

ANNUAL REPORT
2021 | 22



The Ultimate Protection

**ALPHA FIRE
SERVICES PLC**

DECADES OF EXCELLENCE IN FIRE FIGHTING SINCE 1989



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ABOUT THIS REPORT

This is Alpha Fire Services PLC's first public annual report setting out the performance for the financial year ended 31 March 2022.

Alpha Fire Services Limited was listed on Colombo Stock Exchange in July 2022. The Company has however prepared and recorded its financial performance on a quarterly basis complying with required financial and non-financial prerequisites. AFS also adheres to corporate governance best practices ensuring transparency and accountability to stakeholders and paves the way for sustainable growth as indicated in this report.

This Report provides the Financial Statements for the year, the Report of the Board of Directors, and other statutory requirements. This report also presents AFS operational performance, and management discussion and analysis which share the triumphs and tribulations during the year.

Reporting Guidelines and Scope

The following standards, frameworks, and guidelines were used in preparing the report to ensure regulatory compliance and incorporate best practice in our reporting processes.

- Companies Act No. 07 of 2007
- Continued Listing Requirements of the Colombo Stock Exchange
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Sri Lanka Financial Reporting Standards
- Code of Best Practice on Corporate Governance 201

Combined Assurance

A combined assurance approach has been followed to establish the credibility of this report, ensuring that there are no material misstatements. Accordingly, the overall reporting process and the reliability and quality of the content are assured internally, by the senior management and the Board of Directors. The financial reporting including the financial statements and related notes has been assured by external and independent auditors, M/s KPMG Chartered Accountants.

Board Responsibility

The Board of Directors takes responsibility and assures the credibility of the inaugural Annual Report 2021/2022 of Alpha Fire Service Limited. The Board guarantees that the report gives a fair and transparent account of all issues underlining the sustainability and performance of the Company, as at the time of preparing this report. The Board however, does not take responsibility for any change to information shared in this report since the report's publishing.



CORPORATE INFORMATION

The Company	Alpha Fire Services PLC	
Registered Office	487/5, Old Kottawa Road, Pannipitiya, Sri Lanka Tel: +94 11 508 888 / 0777 747 317 Fax: +94 112 503 392	
Legal Form of the Company	Incorporated in Sri Lanka on May 07, 2003 and reregistered on October 16, 2007 as a Private Limited Liability Company under the provisions of Companies Act No. 7 of 2007. The legal form of the company was changed from Limited Company to Public Listed Company under provision of the section 8 of the Companies Act No. 07 of 2007 on July 04, 2022	
Company Registration Number (as a Public Company)	PQ00248999	
Place of Incorporation	Colombo, Sri Lanka	
Company Secretaries	Ms. F. S. Ismail 168/5, Elvitigala Mawatha, Colombo 08, Sri Lanka Tel: +94 11 2695009	
Auditors to the Company	M/s KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03, Sri Lanka Tel: +94 11 5426426 Fax: +94 11 2445872	
Board of Directors	Mr. Sanjay Vijith Anthony Perera	Chairman/Managing Director /Executive Non-Independent Director
	Mr. Malindra Christopher Fernando	Executive Non-Independent Director
	Mrs. Deanna Marise Ryde	Co-Founder/Non-Executive Non- Independent Director
	Mr. Agampodi Samud Ishara Gunasekera	Executive Non-Independent Director
	Mr. Kapila Liyanagamage	Independent Non-Executive Director
	Mr. Ranil De Silva	Independent Non-Executive Director

ABOUT ALPHA FIRE SERVICES PLC

Alpha Fire Services (AFS) was established in the year 2007. AFS operates with a staff strength of fifty employees which includes a team of qualified and trained engineers and technical staff, and a workshop located in Pannipitiya. The state-of-the-art workshop facility is fully equipped to handle large-scale fire protection, detection, and suppression systems.

AFS is in the top tier with CIDA EM1 (ICTAD) status and has also secured the ISO 9001:2015 certifications. The Company is also a member of the National Fire Protection Association (NFPA) – USA. AFS offers an extensive range of solutions and maintenance services that meets international standards and quality, combined with industry certifications, experienced, and qualified engineers and skilled workers, towards meeting our commitment to serve our clientele.



AFS supplies, installs, commissions, and maintains fire alarm systems, fire hydrant systems, fire hose reel systems, sprinkler systems, fire flex systems, fire suppression systems, fire doors, kitchen hood fire suppression systems, fire extinguishers and gas lines. AFS also, designs and consults on installation of fire systems as per local fire authority and NFPA standards and conducts fire trainings.

AFS has a diverse clientele across many sectors namely, consultants, architects, contractors, government organizations, BOI companies, banks, hospitals, condominium properties and many other organizations. AFS also provides our services to an exclusive residential clientele.

AFS has undertaken many projects including projects for the Urban Development Authority and for multinational companies. Some of the key projects handled by AFS in the past include:

Projects	Value (Rs. Mn)	Status
Nestle Lanka – Pannala	83.2	Completed
Fonterra Brands Lanka (Pvt) Ltd – Biyagama	19.8	Completed
Atlas Axillia (Pvt) Ltd	14.2	Completed
Nature's Beauty Creations Ltd	17.1	Completed
Royal Institute – Kohuwela	27.2	Completed
Relocation of undeserved resettlement project UDA – Dematagoda	35.1	Completed
UDA Housing projects for professionals – Pannipitiya	152.0	On-going
UDA Middle income housing project – Boraesgamuwa	117.0	On-going
Admin Building Faculty of Technology at UOC, Pitipana	20.5	Completed
Faculty of Medicine and Allied Science at Saliyapura	15.9	On-going
Hotel and Training Centre for Commercial Credit	23.0	On-going
National Nano Technology Park Building – Pitipana	29.2	Completed



Certification	Description	
CIDA EM1 ICTAD Status	Company holds EM1 Grade on Fire Detection and Protection System is the highest grading given by CIDA (ICTAD).	
ISO 9001:2015 Certification	Certified on Provision of Supply and installation of fire equipment and systems, upgrading existing fire systems, maintenance services and fire training	






OUR PORTFOLIO

OUR PRODUCTS





Our extensive product portfolio ensures that all types of fire management solutions are available to our clients.

Type of Product	Description	Product Images
Fire Alarm Systems	The broad range of available devices, from manual call points adapted for internal and external installation to automatic smoke detectors, heat detectors and Multi-sensor detectors. The Fire Detection and Alarm System (FDAS) meet the strict EN54 safety standards. The fire alarm control panels are characterized by many well-thought-out solutions for easier periodical inspections and maintenance of the system.	
Fire Blanket	Manufactured under the SAI Global standards mark scheme. The fire blanket is specialized fiberglass Mesh blanket, supplied in a PVC red pouch. It is designed to smother cooking oil and fat fires.	
Fire Hose Reel Systems	Fire Hose reels are located at strategic places in buildings to provide a reasonable accessible and controlled supply of water for the fire extinction. Fire hose reel systems consist of pumps, pipes and supply of water. It is wall mounted in buildings with cabinet protection. Fire hose reel in BSI/LPCB approved.	



<p>Fire Extinguishers</p>	<p>Fire extinguishers are portable devices used to extinguish small fires or reduce their destruction before the fire department arrives at the scene. Kept handy at places, namely fire points, in buildings, factories, public paces or transportation, they can be considered first line of defense against fires.</p>	
<p>Fire Hydrant Systems</p>	<p>Fire hydrant system is an effective and efficient means of extinguishing large fires, which can otherwise cause devastation. Hydrant system enables the firefighting to attack the seat of the fire from a distance.</p>	
<p>Fire Doors and Frames</p>	<p>Fire Doors are doors with fire-resistance rating and play an important role in fire protection and loss prevention. They are used as part of a passive fire protection system to reduce the spread of fire or smoke between compartments. Fire Doors enable safe escape from a building or structure during events like fire, earthquake, etc. Since Fire Doors have a distinct purpose, they have additional special characteristics than those of ordinary doors.</p> <p>AFS offers an ample range of fire rated doors including steel rated doors, glazed doors, access panel doors, louvers, vision panels and associated hardware accessories. Fire doors assemblies are produced and tested in accordance with international standards set by UL10 B, UL10 C, and UL1784 and are compliant to NFPA252, NFPA105, NFPA80 and CAN-ULCS104.</p>	
<p>Fire Pump Systems</p>	<p>Diesel engine driven, electric motor driven high quality pumps are fully competent to NFPA and UL/FM Standards. NFPA 20 system comes in a skid mounted plug and play unit, while UL/FM pumps arrangement is to be designed as per the specific location spacing.</p>	
<p>Sprinkler Systems</p>	<p>Fire sprinkler system is an active fire protection method, consisting of a water supply system, providing adequate pressure and flow rate to a water distribution piping system, onto which fire sprinklers are connected. Fire sprinkler is fitted at the end of pipeline to spray water for extinguishing or suppressing the fire.</p>	



Fire Flex Systems	This system is used for extinguish fire like Combustion from short circuits, overloading or overheating, Extensive damage to circuitry.	
Kitchen Hood Fire Suppression	Ensuring protection from potential threats such as open flame red hot cooking surfaces and a heavily grease laden environment which in turn leads to oil and grease fires, our kitchen hood fire suppression units are designed to fit cooker heads of different sizes. The Nano mist system has low water usage and contains smoke scrubbing Qualities. Ensuring further protection, the hood is LPCB/CE certified.	
Foam Bladder Tanks	The Tank Foam utilize the water pressure to inject foam concentrate into a water supply with the added advantage of a collapsible bladder that physically separates the foam concentrate from the water supply. Easily operate the systems require no outside source of power or pump only flowing water.	
Fire Suppression Systems	AFS offers a wide range of fire extinguishing and suppression systems. The suppression systems allow human intervention to ensure that there is no ignition or reigniting fire which gives you an opportunity to ensure complete safety. AFS takes advantage of the unique chemical characteristics of a fluid to store it as a liquid, but deliver it as a gas. Purpose is to develop and commercialize equipment and systems optimized for the unique properties of 3M™ Novec™ 1230 Fire Protection Fluid for the use in fire protection.	



OUR SERVICES

Alpha Fires Services PLC provides its clientele an extensive range of services that complement the products and solutions in fire management. These services ensure that the full range from customizing of solutions to frequent maintenance, training and upgrades are provided.

Designing

AFS design fire protection and detection, suppression systems and centralized liquid petroleum gas systems to meet individual needs according to the local and international standards and regulations. Proactive action is expected from everybody at AFS based on the Company's philosophy to focus on prevention by doing the right thing right the first time.

Installation

AFS designs, supplies, install, tests and commissions total fire safety and solutions on land, sea and air. AFS' solutions range from fire alarm systems to suppression systems, deluge systems sprinkler systems, cooking facility protection and more.

Commissioning

AFS commissions the installed systems, confirming that interconnected fire systems are functioning according to the design criteria and operational needs, including compliance requirements of applicable local and international regulations and standards.

Maintenance

AFS provides island wide services and maintenance of all type of fire equipment. AFS readily upgrades existing fire systems according to the standards



CHAIRMAN'S MESSAGE

Dear Shareholders,

During the last two years, the outbreak of the pandemic and the economic upheaval within the country has had far reaching consequences on lives and livelihoods. Despite these challenges, I am pleased to announce that Alpha Fire Services PLC reported a net profit of Rs.1 Mn during the financial year as presented in our first annual report as a public quoted company.

Our success was due to strategic foresight and commitment of the team that moved forward with conviction and confidence to chart our future roadmap. In this context it is my pleasure to present to you the Annual Report and Financial Statements for the year ended 31st March 2022 of Alpha Fire Services PLC.

Economic Challenges

The Financial Year 2021/22 was defined by the emergence of the 2nd and 3rd waves of the COVID-19 pandemic in Sri Lanka. The second half of 2021 was marked by concerns of the country's deepening economic vulnerabilities. The country's economic vulnerabilities were exacerbated by a decline in tourism earnings and remittances by 62% and 23% respectively, that resulted in a depletion of foreign exchange reserves. In response, the Government imposed restrictions on imports and mandated the conversion of export proceeds with a view to preserving foreign exchange reserves. In early March 2022, the Central Bank of Sri Lanka decided to free float the exchange rate which led to a significant depreciation of the Sri Lanka Rupee against the US Dollar. The depreciation of the Sri Lanka Rupee led to increased inflationary pressures. Headline inflation levels as reported by the National Consumer Price Index (NCPI) accelerated to 21.5% in March 2022 YOY. This had a direct impact on expenditure as material used for our installation projects are imported and locally sourced material also increased significantly. Alpha Fire Services PLC successfully managed the challenges of the external environment during the first wave of the pandemic in 2020 by ensuring uninterrupted operations during the lockdown periods. As a SME entity, we were able to maintain flexibility and agility in response to these disruptive externalities.

Performance

The company revenue also improved Rs.233.8 despite the challenges of the year however the company reported a profit of Rs.1. Mn, 71% lower against the last financial year due to increase of cost of consumables resulted from import restriction prevailing in the country

Creating Value

Alpha Fire Services PLC has always remained steadfast and resolute in its commitment to pursue its ambitious long-term aspirations. Our commitment to transparency and governance is evident in our public listing of shares in the Colombo Stock Exchange. It also reflects the company's commitment to unlock our full potential by broad-basing the shareholding and focusing on greater transparency and corporate governance.

During the year under review the Company managed its revenue and profitability levels marginally. Our unique business model is based on recurrent revenue, wherein 60% of the revenue is derived from our portfolio of recurrent customers - our platinum customers who have had a long-standing relationship with the Company. We are cognizant of the value of this customer segment and strive to offer a customer-centric value proposition.



During the year the Company initiated several cost saving measures. The depreciation of the Sri Lankan Rupee and the insufficiency of the US Dollar liquidity within the banking system restricted the import of material, but we managed to source select material from the local market, while maintaining sufficient stocks for ongoing projects that had to be completed during that time period.

Our Position

Alpha Fire Services PLC has carved a unique position within the industry since 1989 as a fire contractor who extends its services beyond installation and maintenance of fire systems and equipment.

We are a well-established fire extinguishing Solutions Company with CIDA EM1 (ICTAD) status, ISO 9001:2015 certification and a member of the National Fire Protection Authority –USA (NFPA).

Our well trained and experienced team of technicians, engineers and project managers are geared to undertake, design, install and in the commissioning of fire alarms, fire hydrant systems, hose reel systems, sprinkler systems and fire suppression systems.

Looking Forward

Despite the many challenges of the year and the uncertainties ahead, Alpha Fire Services PLC is looking forward to expanding our product and service portfolio to better serve our clientele. We are planning to set up a manufacturing plant for fire doors and cabinets such as hose reel and extinguisher cabinets, which complements our core business and expands our product offering. Currently, the cabinets are purchased locally while fire doors are either imported or locally sourced based on the requirement.

This would improve our delivery efficiency and cost reduction. We also hope to supply fire doors for other fire companies in future as well.

The development of a workshop and a new office premise is in the pipeline, allowing the company greater space for growth. The current premise which houses the office, stores and workshop has limited space and has limitations in storing, improving workshop facilities.

Whilst developing our domestic operations and expanding our product portfolio, the Company is keen to explore new market opportunities overseas. Currently, we have initiated this process towards expanding our operation in Maldives.

Acknowledgment

As a Christian, I have no hesitation to acknowledge that God's Grace, Mercy and Blessings have helped us to manage this extremely difficult and challenging period.

I wish to thank the employees of Alpha Fire Services PLC and our clientele for their continued support and loyalty.

I take this opportunity to appreciate the Board of Directors for their strategic and timely guidance to drive the company forward and shareholders for their confidence and patience during challenging times.

Vijith Perera

THE BOARD OF DIRECTORS



Mr. Sanjay Vijith Anthony Perera

Attorney-atLaw

BA Economic-University of California, Berkley USA

Obtained a BA Economics degree from the University of California, Berkley USA and passed out as an Attorney-at-law from Sri Lanka Law College, Founder Director of Amtek Engineering (Pvt) Ltd, Ultrakleen (Pvt) Ltd and Ultra kill (Pvt) Ltd. Possesses wide experience in Management. Currently serves on the board of several business establishments.



Mr. Malindra Christopher Fernando

Founder Director of Amtek Engineering (Pvt) Ltd Decades of experience in business and industry. Currently serves as a board director in several business ventures including facilities management, engineering and service sectors. He has played an active role in the rapid infrastructure development in Sri Lanka by advising numerous international contractors and investors in project management and implementation.



Mrs. Deanna Marise Ryde

Co-Founder & Executive Director of Alpha Fire Services W.L.L. Bahrain, 1996- 2014 Retired Executive Director of Alpha Safety & Security Holdings BSC. Over two decades experience in Office Management, Human Resources Management, Marketing, & Planning. Conceptualized the Alpha Fire logo and branding of the company and subsidiaries. Identified and developed business system & procedures, set up offices, equipment and infrastructure as required, Recruited and trained staff and managed the Day-to-day operations of the business at executive level prior to the acquisition of 51% stake by AmtekEngineering.



Mr. Agampodi Samud Ishara Gunasekara

MBA (IND) MLIM (SL) FCPM (SL) P.Mkt (SL)

A top level marketer in the business with over 20 years of corporate experience. A specialist in engineering products, solution & services. Strong experience in project sales, fire engineering and contracting. A life member of Sri Lanka Institute of Marketing.



Mr. Kapila Liyanagamage

Mr. Kapila Liyanagamage is an Independent Non-Executive Director and an Attorney-at-Law of the Supreme Court of Sri Lanka with more than 20 years of experience in the field of Civil & Commercial Law. He holds a degree of Master of Laws in Law of International Trade from the University of Wales. He has served as the Legal Consultant of Sri Lanka Ports Authority (2004 - 2015) and as a Director of National Savings Bank (2005 - 2008).

Mr. Ranil De Silva



Fellow Member of the Chartered Institute of Management Accountants, United Kingdom, Associate Member of the Institute of Chartered Accountants of Sri Lanka and Member of the Chartered Institute of Marketing, United Kingdom. He was the Joint Managing Director of Aitken Spence Hotels (2017 - 2019), Managing Director – Hemas Hotel Sector (Serendib Leisure) (2010 –2016), Group CEO – DCSL Group (Melstacorp PLC) (2008 –2010) and Director / CEO – Comfort wear (Pvt) Ltd. (2006 –2008) (Brandix Group Company). Prior to these he was the Head of Finance & Controlling (Arabian Gulf) – Sika Gulf BSC, Bahrain – (1995 – 2002 and 2004 – 2006), Head of Finance & IT - Sathosa Retail Ltd (2003 - 2004) and Senior Manager, Ernst & Young, Colombo & Kuwait (1984 - 1994).

MANAGEMENT DISCUSSION & ANALYSIS

Operating Environment

Sri Lanka's fire safety equipment industry is considerably a low-profile sector with limited public information available on local competitors and the fire safety equipment market.

However, as an essential support service for majority of industrial, commercial and retail sectors, the fire safety equipment industry is strictly regulated for safety and quality compliance. At the same time, it is heavily dependent on imported material and locally sourced items which make the industry vulnerable to external economic and regulatory conditions.

The financial year under review ended 31 March 2022, has been a year mixed with challenges and opportunities for the fire safety equipment industry. While, state imposed import restrictions, frail economic conditions and the domestic exchange rate crisis has posed certain challenges, Alpha Fire Services PLC has managed to optimize the opportunities that supported the company's business growth.



Construction and Manufacturing Sector Growth

Sri Lanka's GDP from construction show an increasing trend during the recent past. The growth in the construction sector creates a favorable environment for the fire equipment industry. Construction industry contributed 6.2% to the Sri Lanka GDP in 2021, despite adverse impacts of the Covid 19 pandemic according to the Central Bank of Sri Lanka.

Fire service equipment is required for industries such as mining and quarrying sectors, utilities such as electricity, gas, water and waste treatment, the wholesale and retail trade, storage, financial services, telecom as well as public services sectors. They contributed 62.4% to the GDP in 2021 11.8% lower from the last year due to Covid 19 lockdowns and disruption affecting services industries (Central Bank of Sri Lanka, 2021).

Performance of these sectors indirectly impact the growth of the fire service protection systems industry, which requires installation and maintenance of fire prevention and control measures implemented.

Implementation of Fire Services and Building Standards Laws

The Construction Industry Development Authority (CIDA), under the Ministry of Housing and Construction, is tasked with devising fire safety regulations for buildings in Sri Lanka. The mandatory structural fire protection and access requirements were introduced in 2017 to be included in proposed building plans. This was initiated 12 years after Colombo's skyline changed with new high-rise buildings. There are measures proposed to make it mandatory for annual fire safety inspection in all buildings. This is possible through a state authority with sufficient jurisdiction, either the fire brigade or a qualified fire safety expert <https://lifecsecglobal.com/fire-regulations-in-sri-lanka>

Fire Prevention Awareness

Significant opportunities are likely to emerge on account of rising demand for personal protective equipment. Personal protective equipment includes protective footwear, protective clothing, hand protection, head protection, fall protection, and respiratory protection. Growing awareness about ensuring safety of people specially in public places, has increased installations of fire protection equipment (source: <https://www.transparencymarketresearch.com/fire-protection-equipment.html>, Nov 2021).

Increase in attention towards fire safety has been directed in the draft Mega polis and Regulations and Guidelines, a state policy that has been proposed by the government. This will strengthen the existing regulations and guidelines of the Urban Development Authority (UDA). However, despite improving regulations and legal powers, the implementation of fire safety measures will largely depend on the greater awareness and support of the community to ensure that fire safety is prioritized as an essential safety measure.



Operational Review

During the period under review the company successful in completed 22 fire protection and detection systems projects to the value of Rs.190 Mn. These include projects at National Nano Technology Park Building, Nature's Beauty Creations Ltd, St.Kildas Project by L.H.Piyasena & Co. Pvt Ltd, Heineken Lanka Ltd, Commercial Credit Finance PLC Kandy Office and several corporates and Urban Development Authority Projects.

The Company also has large, medium and small scale ongoing project for value of Rs.431 Mn at UDA Housing Projects, Global Rubber Industries Ltd Mirigama and Badalgama, Proposed Hostel Building for Ceylon German Technical Institute, Faculty of Medicine and Allied Science at Saliyapura, Sri Lanka Army- Maitland Project and several corporate and construction projects.

Financial Review

Amidst many challenges posed by the COVID-19 pandemic, in particular with lockdowns leading to delays in projects, in the 2021/22 FY, AFS reported a revenue of Rs.233.8 Mn which is a 26% growth vis a vis last year.

Corresponding to the increase in revenues, the cost of sales has increased by 40% compared to the previous year and recorded at Rs. 181.4 Mn. The increase in cost of sales also due to rising material prices from import restriction, affected the company's Gross Profit Margin which dropped from 30% to 23% during the year.

Operational Profit before management fee also reduced from 11.4% to 8.3%, and recorded at Rs.19.4 Mn.

However, AFS managed to record a net profit of Rs.1 Mn for the financial year under review, which is 71% lower compared with last year, due to an increase in net finance cost of 117% resulting from an increase in interest cost and additional bank borrowing of Rs.10Mn to finance working capital requirement.

Human Resources

As at 31 March 2022, the Company's workforce consisted of 53 employees and the breakup of the work force is as follows;

Category	Number of Employees
Management	3
Executive and Non-Executive	19
Technicians and others	31
Total	53



Future Outlook

AFS intends to set up a manufacturing plant for fire doors and cabinets such as for hose reel and extinguisher cabinets during the coming year. This is expected to improve the company's delivery efficiency and lower costs.

The company is also planning to establish a subsidiary for Mechanical, Electrical and Plumbing (MEP). Usually, fire projects are categorized as MEP and the company expects to improve revenue with these new product developments and penetrate the existing customer base thereby improving revenues.

CORPORATE GOVERNANCE

The composition of the Board in compliance with the listing rules of the CSE is as follows:

COMPOSITION OF THE BOARD OF DIRECTORS

Type	Number of Directors	Names of Directors
Executive Non-Independent Directors	03	Mr. Sanjay Vijith Anthony Perera, Mr. Malindra Christopher Fernando, Mr. Agampodi Samud Ishara Gunasekera
Non-Executive Non-Independent Director	01	Mrs. Deanna Marise Ryde,
Non-Executive Independent Directors	02	Mr. Kapila Liyanagamage and Mr. Ranil De Silva
Total	06	

The Board has also appointed the following committee as required to support the corporate governance functions however no meetings were held during the financial year under review consequently no reports were submitted.

- Audit Committee
- Remuneration Committee
- Related Party Transaction Review Committee

Audit Committee

The members of the Audit Committee are as follows:

- Mr. Ranil De Silva – Chairman - Independent Non-Executive Director
- Mr. Kapila Liyanagamage - Independent Non-Executive Director

The Audit Committee undertakes, on behalf of the Board, responsibility for ensuring the integrity of the Company's financial reports by having oversight of internal control, the financial reporting process and compliance with regulatory matters as given in the Audit Committee Charter. It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders.



Remuneration Committee

The members of the Remuneration Committee are as follows:

Mr. Kapila Liyanagamage – Chairman - Independent Non-Executive Director
Mr. Ranil De Silva - Independent Non-Executive Director

The Remuneration Committee is responsible to the Board for recommending remuneration of the Executive Directors including the Managing Director, members of the Executive Committee, and setting the broad parameters of remuneration for senior executives.

Related Party Transaction Review Committee

The members of the Related Party Transaction Review Committee are as follows:

Mr. Kapila Liyanagamage – Chairman - Independent Non-Executive Director
Mr. Ranil De Silva - Independent Non-Executive Director
Mr. Samud Gunasekara - Executive Non Independent Director

This committee is responsible for ensuring that the interests of the shareholders are taken into account when entering into Related Party Transaction. It further provides certain measures to prevent Directors, Managing Director or substantial shareholders taking advantage of their position.

During the year under review committees' meetings were not taken place as the company was listed on Colombo Stock Exchange subsequent to the financial year end.

RISK MANAGEMENT

Alpha Fire Services PLC's main business line is in implementing projects and services for fire protection and detection. The Company and its business activities are subjected to a number of risk factors within and / or beyond the control of the company.

The risk factors that follow include material risks, business risks, financial risks, and other conditions resulting from operations and prospects that could adversely affect the organization. However, given the importance of the industry and the strategic initiatives employed by AFS, the business operations are expected to be stable in the foreseeable future.

The risk matrix based on each type of risk along with the mitigation actions are tabulated below



Type of Risks	Mitigation Actions
<p>BUSINESS RISK Lack of trained and competent technical workers: The fire services and equipment industry in Sri Lanka is a niche market with very few skilled technical workers possessing the required qualifications and experience. Therefore, it is a challenge to find suitable technical workforce in the country.</p>	<p>AFS being a top tier Company, (refer Table 4.3) is able to retain technical workforce to some extent in order to continue the business operations through continuous training, remuneration and benefits.</p>
<p>Large number of small companies in the industry: this leads to competition on pricing for projects as smaller companies are able to quote lower contracts due to lower overheads.</p>	<p>AFS being a larger Company is able to negotiate contracts based on track record and stronger resources required to implement the projects on time and quality.</p>
<p>Increased Direct costs: Increase in the material costs due to increased prices of raw materials, higher import costs due the rupee depreciation, controls put in place on imports, higher transportation costs are some of the key direct costs impacting on the financial performance of the industry as a whole.</p>	<p>Company is managing by pricing of contracts maintaining the required profit margins. Since fire services and equipment is a necessity for larger construction projects, the business operations will not be impacted significantly</p>
<p>Foreign Exchange restrictions impacting imports Out of total purchases of fire protection and detection items/equipment approximately 30% is imported.</p>	<p>The present foreign exchange limitations are managed by AFS by opening Letter of Credit with usance period of more than 3 months through the banks and by utilizing parent company and related company export proceeds to finance for telegraphic transfer remittances</p>
<p>Business Continuity/ Interruption Risks SMEs are inherently managed by a few key persons and have a few key suppliers to rely on with a small team of staff. Even a minor interruption can stall the business operations</p>	<p>AFS manages this risk by having a diverse team and supplier/ brands to reduce reliance on a few people.</p>
<p>FINANCIAL RISK Proper cash flow management is one of the key risks faced by SME companies. Due to their inherent lower bargaining power and competing for supplies with large companies, the SME companies incur higher costs</p>	<p>AFS being a top tier CIDA EM1 company is better placed in terms of cost competitiveness from suppliers and implements tight controls in terms of cash flow management as reflected in its gearing and liquidity positions.</p>



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Alpha Fire Services PLC have pleasure in presenting the Annual Report together with the Audited Financial Statements of the Company for the year ended 31 March 2022.

This Annual Report contains information on the affairs of the Company as required by the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock exchange and recommended best practices.

The Financial Statements were reviewed and approved by the Board of Directors on 23 November 2022.

General

Alpha Fire Services PLC was incorporated in Sri Lanka on May 07, 2003 and re-registered on October 16, 2007 as a Private Limited Liability Company under the provisions of Companies Act No. 7 of 2007. The legal form of the company was changed from Limited Company to Public Listed Company under provision of the Section 8 of the Companies Act No. 07 of 2007 on July 04, 2022.

Principal Activities

The principal activities of the company include the supply, installation, commission and maintenance of fire alarm systems, fire hydrant systems, and fire hose reel systems, sprinkler systems, fire flex systems, fire suppression systems, fire doors, kitchen hood fire suppression systems, fire extinguishers and gas lines. The Company also designs and consults on installation of fire systems as per local fire authority and NFPA standards and conducts fire trainings.

Review of Operations

An analysis of the operations of the Company during the financial year under review is given in the Chairman's Review on pages 8 to 9 and the Management Discussion on pages 11 to 14.

Financial Statements

The financial statements appearing in this report have been prepared by the Sri Lanka Accounting Standards for SMEs, issued by the Institute of Chartered Accountants of Sri Lanka. The Company operates in compliance with the requirements of the Companies Act No.07 of 2007 and the listing rules of the Colombo Stock Exchange. In addition to all the relevant legal and regulatory frameworks and charters, Alpha Fire Services Limited also endorses and/or subscribes to the code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Financial Statement duly signed by the Head of Finance and two of the Directors of the Company on behalf of the Board The Audited Financial Statements are given on pages 20 to 43.



Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility reflects a true and fair view of the performance and financial position of the Company. It is given on page 25 and forms an integral part of the Annual Report of the Board of Directors.

Auditors' Report

Messrs. KPM G, the Auditors of the Company carried out the audit on the Financial Statements for the year under review. The Report of the Auditors on the Financial Statements of the Company is given on pages 20 to 24.

Accounting Policies

The accounting policies adopted by the Company in the preparation of financial statements are given on pages 29 to 33.

Going Concern

The Board is satisfied that the Company has adequate resources to continue its operations into the foreseeable future. Therefore, the Company has adopted the going concern basis in preparing the Financial Statements.

Directors

The names of the Directors who held office as at 31 March 2022 are given below and their brief profiles appear on pages 10 to 11.

Directors' Interests in Contracts or Proposed Contracts and Interest Register

The Company maintains a Directors' Interest Register in compliance with Section 192 (2) of the Companies Act No. 07 of 2007, and is deemed to form part and parcel of this Annual Report. The disclosed interests are in Note 22 to the Financial Statements on page 39.

Directors' Remuneration

The Directors' remuneration is disclosed in Note 22 to the Financial Statements on page 39.

Corporate Governance

The Board has placed a high degree of importance on conforming to sound corporate governance practices and is committed to the highest standards of corporate governance within the organization.

The Directors are of the view that the Company is in compliance with the Corporate Governance Rules contained in the Listing Rules of the Colombo Stock Exchange.

The details on Corporate Governance is given on pages 14 to 15 of the Annual Report.



Property, Plant and Equipment

Details and movements of property plant and equipment are given under Note 02 to the Financial Statements on page 34.

Material Foreseeable Risk Factors

As part of the governance process, the Board continuously reviews and evaluates the internal controls and risks of the company and takes necessary measures required to mitigate risk. Risk management objectives & policies are set out on pages 15-16.

SHAREHOLDER AND INVESTOR INFORMATION

The issued ordinary shares of Alpha Fire Services is 2,760,000 and 2,083,800 are listed on Colombo Stock Exchange on June 7 2022.

The shareholders of AFS are illustrated below.

Name	Number of Shares	% Shareholding
Amtek Engineering (Pvt)Limited	1,407,600	51.00%
Estate of Late Mr. Frank Ryde	676,200	24.50%
Mrs. Deanna Ryde	676,200	24.50%
Total	2,760,000	100.00%

676,200 shares of Estate of Late Mr. Frank Ryde have not been listed on Colombo Stock Exchange as the probate will be pending.

Details of the Non-Public Shareholders of the Company

Name	Number of Ordinary Shares	Percentage %	Relationship with AFS
Amtek Engineering (Pvt) Limited	1,407,600	51.00%	Parent Company
Estate of Late Mr. Frank Ryde	676,200	24.50%	Former Director
Mrs. Deanna Marise Ryde	676,200	24.50%	Non-Executive Director

Total numbers of shares stated above were locked-in for a period of six (06) months from the date of listing and would not be available for trading on the CSE until the expiry of the aforesaid six (06) months period from the date of listing as given.

Share Price

Shares were listed by introduction at a Reference Price of Rs.11.70 per Share. No trading was taken place as the shares were locked for a period of 6 months from the date of listing.

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FINANCIAL REPORTS





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(Chartered Accountants)
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ALPHA FIRE SERVICES PLC

Opinion

We have audited the financial statements of Alpha Fire Services PLC (“the Company”), which comprise the statement of financial position as at 31 March 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs).

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (“SLAuSs”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA	C.P. Jayatilake FCA	T.J.S. Rajakarier FCA
W.J.C. Perera FCA	Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA
W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA
R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA
M.N.M. Shameel FCA	Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA
Ms. P.M.K. Sumanasekara FCA		
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W.A.A. Weerasekara CFA, ACMA, MRICS		



Revenue recognition	
<i>Refer Note 1.3 and Note 16 to the financial statements</i>	
Risk Description	Our responses
<p>The Company recorded revenue of Rs. 233,880,358/- for year ended 31 March 2022 which included project-based revenue amounting to Rs. 187,984,854/-.</p> <p>Revenue recognition and measurement on project-based revenue is complex because it is based on management estimates of;</p> <ul style="list-style-type: none"> • The stage of completion of the project; • Total project revenue and cost; • The probability of customer approval of the variation and claims; and • Project completion date. <p>This, together with the focus on volumes and revenue as key performance measures resulted in revenue being selected as a key audit matter.</p>	<p><i>Our audit procedures included;</i></p> <ul style="list-style-type: none"> • Understanding the nature of revenue contracts entered by the Company and evaluated the design and operating effectiveness of relevant controls over the recognition of revenue, • Assessing management’s estimate of total contract revenue and contract costs and recalculated the stage of completion based on actual costs incurred to date for a sample of transaction. • Checking start and end dates of projects to supporting evidence for a sample of revenue recognized on a time basis. • Performing retrospective analysis of incomplete projects at the year end. We compared the estimated projects completion dates with the actual completion dates post year end to assess the allocation of revenue between periods. • Assessing the adequacy of the disclosures in Note 1.3 (i) to the financial statements.



Carrying value of inventory	
<i>Refer Note 1.3 and Note 3 to the financial statements</i>	
Risk Description	Our responses
<p>The Inventory balance comprise of raw consumables and work in progress, amounting to Rs. 79,404,129/- as at 31 March 2022 which forms a significant part of the Company's current assets.</p> <p>Carrying value of inventories is identified as a Key Audit matter because establishing a provision for slow-moving, obsolete and damaged inventory and valuation of inventories involve significant judgments and assumptions exercised by the management.</p>	<p><i>Our audit procedures included;</i></p> <ul style="list-style-type: none"> • Obtaining an understanding of an assessing the design, implementation and operating effectiveness of management's key internal controls over the supply chain and testing selected key controls over recognition and measurement of inventory and inventory provisioning. • On sample basis, testing the net realizable value by comparing the actual cost with relevant market data. • Attending stock counts as at the year-end. In addition, assessed the effectiveness of the physical count controls in operation at each count location to identify damaged stocks, and expired stocks that are written off in a timely manner and evaluating the results of the other counts performed by the management throughout the period to assess the existence of inventory Gaining an understanding of the movements in the inventory for the year and assess the adequacy of the provision for nonmoving and slow-moving inventory. • Assessing whether the Company's accounting policies had been consistently applied and the adequacy of the Company's disclosures in respect of the judgment and estimation made in respect of inventory provisioning.



Other Information

Management is responsible for the other information. These financial statements does not include the other information.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with SLFRS for SMEs, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our



auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements in accordance with Code of Ethics regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charge with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
23 November 2022



ALPHA FIRE SERVICES PLC
STATEMENT OF FINANCIAL POSITION

As at 31 March,

Assets	Note	2022 Rs.	2021 Rs.
Non-current assets			
Property, plant & equipment	2	27,291,799	29,190,538
Term deposits		27,718,677	26,522,512
Total non-current assets		55,010,476	55,713,050
Current assets			
Inventories	3	79,404,129	104,356,804
Trade and other receivables	4	36,293,932	28,810,033
Cash margin account		1,565,636	297,822
Cash and cash equivalents	5	6,936,499	2,117,920
Total current assets		124,200,196	135,582,579
Total assets		179,210,672	191,295,629
Equity and liabilities			
Equity			
Stated capital	6	25,569,560	7,122,200
Revaluation reserve		1,534,467	1,534,467
Retained earnings		8,501,648	25,932,172
Total equity		35,605,675	34,588,839
Non-current liabilities			
Retirement benefits obligation	7	3,790,250	2,820,550
Lease liabilities	8	111,379	1,446,276
Bank borrowings	9	10,722,208	11,717,325
Deferred tax liabilities	10	390,386	327,330
Total non-current liabilities		15,014,223	16,311,481
Current Liabilities			
Lease liabilities	8	1,673,892	2,522,850
Bank borrowings	9	8,217,341	7,528,008
Amount due to related parties	11	26,653,104	18,333,389
Loan from related parties	12	5,000,000	-
Short term bank borrowings	13	9,539,292	23,336,354
Trade and other payables	14	50,634,925	67,623,813
Income tax payable	15	660,839	1,482,671
Bank overdrafts	5	26,211,381	19,568,224
Total current liabilities		128,590,774	140,395,309
Total liabilities		143,604,997	156,706,790
Total equity and liabilities		179,210,672	191,295,629

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

I certify that the above Financial Statements comply with the requirements of the Companies Act No. 7 of 2007.

.....
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements in accordance with SLFRS for SMEs.

Approved and signed on behalf of the Board of Directors:

.....
Director

23 November 2022
Colombo

.....
Director

**ALPHA FIRE SERVICES PLC
STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 March,*

	Note	2022 Rs.	2021 Rs.
Revenue	16	233,880,358	184,964,494
Cost of sales	17	(181,406,438)	(129,798,334)
Gross profit		52,473,920	55,166,160
Administrative expenses		(26,278,200)	(24,541,565)
Selling and distribution expenses		(6,750,617)	(9,550,951)
Management fee		(12,049,271)	(13,872,337)
Profit from operations	18	7,395,832	7,201,307
Finance income		1,277,431	2,574,580
Finance expenses	19	(6,903,976)	(5,161,948)
Net finance income		(5,626,545)	(2,587,368)
Profit before taxation		1,769,287	4,613,939
Income tax expenses	21	(752,451)	(1,112,742)
Profit after taxation		1,016,836	3,501,197
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		1,016,836	3,501,197
Earning per share (Rs.)	20	0.37	1.27

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.

**ALPHA FIRE SERVICES PLC
STATEMENT OF CHANGES IN EQUITY***For the year ended 31 March,*

	Stated capital	Revaluation reserve	Retained earnings	Total
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Balance as at 01 April 2020	7,122,200	1,534,467	23,630,975	32,287,642
Total comprehensive income for the year				
Profit for the year	-	-	3,501,197	3,501,197
Transactions with owners of the company				
Dividend	-	-	(1,200,000)	(1,200,000)
Balance as at 31 March 2021	<u>7,122,200</u>	<u>1,534,467</u>	<u>25,932,172</u>	<u>34,588,839</u>
Capitalization of reserve (Note 6)	18,447,360	-	(18,447,360)	-
Total comprehensive income for the year				
Profit for the year	-	-	1,016,836	1,016,836
Balance as at 31 March 2022	<u>25,569,560</u>	<u>1,534,467</u>	<u>8,501,648</u>	<u>35,605,675</u>

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.



ALPHA FIRE SERVICES PLC
STATEMENT OF CASH FLOWS

For the year ended 31 March,

	Note	2022 Rs.	2021 Rs.
Cash flows from operating activities			
Profit before taxation		1,769,287	4,613,939
Adjustments for:			
Depreciation of property plant and equipment	2	2,365,140	2,827,188
Gratuity	7	1,057,200	667,925
Provision on trade receivable		-	1,073,727
Interest income		(1,277,431)	(2,574,580)
Loan interest		3,522,887	1,755,787
Lease interest		477,248	698,510
Operating profit before changes in working capital		7,914,331	9,062,496
Changes in working capital			
Increase/ (decrease) in inventories	3	24,952,675	(19,784,263)
(Decrease) / increase in trade and other receivables		(7,483,900)	5,707,867
Increase in amount due to related parties		8,319,715	2,394,914
Decrease in trade and other payables		(16,988,887)	(9,382,626)
Cash generated from / (used in) operations		16,713,935	(12,001,612)
Income tax paid		(1,284,427)	(860,462)
WHT paid		(226,800)	(134,335)
Gratuity paid	7	(87,500)	-
Net cash flow generated from / (used in) operating activities		15,115,208	(12,996,409)
Cash flows from investing activities			
Acquisition of property, plant and equipment	2	(466,401)	(19,641,932)
Interest income		81,266	2,574,580
(Investment in) / withdrawal of cash margin		(1,267,813)	4,407,198
Withdrawal of fixed deposits		-	2,738,083
Net cash flow used in investing activities		(1,652,948)	(9,922,071)
Cash flows from financing activities			
Long term loan received		10,000,000	19,245,333
Long term loan paid		(10,305,785)	-
Short term loan (paid) / received		(13,797,063)	9,552,923
Loan interest paid		(3,522,887)	(1,755,787)
Lease interest paid		(477,248)	(698,510)
Lease rental paid		(2,183,855)	(1,560,899)
Loan from related parties		5,000,000	-
Dividend paid		-	(1,200,000)
Net cash flow (used in)/generated from financing activities		(15,286,838)	23,583,060
Net changes in cash and cash equivalents during the year		(1,824,578)	664,581
Cash and cash equivalents at beginning of the year		(17,450,304)	(18,114,885)
Cash and cash equivalents at end of the year	5	(19,274,882)	(17,450,304)

The financial statements are to be read in conjunction with the related notes, which form an integral part of these financial statements of the Company.



**ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2022,

1. ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Alpha Fire Services PLC, (“the Company”) is a public listed company incorporated in Sri Lanka, under the companies Act No.07 of 2007 and domiciled in Sri Lanka. The registered office of the company is located at No, 487/5, Old Kottawa Road, Pannipitiya. 51% of the ownership of the Company is owned by Amtek Engineering (Private) Limited. The Company has listed on the Empower Board of Colombo Stock Exchange on 07 June 2022.

(a) Principal activities and nature of operations

The principal activities of the Alpha Fire Services PLC is to provide fire protection services.

1.2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company comprise statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes comprising other explanatory information. These statements have been prepared in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (“SLFRS for SMEs”) issued by the Institute of Chartered Accountants of Sri Lanka. The Company is allowed by the Colombo Stock Exchange to follow SME Standards for three consecutive financial periods to prepare financial statements from the date of listing as per the section 1.1 A of the extraordinary gazette of the Colombo Stock Exchange.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis. No adjustments have been made for inflationary factors in the financial statements.

(c) Going concern

The Directors have made an assessment of the company’s ability to continue as a going concern in the foreseeable future and they do not intend either to liquidate or cease trading. Therefore, the going concern basis is used in the preparation of financial statements. Based on available information, the management has assessed the prevailing uncertain and volatile macro-economic environment and its impact on the Company and the appropriateness of the use of the going concern basis. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

(d) Functional and presentation currency

These financial statements are presented in Sri Lankan Rupees, which is the Company’s functional and presentation currency.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with SLFRS for SMEs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only the financial year, or in the period of the revision and future periods if the revision affects both current and future financial years.



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022,

1.2 BASIS OF PREPARATION (CONTINUED)

i. Inventory valuation

Inventories are measured at cost or net realizable value whichever is lower after making due allowance for obsolete and slow moving items.

ii. Useful lives and residual values appropriate for property, plant and equipment

The Company tests annually whether, the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Useful lives and residual values of property, plant and equipment have been determined by the company.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future, and they do not intend either to liquidate or cease operation.

1.3 SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the assets to working condition for its intended use.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

(ii) Depreciation

Depreciation is recognised in the statement of income and expenditure on a straight-line method over of each part of an item of property, plant and equipment.

	Years
Building	20
Machinery	6-15
Tools and Equipment	5-6
Office Equipment	4-6
Computers	4-7
Furniture and Fittings	2-8
Motor Vehicles	7-9

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depreciation is provided from the date the assets are available for use up to the date of disposal.

(iii) Impairment

At each reporting date, property, plant and equipment, are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.



**ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2022,

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Inventories

Finished goods are valued at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis.

Work-in-progress are measured at cost incurred up-to the reporting date. Cost comprises of consumables, amounts paid to sub-contractors, labor costs, overheads and other related costs.

(c) Trade and other receivables

Sales are made on the basis of normal credit terms, and the receivables do not bear interest, where credit is extended beyond normal credit terms. Trade and other receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, deposits held at call with bank.

The cash flow statement has been prepared using the indirect method. For the purpose of cash flow statement, cash and cash equivalents consists of deposits at banks net of outstanding bank overdrafts.

(e) Trade Payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest.

(f) Bank borrowings and overdraft

Bank borrowings and overdraft are measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Obligations payable at the demand of the creditors or within one year of the reporting date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the statement of financial position.

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022,

1.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Employee benefit

i. Defined benefit plan

Gratuity is a defined benefit plan. The Company is not liable to pay gratuity in terms of the relevant statute since the number of employees is less than 15. However as the company intends to pay gratuity to its employees in accordance with the Gratuity Act No.12 of 1983, a provision is carried forward in the statement of financial position, equivalent to an amount calculated based on the project unit credit basis using simplifications specified by the Section 28.

The provision is not externally funded, nor has it been valued by an actuary. This item is grouped under noncurrent liabilities in the statement of financial position.

ii. Defined contribution plan

Contributions to defined contribution plans are recognized as an expense in statement of profit or loss as incurred. The Company contributes 12% and 3% of gross emoluments of employees as Provident Fund and Trust Fund contribution respectively.

(i) Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Company and revenue can be reliably measured.

i. Project Income

Project income is recognized as revenue by reference to the stage of completion of project at the given date where the outcome of the completion jobs can be reliably determined and agreed with the customers. Reliable estimation of the outcome requires reliable estimates of the stage of completion and collectability of progress invoice.

ii. Sale of Goods

Revenue from the sale of goods is recognized in the statement of comprehensive income when the significant risk and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

iii. Rendering of Services

Revenue of a transaction involving the rendering of services are recognized when the outcome of such transaction can be estimated reliably, and it is probable that economic benefits associated with the transaction will flow to the Company.

iv. Dividend

Dividend income is recognised when the Company's right to receive payment has been established. It is included in other income.

(j) Expenditure

All expenditure related to the period have been charged on accrual basis to the statement of income and expenditure in arriving at the Company's profit for the year. Expenditures are presented by function.

(k) Management fee

Management Fee is charged by the Holding Company on the basis of 7.5% on revenue up to November 2022 and fixed monthly fee of Rs.600,000 from December 2022 for managing the business operation of the company.



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022,

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Taxation

i. Income taxation

The provision for income tax is based on the elements of income and expenditure reported in the financial statements as adjusted for disallowable items and computed in accordance with the provisions of the Inland Revenue (Amendment) Act, No.10 of 2021.

ii. Deferred taxation

Deferred taxation is provided using the liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

The deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

(m) Comparative information

Where necessary, comparative figures have been rearranged to conform with the current year's presentation.

(n) Events occurring after the reporting date

All material events after the reporting date and before signing of accounts have been considered and where appropriate adjustments or disclosures have been made in respective notes to the financial statements.

(o) Commitment and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote (*Note 25*).

(p) Related party disclosures

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in the Accounting Standard.

Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) have been classified as Key Management Personnel of the Company (*Note 22*).



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31 March,</i>	2022	2021
	Rs.	Rs.
3 Inventories		
Consumables	38,783,647	50,794,427
Work in progress	41,946,923	53,936,377
(-) Provision for inventory	(1,326,441)	(374,000)
	79,404,129	104,356,804
4 Trade and other receivables		
Trade receivables (Note 4.1)	25,342,865	25,556,105
Refundable deposits	302,661	152,661
Staff receivables	1,654,705	811,767
Advance	8,993,701	2,289,500
	36,293,932	28,810,033
4.1 Trade receivables		
Trade receivables	31,159,744	31,372,984
Provision for bad and doubtful debt	(5,816,879)	(5,816,879)
	25,342,865	25,556,105
5 Cash and cash equivalents		
Favourable balances		
Cash at bank	6,413,026	1,786,958
Cash in hand	523,473	330,962
	6,936,499	2,117,920
Unfavourable balances		
Bank overdrafts	26,211,381	19,568,224
Cash and cash equivalents for the purpose of cash flow statement	(19,274,882)	(17,450,304)

Overdraft facility is the cash backed facility against term deposit and temporary overdraft facility. Interest on overdraft facility is charged rate of term deposit plus 2.5%

6 Stated capital		
Issued and fully paid		
2,760,000 Ordinary Shares	25,569,560	7,122,200
	25,569,560	7,122,200

	Quantity		Share Value	
	2022 Nos'	2021 Nos'	2022 Rs.	2021 Rs.
Balance as at 01 April	12,000	12,000	7,122,200	7,122,200
Issued during the year	6,400	-	18,447,360	-
Share issued before split	18,400	-	-	-
Share split 1:150	2,760,000	-	-	-
Closing balance	2,760,000	12,000	25,569,560	7,122,200

The Company had a stated capital of 12,000 ordinary voting shares amounting to Rs. 7,122,200 as at 31 March 2021. To satisfy the stated capital requirement of Rs. 25 Mn to list on the Empower Board of the CSE. The company has issued 6,400 shares by way of capitalization for Rs.18,447,360 on 30 November 2021 to increase the stated capital of the Company to Rs. 25,569,560/-. A share split was carried out as well at 150 shares for each share held, which increased the number of ordinary voting shares to 2,760,000 as at 30 November, 2021.

	2022	2021
	Rs.	Rs.
7 Retirement benefits obligation		
Balance as at 01 April	2,820,550	2,152,625
Expenses recognized in comprehensive income	1,057,200	667,925
Payments made during the year	(87,500)	-
Closing balance	3,790,250	2,820,550



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31 March,</i>	2022	2021
	Rs.	Rs.
8 Lease liabilities		
Mercantile investment & finance PLC		
Lease rental liabilities - Motor vehicle	-	358,247
Future interest	-	(16,553)
	<u>-</u>	<u>341,694</u>
Lease rental liabilities - Printer	-	545,592
Future interest	-	(38,328)
	<u>-</u>	<u>507,264</u>
Hatton National Bank		
Lease rental liabilities - Motor vehicle	975,717	1,812,045
Future interest	(80,787)	(244,224)
	<u>894,930</u>	<u>1,567,821</u>
Lease rental liabilities - Motor vehicle	977,261	1,814,825
Future interest	(86,920)	(262,478)
	<u>890,341</u>	<u>1,552,347</u>
	<u>1,785,271</u>	<u>3,969,226</u>
Payable within one year	1,673,892	2,522,850
Payable after one year	111,379	1,446,276
9 Bank borrowings		
Hatton National Bank	8,717,329	14,245,333
People's Bank	10,222,220	5,000,000
	<u>18,939,549</u>	<u>19,245,333</u>
Payable within one year	8,217,341	7,528,008
Payable after one year	10,722,208	11,717,325
Balance as at 01 April	19,245,333	-
Loan obtained during the year	10,000,000	21,000,000
Repayment made during the year	(10,305,784)	(1,754,667)
Closing balance	<u>18,939,549</u>	<u>19,245,333</u>

Loan obtained from Hatton National Bank PLC is repayable in five years at fixed interest rate of 9% and loans obtained from peoples bank are repayable in three years at AWPLR+1% and 4.78%

10 Deferred tax liabilities

Opening balance as at beginning of the year	327,330	498,329
Charge for the origination of temporary differences	63,056	(170,999)
Closing balance as at the year end	<u>390,386</u>	<u>327,330</u>

The deferred tax liability is recognized on temporary differences are as follows:

	2022		2021	
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
	Temporary differences	Tax effect @ 14%	Temporary differences	Tax effect @ 14%
On property, plant and equipment	5,044,252	706,195	3624154	507,382
On revaluation reserve	1,534,467	214,826	1534467	214,825
On retirement benefit obligation	(3,790,250)	(530,635)	(2,820,550)	(394,877)
	<u>2,788,469</u>	<u>390,386</u>	<u>2,338,071</u>	<u>327,330</u>



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

	2022	2021
	Rs.	Rs.
11 Amount due to related parties		
Amtek Engineering (Pvt) Ltd - Current account	2,235,583	83,189
Amtek Engineering (Pvt) Ltd - Management fee	17,866,999	17,228,786
Data One Solutions (Pvt) Ltd	5,044,108	-
Mr. Frank Anthony Ryde	1,506,414	1,021,414
	26,653,104	18,333,389
<p>Amounts due to related parties is repayable on demand and no interest is charged. Management Fee is charged by Amtek Engineering (Pvt) Ltd, a holding company for managing the business operation of the company.</p>		
12 Loan from related parties		
Amtek Engineering (Pvt) Ltd	5,000,000	-
	5,000,000	-
<p>Loan received from Amtek Engineering is repayable on demand and no interest is charged.</p>		
13 Short term bank borrowings		
Hatton National Bank PLC	9,539,292	23,336,354
	9,539,292	23,336,354
<p>Short-term borrowings are repayable in three months at AWPLR+2.5%.</p>		
14 Trade and other payables		
Trade payables	22,317,497	36,962,841
Other payable	28,317,428	30,660,971
	50,634,925	67,623,812
15 Income tax payable		
Balance as at beginning of the year	1,482,671	1,193,727
Provision for the year	689,395	1,283,741
Withholding tax	(226,800)	(134,335)
Payments made during the year	(1,284,427)	(860,462)
Closing balance as at end of the year	660,839	1,482,671
16 Revenue		
Project income	187,984,854	130,802,454
Services	32,340,908	38,787,388
Ex -Bond sales	13,554,596	15,374,652
	233,880,358	184,964,494
17 Cost of sales		
Opening stocks	50,794,427	29,251,002
Opening work in progress	53,936,377	55,321,539
Purchases	88,107,806	89,611,558
	192,838,610	174,184,099
Closing stocks	(38,812,078)	(50,794,427)
Cost of goods consumed	154,026,532	123,389,672
Direct expenses	69,326,829	60,345,039
	223,353,361	183,734,711
Less: Work in progress	(41,946,923)	(53,936,377)
	181,406,438	129,798,334



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

<i>For the year ended 31 March,</i>	2022	2021
	<u>Rs.</u>	<u>Rs.</u>
18 Profit from operations		
Profit/ (Loss) from operations is stated after charging all expenses including the following:		
Audit fees	700,000	305,000
Depreciation	2,365,140	2,827,188
Salaries and wages	37,601,984	36,007,390
Defined contribution plan costs - EPF and ETF	2,430,591	2,447,022
19 Finance expenses		
Interest on bank overdrafts	1,293,572	1,607,239
Loan interest	3,522,887	1,755,787
Lease interest	477,247	698,510
Bank charges	1,610,270	1,100,412
	<u>6,903,976</u>	<u>5,161,948</u>
20 Earning per share		
Basic earnings per share is calculated by dividing the profit attributable to the equity holders by the weighted average number of ordinary shares in issue during the reporting period.		
Net profit attributable to equity holders (Rs.)	1,016,836	3,501,197
Weighted average number of shares in issue	2,760,000	2,760,000
Earnings Per Share (Rs.)	<u>0.37</u>	<u>1.27</u>
21 Income tax expenses		
Income tax for the year (Note 21.1)	689,395	1,283,741
Deferred tax for the year (Note 10)	63,056	(170,999)
	<u>752,451</u>	<u>1,112,742</u>
21.1 A reconciliation between current tax expense/ income and the product of accounting profit:		
Accounting profit before tax	1,769,287	4,613,939
Less: other source of income	(1,277,431)	(2,574,580)
Aggregate disallowed expenses	5,029,215	7,126,885
Aggregate allowed expenses	(2,786,708)	(4,410,232)
Statutory income from the business	<u>2,734,363</u>	<u>4,756,012</u>
Income from other sources		
Interest income	<u>1,277,431</u>	<u>2,574,580</u>
Total statutory income	<u>4,011,794</u>	<u>7,330,592</u>
Income tax expense at special rate of 14%	382,811	665,842
Tax on balance taxable income at 24%	306,584	617,899
Total	<u>689,395</u>	<u>1,283,741</u>



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

22 Transactions with related parties

Nature of the relationship	Transaction	Transaction during the year		Closing balance payable	
		2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Shareholder company and common Directorship - Amtek Engineering (Pvt) Ltd	Office expense reimbursement	1,620,000	1,620,000	2,235,583	667,032
	Management fee	12,049,271	13,872,337	17,866,999	17,228,786
	Loan Received	5,000,000	-	-	-
	Dividend paid	-	612,000	-	-
Dataone Solutions (Pvt) Ltd - common directors	Loan Received	5,044,108	-	5,044,108	-
Central Industries PLC - Common Director	Purchases	10,534,360	-	-	-
	Payments Made	11,263,289	-	(1,854)	-
Mr.Frank Anthony Ryde	Rent	480,000	455,000	1,506,414	1,021,414
	Dividend paid	-	294,000	-	-
Mrs.Deanna Ryde	Dividend paid	-	294,000	-	-

22.1 Transactions with key management personnel

The Board of the Directors of the Company are the members of the key management personnel of the company. Compensation paid to key management personnel of the company is as follows.

Transaction	Transaction during the year		Closing balance (payable)/receivable	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Director fee	-	200,000	-	-

22.2 Guarantees given

Nature of the relationship	Security
Amtek Engineering (Private) Limited	Corporate Guarantees of Rs.40 Mn
Directors Mr. Vijith Perera Mr. Malindra Fernando Mr.Samud Gunasekara	Joint and several personal guarantees amounting to Rs. 56 Mn



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

23 **Securities pledged**

Nature of liability	Loan/ facility amount	Assets pledged	Carrying amount of assets pledged	
			2022 Rs.	2021 Rs.
Import loan and LC facility	30,000,000	Stock in trade	38,783,647	50,794,427
		Land	18,878,600	18,878,600
		Trade receivable	25,342,865	25,556,105
Permanent overdraft	13,200,000	Fixed deposit	27,718,677	16,368,686
Letter of guarantee	40,000,000	Personal and Corporate guarantees, Land	18,878,600	18,878,600
Property loan	10,000,000	Land		18,878,600
Working capital loan	16,000,000	Personal and Corporate guarantees and Fixed Deposit	2,247,793	2,120,772

24 **Litigation and claims**

There are no litigations or claims against the Company as at the reporting date which require adjustments or disclosures in the financial statements.

25 **Commitment and contingencies**

The Company does not have any other significant contingent liabilities outstanding as at the reporting date which require adjustments to or disclosure in the financial statements.

26 **Events occurring after the reporting date**

There were no material events occurring after the reporting date which require adjustments to or disclosures in the financial statements.

27 **Directors' responsibility**

The directors are responsible for the preparation and presentation of these financial statements in accordance with SLFRS for SMEs.

28 **Financial instruments - risk management**

The Company has exposure to the following risks from financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

28.1 **Risk management framework**

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

28.1.1 **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fail to meet contractual obligations. Credit risk arises principally from the Company's receivables from

28.1.2 **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

28.2 Financial instruments - Fair values and risk management

28.2.1 Exposure to credit risk (continued)

	2022 Rs.	2021 Rs.
Trade and other receivables	36,293,932	28,810,033
Cash at bank	6,413,026	1,786,958
Term deposits	27,718,677	26,522,512
Cash margin	1,565,636	297,822

28.2.2 Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the company's customer base, including the default risk of the industry and area in which customers operate, as these factors may have an influence on credit risk.

The company is closely monitoring the economic environment in the country and is taking actions to limit its exposure to customers in the country experiencing particular economic volatility.

The maximum exposure to credit risk for trade and other receivables at the end of the reporting period by type of counterparty is as follows:

	2022 Rs.	2021 Rs.
Trade receivables	25,342,865	25,556,105
Deposits	302,661	152,661
Staff receivables	1,654,705	811,767

28.2.3 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the company's reputation.

Liquidity issues can have an adverse impact on ongoing operations as well as investment decisions of the Company. In order to minimize the risk, the Company regularly reviews its liquidity position and reports to the Board. Future cash requirements are ascertained through continuous rolling forecasts. Further, the expected cash inflows from trade receivables, outflows from trade payables and imports are closely monitored by the Company.

		2022		2021	
		Rs. Facility Amounts	Rs. Utilization	Rs. Facility Amounts	Rs. Utilization
Hatton National Bank	Short term bank loans	30,000,000	9,539,292	30,000,000	23,336,354
	Loan term bank loans	15,000,000	8,717,329	15,000,000	14,245,333
	Bank overdraft	13,200,000	26,211,381	13,200,000	19,568,224
People's Bank	Loan term bank loans	16,000,000	10,222,220	6,000,000	5,000,000

28.2.4 Maturity Analysis

The maturity profile of the Company's financial liabilities based on contractual cashflows is stated below

	Rs. Carrying Value	Rs. Contractual Cash Flows	Rs. Less than 3 Months	Rs. 3-12 Months	Rs. More than 12 Months
As at 31 March 2022					
Bank borrowings	18,939,549	22,611,185	2,977,414	7,042,029	12,591,742
Lease liabilities	1,785,271	2,092,365	418,473	1,255,419	418,473
Related parties dues	31,653,104	31,653,104	8,786,106	22,866,999	-
Short term borrowing	9,539,292	10,494,617	10,494,617	-	-
Other payables	51,295,764	51,295,764	28,978,267	22,317,497	-
Bank overdrafts	26,211,381	26,899,430	26,899,430	-	-
	139,424,361	145,046,465	78,554,307	53,481,944	13,010,215



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

28.2.4 Maturity Analysis (Continued)

As at 31 March 2021	Carrying Value	Contractual Cash Flows	Less than 3 Months	3-12 Months	More than 12 Months
	Rs.	Rs.	Rs.	Rs.	Rs.
Bank borrowings	19,245,333	33,637,490	2,325,039	8,706,168	22,606,284
Lease liabilities	3,969,126	4,188,343	635,871	1,460,107	2,092,365
Related parties dues	18,333,389	18,333,389	1,104,603	17,228,786	-
Short term borrowing	23,336,354	23,978,104	23,978,104	-	-
Other payables	69,106,483	69,106,483	32,143,642	36,962,841	-
Bank overdrafts	19,568,224	19,984,049	19,984,049	-	-
	153,558,909	169,227,858	80,171,308	64,357,902	24,698,649

28.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

28.4 Currency risk

The company is exposed to currency risk on sales, purchases that are denominated in a currency other than the respective functional currencies of entities, primarily USD and GBP. The currencies in which these transactions primarily are denominated are GBP and USD.

The following significant exchange rates were applied during the year:

As at 31 March,	Average Rate	
	2022	2021
USD	299.00	199.04
GBP	392.53	273.23

The company is exposed to changes in currency rates on purchase is stated below

As at 31 March,	Profit/ Loss	
	10% Increase	10% Decrease
USD	(660,706)	660,706
GBP	(165,186)	165,186
	(825,892)	825,892

28.5 Interest rate risk

Interest rate risk is the risk to the Company's earnings and economic value of equity ("EVE") arising from adverse movements in interest rates.

As at 31 March,	2022	2021
Variable rate instruments	Rs.	Rs.
Financial liabilities		
Short term bank borrowings	9,539,292	23,336,354
Bank overdrafts	26,211,381	19,568,224
	35,750,673	42,904,578



ALPHA FIRE SERVICES PLC
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

Sensitivity Analysis for Variable Rate Instruments

The Company is exposed to changes in market interest rates through bank borrowings at variable interest rates

	Profit/ Loss	
	100 bp Increase	100bp Decrease
As at 31st March, Interest Expenses	357,507	(357,507)

28.6 Impact of current economic conditions

The ongoing economic crisis in the country has increased the estimation uncertainty in the preparation of entity Financial Statements. The estimation uncertainty is associated with the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP and employment) This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities and the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn. As at year end March 2022 inflation rate was 18.7%. However, it has been escalated up to 60-80% at the approval date of this financials statements. Exchange rates also observed a notable fluctuation after the balance sheet date and has not adjusted in the current year financial statements since the conditions that gave rise to the gain/(loss) did not exist as of 31st March 2022. However, In light of the ongoing economic crisis, the entity has assessed its going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Accordingly, the macroeconomic variables are evaluated while making assumptions and judgements when preparing financial statements.

The corona-virus outbreak since early 2020 has brought about additional uncertainties in the Company's operating environment and has impacted it's operations subsequent to the financial year ended. The Company has been closely monitoring the impact of the developments on the businesses and has put in place contingency measures. However, the Company has strong asset position and availability of banking facilities, hence it is satisfied of the ability of continuing its operations for the foreseeable future.

FIVE YEAR SUMMARY OF FINANCIALS
SUMMARY OF ASSETS AND LIABILITIES

<i>As at 31 March,</i>	2022	2021	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Non-current assets					
Property, plant and equipment	27,291,799	29,190,538	12,375,794	12,864,793	6,051,719
Fixed deposits	27,718,677	26,522,512	29,260,595	15,640,690	6,810,752
Total non-current assets	55,010,476	55,713,050	41,636,389	28,505,483	12,862,471
Current assets					
Inventories	79,404,129	104,356,804	84,572,541	64,633,098	33,808,777
Trade and other receivables	36,293,932	28,810,033	35,591,627	26,101,401	38,277,439
Cash margin account	1,565,636	297,822	4,705,020	455,445	2,366,541
Cash and cash equivalents	6,936,499	2,117,920	1,163,780	1,002,202	1,129,226
Total current assets	124,200,196	135,582,579	126,032,968	92,192,146	75,581,983
Total assets	179,210,672	191,295,629	167,669,357	120,697,629	88,444,454
Equity and liabilities					
Equity					
Stated capital	25,569,560	7,122,200	7,122,200	7,122,200	7,122,200
Revaluation reserves	1,534,467	1,534,467	1,534,467	1,534,467	1,534,467
Retained earnings	8,501,648	25,932,172	23,630,975	21,437,094	10,145,956
Total equity	35,605,675	34,588,839	32,287,642	30,093,761	18,802,623
Non-current liabilities					
Employee benefits	3,790,250	2,820,550	2,152,625	1,281,800	451,750
Lease creditor	111,379	1,446,276	3,669,513	4,865,238	523,506
Deferred tax liabilities	390,386	327,330	498,329	-	-
Interest bearing borrowing	10,722,208	11,717,325	-	-	937,487
Total non-current liabilities	15,014,223	16,311,481	6,320,467	6,147,038	1,912,743
Current liabilities					
Lease creditor	1,673,892	2,522,850	1,860,512	1,338,050	739,475
Bank Borrowings	8,217,341	7,528,008	-	-	-
Short Term Bank Borrowings	9,539,292	23,336,354	13,783,431	7,877,649	2,800,000
Trade and other payables	50,634,926	67,623,812	77,006,438	29,238,133	46,985,453
Amount due to related party	31,653,105	18,333,389	15,938,475	22,027,422	2,814,604
Income tax payable	660,839	1,482,671	1,193,727	858,541	1,117,357
Bank overdraft	26,211,381	19,568,224	19,278,665	23,117,037	13,272,200
Total current liabilities	128,590,774	140,395,309	129,061,248	84,456,831	67,729,089
Total liabilities	143,604,997	156,706,790	135,381,715	90,603,869	69,641,831
Total equity and liabilities	179,210,672	191,295,629	167,669,357	120,697,629	88,444,454
Net Assets per share (Rs.)	12.90	2,882.40	2,690.64	2,507.81	1,566.89



FIVE YEAR SUMMARY OF FINANCIALS
SUMMARY OF INCOME AND EXPENSES

<i>For the year ended 31 March,</i>	2022	2021	2020	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	233,880,358	184,964,494	184,273,338	185,606,015	151,908,398
Cost of sales	(181,406,438)	(129,798,334)	(114,061,478)	(119,318,581)	(106,666,753)
Gross profit	52,473,920	55,166,160	70,211,860	66,287,434	45,241,645
Other income	-	-	12,790	25,971	799,232
Administrative expenses	(26,278,200)	(24,541,565)	(35,370,389)	(32,191,280)	(20,709,595)
Selling and distribution expenses	(6,750,617)	(9,550,951)	(12,836,504)	(7,179,690)	(8,187,515)
Management fee	(12,049,271)	(13,872,337)	(14,025,084)	(13,638,831)	(11,393,130)
Profit from operations	7,395,832	7,201,307	7,992,673	13,303,605	5,750,637
Finance income	1,277,431	2,574,580	2,562,287	1,006,531	722,518
Finance expenses	(6,903,976)	(5,161,948)	(4,410,194)	(2,740,548)	(2,458,717)
Profit before taxation	1,769,287	4,613,939	6,144,766	11,569,588	4,014,437
Income tax expense	(752,451)	(1,112,742)	(2,330,884)	(278,450)	(1,181,215)
Profit after taxation	1,016,836	3,501,197	3,813,882	11,291,138	2,833,222
Other comprehensive income					
Other comprehensive income	-	-	-	-	-
Total comprehensive income	1,016,836	3,501,197	3,813,882	11,291,138	2,833,222
Earning per share (Rs.)	0.37	291.77	317.82	940.93	236.10



Notice of Meeting

NOTICE IS HEREBY GIVEN that the First (1st) Annual General Meeting (Post Listing) of **ALPHA FIRE SERVICES PLC** will be held at its Commercial Office No: 28 Sulaiman Terrace, Colombo 05 on Friday 9th December 2022 at 4.00 p.m. for the following purposes :

1. To receive and consider the Report of the Directors for the year ended 31st March 2022
2. To receive and consider the Financial Statements of the Company for the year ended 31st March 2022 together with the Auditors' Report thereon
3. To re-elect MALINDRA CHRISTOPHER FERNANDO who retires by rotation at the Annual General Meeting in terms of Article 84 of the Articles of Association as a Director of the Company.
4. To re-elect DEANNA MARISE RYDE who retires by rotation at the Annual General Meeting in terms of Article 84 of the Articles of Association as a Director of the Company.
5. To re-elect DEVAKA TERENCE RANIL DE SILVA who retires by rotation at the Annual General Meeting in terms of Article 91 of the Articles of Association as a Director of the Company.
6. To re-elect KAPILA LIYANAGAMAGE who retires by rotation at the Annual General Meeting in terms of Article 91 of the Articles of Association as a Director of the Company.
7. To authorize the Directors to determine the remuneration of the Auditors, Messers K.P.M.G. Ford Rhodes who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No.07 of 2007.

sgd

By order of the Board

F. SHAMA ISMAIL

Company Secretary

24 November 2022

Colombo



NOTES

I. Attendance of the Chairman and the Board of Directors

The Chairman/Managing Director, Board of Directors certain Key Management Personnel, Shareholders the Company Secretary, and the External Auditors will be present together at the designated venue on Friday 9th December 2022 at 4.00 p.m

II Shareholder Participation

- a. The Shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
- b. The Shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting either physically or through audio or audio visual means.
- c. To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Form of Proxy should be sent to reach the Company Secretary via e.mail shamaismail@gmail.com Or by post to the Commercial Office of the Company Alpha Fire Services PLC No: 28m, Sulaiman Terrace, Colobo 05, **not less than forty – eight (48) hours before the time fixed for the meeting.**

III Shareholder's queries

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretary, via e.mail to shamaismail@gmail.com or post to the Commercial Office of the Company, Alpha Fire Services PLC, No:28, Sulaiman Avenue, Colombo 05 Sri Lanka **not less than Five (05) days before the date of the meeting.** This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

2. The Annual Report of the Company for the year 2021/2022 will be available for perusal of the Company website www.alphafire.lk and the Colombo Stock Exchange website on www.cse.lk



Form of Proxy

Folio No []

(Please write your Folio Number)

I/We.....of.....
.....being a member /members of Alpha Fire
Services PLC hereby appoint.....of..... whom failing.

- SANJAY VIJITH ANTHONY PERERA or failing him
MALINDRA CHRISTOPHER FERNANDO or failing him
DEANNA MARISE RYDE or failing her
AGAMPODI SAMUD ISHARA GUNASEKARA or failing him
DEVAKA TERENCE RANIL DE SILVA or failing him
KAPILA LIYANAGAMAGE or failing him

as my/our proxy to represent me/us and speak/ vote on my/our behalf at the Annual General Meeting of the Company to be held on Friday 9th December 2022 at 4.00 p.m. and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

Please delete the inappropriate words

Table with 3 columns: Item description, For, Against. Contains 7 items regarding reports, financial statements, and director elections.

Signed on thisday ofTwo Thousand and Twenty Two.

Signature/s



Instructions for Completion of Form of Proxy

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.
2. If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association.
4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointor.
5. Duly filled Forms of Proxy should be sent to reach the Company Secretary via e-mail to shamaismail@gmail.com or by post to the Commercial address of the Company, Alpha Fire Services PLC No: 28 Sulaiman Terrace Colombo 05 , Sri Lanka **not less than forty eight (48) hours before the time fixed for the meeting.**

Please provide the following details (mandatory):

NIC/PP/Company Registration No. of the Shareholder/s :.....

Folio No :

E.mail address of the Shareholder/(s) or proxy holder

(other than a Director appointed as proxy) :

Mobile No :

Fixed Line :



ALPHA FIRE SERVICES PLC

Head Office

**28, Sulaiman Terrace, Colombo 5, Sri Lanka
Hotline : 0112 508888 / 0777 747317**

Service Centre

**487/5 Old Kottawa Road, Pannipitiya, Sri Lanka.
Telephone 0773 209666 / 0112 554678**

www.alphafire.lk