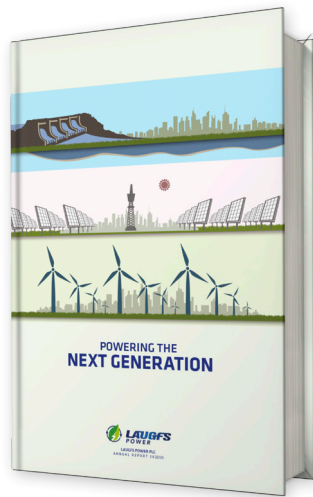


# POWERING THE NEXT GENERATION



LAUGFS POWER PLC  
ANNUAL REPORT 2022/23





# POWERING THE NEXT GENERATION

Renewable energy is the future of power generation, and the next generation will play a critical role in shaping how we use clean energy to power our homes, businesses, and communities. As a leading contender in Sri Lanka's renewable power sector, today we at LAUGFS Power are shaping Sri Lanka's journey towards a sustainable future, ensuring a greener future for us all.

Harnessing the power of the sun, wind, and water through seven power plants, this year we continued to support Sri Lanka's green agenda. Despite battling unfavorable operating conditions, we pursued several capacity enhancements, successfully leveraging on the strength of our Group to deliver enduring value. At LAUGFS Power, we are committed to powering the next generation.



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# ABOUT US



## Hydro Power

The three mini-hydro power plants located at Balangoda and Ginigathhena contribute around 5 GWh energy to the National Grid and have a cumulative capacity of 1.75 MW. Ranmudu Oya phase I, Phase III and Thiniyagala plants were commissioned in the year 2014, 2015 & 2016 respectively.



## Rooftop Solar Power

Spread across the Western, North Western and Eastern Provinces, rooftop solar panels installed by LAUGFS have a total capacity of 567 KW. Solar is one of the most in-demand renewable energy sources in Sri Lanka.



## Other Projects

LAUGFS Power has been exploring opportunities to harness wind power as an alternative energy source. The Company has been working on securing a 10 MW solar power project in Hambantota and expects to sign the power purchase agreement with CEB shortly. Preliminary approval from State Ministry of Solar, Wind and Hydro Power Generation Project Development has also been received for a 50 MW wind power project in the Mannar District. LAUGFS Power is currently exploring opportunities in the renewable power sector in other countries such as Bangladesh and the African region.



## Solar Power Plants

Commissioned in 2017, Iris together with Anorchi is the largest solar power plant in Sri Lanka. It is situated on a 90 acre land in Hambantota and contributes 38 GWh to the National Grid annually together with another 2 MW from a solar project operating in Embilipitiya.

## OUR VISION

To be the most preferred and trusted Sri Lankan conglomerate that touches the day-to-day lives of people in Sri Lanka and beyond, through a diverse range of businesses that extends across transnational borders.

## OUR MISSION

- Be the leader in the market segments we operate in.
- Introduce the latest innovations, technology and solutions to add value to the consumer.
- Promote a safety culture, encompassing People, Products and Processes.
- Ensure fair returns to all our stakeholders.
- Lead by example as a responsible corporate entity.
- Foster a culture of one 'LAUGFS family'.

# ABOUT US

## LAUGFS POWER

LAUGFS Power PLC is leading Sri Lanka's transition to renewable energy by accelerating solar, hydro and wind energy plants in the country with a vision for spearheading energy security and green energy for a sustainable future.

A subsidiary of the LAUGFS Group, LAUGFS Power PLC's footprint spans the island, with the largest solar power plant in Sri Lanka, three mini-hydro power plants and two solar projects.

A team of energy experts, qualified engineers and technicians head these projects and drive strategic growth for the Company as it delivers much-needed energy management and renewable energy generation solutions to the nation. The extensive combined experience of our team enables us to be a top tier name in the renewable energy sector in Sri Lanka.

Research & Development is the central point of our operations, combined with local knowhow and technical expertise and training from overseas. Our store of capabilities drives us with a vision to establish our footprint from throughout the island and overseas.



## PROJECTS:

### Solar Power Plants

Iris and Anorchi together is the largest solar power plant in Sri Lanka. Commissioned in 2017, it is located on 90-acres of land in Hambantota and contributes 38 GWh annually to the National Grid with an aggregate capacity of 20 MW with an additional 2 MW of energy coming from our solar project in Embilipitiya.

The illustration depicts a landscape with various renewable energy sources. On the left, there are solar panels. In the center, several wind turbines stand on a grassy hill. On the right, a hydro dam is shown with water flowing through its spillways. The background features a city skyline and mountains.

### Rooftop Solar Power

Spread across the Western, North Western and Eastern Provinces, rooftop solar panels installed by LAUGFS have a total capacity of 567 KW. Solar is one of the most in-demand renewable energy sources in Sri Lanka.

### Hydro Power

3 mini-hydro power plants at Balangoda and Ginigathhena - contributing 4.1 GWh energy to the national grid, with a cumulative capacity of 1.75 MW. The mini-hydro plants are Ranmudu Oya phase I, Phase III and Thiniyagala plants commissioned in year 2014, 2015 & 2016 respectively.

### Overseas Expansion

Entry to the renewable power sector in Africa.

# PERFORMANCE HIGHLIGHTS

	Group			Company		
	2023 Rs. 000	2022 Rs. 000	Change	2023 Rs. 000	2022 Rs. 000	Change
<b>SUMMARY OF OPERATIONS</b>						
Power Generation (KWH)	44,075	47,066	-6%	4,679	5,634	-17%
Revenue	968,662	1,027,699	-6%	80,091	94,780	-15%
Gross Profit	644,537	709,762	-9%	46,942	62,554	-25%
Other Operating Income	-	-	0%	-	-	0%
Earnings Before .Interest, Tax, Depreciation and Amortisation (EBITDA)	741,447	(444,702)	267%	(8,953)	14,542	-162%
Profit/(Loss) for the year	(113,614)	(902,871)	-87%	(114,943)	(10,681)	976%
<b>SUMMARY OF FINANCIAL POSITION</b>						
Total Non-Current Assets	3,680,690	3,934,737	-6%	3,363,290	3,293,789	2%
Total Current Assets	1,252,961	709,889	77%	299,120	260,418	15%
Total Assets	4,933,651	4,644,626	6%	3,662,409	3,554,208	3%
Total Non-Current Liabilities	2,239,200	1,889,041	19%	192,603	154,462	25%
Total Current Liabilities	764,952	711,457	8%	1,446,005	1,355,617	7%
Total Liabilities	3,004,152	2,600,497	16%	1,638,608	1,510,079	9%
Total Equity	1,929,499	2,044,129	-6%	2,023,802	2,044,129	-1%
<b>FINANCIAL RATIOS</b>						
Gross Profit Margin	67%	69%	-4%	59%	66%	-11%
EBITDA Margin	77%	-43%	-277%	-11%	15%	-173%
Net Profit Margin	-12%	-88%	-87%	-144%	-11%	1174%
Earnings Per Share (EPS)	(0.29)	(2.33)	87%	(0.30)	(0.03)	976%
Net Assets Value per Share (Rs.)	4.99	5.28	-6%	5.23	5.28	-1%

# GROUP CHAIRMAN'S MESSAGE



“  
**The rapid uptake of NCRE bodes well for the sector going ahead. We are proud to support Sri Lanka's journey towards clean energy. The adoption of NCRE technologies has been a commendable step forward - both in creating better social responsibility and as a sustainable choice for the environment. The sustainability of the planet and the community is at the heart of our operations.**”

Dear Shareholder,

It gives me pleasure to welcome you to the 6th annual general meeting of LAUGFS Power PLC and place before you the Annual Report and Audited Financial Statements for the year ending 31st March 2023 during which your company demonstrated resilience amidst a challenging year, while demonstrating empathy and care for all its stakeholders amidst the economic crisis.

#### **GLOBAL DRIVE FOR RENEWABLES**

Global renewable energy capacity is set to almost double over the next five years. The ongoing global energy crisis has forced governments to accelerate existing renewable energy targets. Solar and wind power are leading the surge, with China expected to invest three times as much in solar power over this period than the rest of the world combined as per the International Energy Agency (IEA).

China is expected to account for almost half of additional renewable capacity globally in 2022-2027. In the US, the Inflation Reduction Act has extended tax credits for renewables until 2032 while new renewable installations in India are set to double in the next five years, led by solar power. Meanwhile, the European Union (EU) was already weighing up ambitious renewable targets before the energy crisis hit. However, Russia's invasion of Ukraine has made the block's energy security more important than ever, which has led to an acceleration of its green energy plans.

Total renewable capacity growth is set to almost double worldwide in the next five years, overtaking coal as the biggest source of electricity generation. Meanwhile, electricity produced from wind and solar power is forecast to double by 2027 and contribute almost 20% of total energy generation by then.

#### **COMPANY PERFORMANCE**

In 2022/23, LAUGFS Power reported Rs. 968.7 Mn revenue of which solar contributed 94% of top line, while the balance was accounted for by mini hydro power plants. The main factor for lower profitability was the soaring finance cost incurred as a result of the non payment of dues by the Ceylon Electricity Board for its purchase of power generation from renewable sources from LAUGFS Power.

LAUGFS Power remains committed to support the national energy requirement through investments in Non-Conventional Renewable Energy (NCRE) sources such as solar power including rooftop solar projects and mini hydro power plants, however, it was forced to delay any expenditure on projects in the year under review due to the volatility in the market. A stable exchange rate is important in encouraging investment in NCRE and the fluctuating exchange rate affected many factors in the industry, including the import of machinery and availability of spare parts which factor heavily into the costs of running the business.

#### **ESG COMMITMENT**

The rapid uptake of NCRE bodes well for the sector going ahead. We are proud to support

Sri Lanka's journey towards clean energy. The adoption of NCRE technologies has been a commendable step forward - both in creating better social responsibility and as a sustainable choice for the environment. The sustainability of the planet and the community is at the heart of our operations.

LAUGFS Power operates within a stringent risk and governance framework underscored by an ethical code of conduct.

#### **FUTURE OUTLOOK**

Judging by the positive indicators in the economy, we believe the second half of 2023/24 should see improved conditions for the Company's operations to gather pace and to restart projects which were put on hold. Our strategies ahead will be aligned with the Government's management of its stated energy policy of 70% of total electricity produced from renewable energy sources by 2030.

We continue to be on the lookout for opportunities to expand our footprint and any immediate investments will likely be in solar power projects. The energy crisis in Sri Lanka and in Europe because of the Russia-Ukraine war has underlined the fact that renewable energy is the future of energy security, which could even subsidise fuel imports.

Despite all the challenges, LAUGFS Power remains committed to contribute to the development of the NCRE sector and assisting the country in achieving its clean energy goals.

#### **ACKNOWLEDGEMENT**

I would like to thank my colleagues on the Board for their unwavering support and commend the entire management and team at LAUGFS Power for staying the course, amidst severe external pressures.

I am grateful to the Public Utilities Commission of Sri Lanka, the Sustainable Energy Authority of Sri Lanka, Central Environment Authority and the Ceylon Electricity Board for supporting the industry through the year.

Last, but not least, our shareholders deserve our gratitude for placing their confidence in our operations as we remain committed to creating shareholder wealth through strategic investments.



**Deshabandu W.K.H. Wegapitiya, PhD**  
Group Chairman

14th August 2023

# GROUP DEPUTY CHAIRMAN'S MESSAGE



“  
**Considering the acute energy crisis faced in 2022, with protracted power cuts, it is evident that renewable energy is the way forward for Sri Lanka in the long-term to save foreign exchange. The global oil crisis and input shortage and the forex crisis in Sri Lanka increased the CEB's import bill for fuel and furnace oil in 2022, further demonstrating the importance of renewable energy projects.**”

Dear Shareholder,

The Non-Conventional Renewable Energy (NCRE) generation sector faced severe challenges in the 2022/23 financial year due to the fallout of the economic crisis and the non-payment of dues from its sole customer, the Ceylon Electricity Board (CEB). Industry conditions remained constrained as a result of payment delays by the CEB, which impacted existing players in the industry and discouraged further new investors from entering the renewable power generation sector, which resulted in lower capital investment in the sector in 2022/23.

CEB incurred higher costs for power production which led to a rise in retail electricity tariffs. The increase in tariff by the CEB will have no impact on company revenue, however it will have a positive impact on collections as CEB should be able to its current outstanding dues and make timely payments to its suppliers going forward,

which would provide some relief to LAUGFS Power and other private power producers.

Considering the acute energy crisis faced in 2022, with protracted power cuts, it is evident that renewable energy is the way forward for Sri Lanka in the long-term to save foreign exchange. The global oil crisis and input shortage and the forex crisis in Sri Lanka increased the CEB's import bill for fuel and furnace oil in 2022, further demonstrating the importance of renewable energy projects.

### COMPANY PERFORMANCE

The LAUGFS Power solar entities recorded a revenue of Rs. 909.1 Mn in 2022/23 as against Rs. 953.2 Mn in the previous year. Hydro power generation also showed a marginal decline to Rs. 59.5 Mn in the current year against Rs. 74.5 Mn last year. The two main challenges which hampered growth in PAT were the high interest costs incurred during the year due to the Central Bank raising interest rates sharply and the non-payment of dues by CEB to private power producers.

Nevertheless, LAUGFS Power PLC is confident that the increased tariffs by CEB should enable the entity to release dues to private power producers. In order to mitigate the impact of the crisis, the Group embarked on many initiatives to support its cash flow by focusing on working capital management. Owing to the downturn in the economy we have deferred some of our pending projects and capital investment decisions.

### STATUS OF CAPACITY EXPANSION PROJECTS

LAUGFS Power had also planned construction for capacity enhancement of its solar power projects at a cost of Rs. 105 Mn adding a further MW of solar capacity to the Group's portfolio. However, this could not be implemented due to the constraints of foreign currency in the country and delays in regulatory processes. Our pioneering status in the solar industry in Sri Lanka for establishing the first large-scale 20Mw Ground Mounted Solar Power (Hambantota) in 2017 remains our enduring legacy. Nevertheless, LAUGFS Power remains committed to the generation of NCRE with a number of projects in the pipeline in the years to come. These new projects that we are hoping to launch reflect

our commitment to the Government's target of increasing energy production from NCRE.

### CARBON CREDITS

LAUGFS Power continues to generate a positive impact on the environment through its NCRE projects, reflecting its sustainability commitment. This year, the Company's solar power plants, Anorchi and Iris, managed to obtain their Gold Standard Certification from the Gold Standard program of Activities for Small Scale Solar and Wind Power Generation in Sri Lanka.

Earning carbon credits means that with each year of our operations, we eliminate carbon emissions which would otherwise have been generated from the burning of thermal fuels in generating the same amount of power. This helps the company deliver triple bottom value while driving sustainable economic growth and investing in environmental sustainability, contributing towards the United Nation's Sustainable Development Goal (SDG) 7 of Affordable and Clean Energy.

### FUTURE OUTLOOK

LAUGFS Power's future growth trajectory remains contingent on CEB releasing all dues sooner than later and establishing an acceptable timeline for payments in the future. The implementation of the IMF program is expected to bring down high interest rates and curb inflation, which is expected to impact the Company favourably. As part of the NCRE industry in Sri Lanka, we remain hopeful steps will be taken to maintain consistency in regulations and policy-making to ease the way for effective long term planning of investments.

The Company remains focused on increasing its power generation capacities through immediate investments in existing and new renewable energy sources while seeking out new opportunities. The Group looks forward to bidding on new projects to be floated by the CEB and welcomes its plans to float a number of small projects to encourage independent power producers. The LAUGFS Group has successfully established itself as a key player in the energy sector in Sri Lanka and looks forward to optimising its existing brand equity to expand to other emerging markets in the near future.

### APPRECIATIONS

I would like to thank the Chairman and Board of Directors for their valuable counsel through the challenging year. The entire team at LAUGFS Power has been exceptional in working towards our common vision despite the turbulence in the economy.

I would also like to thank the regulators, the Public Utilities Commission of Sri Lanka, the Sustainable Energy Authority of Sri Lanka, Central Environment Authority and the CEB for their continued cooperation. Our shareholders remain a pillar of support as we look to a more fruitful year ahead.



**U.K. Thilak De Silva**  
Group Deputy Chairman

14th August 2023

# GROUP MANAGING DIRECTOR/GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE



“  
**Faced with unprecedented economic headwinds, LAUGFS Power was unable to achieve its revenue targets for the year. Nevertheless, considering the enormity of the crisis, the Company sustained its operations to the greatest extent possible amidst considerable mobility constraints and the liquidity crunch.**”

Dear Shareholder,

Despite the preparedness of LAUGFS Power PLC's solar and wind power projects to diversify its portfolio and expand capacity of renewable energy power generation, the unfavourable conditions arising out of the economic crisis during 2022 impacted the Company's profitability in the 2022/23 financial year. Faced with unprecedented economic headwinds, LAUGFS Power was unable to achieve its revenue targets for the year. Nevertheless, considering the enormity of the crisis, the Company sustained its operations to the greatest extent possible amidst considerable mobility constraints and the liquidity crunch.

As a company making a positive contribution to the country's progress in achieving the UN's Sustainable Development Goals (SDGs), our operations in NCRE are helping replace fossil fuels to increase health benefits from

the direct reduction of pollution locally. Solar power provides affordable and clean energy, and creates a source of local employment for local communities. As the world moves closer to building smart cities, solar energy will provide sustainable energy as a vital foundation of smart and sustainable cities in Sri Lanka in time to come. The Company is making a valuable contribution in combatting climate change which has adversely impacted Sri Lanka in recent years, while also earning the company carbon credits and leading the way to clean energy.

## **DEMAND FOR RENEWABLE ENERGY IN SRI LANKA IN 2022**

### **Cost of Power Generation in 2022**

#### **Company Performance**

The negative cashflow conditions arising from the economic crisis led the Company to take a decision to cease capital investment during the year until conditions proved favourable. This hampered the growth of the Company and affected the top line. Further, a very high working capital reservation had to be provisioned which negatively affected the financial viability of projects.

The negative cashflow resulted in higher finance costs due to the resultant alternative financial measures taken and decreased plant performance owing to the lack of essential spare parts and contractor payment delays. It became a challenge to maintain the required stock of spares during the year. As a result, some preventive maintenance activities were delayed, which resulted in lower performance and an increased risk of plant breakdowns.

Unfortunately, the payment delays from CEB on its part to settle outstanding dues to private power producers including LAUGFS Power, discouraged new projects in 2022 which resulted in lower capital investment in the sector.

#### **FUTURE PROSPECTS**

The recent fuel crisis and long power cuts suffered by millions across the country reflects the need to move away from fossil fuels to renewable energy. There is no doubt that demand for NCRE will pick up pace to mitigate climate change, geopolitical uncertainty, weak economic conditions etc.

LAUGFS Power is committed to expand its NCRE production, however it needs the right conditions to be nurtured by the regulator to further invest in the sector. The reassurance could be in the form of a stable economy, long term policy-making, moderate interest rates and payment of all outstanding debt by CEB to LAUGFS Power.

We continue to be on the lookout to diversify our portfolio further by adding wind power projects and solar power projects. The Group is keen to step into overseas markets to drive growth and expand across global markets as a socially and environmentally responsible venture.

#### **APPRECIATIONS**

I am grateful to the Group Chairman, Deputy Chairman and the Board of Directors for their visionary leadership through a challenging period. The LAUGFS Power team has showed great commitment and cooperation in surmounting the various obstacles faced during the year.

I would like to thank the officials of the Public Utilities Commission, the Ceylon Electricity Board, the Central Environment Authority and the Sustainable Energy Authority for their support. I would also like to place on record my appreciation to valued shareholders.

The year ahead will be challenging but our resolve to providing cleaner air for all remains unwavering.



**Piyadasa Kudabalage**  
Group Managing Director/GCEO

14th August 2023

# BOARD OF DIRECTORS



**Deshabandu W.K.H. Wegapitiya, PhD**  
Group Chairman



**Mr. U.K. Thilak De Silva**  
Group Deputy Chairman



**Mr. Piyadasa Kudabalage**  
Group Managing Director/GCEO



**Mr. P.M.B Fernando**  
Independent Non-Executive Director



**Prof. S.P.P Amaratunge**  
Independent Non-Executive Director



**Mr K.R Goonesinghe**  
Independent, Non-Executive Director

**DESHABANDU W. K. H. WEGAPITIYA, PhD**  
**Group Chairman**

Mr. W.K.H. Wegapitiya is the founder Chairman of LAUGFS Holdings Limited, the parent company of LAUGFS Power PLC, one of the most highly-diversified business groups in Sri Lanka, having a wide spectrum business presence in the areas of LPG distribution, petroleum, lubricants, power generation, property development, shipping, heavy engineering, automobile services, leisure and restaurants, consumer retailing, manufacture of industrial solid tyres and salt. He currently functions as Group Chairman. He holds a degree (B.Sc) in Business Administration from the University of Sri Jayewardenepura, and obtained his MBA from the Post Graduate Institute of Management (PIM). He also holds a PhD from the Post Graduate Institute of Management (PIM).

In 1995 he was instrumental in creating Gas Auto Lanka (Private) Limited, the initial enterprise of the now diversified LAUGFS Holdings Limited. His visionary leadership, remarkable entrepreneurship and his extraordinary personal strength to withstand and overcome all adversities thrown in his way, enabled him to succeed in all his endeavours to create the "LAUGFS" business conglomerate, in a relatively short period of time. A popular figure in the local entrepreneurial community in Sri Lanka as a true success story,

He has been recognised as the best entrepreneur in the country many times over, and is a frequent speaker, presenter and a panellist on topics such as "Business Excellence", "Leadership" and "Entrepreneurship" organised by a variety of organisations. He is also a well-known personality in the global LP gas and energy circles and a regular participant and speaker at international forums on LP gas and energy management. He presently serves as a Council member of University of Sri Jayewardenepura.

**MR. U.K. THILAK DE SILVA**  
**Group Deputy Chairman**

Mr. Thilak De Silva presently serves as the Group Deputy Chairman of this highly-diversified business conglomerate. The Group is engaged with the widest landscape in business in the country, consisting of LP Gas downstream operations, petroleum fuel distribution, blending, storage distribution and sale of lubricants, maritime services including ownership and management of gas carriers, heavy engineering, vehicle emission testing, property development, leisure and hospitality with ownership and management of star class hotels, consumer retail chains, fast food chains, the manufacture and export of solid tyres, pharmaceuticals and IV solutions, and the generation of hydro, solar and other types of renewable energy.

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

Mr. Thilak De Silva hails from a widely known, well-respected family with business interests from southern Sri Lanka having had its lucrative operations in the south and in the central highlands. He had his primary and secondary education in the country and moved to the United Kingdom for his undergraduate studies in the sphere of Engineering Technology in the first instance, followed by a study in operations management. Having qualified from prestigious institutions in the United Kingdom in both disciplines, he returned to Sri Lanka to take up the mantle of the family business as its Executive Director. In the year

1995, however he was compelled to leave the business in the able hands of the rest of the family to join his erstwhile colleague to commence the ground breaking initiative of "LAUGFS" to convert the vehicles driven by traditional fuels into LPG driven ones.

This initiative proved to be the turning point that laid the foundation for the creation of a massive business conglomerate, and the rest is history.

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

**MR. PIYADASA KUDABALAGE**  
**Group Managing Director/GCEO**

Mr. Piyadasa Kudabalage is the Group Managing Director and Group Chief Executive Officer of LAUGFS Holdings Limited and all its subsidiary companies. He provides overall supervision and leadership to the management of all subsidiary companies under LAUGFS Holdings Limited.

Mr. Kudabalage has an extensive and impressive career spanning over 35 years, in leading and reputable public and private sector organisations in a diverse landscape of businesses across plantation management, insurance, banking and finance, leisure and hospitality, power and energy and industrial manufacturing.

Mr. Kudabalage had occupied top-rung positions in all the sectors he has engaged with. He was the Managing Director/Chief Executive Officer of Sri Lanka Insurance.

# BOARD OF DIRECTORS

Corporation Limited, Litro Gas Lanka Limited and Canwill Holdings (Private) Limited (Hyatt Hotel Group); former Director of People's Bank and all its subsidiaries, People's Leasing & Finance PLC and all its subsidiaries, Seylan Bank PLC, Ceybank Asset Management Limited and Colombo Dockyard PLC; and also the former Chairman of Merchant Bank of Sri Lanka, Ceylon Asset Management PLC and E-Channeling PLC. Presently, Mr. Kudabalage serves as the Chairman of Piccadilly Cafe Limited. He is heads his own reputable audit firm as a sole proprietorship in his name. He is a well-qualified and experienced professional and an alumni of the University of Kelaniya from where he graduated in Business Administration and Management. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and a Fellow member of the Institute of Certified Management Accountants and the Institute of Chartered Professional Managers of Sri Lanka.

He was awarded the "Professional Excellence Award" in 2014 by the Institute of Chartered Management Accountants of Sri Lanka in consideration of his outstanding career achievements and the "Prasada Sambawana" award by the University of Kelaniya in 2014 for the excellence of his service rendered to the Government of Sri Lanka.

## **MR. P. M. B. FERNANDO** **Independent, Non-Executive Director**

Mr. P. M. B. Fernando started his professional career at KPMG Ford Rhodes Thornton & Company and was a Partner of the Firm. He has extensive experience as Head of Finance, holding positions of Senior Vice President – Finance of Vanik and Forbes Ceylon Group, Group Finance Director of Confiffi Group, and Director Finance – Asian Region of Virtusa (An Information Technology Company based in Boston USA).

Moving to General Management, Mr. Fernando was the Managing Director of Capital Reach Holdings Ltd, Director/Chief Executive Officer of Softlogic Finance PLC, Director/Chief Executive Officer of LAUGFS Capital Ltd, and Chief Executive Officer of Orient Finance PLC. He is a Non-Executive

Independent Director of LAUGFS Leisure Limited, LAUGFS Eco Sri Limited, LAUGFS Gas PLC, Lanka Hospitals Corporation PLC, and Evoke International Limited.

Mr. Fernando is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants of UK. He holds a Bachelor of Science (Applied Science) Degree from the University of Sri Jayawardenepura.

## **PROF. S.P.P AMARATUNGE** **Independent Non-Executive Director**

Professor S.P.P Amaratunge, a visionary and builder of organisations, astute university administrator, academic par-excellence, renowned business consultant and humanist who presently serves as the Chairman of the University Grants Commission. He served as the Vice Chancellor, University of Sri Jayawardenepura, and was also appointed as the Chairman of the Committee of Vice Chancellors and Directors Sri Lanka (CVCD) in 2019.

Professor Amaratunge, holds a BA (Hons.) in Economics from the University of Sri Jayawardenepura, MA in Economics from the University of Colombo, MSc. In Economics of Rural Development from Saga National University and Ph.D. from Kogoshima National University in Japan. He counts over 27 years' service at the University of Sri Jayawardenepura. An authority in Rural Economic Development, Professor Amaratunge has won several awards including the prestigious Research Excellence Award (2002) of the Kyushu Society of Rural Economics, Japan. He has over 75 referred publications to his credit, both locally and internationally.

Having provided yeoman service as Dean, Faculty of Management Studies and Commerce, University of Sri Jayawardenepura (2008-2014) in completing several important infrastructure development projects and setting up of specialty facility units for undergraduate and postgraduate level education, Professor Amaratunge continued his organisation building endeavours

under his stewardship as Vice Chancellor (2014-2017) of the university. Thus, he spearheaded setting up of two new Faculties of Study, Engineering and Technology, to the existing cluster of five (Faculties of Arts and Humanities, Management Studies and Commerce, Applied Sciences, Medicine and Graduate Studies). He served with distinction as Chairman, Federation of University Teachers Associations (FUTA) of Sri Lanka (2009 – 2012), a period studded with noteworthy achievements such as establishing sister unions, a research grant scheme for academics and a facility scheme for entry at grade one for their children.

Professor Amaratunge had the honour of being the youngest appointed member of the University Grants Commission (2010), and has held key positions in several state commissions of importance. In addition, not confining his services to the academia, he sits on the Boards of Management of several prominent corporates as an Independent Director.

## **MR K.R GOONESINGHE** **Independent, Non-Executive Director**

Mr K.R Goonesinghe, is an Attorney-at-Law possessing over 36 years of experience in the Bar, and is a previous Vice President of the Bar Association of Sri Lanka. He is specialised in the areas of Criminal, Civil, Commercial and Arbitration Law.

He presently serves on the Board of LAUGFS Gas PLC as an Independent Non-Executive Director.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GLOBAL ENERGY REVIEW

The world was in the middle of a global energy crisis in 2022 and although Europe is at its centre, it has major implications for markets, policies and economies worldwide. Globally, higher electricity generation costs in 2022 were driven by surging energy commodity prices. While the cost increases were more moderate in countries with regulated tariffs and long-term fuel supply agreements, regions dependent on short-term markets for fuel procurement were severely affected. In particular, record-high LNG prices led to difficulties for South Asian countries trying to procure gas for the power sector, which contributed to blackouts and rationing of electricity in the region. If prices of energy commodities remain elevated, fuel procurement will continue to be a serious issue for emerging and developing economies. Over the next three years, more than 70% of the growth in global electricity demand is set to come from China, India and Southeast Asia combined. Emerging and developing economies' growth is accompanied by a corresponding rise in demand for electricity. As a result, global electricity demand is expected to grow at a much faster pace of 3% per year over the 2023-2025 period compared with the growth rate of the prior year 2022.

## LOCAL OPERATING ENVIRONMENT

Electricity in Sri Lanka is generated using three primary sources: thermal power (which includes coal and fuel oil), hydropower, and other non-conventional renewable energy sources (solar power and wind power). The Sri Lankan Government aims to achieve 70 percent of the country's electricity production by renewable sources by 2030 and become net carbon zero by 2050. The objective is to increase the power generation capacity of the country from its existing capacity of 4,083 MW to 6,900 MW by 2025 with a significant increase in renewable energy. Sri Lanka has already achieved a grid connectivity of 98 percent, which is relatively high by South Asian standards. Annual total electricity demand is about 14,520 GWh while the annual demand for electricity is anticipated to increase by 4.9% over the next 20 years, a

number which is expected to be constrained by high prices. Despite its ambitious long-term plans, Sri Lanka experienced numerous power outages in 2022 due to unavailability of fuel to operate its thermal power plants and the decline of hydropower generation levels owing to less predictable weather patterns.

Presently, the Ceylon Electricity Board (CEB) owes renewable independent power producers Rs. 28.5 billion, other thermal power producers Rs. 76.8 billion and rooftop power owners around Rs. 1 billion. Sri Lanka's rupee collapsed in March 2020 from around 200 to the US dollar to 360 to the US dollar after two years of money printing pushed up costs of imported fuel. As a result of payment delays, investors were discouraged when it came to investing in the power sector, resulting in lower capital investment. CEB faced difficulties with obtaining competitive pricing for their new procurement of bulk electricity due to less competition. As a result, the CEB had to incur higher costs to produce power which led to higher retail electricity tariffs in the industry.

While progress has been slow in adding power generation capacity, especially from renewable sources, the ongoing fuel crisis has prompted the Government to take steps to expedite new projects, including amending the Electricity Act in June 2022 in response to private sector feedback. In September 2021, the Government pledged not to build any new coal-fired power plants, but may still seek to expand or upgrade existing plants.

Sri Lanka must add significant capacity to meet current and future power demand, which is forecast to grow at around 5 percent annually. Sri Lanka currently has a total electricity generation capacity of 40 GWh, as it mainly relies on thermal power, including a Chinese-built coal power plant, which accounts for 45 percent of its supply. The Government regularly purchases expensive emergency power to meet electricity shortages. Since the economic development of a country has a strong positive correlation with its energy

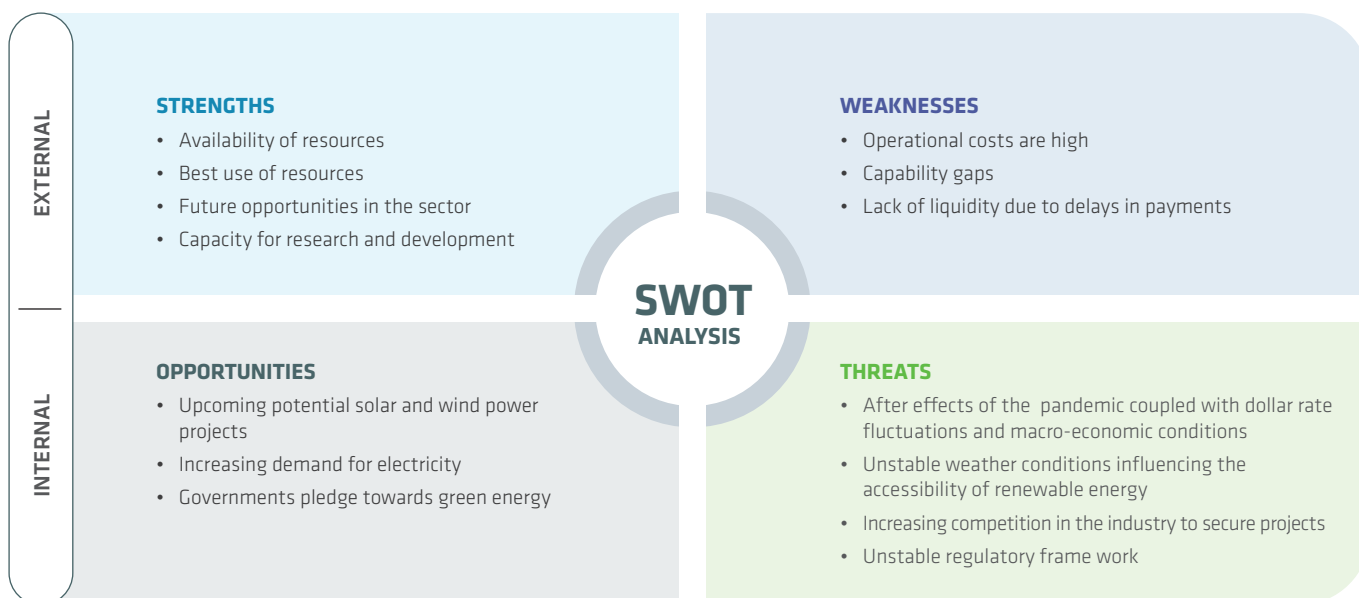
usage, investing in renewable energy sources can play an increasingly important role in contributing towards achieving the country's sustainable development goals than other non-renewable energy sources.

## IMPACT OF ECONOMIC CRISIS ON POWER SECTOR

The economic crisis in Sri Lanka was triggered by insufficient foreign reserves and the resultant loss of access to international capital markets which led to the country defaulting on debt for the first time in its history. In addition, unchecked external borrowings, tax cuts that increased the existing budget deficit, a restriction on the import of chemical fertilizer and the abrupt floating of the Sri Lankan rupee are a few of the elements that caused the economy to collapse. The crisis sparked mass protests amidst an acute shortage of food, fuel, and other essentials. The officials of the International Monetary Fund and the Sri Lankan authorities reached a staff-level agreement to support the economic policies of the island nation with a 48-month arrangement under the Extended Fund Facility of about USD 2.9 Bn to support the economic policies of the nation.

The economic crisis had an adverse impact on the power sector, as the cash-strapped government was unable to honour payments, creating delays in supply of fuel to the local market. As a result, private companies faced difficulty in opening Letters of Credit to pay for purchases of fossil fuel from overseas. Since power producers were not paid by the Government, they had to run months with no revenue despite operating at full capacity and incurring running costs. Operating costs were already up significantly due to both inflation and increased interest rates to service loans. Import restrictions have led to a shortage of spare parts in the local market, which makes it difficult to run plants efficiently. Additions to capacity of power plants are similarly difficult and also very expensive due to both the shortage in spares and increase in exchange rate. Sustainable energy projects which are inherently capital intense and use a lot of machinery and spare parts to operate have now become extremely expensive and unviable due to these factors.

# MANAGEMENT DISCUSSION AND ANALYSIS



## OPERATIONAL REVIEW

The Non-Conventional Renewable Energy (NCRE) sector faced its most serious challenges during 2022, amidst the power crisis in the country and the ensuing economic crisis against the backdrop of longstanding dues by the CEB amounting to 13 months in unpaid invoices. This created a negative cashflow situation with higher finance costs due to the Company having to make alternative financial arrangements. The import ban on spare parts for power plants further exacerbated the operating conditions for private power producers, as this meant the plants could not operate at optimal capacity. As a result, some aspects of preventive maintenance could not be conducted thereby lowering performance and increasing the risk of breakdowns.

Considering the deteriorating circumstances of the industry during the year, the Company decided to cease capital investment which hampered the growth of the Company affecting the top line.

Further, these circumstances required a very high working capital reservation be provisioned which negatively affects the financial viability of the projects.

## TARIFF INCREASES

The CEB increased tariffs during the year which is expected to have a positive impact on its collections as CEB

should be able to clear the outstanding dues and pay on time going forward, which will give some relief to the cash flow position for LAUGFS Power.

## FINANCIAL PERFORMANCE

LAUGFS Power reported a revenue drop of 15% at Rs 80.1 Mn compared with Rs. 94.8 Mn last year and contributed 4.7 GWh to the National Grid during the year which is 0.9 GWh lower than last year. Total energy generated by the Group amounted to a total of 44.1 GWh in comparison to the previous year which amounted 47.1 GWh. LAUGFS Power's solar power generation recorded a revenue of Rs. 38.7 Mn in 2022/23 against Rs. 41.5 Mn in the previous year. Hydro power generation showed a marginal decline from Rs. 41.4 Mn in the current year against Rs. 53.2 Mn last year. The two main challenges which hampered growth of PAT were high interest costs during the year owing to the non-payment of dues by CEB to private power producers and the sharp increase of interest rates by the Central Bank.

Nevertheless LAUGFS Power is confident that the CEB will meet its payment commitments to private power producers and settle its arrears within the course of the coming year. In order to mitigate the impact of the crisis, the Group embarked on many initiatives to support its cash flow by focusing on working capital management. Owing to the downturn in the economy we have also decided to defer some of our pending projects and major capital expenditure decisions.

Project	Plant Capacity kW	Generation 2022/23 GWh	Generation 2021/22 GWh	
Balangoda PI MHP	500	1.40	1.89	Total Hydro Power generated 4.09 Wh
Balangoda PIII MHP	550	1.27	1.59	
Thiniyagala MHP	700	1.42	1.63	
Anorchi SPP Hambantota	10,000	18.17	19.12	Total Solar Power generated 40.09 GWh
Iris SPP Hambantota	10,000	18.33	19.16	
Embilipitiya LP SPP	1,000	1.47	1.53	
Embilipitiya Iris SPP	1,000	1.47	1.52	
Rooftop Solar PV	567	0.56	0.69	
<b>Total</b>		<b>44.11</b>	<b>47.13</b>	

## HYDRO POWER GENERATION

Hydro power generation saw a 19.8% decrease in the year due to lower rainfall to the project catchment areas. Total Hydro power generated amounted to 4.09 GWh, compared to 5.11 GWh produced in the previous year. The three mini-hydro power plants located at Balangoda and Ginigathhena contributed 4.09 GWh to the National Grid and have a capacity of 1.75 MW of power generation.

## SOLAR POWER GENERATION

Laugfs Power is expected to generate 40 kwh by March 2023 which is a drop of 4.6% from 2021/22. This is mainly due to weather patterns in the respective areas where the panels are located and also the time degradation of the panel yield.

As the largest solar power plant operator in Sri Lanka, LAUGFS Power Commissioned Iris and Anorchi in 2017. Situated on a 90 acre land in Hambantota the plant contributes 36.5 GWh annually to the National Grid with an aggregate capacity of 20 MW. While another solar project in Embilipitiya provides a further 2.9 MWh of power to the Grid.

## COST RESTRUCTURING

The negative cashflow conditions arising from to the economic crisis led the Company to take a decision to cease capital investment during the year until conditions proved favourable. This hampered the growth of the Company and affected the top line. A very high working capital reservation also had to be provisioned which had a negative impact on the financial viability of the projects

## REGULATIONS

The Government declared its National Energy Policy to have 70% of the energy required by the National Grid to be produced by renewable energy sources by 2030. Accordingly, CEB prepared a long-term generation plan geared to absorbing more renewable energy to the Grid. The Government also increased the feed in tariff for renewable energy projects thus resulting in making renewable projects financially viable while also increasing investors' motivation to develop more new projects.

## CARBON CREDITS

The two 10MW solar power plants have received certification from the Gold Standard programme of activities for small scale Solar and Wind power generation in Sri Lanka. Gold standard certification is one of the most widely recognised and respected certification programs in the voluntary carbon offset market. Its certification standards are accepted by major corporations, governments, and NGOs around the world as a reliable and transparent system for ensuring the credibility of climate and development projects. The two projects that have been certified will produce an estimated 30,130 Verified Emission Reductions (VERs) per year. LAUGFS Power aims to trade these VERs with interested parties to support their carbon offset programmes.

## OUR STRATEGY

LAUGFS Power had planned construction for the capacity enhancement of its solar power projects at a cost of Rs. 105 Mn this year adding 1.5 MW of solar capacity to the Group's portfolio. However, this could not be implemented owing to the scarcity of foreign currency in the country and delays in regulatory processes. Our pioneering status in the solar industry in Sri Lanka with the first large scale 20Mw Ground Mounted Solar Power situated in Hambantota in 2017 remains unparalleled. A further four renewable energy projects consisting of a mini hydro power project, two solar power projects and a wind power project are also in the pipeline.

## OPTIMISING EXPERTISE

A key strength of LAUGFS Power PLC is having a professional, trained and qualified team of solar technology experts within the Company. This intellectual and human capital has been of great value for the Company in ensuring the growth of the industry in Sri Lanka as well as overseas. The Company is headed by a team of well qualified and experienced engineers to provide the best industry expertise and facilitate an efficient and effective operation which has given

Management the confidence to plan to broaden their presence in renewable energy both locally and globally.

## TRAINING & DEVELOPMENT

Some of the key training projects carried out during 2022 were:

### FIMER Inverter maintenance training sessions

There was a training on inverter maintenance carried out by Engineers from FIMER Sri Lanka, the local agents for Italian Inverter manufacturer FIMER S.P.A. The participants were plant operation staff at the Embilipitiya Solar plant (Iris and Laugfs Power). The sessions consisted of training regarding inverter maintenance and troubleshooting along with the relevant safety measures to be adopted.

### Gamesa Inverter training sessions

Held at Anorchi Lanka, Hambantota, Iris and Anorchi Solar plants' technical staff received training from a resource from Siemens Gamesa Renewables India on inverter maintenance and troubleshooting along with the relevant safety measures to be adopted.

### Safety Training Mock drills

A Safety Officer from Siemens Gamesa Renewables Sri Lanka trained Iris and Anorchi Solar plants' technical staff on safety and first aid procedures.

The staff further received training and a demonstration in safety procedures and first aid by a trainer in case of electrical hazard.

## EXPANDING RENEWABLE ENERGY SOURCES

The Company is keen to expand its hydro and wind energy presence in the country with the intention of being a strong player in the renewable energy sector. Some hydro and wind energy projects have been identified as expansion opportunities to grow the renewable energy sector as well as to meet the increasing demand for energy in Sri Lanka.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROJECTS IN THE PIPELINE

### **Pams Power (Pvt) Ltd (Kehelgamuwa Oya II Mini-Hydro Power Project)**

Plant capacity – 2MW

Project location – Dagampitiya, Ginigathena

Expected Annual Generation – 6.13 GWh

Status – Received approval to proceed with construction; new tariff structure received from CEB.

Completion - By end October 2023

### **Sustainable Energy Developers Solar Power plant**

Plant Capacity – 10MW

Project location – Gonnoruwa, Hambanthota

Expected Annual Generation – 22.9 GWh

Status: In the process of finalising the exit of the JV partner from the project and the permit under LAUGFS Power. Once this transition is complete then we will sign a PPA with the CEB

### **Manthai Wind Power Project**

Plant Capacity – 50MW

Project location – Manthai West, Mannar

Expected Annual Generation – 131.4 GWh

Status - Currently awaiting provisional approval after which CEB grid concurrence will be obtained and the land finalised, followed by an EIA and detailed wind resource assessment to assess project viability

### **Laugfs Salt & Chemicals (Pvt) Ltd. 10MW Solar Power Project**

Plant Capacity – 10MW

Project location – Sisilasagama, Mirijawila Hambanthota

Expected Annual Generation – 22.9 GWh

Status - Awaiting sublease agreement from the Mahaweli Authority to proceed with the application for provisional approval

## FUTURE OUTLOOK

LAUGFS Power's future growth trajectory remains contingent on CEB releasing all dues sooner than later and establishing an acceptable timeline for payments in the future. The release of the IMF loan is expected to bring down high interest rates and curb inflation which is expected to impact the Company favourably. As part of the NCRE

industry in Sri Lanka, we remain hopeful that there will be consistency maintained in policy making and regulations in the future to allow for better long term planning of investments.

The Company sees opportunities in the move to establish a regulatory framework for increasing renewable power acquisition in the future with special consideration given to solar power generation. Renewable energy is fast becoming more competitive compared to fossil fuel power generation, which puts LAUGFS Power in a first-mover position in the industry. The Company expects to take advantage of its carbon credits financing for renewable energy in line with its sustainability policy to further fund its future projects.

A key endeavour will be to increase its power generation capacity through immediate investments in its new and existing renewable energy sources. LAUGFS Power is confident that demand driven growth for renewable energy will continue to increase in coming years and will forge ahead to seek opportunities in Africa and other viable markets overseas.

# OPERATING ENVIRONMENT

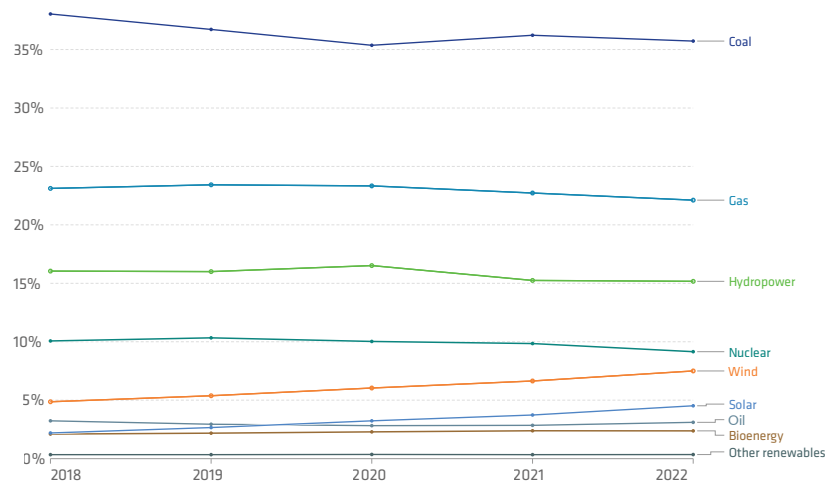
## OVERVIEW OF MACROECONOMIC ENVIRONMENT

Longstanding macroeconomic weakness, characterised by deeply entrenched twin deficits due to a persistent budget deficit coupled with a shortfall in the external current account, worsened during 2022 as the Sri Lankan economy contracted by 7.8% compared to a growth rate of 3.5% experienced in 2021. Meanwhile, the Government sought assistance from the IMF for a funding arrangement and announced a debt standstill as an interim measure, pending negotiations on debt restructuring with bilateral and commercial creditors.

Acute fuel shortages due to the dearth of foreign exchange caused a significant drag on activities, as a result of hampered supply chains, prolonged power outages, scarcity of raw materials amidst imports compression, and a surge in the cost of production. Further, significant upward revisions in major utility prices amidst soaring global energy prices and the depreciation of the exchange rate exacerbated supply side pressures, while accelerated inflation and tax hikes affected the disposable income of households across the country.

All sectors of the economy were adversely impacted. The agriculture sector, which had been experiencing lacklustre performances since 2019, contracted by 4.6% in 2022, compared to a year earlier. This mainly

## Share of electricity production by source, World



Source: Ember's Yearly Electricity Data; Ember's European Electricity Review; Energy Institute Statistical Review of World Energy

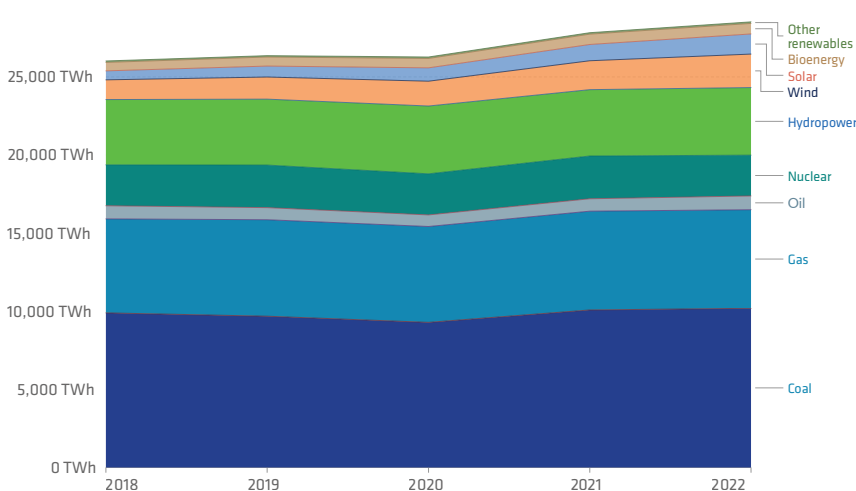
reflected the severe shortages in chemical fertiliser and other agrochemicals, the increased cost of raw materials, as well as disruptions of supply networks. In 2022, the industry sector contracted notably by 16.0%, year-on-year, primarily due to the dampened performance of the construction and manufacturing subsectors amidst severe shortages in raw materials and input cost escalations. The energy crisis and tighter monetary conditions also weighed on the performance of the industry subsectors while economic headwinds hindered expansion in

the services sector, resulting in an overall contraction of 2.0%, year-on-year, in 2022. Per capita GDP also declined to 13% from USD 3,997 in 2021 to USD 3,474 in 2022.

During the nine months ending September 2022, headline inflation was on a rapid acceleration path reflecting price pressures from multiple fronts, including price hikes in food, energy, and transport sectors and their spillovers, stemming from supply disruptions, rapid adjustments to administered prices, sharp depreciation of the Sri Lankan rupee, and aggregate demand pressures owing to the lagged impact of monetary accommodation undertaken over the past few years, among others. Sri Lanka also experienced inflation at unprecedented levels in the year 2022, recording the largest increase in price levels in its history since it gained independence 75 years ago.

Despite the numerous efforts towards expanding the renewable energy sector in 2022, the development of the sector continued to grapple with a host of difficulties hindering its progress. Higher capital and import costs, payment delays to small power producers, capacity constraints in the national transmission grid, among others, continued to impede the expansion of the renewable energy sector of the country.

## Electricity production by source, World



Source: Ember's Yearly Electricity Data; Ember's European Electricity Review; Energy Institute Statistical Review of World Energy

# CORPORATE GOVERNANCE CHECK LIST

## COMPLIANCE WITH CSE CONTINUING LISTING REQUIREMENTS

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

Rule No.	Subject	Applicable Requirement	Compliance Status
7.10.6(b)	Audit Committee Functions	Overseeing of the,	Complied
		Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards	Complied
		Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	Complied
		Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards	Complied
		Assessment of the independence and performance of the External Auditors	Complied
		Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor	
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	Names of Directors comprising the AC	Complied
		The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied
		The AR shall contain a Report of the AC setting out the manner of compliance with their functions	Complied
9	Related Party Transactions Review Committee	Names of Directors comprising the Committee.	Complied
		Will monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines and applicable Listing Rules.	

# RISK MANAGEMENT

## OUR STRATEGY

Any company's long-term success is dependent on its ability to anticipate uncertainties and design processes to deal with them. A robust risk management system ensures that uncertainties are identified and addressed on time.

We perceive that our long-term success is dependent on identifying and assessing business opportunities and threats, as well as responding to them in a timely and effective manner. The LAUGFS's Enterprise Risk Management process enables the organisation to identify, analyse, and respond to risk in order to reduce exposure and explore opportunities.

The ERM approach used by LAUGFS is ingrained throughout the Company and applies to all organisational levels. Our ERM approach provides a 360-degree view of the organisation and focuses on multiple risk categories, including business risk, financial risk and compliance risk.

Through the LAUGFS ERM methodology, identified risks are mapped on risk heat maps. Risk heat maps function as a reference point for productive conversations in leadership meetings and gatherings where important decisions are made. The main goal of the LAUGFS ERM program is to develop an agile organisation that can quickly identify and address risks while increasing its value to stakeholders.

## RISK GOVERNANCE

The Audit Committee and Group Risk and Control Division support the Board of Directors in managing risk governance. The Audit Committee supports the Board by reviewing internal audit reports, analysing risk navigators, recommending corrective actions, and conducting a bi-annual risk profile evaluation. The Board of Directors, which establishes the Group's risk appetite and assesses the efficiency of risk mitigation measures, oversees the Group's risk management structure.

Due to the difficulties faced by the nation and its industries in the current context, risk management is now a crucial topic at every corporate management meeting. To

concentrate on and manage the risks encountered, various committees and roles have been assigned. The senior leadership team provides the required leadership and insights to manage risk.



**BOARD OF DIRECTORS**

- Approve risk management policies and procedures of the Group
- Uncompromising oversight over risks encountered and actions taken to mitigate them

**AUDIT COMMITTEE**

- Assess the adequacy of risk management practices adopted and related internal controls
- Evaluate the adequacy of actions taken to manage the risks

**CORPORATE MANAGEMENT TEAM**

- Implement the risk management policies and procedures across the Group
- Upholding the primary responsibility of identifying and managing key risks

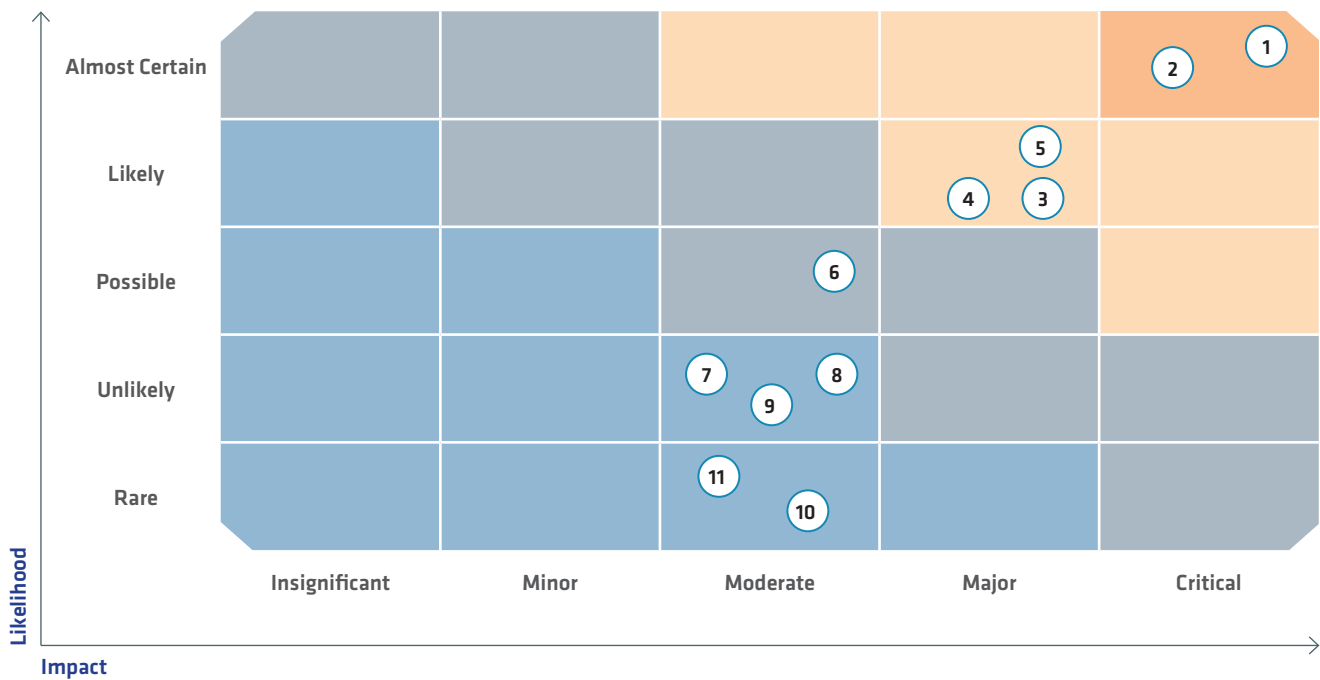
**GROUP RISK & CONTROL DIVISION**

- Assists in rolling out the risk management program
- Evaluates the effectiveness of risk management program, actions taken to manage individual risk and related internal controls

Group Risk & Control has taken the initial steps towards implementing ISO 31000 in order to streamline risk management practices across the Group. With the implementation of ISO 31000, it is expected that the LAUGFS ERM framework will further strengthen and streamline the Group's risk management capabilities.

## KEY RISKS

Understanding the risks and opportunities that affect our business, society, environment, and stakeholder decisions is critical to addressing them. The Group evaluates material issues each year to better understand and manage these risks and opportunities. Risks are prioritised with our stakeholders and the Group's management team to identify material risks and opportunities. The impact of country risk and current political and economic uncertainties, regulatory pressures, and changes in the business environment were among the major risks that our company and its stakeholders encountered during the year.



Risk Rating	What it means
<span style="color: red;">●</span> <b>Extreme</b>	<ul style="list-style-type: none"> <li>Board attention is required</li> </ul>
<span style="color: orange;">●</span> <b>High</b>	<ul style="list-style-type: none"> <li>Immediate action by senior management with a detailed research and management of risk through appropriate responses</li> </ul>
<span style="color: grey;">●</span> <b>Significant</b>	<ul style="list-style-type: none"> <li>Senior management attention required</li> <li>Management responsibility specified</li> <li>Risk should be treated using one or more of the risk treatment options</li> </ul>
<span style="color: blue;">●</span> <b>Moderate</b>	<ul style="list-style-type: none"> <li>Risk should be treated using one or more of the risk treatment options</li> <li>Risk should be managed using specific monitoring or treatment procedures</li> </ul>
<span style="color: blue;">●</span> <b>Low</b>	<ul style="list-style-type: none"> <li>Risk is accepted with minimal treatment and can normally be managed using existing routine procedures</li> <li>Low risks need to be monitored and periodically reviewed to ensure they remain acceptable</li> </ul>

# RISK MANAGEMENT

Key Risk	Management Approach	Risk Rating
<b>1. Credit Risk</b> (Challenges in collecting overdue amounts on time)	<ul style="list-style-type: none"> <li>Conducting continuous follow-ups on receivable balances.</li> </ul>	Extreme
<b>2. Liquidity Risk</b> (Challenges in managing working capital)	<ul style="list-style-type: none"> <li>Conducting detailed cash flow forecasting regularly.</li> <li>Conducting negotiations with suppliers and extending credit terms.</li> <li>Group Treasury's involvement in borrowing negotiations.</li> <li>Conducting activities on loan restructuring.</li> </ul>	Extreme
<b>3. Interest Rate risk</b> (Adverse impact on profitability due to interest rate fluctuations)	<ul style="list-style-type: none"> <li>The Company maintains both fixed and variable borrowing rates, which help to minimise the risk of negative variations in interest rates.</li> <li>The management has rescheduled certain loan facilities and agreed on a low rate for a shorter period.</li> <li>Management made diligent attempts throughout the year to settle loans as much as possible to reduce the interest rate burden.</li> </ul>	High
<b>4. Climate Risk</b> (Adverse impact on the operations due to changing weather patterns)	<ul style="list-style-type: none"> <li>The Company is embarking on a move to diversify into wind and solar power.</li> <li>Hydrological liability is a risk of drought. Projects are built based on previous hydrological data analysis to minimise the chance of any divergence from their intended energy targets.</li> </ul>	High
<b>5. Political Instability &amp; Country Risk</b> (The risk of Government policy changes affecting business decisions and performance)	<ul style="list-style-type: none"> <li>Continuous lobbying with the Sri Lankan Government and CEB for implementation of better policies and stability of their implementation.</li> <li>The LAUGFS investment committee and LAUGFS Power PLC management continuously monitor political risk and how it will affect the projects in the long term.</li> </ul>	High
<b>6. Environmental Risk</b> (Potential disaster events affecting operations)	<ul style="list-style-type: none"> <li>The Company has considered environmental factors in the project design stage itself.</li> <li>Technical and specialised support from external technical experts in handling such potentially adverse cases.</li> <li>Appropriate insurance covers are in place</li> <li>The technical team of LAUGFS Power PLC regularly monitors the weather patterns.</li> <li>Strict adherence to the stipulated safety protocols and guidelines.</li> </ul>	Significant
<b>7. Legal Risk</b> (Risk of liabilities arising from third parties and non-compliance with laws and regulations)	<ul style="list-style-type: none"> <li>The Company consults experts for any matters arising due to litigation.</li> <li>LAUGFS as a Group adopts mandatory and voluntary corporate governance best practices and environmental, legal and compliance best practices.</li> <li>The Company conducts a mandatory compliance review procedure prior to the commencement of a project</li> </ul>	Moderate

Key Risk	Management Approach	Risk Rating
<b>8. Social risk</b> (Potential adverse relationship with communities in the vicinity of the projects)	<ul style="list-style-type: none"> <li>Intervention in line with the degree of relevance and the effect that the stakeholders will have on the affairs of the Company.</li> <li>As most of our power plants are in rural areas, the Organisation establishes a long-term relationship with the community through continuous interactions, welfare, and CSR programs, and providing job opportunities to the local community.</li> <li>LAUGFS keeps a close relationships with all stakeholders including regulatory authorities.</li> </ul>	Moderate
<b>9. Operational Risk</b> (Potential failure of the plant due to machine breakdowns or labour issues)	<ul style="list-style-type: none"> <li>Availability of operating procedure manual at all the plants.</li> <li>Providing proper regular training.</li> <li>Pre-scheduled maintenance of equipment.</li> <li>Conducting periodic audits where critical findings are escalated to the Board of Directors.</li> <li>Effective communication with CEB engineers.</li> <li>Conducting on-time preventive maintenance procedures.</li> <li>Maintaining required tools and spare parts in plants.</li> </ul>	Moderate
<b>10. Human Resource Risk</b> (Threats would lead to low efficiency in the company as well as disruptions to the operations)	<ul style="list-style-type: none"> <li>The Company has developed a cordial working relationship with employees.</li> <li>Remuneration is maintained at industry level</li> <li>The Company conducts on the job training and special training programs for employees.</li> </ul>	Moderate
<b>11. Compliance Risk</b> (Adverse impact on liabilities arising from third parties and non-compliance with laws and regulations)	<ul style="list-style-type: none"> <li>The Company conducts a mandatory compliance review procedure before a project begins.</li> </ul>	Moderate

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

The Board of Directors of LAUGFS Power PLC has pleasure in presenting the Annual Report and the Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31st March 2023. LAUGFS Power PLC is a public limited company incorporated in Sri Lanka under the Companies Act No. 17 of 1982 and re-registered as required under the provisions of Companies Act No. 7 of 2007 and listed on the Diri Savi Board of the Colombo Stock Exchange since 30th October 2019.

## PRINCIPAL ACTIVITIES

The principal activities of LAUGFS Power PLC is the construction and management of renewable energy projects in the fields of solar and hydro resources and transmitting such generated electricity to the National Grid. During the year under review, the principal activities of the companies within the Group were as follows:

**LAUGFS Power PLC** – Engaged in hydro and solar power generation

**Iris Eco Power Lanka (Pvt.) Ltd.** - Engaged in Solar power generation

**Anorchi Lanka (Pvt.) Ltd.** - Engaged in solar power generation

**Ginigathhena Thiniyagala Mini Hydro Power (Pvt.) Ltd.** - Engaged in hydro power generation

**Pams Power (Pvt.) Ltd.** – Engaged in construction of a hydro power generation project.

The Company and the Group has not engaged in any activity which contravene any local, foreign or international law or regulations.

## BUSINESS REVIEW

A review of the financial and operational performance and future business developments of the Group, sectors, and its business units are described in the Chairman's message, Deputy Chairman's message, management discussion and

analysis section of the Annual Report. These Reports together with the Audited Financial Statements reflect the state of the affairs of the Company and its subsidiaries. Segment wise contribution to group revenue, results, assets and liabilities is provided in Note 03 to the Financial Statements.

## RESULTS AND APPROPRIATIONS

Revenue generated by the Company for the year under review amounted to Rs. 80.1 Mn whilst Group revenue amounted to Rs. 968.7 Mn Contribution to group revenue, from the different business segments carried out by the subsidiaries are provided in Note 03 to the Financial Statements.

## FINANCIAL STATEMENTS AND THE REPORT OF THE AUDITORS

The Financial Statements of the Company and the Group for the year ended 31st March 2023 as approved by the Board of Directors on the 14th August 2023 are given on pages 39 to 86 The Auditors' Report on the Financial Statements of the Company and the Group is given on page 36 to 38.

## ACCOUNTING POLICIES

A note on the Accounting Policies adopted in the preparation and presentation of the Financial Statements are given on pages 44 to 55 There were no material changes in the Accounting Policies adopted by the Company and its subsidiaries during the year under review.

## DONATIONS

Total donations made by the Company and its subsidiaries during the year under review amounted to Rs. 35,640/- of these, the donations to approved charities were Rs.Nil These amounts do not include contributions on account of Corporate Social Responsibility (CSR) initiatives.

## INVESTMENTS

Total investments of the Company in subsidiaries, associate and other equity investments amounted to Rs. 3,027.8 Mn The details of the investments are given in Note No 09 to the Financial Statements.

## PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment as at the balance sheet date amounted to Rs. 330 Mn and Rs. 3,593 Mn for the Company and Group respectively. Total capital expenditure during the year for acquisition of property, plant and equipment by the Company and the Group amounted to Rs. 0.07 Mn and Rs. 0.09 Mn respectively. Details of property, plant and equipment are given in Note No. 07 to the Financial Statements.

## STATED CAPITAL AND RESERVES

The stated capital of the Company remains at Rs. 1,880,000,000 as at 31st March 2023, which consist of 335,000,086 ordinary voting and 52,000,000 ordinary non-voting shares. The total Group Equity was Rs. 1,929 Mn as at 31st March 2023.

## INTERNAL CONTROL AND RISK MANAGEMENT

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

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

## HUMAN RESOURCES

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

## BOARD OF DIRECTORS

The Board of Directors of the Company and their brief profiles are given on the pages 12 to 14 Accordingly the following persons were the Directors of the Company as at 31st March 2023.

- (a) Mr. W. K. H. Wegapitiya - Group Chairman  
Non Independent-Executive Director
- (b) Mr. U. K. Thilak De Silva - Group Deputy  
Chairman  
Non Independent-Executive Director
- (c) Mr. P. Kudabalage Group Managing  
Director/ GCEO  
Non Independent-Executive Director
- (d) Mr. P. M. B. Fernando - Independent Non-  
Executive Director
- (e) Prof. S.P.P. Amaratunge - Independent  
Non-Executive Director  
(Appointed w.e.f 15th August 2022)
- (f) Mr K.R. Goonesinghe  
Independent Non-Executive Director  
(Appointed w.e.f 15th August 2022)

## BOARD COMMITTEES

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

### AUDIT COMMITTEE

The Audit Committee comprises of three members namely Mr. P. M. B. Fernando (Chairman of the Audit Committee), Prof. S.P.P. Amaratunge (Appointed w.e.f 15th August 2022) and Mr K.R. Goonesinghe (Appointed w.e.f 15th August 2022).

The broad purpose of this Committee is to oversee the preparation, presentation and adequacy of the disclosure of information in Financial Statements in accordance with Sri Lanka Accounting Standards and all other statutory requirements. The Audit Committee also ensures that the Company's internal control system and Risk Management procedure are up to industrial standards. The Committee also assesses the independence and performance of the

Company's Auditors. The report of the Audit Committee is given under the Board committee reports section of the Annual Report.

### RELATED PARTY TRANSACTIONS COMMITTEE REVIEW

The Related Party Transactions Committee Review comprises Mr. P.M.B Fernando (Chairman of the Committee), Prof. S.P.P. Amaratunge (Appointed w.e.f 15th August 2022) and Mr K.R. Goonesinghe (Appointed w.e.f 15th August 2022). )

This Committee has been established as a requirement under Section 9 of the Colombo Stock Exchange Listing Rules, in order to monitor and regulate related party transactions in the best interests of the shareholders in order to ensure that the operations of the Group of Companies are compliant with Section 9 of the Colombo Stock Exchange Listing Rules.

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

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

### REMUNERATION COMMITTEE

The Remuneration Committee comprises of Mr. P.M.B Fernando (Chairman of the

Committee), Prof. S.P.P. Amaratunge (Appointed w.e.f 15th August 2022) and Mr K.R. Goonesinghe (Appointed w.e.f 15th August 2022). Mr. N. M. Prakash (Resigned w.e.f 31st May 2022) This Committee recommends the remuneration payable to the Executive Directors and sets guidelines for the remuneration of the Senior Management of the Company. The Board makes the final determination having considered the recommendations of the Remuneration Committee and also the performance of the Senior Management. The report of the remuneration committee is given under the Board Committee reports section of the Annual Report and the Remuneration Policy is given in the corporate governance report.

### INTEREST REGISTER

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

### DIRECTORS' INTEREST IN CONTRACTS

Directors' interest in contracts are disclosed in the related party transactions under Note 21 to the Financial Statements.

### DIRECTORS SHAREHOLDING

The shareholdings of the Directors of the Company as at 31st March 2023, and as defined under the Listing Rules of Colombo Stock Exchange are as follows.

Mr. W. K. H. Wegapitiya and Mr. U. K. Thilak De Silva are shareholders of LAUGFS Holdings Limited, which is the Holding Company which holds a significant stake of the Company directly.

LPL N	No. of Shares	%
Mr. W. K. H. Wegapitiya	1,411,536	0.421
Mr. U. K. T. N. De Silva	1,077,897	0.322
Mr. P. M. B. Fernando	100	0.000
Mr. P Kudabalage	Nil	Nil
Prof. S.P.P. Amaratunge - (Appointed w.e.f 15th August 2022)	Nil	Nil
Mr K.R. Goonesinghe - (Appointed w.e.f 15th August 2022)	Nil	Nil

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

LPL X	No. of Shares	%
Mr. W. K. H. Wegapitiya	Nil	Nil
Mr. U. K. T. N. De Silva	Nil	Nil
Mr. P. M. B. Fernando	Nil	Nil
Mr. P Kudabalage	Nil	Nil
Prof. S.P.P. Amaratunge	Nil	Nil
Mr K.R. Goonesinghe	Nil	Nil

## DIRECTORS' REMUNERATION

Directors' remuneration is established within a framework approved by the Remuneration Committee. Directors' remuneration in respect of the Company for the year is given in Note 21.5 to the Financial Statements.

## SHARE INFORMATION

Information relating to earnings, dividends, net assets and market value per share is given on page 87. The distribution and the composition of shareholding are given on page 88 and 89 of this Annual Report.

The details of the twenty major shareholders of the Company including the number of shares held by them are given on page 90 and 91 of the Annual Report.

## CORPORATE GOVERNANCE

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

obtained a reasonable assurance of their effectiveness and successful adherence.

## ENVIRONMENT

The Company has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability.

## STATUTORY PAYMENTS

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

## GOING CONCERN

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

## DIVIDENDS

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

## AUDITORS

Messrs. Ernst & Young, Chartered Accountants are deemed re-appointed in terms of Section 158 of the Companies Act No. 07 of 2007 as the Auditors of the Company. A resolution to authorise the Directors to determine the remuneration of the Auditors will be proposed at the forthcoming Annual General Meeting. Total

audit fees paid to Messrs. Ernst & Young by the Company and the Group are disclosed in Note. 4.4 to the Financial Statements. The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationship with the Company or its subsidiaries (other than the Auditor) that would have an impact on their independence.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 21st September 2023 at 10.30 am at the Head office of LAUGFS Holdings Ltd as a virtual meeting. The notice of meeting appears in the supplementary information section of the comprehensive Annual Report.

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

By Order of the Board



**W.K.H. Wegapitiya**  
Group Chairman



**U.K. Thilak De Silva**  
Group Deputy Chairman



**PW Corporate Secretarial (Pvt) Ltd.**  
Secretaries

14th August 2023

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Financial Statements comprise:

- The Statements of Financial Position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year.
- The Statements of Comprehensive Income, which presents a true and fair view of the profit or loss and/or other comprehensive income of the Company and its subsidiaries for the financial year.
- The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements prepared and presented. The Directors confirm that the Financial Statements have been prepared;
- Using appropriate and applicable accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- Presented in accordance with the Sri Lanka Financial Reporting Standards (SLFRS); and that
- Reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and
- Provides the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

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

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

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

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

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

## COMPLIANCE REPORT

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

By Order of the Board



**P W Corporate Secretarial (Pvt) Ltd.**  
Secretaries

14th August 2023

# AUDIT COMMITTEE REPORT

## REPORT OF THE BOARD AUDIT COMMITTEE

The Audit Committee is a formally constituted Sub-Committee of the Board of Directors. This report outlines how the Committee discharged its responsibilities during the year in relation to financial and other reporting, risk management and internal controls, the Internal Audit function and our relationship and interaction with the External Auditor.

The primary function of the committee is to oversee the preparation, presentation and adequacy of disclosures in the financial statements of LAUGFS Power PLC and its subsidiaries, in accordance with Sri Lanka Accounting Standards, in order to provide additional assurance to the Board of Directors on the reliability of its financial statements and processes set.

## ROLE OF THE COMMITTEE

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the financial statements of the Company and the Group, the internal control and risk management systems of the Group, compliance with legal and regulatory requirements, the External Auditors' suitability, performance, and independence, and the adequacy and performance of the Internal Audit function undertaken by the Group Risk & Control Division (GRC). The scope of functions and responsibilities are adequately set out in the charter of the Committee which has been approved by the Board.

The Audit Committee charter is periodically reviewed and revised with the concurrence of the Board of Directors to ensure that new developments relating to the function of the Committee are adopted.

## MANDATE

To review and monitor:

The scope of functions and responsibilities are adequately set out in the charter of the

Committee which has been approved by the Board and is reviewed periodically.

- External financial reporting obligations of the Company, including its obligations under the Colombo Stock Exchange Listing Rules, Rules/Regulations of the Securities and Exchange Commission and Companies Act No. 7 of 2007.
- Review and evaluate the performance of the Company's internal audit function. Ensuring the efficiency, effectiveness and adequacy of the Company's internal controls and risk management measures.
- Maintaining an effective system of internal control, compliance with legal and regulatory requirements that may have a material impact on the Company and its financial statements.
- Ensuring that high standards of Corporate Governance are in place by adopting and adhering to policies and procedures of the Company which are in compliance with Code of Best Practices on Corporate Governance jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
- Evaluating and reviewing the independence of the External Auditors. Making a recommendation to the Board on the appointment or re-appointment, Dismissal, service period and audit fee of the External Auditor.
- Review and evaluate all auditing and non-audit services performed by the External Auditors to ensure that their independence is not impaired.

## COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is comprised of the following Independent Non-Executive Directors:

Name of the KMP	Directorship status
Mr. Mayura Fernando	Chairman/Independent Non-Executive Director
Mr. Murali Prakash	Member/ Independent Non-Executive Director (Resigned W.E.F 31/05/2022)
Mr. Kamal Goonasinghe	Member/ Independent Non-Executive Director (Appointed W.E.F 15/08/2022)
Prof. Sampath Amarathunga	Member/ Independent Non-Executive Director (Resigned W.E.F 15/08/2022)

The Board is satisfied that together, the members of the Committee, as set out in their biographical details on page 14 brings a broad range of relevant skills, experience and expertise, from a wide variety of industries and backgrounds, and as a whole have competence relevant to the sectors in which the Group operates.

The Chief Internal Auditor, Mr Prasenna Balachandran serves as the Secretary of the Committee.

## COMMITTEE MEETINGS

The Committee formally met four times during the financial year. The meeting attendance of the members is set out in the table below:

Member	Attendance
Mr. Mayura Fernando	4/4
Mr. N.M. Prakash	1/1
Mr. Kamal Goonasinghe	2/3
Prof. Sampath Amarathunga	3/3

Group Chairman, Group Deputy Chairman, Group Managing Director/ Group CEO, Group Finance Director, Chief Operating Officer, Chief Financial Officer, Sn. Manager-Finance and the Chief Legal Officer, attend meetings by the invitation of the Committee. As well

as representatives of the External Auditor are invited to attend meetings of the Committee. Other key executives and senior management are invited to attend to present and provide deeper insight on various topics as required by the Committee to discharge its duties.

The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee meetings.

### FINANCIAL REPORTING

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure the reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards.

The Audit Committee reviewed the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements before submitting them to the Board of Directors with a recommendation to approve. When annual financial statements are considered, the External Auditors are also invited to attend discussions and to obtain clarifications.

The Committee, in its evaluation of the financial reporting system also recognised the sufficiency of the content and quality of periodic management information reports forwarded to its members.

### INTERNAL AUDIT, RISKS AND CONTROLS

The Audit Committee is responsible for monitoring and reviewing the operation and effectiveness of the Group Internal Audit function including its focus, plans, activities and resources. To fulfil these duties the Committee:

- reviewed and approved the Group Internal Audit function's charter, strategy and annual plan;

- considered and were satisfied that the competencies, experience and level of resources within the Internal Audit team were adequate to achieve the proposed plan;
- considered the role and effectiveness of Internal Audit in the overall context of the Group's risk management framework and was satisfied that the function has appropriate standing within the Group;
- received quarterly updates from the Internal Audit function on the delivery of the 2022/23 plan and on the principal findings from the work of Internal Audit and management's actions to remediate issues identified;
- The Group Risk & Control Division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group.
- The Committee approved a digital forensic tool to be used by Group Risk & Control Division.
- The Sustainability and Enterprise Risk Management division reported to the Committee on the process of identification, evaluation and management of all significant risks faced by the Group, through "Risk Navigators"

### EXTERNAL AUDIT

- The External Auditors' Letter of Engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and management prior to the commencement of the audit.
- The Committee also met the External Auditors, prior to the finalisation of the financial statements. The External Auditors' reports on the audit of the Company and Group financial statements

for the year, were discussed with both Management and Auditors. The members of the Committee had a separate meeting with the auditors to discuss issues of a sensitive nature that may have arisen during the audit if any.

The Committee reviewed the management letter issued by them based on their audit and considered actions to be taken to rectify any weaknesses in internal controls based on their recommendations.

The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka. The Committee is satisfied that the independence of the External Auditors has not been impaired by any non-audit services performed by them.

The performance of the External Auditors and the quality of their work has been evaluated and discussed with the senior management of the Company and the Committee has recommended to the Board that Messers Ernst & Young be re-appointed as the auditors of the Group for the financial year ending 31st March 2024, subject to approval by the shareholders at the Annual General Meeting, at a remuneration to be decided by the Management.



**Mayura Fernando**  
Chairman,  
Audit Committee  
LAUGFS Power PLC

14th August 2023

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

This report of the Related Party Transactions Review Committee for the year ended 31st March 2023 envisages an overview of the committee's work in discharging its responsibilities, is being shared.

## PURPOSE OF THE COMMITTEE COMPOSITION AND ATTENDANCE

The Committee comprises of Independent Non-Executive Directors. The Chairman of the Committee is an Independent Non-Executive Director,

Names of the RPTR Committee members	Membership Status
Mr Murali Prakash (Resigned w.e.f 31.05.2022)	INED/ Chairman
Mr Mayura Fernando*	INED/ Chairman
Mr.Kamal Goonesinghe**	INED/ Member
Prof.Sampath Amarathunge**	INED/ Member

\* Appointed as Chairman w.e.f 15/8/2022

\*\* Appointed w.e.f 15/8/2022

Regular attendees by invitation	
Group Chairman	Group Deputy Chairman
Group Managing Director/GCEO	Chief Operating Officer - LAUGFS Power PLC
Group Director – Finance	Chief Financial Officer
Sn. Manager - Finance	Chief Legal Officer

Mr Prasenna Balachandran, Chief Internal Auditor served as the Secretary to the Committee.

The Committee met four (04) times during the financial year ended March 31, 2023, and the proceedings of the Committee meetings have been regularly reported through verbal briefings, and by tabling the minutes of the Committee's meetings. The meeting attendance of the members is set out in the table below,

Names of the RPTR Committee members	Attended/ Eligibility
Mr Murali Prakash	1/1
Mr Mayura Fernando	4/4
Mr.Kamal Goonesinghe	2/3
Prof.Sampath Amarathunge	3/3

## DUTIES AND RESPONSIBILITIES

The Related Party Transactions Review Committee carries out the following duties and responsibilities:

- Reviewing Related Party Transactions of the Company except those explicitly exempted under the Listing Rules;
- Adopting policies and procedures to review Related Party Transactions of the Company and set out guidelines and methods for the capturing and reviewing of Related Party Transactions,
- Assessing whether the Related Party Transactions are in the best interests of the Company and its shareholders as a whole;

- Defining and establishing threshold values for listed companies as per the Code, which requires discussion in detail; RPTs which have to be pre-approved by the Board, those that require immediate market disclosure, those that require Shareholder approval and RPTs that require disclosure in the Annual Report.

- To review all proposed Related Party Transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

- Providing guidelines which Senior Management must follow in dealing with Related Parties, including conformance with the Transfer Pricing regulations and the Code.

- Where necessary, to escalate matters to the Board for review, prior to the execution of any Related Party Transaction.

- To review and recommend the acquisition or disposal of substantial assets between related parties, including but not limited to, obtaining 'competent advice' from independent professional experts on valuations and related aspects as deemed required.

## METHODOLOGY ADOPTED BY THE COMMITTEE

The members of the Company's Board of Directors have been identified as Key Management Personnel (KMP). The declarations are requested from each Key Management Personnel of the Company in compliance with the Related Party Transaction Policy in order to identify parties related to them. The Company retrieves data on related party transactions from its database based on the information provided in these declarations.

The Committee introduced policies and guidelines for the adoption of RPT for LAUGFS Power PLC & its subsidiaries in complying with the Code of Best Practices & Section 09 of the listing rules. In doing so,

transaction threshold values that required detailed discussion, prior approvals, and Recurrent RPTs requiring annual reviews, were established and reporting templates were approved by the Committee.

#### **KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW**

During the year the Committee reviewed the process and recognised the adequacy of the content and quality of the information forwarded to its members by the management.

The Committee reviewed and strengthen the RPTR charter within the financial year to provide more clarity on the current business context. The Committee quarterly monitored the recurrent transactions and their compliance with the approved values and where required directed them to the relevant Boards for further directions. Trainings were conducted to all KMPs and other functional heads to increase awareness of all regulations under the RPTR scope, by an industry specialist.

Several related party transactions were also reviewed, with necessary recommendations on disclosures and other actions as required, in line with the mandate.

There are no non-recurrent transactions and recurrent transactions that exceeded the threshold values during the period under review, treated under section 9.3.2.b Disclosures in the Annual Report.

The Committee has put the necessary processes in place to identify, review, disclose and monitor Related Party Transactions in accordance with the provisions in Section 09 of the Listing Rules and in so far as to the knowledge of the Committee, such transactions submitted for review has been verified for compliance.



**Mayura Fernando**

Chairman- Related Party Transaction Review  
Committee  
LAUGFS Power PLC

14th August 2023

# REMUNERATION COMMITTEE

## COMPOSITION

The committee comprises of Non- Executive & Independent Non-Executive Directors and operates within agreed terms of reference. Composition of the committee;

1. Mr. Mayura Fernando (Chairman) - Independent/Non-Executive Director
2. Prof. Sampath Amaratunge - Member - Independent/Non-Executive Director
3. Mr. K. R. Goonesinghe - Member - Independent/Non-Executive Director

## KEY RESPONSIBILITIES

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

- To review from time to time as appropriate the Terms of Reference and the effectiveness of the Remuneration Committee and recommend to the Board any necessary changes

## ACTIVITIES IN 2022/23

Identified Key Challenges

1. Cost optimisation and business sustainability.
2. Critical talent identification and retention.
3. Foster performance-based culture
4. Greater emphasis on employee engagement to boost the positive synergies

### Cost optimisation and business sustainability.

Cost optimisation and business sustainability were key focal points for our company. We embarked on a series of initiatives to maximise efficiency and reduce expenses. These included process improvements, supply chain management, technology adoption, energy efficiency and vendor negotiation.

### Critical talent identification and retention.

Our company focused on fostering a culture of continuous learning and growth to retain our critical talent. Opportunities were provided for talent development and advancement through training programs, workshops, and mentorship initiatives. Regular performance feedback and recognition were emphasised to motivate and reinforce a performance-based culture. Our aim was to ensure the long-term commitment of our employees to our company's success by nurturing their skills and providing a supportive environment for their professional growth.

### Foster performance-based culture

This involved establishing clear performance expectations, providing regular feedback and recognition, and aligning rewards with performance outcomes. Our goal was to drive excellence, foster innovation, and achieve our strategic objectives within the organisation. By setting transparent expectations, offering continuous feedback and incentivizing high

performance, we created an environment where employees were motivated to excel and contribute to our company's success while ensuring their own personal development.

### Greater emphasis on employee engagement to boost the positive synergies

By prioritising employee engagement through open communication, recognition and rewards, professional growth opportunities, empowerment and autonomy, collaboration, teamwork, and promoting work-life balance we foster positive synergies. These initiatives create a motivated and connected workforce, resulting in increased engagement, productivity, and harmonious interactions among employees.



**Mayura Fernando**

Chairman- Remuneration Committee  
LAUGFS Power PLC

14th August 2023

# FINANCIAL INFORMATION



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# INDEPENDENT AUDITORS' REPORT



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Chartered Accountants  
201, De Saram Place  
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## TO THE SHAREHOLDERS OF LAUGFS POWER PLC REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS Opinion

We have audited the Financial Statements of LAUGFS Power PLC (the "Company"), and the consolidated Financial Statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss, 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.

In our opinion, the accompanying Financial Statements of the Company and Group give a true and fair view of the financial position of the Company and Group as at 31 March 2023, and of their financial performance and cash

flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuS). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group 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 Financial

Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming the auditors' opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Assessment of impairment of Power Plants</b></p> <p>As of 31 March 2023, the assets relating to Power Plants amount to Rs.3.43 Billion and represent 70% of the Group's total assets.</p> <p>Assessment of impairment of the Power Plants was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>Materiality of the amounts reported.</li> <li>The degree of assumptions, judgements and estimation uncertainties associated with deriving the estimated future cashflows used in Value In Use (VIU) calculations such as plant load factor, discount rate and tariff rate as disclosed in Note 71.6 to the financial statements.</li> </ul>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>Obtained an understanding of how management has developed its estimation of future cashflows.</li> <li>Checked the arithmetical accuracy of the discounted future cash flows. We also tested the completeness and accuracy of underlying accounting records used by Management to relevant data.</li> <li>Based on the best available information up to the date of our report, we assessed the reasonableness of the significant judgements, estimates and assumptions used by Management such as plant load factor, discount rate and tariff rate.</li> </ul> <p>We also assessed the adequacy of the disclosures made in Notes 7 and 9 in the financial statements.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Recoverability of Trade Receivables</b></p> <p>As detailed in Note 12 to the financial statements, Trade Receivables as at 31 March 2023 which represent 24% of the total assets of the Group amounted to Rs. 1.12 Billion.</p> <p>Recoverability of Trade Receivables was considered as a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the materiality of the Trade Receivable balance.</li> <li>the degree of assumptions and judgements used by management, as disclosed in Note 12, associated with assessing the likelihood of recoverability of trade receivables.</li> </ul>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>Obtained an understanding of and evaluated the process used by the management to assess the recoverability of Trade Receivables.</li> <li>Checked the accuracy of the aged analysis of Trade Receivables by referring to the source documents.</li> <li>Assessed the reasonableness of the assumptions, judgements used by the management in assessing the likelihood of recoverability of Trade Receivables.</li> </ul> <p>We assessed the adequacy of the disclosures made in Note 12 in the financial statements.</p>
<p><b>Interest Bearing Borrowings</b></p> <p>As of the reporting date, the Group reported total interest-bearing borrowings of Rs. 2,702 Million, of which Rs. 550 Million is presented as current liabilities and the balance amount of Rs. 2,152 Million is presented as non-current liabilities.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the magnitude of the interest-bearing borrowings and its significance to the overall financial statements (90% of total liabilities).</li> <li>existence of numerous financial and non-financial covenants and disclosures relating to the current and non-current classification of such borrowings in the financial statements.</li> </ul>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>Obtained an understanding of the terms and conditions attached to external borrowings, by perusing the loan agreements.</li> <li>Evaluated whether changes to terms of existing loan agreements have been properly accounted for.</li> <li>Checked the entity's compliance with long term loan covenants.</li> </ul> <p>We also, assessed the adequacy of the disclosures made in Notes 16 and 22 to the Financial Statements.</p>

### Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditors' report thereon. The Management is responsible for the other information. Other information is expected to be made available to us after the date of this auditors' report.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed,

we conclude that there is a material misstatement of this other information, we are required to report that fact.

### Responsibilities of management and those charged with governance

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as 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, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### Auditors' 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 auditors' 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.

# INDEPENDENT AUDITORS' REPORT



As part of an audit in accordance with Sri Lanka Auditing Standards, 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 internal controls of the Company and Group.
- 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's 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 Group's ability

to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group 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 Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group 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 ethical requirements in accordance with the Code of Ethics regarding

independence, and to 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 charged 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 auditors' 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 auditors' report is 1864.

14 August 2023  
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. K R M Fernando FCA ACMA, Ms. P V K N Sajeewani FCA, A A J R Perera ACA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhiviel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Revenue</b>	4.1	<b>968,662,275</b>	1,027,698,539	<b>80,090,901</b>	94,779,853
Cost of Sales		<b>(324,125,290)</b>	(317,936,987)	<b>(33,149,003)</b>	(32,226,087)
<b>Gross Profit</b>		<b>644,536,985</b>	709,761,552	<b>46,941,898</b>	62,553,766
Administrative Expenses		<b>(158,441,983)</b>	(147,109,418)	<b>(83,037,156)</b>	(75,095,046)
Impairment (Charge)/Reversal		-	(1,261,888,955)	-	-
<b>Operating Profit/(Loss)</b>		<b>486,095,002</b>	(699,236,821)	<b>(36,095,258)</b>	(12,541,280)
Finance Costs	4.2	<b>(554,039,770)</b>	(220,167,820)	<b>(32,887,091)</b>	(14,387,448)
Finance Income	4.3	<b>375,114</b>	474,602	<b>59,691</b>	159,021
<b>Loss Before Tax</b>	4.4	<b>(67,569,656)</b>	(918,930,039)	<b>(68,922,658)</b>	(26,769,707)
Income Tax (Expense)/Reversal	5.1	<b>(46,044,838)</b>	16,059,403	<b>(46,020,263)</b>	16,089,188
<b>Loss for the Year</b>		<b>(113,614,494)</b>	(902,870,636)	<b>(114,942,921)</b>	(10,680,519)
<b>Attributable to:</b>					
Equity Holders of the Parent		<b>(113,614,494)</b>	(902,870,636)	<b>(114,942,921)</b>	(10,680,519)
Non-Controlling Interests		-	-	-	-
		<b>(113,614,494)</b>	(902,870,636)	<b>(114,942,921)</b>	(10,680,519)
<b>Basic/Diluted Earnings/ (Loss) Per Share:</b>	6	<b>(0.29)</b>	(2.33)	<b>(0.30)</b>	(0.03)

The accounting policies and notes on pages 44 to 86 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Loss for the Year</b>		<b>(113,614,494)</b>	(902,870,636)	<b>(114,942,921)</b>	(10,680,519)
<b>Other Comprehensive Income</b>					
Other Comprehensive Income that will not be Reclassified to Profit or Loss in Subsequent Periods :					
Gains/(Losses) on financial assets at FVTOCI	15.1	-	-	<b>95,678,000</b>	(1,120,739,000)
Actuarial Gains/(Losses) on Defined Benefit Liability	4.5	<b>(770,242)</b>	1,749,219	<b>(816,869)</b>	1,648,651
Tax Effect	5.2	<b>(245,061)</b>	(230,811)	<b>(245,061)</b>	(230,811)
<b>Net Other Comprehensive Income/(Loss) that will not be Reclassified to Profit or Loss in Subsequent Periods</b>		<b>(1,015,303)</b>	1,518,408	<b>94,616,070</b>	(1,119,321,160)
<b>Other Comprehensive Income/(Loss) for the Year, Net of Tax</b>		<b>(1,015,303)</b>	1,518,408	<b>94,616,070</b>	(1,119,321,160)
<b>Total Comprehensive Income/(Loss) for the Year, Net of Tax</b>		<b>(114,629,797)</b>	(901,352,228)	<b>(20,326,851)</b>	(1,130,001,679)
<b>Attributable to:</b>					
Equity Holders of the Parent		<b>(114,629,797)</b>	(901,352,228)	<b>(20,326,851)</b>	(1,130,001,679)
Non-Controlling Interests		-	-	-	-
		<b>(114,629,797)</b>	(901,352,228)	<b>(20,326,851)</b>	(1,130,001,679)

The accounting policies and notes on pages 44 to 86 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	7	3,593,306,297	3,840,117,493	329,959,149	353,656,382
Right-of-Use Assets	8	87,375,326	94,572,007	5,530,542	7,971,569
Investments in Subsidiaries	9	-	-	3,027,792,000	2,932,114,000
Intangible Assets	10	7,983	47,456	7,983	47,456
		<b>3,680,689,606</b>	3,934,736,956	<b>3,363,289,674</b>	3,293,789,407
<b>Current Assets</b>					
Inventories	11	123,434	-	-	-
Trade and Other Receivables	12	1,207,558,787	698,817,130	297,832,361	258,029,330
Income Tax Recoverable		981,458	2,563,038	1,114	-
Cash and Cash Equivalents	13	44,297,461	8,508,826	1,286,302	2,389,071
		<b>1,252,961,140</b>	709,888,994	<b>299,119,777</b>	260,418,401
<b>Total Assets</b>		<b>4,933,650,746</b>	4,644,625,950	<b>3,662,409,451</b>	3,554,207,808
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	14	1,880,000,000	1,880,000,000	1,880,000,000	1,880,000,000
Fair Value Reserve of Financial Assets at FVTOCI	15	-	-	(77,708,000)	(173,386,000)
Retained Earnings		49,498,864	164,128,661	221,509,816	337,514,667
Equity Attributable to Equity Holders of the Parent		<b>1,929,498,864</b>	2,044,128,661	<b>2,023,801,816</b>	2,044,128,667
Non-Controlling Interests		-	-	-	-
Total Equity		<b>1,929,498,864</b>	2,044,128,661	<b>2,023,801,816</b>	2,044,128,667
<b>Non-Current Liabilities</b>					
Interest Bearing Loans and Borrowings	16	2,152,371,356	1,850,340,401	106,125,968	116,036,683
Employee Benefit Liability	17	7,419,979	5,554,165	7,067,628	5,279,202
Deferred Tax Liabilities	5.5	79,409,015	33,146,088	79,409,015	33,146,088
		<b>2,239,200,350</b>	1,889,040,654	<b>192,602,611</b>	154,461,973
<b>Current Liabilities</b>					
Trade and Other Payables	18	214,469,427	116,607,425	1,408,629,156	1,321,034,183
Interest Bearing Loans and Borrowings	16	550,479,708	594,811,045	37,373,471	34,544,820
Income Tax Payable		2,397	38,165	2,397	38,165
		<b>764,951,532</b>	711,456,635	<b>1,446,005,024</b>	1,355,617,168
Total Equity and Liabilities		<b>4,933,650,746</b>	4,644,625,950	<b>3,662,409,451</b>	3,554,207,808

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



**R. D. G. Maduranga**  
Senior Finance Manager

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



**W.K.H. Wegapitiya**  
Director



**U.K. Thilak De Silva**  
Director

The accounting policies and notes on pages 44 to 86 form an integral part of these financial statements.

14th August 2023  
Colombo

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 March	Attributable to Equity Holders of the Parent			Non-Controlling Interests	Total
	Stated Capital	Retained Earnings	Total		
Group	Rs.	Rs.	Rs.	Rs.	Rs.
<b>As at 01 April 2021</b>	1,880,000,000	1,065,480,889	2,945,480,889	-	2,945,480,889
Loss for the Year	-	(902,870,636)	(902,870,636)	-	(902,870,636)
Other Comprehensive Income/(Loss)	-	1,518,408	1,518,408	-	1,518,408
Total Comprehensive Income/(Loss)	-	(901,352,228)	(901,352,228)	-	(901,352,228)
<b>As at 31 March 2022</b>	1,880,000,000	164,128,661	2,044,128,661	-	2,044,128,661
Loss for the Year	-	(113,614,494)	(113,614,494)	-	(113,614,494)
Other Comprehensive Income/(Loss)	-	(1,015,303)	(1,015,303)	-	(1,015,303)
Total Comprehensive Income/(Loss)	-	(114,629,797)	(114,629,797)	-	(114,629,797)
<b>As at 31 March 2023</b>	1,880,000,000	49,498,864	1,929,498,864	-	1,929,498,864

Year ended 31 March	Stated Capital	Fair Value Reserve of Financial Assets at FVTOCI	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.
<b>As at 01 April 2021</b>	1,880,000,000	947,353,000	346,777,346	3,174,130,346
Loss for the Year	-	-	(10,680,519)	(10,680,519)
Other Comprehensive Income/(Loss)	-	(1,120,739,000)	1,417,840	(1,119,321,160)
Total Comprehensive Income/(Loss)	-	(1,120,739,000)	(9,262,679)	(1,130,001,679)
<b>As at 31 March 2022</b>	1,880,000,000	(173,386,000)	337,514,667	2,044,128,667
Loss for the Year	-	-	(114,942,921)	(114,942,921)
Other Comprehensive Income/(Loss)	-	95,678,000	(1,061,930)	94,616,070
Total Comprehensive Income/(Loss)	-	95,678,000	(116,004,851)	(20,326,851)
<b>As at 31 March 2023</b>	1,880,000,000	(77,708,000)	221,509,816	2,023,801,816

The accounting policies and notes on pages 44 to 86 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

Year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Cash Flows Generated From/(Used in) Operating Activities</b>					
<b>Cash Flows From Operating Activities</b>					
Loss Before Tax		(67,569,656)	(918,930,039)	(68,922,658)	(26,769,707)
<b>Non-Cash Adjustment to Reconcile Profit/(Loss) Before Tax to Net Cash Flows:</b>					
Depreciation of Property, Plant and Equipment	7	246,904,699	246,914,906	23,766,234	23,739,993
Amortisation of Intangible Assets	10	39,473	75,577	39,473	75,577
Finance Costs	4.2	545,543,239	211,703,274	32,771,151	14,126,152
Finance Charge on Lease Liabilities	4.2	8,496,531	8,464,546	115,940	261,295
Finance Income	4.3	(375,114)	(474,602)	(59,691)	(159,021)
Amortisation of Right of Use Assets		8,032,406	7,544,580	3,276,754	3,108,206
(Profit)/Loss on Disposal of Property, Plant and Equipment		-	570,909	-	-
Provision for Employee Benefit Liability	17.1	1,911,566	997,556	1,787,551	965,322
Impairment of Goodwill	10	-	638,874,430	-	-
Impairment of Property, Plant and Equipment	7	-	623,014,524	-	-
<b>Operating Profit before Working Capital Changes</b>		<b>742,967,151</b>	<b>818,755,662</b>	<b>(7,225,245)</b>	<b>15,347,820</b>
<b>Working Capital Adjustments:</b>					
(Increase)/Decrease in Inventories		(123,434)	-	-	-
(Increase)/Decrease in Trade and Other Receivables and Prepayments		(507,099,714)	(221,216,483)	(39,804,144)	(90,309,969)
Increase/(Decrease) in Trade and Other Payables		9,915,088	2,769,143	64,258,365	154,082,062
<b>Cash Flows Generated From/(Used in) Operating Activities</b>		<b>245,659,091</b>	<b>600,308,322</b>	<b>17,228,976</b>	<b>79,119,913</b>
Employee Benefit Liability Costs Paid	17.2	(800,000)	(112,190)	(800,000)	(112,190)
Finance Costs Paid		(349,142,464)	(158,645,420)	(12,596,700)	(12,197,362)
Income Tax Paid		(67,950)	(5,167,679)	(38,165)	(5,167,674)
<b>Net Cash Flows Generated From/(Used in) Operating Activities</b>		<b>(104,351,323)</b>	<b>436,383,034</b>	<b>3,794,111</b>	<b>61,642,686</b>
<b>Cash Flows From/(Used in) Investing Activities</b>					
Acquisition of Property, Plant and Equipment	7	(93,500)	(1,831,965)	(69,000)	(631,965)
Proceeds from Disposal of Property, Plant and Equipment		-	982,800	-	-
Finance Income	4.3	375,114	474,602	59,691	159,021
<b>Net Cash Flows From/(Used in) Investing Activities</b>		<b>281,614</b>	<b>(374,563)</b>	<b>(9,309)</b>	<b>(472,944)</b>
<b>Cash Flows From/(Used in) Financing Activities</b>					
Proceeds From Interest Bearing Loans and Borrowings	16	1,166,424,546	12,500,000	11,720,057	12,500,000
Lease Rental Paid		(1,980,000)	(734,601)	-	(734,601)
Repayment of Interest Bearing Loans and Borrowings	16	(1,024,641,358)	(448,174,885)	(16,654,533)	(74,641,220)
<b>Net Cash Flows From/(Used in) Financing Activities</b>		<b>139,803,189</b>	<b>(436,409,486)</b>	<b>(4,934,476)</b>	<b>(62,875,821)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>35,733,480</b>	<b>(401,014)</b>	<b>(1,149,676)</b>	<b>(1,706,081)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	13	<b>8,508,326</b>	<b>8,909,340</b>	<b>2,388,571</b>	<b>4,094,652</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	13	<b>44,241,806</b>	<b>8,508,326</b>	<b>1,238,896</b>	<b>2,388,571</b>

The accounting policies and notes on pages 44 to 86 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

LAUGFS Power PLC (the Company) is a limited liability Company incorporated and domiciled in Sri Lanka and is listed in the Colombo Stock Exchange. The registered office of the Company is located at No. 101, Maya Avenue, Colombo 06.

### 1.2 Consolidated Financial Statements

The consolidated financial statements of LAUGFS Power PLC, as at and for the year ended 31 March 2023 encompasses the Company and its Subsidiaries (together referred to as the "Group").

### 1.3 Principal Activities and Nature of Operations

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

Company	Activities
LAUGFS Power PLC	Generation of hydro power and solar power.
Iris Eco Power Lanka (Pvt) Ltd.	Generation of solar power.
Anorchi Lanka (Pvt) Ltd.	Generation of solar power.
Pams Power (Pvt) Ltd.	Generation of Hydro Power. However, the Company has not commenced commercial operations yet.
Ginigathhena Thiniyagala Mini HydroPower (Pvt) Ltd.	Generation of hydro power

### 1.4 Parent Entity and Ultimate Parent Entity

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

### 1.5 Directors' Responsibility Statement

The Board of Directors is responsible for these financial statements.

### 1.6 Date of Authorisation for Issue

The financial statements of LAUGFS Power PLC and its Subsidiaries (collectively, the Group) for the year ended 31 March 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 14 August 2023.

## 2. SIGNIFICANT /ACCOUNTING POLICIES

### 2.1 Statement of Compliance

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

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

### 2.2 Basis of Preparation and Measurement

The financial statements have been prepared on a historical cost basis, except for defined benefit obligation which is measured at present value of the obligation and financial assets at fair value through other comprehensive income which is measured at fair value.

The financial statements are presented in Sri Lankan Rupees.

### 2.3 Materiality and Aggregation

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

### 2.4 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial Statements continue to be prepared on the going concern basis.

In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group companies and the appropriateness of the use of the going concern basis. In March 2023, the Company evaluated the resilience of its businesses considering a wide range of factors, relating to expected revenue, cost management, profitability, ability to defer non-essential capital expenditure, debt repayment and potential sources of financing facilities.

Accordingly, as at the date of the financial statements, there is improvement of Revenue for the financial year ended 31 March 2023 and had not an adverse effect on the financial statements as well. However prevailing macroeconomic situation has indirectly affected to the cash flow of the Company as payments from CEB has got delayed.

### 2.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries as at 31 March 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

## 2.6 Business Combinations and Goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2.7 Current Versus Non-Current Classification

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

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

Or

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

All other assets are classified as non-current assets.

A liability is current when:

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

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 2.8 Fair Value Measurement

The Group measures financial instruments such as Investment in Subsidiaries at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Management of the Group determines the policies and procedures for both recurring fair value measurement, such as fair value of Subsidiaries.

External valuer is involved in valuation of significant assets, such as investment in subsidiaries. Involvement of external valuers is decided upon annually by the Management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management decides, after discussions with the Group's external valuer, which valuation techniques and inputs to use for each case.

At each reporting date, the Management analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management, in conjunction with the Group's external valuer, also compares the change in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (Note 9, 15 and 16)
- Quantitative disclosures of fair value measurement hierarchy (Note 16.5)
- Financial instruments (including those carried at amortised cost) (Note 9 and 16)

## **2.9 Revenue**

### **2.9.1 Supply of Electricity**

Revenue from electricity supplied is recognised upon delivery of electricity to Ceylon Electricity Board. Delivery of electrical energy shall be completed when electrical energy meets the specifications as set out in Standardised Power Purchase Agreements (SPPA) is received at the metering point.

### **2.9.2 Dividend**

Income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

### **2.9.3 Gains and Losses**

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and has been accounted for in the Statement of Profit or Loss.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

### **2.9.4 Others**

Other Income is recognised on an accrual basis.

### **2.9.5 Finance Income and Finance Costs**

Finance income comprises interest income, and changes in the fair value of financial assets at fair value through profit or loss that are recognised in the statement of profit or loss. Interest income is recognised as the interest accrued unless collectability is in doubt.

Finance costs comprise interest expense on borrowings, finance leases and changes in the fair value of financial assets at fair value through profit or loss that are recognised in the statement of profit or loss.

## **2.10 Expenses**

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

## **2.11 Taxes**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

### **2.11.1 Current Income Tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

# NOTES TO THE FINANCIAL STATEMENTS

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Tax withheld on dividend income from Subsidiaries is recognised as an expense in the statement of profit or loss at the same time as the liability to pay the related dividend is recognised.

## 2.11.2 Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in Subsidiaries, equity accounted investee and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in Subsidiaries, equity accounted investee and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 2.11.3 Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

When the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities, in which case, the sales tax is recognised as a part of the cost of the asset or part of the expense items, as applicable or/and

When receivables and payables that are stated with the amount of sales tax included the net amount of sales tax recoverable from or payable to, the taxation authorities is included as a part of receivables or payables in the statement of financial position.

## 2.12 Property, Plant and Equipment

The Group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration purpose and are expected to be used for more than one year.

Property, plant and equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

Items of property, plant & equipment excluding construction in progress are measured at cost net of cost of day to day servicing, accumulated depreciation and accumulated impairment, if any.

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset and the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and includes the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised. Gains are not classified as revenue.

Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment, in reflecting the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are disclosed in Note 7.6.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

## 2.13 Leases

### Group as a lessee

#### i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold Building – 20-30 years
- Leasehold Land – 20-30 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment of non-financial assets.

#### ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

# NOTES TO THE FINANCIAL STATEMENTS

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest bearing loans and borrowings in Note 16.

## 2.14 Intangible Assets

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

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset

(calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

## 2.15 Investment in Subsidiaries - Company

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. After the initial recognition, Investments in subsidiaries are accounted in accordance with SLFRS 9 - Financial Instruments.

The Company measures the Investment in Subsidiaries at fair value at each balance sheet date using Discounted cash flow methodology (DCF).

## 2.16 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

### 2.16.1 Financial Assets

#### Initial Recognition and Subsequent Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

### Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI (FVTOCI) with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI (FVTOCI) with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVTPL)

### Financial Assets at Amortised Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

### Financial Assets Designated at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

This category includes investment in subsidiaries which the Company has irrevocably elected to classify at fair value through OCI.

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# NOTES TO THE FINANCIAL STATEMENTS

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 2.16.2 Financial Liabilities

### Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

### Subsequent Measurement

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

### Financial Liabilities at Amortised Cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are

an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category applies to trade and other payables, refundable deposits and interest-bearing loans and borrowings including bank overdrafts.

### Derecognition

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

## 2.16.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 2.16.4 Fair Value of Financial Instruments

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 16.4

## 2.17 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those

from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculations on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment

annually as at 31 March either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

## **2.18 Cash and Short-Term Deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

## **2.19 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## **2.20 Provisions**

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## **2.21 Employee Benefits**

### **2.21.1 Defined Benefit Plan – Gratuity**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. LAUGFS Power PLC measure the cost of defined benefit plan-gratuity; every financial year using the Projected Unit Credit Method, as recommended by LKAS 19 – Employee Benefits, with the advice of an actuary.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the

# NOTES TO THE FINANCIAL STATEMENTS

currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 16.3. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 - Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

Actuarial gains and losses are recognised in the statement of comprehensive income (OCI) in the period in which it arises.

The item is stated under Employee Benefit Liability in the statement of financial position.

This is not an externally funded defined benefit plan.

## 2.21.2 Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

All employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions are covered by relevant contribution funds in line with respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

## 2.21.3 Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

## 2.22 Dividend Distribution

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

## 2.23 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method". Interest paid is classified as an operating cash flow. Dividend income are classified as cash flows from investing activities. Dividends paid and interest income are classified as financing cash flows.

## 2.24 Changes in Accounting Policies and Disclosures

### 2.24.1 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2

#### IBOR reform Phase 1

On 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

- Highly Probable Requirement: when determining whether a forecast transaction is highly probable to be designated as a hedged item, an entity shall assume that the interest rate benchmark on which the hedged cashflows are based is not altered as a result of the reform.
- Prospective assessments: when performing prospective assessments to evaluate whether a hedging relationship qualifies for hedge accounting, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.
- LKAS 39 retrospective assessment: an entity is not required to undertake the 'LKAS 39 retrospective assessment' for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment.
- Separately identifiable risk components: For hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement of risk component (or a portion) to be separately identifiable to be eligible for hedge accounting, only at the inception of such hedging relationships.

#### IBOR reform Phase 2

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase

2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include several practical expedients.

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context.

#### 2.24.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued up to the date of issuance of the Group financial statements but are not effective for the current annual reporting period, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

##### **Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract**

On 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

##### **Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use**

On 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

##### **Amendments to SLFRS 3: Definition of a Business – referred to the Conceptual Framework**

On 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

##### **SLFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

# NOTES TO THE FINANCIAL STATEMENTS

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## SEGMENT INFORMATION

For Management Purposes, the Group is organised into business units based on their products and services and has two reportable segments as follows:

### Hydro Power

Generation of hydro power.

### Solar Power

Generation of solar power.

No operating segments have been aggregated to form the above reportable operating segments. The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Consolidated Financial Statements.

Transfer prices between operating segments are on an arm's length basis in a manner to transactions with third parties.

Operating Segments Year ended 31 March	Hydro Power		Solar Power		Eliminations/Adjustments		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Revenue</b>								
External Customers	59,514,515	74,540,145	909,147,760	953,158,394	-	-	968,662,275	1,027,698,539
<b>Total Revenue</b>	<b>59,514,515</b>	<b>74,540,145</b>	<b>909,147,760</b>	<b>953,158,394</b>	<b>-</b>	<b>-</b>	<b>968,662,275</b>	<b>1,027,698,539</b>
<b>Results</b>								
Operating Profit/(Loss) (Without Impairment)	19,312,099	30,328,568	466,782,902	532,323,566	-	-	486,095,002	562,652,134
Impairment (Charge)/ Reversal	-	(370,441,340)	-	(891,447,615)	-	-	-	(1,261,888,955)
Operating Profit/(Loss) (After Impairment)	19,312,099	(340,112,772)	466,782,902	(359,124,049)	-	-	486,095,002	(699,236,821)
Finance Costs	(52,227,485)	(23,749,216)	(501,812,285)	(196,418,603)	-	-	(554,039,770)	(220,167,820)
Finance Income	30,087	78,510	345,027	396,092	-	-	375,114	474,602
Profit/(Loss) Before Tax	(32,885,300)	(363,783,478)	(34,684,356)	(555,146,560)	-	-	(67,569,656)	(918,930,039)
Income Tax (Expense)/ Reversal	(34,940,570)	16,089,188	(11,104,267)	(29,784)	-	-	(46,044,838)	16,059,403
<b>Profit/(Loss) for the Year</b>	<b>(67,825,870)</b>	<b>(347,694,290)</b>	<b>(45,788,624)</b>	<b>(555,176,344)</b>	<b>-</b>	<b>-</b>	<b>(113,614,494)</b>	<b>(902,870,636)</b>
Actuarial Gains/(Losses) on Defined Benefit Liability	(388,980)	873,840	(381,262)	875,379	-	-	(770,242)	1,749,219
Income Tax Effect	(122,530)	(122,338)	(122,530)	(108,473)	-	-	(245,061)	(230,811)
<b>Total Comprehensive Income/(Loss) for the Year Net of Tax</b>	<b>(68,337,380)</b>	<b>(346,942,788)</b>	<b>(46,292,417)</b>	<b>(554,409,439)</b>	<b>-</b>	<b>-</b>	<b>(114,629,797)</b>	<b>(901,352,228)</b>
<b>Assets &amp; Liabilities</b>								
Total Non-Current Assets	867,281,957	889,378,273	6,296,969,919	5,977,472,683	(3,483,562,270)	(2,932,114,000)	3,680,689,606	3,934,736,956
Total Current Assets	84,322,028	45,243,029	2,686,899,638	2,096,273,619	(1,518,260,526)	(1,431,627,655)	1,252,961,140	709,888,994
<b>Total Assets</b>	<b>951,603,985</b>	<b>934,621,302</b>	<b>8,983,869,557</b>	<b>8,073,746,303</b>	<b>(5,001,822,796)</b>	<b>(4,363,741,655)</b>	<b>4,933,650,746</b>	<b>4,644,625,950</b>
Total Non-Current Liabilities	165,122,219	161,700,047	2,074,078,130	1,727,340,607	-	-	2,239,200,350	1,889,040,654
Total Current Liabilities	256,270,976	228,912,013	2,026,941,081	1,914,172,274	(1,518,260,526)	(1,431,627,655)	764,951,532	711,456,635
<b>Total Liabilities</b>	<b>421,393,195</b>	<b>390,612,060</b>	<b>4,101,019,212</b>	<b>3,641,512,881</b>	<b>(1,518,260,526)</b>	<b>(1,431,627,655)</b>	<b>3,004,151,882</b>	<b>2,600,497,289</b>
<b>Other Disclosures</b>								
Depreciation for the Year	20,899,071	20,909,144	226,005,628	226,005,762	-	-	246,904,699	246,914,906
Purchase of Property, Plant and Equipment	-	-	93,500	1,831,965	-	-	93,500	1,831,965
Provision for Employee Benefit Liability	3,789,167	2,740,246	3,630,812	2,813,919	-	-	7,419,979	5,554,165

Inter-segment revenues are eliminated upon consolidation and reflected in the adjustments/eliminations column.

#### 4. REVENUE/OTHER INCOME AND EXPENSES

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
<b>4.1 Revenue - from contracts with customers</b>				
Supply of Electricity	968,662,275	1,027,698,539	80,090,901	94,779,853
	<b>968,662,275</b>	<b>1,027,698,539</b>	<b>80,090,901</b>	<b>94,779,853</b>
<b>4.2 Finance Costs</b>				
Interest Expense on Overdrafts	278,626	6,326	2,430	3,178
Interest Expense on Loans and Borrowings	545,264,613	211,696,948	32,768,721	14,122,974
Finance Charge on Lease Liabilities	8,496,531	8,464,544	115,940	261,295
	<b>554,039,770</b>	<b>220,167,820</b>	<b>32,887,091</b>	<b>14,387,448</b>
<b>4.3 Finance Income</b>				
Interest Income	375,114	474,602	59,691	159,021
	<b>375,114</b>	<b>474,602</b>	<b>59,691</b>	<b>159,021</b>
<b>4.4 Profit/(Loss) Before Tax</b>				
Stated after Charging/(Crediting)				
<b>Included in Cost of Sales</b>				
Depreciation of Property, Plant and Equipment	244,475,824	244,486,691	21,369,359	21,353,618
Amortisation of Right of Use Assets	638,500	638,500	333,500	333,500
Plant and Machine Maintenance	37,424,370	48,663,670	1,124,909	636,966
Employees Benefits including the following;				
Staff Expenses	19,429,613	15,749,341	9,814,360	9,566,132
Defined Contribution Plan Costs - EPF and ETF (Included in Employees Benefits)	1,469,072	1,155,736	746,972	726,685
	<b>303,437,379</b>	<b>310,693,936</b>	<b>33,389,100</b>	<b>32,616,901</b>
<b>Included in Administration Expenses</b>				
Employees Benefits including the following;				
Staff Expenses	53,542,431	46,722,788	53,307,745	46,182,956
Employee Benefit Plan Costs - Gratuity (Included in Employee Benefits)	1,911,566	997,556	1,787,551	965,322
Defined Contribution Plan Costs - EPF and ETF (Included in Employees Benefits)	5,364,254	4,920,212	5,364,254	4,920,212
Depreciation of Property, Plant and Equipment	2,428,875	2,428,215	2,396,875	2,386,375
Amortisation of Right of Use Assets	7,393,906	6,906,081	2,943,254	2,774,706
Amortisation of Intangible Assets	39,473	75,577	39,473	75,577
Auditors' Fees	749,477	777,805	293,846	343,081
Donations	35,640	36,400	-	36,400
Impairment Charge/(Reversal)	-	1,261,888,955	-	-
<b>4.5 Components of Other Comprehensive Income</b>				
<b>Employee Benefit Liability</b>				
Actuarial Gains/(Losses) arising during the Year	(770,242)	1,749,219	(816,869)	1,648,651

# NOTES TO THE FINANCIAL STATEMENTS

## 5. INCOME TAX

The major components of income tax expense for the years ended 31 March 2023 and 31 March 2022 are:

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.

### 5.1 Statement of Profit or Loss

#### Current Income Tax:

Current Income Tax Expense (Note 5.3)	26,972	67,950	2,397	38,165
Under/(Over) Provision in respect of Prior Years	-	479,345	-	479,345
	<b>26,972</b>	<b>547,295</b>	<b>2,397</b>	<b>517,510</b>

#### Deferred Income Tax:

Deferred Taxation Charge/(Reversal) (Note 5.4)	46,017,866	(16,606,698)	46,017,866	(16,606,698)
	<b>46,017,866</b>	<b>(16,606,698)</b>	<b>46,017,866</b>	<b>(16,606,698)</b>

#### Income Tax Expense Reported in the Statement of Profit or Loss

	<b>46,044,838</b>	<b>(16,059,403)</b>	<b>46,020,263</b>	<b>(16,089,188)</b>
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### 5.2 Statement of Other Comprehensive Income

Actuarial Gains/(Losses) on Retirement Benefit Plans	245,061	230,811	245,061	230,811
Income Tax Charged Directly to Other Comprehensive Income	245,061	230,811	245,061	230,811

### 5.3 A Reconciliation Between Tax Expense and the Product of Accounting Profit Multiplied by the Statutory Tax Rate for the Years Ended 31 March 2023 and 31 March 2022 are as follows:

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Accounting Profit/(Loss) Before Tax	(67,569,656)	(918,930,039)	(68,922,658)	(26,769,707)
<b>Adjustments in respect to Current Income Tax</b>				
Aggregate Disallowed Items	275,022,970	438,141,446	36,853,009	32,512,614
Aggregate Allowable Expenses	(106,426,584)	(121,968,363)	(57,725,769)	(56,929,288)
Income Exempt from Income Tax	(240,215,055)	(560,083,509)	-	-
Investment Income	29,066	(474,602)	(59,691)	(159,021)
<b>Business Income</b>	<b>(139,159,260)</b>	<b>(1,163,315,068)</b>	<b>(89,855,109)</b>	<b>(51,345,402)</b>
Other Income	(29,066)	474,602	59,691	159,021
Less : Allowable Deductions	(2,824,655)	(5,402,670)	(49,703)	-
<b>Total Taxable Income</b>	<b>(2,853,721)</b>	<b>(4,928,068)</b>	<b>9,988</b>	<b>159,021</b>

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
<b>At the Statutory Income Tax Rate</b>				
Business Income	14% - 30%	14%	14% - 30%	14%
Other Income	24%	24%	14% - 24%	14% - 24%
Other Income	30%	-	30%	-
Current Income Tax Expenses - Business Income	-	-	-	-
- Other Income - 24%	3,994	67,950	2,397	38,165
- Other Income - 30%	22,978	-	-	-
Income Tax Expense reported in the Statement of Profit or Loss	26,972	67,950	2,397	38,165

#### 5.4 Deferred Tax Assets, Liabilities and Income Tax relate to the following:

Group	Consolidated Statement of Financial Position		Consolidated Statement of Profit or Loss		Consolidated Statement of Other Comprehensive Income	
	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Deferred Tax Liabilities</b>						
Capital Allowances for Tax Purposes	(79,870,140)	(33,076,386)	46,793,754	(16,425,800)	-	-
Right of Use Assets	(1,659,163)	(808,790)	850,372	(668,932)	-	-
	(81,529,303)	(33,885,176)	47,644,126	(17,094,732)	-	-
<b>Deferred Tax Assets</b>						
Employee Benefit Liability	2,120,288	739,088	(1,626,260)	488,034	245,061	230,811
	2,120,288	739,088	(1,626,260)	488,034	245,061	230,811
<b>Deferred Income Tax Expense</b>			46,017,866	(16,606,698)	245,061	230,811
<b>Net Deferred Tax Assets/Liabilities</b>	(79,409,015)	(33,146,088)				

# NOTES TO THE FINANCIAL STATEMENTS

## 5. INCOME TAX (CONTD.)

Company	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Deferred Tax Liabilities</b>						
Capital Allowances for Tax Purposes	(79,870,140)	(33,076,386)	46,793,754	(16,425,800)	-	-
Right of Use Asset	(1,659,163)	(808,790)	850,372	(668,932)	-	-
	<b>(81,529,303)</b>	<b>(33,885,176)</b>	<b>47,644,126</b>	<b>(17,094,732)</b>	<b>-</b>	<b>-</b>
<b>Deferred Tax Assets</b>						
Employee Benefit Liability	2,120,288	739,088	(1,626,260)	488,034	245,061	230,811
Investments in Subsidiaries - FVTOCI	-	-	-	-	-	-
	<b>2,120,288</b>	<b>739,088</b>	<b>(1,626,260)</b>	<b>488,034</b>	<b>245,061</b>	<b>230,811</b>
<b>Deferred Income Tax Expense</b>			<b>46,017,866</b>	<b>(16,606,698)</b>	<b>245,061</b>	<b>230,811</b>
<b>Net Deferred Tax Assets/Liabilities</b>	<b>(79,409,015)</b>	<b>(33,146,088)</b>				

### 5.5 Reconciliation of Net Deferred Tax Assets/Liabilities

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
As at 01 April	(33,146,088)	(49,521,975)	(33,146,088)	(49,521,975)
Tax Expense/(Reversal) Recognised in the Statement of Profit or Loss	(46,017,866)	16,606,698	(46,017,866)	16,606,698
Tax Expense/(Reversal) Recognised in Other Comprehensive Income	(245,061)	(230,811)	(245,061)	(230,811)
<b>As at 31 March</b>	<b>(79,409,015)</b>	<b>(33,146,088)</b>	<b>(79,409,015)</b>	<b>(33,146,088)</b>

### 5.6 Current Taxes

5.6.1 Corporate Income Taxes of Companies Resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No.24 of 2017.

5.6.2 As per the Inland Revenue Act No.24 of 2017 and amendments thereto, all Group companies which are resident in Sri Lanka are liable to Income Tax at 30% w.e.f 01 October 2022, upto 30 September 2022 - 14% (2021/22 - 14%) on taxable profit during the period with the exception of the Companies stated below.

#### 5.6.3 Exemptions / Concessions Granted Under the Board of Investment Law

Company	Nature of the Exemption / Concession	Current Tax	Period
Anorchi Lanka (Pvt) Ltd	Profit of the Company is exempted from income tax for a period of 10 Years	Exempt	10 Years from Year 2016/17
Iris Eco Power Lanka (Pvt) Ltd	Profit of the Company is exempted from income tax for a period of 10 Years	Exempt	10 Years from Year 2016/17

## 6. EARNINGS / (LOSS) PER SHARE

Basic/Diluted Earnings Per Share is calculated by dividing the net profit/(loss) for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue or a share split.

The following reflects the income and share data used in the Basic/Diluted Earnings/(Loss) Per Share computations.

	Group	
	2023	2022
	Rs.	Rs.
<b>Amount Used as the Numerator:</b>		
Net Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent for Basic/Diluted Earnings/(Loss) Per Share	(113,614,494)	(902,870,636)
	2023	2022
	Number	Number
<b>Number of Ordinary Shares Used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares for Basic/Diluted Earnings/(Loss) Per Share	387,000,086	387,000,086
	2023	2022
	Rs.	Rs.
<b>Basic/Diluted Earnings/(Loss) Per Share</b>	<b>(0.29)</b>	<b>(2.33)</b>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## 7. PROPERTY, PLANT AND EQUIPMENT

	Balance as at 01.04.2022 Rs.	Additions during the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2023 Rs.
<b>7.1 Group</b>					
<b>7.1.1 Gross Carrying Amounts</b>					
<b>At Cost</b>					
Freehold Land	27,556,625	-	-	-	27,556,625
Buildings on Freehold Land	204,772,731	-	-	-	204,772,731
Buildings on Leasehold Land	9,416,126	-	-	-	9,416,126
Plant, Machinery and Equipment	4,386,297,421	24,500	-	-	4,386,321,921
Office Equipment	1,763,981	69,000	-	-	1,832,981
Furniture and Fittings	668,561	-	-	-	668,561
<b>Total Value of Depreciable Assets</b>	<b>4,630,475,444</b>	<b>93,500</b>	<b>-</b>	<b>-</b>	<b>4,630,568,945</b>
<b>7.1.2 In the Course of Construction</b>					
Hydro Power Plant	450,806,729	-	-	-	450,806,729
	450,806,729	-	-	-	450,806,729
<b>Total Gross Carrying Amount</b>	<b>5,081,282,172</b>	<b>93,500</b>	<b>-</b>	<b>-</b>	<b>5,081,375,674</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 7. PROPERTY, PLANT AND EQUIPMENT

	Balance as at 01.04.2022 Rs.	Charged for the Year Rs.	Transfers In/(Out) Rs.	Disposals during the Year Rs.	Balance as at 31.03.2023 Rs.
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### 7.1.3 Depreciation

<b>At Cost</b>					
Buildings on Freehold Land	67,021,433	10,260,047	-	-	<b>77,281,479</b>
Buildings on Leasehold Land	928,676	406,335	-	-	<b>1,335,011</b>
Plant, Machinery and Equipment	1,171,414,065	236,061,178	-	-	<b>1,407,475,243</b>
Office Equipment	1,205,192	145,380	-	-	<b>1,350,572</b>
Furniture and Fittings	595,312	31,760	-	-	<b>627,072</b>
	1,241,164,678	246,904,699	-	-	<b>1,488,069,378</b>
<b>Total Depreciation</b>	1,241,164,678	246,904,699	-	-	<b>1,488,069,378</b>

	2023 Rs.	2022 Rs.
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### 7.1.4 Net Book Values

<b>At Cost</b>		
Freehold Land	<b>27,556,625</b>	27,556,625
Buildings on Freehold Land	<b>127,491,252</b>	137,751,298
Buildings on Leasehold Land	<b>8,081,115</b>	8,487,449
Plant, Machinery and Equipment	<b>2,978,846,678</b>	3,214,883,354
Office Equipment	<b>482,409</b>	558,790
Furniture and Fittings	<b>41,489</b>	73,248
	<b>3,142,499,568</b>	3,389,310,764
<b>In the Course of Construction</b>		
Hydro Power Plant	<b>450,806,729</b>	450,806,729
	<b>450,806,729</b>	450,806,729
<b>Total Carrying Amount of Property, Plant and Equipment</b>	<b>3,593,306,297</b>	3,840,117,493

7.1.5 The Group, as at the reporting date, assessed impairment of its power plants by estimating recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and its value in use. The recoverable amount has been determined based on a value in use calculation using cash flow projections using approved budgets/forecasts.

7.1.6 Key Assumptions used in the Value in Use calculation are as follows:

Company	Valuation Technique	Significant inputs	2023	2022
Anorchi Lanka (Pvt) Ltd	Discounted Cash Flow Methodology	Discount Rate	17% - 33.1%	18.3% - 26.2%
		Tariff Rate Per KWh (Rs.)	23.10	23.10
		Performance Ratio	78.0%	78.0%
Iris Eco Power Lanka (Pvt) Ltd	Discounted Cash Flow Methodology	Discount Rate	17% - 33.1%	18.3% - 26.2%
		Tariff Rate Per KWh (Rs.)	- Hambantota - Embilipitiya	23.10 18.20
		Performance Ratio	78.0%	78.0%
Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd	Discounted Cash Flow Methodology	Discount Rate	17% - 32.2%	18.3% - 25.7%
		Tariff Rate Per KWh (Rs.)	13.04	13.04
		Plant Load Factor	22.0%	21.6%
Pams Power (Pvt) Ltd	Discounted Cash Flow Methodology	Discount Rate	17% - 33.1%	18.3% - 26.2%
		Tariff Rate Per KWh (Rs.)	35.43 - 15.10	13.32
		Plant Load Factor	40.0%	40.0%

7.1.7 Based on the assessment performed, the recoverable amount exceeded the carrying amount of the Power Plants and accordingly no impairment was recognised for the year.

	Balance as at 01.04.2022	Additions during the Year	Transfers In/(Out)	Disposals during the Year	Balance as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.	Rs.

7.2 Company

7.2.1 Gross Carrying Amounts

	Balance as at 01.04.2022	Additions during the Year	Transfers In/(Out)	Disposals during the Year	Balance as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>At Cost</b>					
Freehold Land	311,000	-	-	-	311,000
Buildings on Freehold Land	122,978,321	-	-	-	122,978,321
Buildings on Leasehold Land	5,797,959	-	-	-	5,797,959
Plant, Machinery and Equipment	343,608,254	-	-	-	343,608,254
Office Equipment	1,112,265	69,000	-	-	1,181,265
Furniture and Fittings	642,316	-	-	-	642,316
<b>Total Value of Depreciable Assets</b>	474,450,114	69,000	-	-	474,519,114
<b>Total Gross Carrying Amount</b>	474,450,114	69,000	-	-	474,519,114

	Balance as at 01.04.2022	Charged for the Year	Transfers In/(Out)	Disposals during the Year	Balance as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.	Rs.

7.2.2 Depreciation

	Balance as at 01.04.2022	Charged for the Year	Transfers In/(Out)	Disposals during the Year	Balance as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>At Cost</b>					
Buildings on Freehold Land	43,267,440	6,148,916	-	-	49,416,356
Buildings on Leasehold Land	491,279	289,898	-	-	781,177
Plant, Machinery and Equipment	75,663,003	17,182,280	-	-	92,845,283
Office Equipment	802,941	113,380	-	-	916,321
Furniture and Fittings	569,068	31,760	-	-	600,828
<b>Total Depreciation</b>	120,793,731	23,766,234	-	-	144,559,965

## NOTES TO THE FINANCIAL STATEMENTS

	2023	2022
	Rs.	Rs.
<b>7.2.3 Net Book Values</b>		
<b>At Cost</b>		
Freehold Land	311,000	311,000
Buildings on Freehold Land	73,561,965	79,710,881
Buildings on Leasehold Land	5,016,782	5,306,680
Plant, Machinery and Equipment	250,762,971	267,945,249
Office Equipment	264,943	309,323
Furniture and Fittings	41,488	73,248
	<b>329,959,149</b>	<b>353,656,382</b>
<b>Total Carrying Amount of Property, Plant and Equipment</b>	<b>329,959,149</b>	<b>353,656,382</b>

**7.3** During the financial year, the Group and Company acquired Property, Plant and Equipment to the aggregate value of Rs. 93,500 /- and Rs. 69,000/- respectively (2022-Rs. 1,831,965/- and Rs. 631,965/-) for cash.

**7.4** The Group and Company has Property, Plant and Equipment with a cost of Rs. 1,925,770/- (2022 - Rs. 1,549,701/-) and Rs. 1,567,809/- (2022 - Rs. 1,191,741/-) respectively, have been fully depreciated and continue to be used.

**7.5** No borrowing costs capitalised to Property, Plant and Equipment during the year ended 31 March 2023 (2022 - Nil).

**7.6** The useful lives of the assets are estimated as follows:

	2023	2022
<b>Group</b>		
Buildings on Freehold Land	<b>20-30 Years</b>	20-30 Years
Buildings on Leasehold Land*	<b>20-30 Years</b>	20-30 Years
Plant, Machinery and Equipment	<b>20 Years</b>	20 Years
Office Equipment	<b>4 Years</b>	4 Years
Furniture and Fittings	<b>4 Years</b>	4 Years
<b>Company</b>		
Buildings on Freehold Land	<b>20 Years</b>	20 Years
Buildings on Leasehold Land*	<b>20 Years</b>	20 Years
Plant, Machinery and Equipment	<b>20 Years</b>	20 Years
Office Equipment	<b>4 Years</b>	4 Years
Furniture and Fittings	<b>4 Years</b>	4 Years

\*or the period of lease, whichever is shorter.

## 8 RIGHT-OF-USE-ASSETS

### 8.1 Group

Set out below are the carrying amount of Right of Use Assets recognised and movements during the year.

	2023	2022
	Rs.	Rs.
<b>8.1.1 Cost</b>		
Balance as at 01 April	111,760,776	107,902,947
Additions	835,727	3,857,829
Derecognised during the year	(6,411,637)	-
Balance as at 31 March	106,184,866	111,760,776
<b>Accumulated Amortisation</b>		
Balance as at 01 April	17,188,769	9,644,189
Charge for the year	8,032,406	7,544,580
Derecognised during the year	(6,411,637)	-
Balance as at 31 March	18,809,538	17,188,769
<b>Net Book Value As at 31 March</b>	<b>87,375,326</b>	<b>94,572,007</b>
	2023	2022
	Rs.	Rs.
<b>8.1.2 Lease Liabilities</b>		
Balance as at 01 April	68,988,972	69,411,997
Additions	835,727	3,857,829
Accretion of Interest	8,496,531	8,464,546
Payments	(12,902,162)	(12,745,399)
Balance as at 31 March	65,419,068	68,988,972
<b>8.1.3 Maturity Analysis of Lease Liability</b>		
Less Than 1 year	9,756,000	12,030,334
1- 5 year	39,024,000	39,024,000
More than 5 years	124,488,000	130,356,000
	173,268,000	181,410,334
Finance charges allocated to future periods	(107,848,932)	(112,421,362)
	65,419,068	68,988,972

# NOTES TO THE FINANCIAL STATEMENTS

## 8.2 Company

Set out below are the carrying amount of Right of Use Assets recognised and movements during the year.

	2023	2022
	Rs.	Rs.
<b>8.2.1 Cost</b>		
Balance as at 01 April	12,245,909	12,219,412
Additions	835,727	26,497
Derecognised during the year	(6,411,637)	-
<b>Balance as at 31 March</b>	<b>6,670,000</b>	<b>12,245,909</b>
<b>Accumulated Amortisation</b>		
Balance As at 01 April	4,274,340	1,166,134
Charge for the year	3,276,754	3,108,206
Derecognised during the year	(6,411,637)	-
<b>Balance As at 31 March</b>	<b>1,139,458</b>	<b>4,274,340</b>
<b>Net Book Value As at 31 March</b>	<b>5,530,542</b>	<b>7,971,569</b>
<b>8.2.2 Lease Liabilities</b>		
Balance as at 01 April	2,194,495	4,896,102
Additions	835,727	26,497
Accretion of Interest	115,940	261,295
Payments	(3,146,162)	(2,989,399)
<b>Balance as at 31 March</b>	<b>-</b>	<b>2,194,495</b>
<b>8.2.3 Maturity Analysis of Lease Liability</b>		
Less Than 1 year	-	2,274,334
	-	2,274,334
Finance charges allocated to future periods	-	(79,839)
	-	2,194,495

## 9. INVESTMENTS IN SUBSIDIARIES

	2023	2022
	Rs.	Rs.
<b>Company</b>		
As at 01 April	2,932,114,000	4,052,853,000
Fair Value Gain/(Loss)	95,678,000	(1,120,739,000)
<b>As at 31 March</b>	<b>3,027,792,000</b>	<b>2,932,114,000</b>

### 9.1 Investments in Subsidiaries

Company	Country of Incorporation	% of Holding	Fair Value 2023	Fair Value 2022
			Rs.	Rs.
<b>Financial Assets at FVTOCI - Non-Quoted</b>				
Anorchi Lanka (Pvt) Ltd	Sri Lanka	100%	1,063,209,000	1,276,829,000
Iris Eco Power Lanka (Pvt) Ltd	Sri Lanka	100%	1,420,860,000	1,486,865,000
Ginigathena Thiniyagala Mini Hydro Power (Pvt) Ltd	Sri Lanka	100%	-	17,400,000
Pams Power (Pvt) Ltd	Sri Lanka	100%	543,723,000	151,020,000
<b>Total Non-Quoted Investments in Subsidiaries</b>			<b>3,027,792,000</b>	<b>2,932,114,000</b>

## 9.2 Fair value related disclosures of the Investments in Subsidiaries

### 9.2.1 Fair Value Hierarchy

The Fair Value of the Company's investment in subsidiaries are categorised into Level 3 of the fair value hierarchy.

### 9.2.2 Valuation Techniques and Significant inputs

Company	Valuation Technique	Significant Inputs	2023	2022
Anorchi Lanka (Pvt) Ltd	Discounted Cash Flow Methodology	Cost of Equity Performance Ratio	<b>17% - 33.1%</b> <b>78.0%</b>	18.3% - 26.2% 78.0%
Iris Eco Power Lanka (Pvt) Ltd	Discounted Cash Flow Methodology	Cost of Equity Performance Ratio	<b>17% - 33.1%</b> <b>78.0%</b>	18.3% - 26.2% 78.0%
Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd	Discounted Cash Flow Methodology	Cost of Equity Plant Load Factor	<b>17% - 32.2%</b> <b>22.0%</b>	18.3% - 25.7% 21.6%
Pams Power (Pvt) Ltd	Discounted Cash Flow Methodology	Cost of Equity Plant Load Factor	<b>17% - 33.1%</b> <b>40.0%</b>	18.3% - 26.2% 40.0%

### 9.2.3 Sensitivity of Assumptions Employed in Fair Valuation

Company	Increase/ (Decrease)		2023			2022		
	Discount Rate	Effect on Other Comprehensive Income	Effect on Statement of Financial Position	Fair Value of Financial Assets at FVTOCI	Effect on Other Comprehensive Income	Effect on Statement of Financial Position	Fair Value of Financial Assets at FVTOCI	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Anorchi Lanka (Pvt) Ltd	+1	50,820,000	(50,820,000)	1,012,389,000	64,786,000	(64,786,000)	1,212,043,000	
	-1	(56,809,000)	56,809,000	1,120,018,000	(72,842,000)	72,842,000	1,349,671,000	
Iris Eco Power Lanka (Pvt) Ltd	+1	53,118,000	(53,118,000)	1,367,742,000	71,342,000	(71,342,000)	1,415,523,000	
	-1	(59,645,000)	59,645,000	1,480,505,000	(80,211,000)	80,211,000	1,567,076,000	
Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd	+1	444,000	(444,000)	(444,000)	6,000	(6,000)	17,394,000	
	-1	4,497,000	(4,497,000)	(4,497,000)	(7,000)	7,000	17,407,000	
Pams Power (Pvt) Ltd	+1	15,233,000	(15,233,000)	528,490,000	11,163,000	(11,163,000)	139,857,000	
	-1	(16,873,000)	16,873,000	560,596,000	(12,720,000)	12,720,000	163,740,000	

## NOTES TO THE FINANCIAL STATEMENTS

### 10. INTANGIBLE ASSETS

	Goodwill		Computer Software		Computer Software	
	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.

#### 10.1 Group

<b>Cost</b>						
As at 01 April	-	638,874,430	<b>302,308</b>	302,308	<b>302,308</b>	639,176,738
Additions	-	-	-	-	-	-
<b>As at 31 March</b>	-	638,874,430	<b>302,308</b>	302,308	<b>302,308</b>	639,176,738
<b>Amortisation and Impairment</b>						
As at 01 April	-	-	<b>254,852</b>	179,275	<b>254,852</b>	179,275
Amortisation	-	-	<b>39,473</b>	75,577	<b>39,473</b>	75,577
Impairment of Goodwill	-	(638,874,430)	-	-	-	(638,874,430)
<b>As at 31 March</b>	-	(638,874,430)	<b>294,325</b>	254,852	<b>294,325</b>	(638,619,578)
<b>Net Book Values</b>						
<b>As at 31 March</b>	-	-	<b>7,983</b>	47,456	<b>7,983</b>	47,456

	Computer Software	
	2023	2022
	Rs.	Rs.

#### 10.2 Company

<b>Cost</b>		
As at 01 April	<b>302,308</b>	302,308
Additions	-	-
<b>As at 31 March</b>	<b>302,308</b>	302,308
<b>Amortisation and Impairment</b>		
As at 01 April	<b>254,852</b>	179,275
Amortisation	<b>39,473</b>	75,577
<b>As at 31 March</b>	<b>294,325</b>	254,852
<b>Net Book Values</b>		
As at 01 April	<b>47,456</b>	123,033
<b>As at 31 March</b>	<b>7,983</b>	47,456

10.3 Intangible assets consists the goodwill acquired through business combinations and SAP user license.

### 11. INVENTORIES

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Non-Trade Inventories	<b>123,434</b>	-	-	-
Total inventories at the lower of cost and net realisable value	<b>123,434</b>	-	-	-

## 12. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade Receivables	- Related Parties (Note 12.1)	13,168,830	9,072,531	13,168,830	9,024,131
	- Others	1,123,260,627	606,046,573	86,236,072	49,618,532
		1,136,429,457	615,119,104	99,404,902	58,642,663
Other Receivables	- Related Parties (Note 12.2)	-	20,358,231	138,649,082	143,851,586
	- Others	17,339	17,339	17,339	17,339
		1,136,446,796	635,494,674	238,071,323	202,511,588
Advances and Prepayments		71,111,991	63,322,456	59,761,037	55,517,741
		1,207,558,787	698,817,130	297,832,361	258,029,330

### 12.1 Trade Dues from Related Parties

	Relationship	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
LAUGFS Leisure Ltd	Fellow Subsidiary	1,130,382	129,622	1,130,382	129,622
Anantaya Passekudah (Pvt) Ltd	Fellow Subsidiary	12,038,448	8,894,509	12,038,448	8,894,509
LAUGFS Supermarkets (Pvt) Ltd	Fellow Subsidiary	-	48,400	-	-
		13,168,830	9,072,531	13,168,830	9,024,131

### 12.2 Other Dues from Related Parties

	Relationship	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Pams Power (Pvt) Ltd	Subsidiary	-	-	129,469,003	118,708,448
Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd	Subsidiary	-	-	9,180,079	4,784,907
LAUGFS Holdings Ltd	Ultimate Parent	-	20,358,231	-	20,358,231
		-	20,358,231	138,649,082	143,851,586

12.3 Trade receivables are non-interest bearing and are generally on terms of 45-60 days.

12.4 Other dues from Related Parties are receivable on demand, non interest bearing and unsecured.

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

Group	Total	Neither Due nor Impaired	Past Due but not Impaired			
			< 30 Days	31-60 Days	61-90 Days	> 90 Days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2023	1,123,260,627	71,483,392	155,013,647	67,700,488	-	829,063,100
2022	606,046,573	116,836,720	130,504,606	80,236,544	32,635,957	245,832,746

## NOTES TO THE FINANCIAL STATEMENTS

Company	Total	Neither Due nor Impaired	Past Due but not Impaired			
			< 30 Days	31-60 Days	61-90 Days	> 90 Days
			Rs.	Rs.	Rs.	Rs.
2023	86,236,072	1,102,420	14,683,476	5,488,010	-	64,962,166
2022	49,618,532	5,237,845	13,588,765	7,994,412	-	22,797,510

### 13. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.

#### 13.1 Favourable Cash & Cash Equivalent Balances

Cash in Hand and at Bank	44,297,461	8,508,826	1,286,302	2,389,071
	44,297,461	8,508,826	1,286,302	2,389,071

#### 13.2 Unfavourable Cash & Cash Equivalent Balances

Bank Overdrafts (Note 16)	(55,655)	(500)	(47,406)	(500)
Cash and Cash Equivalents for the Purpose of Statement of Cash Flows	44,241,806	8,508,326	1,238,896	2,388,571

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

### 14. STATED CAPITAL

	2023		2022	
	Number	Rs.	Number	Rs.
<b>Group/Company</b>				
Ordinary Voting Shares (Note 14.1)	335,000,086	1,627,390,237	335,000,086	1,627,390,237
Ordinary Non-Voting Shares (Note 14.2)	52,000,000	252,609,763	52,000,000	252,609,763
	387,000,086	1,880,000,000	387,000,086	1,880,000,000

#### 14.1 Ordinary Voting Shares

As at 01 April	335,000,086	1,627,390,237	335,000,086	1,627,390,237
<b>As at 31 March</b>	335,000,086	1,627,390,237	335,000,086	1,627,390,237

#### 14.2 Ordinary Non - Voting Shares

As at 01 April	52,000,000	252,609,763	52,000,000	252,609,763
<b>As at 31 March</b>	52,000,000	252,609,763	52,000,000	252,609,763

#### 14.3 Rights, Preference and Restrictions of Classes of Capital

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

## 15. FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FVTOCI

	2023 Rs.	2022 Rs.
<b>Company</b>		
Financial Assets at FVTOCI Reserve (Note 15.1)	(77,708,000)	(173,386,000)
	<b>(77,708,000)</b>	<b>(173,386,000)</b>

### 15.1 Financial Assets at FVTOCI Reserve

As at 01 April	(173,386,000)	947,353,000
Gains/(Losses) arising during the Year	95,678,000	(1,120,739,000)
<b>As at 31 March</b>	<b>(77,708,000)</b>	<b>(173,386,000)</b>

## 16. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Interest Bearing Loans and Borrowings

	2023 Amount Repayable Within 1 Year Rs.	2023 Amount Repayable After 1 Year Rs.	2023 Total Rs.	2022 Amount Repayable Within 1 Year Rs.	2022 Amount Repayable After 1 Year Rs.	2022 Total Rs.
<b>16.1 Group</b>						
Term Loans (Note 16.1.1)	548,869,842	2,088,506,498	2,637,376,340	591,240,642	1,784,921,331	2,376,161,974
Bank Overdrafts (Note 13.2)	55,655	-	55,655	500	-	500
Lease Liability	1,554,211	63,864,857	65,419,068	3,569,903	65,419,069	68,988,972
	<b>550,479,708</b>	<b>2,152,371,356</b>	<b>2,702,851,064</b>	<b>594,811,045</b>	<b>1,850,340,401</b>	<b>2,445,151,446</b>

	As at 01.04.2022 Rs.	Loan Obtained Rs.	Repayments/ Reschedulement Rs.	As at 31.03.2023 Rs.
<b>16.1.1 Term Loans</b>				
Commercial Bank of Ceylon PLC - Loan 1	3,757,001	-	(3,757,001)	-
Commercial Bank of Ceylon PLC - Loan 2	19,284,000	-	(9,642,720)	9,641,280
Commercial Bank of Ceylon PLC - Loan 3	27,481,468	-	(10,189,209)	17,292,259
Commercial Bank of Ceylon PLC - WCL	1,571,100	-	(1,571,100)	-
DFCC Bank PLC - Loan 1	1,013,091,187	-	-	1,013,091,187
DFCC Bank - New Interest Capitalised Loan	-	139,376,023	-	139,376,023
DFCC Bank PLC - Loan 2	21,940,284	-	-	21,940,284
DFCC Bank - New Interest Capitalised Loan	-	2,023,706	(88,587)	1,935,119
DFCC Bank PLC - Loan 3	14,094,730	-	-	14,094,730
DFCC Bank - New Interest Capitalised Loan	-	1,443,218	(65,404)	1,377,814
DFCC Bank PLC - Loan 4	87,739,393	-	(1,302,399)	86,436,994
DFCC Bank - New Interest Capitalised Loan	-	8,253,133	(227,125)	8,026,008
Sampath Bank PLC - Loan 1*	806,750,000	-	(806,750,000)	-
Sampath Bank PLC - Loan 2*	83,400,000	-	(83,400,000)	-
Sampath Bank PLC - Loan 3*	106,512,639	-	(106,512,639)	-
Sampath Bank PLC - New Loan	-	980,000,000	-	980,000,000
Sampath Bank PLC - New Interest Capitalised Loan	-	140,700,000	-	140,700,000
Hatton National Bank PLC - Loan 1	183,352,000	-	-	183,352,000
Hatton National Bank PLC - Loan 2	7,188,172	-	(1,134,974)	6,053,198
Hatton National Bank PLC - New Interest Capitalised Loan	-	14,059,444	-	14,059,444
	<b>2,376,161,974</b>	<b>1,285,855,524</b>	<b>(1,024,641,158)</b>	<b>2,637,376,340</b>

\* Total capital outstanding on existing term loans of Sampath Bank PLC are rescheduled with new credit facilities.

## NOTES TO THE FINANCIAL STATEMENTS

	2023 Amount Repayable Within 1 Year Rs.	2023 Amount Repayable After 1 Year Rs.	2023 Total Rs.	2022 Amount Repayable Within 1 Year Rs.	2022 Amount Repayable After 1 Year Rs.	2022 Total Rs.
<b>16.2 Company</b>						
Term Loans (Note 16.2.1)	37,326,065	106,125,968	143,452,033	32,349,825	116,036,683	148,386,508
Bank Overdrafts (Note 13.2)	47,406	-	47,406	500	-	500
Lease Liability	-	-	-	2,194,495	-	2,194,495
	<b>37,373,471</b>	<b>106,125,968</b>	<b>143,499,439</b>	34,544,820	116,036,683	150,581,503

	As at 01.04.2022 Rs.	Loan Obtained Rs.	Repayments Rs.	As at 31.03.2023 Rs.
<b>16.2.1 Term Loans</b>				
Commercial Bank of Ceylon PLC - Loan 1	3,757,001	-	(3,757,001)	-
Commercial Bank of Ceylon PLC - Loan 2	19,284,000	-	(9,642,720)	9,641,280
Commercial Bank of Ceylon PLC - WCL	1,571,100	-	(1,571,100)	-
DFCC Bank - Loan 1	21,940,284	-	-	21,940,284
DFCC Bank - New Interest Capitalised Loan	-	2,023,706	(88,587)	1,935,119
DFCC Bank - Loan 2	14,094,730	-	-	14,094,730
DFCC Bank - New Interest Capitalised Loan	-	1,443,218	(65,601)	1,377,617
DFCC Bank - Loan 3	87,739,393	-	(1,302,399)	86,436,994
DFCC Bank - New Interest Capitalised Loan	-	8,253,133	(227,125)	8,026,009
	148,386,508	11,720,058	(16,654,533)	143,452,033

**16.3** Terms of repayments of interest bearing loans and borrowings are as follows,

Group	Interest Rate	Repayment Terms
<b>Commercial Bank of Ceylon PLC</b>		
Loan 2	8% per annum	Repayable by 12 equal monthly installments of Rs.803,440/-
Loan 3 (Part 01)	8% per annum (EIB Scheme)	Repayable in 19 equal monthly installments of Rs. 848,439.50/-
Loan 3 (Part 02)	AWPLR + 2% per annum	Repayable in 20 equal monthly installments of Rs. 58,595/-
<b>DFCC Bank PLC</b>		
Loan 1 (Part 1)	AWPLR + 1.5% per annum (20% form Jan 2023 to June 2023)	Repayable by 65 equal monthly installments of Rs.15,586,018/-
Loan 1 (Part 2)	AWPLR + 1.5% per annum (20% form Jan 2023 to June 2023)	Repayable by 24 equal monthly installments of Rs. 5,807,334 /-
Loan 2 ( Part 1)	AWPLR + 2% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 69 equal monthly installments of Rs. 317,975.13/-
Loan 2 ( Part 2)	AWPLR + 2% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 24 equal monthly installments of Rs. 80,629.94/-
Loan 3 (Part 1)	AWPLR + 2% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 68 equal monthly installments of Rs. 207,275.44/-
Loan 3 (Part 2)	AWPLR + 2% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 24 equal monthly installments of Rs. 57,400.70/-
Loan 4 (Part 1)	AWPLR + 1.5% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 84 monthly installments
Loan 4 (Part 2)	AWPLR + 1.5% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 24 equal monthly installments of Rs. 334,417/-
<b>Sampath Bank PLC</b>		
Loan 4	15% per annum (Nov 2022 to Nov 2023), After that, AWPLR + 1 %	Repayable by 132 equal monthly installments of Rs. 7,424,242/-
Loan 5	12.5% per annum	Repayable by 24 equal monthly installments of Rs. 5,862,500/-
<b>Hatton National Bank PLC</b>		
Loan 1	AWPLR + 1% per annum	Repayable in 43 equal monthly installments of Rs. 4,166,000/- and the final installment of Rs. 4,214,000/-
Loan 2	AWPLR per annum	Repayable by 15 equal monthly installments of Rs. 378,324.71 and a final installment of Rs. 378,324.89
Loan 3	AWPLR + 1% per annum	Repayable by 24 monthly installments
Company	Interest Rate	Repayment Terms
<b>Commercial Bank of Ceylon PLC</b>		
Loan 2	8% per annum	Repayable by 12 equal monthly installments of Rs.803,440/-
<b>DFCC Bank PLC</b>		
Loan 1 (Part 1)	AWPLR + 2% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 69 equal monthly installments of Rs. 317,975.13/-
Loan 1 (Part 2)	AWPLR + 2% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 24 equal monthly installments of Rs. 80,629.94/-
Loan 2 (Part 1)	AWPLR + 2% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 68 equal monthly installments of Rs. 207,275.44/-
Loan 2 (Part 2)	AWPLR + 2% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 24 equal monthly installments of Rs. 57,400.70/-
Loan 3 (Part 1)	AWPLR + 1.5% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 84 monthly installments
Loan 3 (Part 2)	AWPLR + 1.5% per annum ( 20% per annum only for Jan 2023 to June 2023)	Repayable by 24 equal monthly installments of Rs. 334,417/-

\* AWPLR - Average Weighted Primary Lending Rate

# NOTES TO THE FINANCIAL STATEMENTS

## 16.4 Fair Values

The Carrying amounts of the Group's and Company's Financial Instruments by classes, that are not carried at fair value in the financial statements are not materially different from their fair values.

## 16.5 Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

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

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

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

As at 31 March 2023, the Group held the following financial instruments carried at fair value on the statement of financial position.

	2023 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
<b>Company</b>				
<b>Assets Measured at Fair Value</b>				
Financial Assets at FVTOCI (Investment in Subsidiaries)	3,027,792,000	-	-	3,027,792,000
	<b>3,027,792,000</b>	-	-	<b>3,027,792,000</b>

	2022 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
<b>Company</b>				
<b>Assets Measured at Fair Value</b>				
Financial Assets at FVTOCI (Investment in Subsidiaries)	2,932,114,000	-	-	2,932,114,000
	<b>2,932,114,000</b>	-	-	<b>2,932,114,000</b>

During the reporting period ending 31 March 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

## 17. EMPLOYEE BENEFIT LIABILITY

### 17.1 Net Benefit Expense

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current Service Cost	1,086,665	817,918	969,274	760,940
Past Service Cost	-	(333,550)	-	(281,596)
Interest Cost on Benefit Obligation	824,901	513,188	818,277	485,978
<b>Total Expenses</b>	<b>1,911,566</b>	<b>997,556</b>	<b>1,787,551</b>	<b>965,322</b>

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

	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
As at 01 April	5,554,165	6,418,018	5,279,202	6,074,721
Adjustment due to Transfer of Employees into/(out of) Company	(15,994)	-	(15,994)	-
Current Service Cost	1,086,665	817,918	969,274	760,940
Past Service Cost	-	(333,550)	-	(281,596)
Interest Cost on Benefit Obligation	824,901	513,188	818,277	485,978
Remeasurement (Gains)/Losses in Other Comprehensive Income	770,242	(1,749,219)	816,869	(1,648,651)
Benefits Paid	(800,000)	(112,190)	(800,000)	(112,190)
<b>As at 31 March</b>	<b>7,419,979</b>	<b>5,554,165</b>	<b>7,067,628</b>	<b>5,279,202</b>

**17.3** Messrs. Smiles Global (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2023. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31 March 2023 are as follows:

	2023	2022
Method of Actuarial Valuation:	<b>Projected Unit Credit method</b>	Projected Unit Credit method
Discount Rate:	<b>16% - 20%</b>	15.50%
Salary Increment Rate:	<b>10%</b>	10%
Retirement Age:	<b>55 years</b>	55 years
Staff Turnover Ratio:	<b>1% - 17%</b>	5%
Mortality Table:	<b>A67/70 Ult Mortality Table</b>	A67/70 Ult Mortality Table

# NOTES TO THE FINANCIAL STATEMENTS

## 17.4 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2023.

Due to the lack of long term high quality bonds available in the Sri Lankan market, discount rate is determined by examining short and medium term government and corporate bonds, for the purpose of this valuation.

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

Increase/(Decrease) In Discount Rate	In Rate of Salary Increment	2023		2022		Present Value of Employee Benefit Obligation	Effect on Statement of Profit or Loss (Reduction)/Increase in Results for the Year	Effect on Statement of Financial Position (Reduction)/ Increase in the Liability as at the Year End	Present Value of Employee Benefit Obligation
		Rs.	Rs.	Rs.	Rs.				
+1%	-	261,482	(261,482)	7,158,497	373,884	7,158,497	373,884	(373,884)	5,180,281
-1%	-	(284,416)	284,416	7,704,395	(423,575)	7,704,395	(423,575)	423,575	5,977,740
-	+1%	(340,979)	340,979	7,760,958	(466,556)	7,760,958	(466,556)	466,556	6,020,721
-	-1%	317,139	(317,139)	7,102,840	416,217	7,102,840	416,217	(416,217)	5,137,948

**17. EMPLOYEE BENEFIT LIABILITY (CONTD.)**  
**17.5 Changes in the Defined Benefit Obligation**

**Group**

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

2023	Amounts Charged to Profit or Loss			Remeasurement Gains/(Losses) in Other Comprehensive Income								
	01 April 2022	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	Adjustment due to transfer of employees into (out of) Company Assumptions	Actuarial Changes arising from Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Employee Benefit Liability	5,554,165	1,086,665	824,901	1,911,566	(800,000)	(15,994)	1,822,819	(1,711,899)	659,323	770,242	-	7,419,979
	5,554,165	1,086,665	824,901	1,911,566	(800,000)	(15,994)	1,822,819	(1,711,899)	659,323	770,242	-	7,419,979

2022	Amounts Charged to Profit or Loss			Remeasurement Gains/(Losses) in Other Comprehensive Income								
	01 April 2021	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	Adjustment due to transfer of employees into (out of) Company Assumptions	Actuarial Changes arising from Demographic Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 March 2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Employee Benefit Liability	6,418,018	484,368	513,188	997,556	(112,190)	-	393,105	(2,611,709)	469,386	(1,749,219)	-	5,554,165
	6,418,018	484,368	513,188	997,556	(112,190)	-	393,105	(2,611,709)	469,386	(1,749,219)	-	5,554,165

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

Year ended 31 March	2023	2022
	Rs.	Rs.
Between 0 and 2 Years	-	-
Between 2 and 5 Years	234,765	-
Between 5 and 10 Years	7,013,412	2,068,559
Beyond 10 Years	171,802	3,485,606
Total Expected Payments	7,419,979	5,554,165

The average duration of the defined benefit plan obligating at the end of the reporting period is 16.35 years (2022 : 14.20 years).

# NOTES TO THE FINANCIAL STATEMENTS

## 17. EMPLOYEE BENEFIT LIABILITY (CONTD.) Changes in the Defined Benefit Obligation Company

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

2023	Amounts Charged to Profit or Loss			Remeasurement Gains/(Losses) in Other Comprehensive Income					31 March 2023			
	01 April 2022	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	Adjustment due to transfer of employees into Demographic Company Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Actuarial Changes arising from Changes in Demographic Assumptions		Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Employee Benefit Liability	5,279,202	969,274	818,277	1,787,551	(800,000)	(15,994)	1,822,819	(1,692,324)	686,374	816,869	-	7,067,628
	5,279,202	969,274	818,277	1,787,551	(800,000)	(15,994)	1,822,819	(1,692,324)	686,374	816,869	-	7,067,628

2022	Amounts Charged to Profit or Loss			Remeasurement Gains/(Losses) in Other Comprehensive Income					31 March 2022			
	01 April 2021	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	Adjustment due to transfer of employees into Demographic Company Assumptions	Actuarial Changes arising from Changes in Financial Assumptions	Actuarial Changes arising from Changes in Demographic Assumptions		Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Employee Benefit Liability	6,074,721	479,344	485,978	965,322	(112,190)	-	393,105	(2,417,423)	375,667	(1,648,651)	-	5,279,202
	6,074,721	479,344	485,978	965,322	(112,190)	-	393,105	(2,417,423)	375,667	(1,648,651)	-	5,279,202

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

Year ended 31 March	2022	2021
	Rs.	Rs.
Between 0 and 2 Years	-	-
Between 2 and 5 Years	234,765	-
Between 5 and 10 Years	6,832,863	1,949,306
Beyond 10 Years	-	3,329,896
Total Expected Payments	7,067,628	5,279,202

The average duration of the defined benefit plan obligating at the end of the reporting period is 5.57 years (2022 : 10.85 years).

## 18. TRADE AND OTHER PAYABLES

		Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Trade Payables	- Related Parties (Note 18.1)	<b>6,928,313</b>	1,692,888	<b>5,042,114</b>	1,262,887
Other Payables	- Related Parties (Note 18.2)	<b>16,682,540</b>	4,607,871	<b>1,383,243,984</b>	1,308,742,171
	- Others	<b>65,796,768</b>	52,900,470	<b>7,474,184</b>	6,674,370
		<b>89,407,622</b>	59,201,229	<b>1,395,760,283</b>	1,316,679,428
Sundry Creditors including Accrued Expenses		<b>125,061,804</b>	57,406,194	<b>12,868,872</b>	4,354,755
		<b>214,469,427</b>	116,607,425	<b>1,408,629,156</b>	1,321,034,183

### 18.1 Trade Dues to Related Parties

		Group		Company	
	Relationship	2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
LAUGFS Petroleum (Pvt) Ltd	Fellow Subsidiary	<b>402,435</b>	364,277	<b>402,435</b>	364,277
LAUGFS Business Solutions (Pvt) Ltd	Fellow Subsidiary	<b>2,338,625</b>	570,500	<b>592,225</b>	140,500
LAUGFS Property Developers (Pvt) Ltd	Fellow Subsidiary	<b>3,656,353</b>	758,111	<b>3,656,353</b>	758,111
LAUGFS Leisure Ltd	Fellow Subsidiary	<b>297,901</b>	-	<b>297,901</b>	-
LAUGFS Supermarkets (Pvt) Ltd	Fellow Subsidiary	<b>233,000</b>	-	<b>93,200</b>	-
		<b>6,928,313</b>	1,692,888	<b>5,042,114</b>	1,262,887

### 18.2 Other Dues to Related Parties

		Group		Company	
	Relationship	2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
LAUGFS Holdings Ltd	Ultimate Parent	<b>14,798,242</b>	4,000,000	<b>1,748,242</b>	-
LAUGFS Gas PLC	Fellow Subsidiary	-	12,399	-	12,399
Anorchhi Lanka (Pvt) Ltd	Subsidiary	-	-	<b>657,566,460</b>	637,735,754
Iris Eco Power Lanka (Pvt) Ltd	Subsidiary	-	-	<b>722,044,984</b>	670,398,546
LAUGFS Property Developers (Pvt) Ltd	Fellow Subsidiary	<b>1,799,304</b>	595,472	<b>1,799,304</b>	595,472
LAUGFS Engineering (Pvt) Ltd	Fellow Subsidiary	<b>69,000</b>	-	<b>69,000</b>	-
LAUGFS Terminals Ltd	Fellow Subsidiary	<b>15,994</b>	-	<b>15,994</b>	-
		<b>16,682,540</b>	4,607,871	<b>1,383,243,984</b>	1,308,742,171

18.3 Trade Payables are non-interest bearing and are generally on terms of 45-60 days.

18.4 Other Dues to Related Parties are Payable on demand, non interest bearing and unsecured.

## 19. COMMITMENTS AND CONTINGENCIES

### 19.1 Capital Expenditure Commitments

The Group and Company do not have any commitments for acquisition of property, plant and equipment incidental to the ordinary course of business as at 31 March 2023.

### 19.2 Contingencies

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

## NOTES TO THE FINANCIAL STATEMENTS

### 20. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of the Liability	Carrying Amount Pledged		Pledged Included Under
		2023	2022	
		Rs.	Rs.	
<b>Group</b>				
Project Assets	Primary Mortgage Over Project Assets	329,959,149	353,656,382	Property, Plant and Equipment
Project Assets	Negative Pledge Over Project Assets	1,611,000,000	1,678,075,948	Property, Plant and Equipment
Project Assets	Primary Mortgage Over Equity Shares	1,000,001,000	1,000,001,000	Equity
Project Assets	Primary Mortgage Over Project assets	1,200,000,000	1,551,344,513	Property, Plant and Equipment
Project Assets	Primary Mortgage Over Equity Shares	300,000,000	1,000,004,000	Equity
<b>Company</b>				
Project Assets	Primary Mortgage over Project Assets	329,959,149	353,656,382	Property, Plant and Equipment

### 21. TRANSACTIONS WITH THE PARENT AND RELATED ENTITIES

The following table provides the information pertaining to significant transactions that have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 March 2023 and 31 March 2022, refer to Notes 12 and 18).

#### 21.1 Group

	Ultimate Parent		Other Group Companies		Total	
	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01 April</b>	<b>16,358,231</b>	9,400,000	<b>6,771,771</b>	7,059,000	<b>23,130,002</b>	16,459,000
Purchase of Goods/Services	(31,853,940)	(30,000,000)	(16,433,383)	(12,045,568)	(48,287,323)	(42,045,568)
Payment Made for Purchase of Goods/Services	18,958,585	38,365,861	25,395,162	374,558,354	44,353,747	412,924,215
Payment Received from Purchase of Goods/Services	(18,261,118)	(1,407,630)	(11,361,338)	(362,800,015)	(29,622,456)	(364,207,645)
Adjustment due to Transfer of Employees into/(out of) Company	-	-	(15,994)	-	(15,994)	-
<b>Balance as at 31 March</b>	<b>(14,798,242)</b>	16,358,231	<b>4,356,218</b>	6,771,771	<b>(10,442,023)</b>	23,130,003

## 21.2

### Company

	Ultimate Parent		Subsidiaries		Other Group Companies		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01 April</b>	<b>20,358,231</b>	<b>9,400,000</b>	<b>(1,184,640,945)</b>	<b>(1,090,522,580)</b>	<b>7,153,372</b>	<b>7,410,999</b>	<b>(1,157,129,342)</b>	<b>(1,073,711,581)</b>
Purchase of Goods/Services	<b>(6,803,940)</b>	<b>(6,000,000)</b>	-	-	<b>(12,323,183)</b>	<b>(8,159,068)</b>	<b>(19,127,123)</b>	<b>(14,159,068)</b>
Payment Made for Purchase of Goods/Services	<b>1,058,585</b>	<b>18,365,861</b>	<b>72,060,818</b>	<b>126,697,685</b>	<b>21,271,252</b>	<b>23,038,799</b>	<b>94,390,655</b>	<b>168,102,345</b>
Payment Received from Purchase of Goods/Services	<b>(16,361,118)</b>	<b>(1,407,630)</b>	<b>(128,382,234)</b>	<b>(220,816,050)</b>	<b>(9,843,028)</b>	<b>(15,137,359)</b>	<b>(154,586,380)</b>	<b>(237,361,039)</b>
Adjustment due to Transfer of Employees into/(out of) Company	-	-	-	-	<b>(15,994)</b>	-	<b>(15,994)</b>	-
<b>Balance as at 31 March</b>	<b>(1,748,242)</b>	<b>20,358,231</b>	<b>(1,240,962,361)</b>	<b>(1,184,640,945)</b>	<b>6,242,419</b>	<b>7,153,372</b>	<b>(1,236,468,186)</b>	<b>(1,157,129,342)</b>

### 21.3 Subsidiaries include the following Companies;

Anorchil Lanka (Pvt) Ltd  
 Iris Eco Power Lanka (Pvt) Ltd  
 Ginigathena Thiniyagala Mini Hydro Power (Pvt) Ltd  
 Pams Power (Pvt) Ltd

## 21.4

### Other Group Companies include the following Companies;

LAUGFS Property Developers (Pvt) Ltd  
 LAUGFS Business Solutions (Pvt) Ltd  
 LAUGFS Gas PLC  
 LAUGFS Petroleum (Pvt) Ltd  
 LAUGFS Supermarkets (Pvt) Ltd  
 LAUGFS Lubricants Ltd  
 Anantaya Passekudah (Pvt) Ltd  
 LAUGFS Leisure Ltd  
 LAUGFS Eco Sri Ltd  
 LAUGFS Engineering (Pvt) Ltd  
 LAUGFS Terminals Ltd

# NOTES TO THE FINANCIAL STATEMENTS

## 21.5 Transactions with Key Management Personnel of the Company or its Parent

Key Management Personnel (KMPs) are defined as those persons such as directors, chief executive officers and other senior executives etc. who have authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, direct or indirectly.

Compensation of Key Management Personnel	2023	2022
	Rs.	Rs.
<b>Group</b>		
Directors' Emoluments (Cash Benefits)	33,928,800	31,471,700
Non-cash Benefits	1,072,320	697,380
<b>Total Compensation Paid to Key Management Personnel</b>	<b>35,001,120</b>	<b>32,169,080</b>

Compensation of Key Management Personnel	2023	2022
	Rs.	Rs.
<b>Company</b>		
Directors' Emoluments (Cash Benefits)	9,928,800	7,471,700
Non-cash Benefits	1,072,320	697,380
<b>Total Compensation paid to Key Management Personnel</b>	<b>11,001,120</b>	<b>8,169,080</b>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

## 22. FINANCIAL RISK MANAGEMENT

### 22.1 Introduction

The overall financial risk management program of the Company focuses on the unpredictability of financial risks and aims to reduce potential negative consequences for the Company's financial performance. The Group's business activities have resulted in a positive correlation with the risks associated with it, exposing it to Interest Rate Risk, Credit Risk, and Liquidity Risk.

LAUGFS' overall risk management policy aims to limit these risks through operational and financial activities. The Board of Directors has overall responsibility for the establishment and oversight of the LAUGFS risk management framework. Financial risk management of the Company is carried out based on guidelines established by Group Treasury. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the business unit.

The Group has established strategies for governing procedures in terms of use in financial instruments, including clear segregation of duties pertaining to financial activities, settlement, accounting, etc. Risk management policies and systems are reviewed when necessary to reflect changes in market conditions and LAUGFS activities.

LAUGFS Group Risk & Control Division assists the Audit Committee in carrying out its oversight responsibilities. GRC undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 22.2 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and its financing activities, including deposits with banks and financial institutions.

#### 22.2.1 Trade Receivables

The government-controlled transmission licensee Ceylon Electricity Board (CEB) is the sole customer of the service. In the recent past, there has been a rise in debtor days, which has impacted the Company's working capital cycle, as an effect of the current economic crisis prevailing in the country. This has increased the credit risk profile of the business. In order to recover all outstanding balances, the Company maintains frequent communication and a healthy relationship with the customer.

### Credit exposure

Group As at 31 March 2023	Cash in Hand and at Bank	Trade and Other Receivables	Amount Due From Related Parties	Total	% of Allocation
	Rs.	Rs.	Rs.	Rs.	
Trade Receivable	-	1,123,260,627	13,168,830	1,136,429,457	91%
Advances and Prepayments	-	71,111,991	-	71,111,991	6%
Due From Related Parties-Non Trade	-	-	-	-	0%
Other Receivables	-	17,339	-	17,339	0%
Cash in Hand and at Bank	44,297,461	-	-	44,297,461	3%
<b>Total credit risk exposure</b>	<b>44,297,461</b>	<b>1,194,389,957</b>	<b>13,168,830</b>	<b>1,251,856,248</b>	<b>100%</b>

Company As at 31 March 2023	Cash in Hand and at Bank	Trade and Other Receivables	Amount Due From Related Parties	Total	% of Allocation
	Rs.	Rs.	Rs.	Rs.	
Trade Receivable	-	86,236,072	13,168,830	99,404,902	33%
Advances and Prepayments	-	59,761,037	-	59,761,037	20%
Due From Related Parties-Non Trade	-	-	138,649,082	138,649,082	47%
Other Receivables	-	17,339	-	17,339	0%
Cash in Hand and at Bank	1,286,302	-	-	1,286,302	0%
<b>Total credit risk exposure</b>	<b>1,286,302</b>	<b>146,014,448</b>	<b>151,817,912</b>	<b>299,118,662</b>	<b>100%</b>

Group As at 31 March 2022	Cash in Hand and at Bank	Trade and Other Receivables	Amount Due From Related Parties	Total	% of Allocation
	Rs.	Rs.	Rs.	Rs.	
Trade Receivable	-	606,046,573	9,072,531	615,119,104	87%
Advances and Prepayments	-	63,322,456	-	63,322,456	9%
Due From Related Parties-Non Trade	-	-	20,358,231	20,358,231	3%
Other Receivables	-	17,339	-	17,339	0%
Cash in Hand and at Bank	8,508,826	-	-	8,508,826	1%
<b>Total credit risk exposure</b>	<b>8,508,826</b>	<b>669,386,368</b>	<b>29,430,762</b>	<b>707,325,956</b>	<b>100%</b>

Company As at 31 March 2022	Cash in Hand and at Bank	Trade and Other Receivables	Amount Due From Related Parties	Total	% of Allocation
	Rs.	Rs.	Rs.	Rs.	
Trade Receivable	-	49,618,532	9,024,131	58,642,663	23%
Advances and Prepayments	-	55,517,741	-	55,517,741	21%
Due From Related Parties-Non Trade	-	-	143,851,586	143,851,586	55%
Other Receivables	-	17,339	-	17,339	0%
Cash in Hand and at Bank	2,389,071	-	-	2,389,071	1%
<b>Total credit risk exposure</b>	<b>2,389,071</b>	<b>105,153,612</b>	<b>152,875,717</b>	<b>260,418,400</b>	<b>100%</b>

### 22.2.2 Short Term deposits

Credit risk refers to the potential loss arising from counterparties' failure to fulfill their contractual obligations. The credit risk of cash and cash equivalents is managed by the Group Treasury Division in accordance with the Group established guidelines. The Group Treasury Division ensures the cash and cash equivalents are held with banks and financial institution counterparties, with good reputations and credit ratings.

The Group held cash and cash equivalents of LKR. 44 Mn on 31 March 2023 which represents its maximum credit exposure on these assets.

# NOTES TO THE FINANCIAL STATEMENTS

Respective credit ratings of banks whose group cash balances are held are as follows;

Rating	Group		Company	
	Rs.	%	Rs.	%
AAA	-	0%	-	0%
AA	-	0%	-	0%
A+	93,556	1%	89,602	7%
A	5,492,163	12%	1,136,700	93%
A-	38,416,742	87%	-	0%
<b>Total</b>	<b>44,002,461</b>	<b>100%</b>	<b>1,226,302</b>	<b>100%</b>

As of 31 March 2023, deposits were made with Banks respectively which were rated "A-" or better.

## 22.3 Liquidity Risk

Liquidity risk relates to the Company's ability to meet its financial obligations as they become due. The Company manages liquidity risk by maintaining adequate cash reserves, maintaining committed credit lines with reputable financial institutions, and closely monitoring its cash flow requirements. The Group also maintains a conservative approach to debt financing to ensure sufficient liquidity is available to meet its short-term and long-term obligations.

The Group assessed the concentration of risk with respect to restructuring its debt and concluded it to be satisfying since total liquid assets over liabilities show a considerable increase compared to the previous year.

Group Treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of projected cash flows arising from projected future business.

Group Treasury meets the liquidity needs of business units and subsidiaries through central cash management to cover any short-term fluctuations and longer-term funding to address any structural liquidity needs. The Group Treasury monitors cash flows at the subsidiary and Group levels and secures sufficient bank facilities to meet funding needs. Constant communication about financing needs between banks ensures that availability within borrower limits is optimised by efficiently reallocating underutilised capacities within the Company.

The monthly liquidity position is monitored by the Group Treasury. All liquidity policies and procedures are subject to review and approval by the Board of Directors. These reports cover the liquidity position of both the Group and its operating subsidiaries.

## 22.4 Interest Rate Risk

Risk arises from movements in interest rates which could affect the Group's financial results. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to change in interest rates, with all other variables held constant, of the Group profit before tax (PAT).

Increased interest rates will create a negative impact on the profitability of the business. The response strategies are being formed through the annual business planning process.

Increase/ (Decrease) in interest rate	Effect on Comprehensive Income Statement	
	2023	2022
	Rs.	Rs.
+1%	5,540,398	2,201,678
-1%	(5,540,398)	(2,201,678)

## 22.5 Maturity Analysis

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Delay in counter-party settlement from CEB has resulted in an increase in short-term borrowings.

<b>Group As at 31 March 2023</b>	<b>On Demand</b>	<b>Less than 3 months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>&gt; 5 Years</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Non-Current Financial Liabilities	-	91,478,274	457,391,568	1,486,922,275	601,584,223	2,637,376,340
Lease Liabilities	-	259,035	1,295,176	8,648,978	55,215,879	65,419,068
Bank overdrafts	55,655	-	-	-	-	55,655
<b>Total</b>	<b>55,655</b>	<b>91,737,309</b>	<b>458,686,744</b>	<b>1,495,571,253</b>	<b>656,800,102</b>	<b>2,702,851,063</b>

<b>Company As at 31 March 2023</b>	<b>On Demand</b>	<b>Less than 3 months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>&gt; 5 Years</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Non-Current Financial Liabilities	-	6,221,011	31,105,054	55,695,252	50,430,716	143,452,033
Lease Liabilities	-	-	-	-	-	-
Bank overdrafts	47,406	-	-	-	-	47,406
<b>Total</b>	<b>47,406</b>	<b>6,221,011</b>	<b>31,105,054</b>	<b>55,695,252</b>	<b>50,430,716</b>	<b>143,499,439</b>

<b>Group As at 31 March 2022</b>	<b>On Demand</b>	<b>Less than 3 months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>&gt; 5 Years</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Non-Current Financial Liabilities	-	98,540,107	492,700,535	820,323,382	964,597,950	2,376,161,974
Lease Liabilities	-	716,900	2,853,003	7,653,964	57,765,105	68,988,972
Bank overdrafts	500	-	-	-	-	500
<b>Total</b>	<b>500</b>	<b>99,257,007</b>	<b>495,553,538</b>	<b>827,977,346</b>	<b>1,022,363,055</b>	<b>2,445,151,446</b>

<b>Company As at 31 March 2022</b>	<b>On Demand</b>	<b>Less than 3 months</b>	<b>3 to 12 Months</b>	<b>1 to 5 Years</b>	<b>&gt; 5 Years</b>	<b>Total</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Non-Current Financial Liabilities	-	5,391,638	26,958,188	20,500,662	95,536,020	148,386,508
Lease Liabilities	-	487,666	1,706,829	-	-	2,194,495
Bank overdrafts	500	-	-	-	-	500
<b>Total</b>	<b>500</b>	<b>5,879,304</b>	<b>28,665,017</b>	<b>20,500,662</b>	<b>95,536,020</b>	<b>150,581,503</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 22.6 Capital Management

The Group's objective when managing capital is to, safeguard the ability to continue as a going concern so that the Group can continue to provide returns for shareholders and fulfil other stakeholders' aspirations, and maintain an optimal capital structure to reduce the cost of capital.

The Board of Directors reviews the capital structure of the companies in the Group on a periodic basis. The Group manages its capital structure and adjusts in light of the changes in ground realities.

The Group monitors capital using a gearing ratio, which is debt divided by total capital plus debt. The Group Policy is to keep the gearing ratio, at an acceptable level in consideration of matters discussed above.

Ratio	Group		Company	
	2023	2022	2023	2022
Debt to Equity ratio	58%	54%	7%	7%

## 23. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

# SHARE INFORMATION

## NUMBER OF SHARES IN ISSUE

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

## STOCK SYMBOL

Ordinary Voting	LPL N 000
Ordinary Non-voting	LPL X 000

Listed in the Diri Savi Board of the Colombo Stock Exchange

## SHARE PRICES FOR THE YEAR

LPL N	As at 31.03.2023	Date	As at 31.03.2022	Date
<b>Market price per share</b>				
Highest during the year	<b>Rs. 11.80</b>	17.05.2022	Rs. 13.10	07.01.2022
Lowest during the year	<b>Rs. 7.50</b>	19.12.2022 & 27.04.2022	Rs. 7.70	23.04.2021
As at end of year	<b>Rs. 8.40</b>	31.03.2023	Rs. 10.30	31.03.2022

LPL N	As at 31.03.2023	As at 31.03.2022
Number of Transactions during the year	<b>1,563</b>	6,265
Number of Shares Traded during the year	<b>1,036,114</b>	12,568,984
Value of Shares Traded during the year	<b>Rs. 10,379,971.00</b>	Rs. 125,116,505.00

LPL X	As at 31.03.2023	Date	As at 31.03.2022	Date
<b>Market price per share</b>				
Highest during the year	<b>Rs.10.30</b>	27.05.2022	Rs. 11.80	07.01.2022
Lowest during the year	<b>Rs. 6.00</b>	22.11.2022	Rs. 5.00	29.04.2021
As at end of year	<b>Rs. 6.90</b>	31.03.2023	Rs. 7.90	31.03.2022

LPL X	As at 31.03.2023	As at 31.03.2022
Number of Transactions during the year	<b>1,099</b>	7,062
Number of Shares Traded during the year	<b>2,315,807</b>	22,540,674
Value of Shares Traded during the year	<b>Rs. 17,136,230.10</b>	Rs. 181,630,340.80

## Public Holding

Public Holding percentage - 25.23%

Number of shareholders representing the above percentage - 7,908

The Float adjusted Market Capitalisation - Rs. 710,053,705.20

The Float adjusted market capitalisation of the Company falls under Option 5 of Rule 713.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

# SHARE INFORMATION

## Share Distribution as at 31st March 2023

### LPL N

From	To	No. of Holders	No. of Shares	%
1	- 1,000	6,739	2,347,329	0.70
1,001	- 10,000	1,037	3,094,309	0.93
10,001	- 100,000	110	3,061,549	0.91
100,001	- 1,000,000	19	5,393,463	1.61
Over 1,000,000		8	321,103,436	95.85
		7,913	335,000,086	100.00

### LPL X

From	To	No. of Holders	No. of Shares	%
1	- 1,000	5,043	1,662,982	3.20
1,001	- 10,000	945	2,607,369	5.02
10,001	- 100,000	119	3,451,756	6.64
100,001	- 1,000,000	16	5,162,829	9.92
Over 1,000,000		6	39,115,064	75.22
		6,129	52,000,000	100.00

## Analysis of Shareholders as at 31st March 2023

### LPL N

From	No. of Holders	No. of Shares	%
Local Individuals	7,720	12,186,426	3.64
Local Institutions	152	322,413,131	96.24
Foreign Individuals	37	233,823	0.07
Foreign Institutions	4	166,706	0.05
	7,913	335,000,086	100.00

### LPL X

From	No. of Holders	No. of Shares	%
Local Individuals	5,987	9,407,896	18.09
Local Institutions	110	42,282,424	81.31
Foreign Individuals	30	220,981	0.42
Foreign Institutions	2	88,699	0.18
	6,129	52,000,000	100.00

### Director's Shareholding as at 31st March 2023

#### LPL N

	No. of shares	%
Mr W K H Wegapitiya	1,411,536	0.421
Mr U K T N De Silva	1,077,897	0.322
Mr. P M B Fernando	100	0.000
Mr. P Kudabalage	Nil	Nil
Mr. K R Goonesinghe	Nil	Nil
Mr. S P P Amaratunga	Nil	Nil

#### LPL X

	No. of shares	%
Mr W K H Wegapitiya	Nil	Nil
Mr U K T N De Silva	Nil	Nil
Mr. P M B Fernando	Nil	Nil
Mr. P Kudabalage	Nil	Nil
Mr. K R Goonesinghe	Nil	Nil
Mr. S P P Amaratunga	Nil	Nil

### Residency

#### LPL N

Category	No. of shareholders	No. shares	%
Resident	7,872	334,599,557	99.88
Non Resident	41	400,529	0.12
<b>Total</b>	<b>7,913</b>	<b>335,000,086</b>	<b>100</b>

#### LPL X

Category	No. of shareholders	No. shares	%
Resident	6,097	51,690,320	99.40
Non Resident	32	309,680	0.60
<b>Total</b>	<b>6,129</b>	<b>52,000,000</b>	<b>100</b>

# SHARE INFORMATION

## TWENTY MAJOR SHAREHOLDERS OF THE COMPANY - VOTING

REF.	NAME	31ST MARCH 2023		31ST MARCH 2022	
		SHARES	%	SHARES	%
1	LAUGFS HOLDINGS LIMITED	247,980,050	74.024	247,980,050	74.024
2	EMPLOYEES PROVIDENT FUND	57,897,800	17.283	57,897,800	17.283
3	HATTON NATIONAL BANK PLC/ALMAS CAPITAL (PRIVATE) LIMITED	5,289,543	1.579	5,217,733	1.558
4	HATTON NATIONAL BANK PLC/ALMAS HOLDINGS (PRIVATE) LIMITED	4,682,245	1.398	4,535,297	1.354
5	ALMAS HOLDINGS (PRIVATE) LIMITED	1,631,824	0.487	-	-
6	MR W.K.H.WEGAPITIYA	1,411,536	0.421	1,411,536	0.421
7	PEOPLE'S LEASING & FINANCE PLC / L P HAPANGAMA	1,132,541	0.338	1,132,541	0.338
8	MR U.K.T.N.DE SILVA	1,077,897	0.322	1,077,897	0.322
9	PEOPLE'S LEASING & FINANCE PLC / MR. D M P DISANAYAKE	817,376	0.244	770,590	0.230
10	MR G.Y.N.MAHINKANDA	814,575	0.243	814,575	0.243
11	PEOPLE'S LEASING & FINANCE PLC / DR. H S D SOYSA & MRS. G SOYSA	718,821	0.215	596,913	0.178
12	MR H.D.M.P.SIRIWARDENA	582,075	0.174	620,408	0.185
13	PEOPLE'S LEASING & FINANCE PLC/ L H L M P HARADASA	390,344	0.117	320,294	0.096
14	EMPLOYEES TRUST FUND BOARD	205,304	0.061	205,304	0.061
15	MR C.S.KARIYAWASAN	200,000	0.060	200,000	0.060
16	MERCHANT BANK OF SRI LANKA & FINANCE PLC/ K L K M INDIKA	191,800	0.057	215,000	0.064
17	CEYLON BISCUITS LIMITED	170,000	0.051	170,000	0.051
18	MRS. C.N.G.NARAYANA	162,300	0.048	162,300	0.048
19	MR. L H L T D HARADASA	160,000	0.048	160,000	0.048
20	MR. P SANGEEVEN	143,781	0.043	148,300	0.044
		<b>325,659,812</b>	<b>97.212</b>	323,636,538	96.608
	OTHERS	<b>9,340,274</b>	<b>2.788</b>	11,363,548	3.392
		<b>335,000,086</b>	<b>100.000</b>	335,000,086	100.000

## TWENTY MAJOR SHAREHOLDERS OF THE COMPANY - NON-VOTING

REF.	NAME	31ST MARCH 2023		31ST MARCH 2022	
		SHARES	%	SHARES	%
1	EMPLOYEE'S PROVIDENT FUND	18,041,300	34.695	18,041,300	34.695
2	HATTON NATIONAL BANK PLC/ALMAS HOLDINGS (PRIVATE) LIMITED	8,457,373	16.264	7,352,544	14.140
3	HATTON NATIONAL BANK PLC/ALMAS CAPITAL (PRIVATE) LIMITED	7,832,985	15.063	7,767,443	14.937
4	PEOPLE'S LEASING & FINANCE PLC / L P HAPANGAMA	2,417,426	4.649	2,450,295	4.712
5	BANK OF CEYLON NO. 1 ACCOUNT	1,297,831	2.496	1,297,831	2.496
6	PEOPLE'S LEASING & FINANCE PLC / L H L M P HARADASA	1,068,149	2.054	961,037	1.848
7	MR A.M.WEERASINGHE	813,471	1.564	813,471	1.564
8	ALMAS HOLDINGS (PRIVATE) LIMITED	740,480	1.424		
9	MR L H L M P HARADASA	648,044	1.246	568,044	1.092
10	PEOPLE'S LEASING & FINANCE PLC / DR H S D SOYSA & MRS G SOYSA	590,173	1.135	590,173	1.135
11	MRS C.N.G.NARAYANA	378,800	0.728	378,800	0.728
12	MRS S.D.AMARASINGHE	372,400	0.716	372,400	0.716
13	NARATHA VENTURES PRIVATE LIMITED	308,000	0.592	308,000	0.592
14	MERCHANT BANK OF SRI LANKA & FINANCE PLC/H M C B MAWILMADA	189,575	0.365	193,050	0.371
15	MR. J D VITHANAGE	166,832	0.321	150,000	0.288
16	PEOPLE'S LEASING & FINANCE PLC / L H L NORIS DE SILVA & SON(PVT) LTD	157,296	0.302	157,296	0.302
17	MR. A B K WEERAMAN	150,200	0.289	150,200	0.289
18	VARNERS INTERNATIONAL (PRIVATE) LIMITED	150,000	0.288	150,000	0.288
19	MRS. N MULJIE	139,217	0.268	139,217	0.268
20	MOUNT LAVINIA HOTEL (PVT) LIMITED	130,000	0.250	130,000	0.250
		44,049,552	84.711	41,971,101	80.714
	<b>OTHERS</b>	7,950,448	15.289	10,028,899	19.286
		<b>52,000,000</b>	<b>100.000</b>	52,000,000	100.000

# REAL ESTATE PORTFOLIO

Company	Plant Name	Location	Land (Acres)		Building area (Sq. Ft)	No of building
			Free hold	Lease Hold		
Anorchi Lanka (Pvt) Ltd	10 MW Anorchi Lanka SPP	Baruthankanda, Hambanthota		45	5,835	6
Iris Eco Power Lanka (Pvt) Ltd	10 MW Iris Eco Power Lanka SPP	Baruthankanda, Hambanthota		45	5,835	6
	1 MW Embilipitiya 3 SPSP II SPP	Hingura, Embilipitiya		4.68	160	1
LAUGFS Power PLC	1 MW Embilipitiya 2 SPSP II SPP	Hingura, Embilipitiya		5	800	2
	0.5 MW Ranmudu Oya Phase I MHP	Pambagolla, Balangoda		1.48	2,400	2
	0.55 MW Ranmudu Oya Phase III MHP	Pidaligannawala, Balangoda	0.67		1,440	1
Ginigathena Thiniyagala Mini Hydropower (Pvt) Ltd	0.7 MW Ginigathena Thiniyagala MHP	Thiniyagala, Ginigathhena	0.98		860	2
Pams Power (Pvt) Ltd	2 MW Kehelgamuwa Oya II MHP	Dagampitiya, Ginigathhena	0.6	2.16		1

# FIVE YEAR SUMMARY - GROUP

For the year ended 31 March	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
<b>SUMMARY OF OPERATIONS</b>					
Revenue	967,406,126	979,343,466	982,880,136	1,027,698,539	<b>968,662,275</b>
Gross Profit	672,767,404	680,193,341	666,599,872	709,761,552	<b>644,536,985</b>
Operating Profit/(Loss)	557,226,558	549,054,481	531,006,496	(699,236,821)	<b>486,095,002</b>
EBITDA	803,389,816	788,919,981	787,682,560	(444,701,758)	<b>741,446,695</b>
Profit Before Tax	184,216,229	185,392,551	265,202,087	(918,930,038)	<b>(67,569,656)</b>
Profit After Tax	170,642,376	125,926,243	234,743,514	(902,870,634)	<b>(113,614,494)</b>
Attributable to:					
Equity Holders of the Parent	170,642,376	125,926,243	234,743,514	(902,870,634)	<b>(113,614,494)</b>
Non-Controlling Interests					
	170,642,376	125,926,243	234,743,514	(902,870,634)	<b>(113,614,494)</b>
<b>SUMMARY OF FINANCIAL POSITION</b>					
Stated Capital	1,880,000,000	1,880,000,000	1,880,000,000	1,880,000,000	<b>1,880,000,000</b>
Retained Earnings	800,099,103	829,095,541	1,065,480,889	164,128,664	<b>49,498,864</b>
Equity attributable to Equity Holders of the Parent	2,680,099,103	2,709,095,541	2,945,480,889	2,044,128,664	<b>1,929,498,864</b>
Non-Controlling Interests					
Total Equity	2,680,099,103	2,709,095,541	2,945,480,889	2,044,128,664	<b>1,929,498,864</b>
<b>ASSETS &amp; LIABILITIES</b>					
Property, Plant and Equipment	4,869,901,023	4,928,162,277	4,709,768,667	3,840,117,493	<b>3,593,306,297</b>
Other Non-Current Assets	660,743,252	739,665,995	737,256,221	94,619,463	<b>87,383,309</b>
Current Assets	527,546,833	522,483,304	491,777,761	709,888,993	<b>1,252,961,140</b>
Non-Current Liabilities	2,632,854,509	2,842,222,511	2,403,241,063	1,889,040,654	<b>2,239,200,350</b>
Current Liabilities	745,237,496	638,993,525	590,080,697	711,456,631	<b>764,951,532</b>
Net Assets	2,680,099,103	2,709,095,541	2,945,480,889	2,044,128,664	<b>1,929,498,864</b>
<b>SUMMARY OF CASHFLOWS</b>					
Net Operating Cashflows	385,330,241	214,491,982	393,231,495	436,383,033	<b>(104,351,323)</b>
Net Cash (used in) /From Investing Activities	(159,012,711)	(285,353,219)	(24,210,475)	(374,563)	<b>281,614</b>
Net Cash (used in)/From Financing Activities	(291,293,138)	(9,873,673)	(323,801,527)	(436,409,485)	<b>139,803,189</b>
Net Increase/(Decrease) in Cash and Cash Equivalent	(64,975,608)	(80,734,913)	45,219,493	(401,015)	<b>35,733,480</b>
<b>FINANCIAL RATIO</b>					
Gross Profit Margin	70%	69%	68%	69%	<b>67%</b>
EBITDA Margin	83%	81%	80%	-43%	<b>77%</b>
Net Profit Margin	18%	13%	24%	-88%	<b>-12%</b>
Earnings Per Share (EPS)	0.44	0.33	0.61	(2.33)	<b>(0.29)</b>

# NOTES

Lined area for notes.



# NOTICE OF MEETING

Notice is hereby given that the 6th Annual General Meeting of the Company will be held by way of electronic means on 21st September 2023 at 10.30 am, centered at the LAUGFS Head Office building located at No. 101, Maya Avenue, Colombo 06, Sri Lanka, for the following business:

- To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Statement of Accounts for the year ended 31st March 2023 and the Report of the Auditors thereon.
- To re-elect Prof S P P Amaratunge who retires by rotation in terms of Article 26(6) of the Articles of Association, as a Director of the Company;
- To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
- To authorise the Directors to determine and make donations for the year ending 31st March 2024 and upto the date of the next Annual General Meeting.

**By Order of the Board**  
**LAUGFS POWER PLC**



**P W Corporate Secretarial (Pvt) Ltd**  
**Secretaries**

At Colombo  
14th August 2023

**Notes:**

- Below mentioned documents can now be downloaded via the corporate website [https://www.laugfs.lk/agm/lp/lp\\_notice\\_of\\_meeting.pdf](https://www.laugfs.lk/agm/lp/lp_notice_of_meeting.pdf) and the “announcements” tab on the CSE website at <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=LPL.X0000>
  - Notice of Meeting
  - Circular to shareholders
  - Form of Proxy
  - Guideline and Registration Process to join the AGM virtually
  - Registration Form for the AGM
  - Request Form for the printed copy of the Annual Report
- A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy which can be downloaded as above
- Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
- A proxy need not be a shareholder of the Company.
- For more information on how to participate by virtual means in the above virtual meeting, please refer Registration Process which can be downloaded as above.

# FORM OF PROXY VOTING

\*I/We..... holder of NIC No.....of.....being a \*Shareholder /  
 Shareholders of LAUGFS Power PLC, do hereby appoint .....  
 ..... holder of NIC No ..... of .....or failing him/her

Mr. W. K. H. Wegapitiya	of Colombo or failing him
Mr. U. K. T. N. De Silva	of Colombo or failing him
Mr. P. M. B. Fernando	of Colombo or failing him
Mr. P. Kudabalage	of Colombo or failing him
Mr K.R. Goonesinghe	of Colombo or failing him
Prof. S.P.P. Amaratunge	of Colombo

as \*my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 21st September 2023 at 10.30 am and any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To re-elect Prof S P P Amaratunge, who retires by rotation in terms of Article 26(6) of the Articles of Association, as a Director of the Company;		
2.	To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.		
3.	To authorise the Directors to determine and make donations for the year ending 31st March 2024 and upto the date of the next Annual General Meeting.		

Signed this..... day of ..... Two Thousand and Twenty Three.

.....

Signature

- 1) \*Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.

#### **INSTRUCTIONS AS TO COMPLETION**

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The Proxy shall -
  - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
  - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
3. For voting share, please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to LAUGFS group. pwcs@gmail.com, 48 hours before the AGM.

# FORM OF PROXY NON-VOTING

\*I/We..... holder of NIC No.....of.....being a \*Shareholder /  
Shareholders of LAUGFS Power PLC, do hereby appoint .....  
holder of NIC No ..... of .....or failing him/her

Mr. W. K. H. Wegapitiya	of Colombo or failing him
Mr. U. K. T. N. De Silva	of Colombo or failing him
Mr. P. M. B. Fernando	of Colombo or failing him
Mr. P. Kudabalage	of Colombo or failing him
Mr K.R. Goonesinghe	of Colombo or failing him
Prof. S.P.P. Amaratunge	of Colombo

as \*my/our proxy to represent me/us at the Annual General Meeting of the Company to be held on 21st September 2023 at 10.30 am and any adjournment thereof.

Signed this..... day of ..... Two Thousand and Twenty Three

.....  
Signature

- 1) \*Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.

# CORPORATE INFORMATION

## NAME OF THE COMPANY

LAUGFS Power PLC (A Subsidiary of Laugfs Holdings Limited)

## COMPANY REGISTRATION NO.

PB 1595 PQ

## LEGAL FORM

A Limited Liability company listed in the Colombo Stock Exchange

## SUBSIDIARIES

Anorchi Lanka (Pvt) Ltd

Ginigathhena Thiniyagala Mini Hydro Power (Pvt) Ltd

Iris Eco Power Lanka (Pvt) Ltd

Pams Power (Pvt) Ltd

## PARENT ENTERPRISE

The Company's holding Company and controlling entity is LAUGFS Holdings Limited, which is incorporated in Sri Lanka.

## BOARD OF DIRECTORS

Mr.W.K.H.Wegapitiya (Chairman)

Mr.U.K.Thilak De Silva (Deputy Chairman)

Mr. Piyadasa Kudabalage (Group Managing Director/GCEO)

Mr. P.M.B Fernando

Mr. N.M Prakash (Resigned w.e.f 31st May 2022)

Mr K.R. Goonesinghe (Appointed w.e.f 15th August 2022).

Prof. S.P.P. Amaratunge (Appointed w.e.f 15th August 2022)

## BANKERS

Commercial Bank of Ceylon PLC.

DFCC Bank PLC.

Hatton National Bank PLC.

Sampath Bank PLC.

Standard Chartered Bank.

## AUDITORS

Ernst & Young.

(Chartered Accountants)

# 201, De Saram Place,

Colombo 10,

Sri Lanka.

## SECRETARIES

P W Corporate Secretarial (Pvt) Ltd.

# 3/17, Kinsey Road, Colombo 08,

Sri Lanka.

## REGISTRARS

P W Corporate Secretarial (Pvt) Ltd.

# 3/17, Kinsey Road, Colombo 08,

Sri Lanka.

## REGISTERED OFFICE

# 101, Maya Avenue,

Colombo 06,

Sri Lanka.

## CORPORATE WEBSITE

[www.laugfs.lk](http://www.laugfs.lk)

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