodawatta
- 43 Panadura
- 44 Pannala
- 45 Pelmadulla
- 46 Piliyandala
- 47 Polonnaruwa
- 48 Puttalam
- 49 Rajagiriya
- 50 Ratnapura
- 51 Tangalle
- 52 Tissamaharamaya
- 53 Udugampola
- 54 Warakapola
- 55 Wariyapola
- 56 Wattala
- 57 Wennappuwa

The superior infrastructure and cutting edge technology at our Eco Sri facilities ensure that our customers are serviced efficiently, with the best quality and have a pleasant experience. As testimony to our beyond par excellence service levels, Sri Lanka Standards Institution (SLSI), the national standard body in the country, awarded ISO 9001-2008 certificate to Eco Sri.

The ability of providing an instant service has been a prominent quality of service that we emphasize. LAUGFS Eco Sri takes the services into the next level by offering mobile emission testing centers in urban and rural areas of Sri Lanka. The GPS tracking system enables the management to generate the ETA, speed, location and route of the mobile unit accurately, by using GPS satellite technology.

The LAUGFS Gas plant at Mabima is complete with state-of-the-art storage and filling facilities and smooth operation processes to ensure that our customers never experience a lapse in our service to them. In its storage capacity, the Mabima plant can hold 2,500 metric tons of LP Gas at any given time. We plan to increase the capacity to 4,000 metric tons in the near future. For transportation of LP Gas, we have a modern fleet of road tankers and for distribution of gas cylinders, we use a modern fleet of heavy vehicles. All LP Gas handling is done in accordance to international safety standard measures.



Mabima Plant

Our sales people undergo continuous learning and development programmes, ensuring we provide the best possible service to our customers. During the year, 41 sales staff underwent specialized training on Creating Customer Delight and Customer Service Excellence.

Measuring Customer Satisfaction

Measuring the satisfaction levels of our customers derives from our Value of 'Customer Centricity'. We continuously measure our performance against the customer expectations in order to improve our service to them.

Through the CRM unit we obtain invaluable data and information to identify our areas of improvement. These are

continuously monitored and reported to the senior management. The customer feedback also drives our innovations. This ongoing process ensures the attraction of new customers and repeat purchases. During the year the CRM unit reached 5,993 customers. LAUGFS Gas received 4,766 customer complaints/suggestions during the year, out of which 93% were given satisfactory solutions to.



CRM unit

Intermediaries

In LAUGFS Gas, our intermediaries are the Distributors and Dealers. Through our Dealer network, better known as 'LAUGFS GAS POINT', we are able to reach the remotest areas of the country.

LAUGFS Gas has a two-tier distribution model, with 16 Distributors and 2,500 Dealers island-wide.

We engaged with our intermediaries through a number of initiatives, throughout the year:

- 500 Dealer Boards were installed island-wide to motivate Dealers and increase brand awareness/visibility which is highly beneficial to improve their business and attract customers.
- Propaganda sales promotions were conducted to increase new connection sales, build brand image and brand awareness. The new connection sales facilitate Dealers to increase their refill sales as well.
- A Dealer survey was conducted in order to analyze the level of satisfaction among six key customer segments, pivotal to the business. The survey findings were used as an auxiliary analysis in formulating customer objectives for the new financial year. The survey provided insights to formulate our strategic direction and outline our key priorities in delivering high quality service to our customers through the development of our people and optimum management of our business operations and financial resources.
- We rebranded Distributor yards in Chilaw and Kurunegala in order to enhance brand awareness and build the brand image in the areas.
- Distributor Lorries were branded increasing the prestige and strengthening our relationship.

- Creating another 'first' in the energy sector in Sri Lanka, LAUGFS Gas designed and launched an SMS System that updates the Distributors and Dealers of the achievements and the projected sales target, on a daily basis, via an SMS.

Community

Over the years, LAUGFS has built a deep and enduring relationship with the communities we engage with.

Touching the lives of many, LAUGFS Gas opened its doors to social media platforms such as Facebook, twitter, blogger and YouTube. We used Facebook during festive seasons, carrying out promotional campaigns, postings and competitions in order to educate and engage our online stakeholders. We experienced an exponential 175% increase of people engaging with the Company facebook page, during the Avurudu season. LAUGFS Gas posted videos on YouTube enabling stakeholders to get a glimpse of the lucrative industry, a sight only a few get to witness.

Over the years, we have shared our best practices and professional expertise with the promising youth of our country, by providing them with internship opportunities. The industrial placements have been extremely successful in providing professional growth opportunities to undergraduates and academic interns. During the year under review, we provided 15 university students such opportunities.

Among the many donations that were made during the year were:

- Donation of high pressure gas cookers to the pilgrim's rest at the Temple of the sacred Tooth Relic and maintenance of the gas line and cookers donated, for the benefit of the pilgrims.
- Continuation of the supply of gas to the Temple of the sacred Tooth Relic.
- Continuation of the supply of gas to an ayurvedic doctor who provides free medical treatments to cancer patients.
- Donation of books to the children of employees in the low income category.
- Donation of dry rations and other items, including CFL bulbs to the 'Lawesi Balika Orphanage' in Polonnaruwa.

In a special community project, LAUGFS Gas stepped forward to supply gas for the daily cooking needs of the priests



Donation of high pressure gas cookers to the pilgrim's rest at the Temple of the sacred Tooth Relic

and staff of Sri Pada. LAUGFS fabricated the pipeline up to the 'udamaluwa' and another separate gas line was fabricated for the historical 'Saman Dewala Pooja' which is conducted for three months. The gas line is used for the preparation offerings for this pooja. Twenty 12.5 Kg gas cylinders are donated on a monthly basis.

A total of Rs. 9.3 million was spent on donations and sponsoring of charitable and deserving causes, during the period under review by LAUGFS Gas and Eco Sri contributed Rs. 7.8 million for same.

Environment

Protecting our environment is inherent in our business strategy. The ethos that prevails within the business is a socially responsible one. This is evident in the nature of the businesses of LAUGFS Gas and LAUGFS Eco Sri.

In terms of LAUGFS Leisure, the luxury hotel being built in Chilaw, has a unique design and environment-friendly concept. 'Sustainability' has been incorporated in the project from the planning and design stage, which would result in the conservation of energy and water and also reduce our carbon foot print. For instance, the hotel is designed to use natural lighting, efficient luminaries and correct light levels, use of power management systems, use of natural ventilation, recycling of water, etc. Contributing towards the national agenda of reducing the dependence of oil imports and thermal power for electricity generation, LAUGFS Leisure will be using Wind Mills to generate power. The hotel will also implement a rain-water harvesting systems for the daily hotel operations.

LAUGFS Leisure also launched a 1000 mangrove trees planting project in Karupupone, Chillaw, together with the Small Fisheries Federation and Mangrove Resource Centre of Arachchikattuwa, with the participation of Government officials, Non-Government Organizations and school children. The Company pursues to uplift the lives of the people in the community and to preserve the environment.



Mangroves planting

Economy

LAUGFS continues to spread its 'power' in all spheres of the country, fueling the national economy. LAUGFS Gas grew significantly in terms of total MT. We provided employment opportunities to 1,040 people and income generation opportunities to 16 Distributors and 2,500 Dealers island-wide.

Shareholders

Everything that we do is made possible because of our valuable shareholders who have placed a great trust in us. As a leading business conglomerate in the country, LAUGFS conforms strictly with all rules and regulations pertaining to our businesses and abide by the laws of the country.

Through the Annual Report and half-yearly financial statements, we keep our shareholders informed and updated on the performance and progress of LAUGFS.

A dividend of Rs. 1.50 per share was declared for the financial year under review and was paid on 02nd August 2012.

Value added statement

For the Year ended 31 March	2012		2011	
	Rs. '000	%	Rs. '000	%
Revenue	9,176,744		7,061,563	
Other Income	555,148		318,360	
	9,731,892		7,379,923	
Cost of Material & Services Provided	(7,972,661)		(5,781,494)	
Value addition	1,759,231	100	1,598,429	100
Distribution of Value Addition				
To Employees				
Salaries & Other Benefits	315,048	18	196,970	12
To Providers of Funds				
Dividend Paid	580,500	33	-	-
Interest Cost	1,422	0.1	104,042	7
To Government				
As Taxes & Levies	202,237	11	189,823	12
	1,099,207	62	490,835	31
To Expansion & Growth				
Depreciation	310,184	18	254,894	16
Profit After Dividend	349,840	20	852,700	53
	660,024	38	1,107,594	69
	1,759,231	100	1,598,429	100



Progress report of the Actions and Goals set for the year under review

Stakeholder Group	Commitment made in 2011	Progress
Employees	Launch the LAUGFS Business School which caters to management development of all levels of management staff in the Company. Commence vocational skill development of employees.	■ ■
Customers	<p>Domestic Customers</p> <ol style="list-style-type: none"> 1. Conduct an island-wide promotional campaign with the 'Banded Offer' - Single burner cooker, regulator, rubber tube and clips at a special price. 2. Introduce a Loyalty Program to reward regular purchases. <p>Commercial Customers</p> <ol style="list-style-type: none"> 1. Carry out a novel Promotional campaign to engage fast food outlets in Colombo and selected suburbs. 2. LAUGFS maintenance team to visit all commercial customer outlets servicing burners and attending to their technical requirements. <p>Bulk Industrial Customers</p> <ol style="list-style-type: none"> 1. Conduct the "LPG Best Practises 2011" annual safety conference for all bulk customers. 2. Organize the Annual Cricket Festival for Ceramic Cluster. 3. Conduct training programmes on identified training needs. 	■ ■ ■ ■ ■ ■ ■ ■ ■
Intermediaries	Revamp the existing recognition scheme to increase the motivation levels.	■
Economy	Increase the provision of income generation opportunities through the expansion of business.	■
Community	Continue the best practice of conducting business in a manner that does not harm any community group. Reach out to communities that are deprived of basic necessities such as food and water.	■ ■
Environment	Increase the usage of e-documents versus paper. Conduct a significant environment-protection programme.	■ ■
Shareholders	Maintain consistent growth. Increase the profit margin.	■ ■

Status Key

Completed ■
Commenced, in progress ■
Not commenced ■

Goals For 2012/13

Stakeholder Group	Goals
Employees	Develop the second line leaders, equipping them with the necessary Managerial and Leadership skills to take on Leadership roles.
Customers	LAUGFS Gas: <ul style="list-style-type: none"> • Introduce 5kg cylinder as a solution for high cost of living. • Introduce the 'Composite Cylinder', which would be a 'first' in South East Asia. LAUGFS Eco Sri: <ul style="list-style-type: none"> • Obtain ISO 14000 for all fixed centers. • Set up the first Vehicle Safety Inspection and Certificate Center (I & C Center) in Sri Lanka. • Launch the 'Discount Shop' initiative.
Intermediaries	LAUGFS Gas: <ul style="list-style-type: none"> • Introduce the 'Channel Excellence' recognition scheme for Dealers and Distributors. • Introduce 'Commercial Exclusive' recognition scheme for the Commercial Customers.
Economy	Increase the provision of income generation opportunities through the expansion of business.
Community	LAUGFS Gas: Launch the community programme 'Minisathkamata Pin Kamak'. LAUGFS Leisure: <ul style="list-style-type: none"> • Engage the fishing community and provide them with market opportunities. • Involve the human resources in the community and develop the necessary skills for employment in the LAUGFS hotels.
Environment	LAUGFS Eco Sri: <ul style="list-style-type: none"> • Donate 5000 plants among customers on the Environment Day. LAUGFS Leisure: <ul style="list-style-type: none"> • Complete the Wind Mill project in Chilaw.
Shareholders	Achieve the profit targets set for the year.

CHOSEN.

“LAUGFS is committed to the highest standards of Corporate Governance and Compliance.”



Corporate governance

LAUGFS Gas PLC is committed to the highest standards of Corporate Governance. The Company has complied with the Corporate Governance practices recommended by the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices published by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission.

The Board of Directors

Role of the Board of Directors :

The Board of Directors is responsible to the Company's shareholders to ensure at all times that the activities of the Company are conducted with the highest ethical standards and in the best interest of all the stakeholders.

The key responsibilities of the Board are;

- To enhance shareholder value
- To provide direction and guidance in formulating corporate strategies
- Monitoring systems and procedures especially with regard to internal controls and risk management
- Approving major investments
- Approving annual budgets and strategic plans

Composition of the Board

The Board of Directors of the Company consists the Chairman/CEO, Managing Director, One Non-Executive Director and Three Independent Non-Executive Directors. Brief profiles of the Directors are given on page 23 to 25.

Non-Executive/Independent Directors and the board balance:

The Company is conscious of the need to maintain an appropriate mix of skills and experience on the Board and to refresh progressively its composition over time in line with needs. Collectively, the Non-Executive Directors bring a range of value adding domestic and international experience, and expertise, in specialised functions.

The Board considers that three of the four Non-Executive Directors are independent in accordance with the criteria stipulated in the Listing Rules of the Colombo Stock Exchange and have submitted signed confirmations in this regard in terms of Section 7.10.2(b) of the Listing Rules.

Meetings and Attendance

The Attendance of the Meetings of the Board of Directors during the financial year under review are given below.

Name of Director	Attendance
W. K. H. Wegapitiya	
Chairman/Chief Executive Officer	11/12
U. K. Thilak De Silva	
Managing Director	12/12
H. A. Ariyaratne	
Non-Executive Director	10/12
C. L. De Alwis	
Independent Non-Executive Director	11/12
T. K. Bandaranayake	
Independent Non-Executive Director	12/12
P. M. Kumarasinghe PC	
Independent Non-Executive Director	12/12

Conflict of Interest

Directors are liable to determine whether they have a conflict of interest arising from external associations, interests in material matters and personal relationships in their individual capacity, which may influence their decisions. Such potential conflicts are reviewed by the Board of Directors from time to time.

Appropriateness of combining roles of Chairman and CEO

The appropriateness of combining the roles of Chairman and CEO has been discussed by the Board regularly. The Board deems that combining the two roles is more appropriate for the Group at present, in meeting stakeholder objectives in a conglomerate setting. The Chairman/CEO provides the overall direction and policy execution framework for the Board decisions more efficiently via this management structure. By Experience it has been proved that this management structure has enabled the Chairman to effectively balance his role as the Chairman of the Board and the CEO of the Company/Group.

Board Committees

The following members serve on the Board, Audit, 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 financial statements in accordance with Sri Lanka Accounting Standards and all other statutory requirements. The Audit Committee also ensures the Company's internal control system and Risk Management procedure are upto 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.

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. Ariyaratne. Its principle focus is on evaluating investment opportunities, monitoring return on investments, the overall direction of the Group and reviewing 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. Ariyaratne (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 this 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 report of the Remuneration Committee.

Management Committee

The Management Committee comprises of Mr. W. K. H. Wegapitiya, Mr. U. K. Thilak De Silva, Mr. H. A. Ariyaratne and Mr. C. L. De Alwis. 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.

System of internal control

The Board of Directors, through the involvement of the Group Risk and Control Review have, taken necessary measures and steps to assure that the systems designed to safeguard the Company's assets, maintain proper accounting records and provide management information, are in place and are functioning according to expectations. The risk review programme covering the internal audit of the Company and its subsidiaries is monitored by the internal audit team of the Company subject to the supervision of the Audit Committee. The Audit Committee also assess the effectiveness of the risk review process and systems of internal control on a regular basis.

Relationship with the Shareholders

Shareholders have the opportunity at the Annual General Meetings, to put forward questions to the Board of Directors and to the Chairman/CEO of the Company and the chairmen of the Board sub-committees to have better familiarity with the Group's business and operations. The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company and investments. All the necessary steps are taken to facilitate and accommodate the exercise of shareholders' rights at AGMs, including the receipt of notice of the AGM and related documents within the specified period provided by the Companies Act No. 07 of 2007.

Compliance Under Listing Rules of Colombo Stock Exchange

Section	Applicable Rule	Compliance Status
7.10.1 (a)	Non-Executive Directors At least one third of the total number of Directors should be Non-Executive Directors.	Complied
7.10.2 (a)	Independent Directors Two or one third of Non-Executive Directors, whichever is higher, should be Independent.	Complied
7.10.2 (b)	Independent Director's Declaration Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format.	Complied
7.10.3 (a)	Disclosure relating to Directors The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Complied
7.10.3 (b)	Disclosure relating to Directors The basis of the Board to determine a Director is Independent, 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 Annual Report and should include the Director's areas of expertise	Complied
7.10.3 (d)	Disclosure relating to Directors Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange	Complied
7.10.5	Remuneration Committee A listed Company shall have a Remuneration Committee.	Complied
7.10.5 (a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors a majority of whom will be independent	Complied
7.10.5 (b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Complied

Section	Applicable Rule	Compliance Status
7.10.5 (c)	Disclosure in the Annual Report The Annual Report should set out; a. Names of the Directors comprising the Remuneration Committee b. Statement of Remuneration Policy c. Aggregated remuneration paid to Executive and Non-Executive Directors	Complied Complied Complied
7.10.6	Audit Committee The Company shall have an Audit Committee	Complied
7.10.6 (a)	Composition of the Audit Committee Shall comprise of Non-Executive Directors a majority of whom will be Independent One Non- Executive Director shall be appointed as Chairman of the Committee Chief Executive Officer and Chief Financial Officer shall attend Committee meetings The Chairman or one member of the Committee should be a Member of a professional accounting body	Complied Complied Complied Complied

The Company has introduced a Code of Conduct known as “Idiriya” requiring all employees to exercise honesty, objectivity and diligence in performing their duties, maintain confidentiality of commercial and price sensitive information, work within applicable laws and regulation, safeguard Company’s assets and avoid conduct which will badly reflect on them or Company’s image.



Certificate of Compliance received from Institute of Chartered Accountants of Sri Lanka at the Annual Report Awards 2011

Enterprise risk management

Introduction

The Enterprise Risk Management (ERM) mainly includes conducting risk analysis, implementing strategies to eliminate / reduce risks and developing of a system to provide an early warning about potential risks of the Company. The highly diversified business landscape of LAUGFS faces various risks that associate to threaten its operational and financial performance. The Management places its highest priority on ERM and extends its activities to encompass the business operations of all subsidiaries.

The Risk Management process helps by providing a framework for an organization 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 and project opportunity/threat. They contribute to more efficient use/allocation of capital and resources within the organization as well as reducing instability in the non-essential areas of the business. By identifying and mitigating risks helps in protecting and enhancing assets and Company image, this is done by developing and supporting people and the organization's knowledge base. This eventually leads to optimizing operational efficiency.

1. Risk management methodology and process

The main 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, to do so the group risk and control division is constantly in the lookout for any internal and external threats or uncertain events which would have an impact on the companies.

Process of risk management

The Organization's Strategic Objectives

Each and every subsidiary of LAUGFS has its own mission statements; Strategic objectives are created to operationalize those mission statements. When performing a risk assessment the Company's strategic objectives need to be realized and understood so that we can determine if proposed projects or ongoing operations are suitable in achieving the Company's goals.

Risk Assessment

After determining the organization's strategic objectives a risk assessment will be carried out. The risk assessment contains the risk analysis and risk evaluation, which are done by identifying the risks which the Company faces, description of the risk and by estimating the risks.

Risk Reporting

Once risks are identified or predicted the information needs to be properly communicated to the members of the management as to determine what are the best ways to handle or fix the problem. For this purpose risk reports will be created throughout the process. The reports will also include the decisions made and the actions taken to mitigate the issues and will keep a track of the performance.

Decision

The reports will be handed over to the top management along with the decisions and suggestions. Final decisions will be done by the top management on deciding the proper way to handle the risks or continuation of a new project.

Risk Treatment

According to the decisions made, a proper response will be taken in selecting and implementing measures to modify the risks. The responses will be considered in terms of its likelihood and/or impact of the risk. Risk treatment will also consider the costs and benefits of alternative risk responses.

Residual Risk Reporting

After undergoing a risk treatment the top management will be presented a report considering the severity and likelihood of risks prior to the treatment as well as after the treatment so that the management will be able to assess the outcome of the situation.

Monitoring

Further monitoring will be carried out to study the impact/development of the newly adopted treatments.

2. Reporting Structure

Board

The Board is responsible for approval of the risk management system

Audit Committee

The Audit Committee decides on new and urgent risks and involves in the process of developing suitable action plans to mitigate the risks and considers the actions to improve the risk management process. The committee is also responsible for monitoring the risk management systems of the Company, including the compliance function. The Audit Committee shall be constantly alert to the threats posed by significant and operational risks.

Group Risk and Control division

Evaluates the status of risks and effectiveness of risk mitigation. In addition for this they are responsible for identifying and analysing lapses of risks and mitigation factors while carrying out day to day operations.

3. Overview of Specific Risks

(a) Business & Operations	(b) Finance	(c) Environment	(d) Reputation
<ul style="list-style-type: none"> • Production & Process • Safety • Human Resource • Information Technology 	<ul style="list-style-type: none"> • Interest rate • Foreign exchange • Liquidity risk 	<ul style="list-style-type: none"> • Political • Economical • Social 	<ul style="list-style-type: none"> • Customer Service • Quality

Business & Operations

Production & Processes

The LAUGFS considers that the production/processes are the most important of its primary activities identified in its value chain. Therefore all the possible risks associated with its production /processes are identified to ensure smooth operation under any circumstance, to provide a quality product /service to the customers continuously. The Company uses state-of-the-art technology for its product/service realization and always ensures that such facilities are able to cater to its current/ future demand by effective utilization of resources. Demand for the products/services are appropriately forecasted using statistical techniques and by analyzing the business environment and production/processes are planned accordingly. Performance of production/processes is measured on a monthly basis and is directly linked with the Key Performance Indicators (KPI) of the Company.

Safety

LAUGFS Gas Management is committed to creating a work environment free of incidents and injuries thereby creating a “Safety first” culture within the Company. The safety of our people and those who are directly impacted by our activities will always be our number one priority. The Management has taken steps in provision of sufficient information, instruction, training and supervision to enable employees and the stakeholders to identify hazards, minimize risks and to contribute positively to health, safety and environmental protection. Health, Safety and Environmental Management System governed by the HSE policies is implemented across the business. For this purpose the Board has established the Health, Safety and Environmental department and the HSE department effectively involve in the management of HSE system in the Company.

HSE Steering committee headed by the Managing Director & HSE committee headed by the CEO meets regularly and discusses the issues and actions. The HSE department monitors closely for compliance of all the relevant HSE elements by setting up targets and by a monthly HSE monitoring programme. Company continued to set the standards in behavioral safety based on personal empowerment, leading the way for LPG supply in demonstrating that injury and incidents free working environments are a realistic goal for our industry.

Human Resource

LAUGFS is aware of the risk arising from inability to attract best capable employees and losing the qualified, experienced and trained employees due to intense demand for them in the market. The Board of Directors has taken various initiatives to address this risk of human resources. The management is looking forward for the recruitment of skilled and experienced staff maintains training programs and offer them a best reward systems to retain them within the Company. The LAUGFS has always maintained a view of sharing long term plans of the organization with the employees and attains the long term commitment to the Group.

Information Technology

Information security is one of the key aspects of LAUGFS. The centralization of the IT has provided with increased security measures across the Group and the Company has taken many steps such as updating the Group IT policy which reflects the changes in the IT environment. As a security measure backups are obtained daily, this facilitates faster recovery of information in the event of a system failure. All systems are continuously monitored through the centralized IT department to ensure the security, privacy and confidentiality of the IT systems in order to mitigate any risks which will occur under a centralized system. LAUGFS uses latest up to date versions of software which enables its employees to work smoothly and error free

Finance

Interest Rate Risk

Interest rate risk may arise due to adverse movements in market interest rates in both local and foreign currency which leads to increase in cost of borrowings and lower the interest income. Eventually it may result in decline in profitability and financial position of the Group.

The Company has taken steps to mitigate this risk by, constant monitoring and forecasting of market interest rates and take necessary steps to maximize the returns on investment, centralized the Group treasury and finance functions to make effective decisions, keep link between current accounts and money market accounts which generate interest income, invest the excess cash flows in diversified portfolios and the Group treasury negotiates with the banks to obtain best possible interest rates for financing and investments.

Foreign Exchange Risk

Foreign exchange risk may arise due to the adverse impact due to foreign exchange fluctuations. Current floating exchange rates could affect the Group's profitability as well as the settlement/realization of foreign currency transactions. To mitigate such issues the Company has taken steps such as monitoring and forecasting exchange rates constantly and ensure the appropriate steps are taken to mitigate risks, arrange favorable terms with financial institutions, forward booking of currencies etc.

Liquidity Risk

Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit which affects the profitability & cash flow position of the Company. The LAUGFS Group treasury & finance functions are centralized to make effective decisions and eliminate or reduce risk in these areas.

Environment

Political, Economical & Social

The adverse changes in the political environment with instability in the country impact the operations, profits of the LAUGFS Group. Such impacts could arise from change in economic factors, government, foreign policy & legal requirements. The return of peace in the country after many years had a positive impact on the economy has resulted

in a growth in many sectors and with this trend the LAUGFS continues to expand its operations seeking profitable investment opportunities.

At the moment there is no regulatory authority for the Company's main business operations in the LP Gas downstream activity except for the pricing of the domestic gas cylinders through Consumer Affairs Authority (CAA). As per this agreement with CAA on pricing formula, it ensures that the Company shall recover its total landed cost plus a reasonable margin of profit. The Company is also streamlining the business processes in order to adhere to any future requirements to be imposed to have a single regulatory authority to oversee the operations/pricing for all public utilities. The LP Gas downstream activity is exposed and vulnerable to vagaries of the global crude oil market & the Company is evaluating all options available to minimize the supply and the commodity price risk involved with LP Gas to ensure smooth operations & profitability.

The Company also maintains a strong relationship with relevant stakeholders and plays a major role in influencing socio-economic stability within the country.

Reputation

Customer Relationship Management

Risks arising from customer service pose a major threat to the reputation of the Company. LAUGFS has taken various measures to maintain a good relationship with the customers on a regular basis to improve the quality, availability of the products/services and to provide satisfactory, aftermarket support services, technical advisory support etc.

The main focus of Customer Relationship Management department is to mitigate the risks that may arise from changing of customer requirements from time to time and to prevent losing of potential and existing customers and customer loyalty. To ensure this, the Company conducts repeated customer feedback surveys targeting of its customer segments, receiving of the complaints and resolving those within 3 working days, implementing inquiry system for its customers, providing technical support system etc. by employing a well competent staff.

Quality

LAUGFS is committed to provide a quality product and service to its customers at all the time. To ensure this all the areas that may have a risk of providing a quality product to its customers are identified and required control measures are taken to mitigate such risk.

LAUGFS received prestigious ISO 9001: 2008 international system certification for effective implementation of its Quality Management System, from Sri Lanka Standards Institution, the leading certification body in the country. Quality assurance and control procedures are implemented and maintained to ensure all the critical activities are carried out under controlled conditions. Planned internal quality audits are carried out to ensure effective implementation and continual improvement of such systems.

Audit committee report

Composition of the Audit Committee

The Audit Committee comprises three Independent and non-executive directors. The Chairman of the committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka with extensive experience in finance, audit and related areas. The other two members, who are professionals too, have a wealth of experience in the commercial and legal sectors.

The composition of the Audit Committee is as follows,

Mr. Tissa Bandaranayake (Chairman)

Mr. Palitha Kumarasinghe,PC (Member)

Mr. C.L De Alwis (Member)

The Head of Group Risk & Control Mr. Nishan Perera serves as the Secretary to the committee.

Meetings and Attendance

The committee formally met five times during the year ended 31st March 2012. The Chairman, Managing Director, Chief Financial Officer & Head of Legal/Board secretary attended the meetings by invitation. Head of Finance of respective Companies, whose internal audit reports being reviewed, were also invited to attend these meetings, whenever the committee considered it necessary. All meetings were attended by all the members of the committee.

Role of the Audit Committee

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

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

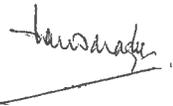
Internal Audit

The Audit Committee reviewed and discussed the Audit Reports submitted by the Head of Group Risk & Control for the 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 was briefed by the external auditors Messrs Ernst & Young, on the progress and conduct of the statutory audit and discussed audit related issues with them. 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 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.

The Management Letter issued for the year ended 31st March 2012, the Management responses thereto and the remedial actions taken, were reviewed and evaluated.



Tissa Bandaranayake
Chairman, Audit Committee

Colombo
20th August 2012

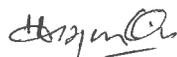
Remuneration committee report

The Remuneration Committee of LAUGFS Gas PLC which consists of One Non-Executive and Two Non-Executive Independent Directors namely Mr. T. K. Bandaranayaka, Mr. C. L. De Alwis and Mr. H. A. Ariyaratne as the Chairman of the Committee is responsible for determining the remuneration policy relating to the Chairman, Managing Director, Directors and senior management personnel of the Company.

It is the firm belief of the Remuneration Committee that it should formulate policies to attract, motivate and retain senior management personnel. The Board makes the final determination having considered the recommendations of this committee and also the performance of the senior management. The Committee ensured that the Board complied with the Companies Act No. 7 of 2007, particularly in relation to directors' remuneration especially the requirements of section 216.

The responsibilities of the Remuneration Committee include formulating formal and transparent procedures for developing policy on remuneration of executive directors and senior management personnel, recommending corporate management appointments to the board and advising on succession planning, maintaining a competitive and attractive remuneration package linked to performance, ensuring no director is involved in setting his own remuneration.

The Chairman and the Managing Director assist the Committee in its deliberations except when their own compensation package is reviewed. In conclusion, I wish to thank my colleagues, Mr. T. K. Bandaranayaka and Mr. C. L. De Alwis for their valuable contribution to the work of the Committee.



H. A. Ariyaratne

Chairman

Remuneration Committee

20th August 2012

Investment committee report

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. Ariyaratne. 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 Board makes the final determination on investment having considered the evaluations and recommendations of this committee.

The Committee also assess the risk factor, 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 the Chairman of LAUGFS Gas PLC and Mr. H. A. Ariyaratne for their valuable contribution to the work of the Committee.



U. K. Thilak De Silva

Chairman

Investment Committee

20th August 2012

Management committee report

The Management Committee comprises of Mr. W. K. H. Wegapitiya (Chairman of the Committee), Mr. U. K. Thilak De Silva, Mr. H. A. Ariyaratne and Mr. C. L. De Alwis. The Committee assists the Board in formulation and implementation of strategies, review and monitoring of Group Budgets, financial reporting and corporate governance. For these purposes the Chairman of the Committee and the Managing Director convene the meeting with the Group's senior management team on regular basis.

In conclusion, I wish to thank my colleagues, Mr U. K. Thilak De Silva (Managing Director), Mr. H. A. Ariyaratne and Mr. C. L. De Alwis and the members of the senior management team for their valuable contribution to the work of the Committee.



W. K. H. Wegapitiya

Chairman

Management Committee

20th August 2012

CHOSEN.

"LAUGFS Gas has been the best 'kitchen helper' we have ever had. Their products are reliable, safe and cost effective. That's why we will always keep going back to them..."



Annual report of the board of directors on the affairs of the company

The Board of Directors of LAUGFS Gas PLC have pleasure in presenting the Annual Report and the Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31st March 2012. LAUGFS Gas PLC is a public limited liability 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 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 and other related products and Services. The Company has also invested in a portfolio of diverse business comprising its main subsidiaries namely LAUGFS Eco Sri (Private) Limited, LAUGFS Leisure Limited, Mag Consultants and Agents (Pvt) Ltd LAUGFS Power Limited and LAUGFS Property Developers (Private) Limited which are operating vehicle emission testing centres to issue Vehicle Emission Test Certificates, constructing 88 room luxury hotel in Bangadeniya and planning to develop luxury hotels in Waskaduwa and Passikudah, Constructing a hydro-power plant in Balangoda and Real Estate Development respectively.

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 3 to the Financial Statements.

Revenue generated by the Company for the year under review amounted to Rs. 8,395,843,733/-, whilst group revenue amounted to Rs. 9,176,744,157/-. Contribution to group revenue, from the different business segments carried out by the four subsidiaries are provided in Note 3 to the Financial Statements.

Results and Appropriations

The gross turnover of the Company and its subsidiaries in the year under review amounted to Rs. . Rs. 9,176,744,157/-. The net profit of the Company and its subsidiaries amounted to Rs. 930,340,383/-.

Financial Statements and the Report of the Auditors

The Financial Statements of the Company and the Group for the year ended 31st March 2012 as approved by the Board of Directors on 29th June 2012 are given on pages 97 to 134.

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 97.

Accounting Policies

The Accounting Policies adopted in the preparation and presentation of the Financial Statements are given on pages 102 to 109 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. 1,726,000. 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 and other equity investments amounted to Rs. 1,281,301,914 and Rs. 447,936,536 respectively. The details of the investments are given in Note 6 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. 4,462,087,109 and Rs. 6,182,602,080 for the Company and Group respectively.

Total capital expenditure during the year for acquisition of property, plant and equipment by the Company and the Group amounted to Rs. 612,225,937 and Rs. 825,976,512 respectively.

Details of property, plant and equipment are given in Note 4 to the Financial Statements.

Stated Capital and Reserves

The stated capital of the Company as at 31st March 2012 was Rs. 3,285,000,260. consisting of 335,000,086 of ordinary voting and 52,000,000 of ordinary non-voting shares.

The Group Revaluation Reserves and Group Retained Earnings was Rs. 1,036,450,036 and Rs. 2,081,101,919 respectively.

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 as at 31st March 2012 and their brief profiles are given on the pages 23 to 25. The following persons were the Directors of the Company as at 31st March 2012.

- (a) Mr. W. K. H. Wegapitiya – The Chairman/CEO
- (b) Mr. U. K. Thilak De Silva – 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

Interms of Article 81 and 82 of the Articles of Association of the Company Mr. T. K. Bandaranayake and Mr. P. M. Kumarasinghe PC retire by rotation and being eligible are being recommended by the Board for re-election at the ensuing Annual General Meeting.

Board Committees

The following members serve on the Board, Audit, 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 financial statements in accordance with Sri Lanka Accounting Standards and all other statutory requirements. The Audit Committee also ensures the Company's internal control system and Risk Management procedure are upto 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.

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. Ariyaratne. 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. Ariyaratne (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 Remuneration Committee Report.

Management Committee

The Management Committee comprises of Mr. W. K. H. Wegapitiya (Chairman of the Committee), Mr. U. K. Thilak De Silva, Mr. H. A. Ariyaratne and Mr. C. L. De Alwis. 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.

Annual report of the board of directors on the affairs of the company

Directors' interest in Contracts

Directors' interest in contracts are disclosed in the related party transactions under Note 24 to the Financial Statements.

Directors Shareholding

The shareholdings of the Directors of the Company as at 31st March 2012, and as defined under the Listing Rules of Colombo Stock Exchange are as follows.

M/s. W. K. H. Wegapitiya and U. K. Thilak De Silva are shareholders of LAUGFS Holdings Limited, which is the holding Company holds significant stakes of the Company directly.

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 24.8(a) to the Financial Statements.

Share Information

Share Information of the Company is given on page 135 to 139. The distribution and the composition of shareholding are given on page 135 of this Annual Report.

The Details of the twenty major shareholders of the Company including the number of shares held by them are given on page 138 & 139 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 has been declared by the Directors and they have refrained from voting on matters in which they were materially interested, the Company has made all endeavours to ensure the equitable treatment of shareholders, the business as a going concern and a review of internal controls covering financials, operational and compliance controls and risk management. 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

Voting Shares			Non-voting Shares		
Name of Director	No of Shares	%	Name of Director	No of Shares	%
Mr. W.K.H.Wegapitiya	133,500	0.040	Mr. W.K.H.Wegapitiya	NIL	-
Mr.U.K. Thilak De Silva	20,000	0.006	Mr. U.K.Thilak De Silva	NIL	-
Mr.H.A. Ariyaratne	3,900	0.001	Mr. H.A. Ariyaratne	3,400	0.007
Mr.C.L. De Alwis	1,000	0.000	Mr. C.L. De Alwis	500	0.001
Mr.P.M. Kumarasinghe PC	4,800	0.001	Mr. P.M. Kumarasinghe PC	NIL	-
Mr.T.K. Bandaranayake	NIL	-	Mr. T.K. Bandaranayake	NIL	-

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 22.2 of the financial statements, covering contingent liabilities.

Going Concern

The Board of Directors are satisfied that the Company and its subsidiaries 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 paid a first and final Dividend of Rs. 1.50 per share on 02-08-2012.

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 authorise 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. 17 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 Mt. Lavinia Hotel on 25th September 2012 at 3.00pm. The notice of the 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 (Pvt) Ltd
Secretaries

20th August 2012

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.

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

- using appropriate 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 Accounting Standards; 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.

Further, as required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors had confirmed that the Company, based on the information available, satisfied the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act no 7 of 2007, and had obtained a certificate from the auditors, prior to declaring an interim dividend of Rs 1.50 per share for the financial year under review which was paid on 02nd August 2012.

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

20th August 2012

Independent auditors' report



Chartered Accountants

201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

TO THE SHAREHOLDERS OF LAUGFS GAS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of LAUGFS Gas PLC ("Company") and the consolidated financial statements of the Company and its Subsidiaries, which comprise the balance sheets as at 31 March 2012, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements gives a true and fair view of states of affairs as at 31 March 2012 and its profit and cash flows for year then ended in accordance with Sri Lanka Accounting Standards, of the Company and its Subsidiaries dealt with thereby, so far as concerns to the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) and 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

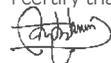
29 June 2012
Colombo

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

Balance sheet

As at 31 March	Note	Group		Company	
		2012	2011	2012	2011
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4	6,182,602,080	4,998,630,047	4,462,087,109	4,082,403,306
Prepayments	26	400,000	-	-	-
Investment in Subsidiaries	6	-	-	1,281,301,914	616,301,984
Other Non-Current Investments	6.2	437,203,095	423,409,191	437,203,095	423,409,191
		6,620,205,175	5,422,039,238	6,180,592,118	5,122,114,481
Intangible Assets	5	53,203,385	52,928,221	-	-
Current Assets					
Inventories	7	620,109,359	291,647,968	598,253,377	273,237,080
Trade and Other Receivables	8	938,943,931	873,543,114	894,177,750	847,588,602
Rate Regulatory Assets	25	196,023,612	387,854,097	196,023,612	387,854,097
Income Tax Receivable		38,684,316	-	42,864,603	-
Short Term Investments	6.3	4,962,160	-	4,962,160	-
Cash and Bank Balances	21	2,163,913,258	2,037,535,204	1,748,404,240	1,858,513,965
		3,962,636,636	3,590,580,383	3,484,685,742	3,367,193,744
Total Assets		10,636,045,196	9,065,547,842	9,665,277,860	8,489,308,225
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	9	3,285,000,260	3,285,000,260	3,285,000,260	3,285,000,260
Revaluation Reserve	10	1,036,450,036	1,061,400,707	686,272,705	692,793,885
Retained Earnings		2,081,101,919	1,712,832,176	1,550,691,346	1,561,811,375
Total Equity		6,402,552,215	6,059,233,143	5,521,964,311	5,539,605,520
Non-Current Liabilities					
Interest Bearing Liabilities	11	-	375,122	-	375,122
Deferred Tax Liability	19.5	380,323,640	310,886,166	380,323,640	310,886,166
Deferred Income	12	345,772,225	280,799,748	345,772,225	280,799,748
Retirement Benefit Liability	13	34,456,236	23,756,017	28,364,234	20,470,588
Refundable Deposits	15	1,085,535,045	976,224,060	1,085,535,045	976,224,060
		1,846,087,146	1,592,041,113	1,839,995,144	1,588,755,684
Current Liabilities					
Trade and Other Payables	14	132,049,355	133,168,821	64,269,486	100,979,697
Refundable Deposits	15	120,615,005	108,469,340	120,615,005	108,469,340
Income Tax Liabilities		-	138,130,172	-	136,246,209
Interest Bearing Liabilities	11	2,134,741,475	1,034,505,253	2,118,433,914	1,015,251,776
		2,387,405,835	1,414,273,586	2,303,318,405	1,360,947,022
Total Equity and Liabilities		10,636,045,196	9,065,547,842	9,665,277,860	8,489,308,225

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



K R W Ranasinghe
Chief Financial Officer

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



W K H Wegapitiya
Director



U K Thilak De Silva
Director

The accounting policies and notes on pages 102 to 134 form an integral part of these financial statements.

29 June 2012
Colombo

Income statement

For the year ended 31 March	Group		Company		
	2012	2011	2012	2011	
	Note	Rs.	Rs.	Rs.	Rs.
			(Restated)		
Continuing Operation:					
Revenue	3	9,176,744,157	7,061,563,356	8,395,843,733	6,495,219,247
Cost of Sales		(7,516,632,774)	(5,704,349,887)	(7,258,129,491)	(5,493,947,492)
Gross Profit		1,660,111,383	1,357,213,469	1,137,714,242	1,001,271,755
Other Income and Gains	16	380,241,052	318,359,585	443,974,347	314,989,503
Negative Goodwill on Acquisition	28	174,907,171	-	-	-
Selling and Distribution Expenses		(333,386,255)	(193,558,520)	(313,820,062)	(183,526,233)
Administrative Expenses		(531,151,606)	(373,240,867)	(300,660,418)	(227,941,697)
Foreign Exchange Gain/(Loss)		(209,763,162)	36,068,774	(209,763,162)	36,068,774
Finance Cost	18	(1,421,862)	(104,041,827)	(1,399,733)	(75,071,252)
Profit Before Tax	17	1,139,536,721	1,040,800,614	756,045,214	865,790,849
Income Tax Expense	19	(202,236,827)	(189,823,325)	(186,665,114)	(189,823,325)
Profit for the Year		937,299,894	850,977,289	569,380,100	675,967,524
Discontinued Operation:					
Profit/(Loss) from Discontinued Operation	29	(6,959,511)	1,722,713	-	-
		930,340,383	852,700,002	569,380,100	675,967,524
Attributable to:					
Equity Holders of the Parent		930,340,383	852,700,002	569,380,100	675,967,524
Minority Interest		-	-	-	-
		930,340,383	852,700,002	569,380,100	675,967,524
Earnings/(Losses) Per Share from Discontinued Operation	20	(0.02)	0.01	-	-
Earnings Per Share from Continuing Operation	20	2.42	2.84	1.47	2.26

The accounting policies and notes on pages 102 to 134 form an integral part of these financial statements.

Statement of changes in equity

	Note	Stated Capital	Revaluation Reserve	Retained Earnings	Total	Minority Interest	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Group							
Balance as at 01 April 2010		780,000,260	1,212,411,791	846,565,811	2,838,977,862	-	2,838,977,862
Revaluation Impact on Depreciation		-	(18,429,491)	18,429,491	-	-	-
Deferred Tax Liability on Revaluation Reserve	19.3	-	(132,581,593)	-	(132,581,593)	-	(132,581,593)
Issue of Shares for Cash Consideration	9	2,505,000,000	-	-	2,505,000,000	-	2,505,000,000
Effect of Changes in Accounting Policies	13.2	-	-	(4,863,129)	(4,863,129)	-	(4,863,129)
Profit For the Year		-	-	852,700,002	852,700,002	-	852,700,002
Balance as at 31 March 2011		3,285,000,260	1,061,400,707	1,712,832,176	6,059,233,143	-	6,059,233,143
Revaluation Impact on Depreciation	10	-	(18,429,491)	18,429,491	-	-	-
Deferred Tax Liability on Revaluation Reserve	19.3	-	(6,451,425)	-	(6,451,425)	-	(6,451,425)
Transfer of Surplus on Revaluations of Property, Plant & Equipment		-	(69,755)	-	(69,755)	-	(69,755)
Dividend Paid during the Year (Final 2010/2011)		-	-	(580,500,131)	(580,500,131)	-	(580,500,131)
Profit For the Year		-	-	930,340,383	930,340,383	-	930,340,383
Balance as at 31 March 2012		3,285,000,260	1,036,450,036	2,081,101,919	6,402,552,215	-	6,402,552,215

		Stated Capital	Revaluation Reserve	Retained Earnings	Total
		Rs.	Rs.	Rs.	Rs.
Company					
Balance as at 01 April 2010		780,000,260	825,375,478	890,706,980	2,496,082,718
Issue of Shares for Cash Consideration	9	2,505,000,000	-	-	2,505,000,000
Deferred Tax Liability on Revaluation Reserve	19.3	-	(132,581,593)	-	(132,581,593)
Effect of Changes in Accounting Policies	13.2	-	-	(4,863,129)	(4,863,129)
Profit For the Year		-	-	675,967,524	675,967,524
Balance as at 31 March 2011		3,285,000,260	692,793,885	1,561,811,375	5,539,605,520
Deferred Tax Liability on Revaluation Reserve	19.3	-	(6,451,425)	-	(6,451,425)
Transfer of Surplus on Revaluations of Property, Plant & Equipment	10	-	(69,755)	-	(69,755)
Dividend Paid during the Year (Final 2010/2011)		-	-	(580,500,129)	(580,500,129)
Profit For the Year		-	-	569,380,100	569,380,100
Balance as at 31 March 2012		3,285,000,260	686,272,705	1,550,691,346	5,521,964,311

The accounting policies and notes on pages 102 to 134 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 March	Group		Company	
	2012	2011	2012	2011
Note	Rs.	Rs.	Rs.	Rs.
		(Restated)		
Cash Flows From/(Used in) Operating Activities				
Net Profit Before Tax from Continuing Operations	29	1,139,536,721	1,040,800,614	756,045,214
Profit/(Loss) Before Tax from Discontinued Operations		(7,567,312)	3,606,678	-
Adjustments for				
(Profit)/Loss on Disposal of Property, Plant & Equipment		3,117,071	2,206,680	1,701,420
Depreciation of Property, Plant & Equipment	4	310,184,367	254,893,902	230,201,365
Write-off of Bad Debts		-	288,781	-
Write-off of Property, Plant & Equipment		1,794,735	-	-
Profit/(Loss) from Managing Temple Tree Resort & Spa		2,863,984	(2,243,298)	-
Income from Investments		(164,036,766)	(55,097,530)	(228,489,449)
Disposal Profit on Shares		1,110,416	(6,907,035)	1,110,416
Finance Cost		1,421,862	104,119,246	1,399,733
Provision for Fall in Value of Investments		5,771,281	-	5,771,281
Unrealized Loss on Foreign Exchange		149,902,357	-	149,902,357
Provision for Defined Benefit Plans		10,947,544	6,607,114	7,940,945
Negative Goodwill on Acquisition	13	(174,907,171)	-	-
Operating Profit Before Working Capital Changes		1,280,139,088	1,348,275,152	925,583,281
(Increase)/Decrease in Inventories		(328,461,391)	(93,331,189)	(325,016,297)
(Increase)/Decrease in Trade and Other Receivables		(57,611,883)	(124,983,127)	(46,589,148)
(Increase)/Decrease in Rate Regulated Assets		191,830,485	(131,412,267)	191,830,485
Increase/(Decrease) in Trade and Other Payables		(13,151,708)	(284,276,974)	(36,710,211)
Increase/(Decrease) in Deferred Income		64,972,477	7,719,773	64,972,477
Cash Generated from Operations		1,137,717,068	721,991,368	774,070,586
Refundable Deposits Received	15	398,220,925	508,936,355	398,220,925
Refund/Transfers of Deposits	15	(276,764,275)	(214,194,434)	(276,764,275)
Finance Cost Paid		(1,013,358)	(99,078,783)	(991,209)
Income Tax Paid		(307,910,063)	(48,224,826)	(295,853,674)
Defined Benefit Plan Paid	13	(247,325)	(588,309)	(47,300)
Net Cash Flows from Operating Activities		950,002,992	868,841,371	598,635,053
Cash Flows from/(Used in) Investing Activities				
Acquisition of Property, Plant & Equipment	4	(825,976,512)	(774,522,076)	(612,225,937)
Proceeds from Disposal of Property, Plant & Equipment		1,465,011	6,981,571	195,926
Acquisition of Subsidiary		(500,000,000)	-	-
Investments in Subsidiaries		-	-	(664,999,930)
Investment in Quoted Shares		(60,683,378)	(456,046,831)	(60,683,378)
Proceeds from Disposal of Shares		36,445,618	39,544,676	36,445,616
Income from Investments		164,036,766	55,097,530	228,489,449
Net Cash Flows Used in Investing Activities		(1,184,712,496)	(1,128,945,130)	(1,072,778,255)
Cash Flows from/(Used in) Financing Activities				
Issue of Shares		-	2,505,000,000	-
Proceeds from Interest Bearing Loans and Borrowings		6,991,361,920	1,360,237,400	6,991,361,920
Repayment of Interest Bearing Loans and Borrowings		(6,035,362,465)	(2,073,993,514)	(6,035,362,465)
Dividend Paid		(580,500,131)	-	(580,500,129)
Net Cash Flows from Financing Activities		375,499,324	1,791,243,886	375,499,326
Net Increase/(Decrease) in Cash and Cash Equivalents		140,789,821	1,531,140,127	(98,643,875)
Cash and Cash Equivalents at the Beginning of the Year		2,006,436,486	475,296,359	1,846,668,725
Cash and Cash Equivalents at the End of the Year	21	2,147,226,307	2,006,436,486	1,748,024,850

The accounting policies and notes on pages 102 to 134 form an integral part of these financial statements.

Notes to the financial statements

1. CORPORATE INFORMATION

1.1 General

LAUGFS Gas PLC ("Company") is a quoted public limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 14, R.A De Mel Mawatha, Colombo 04 and the principal place of business is situated at No. 311/1, Biyagama Road, Mabima, Heiyanthuduwa.

The Ordinary Voting and Non-Voting shares of the Company were listed on Colombo Stock Exchange on 08 December 2010.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company and the Subsidiaries 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 vehicle emission testing services
LAUGFS Leisure Ltd.	Construction of a new hotel property at Chilaw
LAUGFS Property Developers (Pvt) Ltd.	Construction of serviced apartments
LAUGFS Hotel Management Services (Pvt) Ltd.	Managing the operations of Emerald Bay Hotel and Temple Trees Resort and Spa located in Induruwa
LAUGFS Power Ltd.	Construction of a hydro power plant at Balangoda
Mag Consultants and Agents (Pvt) Ltd.	Construction of a new hotel property at Waskaduwa

1.3 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.

1.4 Directors' Responsibility Statement

The responsibility of the Directors in relation to the financial statements is set out in 'The statement of director's responsibility'.

1.5 Date of Authorization for Issue

The consolidated financial statements of LAUGFS Gas PLC and its Subsidiaries for the year ended 31 March 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 29 June 2012.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for land, plant and machinery, buildings, cylinders, motor vehicles and testing equipment that have been measured at fair value. The consolidated financial statements are presented in Sri Lankan Rupees. The preparation and presentation of these financial statements is in compliance with the Companies Act No. 07 of 2007.

2.1 Comparative Information

The comparative figures are consistent with those used in previous year except for Note 30.

2.1.1 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

2.2 Significant Accounting Judgements, Estimates and Assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

Allowance for Doubtful Debts

The Group reviews at each balance sheet date all receivables to assess whether an allowance for doubtful debts should be recorded in the income statement. The Management uses judgments in estimating such amount in the light of the duration of outstanding and any other factors, Management is aware of that indicate uncertainty in recovery.

Estimates and Assumptions

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

Fair Value of Property, Plant & Equipment

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

Defined Benefit Plans

The defined benefit obligation and the related charge for the year are determined using assumptions required under actuarial valuation techniques. The valuation involves making assumptions about discount rates, future salary increases, staff turnover rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainty. Further details are given in Note 13 and policy 2.4.11 below.

Reviews of Impairment Losses on Other Assets

The Group determines whether assets have been impaired by performing an impairment review. This requires the estimation of the value in use of cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating units and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

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.

2.3 Consolidation Policy

2.3.1 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company, its Subsidiaries and Other Companies over which it has control.

The Group's financial statements comprise of the consolidated financial statements of the Company and the Group which have been prepared in compliance with the Sri Lanka Accounting Standards.

All the material intra group balances, income and expenses and profits or losses resulting from intra group transactions are eliminated in full.

2.3.2 Acquisitions and Divestments

Acquisitions of the Subsidiaries are accounted for using the purchase method of accounting unless they involve entities under common control. The results of Subsidiaries, acquired or incorporated during the year have been included from the date of acquisition, or incorporation while results of Subsidiaries, disposed have been included up to the date of disposal.

2.3.3 Subsidiaries

Subsidiaries are those enterprises controlled by the Parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has a controlling interest.

Subsidiaries are consolidated from the date the parent obtains control until the date that control ceases.

Subsidiaries consolidated have been listed in Note 6.1.

The total profits and losses for the period, of the Company and of its Subsidiaries included in consolidation and all assets and liabilities of the Company and of its Subsidiaries included in consolidation are shown in the consolidated income statement and balance sheet respectively.

Minority interests if any which represents the portion of profits or loss and net assets not held by the Group, are shown as a component of profit for the period in the Income Statement and as a component of equity in the consolidated balance sheet, separately from parent's shareholders' equity.

The consolidated cash flow statement includes the cash flows of the Company and its Subsidiaries.

2.3.4 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities. Following total initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash

Notes to the financial statements

generating units that are expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates, where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognized. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata basis to the carrying amount of each asset in the unit.

Negative goodwill arises on acquisition of businesses is immediately recognized in the consolidated income statement.

2.3.5 Financial Year

Results of all Subsidiaries are drawn for the twelve (12) months period up to 31 March, which is the year end.

2.4 Summary of Significant Accounting Policies

2.4.1 Foreign Currency Translation

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

2.4.2 Taxation

a) Current Taxes

Provision for income tax is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provisions of the relevant tax statutes.

Withholding tax on dividends received from subsidiaries is recognized as a tax expense in the consolidated income statement.

b) Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

c) Sales Tax

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

2.4.3 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

2.4.4 Inventories

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

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:

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 & Beverage	-	At actual cost on weighted average basis

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

The project under development comprises acquisition costs, purchase taxes and any directly attributable costs to bring the asset to intended sale. Administrative expenses are not included unless these can be directly attributed to specific projects, directly attributable costs are costs incurred for bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

2.4.5 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of allowances for bad and doubtful receivables.

Other receivables and dues from related parties are recognized at cost less allowances for bad and doubtful receivables.

2.4.6 Cash and Cash Equivalents

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

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

2.4.7 Property, Plant and Equipment

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

Land, buildings, plant and machinery and equipment, cylinders, motor vehicle and testing equipment are measured at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

Depreciation is calculated on a straight line basis over the useful life of the assets is disclosed in Notes 4.8 and 4.9. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the assets is classified as held for sale and the date that the assets is derecognized.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

When each 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.

Notes to the financial statements

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

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

LAUGFS Eco Sri (Pvt) Ltd, a Subsidiary, makes an annual transfer from the asset revaluation reserve to retained earnings for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost.

2.4.8 Leases - Group as a Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the 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 charged reflected in the Income Statement.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described Note 4.8.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

2.4.9 Investments

a) Initial Recognition

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The Group distinguishes and presents current and non current investment in the balance sheet.

b) Measurement

Current Investment

Current investments are carried at the lower of cost and market value, determined on the basis of aggregate portfolio.

Unrealized losses arising from reduction to market value and reversals of such reduction required to state current investments at lower of cost and market value are included in income statement.

Non-Current Investments

Non-current investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to income statement.

Disposal of Investment

On disposal of an investment, the difference between net disposals and proceeds and the carrying amounts is recognized as income or expense. Any revaluation surplus related to disposed investments are transferred to retained earnings.

2.4.10 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.4.11 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

The cost of defined benefit plan-gratuity; is determined using actuarial valuations except Subsidiary Companies. 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.

The Subsidiary Companies annually measure the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using the gratuity formula in Appendix E of Sri Lanka Accounting Standard No. 16, Employee Benefits (Revised 2006) which is based on the Projected Unit Credit method as discussed in the said standard. Although actuarial assumptions are used therein, it should not be treated as a substitute to an actuarial valuation.

The item is stated under Retirement Benefit Liability in the balance sheet.

The gratuity liability is not externally funded.

b) Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with the respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

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

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

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously

recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.4.13 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.

2.4.14 Revenue 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. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

a) Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

b) Interest

Interest income is recognized on accrual basis.

Notes to the financial statements

c) **Deferred Income from Non-Refundable Deposits**

The deferred income from non-refundable deposits is recognized in the income statement over a period of five (05) years; the period it is estimated to be held by the customer.

d) **Dividend**

Dividend income is recognized when the shareholders' right to receive the payment is established.

e) **Others**

Other income is recognized on an accrual basis.

f) **Room Revenue**

Revenue is recognized on the rooms occupied on daily basis.

g) **Food & Beverage Revenue**

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

2.4.15 **Rate Regulatory Assets and Liabilities**

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 01 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 between past two months and the cost previously recognized as rate regulatory assets or liabilities is reversed to income statement.

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.

2.4.16 **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 of the Group taking into account the agreement signed between the Group and the Consumer Affairs Authority consequent to an order given by the Supreme Court. According to the judgment of the Supreme Court the Group 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 Group where it has permitted to a selling price of landed cost plus a margin.

2.5 **Accounting Standards Effective from 01 January 2012**

The Group has been adopting the new Sri Lanka Accounting Standards (SLAS) comprising of LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced transitioning its accounting policies and financial reporting in readiness for the transition. As the Group has a 31 March year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01 April 2012. This will form the basis of accounting for the new SLASs in the future, and is required when the Group prepares its first new SLAS compliant financial statements for the year ending 31 March 2013. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Group. At this stage the Group has not been able to reliably quantify the impact on the financial statements. The Group is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

- (a) SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards requires the Group to prepare and present an opening SLFRS financial statement at the date of transition to SLFRS. The Group shall use the same accounting policies in its opening SLFRS financial statements and throughout all comparable periods presented in its first SLFRS financial

statements. Those accounting policies should comply with each SLFRS effective at the end of the first SLFRS reporting period.

- (b) LKAS 1 – Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. The standard also requires the Group to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Group shall also provide additional disclosures on puttable financial instruments classified as equity instruments.
- (c) LKAS 18 – Revenue requires the Company/Group to measure revenue at the fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Company/Group needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.
- (d) LKAS 16 – Property, Plant and Equipment requires the Company/Group to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs. All site restoration costs and other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be recovered/depreciated over the useful life of the asset, even if the expenditure will only be incurred at the end of the asset's life. The obligations are calculated in accordance with LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

- (e) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair

value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The current method of loan loss provisioning will no longer be applicable under this test.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. As at present, the Company/Group does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and certain derivative instruments are not recognized on the balance sheet, and hence would require a change in accounting policy.

Notes to the financial statements

3. SEGMENTAL REPORTING

Business Segment	Trading of Liquefied Petroleum Gas		Services		Leisure & Hospitality		Property Developers		Energy		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Year ended 31 March	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	8,395,843,733	6,495,219,247	780,900,424	566,344,109	-	(Restated) -	-	-	-	-	9,176,744,157	7,061,563,356
	8,395,843,733	6,495,219,247	780,900,424	566,344,109	-	-	-	-	-	-	9,176,744,157	7,061,563,356
Results												
Segment Results	757,444,946	940,862,101	308,003,312	207,190,154	(8,773,033)	(1,127,602)	(676,778)	(2,082,211)	52,963	-	1,056,051,410	1,144,842,442
Elimination/Adjustments	-	-	-	-	-	-	-	-	-	-	84,907,173	-
Finance Cost	(1,399,733)	(75,071,252)	(21,429)	(28,966,575)	(700)	(4,000)	-	-	-	-	(1,421,862)	(104,041,828)
Profit/(Loss) Before Income Tax	756,045,214	865,790,849	307,981,883	178,223,579	(8,773,733)	(1,131,602)	(676,778)	(2,082,211)	52,963	-	1,139,536,721	1,040,800,614
Income Tax Expense	(186,665,114)	(189,823,325)	(5,500,389)	-	5,465	-	-	-	(76,789)	-	(192,236,827)	(189,823,325)
Dividend Tax of Subsidiary	-	-	-	-	-	-	-	-	-	-	(10,000,000)	-
Profit/(Loss) for The Year from Continuing Operations	569,380,100	675,967,524	302,481,494	178,223,579	(8,768,268)	(1,131,602)	(676,778)	(2,082,211)	(23,826)	-	937,299,894	850,977,289
Profit/(Loss) for The Year from Discontinued Operations	-	-	-	-	(6,959,511)	1,722,713	-	-	-	-	(6,959,511)	1,722,713
	569,380,100	675,967,524	302,481,494	178,223,579	(15,727,779)	591,111	(676,778)	(2,082,211)	(23,826)	-	930,340,383	852,700,002
Assets & Liabilities												
Non Current Assets												
Property, Plant & Equipment	4,462,087,108	4,082,403,306	391,509,136	413,496,183	814,388,389	50,761,880	510,671,911	451,968,676	3,945,535	-	6,182,602,080	4,998,630,047
Prepayments	-	-	-	-	-	-	-	-	400,000	-	400,000	-
Investment in Subsidiaries	1,281,301,914	616,301,984	50,000,000	50,000,000	500,100,000	100,000	-	-	-	-	1,831,401,914	666,401,984
Other Non Current Investments	437,203,095	423,409,191	-	-	-	-	-	-	-	-	437,203,095	423,409,191
	6,180,592,118	5,122,114,481	441,509,136	463,496,183	1,314,488,389	50,861,880	510,671,911	451,968,676	4,345,535	-	8,451,607,089	6,088,441,222
Elimination/Adjustments	-	-	-	-	-	-	-	-	-	-	(1,831,401,914)	(666,401,984)
Total Non-Current Assets											6,620,205,175	5,422,039,238
Intangible Assets												
Segmental Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-
Elimination/Adjustments	-	-	-	-	-	-	-	-	-	-	53,203,385	52,928,221
Total Intangible Assets											53,203,385	52,928,221
Current Assets												
Segmental Current Assets	3,484,685,742	3,367,193,744	440,618,650	202,490,680	38,179,151	32,815,991	3,667,891	112,210	5,439,493	-	3,972,590,928	3,602,612,625
Elimination/Adjustments	-	-	-	-	-	-	-	-	-	-	(9,954,292)	(12,032,242)
Total Current Assets											3,962,636,636	3,590,580,383
Total Assets											10,636,045,196	9,065,547,842
Non-Current Liabilities												
Segmental Non-Current Liabilities	1,839,995,144	612,531,624	5,949,955	2,976,036	142,048	309,393	-	-	-	-	1,846,087,147	615,817,053
Current Liabilities												
Segmental Current Liabilities	2,303,318,405	2,337,171,082	35,426,633	24,741,123	50,190,905	30,213,281	8,340,097	10,404,403	84,087	-	2,397,360,127	2,402,529,888
Elimination/Adjustments	-	-	-	-	-	-	-	-	-	-	(9,954,292)	(12,032,242)
Total Current Liabilities											2,387,405,835	2,390,497,646
Total Liabilities											4,233,492,981	3,006,314,699
Depreciation for the Year	230,201,365	180,441,589	79,712,705	74,119,837	228,641	306,227	41,656	26,250	-	-	310,184,367	254,893,902
Purchase of Property, Plant & Equipment	612,225,937	724,063,756	60,410,394	27,424,834	90,649,755	13,527,827	58,744,891	9,505,655	3,945,535	-	825,976,512	774,522,076
Provision for Gratuity	7,940,945	4,753,915	2,973,919	1,720,797	32,680	132,402	-	-	-	-	10,947,544	6,607,114

3. SEGMENTAL REPORTING (Contd.)

3.1 The principal activity of LAUGFS Property Developers (Pvt) Ltd. is to construct service apartments given on rent for short term and long term durations. However, the commercial operations of these service apartments have not yet been commenced since such are under construction.

3.2 With effect from 30 September 2010, LAUGFS Leisure Limited has transferred the operations of Emerald Bay Hotel and Temple Tree Resort and Spa to LAUGFS Hotel Management (Pvt) Limited; a Subsidiary of LAUGFS Leisure Limited, which was incorporated on 22 July 2010. As a consequence, the principal activity of LAUGFS Leisure Ltd has been changed from managing the above properties to constructing a new hotel at Chilaw.

3.3 The rent agreement with the owner of Emerald Bay property and the hotel management agreement with the owner of Temple Tree property have expired on 31 August 2011 and 01 September 2011 respectively and as a consequence the leisure & hospitality sector of the group would be affected since the leisure and hospitality sector currently generate revenue from these properties. The directors have made an assessment of the leisure and hospitality sector's ability to continue as a going concern and they do not intend either to liquidate or to close or to curtail the business, having considered the following mitigating factors;

-having assessed and are confident that the Company will continue as a going concern as the Company has already commenced construction of a new property at Chilaw and commencement of commercial operations of such in future would generate revenues.

-It has been proposed to construct another new hotel property at Waskaduwa.

4. PROPERTY, PLANT & EQUIPMENT

	Balance As at 01.04.2011	Additions	On Acquisition of Subsidiary	Transfers in/(out)	Write Off/ Disposals during the Year	Balance As at 31.03.2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
4.1 Group						
4.1.1 Gross Carrying Amounts At Cost						
Freehold Land	3,600,000	14,961,500	-	-	-	18,561,500
Land Development	77,127,075	3,168,375	-	52,126,797	-	132,422,247
Buildings on Freehold Land	1,518,774	419,091	-	11,792,353	-	13,730,219
Buildings on Leasehold Land	9,312,452	20,097,054	-	-	(1,548,457)	27,861,049
Plant & Machinery	81,821,815	28,882,585	-	59,997,877	(599,250)	170,103,027
Office Equipment	54,173,718	22,685,210	-	5,038,916	(3,576,571)	78,321,273
Furniture & Fittings	8,877,979	54,370,579	-	29,437,977	(175,467)	92,511,068
Tools and Equipment	553,608	48,348	-	-	-	601,956
Gas Point Dealer Boards and Storage Huts	14,341,319	594,892	-	216,715	-	15,152,925
Motor Vehicles	144,019,372	13,097,942	-	32,116,953	-	189,234,267
Testing Equipment	29,646,335	20,351,608	-	(146,211)	(920,584)	48,931,148
Cutlery & Crockery	173,170	-	-	-	(173,170)	-
Cylinders in Hand and in Circulation	495,668,041	353,117,393	-	-	(29,337)	848,756,098
	920,833,657	531,794,576	-	190,581,377	(7,022,836)	1,636,186,775
Assets on Finance Leases						
Motor Vehicles	47,409,463	-	-	(28,993,823)	-	18,415,640
	47,409,463	-	-	(28,993,823)	-	18,415,640
At Valuation						
Freehold Land	1,221,700,001	-	675,000,000	-	-	1,896,700,001
Buildings	333,669,480	-	-	-	-	333,669,480
Plant & Machinery	450,960,000	-	-	-	-	450,960,000
Motor Vehicles	1,482,000	-	-	-	(116,000)	1,366,000
Testing Equipment	104,017,412	-	-	-	-	104,017,412
Cylinders in Hand and in Circulation	2,009,170,000	-	-	-	(2,160,291)	2,007,009,709
	4,120,998,893	-	675,000,000	-	(2,276,291)	4,793,722,602
Total Value of Depreciable Assets	5,089,242,013	531,794,576	675,000,000	161,587,554	(9,299,127)	6,448,325,017

Notes to the financial statements

4. PROPERTY, PLANT & EQUIPMENT (Contd.)

	Balance As at 01.04.2011	Additions	On Acquisition of Subsidiary	Transfers in/(out)	Write Off/ Disposals during the Year	Balance As at 31.03.2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
4.1.2 Capital Work In Progress						
Buildings	193,536,243	169,388,019	-	(49,169,114)	-	313,755,147
Storage Tank	28,350,029	67,002,449	-	(59,337,788)	-	36,014,690
Gas Detector	147,697	10,260	-	(157,957)	-	-
Shrink Sealer Machine	254,192	-	-	-	-	254,192
Fire Water Storage Project	-	93,123	-	-	-	93,123
Flow Meter	718,905	1,529,667	-	(759,130)	-	1,489,442
Land Development	-	55,645,535	-	(51,700,000)	-	3,945,535
Gas Storage Hut at Dealer Points	-	216,715	-	(216,715)	-	-
Galle Bottling Plant	1,523,599	-	-	49,318	-	1,572,917
Security Point Ladders	-	296,168	-	(296,168)	-	-
	224,530,665	294,181,936	-	(161,587,554)	-	357,125,047
Total Value of Assets	5,313,772,678	825,976,512	675,000,000	-	(9,299,127)	6,805,450,064

	Balance As at 01.04.2011	Charge for the Year	Transfers in/(Out)	Write Off/ Disposals during the Year	Balance As at 31.03.2012
	Rs.	Rs.	Rs.	Rs.	Rs.
4.1.3 Depreciation					
At Cost					
Buildings on Freehold Land	2,688	248,177	-	-	250,865
Buildings on Leasehold Land	658,929	2,788,159	-	(389,646)	3,057,442
Plant & Machinery	2,915,396	11,284,004	8,536	(289,172)	13,918,764
Office Equipment	21,529,720	11,299,439	-	(1,145,416)	31,683,743
Furniture & Fittings	2,890,085	7,283,325	-	(27,942)	10,145,468
Tools and Equipment	103,549	89,554	-	-	193,103
Gas Point Dealer Boards & Storage Huts	3,935,253	1,655,448	-	-	5,590,701
Motor Vehicles	35,460,517	23,085,529	22,131,095	-	80,677,141
Testing Equipment	5,635,568	5,901,360	(8,536)	(384,844)	11,143,548
Cutlery & Crockery	173,170	-	-	(173,170)	-
Cylinders in Hand and in Circulation	9,940,462	34,779,011	-	(244)	44,719,229
	83,245,337	98,414,006	22,131,095	(2,410,434)	201,380,003
Assets on Finance Leases					
Motor Vehicles	25,680,526	6,379,264	(22,131,095)	-	9,928,695
	25,680,526	6,379,264	(22,131,095)	-	9,928,695
At Valuation					
Buildings	44,213,100	44,099,240	-	-	88,312,340
Plant & Machinery	45,144,864	45,144,864	-	-	90,289,728
Motor Vehicles	703,950	209,250	-	(59,450)	853,750
Testing Equipment	15,696,227	15,696,227	-	-	31,392,454
Cylinders in Hand and in Circulation	100,458,498	100,241,516	-	(9,001)	200,691,013
	206,216,639	205,391,097	-	(68,451)	411,539,285
Total Depreciation	315,142,502	310,184,367	-	(2,478,885)	622,847,984

4. PROPERTY, PLANT & EQUIPMENT (Contd.)

As at 31 March	2012	2011
	Rs.	Rs.
4.1.4 Net Book Values		
At Cost		
Freehold Land	18,561,500	3,600,000
Land Development	132,422,247	77,127,075
Buildings on Freehold Land	13,479,354	1,516,086
Buildings on Leasehold Land	24,803,607	8,653,523
Plant & Machinery	156,184,264	78,906,419
Office Equipment	46,637,530	32,643,869
Furniture & Fittings	82,365,600	5,987,894
Tools and Equipment	408,853	450,059
Gas Point Dealer Boards & Storage Huts	9,562,224	10,406,066
Motor Vehicles	108,557,125	108,558,854
Testing Equipment	37,787,600	24,010,767
Cylinders in Hand and in Circulation	804,036,869	485,727,579
	1,434,806,771	837,588,191
Assets on Finance Leases		
Motor Vehicles	8,486,945	21,728,938
	8,486,945	21,728,938
At Valuation		
Freehold Land	1,896,700,001	1,221,700,001
Buildings	245,357,140	289,456,380
Plant & Machinery	360,670,272	405,815,136
Motor Vehicles	512,250	778,050
Testing Equipment	72,624,958	88,321,185
Cylinders in Hand and in Circulation	1,806,318,696	1,908,711,502
	4,382,183,317	3,914,782,254
Capital Work In Progress		
Buildings	313,755,147	193,536,243
Storage Tank	36,014,690	28,350,029
Gas Detector	-	147,697
Shrink Sealer Machine	254,192	254,192
Fire Water Storage Project	93,123	-
Flow Meter	1,489,442	718,905
Land Development	3,945,535	-
Galle Bottling Plant	1,572,917	1,523,599
	357,125,047	224,530,665
	6,182,602,080	4,998,630,046

Notes to the financial statements

4. PROPERTY, PLANT & EQUIPMENT (Contd.)

	Balance As at 01.04.2011	Additions	Transfers in/ (out)	Disposals	Balance As at 31.03.2012
	Rs.	Rs.	Rs.	Rs.	Rs.
4.2 Company					
4.2.1 Gross Carrying Amounts					
At Cost					
Freehold Land	3,600,000	14,961,500	-	-	18,561,500
Land Development	77,127,075	3,168,375	52,126,797	-	132,422,247
Buildings on Freehold Land	1,518,774	419,091	11,792,353	-	13,730,218
Plant & Machinery	70,563,393	22,438,338	59,851,666	-	152,853,397
Office Equipment	17,634,312	10,969,175	5,038,916	-	33,642,403
Furniture & Fittings	3,912,199	52,766,314	29,437,977	(123,967)	85,992,523
Gas Point Dealer Boards & Gas Storage Huts	14,341,318	594,892	216,715	-	15,152,925
Motor Vehicles	124,458,644	12,549,371	32,116,953	-	169,124,968
Cylinders in Hand and in Circulation	495,668,041	353,117,393	-	(29,337)	848,756,098
	808,823,756	470,984,448	190,581,377	(153,304)	1,470,236,278
Assets on Finance Leases					
Motor Vehicles	47,409,463	-	(28,993,823)	-	18,415,640
	47,409,463	-	(28,993,823)	-	18,415,640
At Valuation					
Freehold Land	882,900,000	-	-	-	882,900,000
Buildings on Freehold Land	48,750,000	-	-	-	48,750,000
Plant & Machinery	450,000,000	-	-	-	450,000,000
Motor Vehicles	1,482,000	-	-	(116,000)	1,366,000
Cylinders in Hand and in Circulation	2,009,170,000	-	-	(2,160,291)	2,007,009,709
	3,392,302,000	-	-	(2,276,291)	3,390,025,709
Capital Work In Progress					
Storage Tanks	28,350,029	67,002,449	(59,337,788)	-	36,014,690
Gas Storage Hut at Dealer Points	-	216,715	(216,715)	-	-
Galle Bottling Plant	1,523,599	-	49,318	-	1,572,917
Buildings	31,658,651	20,393,107	(49,169,114)	-	2,882,643
Gas Detector	147,697	10,260	(157,957)	-	-
Shrink Sealer Machine	254,192	-	-	-	254,192
Fire Water Storage Project	-	93,123	-	-	93,123
Land Development	-	51,700,000	(51,700,000)	-	-
Flow Meter	718,905	1,529,667	(759,130)	-	1,489,442
Security Point Ladders	-	296,168	(296,168)	-	-
	62,653,072	141,241,489	(161,587,554)	-	42,307,008
Total Value of Assets	4,311,188,291	612,225,937	-	(2,429,595)	4,920,984,635

4. PROPERTY, PLANT & EQUIPMENT (Contd.)

	Balance As at 01.04.2011	Charge for the Year	Transfers In/ (Out)	Disposals	Balance As at 31.03.2012
	Rs.	Rs.	Rs.	Rs.	Rs.
4.2.2 Depreciation					
At Cost					
Buildings on Freehold Land	2,688	248,177	-	-	250,865
Plant & Machinery	403,414	9,078,572	-	-	9,481,986
Office Equipment	10,727,492	4,961,201	-	-	15,688,693
Furniture & Fittings	1,791,035	6,424,217	-	(20,129)	8,195,123
Gas Point Dealer Boards & Storage Huts	3,935,253	1,655,448	-	-	5,590,701
Motor Vehicles	28,922,917	20,120,021	22,131,095	-	71,174,033
Cylinders in Hand and in Circulation	9,940,462	34,779,011	-	(244)	44,719,229
	55,723,261	77,266,647	22,131,095	(20,373)	155,100,629
Assets on Finance Leases					
Motor Vehicles	25,680,527	6,379,264	(22,131,095)	-	9,928,696
	25,680,527	6,379,264	(22,131,095)	-	9,928,696
At Valuation					
Buildings	1,218,750	1,104,688	-	-	2,323,438
Plant & Machinery	45,000,000	45,000,000	-	-	90,000,000
Motor Vehicles	703,950	209,250	-	(59,450)	853,750
Cylinders in Hand and in Circulation	100,458,498	100,241,516	-	(9,001)	200,691,013
	147,381,198	146,555,454	-	(68,451)	293,868,201
Total Depreciation	228,784,986	230,201,365	-	(88,824)	458,897,526

As at 31 March	2012	2011
	Rs.	Rs.

4.2.3 Net Book Values		
At Cost		
Freehold Land	18,561,500	3,600,000
Land Development	132,422,247	77,127,075
Buildings on Freehold Land	13,479,353	1,516,086
Plant & Machinery	143,371,412	70,159,979
Office Equipment	17,953,710	6,906,820
Furniture & Fittings	77,797,400	2,121,164
Gas Point Dealer Boards & Gas Storage Huts	9,562,224	10,406,065
Motor Vehicles	97,950,935	95,535,727
Cylinders in Hand and in Circulation	804,036,869	485,727,579
	1,315,135,649	753,100,494
Assets on Finance Leases		
Motor Vehicles	8,486,944	21,728,936
	8,486,944	21,728,936

Notes to the financial statements

4. PROPERTY, PLANT & EQUIPMENT (Contd.)

As at 31 March	2012	2011
	Rs.	Rs.
4.2.3 Net Book Values (Contd.)		
At Valuation		
Freehold Land	882,900,000	882,900,000
Buildings on Freehold Land	46,426,562	47,531,250
Plant & Machinery	360,000,000	405,000,000
Motor Vehicles	512,250	778,050
Cylinders in Hand and in Circulation	1,806,318,696	1,908,711,502
	3,096,157,508	3,244,920,802
Capital Work in Progress		
Storage Tanks	36,014,690	28,350,029
Galle Bottling Plant	1,572,917	1,523,599
Buildings	2,882,643	31,658,651
Gas Detector	-	147,697
Shrink Sealer Machine	254,192	254,192
Fire Water Storage Project	93,123	-
Flow Meter	1,489,442	718,905
	42,307,008	62,653,073
Total Carrying Amount of Property, Plant & Equipment	4,462,087,109	4,082,403,305

4.3 The fair value of land, buildings, plant, machinery and equipment and motor vehicles were initially determined by means of a revaluation during the financial year 2007/2008 by incorporated valuer Messrs. R.M. Rathnayake an independent valuer with reference to replacement cost and refundable fees to customers for cylinders and others for market based evidence. The results of such revaluation carried out on 20 January and 31 March 2008 were incorporated in the financial statements of 31 March 2008. The surplus arising from the revaluation, was transferred to a revaluation reserve.

The fair value of land, buildings, plant and machinery, cylinders and testing equipment were last determined by means of a revaluation during the financial year 2009/2010 by incorporated valuer Messrs. R.M. Rathnayake an independent valuer in reference to replacement cost and refundable fees to customers for cylinders and others to market based evidence. The results of such revaluation carried out on 20 March and 28 March 2010 were incorporated in the financial statements of 31 March 2010. The surplus arising from the revaluation, was transferred to a revaluation reserve.

4. PROPERTY, PLANT & EQUIPMENT (Contd.)

As at 31 March	Cost	Cumulative	Net Carrying	Net Carrying
		Depreciation If Assets were Carried at Cost	Amount 2012	Amount 2011
	Rs.	Rs.	Rs.	Rs.
4.4	The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation are as follows:			
Class of Asset Group				
Land	572,252,255	-	572,252,255	572,252,255
Buildings	272,589,747	124,939,208	147,650,539	205,857,119
Plant, Machinery and Equipment	329,429,848	250,994,060	78,435,788	111,423,870
Motor Vehicles	3,822,586	2,628,584	1,194,002	1,767,390
Testing Equipment	98,462,523	47,698,485	50,764,038	65,622,033
Cylinders in Hand and in Circulation	1,277,186,060	552,092,122	725,093,938	788,953,241
	2,553,743,019	978,352,459	1,575,390,560	1,745,875,908
Company				
Land	498,358,078	-	498,358,078	498,358,078
Buildings	42,781,068	13,288,734	29,492,334	30,561,861
Plant, Machinery and Equipment	328,543,848	250,682,101	77,861,747	110,716,132
Motor Vehicles	3,822,586	2,628,584	1,194,002	1,767,390
Cylinders in Hand and in Circulation	1,277,186,060	552,092,122	725,093,938	788,953,241
	2,150,691,640	818,691,541	1,332,000,099	1,430,356,703

4.5 During the financial year, the Group and Company acquired property, plant & equipment to the aggregate value of Rs. 825,976,512/- and Rs. 612,225,937/- respectively. (2011 - Rs. 774,522,076/- and Rs. 724,063,756/- of which Rs. 6,696,427 was acquired by means of finance leases). Cash payments amounting to Rs. 825,976,512/- and Rs. 612,225,937/- (2011 - Rs. 757,575,761/- and Rs. 717,367,329/-) respectively were made during the year for purchase of property, plant & equipment.

4.6 Building on leasehold land includes fabrication cost of containers of Rs. 12.47 Mn (2011 - Rs. 1.6 Mn) and plants of vehicle emission testing areas of Rs. 3.27 Mn (2011 - Rs. 2.37 Mn).

4.7 LAUGFS Hotel Management Services (Private) Limited, a Subsidiary, has written off property, plant and equipment which has a net book value of Rs. 1,794,735/- during the year following the discontinuation of hotel operations.

Notes to the financial statements

4. PROPERTY, PLANT & EQUIPMENT (Contd.)

As at 31 March	2012	2011
4.8 The useful lives of the assets are estimated as follows:		
Buildings	40 Years	40 Years
Buildings on Leasehold Land	20 Years*	20 Years
Plant, Machinery and Equipment	10 Years	10 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	6 Years	6 Years
Cylinders in Hand and in Circulation	20 Years	20 Years

*or period of the lease, whichever is shorter.

4.9 LAUGFS Eco Sri (Pvt) Ltd, a Subsidiary, depreciates all its depreciable assets over seven (07) years.

4.10 Property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 15,868,277/- (2011 - Rs. 7,380,581/-).

	2012	2011
	Rs.	Rs.
5. INTANGIBLE ASSET - Group		
Goodwill		
Cost		
As at the Beginning of the Year	52,928,221	52,928,221
Acquired/Incurred Goodwill during the Year	275,164	-
As at End of the Year	53,203,385	52,928,221
Amortization		
Amortized as at the Beginning of the Year	-	-
Impairment Loss Recognized	-	-
Amortized as at the End of the Year	-	-
Net book value		
As at the End of the Year	53,203,385	52,928,221

As from 01 April 2010, goodwill is no longer amortized but tested for impairment annually. Goodwill arising through business acquisition have been allocated to following cash generating units for impairment testing as follows:

	2012	2011
	Rs.	Rs.
Services	34,245,161	34,245,161
Leisure & Hospitality	9,940,734	9,940,734
Property Development	8,742,326	8,742,326
Energy	275,164	-
	53,203,385	52,928,221

6. INVESTMENTS

As at 31 March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Non-Current				
Investment in Subsidiaries (6.1)	-	-	1,281,301,914	616,301,984
	-	-	1,281,301,914	616,301,984

6.1 Investments in Subsidiaries

Company	Country of Incorporation	% of Holding		Cost	Directors' Valuation	Cost	Directors' Valuation
		2012	2011	2012	2012	2011	2011
				Rs.	Rs.	Rs.	Rs.
Non-Quoted							
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%	640,000,000	640,000,000	50,000,000	50,000,000
LAUGFS Property Developers (Pvt) Ltd.	Sri Lanka	81%	75%	215,000,000	215,000,000	150,000,000	150,000,000
LAUGFS Power Ltd.	Sri Lanka	100%	-	9,999,930	9,999,930	-	-
				1,281,301,914	1,281,301,914	616,301,984	616,301,984

6.2 Other Non-Current Investments

Group/Company	2012	2011
	Rs.	Rs.
Quoted Investments (6.2.1)	437,203,095	423,409,191
	437,203,095	423,409,191

	No. of Shares	Cost	Market Value	Cost	Market Value
		2012	2012	2011	2011
		Rs.	Rs.	Rs.	Rs.
6.2.1 Quoted Investments					
Ceylon Guardian Investment Trust PLC	18,300	7,679,558	4,227,300	7,679,558	6,761,850
Citrus Leisure PLC	1,500,000	132,056,951	44,850,000	135,826,875	112,350,000
The Colombo Pharmacy Company PLC	12,000	43,077,120	9,216,000	43,077,120	41,161,200
Commercial Bank of Ceylon PLC	161,746	21,939,621	16,174,600	20,960,346	20,063,116
Ceylon Grain Elevators PLC	1,000,000	206,255,625	60,800,000	206,255,625	168,100,000
Lanka Orix Leasing Company PLC	35,000	4,738,746	1,890,000	4,303,930	3,588,000
Three Acre Farms PLC	30,800	5,801,225	1,595,440	5,305,737	4,339,560
Free Lanka Capital Holding PLC	2,850,850	15,654,250	5,701,700	-	-
		437,203,095	144,455,040	423,409,191	356,363,726

Notes to the financial statements

6. INVESTMENTS (Contd.)

As at 31 March		2012		2011	
		No. of Shares	Rs.	No. of Shares	Rs.
6.3	Other Current Investments				
	Group/Company				
	Quoted Equity Securities				
	Union Bank of Colombo PLC	9,900	219,524	-	-
	Multi Finance PLC	184,900	10,513,917	-	-
			10,733,441		-
	Less : Provision for Fall in Value of Investments		(5,771,281)		-
			4,962,160		-

7. INVENTORIES

	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Gas in Cylinders and Accessories	48,569,260	46,391,505	48,569,260	46,391,505
Gas Stocks	74,502,213	208,970,584	74,502,213	208,970,584
Sundry Stocks	28,154,548	35,218,896	6,298,566	17,874,991
Food and Beverage	-	1,066,983	-	-
Goods in Transit	468,883,338	-	468,883,338	-
	620,109,359	291,647,968	598,253,377	273,237,080

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Trade Receivables - Related Party (8.1)	245,608,640	248,683,258	245,608,640	248,683,258
- Other	376,364,818	349,306,119	376,365,024	327,058,935
Provision for Doubtful Debts	(2,113,152)	(2,168,243)	(2,113,152)	(2,113,152)
	619,860,306	595,821,134	619,860,512	573,629,041
Other Receivables - Related Party (8.2)	870,975	2,536,403	2,567,304	13,297,551
- Other	95,363,227	92,897,566	57,483,962	83,591,875
Advances and Prepayments	221,400,791	180,981,603	212,918,413	175,954,164
	937,495,299	872,236,705	892,830,191	846,472,630
Loans to Company Officers	1,448,632	1,306,409	1,347,559	1,115,972
	938,943,931	873,543,114	894,177,750	847,588,602

8. TRADE AND OTHER RECEIVABLES (Contd.)

		Group		Company	
As at 31 March		2012	2011	2012	2011
		Rs.	Rs.	Rs.	Rs.
8.1	Trade Debtors - Related Parties				
	Relationship				
	LAUGFS Petroleum (Pvt) Ltd.	-	16,758,314	-	16,758,314
	LAUGFS Engineering (Pvt) Ltd.	-	200,696	-	200,696
	LAUGFS Sunup Supermarkets (Pvt) Ltd.	39,215,283	45,807,784	39,215,283	45,807,784
	Gas Auto Lanka Ltd.	206,393,357	185,916,465	206,393,357	185,916,465
		245,608,640	248,683,258	245,608,640	248,683,258
8.2	Other Dues from Related Parties				
	Relationship				
	LAUGFS Property Developers (Pvt) Ltd.	-	-	841,049	3,761,148
	LAUGFS Leisure Ltd.	-	-	1,726,255	7,000,000
	LAUGFS Engineering (Pvt) Ltd.	870,975	-	-	-
	LAUGFS Power Ltd.	-	2,536,403	-	2,536,403
		870,975	2,536,403	2,567,304	13,297,551

9. STATED CAPITAL

		2012		2011	
		Number	Rs.	Number	Rs.
	Ordinary Voting Shares (9.1)	335,000,086	2,505,000,260	335,000,086	2,505,000,260
	Ordinary Non-Voting Shares (9.2)	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
9.1	Ordinary Voting Shares				
	Balance as at Beginning of the Year	335,000,086	2,505,000,260	78,000,026	780,000,260
	Share Split (1:3.3333)	-	-	182,000,060	-
	Issued during the Year	-	-	75,000,000	1,725,000,000
	Balance as at the End of the Year	335,000,086	2,505,000,260	335,000,086	2,505,000,260

Notes to the financial statements

9. STATED CAPITAL (Contd.)

As at 31 March	2012		2011	
	Number	Rs.	Number	Rs.
9.2 Ordinary Non-Voting Shares				
Balance as at Beginning of the Year	52,000,000	780,000,000	-	-
Issued during the Year	-	-	52,000,000	780,000,000
Balance as at the End of the Year	52,000,000	780,000,000	52,000,000	780,000,000

10. REVALUATION RESERVE

	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Balance as at Beginning of the Year	1,061,400,707	1,212,411,791	692,793,885	825,375,478
Asset Disposal	(69,755)	-	(69,755)	-
Deferred Tax Liability on Revaluation Reserve	(6,451,425)	(132,581,593)	(6,451,425)	(132,581,593)
Revaluation Impact on Depreciation	(18,429,491)	(18,429,491)	-	-
Balance as at the End of the Year	1,036,450,036	1,061,400,707	686,272,705	692,793,885

11. INTEREST BEARING LOANS AND BORROWINGS

	2012		2011		2011	
	Amount	Amount	Amount	Amount	Amount	Amount
	Repayable	Repayable	2012	Repayable	Repayable	2011
	Within 1 Year	After 1 Year	Total	Within 1 Year	After 1 Year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Group						
Finance Leases (11.1)	381,215	-	381,215	6,120,441	375,122	6,495,563
Bank Overdrafts (21)	16,686,951	-	16,686,951	31,098,718	-	31,098,718
Letter of Credit	2,117,673,309	-	2,117,673,309	997,286,095	-	997,286,095
	2,134,741,475	-	2,134,741,475	1,034,505,253	375,122	1,034,880,375
Company						
Finance Leases (11.1)	381,215	-	381,215	6,120,441	375,122	6,495,563
Bank Overdrafts (21)	379,390	-	379,390	11,845,240	-	11,845,240
Letter of Credit	2,117,673,309	-	2,117,673,309	997,286,095	-	997,286,095
	2,118,433,914	-	2,118,433,914	1,015,251,776	375,122	1,015,626,898

	As at	Leases	Repayments	As at
	01.04.2011	Obtained		31.03.2012
	Rs.	Rs.	Rs.	Rs.
11.1 Finance Leases				
Group/Company				
Seylan Bank PLC	385,020	-	(385,020)	-
Sampath Bank PLC	1,998,152	-	(1,998,152)	-
Bank of Ceylon	4,527,008	-	(4,139,700)	387,308
	6,910,180	-	(6,522,872)	387,308

11. INTEREST BEARING LOANS AND BORROWINGS (Contd.)

As at 31 March	2012	2011
	Rs.	Rs.
11.1 Finance Leases (Contd.)		
Gross Liability	387,308	6,910,180
Finance Charges Allocated to Future Periods	(6,093)	(414,617)
Net Liability	381,215	6,495,563

12. DEFERRED INCOME

	2012	2011
	Rs.	Rs.
Group/Company		
Non Refundable Deposits		
As at the Beginning of the Year	280,799,748	273,079,975
Additions during the Year	272,159,877	202,065,885
Transferred to Income	(207,187,400)	(194,346,112)
As at the End of the Year	345,772,225	280,799,748

13. RETIREMENT BENEFIT LIABILITY

	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
13.1 Expense on Defined Benefit Plan				
Current Service Cost	7,947,408	5,300,646	4,940,809	3,447,447
Interest Cost on Benefit Obligation	2,795,253	2,168,287	2,795,253	2,168,287
Net Actuarial (Gain)/Loss	204,883	(861,819)	204,883	(861,819)
Total Expenses	10,947,544	6,607,114	7,940,945	4,753,915
13.2 Defined Benefit Obligation				
Balance as at the Beginning of the Year	23,756,017	12,874,083	20,470,588	11,401,124
Current Service Cost	7,947,408	5,300,646	4,940,809	3,447,447
Interest Cost on Benefit Obligation	2,795,253	2,168,287	2,795,253	2,168,287
Actuarial Losses/(Gain) on Obligation	204,883	(861,819)	204,883	(861,819)
Benefit Paid	(247,325)	(588,309)	(47,300)	(547,580)
Actuarial Losses recognized in respect of Prior Year	-	4,863,129	-	4,863,129
Balance as at the End of the Year	34,456,236	23,756,017	28,364,234	20,470,588

Notes to the financial statements

14. TRADE AND OTHER PAYABLES

As at 31 March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Trade Payables - Others	26,448,756	16,592,600	26,102,985	12,534,714
Other Payables - Related Parties (14.1)	-	2,426,100	-	702,935
- Others	39,224,590	2,807,481	-	-
Sundry Creditors including Accrued Expenses	66,376,008	111,342,639	38,166,500	87,742,048
	132,049,355	133,168,821	64,269,486	100,979,697
14.1 Other Payables - Related Parties				
		Relationship		
LAUGFS Aqua Systems (Pvt) Ltd.	-	Group Company	-	67,204
LAUGFS Lubricants Ltd.	-	Group Company	-	475,590
LAUGFS Petroleum (Pvt) Ltd.	-	Group Company	-	-
LAUGFS Restaurant (Pvt) Ltd.	-	Group Company	-	160,141
Emerald Bay Hotels (Pvt) Ltd.	-	Group Company	-	-
Gas Auto Lanka Ltd.	-	Group Company	-	-
	-		-	702,935

15. REFUNDABLE DEPOSITS

	2012	2011
	Rs.	Rs.
Group/Company		
As at the Beginning of the Year	1,084,693,400	789,951,479
Additions	398,220,925	508,936,355
Refunds/Transfers	(276,764,275)	(214,194,434)
As at the End of the Year	1,206,150,050	1,084,693,400
Refundable Deposits within One Year	120,615,005	108,469,340
Refundable Deposits after One Year	1,085,535,045	976,224,060
	1,206,150,050	1,084,693,400

16. OTHER INCOME AND GAINS

For the year ended 31 March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
		(Restated)		
Rent Income	5,795,135	357,350	5,795,135	357,350
Interest Income	162,628,944	55,097,530	137,081,629	51,727,448
Income from Non Refundable Deposits	207,187,402	254,889,785	207,187,402	254,889,785
Project Work Income	2,092,143	677,724	2,092,143	677,724
Sundry Income	1,129,606	293,500	410,218	293,500
Disposal Profit on Shares	-	6,907,035	-	6,907,035
Dividend Income	1,407,823	136,660	91,407,821	136,660
	380,241,052	318,359,585	443,974,347	314,989,503

17. PROFIT BEFORE TAX

For the year ended 31 March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
		(Restated)		
Profit before tax is stated after Charging all expenses including following;				
Included in Cost of Sales				
Depreciation	289,884,894	245,134,945	217,105,313	176,949,967
Employees Benefits	46,936,987	31,018,134	46,936,987	31,018,134
Defined Contribution Plan Costs - EPF & ETF (Included in Employee Benefits)	2,590,179	1,578,703	2,590,179	1,578,703
Disposal Loss	1,415,651	2,872,811	-	-
Program Cost Fee Paid to Department of Motor Traffic	69,476,103	50,057,788	-	-
Included in Administration Expenses				
Employees Benefits	223,484,016	136,866,714	64,793,478	38,851,732
Defined Benefit Plan Costs - Gratuity (Included in Employee Benefits)	10,914,864	6,474,713	7,940,945	4,753,916
Defined Contribution Plan Costs - EPF & ETF (Included in Employee Benefits)	19,193,898	11,969,863	6,485,983	3,713,467
Depreciation	18,644,023	8,264,425	11,440,601	1,997,090
Legal Fees	1,224,137	1,550,067	1,176,937	1,388,338
Auditors' Fees - Current Year	1,863,606	1,656,850	1,589,406	1,405,610
Auditors' Fees - Under Provision in respect of Previous Year	6,768	64,438	-	-
Donations	1,726,000	3,084,491	1,687,764	2,845,691
Write off of Property, Plant and Equipment	1,794,735	-	-	-
Included in Selling & Distribution Expenses				
Employees Benefits	44,626,520	29,085,642	44,626,521	29,085,642
Defined Contribution Plan Costs - EPF & ETF (Included in Employee Benefits)	3,613,821	1,819,558	3,613,821	1,819,558
Depreciation	1,655,450	1,494,532	1,655,450	1,494,532
Advertising Costs	30,377,727	16,682,399	30,377,727	6,931,661

18. FINANCE COST

	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
		(Restated)		
Interest Expense on Overdrafts	261,291	10,155,045	239,162	10,132,595
Interest Expense on Loans and Borrowings	-	63,923,058	-	44,418,980
Finance Charges on Lease Liabilities	408,524	12,717,634	408,524	3,273,587
Interest on Import Loan	752,047	9,333,053	752,047	9,333,053
Interest on Factoring	-	7,913,037	-	7,913,037
	1,421,862	104,041,827	1,399,733	75,071,252

Notes to the financial statements

19. INCOME TAX

For the year ended 31 March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
		(Restated)		
19.1 The Major Components of Income Tax for the Year ended 31 March are as follows:				
Income Statement				
Current Income Tax				
Current Income Tax Charge (19.4)	114,033,644	169,210,780	109,234,661	169,210,781
Dividend Tax of Subsidiary	10,000,000	-	-	-
Under Provision of Taxes in respect of Prior Years	15,217,134	-	14,444,404	-
Social Responsibility Levy	-	2,538,162	-	2,538,162
	139,250,778	171,748,942	123,679,065	171,748,942
19.2 Deferred Income Tax				
Deferred Taxation Charge (19.5)	62,986,049	18,074,383	62,986,049	18,074,383
	62,986,049	18,074,383	62,986,049	18,074,383
Income Tax Expense Reported in the Income Statement	202,236,827	189,823,325	186,665,114	189,823,325
19.3 Statement of Changes in Equity				
Deferred Income Tax Items Charged Related to Equity:				
Net Gain on Revaluation of Property, Plant and Equipment	6,451,425	132,581,593	6,451,425	132,581,593
Income Tax Expense Reported in Equity	6,451,425	132,581,593	6,451,425	132,581,593
19.4 A Reconciliation between Tax Expense and the Product of Accounting Profit multiplied by the Statutory Tax Rate is as follows:				
Accounting Profit Before Tax	1,139,536,721	1,040,800,614	756,045,214	865,790,849
Consolidated Adjustments	(73,853,976)	-	-	-
Aggregate Disallowed Items	371,756,342	308,602,134	284,002,008	308,197,758
Income Exempt from Income Tax	9,279,760	(166,184,041)	-	-
Aggregate Allowable Expenses	(733,336,437)	(417,845,960)	(690,447,338)	(417,582,739)
Other Sources of Income	114,463,466	51,227,448	140,409,587	51,227,448
	827,845,876	816,600,195	490,009,470	807,633,316
At the Statutory Income Tax Rate				
- Business Profit	20%	20%	20%	20%
- Other Income	28%	35%	28%	35%
Current Income Tax Expense				
- 20%	69,919,977	151,281,174	69,919,977	151,281,174
- 35%	-	17,929,607	-	17,929,607
- 28%	44,113,668	-	39,314,684	-
	114,033,644	169,210,781	109,234,661	169,210,781

19. INCOME TAX (Contd.)

As at 31 March	Balance	Income	Balance	Income
	Sheet	Statement	Sheet	Statement
	2012	2012	2011	2011
	Rs.	Rs.	Rs.	Rs.
19.5 Deferred Tax Assets, Liabilities and Income Tax relates to the following:				
Group/Company				
Deferred Tax Liability				
On Capital allowance	132,764,776	87,256,164	45,508,612	21,028,388
On Revaluation of Bulding, Plant & Equipment	275,923,097	-	269,471,671	-
	408,687,873	87,256,164	314,980,283	21,028,388
Deferred Tax Assets				
On Retirement Benefit Liability	(28,364,233)	(24,270,115)	(4,094,118)	(2,954,005)
	(28,364,233)	(24,270,115)	(4,094,118)	(2,954,005)
Deferred Income Tax Expense		62,986,049		18,074,383
Net Deferred Tax Liability	380,323,640		310,886,166	

19.6 Current Taxes

19.6.1 LAUGFS Gas PLC

Pursuant to agreement dated 07 April 2005 entered into with Board of Investment Sri Lanka under Section 17 (2) of the Board of Investment Act No. 04 of 1978, the Company was exempt from the payment and recovery of income tax in respect of the profit and income of enterprise for a period of three (03) years from 07 April 2005. This exemption expired on 06 April 2008. Subsequent to the tax exemption, the Company is liable for tax at the rate of ten percent (10%) for period of two (02) years immediately succeeding the last date of the tax exemption year and thereafter at the rate of twenty percent (20%).

19.6.2 LAUGFS Eco Sri (Pvt) Ltd

- (a) In accordance with and subject to the powers conferred on the Board of Investment under Section 17 of the said law No. 4 of 1978 and regulations, the Company was exempted from income tax for a period of five (05) years reckoned from the year of assessment as may be determined by the Board of Investment ("the tax exemption period"), the provisions of the Inland Revenue Act No. 10 of 2006 relating to the imposition payment and recovery of income tax shall not apply in respect of the profits and income of the enterprise.
- (b) For the above purpose the year of assessment shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years from the date of commencement of commercial operations of the enterprise, whichever year is earlier, as specified in the certificate issued by the Board of Investment. The Board of Investment has issued certificates confirming the tax exemptions for the years of assessment 2009/2010 & 2010/2011. The Company would obtain the certificates for the remaining periods on submission of audited financial statements to the board.
- (c) After the expiration of the aforesaid tax exemption period referred to in sub-clause (i) of the agreement with the Board of Investment, the profits and income of the enterprise shall be charged at the rate of ten percent (10%) for a period of two (02) years immediately succeeding the last date of the tax exemption period during which the profits and income of the enterprise is exempted from the income tax ("the concessionary tax rate of ten percent (10%)").
- (d) After the expiration of the aforesaid concessionary tax rate of ten percent (10%) referred to in sub-clause (ii) of the agreement with the Board of Investment, the profits and income of the enterprise shall be charged for any year of assessment at the rate of twenty percent (20%).

Notes to the financial statements

19. INCOME TAX (Contd.)

19.6.3 LAUGFS Property Developers (Pvt) Ltd

- (a) The Company was exempt from income tax for a period of five (05) years reckoned from the year of assessment as may be determined by the Board of Investment ("the tax exemption period"), the provision of the Inland Revenue Act No. 10 of 2006 relating to the imposition, payment and recovery of income tax shall not apply in respect of the profits and income of the enterprise.
- (b) After the expiration of the aforesaid tax exemption period referred in sub-clause (i) of the agreement with the Board of Investment, the profits and income of the enterprise shall be charged at the rate of ten percent (10%) for a period of two (02) years immediately succeeding the last date of the tax exemption period during which the profits and income of the enterprise is exempted from the income tax ("the concessionary tax rate of ten percent (10%)").
- (c) After the expiration of the aforesaid concessionary tax rate of ten percent (10%) referred to in sub-clause (ii) of the agreement with the Board of Investment, the profits and income of the enterprise shall be charged for any year of assessment at the rate of twenty percent (20%).

19.6.4 LAUGFS Leisure Ltd and LAUGFS Hotel Management Services (Pvt) Ltd

Since these subsidiaries has engaged in the industry of leisure & hospitality, the principal source of income is taxed at the rate of twelve percent (12%) while other sources of income is taxed at twenty eight percent (28%).

19.6.5 Deferred Taxation

As the Inland Revenue Act does not apply as stated above, temporary differences do not exist during tax exemption period. Therefore deferred tax does not apply for 19.6.2 and 19.6.3.

20. EARNINGS PER SHARE

- 20.1 Basic Earnings 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.

For the ended 31 March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Amount Used as the Numerator:		(Restated)		
Net Profit/(Loss) Attributable to Ordinary Shareholders from Discontinued Operation	(6,959,511)	1,722,713	-	-
Net Profit Attributable to Ordinary Shareholders from Continuing Operation	937,299,894	850,977,289	569,380,100	675,967,524
	2012	2011	2012	2011
	Number	Number	Number	Number
Number of Ordinary Shares Used as the Denominator:				
Weighted Average Number of Ordinary Shares in Issue				
Balance as at the Beginning of the Year	299,317,894	78,000,026	299,317,894	78,000,026
Effect of Share Split (1:3.3333)	-	182,000,060	-	182,000,060
Effect of Ordinary Voting Shares	51,780,822	23,219,178	51,780,822	23,219,178
Effect of Ordinary Non-Voting Shares	35,901,370	16,098,630	35,901,370	16,098,630
Balance as at the End of the Year	387,000,086	299,317,894	387,000,086	299,317,894

21. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

As at 31 March	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Components of Cash and Cash Equivalents				
Favorable Cash & Cash Equivalent Balances				
Cash & Bank Balances	551,152,547	234,974,666	135,643,529	55,953,427
Fixed & Call Deposits	1,612,760,711	1,802,560,538	1,612,760,711	1,802,560,538
	2,163,913,258	2,037,535,204	1,748,404,240	1,858,513,965
Unfavorable Cash & Cash Equivalent Balances				
Bank Overdraft (Note 11)	(16,686,951)	(31,098,718)	(379,390)	(11,845,240)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	2,147,226,307	2,006,436,486	1,748,024,850	1,846,668,725

22. COMMITMENTS AND CONTINGENCIES

		2012	2011
		Rs.	Rs.
22.1 Capital Expenditure Commitments			
22.1.1 LAUGFS Gas PLC			
a)	The Company has commitments for acquisition of property, plant and equipment incidental to the ordinary course of business as at 31 March are as follows:		
	Contracted but not provided for		
	Storage Tanks	134,000,000	15,000,000
	Perimeter Fence	500,000	-
	Fire Fighting Expansion	7,500,000	-
	Road Tank Carrier	500,000	-
	Flow Meter for Bowser	100,000	-
	Shrink Sealer Machine	100,000	1,500,000
	Building	10,000,000	20,000,000
		152,700,000	36,500,000

b) **Finance Lease Commitments**

The Company has finance lease contracts for various items of plant and machinery. These leases have terms of renewal, but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance lease contracts are as follows:

	2012	2011
	Minimum	Minimum
	Payments	Payments
	Rs.	Rs.
Within One Year	387,308	6,855,898
After One Year but not more than Five Years	-	387,308
Total Minimum Lease Payments	387,308	7,243,206
Less : Representing Finance Charges	(6,093)	(414,617)
Minimum Lease Payments	381,215	6,828,589

Notes to the financial statements

22. COMMITMENTS AND CONTINGENCIES (Contd.)

22.2 Contingencies

The Group does not have significant contingencies as at the balance sheet date.

23. ASSETS PLEDGED

23.1 LAUGFS Gas PLC

The following assets have been pledged as security for liabilities.

		Carrying Amount Pledged		
As at 31 March		2012	2011	
Nature of Assets	Nature of the Liability	Rs.	Rs.	Included Under
Stock of Gas Cylinders at Mabima Plant	Floating Mortgage	-	70,000,000	Property, Plant and Equipment
Plant and Machinery	Primary Mortgage	-	33,000,000	Property, Plant and Equipment
Savings Account	Lien Over Savings Account	2,392,661	-	Cash and Cash Equivalents
Fixed Deposit	Lien Over Fixed Deposit	5,710,375	-	Cash and Cash Equivalents

24. RELATED PARTY DISCLOSURES

For the year ended 31 March	Parent		Other Group Companies		Total	
	2012	2011	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Details of significant related party disclosures are as follows:						
Group						
24.1 Transactions with the Related Parties						
Nature of Transaction						
Sale of Goods/Services	-	414,312,193	697,988,566	136,392,496	697,988,566	550,704,689
Settlement of Trade Debtors	-	(288,159,632)	(700,205,568)	(413,509,226)	(700,205,568)	(701,668,858)
Purchase of Goods/Services	(82,052,220)	-	(61,324,283)	(787,254)	(143,376,503)	(787,254)
Investments Made by the Company	-	-	-	84,319	-	84,319
Fund Transfers Received	(940,937)	-	(47,603,290)	-	(48,544,227)	-
Fund Transfers Given	84,472,329	-	86,211,685	2,536,403	170,684,014	2,536,403
Intercompany Expenses To	940,937	-	17,674,497	-	18,615,434	-
Settlement of Creditors	-	-	5,494,131	-	5,494,131	-
Others	(2,420,109)	-	(31,586)	-	(2,451,695)	-

The amounts receivable from or payable to related parties as at 31 March 2012 are disclosed under notes 8.1, 8.2 and 14.1

24. RELATED PARTY DISCLOSURES (Contd.)

24.2 Other Group Companies include following companies;

LAUGFS Engineering (Pvt) Ltd.
 LAUGFS Aqua Systems (Pvt) Ltd.
 LAUGFS Sunup Supermarkets (Pvt) Ltd.
 LAUGFS Terminal (Pvt) Ltd.
 LAUGFS Corporation (Rubber) Ltd.
 Salt and Chemical Project (Pvt) Ltd.
 LAUGFS Petroleum (Pvt) Ltd.
 LAUGFS Restaurant (Pvt) Ltd.
 LAUGFS Lubricants Ltd.
 LAUGFS Rubber Products (Pvt) Ltd.
 LAUGFS Australia Higher Education Services (Pvt) Ltd.

Company	Parent		Subsidiaries		Other Group Companies		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
24.3 Transactions with the Related Parties								
Nature of Transaction								
As at 01 April	-	270,393,790	10,761,148	-	250,516,725	129,253,636	261,277,873	399,647,426
Sale of Goods/Services	-	414,312,193	-	-	697,988,566	136,392,496	697,988,566	550,704,689
Settlement of Trade Debtors	-	(288,159,632)	-	-	(700,205,568)	(413,509,226)	(700,205,568)	(701,668,858)
Purchase of Goods/Services	(72,614,130)	-	-	-	(39,872,111)	(787,254)	(112,486,241)	(787,254)
Investments Made by the Company	-	-	(664,999,930)	-	-	84,319	(664,999,930)	84,319
Fund Transfers Given	75,034,239	-	652,831,406	10,300,000	20,100,000	2,536,403	747,965,645	12,836,403
Intercompany Expenses To	-	-	1,438,277	461,148	14,371,206	-	15,809,483	461,148
Intercompany Expenses From	-	-	(913,410)	-	-	-	(913,410)	-
Balances Transfer To	-	(396,546,351)	2,536,403	-	-	-	2,536,403	(396,546,351)
Balances Transfer From	-	-	-	-	(2,536,403)	396,546,351	(2,536,403)	396,546,351
Settlement of Creditors	-	-	1,046,666	-	5,277,811	-	6,324,477	-
Others	(2,420,109)	-	(133,256)	-	(31,586)	-	(2,584,951)	-
As at 31 March	-	-	2,567,304	10,761,148	245,608,640	250,516,725	248,175,944	261,277,873

The amounts receivable from or payable to related parties as at 31 March 2012 are disclosed under notes 8.1, 8.2 and 14.1

Notes to the financial statements

24. RELATED PARTY DISCLOSURES (Contd.)

24.4 Subsidiaries include the following companies;

LAUGFS Eco Sri (Pvt) Ltd.
 LAUGFS Leisure Ltd.
 LAUGFS Property Developers (Pvt) Ltd.
 LAUGFS Hotel Management (Pvt) Ltd.
 LAUGFS Power Ltd.
 Mag Consultants and Agents (Pvt) Ltd.

24.5 Other related companies include the following companies;

LAUGFS Engineering (Pvt) Ltd.
 LAUGFS Aqua Systems (Pvt) Ltd.
 LAUGFS Sunup Supermarkets (Pvt) Ltd.
 LAUGFS Terminal (Pvt) Ltd.
 LAUGFS Corporation (Rubber) Ltd.
 Salt and Chemical Project (Pvt) Ltd.
 LAUGFS Petroleum (Pvt) Ltd.
 LAUGFS Restaurant (Pvt) Ltd.
 LAUGFS Lubricants Ltd.
 LAUGFS Rubber Products (Pvt) Ltd.
 LAUGFS Australia Higher Education Services (Pvt) Ltd.

24.6 The Company has provided no assets as collaterals or corporate guarantees for subsidiaries or other related companies for borrowing purposes.

24.7 Terms and Conditions of Transactions with Related Parties

Transactions with related parties are carried out in ordinary course of business. Outstanding balances at the year end are unsecured.

24.8 Transactions with Key Management Personnel of the Company or Its Parent

Key Management Personnel (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, direct or indirectly.

For the year ended 31 March		2012	2011
		Rs.	Rs.
a)	Key Management Personnel Compensation		
	Emoluments	14,020,000	7,600,000
	Non-cash Benefits	7,013,576	6,605,750
		21,033,576	14,205,750

25. RATE REGULATORY ASSETS

As at 31 March	2012	2011
	Rs.	Rs.
Group/Company		
Balance as at the Beginning of the Year	387,854,097	256,441,830
Deferments during the Year	287,920,806	442,908,458
Reversals during the Year	(479,751,291)	(311,496,191)
Balance as at the End of the Year	196,023,612	387,854,097

26. PREPAYMENTS

	2012	2011
	Rs.	Rs.
Group		
Prepayments*	400,000	-
	400,000	-

*This payment was made by LAUGFS Power Ltd. (a Subsidiary) for acquisition of a leasehold land.

27. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events after the balance sheet date that require adjustments or disclosures in the financial statements.

28. NEGATIVE GOODWILL

The negative goodwill of Rs.174,907,171/- has arisen on the acquisition of Mag Consultants & Agents (Pvt.) Limited by LAUGFS Leisure Ltd. during the year under review.

29. DISCONTINUED OPERATION

The rent agreement with the owner of Emerald Bay property and the hotel management agreement with the owner of Temple Tree property have expired on 31 August 2011 and 01 September 2011 respectively.

The effective date of discontinuation for accounting purposes is 01 September 2011.

For the year ended 31 March	2012	2011
	Rs.	Rs.
Results		
Revenue	20,525,194	75,796,102
Tourism Development Levy	(231,595)	(480,305)
Net Sales	20,293,599	75,315,797
Cost of Sales	(10,469,500)	(33,791,668)
Gross Profit	9,824,099	41,524,129
Other Income	-	322,325
Selling and Distribution Expenses	(498,303)	(1,071,658)
Administrative Expenses	(16,891,710)	(37,090,700)
Finance Cost	(1,398)	(77,419)
Profit/(Loss) Before Tax from Discontinued Operation	(7,567,312)	3,606,678
Income Tax	607,801	(1,883,965)
Profit/(Loss) for the Year from Discontinued Operation	(6,959,511)	1,722,713

Notes to the financial statements

29. DISCONTINUED OPERATION (Contd.)

As at 31 March	2012	2011
	Rs.	Rs.
The assets and liabilities pertaining to discontinued operation as at 31 March 2012 are as follows:		
Assets		
Property, Plant and Equipment	-	1,854,713
Inventories	-	1,387,730
Receivables	2,539,700	27,546,134
Total Assets Pertaining to Discontinued Operation	2,539,700	30,788,577
Liabilities		
Payables	1,337,790	13,777,294
Retirement Benefit Liability	246,932	246,932
Total Liabilities Pertaining to Discontinued Operation	1,584,722	14,024,226
Net Assets Pertaining to Discontinued Operation	954,978	16,764,351
Cash Flows		
The net cash flows incurred by discontinued operation are as follows:		
Operating	61,403	(6,426,954)
Investing	(128,940)	(470,619)
Net Cash Outflows	(67,537)	(6,897,573)
Basic Earnings/(Losses) per Share	(0.02)	0.01

30. COMPARATIVE INFORMATION

	Group				Company		
	As Reported Previously	Restatement due to Discontinued Operations	Increase/ (Decrease)	Current Presentation	As Reported Previously	Increase/ (Decrease)	Current Presentation
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
30.1 Reclassification of Comparatives	The presentation and classification of the following items in these financial statements are amended to ensure comparability with the current year.						
a) Selling & Distribution Expenses	360,183,843	(1,071,658)	(165,553,667)	193,558,520	349,079,900	(165,553,667)	183,526,233
Revenue (3)	7,302,432,819	(75,315,797)	(165,553,667)	7,061,563,356	6,660,772,914	(165,553,667)	6,495,219,247
b) Administrative Expenses	374,262,684	(37,090,700)	36,068,774	373,240,868	191,872,923	36,068,774	227,941,697
Foreign Exchange Gain/(Loss)	-	-	36,068,774	36,068,774	-	36,068,774	36,068,774

30.1 Reclassification of Comparatives

The presentation and classification of the following items in these financial statements are amended to ensure comparability with the current year.

a) Selling & Distribution Expenses	360,183,843	(1,071,658)	(165,553,667)	193,558,520	349,079,900	(165,553,667)	183,526,233
Revenue (3)	7,302,432,819	(75,315,797)	(165,553,667)	7,061,563,356	6,660,772,914	(165,553,667)	6,495,219,247
b) Administrative Expenses	374,262,684	(37,090,700)	36,068,774	373,240,868	191,872,923	36,068,774	227,941,697
Foreign Exchange Gain/(Loss)	-	-	36,068,774	36,068,774	-	36,068,774	36,068,774

Reasons for changes in the presentation and classification:

- a) During the year LAUGFS Gas PLC has deducted the distributor commission from the invoice. Hence the comparative classification and presentation of Revenue & Selling & Distribution Expenses were amended to conform to current presentation.
- b) During the year LAUGFS Gas PLC has incurred a foreign exchange loss due to the depreciation of Rupee value since such amount is material, the comparative classification and presentation of Administrative Expenses and Foreign Exchange Gain/(Loss) were amended to conform to current presentation as to exclude the effect of Foreign Exchange Gain/(Loss) in Administrative Expenses in the income statement.

Share information

Number of Shares in Issue

Ordinary Voting	335,000,086
Ordinary Non Voting	52,000,000

Stock Symbol

Ordinary Voting	LGL N 0000
Ordinary Non Voting	LGL X 0000

Share Prices for the Year

	LGL N		LGL X	
	2012	2011	2012	2011
Highest During the Period (Rs.)	53.50	60.00	39.70	45.30
Lowest During the Period (Rs.)	20.50	23.00	13.40	14.90
As at the end of the Period (Rs.)	25.80	44.40	15.60	34.70

Distribution of Shareholdings as at 31 March 2012

LGL N

From	To	No of Shareholders	No of Shares	%
1	- 1,000	9,855	4,136,831	1.24
1,001	- 10,000	2,530	8,091,982	2.42
10,001	- 100,000	309	9,261,373	2.77
100,001	- 1,000,000	34	10,360,100	3.09
Over	- 1,000,000	6	303,149,800	90.48
		12,734	335,000,086	100.00

LGL X

From	To	No of Shareholders	No of Shares	%
1	- 1,000	8,407	3,527,483	6.78
1,001	- 10,000	2,800	8,723,314	16.78
10,001	- 100,000	399	10,155,838	19.53
100,001	- 1,000,000	31	7,178,365	13.81
Over	- 1,000,000	3	22,415,000	43.10
		11,640	52,000,000	100.00

Share information

Analysis of Shareholders as at 31 March 2012

LGL N

Category	No of Shareholders	No of Shares	%
Local Individuals	12,403	446,598	0.13
Local Institutions	270	293,208,782	87.52
Foreign Individuals	57	41,087,406	12.27
Foreign Institutions	4	257,300	0.08
Total	12,734	335,000,086	100.00

LGL X

Category	No of Shareholders	No of Shares	%
Local Individuals	11,365	831,785	1.60
Local Institutions	219	25,800,498	49.61
Foreign Individuals	52	23,903,017	45.97
Foreign Institutions	4	1,464,700	2.82
Total	11,640	52,000,000	100.00

Residency

LGL N	No of Shareholders	No of Shares	%
Resident	12,673	293,655,380	87.66
Non Resident	61	41,344,706	12.34
Total	12,734	335,000,086	100.00

LGL X	No of Shareholders	No of Shares	%
Resident	11,584	26,632,283	51.21
Non Resident	56	25,367,717	48.79
Total	11,640	52,000,000	100.00

Financial Calendar

First half year ended 30th September 2011

Published on 27th October 2011

Second half year ended 31st March 2012

Published on 30th May 2012

Audited Financial Statements for the year ended 31st March 2012

Published on 27th July 2012

Directors' Shareholding as at 31 March

LGL N		2012		2011	
Names of Directors	No of Shares	%	No of Shares	%	
MR W K H WEGAPITIYA	133,500	0.040	130,000	0.039	
MR U K T N DE SILVA	20,000	0.006	10,000	0.003	
MR P M KUMARASINGHE	4,800	0.001	4,800	0.001	
MR H A ARIYARATNE	3,900	0.001	3,900	0.001	
MR C L DE ALWIS	1,000	0.000	1,000	0.000	
MR T K BANDARANAYAKE	Nil	Nil	Nil	Nil	

LGL X		2012		2011	
Names of Directors	No of Shares	%	No of Shares	%	
MR W K H WEGAPITIYA	Nil	Nil	Nil	Nil	
MR U K T N DE SILVA	Nil	Nil	Nil	Nil	
MR P M KUMARASINGHE	Nil	Nil	Nil	Nil	
MR H A ARIYARATNE	3,400	0.007	3,400	0.007	
MR C L DE ALWIS	500	0.001	500	0.001	
MR T K BANDARANAYAKE	Nil	Nil	Nil	Nil	

	2012	2011
Percentage of Shares held by public		
LGL N	14.29	21.76
LGL X	65.30	65.29
Percentage held by the Parent Company		
LGL N	67.80	77.61
LGL X	-	-
Percentage held by the Directors together with the members of their families		
LGL N	0.049	0.045
LGL X	0.008	0.008
Percentage held by the Employees Provident Fund		
LGL N	17.28	5.60
LGL X	34.69	34.69

Share information

Twenty Largest Shareholders as at 31 March

Ordinary Voting Shares

		2012		2011	
Names of Directors		No of Shares	%	No of Shares	%
1	LAUGFS Holdings Limited	227,130,000	67.80	260,000,000	77.61
2	Employees Provident Fund	57,897,800	17.28	18,762,200	5.60
3	Mr. N Radella	13,338,600	3.98	-	-
4	Mr. D N Madugalle	2,957,500	0.88	600	0.00
5	Mrs. P R A Rajapakshe	1,825,900	0.55	-	-
6	LAUGFS Sunup Supermarket (Pvt) Ltd	1,000,000	0.30	1,000,000	0.30
7	Lanka Orix Leasing Company PLC	945,500	0.28	1,013,500	0.30
8	Gas Auto Lanka Limited	922,600	0.28	922,600	0.28
9	Mr. P A De Silva	826,900	0.25	-	-
10	Mrs. K A Fernando	823,796	0.25	-	-
11	Mr. R Dahanayake	806,900	0.24	-	-
12	Mr. H D M Siriwardena	736,000	0.22	-	-
13	Asha Lanka Fragrances (Pvt) Ltd	322,700	0.10	322,700	0.10
14	Seylan Bank PLC-A/C No.3	300,000	0.09	-	-
15	Union Assurance PLC/Account No.5 (Unit-Linked Ltd)	267,100	0.08	-	-
16	Sampath Bank PLC/Mr S A Cooray	219,100	0.07	-	-
17	Mr. A R Gunasekara	208,200	0.06	-	-
18	Fidelity Investment & Trade Pte Ltd	200,000	0.06	-	-
19	Mr. K S D Senaweera	193,500	0.06	16,900	0.01
20	Tradlanka (Pvt) Limited	173,200	0.05	-	-
Others		311,095,296	92.86	282,038,500	84.19
Total		335,000,086	100.00	335,000,086	100.00

Twenty Largest Shareholders as at 31 March
Ordinary Non Voting Shares

		2012		2011	
Names of Directors		No of Shares	%	No of Shares	%
1	Employees Provident Fund	18,041,300	34.69	18,041,300	34.69
2	Bank of Ceylon No. 1 Account	3,212,400	6.18	3,212,400	6.18
3	Phillip Securities Pte Ltd	1,161,300	2.23	688,500	1.32
4	Mr. H W R W W M R S Ananda Halangoda	697,300	1.34	135,000	0.26
5	Mr. T L M Nawash	486,200	0.94	-	-
6	Peoples Bank	392,200	0.75	250,000	0.48
7	Mrs. C N G Narayana	378,800	0.73	378,800	0.73
8	Mrs. S D Amarasinghe	372,400	0.72	372,400	0.72
9	Dr. A S Abeygunawardena	360,000	0.69	300,100	0.58
10	Mr. M K De Vos	337,000	0.65	-	-
11	Naratha Ventures Private Limited	308,000	0.59	308,000	0.59
12	Mr. M M Salahudeen	297,000	0.57	30,000	0.06
13	Mr. J G Jayalath	258,036	0.50	42,100	0.08
14	Mr. R I A Coonetilleke	461,000	0.89	5,900	0.01
15	Seylan Bank PLC/Thirugnanasambanandar Senthilverl	250,000	0.48	-	-
16	Mr. A C Rizan	203,430	0.39	185,000	0.35
17	HSBC Intl Nom Ltd-UBS AG Singapore Branch (EX SBC)	200,000	0.38	-	-
18	Pan Asia Banking Corporation PLC/Ceylon and Foreign Trades PLC	178,000	0.34	177,500	0.34
19	DPMC Assetline Holdings (Pvt) Ltd Account No. 01	176,200	0.34	-	-
20	Waldock Mackenzie Limited/Mr M U Udayasunder & Mrs M U Vanitha Kumari	176,000	0.34	-	-
Others		27,946,566	53.74	24,127,000	46.39
Total		52,000,000	100.00	52,000,000	100.00

Five year summary

For the year ended 31 March	2008	2009	2010	2011	2012
	Rs.	Rs.	Rs.	Rs.	Rs.
Summary of Operations					
Revenue	3,713,804,757	4,541,495,965	5,592,255,679	7,061,563,356	9,176,744,157
Gross Profit	215,193,061	813,827,398	1,047,769,834	1,357,213,469	1,660,111,383
Earnings Before Interest, Tax and Depreciation	139,604,557	753,365,899	802,559,956	1,399,736,343	1,451,142,950
Depreciation	(158,265,028)	(263,441,256)	(29,410,527)	(254,893,902)	(310,184,367)
Net Profit before Finance Cost	(18,660,471)	489,924,643	773,149,429	1,144,842,441	1,140,958,583
Profit/(Loss) Before Tax	(76,990,578)	290,780,575	583,880,283	1,040,800,614	1,139,536,721
Income Tax Expense	(7,933,642)	(61,516,756)	(55,586,672)	(189,823,325)	(202,236,827)
Profit/(Loss) for the Year from Continuing Operations	(84,924,220)	229,263,819	528,293,611	850,977,289	937,299,894
Profit / (Loss) for the Year from Discontinued Operation				1,722,713	(6,959,511)
Attributable To:					
Equity Holders	(84,924,220)	243,118,569	527,266,718	852,700,002	930,340,383
Minority Interest	-	(13,854,750)	1,026,893	-	-
	(84,924,220)	229,263,819	528,293,611	852,700,002	930,340,383
Summary of Financial Position					
Capital and Reserves					
Stated Capital	60,000,020	60,000,020	780,000,260	3,285,000,260	3,285,000,260
Revaluation Reserve	781,668,161	713,938,216	1,212,411,791	1,061,400,707	1,036,450,036
Retained Earnings	(26,298,795)	377,799,113	846,565,811	1,712,832,176	2,081,101,919
	815,369,386	1,151,737,349	2,838,977,862	6,059,233,143	6,402,552,215
Minority Interest	2,170,000	9,765,986	-	-	-
Total Equity	817,539,386	1,161,503,335	2,838,977,862	6,059,233,143	6,402,552,215
Assets and Liabilities					
Current Assets	1,185,518,862	1,402,309,612	1,684,069,092	3,590,580,383	3,962,636,636
Current Liabilities	1,054,390,968	1,147,429,442	1,644,178,982	1,414,273,586	2,387,405,835
Net Current Assets	131,127,894	254,880,170	39,890,110	2,176,306,797	1,575,230,801
Property, Plant & Equipment	1,960,626,889	2,613,699,993	4,488,998,712	4,998,630,047	6,182,602,080
Other Non Current Assets	1,686,077	1,626,077	52,928,221	423,409,191	437,603,095
Intangible Assets	-	-	-	52,928,221	53,203,385
Non Current Liabilities	1,275,901,474	1,708,702,905	1,742,839,181	1,592,041,113	1,846,087,146
Net Assets	817,539,386	1,161,503,335	2,838,977,862	6,059,233,143	6,402,552,215
Summary of Cash Flows					
Net Operating Cash Flows	212,602,958	635,214,434	616,140,461	868,841,371	950,002,992
Net Cash Flows Used in Investing Activities	(482,756,539)	(849,776,329)	(660,578,881)	(1,128,945,130)	(1,184,712,496)
Net Cash Flows From / (Used in) Financing Activities	(304,459,957)	(170,487,112)	552,321,287	1,791,243,886	375,499,324
Financial Ratio					
GP Margin	6%	18%	19%	19%	18%
EBITD Margin	4%	17%	14%	20%	16%
NP Margin	-2%	5%	9%	12%	10%
Earnings / (Losses) per Share from Discontinued Operation(Rs.)	-	-	-	0.01	(0.02)
Earnings / (Losses) per Share from Continuing Operation(Rs.)	(1.09)	0.94	2.03	2.84	2.42
Current Ratio (Times)	1.12	1.22	1.02	2.54	1.66

Real estate portfolio

Company and location	Building in (Sq.Ft)	Land extent in acres		Net book value	
		Freehold	Leasehold	2012 Rs.'000	2011 Rs.'000
PROPERTIES IN COLOMBO					
LAUGFS Gas PLC					
No 112A, Kumarathunga Munidasa Mawatha, Colombo 03.	-	0.25	-	280,000	280,000
No 02, Havelock Place, Colombo 05.	3,200	0.22	-	230,840	231,170
LAUGFS Property Developers (Pvt) Limited.					
No 101, Maya Avenue, Colombo 06.	-	0.30	-	315,000	315,000
PROPERTIES OUTSIDE COLOMBO					
LAUGFS Gas PLC					
No. 311/1, Biyagama Road, Mabima.	30,424	27.92	-	582,949	501,504
LAUGFS Eco Sri (Pvt) Limited - Fixed Center					
Anuradhapura	-	-	0.03	5,011	5,832
Balapitiya	-	-	0.02	4,092	4,977
Bellanthota- Dehiwela	272	-	0.06	11,840	13,310
Embuldeniya- Nugegoda	594	-	0.07	13,600	16,578
Galle	-	-	0.07	9,960	11,979
Kaduwela	-	-	0.07	14,868	18,014
Kalutara	-	-	0.07	14,186	17,148
Kandy	280	-	0.05	12,914	15,493
Katunayake-Seeduwa	292	-	0.05	9,935	11,821
Kegalle	-	-	0.04	10,477	12,688
Kiribathgoda	-	-	0.06	2,554	3,194
Kotikawatta	306	-	0.04	13,836	15,869
Kottawa	-	-	0.06	12,762	15,390
Kurunegala	280	-	0.05	10,025	12,148
Matale	-	-	0.06	10,879	12,871
Matara	320	-	0.03	10,008	12,069
Miriswatta-Campha	-	-	0.06	7,910	9,440
Polonnaruwa	-	-	0.02	4,249	5,084
Rathnapura	-	-	0.06	10,545	12,576

Real estate portfolio

Company and location	Net book value				
	Building	Land extent in acres		2012	2011
	in (Sq.Ft)	Freehold	Leasehold	Rs.'000	Rs.'000
LAUGFS Eco Sri (Pvt) Limited - Fabricated Plants*					
Akurana	-	-	-	619	718
Akuressa	-	-	-	-	139
Ampara	-	-	-	1,011	-
Avissawella	-	-	-	77	82
Baddegama	-	-	-	766	522
Badulla	-	-	-	159	-
Bandarawela	-	-	-	785	884
Base Line - Orugodawatta	-	-	-	624	-
Batticaloa	-	-	-	1,361	-
Chilaw	-	-	-	314	341
Dambulla	-	-	-	556	1,207
Dehiwala	-	-	-	2,409	-
Diulapitiya	-	-	-	618	-
Elpitiya	-	-	-	332	315
Embilipitiya	-	-	-	1,071	302
Gampola	-	-	-	585	770
Horana	-	-	-	1,842	132
Ja Ela	-	-	-	335	358
Kadawatha	-	-	-	176	173
Kalumunai	-	-	-	480	-
Kamburupitiya	-	-	-	2	-
Katugasthota	-	-	-	875	-
Koswatta	-	-	-	657	572
Kotahena	-	-	-	115	130
Kuliyapitiya	-	-	-	10	-
Kundasale	-	-	-	111	137
Mahiyanganaya	-	-	-	160	102
Makola	-	-	-	1,862	-
Matugama	-	-	-	384	439
Meegoda	-	-	-	991	1,053
Monaragala	-	-	-	995	1,017
Negombo	-	-	-	1,332	524
Nittabuwa	-	-	-	643	766
Nugegoda	-	-	-	-	80

Company and location	Building in (Sq.Ft)	Land extent in acres		Net book value	
		Freehold	Leasehold	2012	2011
				Rs.'000	Rs.'000
Orugodawatta	-	-	-	626	227
Panadura	-	-	-	88	21
Pannala	-	-	-	560	400
Pelmadulla	-	-	-	829	1,020
Piliyatdala	-	-	-	126	143
Puttalam	-	-	-	794	848
Rajagiriya	-	-	-	443	37
Tangalle	-	-	-	791	754
Tissamaharama	-	-	-	284	88
Trincomalee	-	-	-	670	-
Udugampola	-	-	-	498	289
Warakapola	-	-	-	794	1,034
Wariyapola	-	-	-	849	1,103
Wattala	-	-	-	528	1,263
Wennappuwa	-	-	-	1,768	2,085
Kohuwela Office	-	-	-	1,825	3,771
Technical Department Kosswatta	-	-	-	184	251
Bellanthota Training Center	-	-	-	166	-
LAUGFS Leisure Limited.					
Paradise Estate, Karukupane, Bangadeniya, Chilaw.	-	17.95	-	23,800	23,800
Mag Consultants & Agents (Pvt) Limited.					
Waskaduwa Beach	-	15.00	-	675,000	-

* This includes areas of fabricated plants for vehicle emission testing.

Notice of meeting

Notice is hereby given that the Annual General Meeting 2012 of LAUGFS Gas PLC will be held on 25th September 2012 at 3.00pm at the Empire Ballroom of the Mount Lavinia Hotel at No. 100, Hotel Road, Mount Lavinia for the following purposes;

1. To receive and consider the Annual Report and Financial Statements for the Financial Year ended 31st March 2012 with the Report of the Auditors thereon.
2. To re-elect as Director, Mr. T. K. Bandaranayake, who retires in terms of Article 81 of the Articles of Association of the Company.
3. To re-elect as Director, Mr. P. M. Kumarasinghe PC, who retires in terms of Article 81 of the Articles of Association of the Company.
4. To authorise the Directors to determine and make donations.
5. To re-appoint Auditors M/s. Ernst & Young and to authorise the Directors to determine their remuneration.
6. To consider any other business of which due notice has been given.

By Order of the Board

LAUGFS GAS PLC



Corporate Advisory Services (Private) Limited
Secretaries

20th August 2012

Notes:

- i. A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- ii. A Proxy need not be a member of the Company.
- iii. A member wishing to vote by Proxy at the Meeting may use the Proxy Form enclosed.
- iv. In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.

THE SHAREHOLDERS ARE REQUESTED TO BRING AN ACCEPTABLE FORM OF IDENTITY.

Form of proxy

[Voting]

*I/We

of

being *a member/ members of the LAUGFS GAS PLC, hereby appoint

ofor 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 25th September 2012 at 3.00pm at the Empire Ballroom of the Mount Lavinia Hotel at No. 100, Hotel Road, Mount Lavinia and at any adjournment thereof and at every poll which may be taken in consequence thereof .

Signed this day 2012.

*Signature/s

Please provide the details :

Shareholder's NIC No / Company Registration No :

Folio No / Number of Shares held :

Proxy holder's NIC No (if not a Director) :

Note - See instructions to complete the proxy

* Delete inappropriate words

INSTRUCTIONS TO COMPLETE PROXY

1. The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy, duly signed and dated.
2. The completed Proxy should be deposited with the Board Secretary, at the Registered Office of the Company at No. 14, R. A. De Mel Mawatha, Colombo 04, 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.

Form of proxy

[Non voting]

*I/We

of

being *a member/ members of the LAUGFS GAS PLC, hereby appoint

ofor 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 on *my/our behalf at the Annual General Meeting of the Company to be held on 25th September 2012 at 3.00pm at the Empire Ballroom of the Mount Lavinia Hotel at No. 100, Hotel Road, Mount Lavinia and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this day 2012.

*Signature/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

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 - (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 Public Quoted Company with Limited Liability.

Subsidiaries : LAUGFS Eco Sri (Pvt) Limited
LAUGFS Leisure Limited
LAUGFS Hotel Management Services (Pvt) Limited
LAUGFS Property Developers (Pvt) Limited
LAUGFS Power Ltd
Mag Consultants & Agents (Pvt) Ltd

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 Centres to issue Vehicle Emission Test Certificates for Motor Vehicles.
LAUGFS Leisure Limited - Constructing a new hotel property at Chilaw.
LAUGFS Hotel Management Services (Pvt) Limited - Managing the operations of Hotels
LAUGFS Property Developers (Pvt) Limited - Real Estate Developments.
LAUGFS Power Ltd - Hydro Power Project
Mag Consultants & Agents (Pvt) Ltd - Holding and managing a beach front property at Passikuda

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/CEO)
Mr. U.K.Thilak De Silva (Managing Director)
Mr. H.A. Ariyaratne
Mr. T.K. Bandaranayake
Mr. C.L. De Alwis
Mr. P.M. Kumarasinghe PC

Bankers : Seylan Bank PLC
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
People's Bank
Bank of Ceylon
Lankaputra Development Bank
DFCC Bank
Union Bank of Colombo PLC
Standard Chartered Bank
PABC
HSBC

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.

Registrar : PW Corporate Secretarial (Pvt) Ltd
3/17, Kinsey Road, Colombo 08,
Sri Lanka

Registered Office : # 14, R.A. De Mel Mawatha, Colombo 04,
Sri Lanka.

Corporate Website : www.laugfsgas.lk
www.laugfs.lk

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LAUGFS

POWER OF LANKA