

7.3 Details of Material Indebtedness

Particulars of the Company's loan capital and finance leases outstanding as of 31st January 2022 are as follows:

TABLE 7.2 – PARTICULARS OF MATERIAL INDEBTEDNESS

Name of the Bank	Type of Facility	Tenure	Value of Facility LKR	LKR Outstanding as at 2022-01-31	Facility Start Date
Sampath Bank PLC	Term Loan	10 Years	40,000,000	6,332,660	6/20/2013
Sampath Bank PLC	Term Loan	10 Months	904,613	703,588	12/20/2021
Sampath Bank PLC	Term Loan	12 Months	1,559,500	1,319,700	12/20/2021
Sampath Bank PLC	Term Loan	10 Years	34,000,000	32,296,000	8/10/2021
Sampath Bank PLC	Term Loan	10 Years	16,000,000	15,732,000	12/1/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	8,683,924	868,392	2/23/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	5,966,000	1,193,200	4/5/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	10,229,170	1,461,310	5/17/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	17,111,924	6,839,924	6/1/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	2,701,930	385,990	6/3/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	3,941,854	563,122	6/14/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	7,815,500	2,233,000	6/21/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	2,966,642	847,612	7/6/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	4,284,315	1,224,090	7/12/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	15,473,066	6,631,314	7/19/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	3,907,750	1,674,750	7/28/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	3,974,740	794,948	8/2/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	1,528,088	654,896	8/12/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	4,071,375	814,275	8/12/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	8,277,500	3,311,000	8/18/2021

Sampath Bank PLC	Temporary Loan (Short)	10 Months	1,941,450	1,109,400	8/18/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	3,360,489	1,344,196	9/1/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	4,284,315	1,713,726	9/10/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	3,907,750	2,233,000	9/13/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	512,880	366,343	9/17/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	15,473,066	9,283,840	9/17/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	1,151,010	822,150	9/21/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	17,852,835	12,752,025	9/27/2021
Sampath Bank PLC	Temporary Loan (Short)	05 Months	5,374,425	3,224,655	10/12/2021
Sampath Bank PLC	Temporary Loan (Short)	05 Months	1,833,090	1,466,472	10/18/2021
Sampath Bank PLC	Temporary Loan (Short)	07 Months	4,157,795	3,563,825	10/28/2021
Sampath Bank PLC	Temporary Loan (Short)	05 Months	3,907,750	3,126,200	11/12/2021
Sampath Bank PLC	Temporary Loan (Short)	07 Months	1,307,320	1,120,560	11/12/2021
Sampath Bank PLC	Temporary Loan (Short)	07 Months	1,151,010	986,580	11/22/2021
Sampath Bank PLC	Temporary Loan (Short)	05 Months	17,852,835	14,282,268	11/23/2021
Sampath Bank PLC	Temporary Loan (Short)	07 Months	6,004,740	6,004,740	12/7/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	68,664,264	68,664,264	12/22/2021
Sampath Bank PLC	Temporary Loan (Short)	04 Months	3,312,808	3,312,808	12/27/2021
Sampath Bank PLC	Temporary Loan (Short)	04 Months	844,988	844,988	12/27/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	11,936,098	7,161,659	7/22/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	11,597,260	10,437,534	11/12/2021
Sampath Bank PLC	Temporary Loan (Short)	10 Months	3,489,090	3,140,090	11/22/2021
Sampath Bank PLC	Temporary Loan (Short)	04 Months	20,246,169	20,246,169	11/23/2021
Sampath Bank PLC	Temporary Loan (Short)	04 Months	15,008,574	15,008,574	12/7/2021
Sampath Bank PLC	Temporary Loan (Short)	04 Months	58,376,874	58,376,874	12/27/2021

Sampath Bank PLC	Vehicle Lease	4 Years	3,600,000	490,477	6/8/2018
Sampath Bank PLC	Vehicle Lease	4 Years	3,600,000	490,477	6/8/2018
Sampath Bank PLC	Vehicle Lease	4 Years	6,750,000	919,644	6/28/2018
Sampath Bank PLC	Vehicle Lease	4 Years	4,824,600	788,784	7/6/2018
Sampath Bank PLC	Vehicle Lease	4 Years	3,600,000	588,572	7/20/2018
Sampath Bank PLC	Vehicle Lease	4 Years	3,600,000	588,572	7/20/2018
Sampath Bank PLC	Vehicle Lease	4 Years	3,600,000	588,572	7/20/2018
Sampath Bank PLC	Vehicle Lease	4 Years	3,836,000	836,208	9/12/2018
Sampath Bank PLC	Vehicle Lease	4 Years	4,680,000	1,686,894	2/21/2019
Sampath Bank PLC	Vehicle Lease	4 Years	4,680,000	1,686,894	2/21/2019
Sampath Bank PLC	Vehicle Lease	4 Years	4,680,000	1,686,894	2/21/2019
Sampath Bank PLC	Vehicle Lease	4 Years	4,680,000	1,686,894	2/21/2019
Sampath Bank PLC	Vehicle Lease	4 Years	4,590,000	3,018,611	2/27/2020
Sampath Bank PLC	Vehicle Lease	4 Years	4,590,000	3,018,611	2/27/2020
Sampath Bank PLC	Vehicle Lease	4 Years	4,590,000	3,018,611	2/27/2020
Sampath Bank PLC	Vehicle Lease	4 Years	4,590,000	3,018,611	2/27/2020
Sampath Bank PLC	Vehicle Lease	4 Years	2,205,000	1,615,698	7/15/2020
Sampath Bank PLC	Vehicle Lease	4 Years	9,750,000	7,144,242	7/16/2020
LB Finance PLC	Vehicle Lease	4 Years	11,051,280	1,611,645	9/24/2018
LB Finance PLC	Vehicle Lease	4 Years	6,266,064	1,827,602	4/5/2019
LB Finance PLC	Vehicle Lease	4 Years	4,414,752	1,287,636	4/5/2019
LB Finance PLC	Vehicle Lease	4 Years	3,528,672	1,396,766	9/8/2019
LB Finance PLC	Vehicle Lease	4 Years	7,057,344	2,793,532	9/9/2019
LB Finance PLC	Vehicle Lease	4 Years	9,826,176	3,889,528	9/13/2019
LB Finance PLC	Vehicle Lease	4 Years	4,913,088	1,944,764	9/13/2019

LB Finance PLC	Vehicle Lease	4 Years	3,488,928	1,744,464	2/23/2020
LB Finance PLC	Vehicle Lease	4 Years	2,586,576	1,347,175	3/6/2020
LB Finance PLC	Vehicle Lease	4 Years	2,586,576	1,347,175	3/6/2020
LB Finance PLC	Vehicle Lease	4 Years	9,703,392	4,851,696	2/13/2020
LB Finance PLC	Vehicle Lease	3 Years	2,342,700	911,050	4/10/2020
LB Finance PLC	Vehicle Lease	4 Years	9,786,672	6,320,559	9/23/2020
LB Finance PLC	Vehicle Lease	4 Years	7,968,864	5,478,594	11/20/2020
LB Finance PLC	Vehicle Lease	3 Years	2,812,284	1,952,975	3/13/2021
LB Finance PLC	Vehicle Lease	3 Years	1,789,668	1,242,825	3/13/2021
LB Finance PLC	Vehicle Lease	3 Years	1,789,668	1,242,825	3/13/2021
LB Finance PLC	Vehicle Lease	3 Years	2,045,304	1,533,978	4/23/2021
LB Finance PLC	Vehicle Lease	3 Years	2,045,304	1,590,792	5/19/2021
LB Finance PLC	Vehicle Lease	4 Years	10,023,936	8,979,776	8/23/2021
LB Finance PLC	Vehicle Lease	4 Years	8,770,944	8,040,032	9/8/2021
LB Finance PLC	Vehicle Lease	4 Years	8,865,264	8,227,692	9/23/2021
LB Finance PLC	Vehicle Lease	4 Years	7,598,592	7,123,680	10/22/2021
LB Finance PLC	Vehicle Lease	4 Years	7,228,512	6,927,324	11/12/2021
LB Finance PLC	Vehicle Lease	3 Years	4,670,172	4,410,718	11/12/2021
NDB	Temporary Loan (Short)	12 Months	7,815,500	2,605,167	6/3/2021
NDB	Temporary Loan (Short)	12 Months	10,676,265	4,448,444	6/9/2021
NDB	Temporary Loan (Short)	12 Months	9,613,995	4,212,186	7/2/2021
NDB	Temporary Loan (Short)	12 Months	7,137,740	2,767,704	7/5/2021
NDB	Temporary Loan (Short)	12 Months	1,062,889	442,799	7/5/2021
NDB	Temporary Loan (Short)	12 Months	18,695,942	10,905,966	8/5/2021
NDB	Temporary Loan (Short)	12 Months	10,229,670	6,819,780	8/20/2021

NDB	Temporary Loan (Short)	12 Months	28,724,566	19,149,711	8/25/2021
NDB	Temporary Loan (Short)	12 Months	5,647,954	4,235,966	10/6/2021
NDB	Temporary Loan (Short)	12 Months	4,498,623	3,373,968	10/29/2021
NDB	Temporary Loan (Short)	12 Months	4,498,624	2,821,796	11/22/2021
NDB	Temporary Loan (Short)	12 Months	25,029,519	20,857,932	11/26/2021
NDB	Temporary Loan (Short)	12 Months	8,901,726	7,418,105	12/1/2021
NDB	Temporary Loan (Short)	12 Months	8,049,833	7,379,013	12/24/2021
NDB	Temporary Loan (Short)	12 Months	18,170,482	16,656,275	12/29/2021
DFCC	Vehicle Lease	4 Years	10,112,208	10,112,208	1/3/2022
	Bank O/D Sampath Bank			173,618,039	
	Bank O/D NDB Bank			27,501,991	
	Total			782,699,821	

Apart from the above there were no other loans, leases or hire purchase commitments of the Company outstanding as of 31st January 2022.

Bank Guarantees issued on behalf of the company are as follows;

TABLE 7.3 – PARTICULARS OF GUARANTEES OUTSTANDING

	31/3/2021 LKR	31/1/2022 LKR
Sampath Bank	591,726,056.70	506,914,066.05
NDB Bank	123,503,074.16	386,976,806.87
Total	715,229,130.86	893,890,872.92

These bank guarantees are the confirmation obtained from the banks for new projects before the commencement of such projects as Performance guarantees and advance guarantees.

Other than above mentioned in Table 7.3, there were no material contingent liabilities, including acceptances and guarantees outstanding as of 31st January 2022.

There were no mortgages or charges on assets of the Company as of 31st January 2022 except for the following.

TABLE 7.4 – PARTICULARS OF MORTGAGES AND CHARGES ON THE ASSETS OF THE COMPANY

Description of Property	Underlying Borrowing (Facility Limit) (LKR)	Date of Purchase	Total Cost / Valuation (LKR)
Property at No 465, Galle Road, Panadura (land & Building)	150,000,000	2011	193,500,000
Property at No 24, New Galle Road, Moratuwa	74,600,000	2002	89,000,000
Property at No 646 & 646A, Galle Road, Rawatawatta, Moratuwa.	60,000,000	2015	115,000,000
Lien Over the Fixed Deposits (Sampath Bank Confirmation as per the date on 25th July 2019).	150,000,000 (Bank Over Draft Facility)	2019	168,868,297
Hypothecation Bond over stock held at the stress at No 562, Gangarama Road, Werahera, Boralesgamuwa and book debts of the company.	350,000,000	2019	350,000,000
Property at No.15/3, St.Joseph's Street,Moratuwa.	15,000,000	2021	19,960,000

7.4 Working Capital

The Board is of the opinion that the working capital is sufficient for the purpose of carrying out day to day operations of the company. Luminex is expecting to utilize the IPO funds for further strengthening its working capital positions. Please also refer the section 3.5 of the prospectus under objective of the issue.

7.5 Litigation, Disputes and Contingent Liabilities

There are no litigations or disputes and there are no contingent liabilities other than those mentioned in Table 7.3, of the Company as at the date of this Prospectus.

There are no legal, arbitration or mediation proceedings which have a significant effect on the Company's financial position or profitability as at the date of this Prospectus.

7.6 Management Agreements

There are no management agreements presently in force or currently being considered by the Company other than those contracts entered into in the ordinary course of business.

7.7 Material Contracts

There are no material contracts entered into by the Company other than those contracts entered into in the ordinary course of business.

7.8 Details of Commissions Paid

No commission has been paid in the two (02) years preceding the Issue or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares of the Company.

7.9 Details of Benefits Paid to Promoters

No benefit has been paid or given within the two (02) years preceding the Issue and there are no benefits intended to be paid or given to any promoter.

7.10 Details of Transactions Relating to Property

Luminex Book shops (Pvt) Ltd is a separate legal entity which has common directors of Luminex Limited. The directors of the company have been classified as the related parties who have significant influence over Luminex Book shops (Pvt) Limited or is a member of the key management personnel of Luminex Book shops (Pvt) Limited being serving as directors of both Luminex Book shop (Pvt) Limited and Luminex Limited.

Mr. G.R.P. Fernando and Mr. A. A. C. De Alwis serves as the board of directors of Luminex Limited as well as Luminex Bookshop (Pvt) Limited as of the date of this prospectus.

Luminex Book shops (Private) Limited is carrying out their operations in Panadura and Moratuwa by renting out two buildings belongs to Luminex Limited. Hence, two lease agreements have been signed in between two companies at the current market rates for this purpose. Details of these two lease agreements are given below;

Lease Agreement-1

Panadura Book Shops

No:465, Galle Road, Panadura.

Agreement Period 01st January 2021 to 31st December 2030.

Base Rent per Month LKR 400,000/=

(2021-2025) 5% increment on annual basis

(2026 -10% increment & thereafter 5% per annum till 2030)

Lease Agreement-2

Rawatawatta Book Shops

No:646, Galle Road, Rawathawatta, Moratuwa.

Agreement Period 01st January 2021 to 31st December 2030.

Base Rent per Month LKR 250,000/=

(2021-2025) 5% increment on annual basis

(2026 -10% increment & thereafter 5% per annum till 2030)

TABLE 7.5 RENTAL DETAILS OF THE LEASED PROPERTIES

LKR"000"											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Rent	-										
Agreement 1	4,800	5,040	5,292	5,557	5,834	6,418	6,739	7,076	7,429	7,801	61,986
Rent	-										
Agreement 2	3,000	3,150	3,308	3,473	3,647	4,011	4,212	4,422	4,643	4,876	38,741

Other than stated above there are no such type of transactions entered into, by the shareholders/directors or proposed directors of the company.

7.11 Details of Penalties Imposed by Regulatory and State Institutions

The company has not incurred any penalties after the 01st April 2021 to date and the penalties applicable up to 31st March 2021 have been recorded in the Audited financial statements as follows (please refer to (iv) schedules of the Audited financial statements)

	LKR
Customs penalty	87,748.00
Compensation Paid-Road Accident	100,000.00
	<u>187,748.00</u>

Please note from the above only LKR. 87,748.00 refers to Penalties Imposed by Regulatory and State Institutions

7.12 Related party transactions

The details of the related party transactions have been properly disclosed in the audited financial statements of the company. Mr. G. R. P Fernando and Mr. A. A.C. De Alwis are serves as common directors of the below independent companies.

Name of the company	Nature of the relationship
Luminex Power Project (Pvt) Ltd	Common Directors
Luminex Bookshops (Pvt) Ltd	Common Directors
Luminex Mini Hydro (Pvt) Ltd	Common Directors
Power Flow (Pvt) Ltd	Common Directors

8.0 CAPITAL STRUCTURE OF THE COMPANY

As at the date of this Prospectus, the Stated Capital of the Company comprises of two hundred and forty Million (240,000,000) Ordinary Voting Shares representing a value of Sri Lankan Rupees Two Hundred Million (LKR 200,000,000).

In the event of liquidation of the Company, the Ordinary Shareholders shall have the right to an equal share in any surplus assets of the Company available for distribution after paying all the creditors of the Company and all other claims and Debts in accordance with the provisions contained in the Companies Act No. 7 of 2007 on liquidation.

8.1 An Overview of the Capital Structure

8.1.1. Stated capital of Luminex Limited

The detailed breakdown of the Stated Capital of the company is given below.

TABLE 8.1 - STATED CAPITAL OF LUMINEX LIMITED

	Subsequent to the IPO	July 31, 2021	March 31, 2021	March 31, 2020	March 31, 2019
Stated Capital (LKR)	450,000,000	200,000,000	200,000,000	40,000,000	40,000,000
Number of Ordinary Voting Shares in Issue (Table 9.2)	271,250,000**	240,000,000*	20,000,000	4,000,000	4,000,000

* Reserve capitalization (Bonus Issue) was carried out in the ratio of 1:4 (16 million ordinary voting shares at a consideration of LKR 10 per share) on 18th February 2021 and the share split was carried out in 22nd July 2021 at the ratio of 1:12.

** Issue of 31,250,000 new shares at LKR 8.00 per share under IPO through this prospectus (if fully subscribed)

The changes in the stated capital during last four financial years is detailed down in the Table 8.2 as follows;

TABLE 8.2 CHANGES IN THE STATED CAPITAL OF LUMINEX LIMITED

	Number of shares	Stated Capital (LKR)
Balance as of 31st March 2018	4,000,000	40,000,000
Issue of shares during the year	-	-
Balance as of 31st March 2019	4,000,000	40,000,000
Issue of shares during the year	-	-
Balance as of 31st March 2020	4,000,000	40,000,000
Reserve capitalization (Bonus share issue) during the year (1:4)	16,000,000	160,000,000
Balance as of 31st March 2021	20,000,000	200,000,000
Balance as of 31st July 2021 post Share split(1:12)	240,000,000	200,000,000
IPO – New share issue of 31,250,000 shares at LKR 8.00 per share (If fully subscribed)	31,250,000	250,000,000
Balance immediately subsequent to the IPO	271,250,000	450,000,000

8.1.2 Details of redemption of repurchase of shares in Luminex Limited

There was no any redemption of repurchase of during the two-year period immediately preceding the date of this Prospectus in terms of Sections 63, 64, 66, 67, 68, 69, 93 and 100 of the Companies Act and of any reduction of stated capital in terms of Section 59 of the Companies Act.

8.1.3 Details of statutory restrictions of shares in Luminex Limited

There are no any statutory restrictions on the free transferability of the Ordinary Voting Shares of the Company.

8.1.4 Details of transfers/sale/purchase of shares in Luminex Limited

Details pertaining to the transfer/ sale and purchase of shares in Luminex are as follows.

TABLE 8.3 SHARE TRANSFERS, SALE AND PURCHASE DURING PERIOD OF 12 MONTHS

Name of the transferor	Date of the transfer	Name of the transferee	Number of shares	Price per share (LKR)
Mr. G R P Fernando	25/6/2021	Navara Capital Limited	150,000*	10.00
Mr. G R P Fernando	25/6/2021	Mandarin Capital Limited	150,000*	10.00
Ms. D. B. J. Ramanayake	14/07 2021	Ms. D. H. S. Ramanayake	2,406,250*	10.00
Total			2,706,250*	10.00

*Number of shares prior to share split

Except the above-mentioned share transfers there were no share transfers/ sale of Luminex during the period of twelve (12) months immediately preceding the date of the Initial Listing Application.

8.2 Shareholding Structure Pre and Post IPO

Tabulated below are the shareholders of the Company as of the date of submission of Initial Listing Application to the CSE and subsequent to the Offering, on the assumption of full subscription.

TABLE 8.4 - SHAREHOLDING STRUCTURE – PRE AND POST IPO

Name	Pre IPO		Post IPO	
	No. of Ordinary Voting Shares	%	No. of Ordinary Voting Shares	%
Mr. G.R.P Fernando	120,900,000	50.38%	120,900,000	44.57%
Mr. A.A.C. De Alwis	57,750,000	24.06%	57,750,000	21.29%
Ms. D. H. S. Ramanayake	57,750,000	24.06%	57,750,000	21.29%
Navara Capital Limited	1,800,000	0.75%	1,800,000	0.66%
Mandarin Capital Limited	1,800,000	0.75%	1,800,000	0.66%
Existing Shareholders	240,000,000	100.00%	240,000,000	88.48%
IPO Shareholders	-	-	31,250,000	11.52%
Total	240,000,000	100.00%	271,250,000	100.00%

8.3 Details Pertaining to the Locked-in Shares – Pre and Post IPO

In terms of CSE Listing Rule 2.1.1(d)(i), shares held by Non-Public Shareholders, as defined in Section 9.4, namely the 240,000,000 Ordinary Voting Shares, held by Non-Public Shareholders as shown in Table 9.5 below, would be subject to a 'lock-in' for a period of six (06) months from the date of listing of Shares. As such these shares would not be available for secondary market trading on the CSE upon the company obtaining listing of its shares subsequent to the IPO contemplated via this Prospectus until the expiry of the aforesaid six (06) month period from the respective date of listing.

Please also refer Annexure VI pertaining to the approval granted by the SEC under Section 80 of SEC Act and Annexure VII pertaining to the independent confirmation of the share price obtained from BDO Partners to satisfy the conditions of the approval. As per the Independent confirmation by BDO Partners, due to the 1:12 subdivision of shares carried on 22nd July 2021 the comparable post split price per share is LKR 0.84. This results in a gain of LKR. 7.16 per share based on the offer price of LKR. 8.00. Therefore as per the item 2 of the SEC approval letter dated 30th November 2021 the 240 Million shares resulting from the subdivision on 22nd July 2021 will be locked in for a period of 12 months from such date or 6 months from the date of listing whichever is longer.

TABLE 8.5 - SHARES IN - PRE IPO

Category of Shareholders (Pre-Listing)		Locked-in Ordinary Voting Shares	The Months after which the Ordinary Voting Shares will be Available for Trading	Number of Ordinary Voting Shares as a percentage of Total Number of Ordinary Voting Shares in Issue (Pre-Listing)	
Non-public shareholders					
Mr. G.R.P. Fernando	Non-Public	Shares held by Non-Public Shareholders prior to the date of the Initial Listing Application - Locked-in	At the expiry of 6 months from the date of listing	120,900,000	50.38%
Mr. A.A.C. De Alwis	Non-Public	Shares held by Non-Public Shareholders prior to the date of the Initial Listing Application - Locked- in	At the expiry of 6 months from the date of listing	57,750,000	24.06%
Ms. D. H. S. Ramanayake	Non-Public	Shares held by Non-Public Shareholders prior to the date of the Initial Listing Application - Locked-in	At the expiry of 6 months from the date of listing	57,750,000	24.06%
Navara Capital Limited	Non-Public	Shares held by Non - Public Shareholders prior to the date of the Initial Listing Application - Locked-in	At the expiry of 6 months from the date of listing	1,800,000	0.75%
Mandarin Capital Limited	Non-Public	Shares held by Non - Public Shareholders prior to the date of the Initial Listing Application - Locked-in	At the expiry of 6 months from the date of listing	1,800,000	0.75%
				240,000,000	100%

Shares held by the 'Public' as a percentage of the total Pre-IPO number of Ordinary Voting Shares (Pre-IPO public holding), as per the 'Public' definition provided in the, CSE Listing Rules 2.1.1 is 0% (zero)

Other than the shares mentioned above, no further shares will be subject to a lock-in, in terms of CSE Listing Rule 2.1.1(d)(iii) or 2.1.1(d)(iv).

The Company hereby confirms that the information furnished herewith shall remain unchanged to the date of listing.

TABLE 8.6 - SHARES LOCKED IN – POST IPO - ISSUE OF 31,250,000 ORDINARY VOTING SHARES

Category of Shareholders (Post-Listing)	Locked-in Ordinary Voting Shares	The Months after which the Ordinary Voting Shares will be Available for Trading	Number of Ordinary Voting Shares	Number of Ordinary Voting Shares as a percentage of Total Number of Ordinary Voting Shares in Issue (Post-Listing)
Non-Public	Mr. G.R.P. Fernando	Shares held by Non-Public Shareholders prior to the date of the Initial Listing Application - Locked-in	120,900,000	44.57%
	Mr. A.A.C. De Alwis		57,750,000	21.29%
	Ms .D. H. S. Ramanayake		57,750,000	21.29%
	Navara Capital Limited		1,800,000	0.66%
	Mandarin Capital Limited		1,800,000	0.66%
			240,000,000	88.48%
Public*	Not Locked-in – Post IPO	N/A	31,250,000	11.52%
			271,250,000	100.00%

8.4 Free Transferability of Shares

In accordance with CSE Listing Rule 2.1.1(d):

- All Shares held by 'Non-Public Shareholders'* prior to the date of the Initial Listing Application shall be locked in for a period of **six (06) months** from the date of listing of the Company.
- All Shares held by 'Public Shareholder'*** prior to the date of the Initial Listing Application shall **not be locked in**.
- **All shares acquired by way of a transfer from another shareholder** (irrespective of being Non-Public or Public Shareholders) **during the period of twelve (12) months** immediately preceding the date of the Initial Listing Application shall be **locked in for a minimum of six (06) months** from the date of listing or **twelve (12) months** from the date of acquisition of those shares, whichever is longer.
- All Shares acquired by way of an allotment during the period of **twelve (12) months** immediately preceding the date of the Initial Listing Application shall be dealt with by the discretion vested in the Securities and Exchange Commission under Section 28A of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987. The company received the approval from the Securities and Exchange Commission of Sri Lanka under the Section 80 of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021.

** Non-Public Shareholders, shall mean the following parties who hold, directly or indirectly, shares of the Company;*

- a) its parent, any subsidiary or associate companies or any subsidiaries or associates of its parent company,*
- b) its Directors who are holding office as Directors of the entity and their close family members,*
- c) Chief Executive Officer and his/her close family members,*
- d) Key Management Personnel and their close family members,*
- e) Any party acting in concert with the parties set out in a), b), c) and d) above,*
- f) Shareholders whose shares are in a locked account with the CDS due to a statutory or regulatory requirement other than those shareholders exempted under (h) below and whose shares have been subject to a voluntary lock-in at the option of the shareholder,*
- g) Employees of the Company, who have been allotted shares of a Listed Entity which are directly or indirectly controlled by the management or the majority shareholder of the Company,*
- h) Any Entity or an individual or individuals jointly or severally holding 5% or more of the shares of the Listed Entity if the Company is a Main Board Entity and 10% or more of the shares if the Company is a Main Board Entity, except where such shareholder is;*
 - i. a statutory institution managing funds belonging to contributors or applicants who are members of the public; or*
 - ii. an entity established as a unit trust or any other investment fund approved by the SEC; or*
 - iii. not a related party declared in terms of Sri Lanka Accounting Standards or a party acting in concert declared in terms of the Company Takeovers and Mergers Code.*

'Close Family Member' shall mean the spouse or a financially dependent child.

'Key Management Personnel' shall mean those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

*** Public Shareholders shall mean any party who hold Shares of the Company other than the parties identified as 'Non-Public Shareholders' abovementioned.*

The details of the lock-in periods for the shares are mentioned in Tables 8.5 and 8.6 above and the shares that will be subject to a lock-in will not be available for trading.

8.5 Other Securities

The Company has not issued any convertible debt securities or any other class of shares other than the shares stated above. Further, there are no securities of the same or other class subscribed or sold privately in conjunction with this IPO.

8.6 Takeover Offers

There have been no takeover offers by third parties in respect of the Company's shares during the past two years and no takeover offers have been made by the Company in respect of shares of third parties.

9.0 INVESTMENT CONSIDERATIONS AND ASSOCIATED RISK FACTORS

Risk Factors

Prior to investing in the Offered Shares, prospective applicants should pay particular attention to the fact that the Company and its business activities are subject to a number of risk factors which may be within or outside the control of the Company.

The risk factors that follow may be considered material to applicants in making an informed judgment on the Company. If any of the considerations and uncertainties given below develops into actual events, the Company's business, financial conditions or results of operations and prospects could be adversely affected. However, given the importance of the industry in which the Company operates and due to strategic initiatives employed by the Company, the business operations of the Company are expected to be sustainable in the foreseeable future.

By envisaging potential risks and opportunities, the company has identified following risks in relating to their business segments.

9.1 Risks Relating to Business Operations and Future Plans

9.1.1 Political & Economic Climate in Sri Lanka

The government and government policies exert substantial influence in all sectors of the economy, and this is more pronounced in the operating sectors of Luminex. The activities in the MEP and Civil Engineering sector closely follow the fluctuating economic conditions altogether the telecom sector is considered somewhat immune. While the country's political situation appears to be stable, the economic situation appears to need remedial actions especially to mitigate the negative impact of the pandemic. As the company currently fully relies on Sri Lankan market any prolonged downturn in the economy could have a negative impact on its performance. Planned overseas expansion is expected to reduce this reliance.

9.1.2 COVID 19 Pandemic Related Risks

Covid-19 pandemic related risks will have an indirect impact on the performance of the future plans of Luminex Limited such as long-term implications that hinders economic growth due to rising inflation, unemployment, exchange rate risks, country credit risk and other external factors. The company has weathered the pandemic well during the last year with substantial growth in revenue and profits. Please also refer section 5.10.

9.1.3 Customer concentration risk/ Risk of Loss of Key Relationships

Substantial part of the company's revenue is currently attributable to two key customers, Sri Lanka Telecom PLC and Dialog Axiata PLC. unlikely events of losing one of these key customers could have negative repercussions on the company's operations. However, Luminex relies on long-lasting relationships with these clients as a key supplier of Telcom engineering services. Such relationships and the track record of performance excellence substantially mitigate the associated risk.

9.1.4 Loss of Key Employees

The company has a professional management team possessing the expertise and experience in their respective fields covering all business segments of Luminex. This ensures the operational excellence in providing a superior quality service effectively and efficiently. Company has focused and invested in training

and development of key employees hence losing them will impact the continuation of the projects while replacement of skilled, qualified personnel will also be a challenge.

Therefore, the company practice a fair and appropriate procedures to maintain a good relationship with key employees and their benefits have been linked with their performance. Apart from the performance driven culture, the company has implemented strategic tools such a separate communication policy, health and safety policy and training and development policy to develop and retain key employees.

9.1.5 Increased Competition in the Future

There is an intense competition in all three industry segments with large number of small and medium players while being dominated by few large-scale players. Therefore, the competition among market leaders will create supplier dominated bargaining power and pressure on Luminex on contract terms and pricing.

However, the long-lasting business relationship and the operational history over 35 years and high quality of service delivery ensures the business sustainability and helps to mitigate the business risk.

The strong leadership and experienced management team as well as management policies have ensured business continuity over the past several decades. The management attends to their business-related issues promptly and this has helped the Company to successfully manage its operational challenges.

Further, the company follows diversification business strategy whereas the management selects the projects after careful assessments of all associated risks. As a future strategy the company intends to have a balanced project portfolio from diverse industries and clients further mitigating these risks.

9.2 Risks Related to Capital Market

Nonexistence of Prior Market for the Shares: Prior to the IPO there has been no public market for the Company's Shares. There can be no assurance that an active trading market for the Shares will develop or if developed, will be sustained, or that the market price of the Shares shall not decline below the Share Issue Price. The Share Issue Price may not be indicative of the market price for the Company's Shares after completion of the IPO. The market share will be determined by the demand and supply of the shares at the market.

Price Volatility in the Secondary Market: The price of the Shares may fluctuate due to and not limited to the following: variations in operating results, changes in the operating environment, transitions in the regulatory front, strategic alliances or acquisitions, industrial or environmental laws, fluctuations in the market prices for products or raw materials, macroeconomic factors, and external events. Price of Shares may follow general Applicant sentiment prevalent in the market at any given time. In addition, the price of the Shares in the market will fluctuate as a result of share trading volumes.

10.0 TAXATION

The following information is an overview of selected taxation and other regulations that may be relevant to the Company and potential applicants with regard to share transactions in the Democratic Socialist Republic of Sri Lanka. The discussion does not claim to be a comprehensive explanation of regulations and consideration that pertain to the purchase, ownership and disposition of the Offered Shares. The explanations are based on provisions effective in Sri Lanka at the time of printing of this Prospectus. Applicants are advised to consult their own advisors prior to engaging in transactions relating to the Issue.

10.1 Income Tax

Taxation will be based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act and any subsequent amendments thereon. Luminex Limited is liable for Income Tax at the rate of 14% for the year of assessment 2021/2022.

10.2 Income Tax on Dividend Distribution

The dividends distributed out of dividends received from another resident company is exempt from income tax for a resident or non-resident person. The dividends distributed out of profits of the Company will form part of the income of a resident person unless such person is exempt from income tax as a person referred to in item (a) or (e) of the third schedule to the Inland Revenue Act No. 24 of 2017. Any dividend paid to a non-resident person is exempt from income tax.

Advance Income Tax (AIT) is deductible on dividend payment made to any resident person subject to the consent given by the shareholder based on the rate indicated in the declaration. The tax deducted could be claimed as a credit against the income tax liability of the shareholder. Where the consent has not been received from the shareholder, such dividend has been distributed without deduction of AIT.

11.0 STATUTORY DECLARATIONS

11.1 Statutory Declaration by the Directors

23.03.2022

We the undersigned, who are named in the Prospectus as Directors of Luminex Limited, hereby declare and confirm that we have read the provisions of the CSE Listing Rules and of the Companies Act No. 07 of 2007 and any amendments to it relating to the issue of this Prospectus, and that those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of Luminex have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to Luminex and making assumptions that are considered to be reasonable at the present point in time by our best judgement.

Name	Designation	Signature
Dr. H N De Silva	Chairman / Non- Independent Non-Executive Director	<i>Sgd</i>
Mr. G R P Fernando	Managing Director/ Non-Independent Executive Director	<i>Sgd</i>
Mr. A A C De Alwis	Non-Independent Executive Director	<i>Sgd</i>
Mr. Asoka Hettigoda	Independent Non-Executive Director	<i>Sgd</i>
Mr. I B Lionel	Independent Non-Executive Director	<i>Sgd</i>
Mr. Upul Ranjith Lekamge	Non-Independent Executive Director	<i>Sgd</i>
Mr. H M G Palitha Herath	Non-Independent Executive Director	<i>Sgd</i>

11.2 Statutory Declaration by the Managers to the Issue – Navara Capital Limited

23.03.2022

We, Navara Capital Limited, of No 487/10, Thimbirigasyaya Road, Colombo 05 being the Financial Advisor and Manager to the Issue of Luminex Limited, hereby declare and confirm that to the best of our knowledge and belief the Prospectus constitutes full and true disclosure of all material facts about the Offer and of Luminex Limited, whose Ordinary Voting Shares are being Offered.

Sgd.
Director

Sgd.
Director

11.3 Statutory Declaration by the Company

23.03.2022

An application has been made to the CSE for permission to deal in and for a listing for all of the Ordinary Voting of the Company and those Ordinary Voting Shares which are the subject of this Offer. Such permission will be granted when shares are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of the Company or of the Shares Offered.

Sgd.
Director

Sgd.
Director

11.4 Declaration by the Independent Valuer



To Whom It May Concern

Luminex Ltd

Initial Public Offering

Consent Letter & Declaration by the Independent Valuers to the Offer

We, BDO Consulting (Pvt) Ltd, do hereby consent for the inclusion of our name as “Independent Valuers to the Offer” in the Prospectus in connection with the proposed Initial Public Offering of Luminex Limited.

We hereby declare that,

We are not a related party of the Luminex Limited as defined in the Sri Lanka Accounting Standards nor has a conflict of interest with Luminex Ltd.

The staff engaged in this assignment are members of good standing in a professional association relevant to the valuation assignment undertaken and have the necessary skills and resources at their disposal to arrive at a competent independent opinion in determining the Fair Value of the Shares of Luminex Limited.

When arriving at the Fair Value of the Shares of Luminex Limited, we have made all the inquiries that we believe are desirable and appropriate in order to arrive at a competent independent opinion subject to any qualifications made in the valuation report, and we have complied with all applicable regulatory and technical requirements as applicable in our capacity as the “Independent Valuers to the Offer” to the above mentioned Initial Public Offering.

Further, we hereby declare that we do not intend to withdraw our consent referred to above prior to the delivery of a copy of the Prospectus for registration with the Registrar of Companies by Luminex Ltd.

Yours faithfully,

BDO Consulting (Pvt)

Ltd Sgd.

Managing Director

Nishan Fernando

22.12.2021

BDO Consulting (Pvt) Ltd, a limited liability company incorporated in Sri Lanka, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO Consulting (Pvt) Ltd is associated with BDO Partners, a Sri Lankan Partnership, a member of BDO International Limited

Directors : Nishan Fernando FCA, ACMA (UK), MBA (SRI L)

ANNEXURE I: ACCOUNTANT'S REPORT AND FIVE-YEAR SUMMARY

ANNEXURE II : INDEPENDENT VALUATION REPORT ISSUED BY THE INDEPENDENT VALUER

ANNEXURE III : REPORT OF FACTUAL FINDINGS ON THE GAP ANALYSIS OF SLFRS/LKAS AS AT 31ST MARCH 2021

ANNEXURE IV : AUDITED FINANCIAL STATEMENTS AS OF 31ST MARCH 2021

ANNEXURE V : INTERIM FINANCIAL STATEMENTS AS OF 30TH SEPTEMBER 2021 SUBJECTED TO A LIMITED REVIEW

ANNEXURE VI APPROVAL UNDER SECTION 80 OF THE SEC ACT

ANNEXURE VII IRFA CONFIRMATION BY BDO

ANNEXURE VIII: COLLECTION POINTS

ANNEXURE IX : CUSTODIAN BANKS



2nd August, 2021

The Board of Directors,
Luminex Ltd.
No. 24
New Galle Road,
Moratuwa.

Dear Sirs I Madams,

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF LUMINEX LIMITED

Introduction

This report has been prepared for the inclusion in the Prospectus of Luminex Limited for the purpose to raise Rupees Two Hundred and Fifty Million (Rs.250,000,000) via an issue of 31,250,000 shares at Rs.8/= each, on the Diri Savi Board of the Colombo Stock Exchange.

We have examined the financial statements of Luminex Limited (the "Company") for the periods ended 31st March 2017 to 31st March 2021, and report as follows:

1. Incorporation

The Company was incorporated in Sri Lanka as Luminex (Pvt) Ltd., on 12th February, 1986 as a limited liability company. The company passed a special resolution of the shareholders on 12th July, 2021 to convert the status of the company to a public company under the Companies Act No. 07 of 2007. The registered office and the principal place of business is situated at No. 24, New Galle Road, Moratuwa. The Company's principal activities during the period were civil, electrical, electronic, Telecommunication and mechanical engineering constructing and consulting.

2. Appointment of auditors

We were appointed as Auditors of Luminex Limited with effect from the financial year ended 31st March, 1986.


3. Financial information

3.1 Five-year summary of audited financial statements

A summary of statements of comprehensive income, statements of financial position, statements of changes in equity and statements of cash flows of the Company for the financial years ended 31st March 2017 to 31st March 2021, based on the audited financial statements are set out on Appendix 1 to the Accountants' report.

3.2 Audited financial statements for the year ended 31st March 2021

Our audit report on the financial statements of the company for the year ended 31st March, 2021 together with such Financial Statements comprising the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows along with the accounting policies and notes thereon is available on the Annexure of the prospectus.

 "RNH House", 622-B,
Kotte Road,
Kotte, Sri Lanka.

 +94 114 975 999

 +94 114 511 473

 info@nh-co.lk

 www.nh-co.lk

Partners
Nihal Hettiarachchi FCA, FCMA, FCPM,
Dinuk Hettiarachchi FCA, FCMA(UK), FCPA (AUS)
Erandi Weerasuriya ACA, BSc (Mgt.Pub)Sp,
Tax Director :
Dinusha Ilankoon BB.Mgt Accountancy(Sp),CTA
Yadeeshani Perera ACA, BSc (Bus.Admin)Sp,
Dilini Silva ACA



3.3 Audit Reports

We have audited the financial statements of the Company for the financial years ended 31st March, 2017 to 31st March 2021. Audit opinions issued are summarized in the table below:

Financial year ended 31st March	Audit opinion	Date of Auditors' Report
2017	Unmodified audit opinion	21 st June, 2017
2018	Unmodified audit opinion	23 rd November, 2018
2019	Modified audit opinion	26 th November , 2019
2020	Modified audit opinion	11 th January, 2021
2021	Unmodified audit opinion	22 nd July, 2021

We were unable to observe the counting of physical inventories or satisfy ourselves concerning those inventory quantities by alternative means. Since determination of operating results are affected by the inventory values, we were unable to determine whether adjustments to the results of operations might be necessary for the period under concern. Our audit opinion on the financial statements for the year ended 31st March, 2019 and 31st March, 2020 was modified accordingly

3.4 Accounting policies

The Financial Statements of the Company for the financial years ended 31st March 2017 to 31st March 2021 have been prepared in accordance with the Sri Lanka Accounting Standards for Small and Medium sized Entities (SLFRS for SMEs) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The accounting policies of the Company as per SLFRS for SMEs are stated in detail in the audited financial statements of the Company for the year ended 31st March 2021. There were no material changes in the accounting policies of the Company for the years ended 31st March 2017 to 31st March 2021.

3.5 Dividends

The Company has paid dividends during the financial periods ended 31st March 2017 to 31st March 2021 as follows.

Financial period	Dividend paid (Rs).	Dividend per share (Rs).
Year ended 31 st March 2017	39,840,000	9.96
Year ended 31 st March 2018	74,160,000	18.54
Year ended 31 st March 2019	24,000,000	6.00
Year ended 31 st March 2020	30,000,000	1.50
Year ended 31 st March 2021	70,000,000	3.50

3.6 Events after the reporting date

There are no significant events occurred after the reporting date except disclosed below.

The directors have passed a special resolution approving share sub division in the ratio of 1:12 and the share structure after the sub division is as follows:

Number of shares prior to the sub division of shares	Number of shares subsequent to the sub-division of shares
20,000,000	240,000,000

4. Restriction on use

This report is made solely for the inclusion in the Prospectus of Luminex Limited for the purpose to raise Rupees Two Hundred and Fifty Million (Rs. 250,000,000) via an issue of 31,250,000 shares at Rs.8/= each, on the Diri Savi Board of the Colombo Stock Exchange.

Yours faithfully,


CHARTERED ACCOUNTANTS

LUMINEX LTD
STATEMENT OF COMPREHENSIVE INCOME

	2020/21 Rs.	2019/20 Rs.	2018/19 Rs.	2017/18 Rs.	2016/17 Rs.
Revenue	2,554,040,787	1,545,368,584	1,446,443,182	1,404,436,703	1,974,351,557
Operating Expenses	<u>(1,848,726,837)</u>	<u>(1,156,151,418)</u>	<u>(1,112,163,720)</u>	<u>(1,123,271,929)</u>	<u>(1,295,101,471)</u>
Gross Profit	705,313,950	389,217,166	334,279,462	281,164,774	679,250,086
Other Income	72,117,660	68,291,001	72,621,458	75,055,501	47,454,375
Share of Net (Loss) / Profit from JV	(24,384)	22,963,836	(22,995,852)	-	-
Administration Expenses	(357,812,551)	(297,918,420)	(254,573,425)	(212,283,409)	(189,929,189)
Other Expenses	<u>(187,748)</u>	<u>(1,058,006)</u>	<u>(284,203)</u>	<u>(12,236,151)</u>	<u>(195,269)</u>
Operating Profit	419,406,927	181,495,577	129,047,440	131,700,715	536,580,003
Finance Costs	<u>(61,033,903)</u>	<u>(60,423,822)</u>	<u>(37,855,030)</u>	<u>(8,868,988)</u>	<u>(10,157,029)</u>
Profit Before Tax	358,373,024	121,071,755	91,192,410	122,831,727	526,422,974
Income Tax Expense	<u>(63,068,493)</u>	<u>(27,057,138)</u>	<u>(29,602,093)</u>	<u>(40,691,245)</u>	<u>(85,280,982)</u>
Profit For The Year	<u>295,304,531</u>	<u>94,014,617</u>	<u>61,590,317</u>	<u>82,140,482</u>	<u>441,141,992</u>
E.P.S	<u>14.77</u>	<u>23.50</u>	<u>15.40</u>	<u>20.54</u>	<u>110.29</u>

LUMINEX LTD
STATEMENT OF FINANCIAL POSITION

	2020/21	2019/20	2018/19	2017/18	2016/17
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.
Non-current assets					
Property, plant and equipment	359,832,875	342,947,296	248,117,121	168,466,812	236,514,795
Interest in joint venture	-	18,086	-	-	-
Intangible assets	3,442,308	5,389,408	619,248	868,225	827,494
	363,275,183	348,354,790	248,736,369	169,335,037	237,342,289
Current assets					
Deferred tax asset	1,823,147	761,305	-	-	-
Inventories	546,847,780	835,160,547	649,763,351	527,246,349	483,339,211
Other financial assets	312,090,244	257,992,554	216,400,482	199,540,914	206,281,248
Trade and other receivables	638,552,162	367,926,171	473,700,344	452,042,710	539,624,541
Income tax receivable	-	-	14,573,906	1,250,335	-
Cash and cash equivalents	61,296,740	49,207,682	31,936,482	20,160,131	29,819,580
	1,560,610,073	1,511,048,259	1,386,374,565	1,200,240,439	1,259,064,580
Total assets	1,923,885,256	1,859,403,049	1,635,110,934	1,369,575,476	1,496,406,869
EQUITY AND LIABILITIES					
Equity					
Stated capital	200,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Retained earnings	1,230,122,530	1,124,817,999	1,054,803,382	980,713,065	1,035,818,740
	1,430,122,530	1,164,817,999	1,094,803,382	1,020,713,065	1,075,818,740
Non-current liabilities					
Deferred tax liability	-	-	7,542,038	14,463,075	4,484,707
Retirement benefit obligation	60,166,236	50,184,701	42,942,451	36,944,191	33,566,663
Interest bearing borrowings	62,856,284	80,134,521	68,906,476	31,940,968	40,714,343
Interest in joint venture	6,298	-	22,970,852	-	-
	123,028,818	130,319,222	142,361,817	83,348,234	78,765,713
Current liabilities					
Trade and other payables	127,849,634	108,980,517	122,705,571	158,853,460	93,614,055
Interest bearing borrowings	170,073,748	271,494,159	196,397,735	60,502,562	123,651,462
Other financial liabilities	8,000,000	8,000,000	-	-	-
Income tax Payable	36,510,937	3,068,169	-	-	59,338,766
Bank overdrafts	28,299,589	172,722,983	78,842,429	46,158,155	65,218,133
	370,733,908	564,265,828	397,945,735	265,514,177	341,822,416
Total liabilities	493,762,726	694,585,050	540,307,552	348,862,411	420,588,129
Total equity and liabilities	1,923,885,256	1,859,403,049	1,635,110,934	1,369,575,476	1,496,406,869

LUMINEX LTD
STATEMENT OF CHANGES IN EQUITY

	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 01st April, 2016	40,000,000	629,676,748	669,676,748
Profit for the year	-	396,836,687	396,836,687
Dividends	-	(35,000,000)	(35,000,000)
Balance as at 31st March, 2017	40,000,000	991,513,435	1,031,513,435
Balance as at 01st April, 2017	40,000,000	991,513,435	1,031,513,435
Profit for the year	-	98,640,482	98,640,482
Deferred tax impact on effective income tax rate change	-	(4,940,852)	(4,940,852)
Dividends	-	(88,000,000)	(88,000,000)
Balance as at 31st March, 2018	40,000,000	997,213,065	1,037,213,065
Balance as at 01st April, 2018	40,000,000	997,213,065	1,037,213,065
Profit for the year	-	61,590,317	61,590,317
Dividends	-	(4,000,000)	(4,000,000)
Balance as at 31st March, 2019	40,000,000	1,054,803,382	1,094,803,382
Balance as at 01st April, 2019	40,000,000	1,054,803,382	1,094,803,382
Profit for the year	-	94,014,617	94,014,617
Dividends	-	(24,000,000)	(24,000,000)
Balance as at 31st March, 2020	40,000,000	1,124,817,999	1,164,817,999
Balance as at 01st April, 2020	40,000,000	1,124,817,999	1,164,817,999
Profit for the year	-	295,304,531	295,304,531
Dividends	-	(30,000,000)	(30,000,000)
Issue of shares	160,000,000	(160,000,000)	-
Balance as at 31st March, 2021	200,000,000	1,230,122,530	1,430,122,530

LUMINEX (PVT) LTD
STATEMENT OF CASH FLOWS

	2021	2020	2019	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities					
Profit for the year	295,304,531	94,014,617	61,590,317	82,140,482	441,141,992
Adjustments for non - cash income and expenses :					
Non- cash income tax expenses (Note - a)	32,380,926	10,217,266	(18,343,894)	(53,107,983)	53,688,480
Amortization	1,947,100	1,315,255	342,851	299,380	187,500
Depreciation of property, plant and equipment	83,591,479	62,400,362	47,558,874	67,213,246	28,297,550
Interest income	(22,511,789)	(24,398,128)	(20,871,567)	(24,436,022)	(16,210,550)
Profit on disposal of assets	(5,070,000)	(8,147,796)	(1,623,907)	(4,401,815)	(1,304,970)
Provision for gratuity	11,395,849	8,785,251	7,037,685	4,866,866	18,909,844
Share of joint venture Loss / (Profit)	24,384	(22,988,938)	22,970,852	(1,489,338)	-
Gratuity paid	(1,414,314)	(1,543,001)	(1,039,425)	-	(236,025)
Interest adjustment for lease	(7,102,937)	(6,270,613)	(17,427,841)	(351,401)	2,715,041
Changes in working capital					
(Increase) / Decrease in trade and other receivables	(270,625,991)	105,774,173	(21,657,634)	87,581,831	(152,716,986)
(Increase) / Decrease in inventories	288,312,767	(185,397,196)	(122,517,002)	(43,907,138)	(258,261,501)
Increase / (Decrease) in trade and other payables	17,124,117	(13,725,054)	(36,147,889)	65,239,405	(1,764,793)
Net cash generated from / (absorbed in) operating activities	423,356,122	20,036,198	(100,128,580)	179,647,513	114,445,582
Cash flows from investing activities					
Interest received	22,511,789	23,519,594	18,970,853	21,992,420	14,594,683
Investment in other financial assets	(54,097,690)	(41,592,072)	(16,859,568)	6,740,334	(31,168,460)
Purchase of property, plant and equipment	(98,732,059)	(169,605,537)	(110,709,182)	(43,495,479)	(43,365,689)
Purchase of intangible assets	-	(6,085,415)	(93,874)	(340,111)	-
Sales proceeds from disposal of assets	5,070,000	20,522,796	1,623,907	4,426,726	1,304,970
Net cash absorbed in investing activities	(125,247,960)	(173,240,634)	(107,067,864)	(10,676,110)	(58,634,496)
Cash flows from financing activities					
Dividend paid	(30,000,000)	(24,000,000)	(4,000,000)	(88,000,000)	(35,000,000)
Proceeds received from borrowings	297,218,910	448,899,030	377,618,705	11,097,849	219,566,012
Repayment of capital portion of borrowings	(357,043,685)	(313,029,116)	(165,193,145)	(70,114,854)	(187,627,535)
Repayment of lease rentals	(51,770,935)	(35,274,832)	(22,137,039)	(12,553,869)	(26,359,463)
Net cash (absorbed in) / generated from financing activities	(141,595,710)	76,595,082	186,288,521	(159,570,874)	(29,420,986)
Net Increase / (Decrease) in cash and cash equivalents	156,512,452	(76,609,354)	(20,907,923)	9,400,529	26,390,100
Cash and cash equivalents at the beginning of the year	(123,515,301)	(46,905,947)	(25,998,024)	(35,398,553)	(61,788,653)
Increase / (Decrease)	156,512,452	(76,609,354)	(20,907,923)	9,400,529	26,390,100
Cash and cash equivalents at the end of the year	32,997,151	(123,515,301)	(46,905,947)	(25,998,024)	(35,398,553)
Note : (a)					
Income tax paid	30,687,567	16,839,872	47,945,987	93,799,228	31,592,502

ANNEXURE II : INDEPENDENT VALUATION REPORT ISSUED BY THE INDEPENDENT VALUER

SHARE VALUATION REPORT TO THE BOARD OF DIRECTORS OF LUMINEX LIMITED



15th March 2022
BDO Consulting (Pvt) Ltd.





Tel : +94-11-2421878-79-70
+94-11-2387002-03
Fax : +94-11-2336064
E-mail : bdoconsulting@bdo.lk
Website : www.bdo.lk

BDO Consulting (Pvt) Ltd
Management & Corporate Consultants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha,
Colombo 02, Sri Lanka.
Reg. No. PV 12978

15th March 2022.

Board of Directors,
Luminex Ltd,
24,
Galle Road,
Moratuwa,
Sri Lanka.

Provision of consultancy services on conducting a share valuation for Luminex Ltd. (LL)

Dear Board Members,

We are pleased to submit the final report on the share valuation of LL, in terms of the letter of engagement signed on 4th November 2021, for its proposed Initial Public Offering in the Colombo Stock Exchange.

Yours faithfully,

BDO Consulting (Pvt.) Ltd.

Sgd

BDO Consulting (Pvt) Ltd, a limited liability company incorporated in Sri Lanka, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO Consulting (Pvt) Ltd is associated with BDO Partners, a Sri Lankan Partnership, a member of BDO International Limited.

Directors : Nishan Fernando FCA, ACMA (UK), MBA (SRI J) S.G.Ranjith ACA,Bsc.

BDO possesses the resources with necessary skills and competencies to perform an independent evaluation of a company to be listed in Colombo Stock Exchange and make an appropriate recommendation to the Board of Directors to decide the Initial Public Offering price.

This Report is for the use of the Board of Directors of Luminex Limited to decide an appropriate share price for the Intended Initial Public Offering of LL and should not be used for any other purpose.

The validity period of the valuation report is 3 months from the date of issuance of the final Prospectus in compliance with section 8 the CSE Guideline for valuation/research reports.

This Report is subject to the qualifications and disclaimers set out in the body of the Report.

LEGAL NOTICE

This Report has been prepared by BDO Consulting (Pvt) Limited (“BDO”) to assist the Board of Directors of Luminex Limited (Here in after may be referred to as “LL” or the company) on deciding the Share Value of LL.

This report may be used in the Intended Initial Public Offering (IPO) process.

This Report relies upon the representations made at discussions we had with the management of LL, information and documents compiled and provided to BDO by LL and its representatives. BDO has also relied on reported information such as audited financial statements, Interim financials and other information provided by the management of LL and information on LL that is publicly available.

This Report is provided subject to the following understandings.

1. LL has made available to BDO all material information, and that all information so provided is up to date.
2. All reports and financial documentation are correct and accurate in all material particulars.

BDO has not undertaken any independent enquiries or audits to verify that the information provided is correct and has not carried out any type of audit of LL’s records to verify that all material documentation has been provided.

The value recommendations made herein are valid for 3 months from the date of issuance of the final prospectus, subject to there being no material changes to the operating environment or business model of LL. The use of the value recommendation in this report after the said period is not recommended.

Neither BDO nor those involved in the preparation of this Report has any material interest in LL. BDO does not have a significant interest or financial connection with LL. BDO is remunerated for this Report by way of a professional fee determined in accordance with BDO’s standard schedule of rates which is not contingent on the outcome of this Report.

Definitions, Abbreviations and Glossary of Terms

Abbreviation	Meaning
BDO	BDO Consulting (Pvt) Limited
LL	Luminex Limited
CBSL	Central Bank of Sri Lanka
DCF	Discounted Cash Flow
GGM	Gordon's Growth Model
Bn	Billion
CF	Cash Flow
EBIT	Earnings Before Interest and Taxes
EPS	Earnings Per Share
FCFF	Free Cash Flow to Firm
FY	Financial Year (April to March)
G	Growth
GDP	Gross Domestic Product
GNI	Gross National Income
Ke	Cost of Equity
LKR	Sri Lankan Rupees
PER or PE	Price to earnings
PBV, PB	Price to book value
Q	Quarter

Abbreviation	Meaning
PV	Present Value
ROE	Return on Equity
USD	United States dollar
YOY	Year-Over-Year
MEP	Mechanical Electrical Plumbing
CIDA	Construction Industry Development Authority
NPAT	Net Profit After Tax
DF	Discount Factor
IPO	Initial Public Offering
MSCI	Morgan Stanley Capital International
Mn	Million
IMF	International Monetary Fund

Executive Summary

The Share Valuation of LL was conducted as of 30th September 2021 using the following methodologies to Share Valuation.

- Price to Book Value
- Price to Earnings Value
- Discounted Cash Flow

The Share Valuation of LL has been based on following information sources.

- Audited financial statements for the financial years ended 31st March 2016, 2017, 2018, 2019, 2020 and 2021.
- Interim financial statements (Unaudited) for the 6 month period ended 30th September 2021.
- Financial forecast provided by the management of LL for Financial years from 2022 to 2027.
- Assumptions given by the management of LL.
- Relevant industry publications, press releases and publicly available information.

Ownership structure of LL is as follows.

Shareholders	Ownership
Mr G.R.P Fernando	50.38%
Mr.-A.A.C Silva	24.06%
Ms.D.H. S Ramanayke	24.06%
Navara Capital Limited	0.75%
Mandarin Capital Limited	0.75%

LL is engaged in telecommunication engineering, civil engineering and mechanical electrical plumbing.

LL has a 96% owned joint venture-JNC Luminex Ltd JV which engages in water projects.

- Under the Market approach, we have calculated the share price using trading multiples. As per the discussions we had with the management, it was identified that Access Engineering PLC is the only available Listed peer company for LL, based on the similarities in operations. Access engineering PLC is listed under the capital goods sector in the CSE.

The Market based share values of the company set out herein, are dependent upon the relative size and comparability of Access Engineering PLC to LL. (Refer annexure 5 and 6).

- Under the Income approach, we have used Discounted cash flow method. We have relied upon the future cash flows provided by the management and applied discounting techniques thereon.

The DCF share value range setout herein, is subject to the validity of the forecasts/assumptions made as set out in section 5.1.1.2 of this valuation report.

Executive Summary (Contd.)

Below table depicts the summarized share valuation results under each methodology as of 30th September 2021.

Share valuation approach/method	Per share value (LKR)
1. Market Approach	
Price to Earnings	17.51
Price to Book	6.86
2. Income Approach	
Discounted Cash Flow	9.29
Average Share Price	11.22

Please note that as the market value of the net asset value of LL (PBV multiple x net asset value) has been considered, BDO has not considered the net asset value as a separate valuation method. Further, asset-based valuations are more suited in a major stake valuation or for a liquidation purpose. (Please refer page 22 valuation methodology).

The details of computation of above values have been given in section 5 of this report. This executive summary should be read in conjunction with the other sections of this report.

Value Recommendation

As per the share valuation results, the value range of shares of LL is between LKR 6.86 and LKR 17.51. We recommend that the Board of Directors of LL decides on an appropriate share price within this range for the purpose of intended IPO.

Table of Content

1.Scope and Process 9

2.Economic Analysis 13

3.Industry Analysis 16

4.About the Company 18

5.Share Valuation Results.....22

6.Limitations 31



Section 1

Scope and Process

1.1 Scope of Work

We performed following procedures under this engagement to determine the Share Valuation of LL as at 30th September 2021. (“Valuation Date”).

1. Performed a Share Valuation based on the following valuation methodologies:

- Discounted Cash Flow
- Price to Book Value
- Price to Earnings Value

2. Preparation of a Share valuation report.

This report was prepared to determine the Share value of LL and has been prepared solely for the use by the addressee of the document. For avoidance of doubt, our Services are only for use by the addressee to this document and the disclosure of any BDO report to any third party or making representations to such parties with respect to the nature of work or role of BDO should only be with the written consent of BDO and where appropriate, return of a signed Hold Harmless letter to BDO.

Regardless of any consent given for the Third-Party Release of the BDO Report, it should be noted that BDO shall not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come. If any other third party chooses to rely upon any of the contents of this report, they may do so at their own risk. BDO expressly disclaims all liability for any loss or damage of whatsoever kind which may arise from any person acting on any information and opinions relating to the entity covered in this report.

1.2 Sources of Information

During the course of our work, we have relied on data and information made available to us through different sources, including forecasted financial information obtained from LL, sector specific information obtained from the public domain, and financial & industry sources. The principal sources of information provided to us by management included:

- Audited financial statements for the financial years 2016, 2017, 2018, 2019, 2020 and 2021.
- Interim financial statements 2021 (Unaudited) for the 6 months period ended 30th September 2021.
- Financial forecast provided by the management of LL for Financial years from 2022 to 2026.
- Assumptions given by the management of LL.
- Relevant industry publications, press releases and publicly available information.

Where we have done the analytical procedures based on the information supplied to us and should be regarded as illustrative, such analysis is necessarily subjective. Further we wish to note other limitations of our work undertaken as stated below:

- In carrying out this assignment, we have performed reasonable analysis and assessments that were possible and practical within the time available and as at the date of this report.
- Neither BDO nor any of its employees has a financial interest in the entity being appraised.
- The fee for the preparation of this report is not contingent upon results reported.
- No investigations of the titles of the properties have been made and the owner's claims to the properties have been assumed valid. No consideration has been given to liens or encumbrances, which may be against the properties. Therefore, no responsibility is assumed for matters of a legal nature.

1.3 Business Valuation Methodology

Valuation Methodology

Discounted Cash Flow Methodology

Discounted cash flow method estimates entity value based on expected future cash flows discounted at a rate commensurate with the underlying risks associated with such cashflows.

$$DCF = \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \dots + \frac{CF_n}{(1+r)^n}$$

Considering the industry LL operates in the company value is significantly dependent upon the order book or the projects in hand and the anticipated projects in future rather than the asset value of the company. The potential of cashflows from such projects will be the main wealth maximization factor for the shareholders of the company. Based on above reasons we have considered discounted cashflow methodology.

PER/PBV Methodology

The market-based approach estimates the value of a company by taking the company's main value drivers and applying a multiple to it. This multiple summarizes in a single number the relationship between the market value of a company's stock (or of its total capital) and some fundamental quantity, such as earnings, sales, or book value.

Market multiples are computed based on the share prices which are mainly from retail transactions of peers. Considering the valuation purpose this methodology gives an indicative anticipated trading price relative to the industry LL operates in and the retail shareholders.



Section 2

Economic Analysis



2.1 Economic Analysis-Sri Lanka

USD 80.71 Bn

Sri Lanka GDP amounted to USD 80.71Bn as of year ended FY 2020

Sources: <https://tradingeconomics.com/sri-lanka/gdp> /Date :12/11/2021

(3.6%)

Real GDP growth YoY % - FY2020

Sources: <https://www.adb.org/countries/sri-lanka/economy> /Date :12/11/2021

USD 3,682

GDP Per Capita at current market price FY2020

Sources: <https://www.cbsl.gov.lk/> /Date :12/11/2021

5.5%

Unemployment rate was 5.5% for 4th Quarter 2020

Buy :198.50

Sell :202.99

4.20%

Exchange Rate- 30/09/2021

Sources: <https://www.cbsl.gov.lk/en/rates-and-indicators/exchange-rates>

YoY Inflation for FY 2020 is 4.20%

Sources: <https://www.cbsl.gov.lk/en/news/inflation-august-2020-ccpi>

FITCH : CCC

Moody's : Caa2 stable

S&P Global: CCC+/C stable

Country Credit Rating

Currently, Moody's rating Caa2 stable is under review to be downgraded.

Sources: <https://www.cbsl.gov.lk/> /Date :12/11/2021

- With the rise of the COVID 19 pandemic, the economic activities were slowed down leading to an economic downturn. Government has introduced various measures such as interest rate cuts, reduction of taxes, introducing financial concessions and assist businesses to boost the economy and financial markets. Economic activity is expected to increase further in 3Q FY2021 while online activity gather momentum.
- The annual economic growth contracted by -3.6% YoY during FY2020 mainly due to the drop-in economic activity during the first half of the calendar year. Economic growth was -1.8% YoY in 1Q FY2020 due to the spread of COVID-19 . The country faced first wave of COVID-19 in March 2020 resulting in countrywide lockdowns for more than a month. As a result, the economy contracted by 16.3% in 2Q 2020. However, a revival in economic activity was anticipated due to the easing of lockdowns in 3Q FY2020, the economic growth picked up by 1.3% YoY. The second wave of COVID-19 occurred in 4Q FY2020 and prevailed throughout the quarter. However, the economy continued most of its activities which resulted in economic growth of 1.3% YoY in 4Q FY2020.
- Per capita GNI in FY2020 was USD 3,682, which is 4.2% lower than the Per capita GNI in FY2019 of USD 3,3852.
- Un-employment rate reached 5.5% as at 4Q FY2020 from 4.9% as at FY2019, mainly due to tourism sector job losses. In addition, scaling down of operations of business and imposition of salary cuts also contributed to the increase in unemployment rate.

2.2 Economic Analysis -Global

USD 84,538 Bn

GDP

FY 2020-Global GDP

(3.3%)

GDP growth

FY 2020-Global GDP growth

Sources: IMF (<https://www.imf.org>)/Date :12/11/2021

USD 11,057

GDP per capita

FY 2020-Global GDP per capita

6.47%

Unemployment rate

FY 2020-Global unemployment rate

Sources: IMF (<https://www.imf.org>)/Date :12/11/2021

3.20%

Inflation

YoY % - FY2020 Global Inflation

Sources: IMF (<https://www.imf.org>)/Date :12/11/2021

- The global economy will bounce back this year on supportive fiscal and monetary stances and the vaccine rollout. However, fast-spreading Covid-19 variants will lead to stop-start restrictions in some countries, weighing on activity. Next year, growth should moderate on a less favorable base effect.

- Global inflation should rise this year from last year particularly in developed economies amid hefty stimulus, higher commodity prices, supply bottlenecks and recovering economic activity. In 2022, inflation should ease but will remain elevated as some ongoing supply disruptions linger and further economic slack is absorbed.

- Equities appear to have looked through the economic consequences of the virus. Last year, the Covid-19 crisis triggered one of the deepest recessions in history which saw global growth contract by 3.6% year-on-year. After the initial selloff in stock markets, global equities as measured by the MSCI world index went on to deliver a 15% return in 2020.

- The relationship between vaccination rates and growth expectations has played out more notably in the currency markets.

- The delta variant has led to a third wave of new cases, even in countries where a relatively high proportion of the population have been vaccinated. This has triggered renewed concerns over the global recovery and reintroduction of lockdown restrictions.



Section 3 Industry Analysis

3.1 Industry Analysis

10.90 Mn

Number of Internet Users

10.90 Mn Internet users were recorded in Sri Lanka in Jan 2021.

Source-<https://datareportal.com/reports/digital-2021-sri-lanka> Date 20.11.2021

Source-<https://datareportal.com/reports/digital-2021-sri-lanka> Date 20.11.2021

50.8%

Internet Penetration

in Sri Lanka-Jan 2021

+7.9%

Increase in number of Internet users

Number of Internet users increased by 800,000 between 2020 and 2021 in Sri Lanka.

Source-<https://datareportal.com/reports/digital-2021-sri-lanka> Date 20.11.2021

(13.2%)

Construction Industry

FY 2020 growth

Sources: CBSL ([https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/recent-economic-developments & https://www.cbsl.gov.lk/en/statistics/economic-indicators/monthly-bulletin/](https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/recent-economic-developments-&https://www.cbsl.gov.lk/en/statistics/economic-indicators/monthly-bulletin/))Date :15/11/2021 Management of LL

As mentioned in the executive summary LL only has one peer which could be considered as the only competitor. Due to the variety of operations and scale of operations a competitor analysis was not perform.



Section 4

About the Company



4.1 Background to the company

Luminex Limited is one of Sri Lankas' most successful and leading companies in the fields of Telecommunication, MEP, and Civil Engineering. The company specializes in the fields of Extra Low, Low and Medium Voltage, Telecommunication and electrical Engineering and is one of the few companies in Sri Lanka to receive the highest Construction Industry Development Authority (CIDA) grading of EM 1 and ISO 9001-2015 from DET NORSKE VERITAS (DNV).

The company has expanded its business operations during the past few years achieving a top line of LKR 2.5 Bn in the financial year 2020/21, a 65% Year-on-Year growth compared with FY2019/20. The NPAT reached LKR 295Mn in FY2020/21 compared with LKR 94 Mn achieved in FY2019/20. 73% of LL's revenue generating from Sri Lanka Telecom projects in FY 2020/21. The company is currently pursuing a strategy of business volume growth by expanding its focus on MEP and Civil Engineering while maintaining its leadership position in Telecom Engineering business. LL is also perusing to extend their reach internationally commencing in the middle east.

Source-Management of LL.

Below table depicts the main fields of construction operations of LL.

Specialized Field Name	ICTAD reg.no	grade
Water Supply & Sewerage	7553	C2
Building Construction	7553	C3
Highway Construction	7553	C4
Bridge Construction	7553	C4
Irrigation & Drainage Canals	7553	C7
Dredging & Reclamation	7553	C7

Source - CIDA/Date :24/11/2021

https://www.cida.gov.lk/sea_con/search_name_byname_list.php#

Legal Form	Limited Liability Public Company
Incorporated in	1986
Company Registration No.	PB 00243223
Registered Office	No: 24, Galle Road, Moratuwa, Sri Lanka
Auditors	Nihal Hettiarachchi & Company
Company Secretary	RNH Holdings (Pvt) Limited



Below table depicts the specialized fields of construction operations of LL.

Specialized Field Name	ICTAD reg.no	grade
Elec. Installations (Low Voltage)	EM/0014	EM1
Extra Low Voltage Installations	EM/0014	EM1
Elec. Installations (Medium Voltage)	EM/0014	EM2
Fire Detection, Protection & Suppression	EM/0014	EM4
Plumbing & Drainage	EM/0014	EM4

Source - https://www.cida.gov.lk/sea_con/search_name_byname_list.php#
24/11/2021

4.1 Background to the company (Contd.)

The details of the grades mentioned in the above table are given in the tables below.

Specialty	Subspecialty	Grade	Financial Limit (Rs. Million)	Registration Fee per year Rs.
Electrical & Mechanical Services (EM)	Mechanical Ventilation and Air Conditioning (MVAC) Refrigeration (RF)	EM 1	X ≥ 50	31,000/- + VAT
	Electrical Installations (Low Voltage) (EI-LV) Plumbing & Drainage (PD) Elevators, Escalators & Travellators (EET) Generators (Gen)	EM 2	50 ≥ X > 25	26,000/- + VAT
	Electrical Installation (Medium Voltage) (EI-MV) Extra Low Voltage Installations (Data, Telecommunication and Security Systems, Public address systems, Pipe music systems (ELV)	EM 3	25 ≥ X > 10	20,000/- + VAT
	Fire Detection, Protection & Suppression (FDPS) Medical Gas Systems (MG) LP Gas Systems (LPG)	EM 4	10 ≥ X > 02	15,000/- + VAT
	Heavy Steel Fabrications (HSF)	EM 5	02 ≥ X	5,650/- + VAT

Specialty	Grade	Financial Limit (Rs. Million)	Registration Fee per year Rs.
Irrigation and Drainage Canals	C2	600 ≥ X > 300	60,000.00 + VAT
Dredging and Reclamation	C3	300 ≥ X > 150	37,000.00 + VAT
Storm Water disposal and Land Drainage	C4	150 ≥ X > 50	31,000.00 + VAT
Heavy Construction (Areas to be Specified)	C7	10 ≥ X > 05	15,000.00 + VAT

4.2 Financial Highlights-LL

12%

Average ROE

was calculated based on 3-year audited financials of LL.

2774 Mn

Revenue

This is the year ended revenue (LKR) as of 30th September 2021.

2.4Bn

Asset Base-Cost

This is as per the balance sheet (LKR) of LL as of 30th September 2021.

32%

Average Dividend Payout

was calculated based on 3-year average dividend payout of LL.

435 Mn

Profit After Tax

This is the year ended profit (LKR) as of 30th September 2021.

16%

Net Profit Margin

This is the net profit margin for year ended 30th September 2021

17%

Debt to Equity

Ratio

21%

Operating Profit Margin

This is the operating profit margin for year ended 30th September 2021



Section 5

Share Valuation Results



5.1 Discounted Cash flow Approach to Value

The table below illustrates the Share valuation of LL based on Discounted future cash flows. The assumptions used in this computation are given in Section 5.1.2-Key Assumptions of this report.

As of 30 th September 2021 - LKR	6 months ending 2022 Mar	2023 Mar	2024 Mar	2025 Mar	2026 Mar
EBIT	348,561,069	844,789,180	961,542,127	1,103,591,711	1,240,996,449
Less: Tax on EBIT	(49,715,305)	(120,492,377)	(137,144,863)	(157,405,411)	(177,003,465)
Add: Depreciation	37,611,683	129,979,961	150,450,483	174,196,868	219,647,265
Investment in working capital	(32,820,811)	(1,345,913,125)	(410,377,661)	(471,934,310)	(542,724,456)
Investment in capital expenditure	(35,517,851)	(86,359,890)	(103,631,868)	(124,358,242)	(210,839,575)
FCFF	268,118,784	(577,996,251)	460,838,218	524,090,615	530,076,218
Discount factor	0.96	0.86	0.74	0.63	0.54
Terminal Value					
Discounted Cash Flows	258,072,005	(496,111,895)	339,514,030	331,413,533	287,711,217
PV of explicit cashflows	720,598,890				
PV of terminal value	2,023,171,352	26.38%			
Value of Operations	2,743,770,241	73.62%			
Less					
Debt	(343,443,479)				
Add- Non-operating assets					
Cash	3,809,482				
Other Financial Assets	207,898,818				
Other receivables	234,834,881				
Less-Non-operating liabilities					
Retirement Benefit Obligations	(62,956,030)				
Other Payables	(83,523,090)				
Other Financial Liabilities	(6,621,181)				
Income Tax Payable	(19,695,997)				
Interest in Joint venture	2,674,073,646				
	31,202				
Business Value	2,674,104,848				
No of shares	240,000,000				
Value per share	11.14				

It should be noted that the share value LKR 11.14 is based on the cashflows forecasted which are fully controlled by the major shareholders of LL. After adjusting for a control premium of 20% (Please refer annexure 7) the share value is LKR 9.29.

As minority shareholders won't have decision making power in LL, they will not be able to utilize the share price of LKR 11.14. LKR 11.14 share price is as per the future plans/forecasts decided by the main shareholders of LL which they can utilize at their discretion.

5.1 Discounted Cash flow Approach to Value (Contd.)

5.1.1 Discounted Cash flow Approach to Value- Sensitivity Analysis

The table below indicates the sensitivity analysis between Terminal growth rate and WACC used in the valuation of LL.

Terminal Growth	WACC		
	15.51%	16.51%	17.51%
1.50%	9.83	9.02	8.31
2.00%	10.14	9.29	8.54
2.50%	10.48	9.57	8.79

As per the Sensitivity analysis between WACC and Terminal Growth, as of 30th September 2021 value per share of LL after discounting for a control premium of 20% under Discounted Cash flow method is in the range of LKR 8.31 to LKR 10.48.

5.1 Discounted Cash flow Approach to Value (Contd.)

5.1.2 Discounted Cash flow Approach to Value-Key Assumptions

It should be noted that all the assumptions were given by the management of LL. BDO has not verified the assumptions given by the management.

The valuation has been performed based on the following information provided by the management.

- 5-year financial forecast provided by the management of LL.
- Audited financial statements of LL for 2017, 2018, 2019, 2020 and 2021
- Internal Management accounts 2021 (Unaudited) for the 6 months period ended 30th September 2021
- Assumptions given by the management of LL.
- Relevant industry publications, press releases and publicly available information.

The assumptions considered in the valuation of LL are as follows.

Revenue

Line Item	2022-Mar	2023-Mar	2024-Mar	2025-Mar	2026-Mar
Revenue growth	40%	20%	15%	15%	15%

It has been assumed that the revenue will increase by an average of 20% per annum in the forecasted 5-year period.

Line Item	2017-Mar	2018-Mar	2019-Mar	2020-Mar	2021-Mar
Revenue growth	35%	-29%	3%	7%	65%

Above table depicts the revenue movement in the last five years.

5. 1 Discounted Cash Flow Approach to Value (Contd.)

5. 1.2 Discounted Cash flow Approach to Value-Key Assumptions (Contd.)

Cost of Sales

Line Item	2022-Mar	2023-Mar	2024-Mar	2025-Mar	2026-Mar
Cost of Sales growth	37%	20%	15%	15%	15%

It has been assumed that the cost of sales will increase by an average of 20% per annum in the forecasted period.

Line Item	2017-Mar	2018-Mar	2019-Mar	2020-Mar	2021-Mar
Cost of Sales growth	9%	-19%	-1%	4%	60%

Administrative expenses

Line Item	2022-Mar	2023-Mar	2024-Mar	2025-Mar	2026-Mar
Administrative growth	15%	15%	15%	15%	18%

It has been assumed that administrative expenses per annum will grow by an average of 15.6% in the forecasted period which is higher than the projected inflation of 10.5% by IMF.

Source: <https://www.imf.org/en/News/Articles/2022/03/02/pr2254-sri-lanka-imf-executive-board-concludes-2021-article-iv-consultation-with-sri-lanka> Date 20.11.2021

Line Item	2017-Mar	2018-Mar	2019-Mar	2020-Mar	2021-Mar
Administrative growth	49%	12%	20%	17%	20%

Other expenses

Line Item	2022-Mar	2023-Mar	2024-Mar	2025-Mar	2026-Mar
Other expenses growth	57%	40%	40%	40%	40%

It has been assumed other expenses per annum will grow by an average of 43% in the forecasted period.

Line Item	2017-Mar	2018-Mar	2019-Mar	2020-Mar	2021-Mar
Other expenses growth	-99%	6166%	-98%	272%	-82%

As per the management due to penalty charges for NBT and donations given for various parties the other expenses have grown exponentially in FY 2018.

Finance Costs

Line Item	2022-Mar	2023-Mar	2024-Mar	2025-Mar	2026-Mar
Finance costs growth	5%	10%	10%	10%	10%

It is assumed that financial cost will grow by above mentioned rates per annum.

Line Item	2017-Mar	2018-Mar	2019-Mar	2020-Mar	2021-Mar
Finance costs	4%	6%	10%	11%	23%

Historical average of Finance cost is given above. Financial expenses increased by 12% for the financial year 2020/21.

5.1 Discounted Cash Flow Approach to Value (Contd.)

5.1.2 Discounted Cash flow Approach to Value-Key Assumptions (Contd.)

Tax Rate

We have calculated a tax rate of 14.26% using the weighted average tax rate applied for the year ended 31st March 2021. We have used this tax rate in the forecasted period.

Working Capital

We have forecasted working capital requirement based on historical working capital days of LL. Working capital days considered in the valuation are as follows.

- Inventory days - 150 days
- Trade receivable days -90 days
- Trade payable days - 10 days

Investment in Capex

Below table depicts the Investment in capex considered in the valuation.
LKR

6 months ended	2023 Mar	2024 Mar	2025 Mar	2026 Mar
2022 Mar	86,359,890	103,631,868	124,358,242	210,839,575

It should be noted that all the assumptions used in the valuation are read and approved by the management of LL.

BDO Comment

- It should be noted that due to the growth expectations and resulting working capital requirements of LL in the forecasted period, the explicit cashflow value (forecasted cash flows up to 5th year) only represents 25% of the future cash flow value whereas the terminal cashflow value (cash flows beyond fifth year in perpetuity) represent 75%.
- Generally retail investors expect to hold on to shares for a less time period and have no controlling power in a company compared to Institutional / non-retail investors who tend to have long term aspirations when investing in shares and have controlling power in the company.

Based on the above, it could be assumed that terminal cashflow value will be more relevant to non-retail/Institutional investors opposed to retail investors.

5.1 Discounted Cash Flow Approach to Value (Contd.)

5.1.2 Discounted Cash flow Approach to Value-Key Assumptions (Contd.)

Discount Rate - Cost of Capital		Sources
Computation of WACC		
Risk Free Rate	11.91%	https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20211111_treasury_bond_issuances_held_on_11_november_2021_e.pdf - 2021/11/17
Unlevered Beta	1.05	https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html - 2021/11/17
Levered Beta	1.24	
Equity Risk Premium	5.00%	https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html - 2021/11/17
Cost of Equity	18.10%	
Cost of Debt	10.32%	
Kd*(1-t)	8.85%	
Long term capital structure	17:83	
WACC	16.51%	

Risk Free Rate of Return (RF)

The risk-free rate represents the interest that an investor would expect from an absolutely risk-free investment over a specified period of time. We have taken the 10-year Treasury Bond rate published in CBSL as of 11.11.2021

Beta Factor (β)

This measures how much a company's share price moves against the market as a whole. A beta of one, for instance indicates that the company moves in line with the market. If the beta is in excess of one, the share is amplifying the market's movements and less than one means the share is more stable. We have adjusted the unlevered beta of Engineering and construction sector to arrive at the levered beta reflecting the capital structure of LL.

Market Risk Premium (RM)

The equity market risk premium represents the returns investors expect, over and above the risk-free rate, to compensate them for taking extra risk by investing in the stock market. In other words, it is the difference between the risk-free rate and the market rate.

Terminal Growth Rate

We have assumed a mature stage growth rate of 2% for the period beyond the five-year forecast considering the long-term growth rate of the economy.

Source-

<https://corporatefinanceinstitute.com/resources/knowledge/valuation/what-is-terminal-growth-rate/> - 2021/11/17

5.2 Price to Earnings Method (PER)

- The Price-to-Earnings Ratio or P/E ratio is a ratio for valuing a Company by measuring its current share price relative to its per-share earnings.
- The PER is the current market price of a stock divided by the earnings of the company. The PER indicates how high the stock's current price is compared its earnings. A high PER ratio indicates that investors expect the company to have high growth prospects, while at the same time having comparatively high investment risk.
- We have taken the Access Engineering PLC, which is listed under the CSE capital goods sector for our computations under PER multiple method since their business operations are similar to LL.

Below table depicts the computation of per share value using the PE multiple of Access Engineering PLC as of 30th September 2021.

Description	Value (LKR)
Price to Earnings multiple of Access Engineering PLC	9.66
Earnings	435,018,204
Equity	4,203,591,818
No. of Shares	240,000,000
Value per share	17.51

Source-CSE <https://www.cse.lk/pages/gics-classification/qics-classification.component.html>/Date:23/11/2021(BDO Calculations)

Please refer annexure 6 of the report for the 30th of September 2021 year ended profit computation.

BDO Comment

- As mentioned in the executive summary, we have computed PE and PB multiples solely based on one peer-Access Engineering PLC, due to non-availability of listed peers with similar nature of the operations to LL.

5.3 Price to Book Value (PBV)

- The PBV is the current market price of a stock divided by the book value of the Company. The PBV indicates how high the stock's current price is compared to the Company's book value.
- A high PBV ratio indicates that investors expect the Company to have high growth prospects, while at the same time having comparatively high investment risk.
- We have taken the Access Engineering PLC, which is listed under the CSE Capital Goods Sector for our computations under PBV multiple method since their business operations are similar to LL.



Below table depicts the per share value computation based on the PBV multiple of Access Engineering PLC as of 30th September 2021.

Description	Value (LKR)
Price to Book Value multiple of Access Engineering PLC	0.99
Net Assets Value	1,655,359,320
Equity	1,646,148,808
No. of Shares	240,000,000
Value per share	6.86

Source-CSE [https://www.cse.lk/pages/qics-classification/qics-classification.component.html/Date:23/11/2021\(BDO Calculations\)](https://www.cse.lk/pages/qics-classification/qics-classification.component.html/Date:23/11/2021(BDO%20Calculations))

BDO Comment

- Cost of equity and 3-year average return on equity of LL is 18.10% and 12% respectively, (Refer Page 26 and 19) which indicates a discounted asset where the actual returns to shareholders are less than the expected returns of shareholders.
- Above fact is supported by the PB multiple used in the valuation being below one as well.



Section 6

Limitations

6.1 General Limitations

Our valuation study is based on various assumptions with respect to LL, including its respective present and future financial condition, business strategies and the environment in which it will operate in the future. These assumptions are based on the information that we have been provided with and our discussions with the management of the LL, and reflect current expectations and views regarding future events, and therefore necessarily involve known and unknown risks and uncertainties.

The estimates of earnings and cash flow data, to the extent they relate to the future, reflects the expectations of the management of the LL as to the business prospects of the LL and are solely for use in our valuation study and are not intended for use as forecasts or projections of future operations. Furthermore, there will usually be differences between estimated and actual results because events and circumstance may, or often do not occur as expected and those differences may be material. To the extent that our conclusions are based on forecasts, we express no opinion on the achievability of these forecasts.

The value recommendations made herein are valid for 3 months from the date of issuance of the final prospectus, subject to there being no material changes to the operating environment or business model of LL. The use of the value recommendation in this report after the said period is not recommended.

6.2 Other Matters

When forming our conclusion, we have placed reliance upon the following, which has a significant bearing on the results of the valuation exercise:

- The date of the valuation is 30th September 2021.
- LL will continue to operate on a going concern basis.

Annexure 01 - Historical Income statement

Historical Income Statement	31/03/2017 LKR	31/03/2018 LKR	31/03/2019 LKR	31/03/2020 LKR	31/03/2021 LKR	30/09/2021 LKR
Revenue	1,974,351,557	1,404,436,703	1,446,443,182	1,545,368,584	2,554,040,787	1,497,423,310
Cost of Sales	(1,295,101,471)	(1,123,271,929)	(1,112,163,720)	(1,156,151,418)	(1,848,726,837)	(971,103,754)
Gross Profit	679,250,086	281,164,774	334,279,462	389,217,166	705,313,950	526,319,556
Other Income	47,454,375	75,055,501	72,621,458	68,291,001	72,117,660	29,554,121
Share of Net (Loss)/ Profit of Joint Venture	-	-	(22,995,852)	22,963,836	(24,384)	(24,384)
Administration Expenses	(189,929,189)	(212,283,409)	(254,573,425)	(297,918,420)	(357,812,551)	(190,225,702)
Other expenses	(195,269)	(12,236,151)	(284,203)	(1,058,006)	(187,748)	(96,380)
Operating Profit for the year	536,580,003	131,700,715	129,047,440	181,495,577	419,406,927	365,527,212
Finance Costs	(10,157,029)	(8,868,988)	(37,855,030)	(60,423,822)	(61,033,903)	(27,335,118)
Profit before tax	526,422,974	122,831,727	91,192,410	121,071,755	358,373,024	338,192,094
Income Tax Expenses	(85,280,982)	(40,691,245)	(29,602,093)	(27,057,138)	(63,068,493)	(50,826,155)
Profit for the year	441,141,992	82,140,482	61,590,317	94,014,617	295,304,531	287,365,939

Annexure 02 - Historical Financial Position

Statement of Financial Position	31.03.2017(LKR)	31.03.2018(LKR)	31.03.2019(LKR)	31.03.2020(LKR)	31.03.2021(LKR)	30.09.2021 (LKR)
ASSETS						
Non-current assets						
Property, plant and equipment	236,514,795	168,466,812	248,117,121	342,947,296	359,832,875	279,358,875
Interest in joint venture	-	-	-	18,086	-	31,202
Intangible assets	827,494	868,225	619,248	5,389,408	3,442,308	96,835,815
	237,342,289	169,335,037	248,736,369	348,354,790	363,275,183	2,785,851
Current assets						
Deferred tax assets	-	-	-	761,305	1,823,147	1,823,147
Inventories	483,339,211	527,246,349	649,763,351	835,160,547	546,847,780	868,253,074
Other financial assets	206,281,248	199,540,914	216,400,482	257,992,554	312,090,244	207,898,818
Trade and other receivables	539,624,541	452,042,710	473,700,344	367,926,171	638,552,162	764,921,002
Income tax receivable	-	1,250,335	14,573,906	-	-	-
Cash and cash equivalents	29,819,580	20,160,131	31,936,482	49,207,682	61,296,740	145,648,339
	1,259,064,580	1,200,240,439	1,386,374,565	1,511,048,259	1,560,610,073	1,986,721,233
	1,496,406,869	1,369,575,476	1,635,110,934	1,859,403,049	1,923,885,256	2,367,556,123
EQUITY AND LIABILITIES						
Equity						
Stated capital	40,000,000	40,000,000	40,000,000	40,000,000	200,000,000	200,000,000
Retained earnings	1,035,818,740	980,713,065	1,054,803,382	1,124,817,999	1,230,122,530	1,455,359,320
	1,075,818,740	1,020,713,065	1,094,803,382	1,164,817,999	1,430,122,530	1,655,359,320
Non-current liabilities						
Deferred tax liability	4,484,707	14,463,075	7,542,038	-	-	-
Retirement benefit obligation	33,566,663	36,944,191	42,942,451	50,184,701	60,166,236	62,956,030
Interest bearing borrowings	40,714,343	31,940,968	68,906,476	80,134,521	62,856,284	44,002,958
Interest in joint venture	-	-	22,970,852	-	6,298	-
Lease Liability						
	78,765,713	83,348,234	142,361,817	130,319,222	123,028,818	164,171,222
Current liabilities						
Trade and other payables	93,614,055	158,853,460	122,705,571	108,980,517	127,849,634	137,641,260
Interest bearing borrowings	123,651,462	60,502,562	196,397,735	271,494,159	170,073,748	196,644,590
Lease Liability						
Other financial liabilities	-	-	-	8,000,000	8,000,000	6,621,181
Income tax Payable	59,338,766	-	-	3,068,169	36,510,937	19,695,997
Bank overdrafts	65,218,133	46,158,155	78,842,429	172,722,983	28,299,589	141,838,857
	341,822,416	265,514,177	397,945,735	564,265,828	370,733,908	548,025,582
	420,588,129	348,862,411	540,307,552	694,585,050	493,762,726	712,196,804
	1,496,406,869	1,369,575,476	1,635,110,934	1,859,403,049	1,923,885,256	2,367,556,124

Net Asset Value per share as of 30th September 2021 is LKR 6.90

Annexure 03 - Forecasted Income statement

Forecasted Income Statement	6 months ending 31/03/2022 (LKR)	31/03/2023 (LKR)	31/03/2024 (LKR)	31/03/2025 (LKR)	31/03/2026 (LKR)
Revenue	1,787,828,551	4,290,788,522	4,934,406,800	5,674,567,821	6,525,752,994
Operating Expenses	(1,266,377,883)	(3,039,306,920)	(3,495,202,958)	(4,019,483,402)	(4,622,405,912)
Gross Profit	521,450,668	1,251,481,602	1,439,203,842	1,655,084,419	1,903,347,082
Other Income	33,000,000	66,000,000	66,000,000	75,000,000	75,000,000
Administrative Expenses	(205,742,217)	(472,279,752)	(543,083,977)	(625,683,875)	(736,218,266)
Other Expenses	(147,382)	(412,670)	(577,738)	(808,833)	(1,132,367)
Operating Profit for the year	348,561,069	844,789,180	961,542,127	1,103,591,711	1,240,996,449
Finance Costs	(32,042,799)	(70,494,158)	(77,543,574)	(85,297,931)	(93,827,724)
Profit Before Tax	316,518,269	774,295,022	883,998,553	1,018,293,779	1,147,168,725
Income Tax Expense	(45,145,037)	(110,437,787)	(126,084,814)	(145,239,358)	(163,620,806)
Profit for the year	271,373,233	663,857,235	757,913,739	873,054,422	983,547,919

Annexure 04- Forecasted Financial Position

Statement of Financial Position	31.03.2022 (LKR)	31.03.2023 (LKR)	31.03.2024 (LKR)	31.03.2025 (LKR)	31.03.2026 (LKR)
ASSETS					
Non-current assets					
Property, plant and equipment	205,221,427	143,569,058	120,028,892	98,864,371	73,814,631
Right-of-use asset	78,425,381	48,687,533	34,964,204	19,519,918	986,774
Interest in joint venture	31,202	31,202	31,202	31,202	31,202
Intangible assets	2,175,649	1,079,610	573,813	4,587	(678,484)
Deferred tax assets	1,823,147	1,823,147	1,823,147	1,823,147	1,823,147
Current assets					
Inventories	1,602,977,136	1,763,337,749	2,027,838,411	2,332,014,173	2,681,816,299
Other financial assets	207,898,818	207,898,818	207,898,818	207,898,818	207,898,818
Trade and other receivables	1,218,651,549	1,292,837,530	1,451,537,928	1,634,043,385	1,843,924,660
Cash and cash equivalents	-	-	-	388,256,953	832,989,822
Total assets	3,317,204,309	3,459,264,647	3,844,696,415	4,682,456,554	5,642,606,869
EQUITY AND LIABILITIES					
Equity					
Stated capital	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Retained earnings	1,726,732,552	2,390,589,787	3,148,503,526	4,021,557,948	5,005,105,867
Non-current liabilities					
Retirement benefit obligation	62,956,030	62,956,030	62,956,030	62,956,030	62,956,030
Interest bearing borrowings	39,855,042	32,039,844	27,826,178	25,148,274	22,180,556
Lease liabilities	241,229,715	213,906,351	183,571,858	149,894,399	112,505,568
Current liabilities					
Trade and other payables	173,261,813	169,012,417	181,835,816	196,582,725	213,541,670
Other financial liabilities	6,621,181	6,621,181	6,621,181	6,621,181	6,621,181
Income tax Payable	19,695,997	19,695,997	19,695,997	19,695,997	19,695,997
Bank overdrafts	846,851,978	364,443,039	13,685,828	-	-
Total liabilities	1,390,471,757	868,674,859	496,192,888	460,898,606	437,501,003
Total equity and liabilities	3,317,204,309	3,459,264,647	3,844,696,415	4,682,456,554	5,642,606,869

Annexure 05 - Peer information

Company Name	Total Assets	Total Liability	Net Asset	Profit	Market Capitalization	Date	PBV	PER
ACCESS ENGINEERING PLC (AEL.N0000)	64,029,376,657	37,079,425,631	26,949,951,026	2,773,458,598	26,800,000,000	23.11.2021	0.99	9.66

Source-CSE [https://www.cse.lk/pages/gics-classification/gics-classification.component.html/Date:23/11/2021\(BDO Calculations\)](https://www.cse.lk/pages/gics-classification/gics-classification.component.html/Date:23/11/2021(BDO Calculations))

Company Name	EPS (LKR)	Source	Price per share (LKR)	Source
ACCESS ENGINEERING PLC (AEL.N0000)	2.77	Interim accounts- September (2021), June (2021), March (2021), December (2020)	26.80	CSE (23/11/2021)

Sources- <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=AEL.N0000> Date:22/11/2021

Annexure 06

30th September 2021- year ended profit of LL

31st March 2021- year ended Profit	295,304,531
31st March 2021- 6 months ended profit	295,304,531 /2
30th September 2021- 6 months ended Profit (Unaudited) (1st April 2021 - 30th September 2021)	147,652,265
30th September 2021-year ended profit (1st October 2020 - 30th September 2021)	287,365,939
	435,018,204

LL 30th September 2021 Net Asset Value

Company Name	Total Assets	Total Liabilities	Net Asset Value
Luminex Limited	2,367,556,123	712,196,804	1,655,359,320

Net asset value LKR 1,655,359,320 is as per the 30th September 2021 Balance sheet. (Unaudited)

Annexure 07-Control Premium

Acquirer	Acquiree	Code	Transaction date	Transaction price (LKR)	Price 90-days prior to transaction (LKR)	Price 10-days prior to transaction (LKR)	Premium over price 3-months prior to the transaction	Premium over price 1-month prior to the transaction
Dialog Axiata PLC	Colombo Trust Finance PLC	CALF.N0000	12-Sep-17	28.70	12.50	14.70	129.60%	95.24%
Cargills Bank PLC	Capital Alliance Finance PLC	CALF.N0000	05-Aug-14	15.45	14.50	16.10	6.55%	-4.04%
Singhe Capital Investment Limited	Sinhaputra Finance PLC	SFL.N0000	05-Dec-19	9.50	8.20	9.50	15.85%	0.00%
Group Lease Holdings Private Limited	Commercial Credit & Finance PLC	COCR.N0000	08-Dec-16	111.00	46.10	57.50	140.78%	93.04%
Hayleys PLC	Singer Sri Lanka PLC	SINS.N0000	13-Sep-17	47.00	47.60	46.00	-1.26%	2.17%
Serenity Lake Leisure (Private) Limited	Hunas Falls Hotels PLC	HUNA.N0000	11-Jan-19	187.00	62.00	75.10	201.61%	149.00%
Lanka Reality Investments PLC	On'ally Holdings PLC	ONAL.N0000	03-Dec-20	30.20	28.00	26.90	7.86%	12.27%
Eden Hotel Lanka PLC	Serendib Hotels PLC	SHOT.N0000	15-Dec-20	14.20	18.10	20.00	-21.55%	-29.00%
Estate Management Services Pvt Ltd.	Watawala Plantations PLC	WATA.N0000	01-Aug-13	14.00	11.90	12.10	17.65%	15.70%
Brac Lanka Investments (Pvt) Ltd. And LOLC Micro Investments Ltd.	Nanda Investments Finance PLC	NIFL.N0000	26-Jun-13	9.00	5.60	8.00	60.71%	12.50%
Hemas Power PLC	Panasian Power PLC	PAP.N0000	24-Apr-13	3.00	2.90	2.80	3.45%	7.14%
Softlogic Holdings PLC	ODEL PLC	ODEL.N0000	11-Sep-14	22.00	21.70	20.80	1.38%	5.77%
NDB Capital Holdings, ACL Cables, Trydan Partners (private) Limited	Hemas Power PLC	HPWR.N0000	10-Dec-14	17.90	17.30	17.60	3.47%	1.70%
PGP Glass Private limited	Piramal Glass Ceylon PLC	GLAS.N0000	30-Mar-21	11.60	9.40	9.90	23.40%	17.17%
Average without outliers					Average		42.11%	27.05%
							17.54%	9.30%

Source-CSE(<https://www.cse.lk/pages/gics-classification/gics-classification.component.html>)/Date:30/11/2021(BDO Calculations)

We have used 20% as the control premium based on 17.54% premium calculated by BDO.

Annexure 08 -Engagement Team

NISHAN FERNANDO
Managing Director - BDO Consulting (Pvt.) Ltd



Nishan Fernando is the Managing Director of BDO Consulting (Pvt) Ltd, and the chairman of First Capital Holdings PLC. He is also the chairman of the Asian Oceania Standard Setters Group (AOSSG) and first Sri Lankan to be elected as the Chairman.

He has functioned as President, Vice President and Council Member of the Institute of Chartered Accountants of Sri Lanka, as a Commission Member of the Securities & Exchange Commission of Sri Lanka, as a member of the Sri Lanka Accounting and Auditing Standards Monitoring Board, and from 2009 to 2013 had been functioning as Chairman of the Accounting Standards Committee and continues to be a member since then, which promulgates the Accounting Standards in Sri Lanka. Sri Lanka converged with IFRSs under his Chairmanship of the Accounting Standards Committee. He has also chaired the Center of Excellence for Standards and Quality and the Accounting Standards Committee of the South Asian Federation of Accountants. Nishan has also been a member of the International Accounting Education Standards Board of the International Federation of Accountants (IFAC) and currently serving as a member of its Consultative Advisory Group. He also serves as a member of the Professional Accountant in the Business Committee of the South Asian Federation of Accountants (SAFA). Mr. Fernando is a IFRS trainer certified by the Institute of Chartered Accountants of England and Wales (ICAEW) having attended its train the trainer programs on IFRS and on IFRS for SMEs. He has conducted many capacity building programs on IFRS in Sri Lanka. He has made country presentations at Regional Standards Setters Conferences of SAFA and of AOSSG.

Qualifications and Certifications

- FCA
- ACWA (UK)
- MBA (SJP)

Areas of expertise

- IFRS Implementation & Reporting
- Valuations & Due Diligence
- Mergers & Acquisitions
- IPO Management
- Internal Control & Corporate Governance
- Special Audit & Investigations

Professional Affiliations

- Fellow Member - Institute of Chartered Accountants of Sri Lanka
- Associate Member - Chartered Institute of Management Accountants - UK

Annexure 08 - Engagement Team (Contd.)

BUDDHI PATHIRAJA

Associate Director - BDO Consulting (Pvt.) Ltd.



Buddhi is the Associate Director - Corporate Finance and Advisory of BDO, Sri Lanka. She has extensive experience in the Audit, Tax and Consultancy Sectors including business restructuring, valuations, due diligences, strategic planning and Research and Development. Buddhi has over four years of experience in the field of business re-structuring and corporate finance and advisory having worked at private banking and auditing sectors.

Buddhi started her career at HSBC as a Banking Assistant where she worked in many different departments and she also worked Ratnayake TA& Company where she underwent an extensive training as an audit trainee. She was a part of the IFRS advisory team of BDO and handled IFRS convergence projects for many affluent clients in many industries.

She is also a Director of Eclof International - Sri Lanka Chapter since 2018. She also won the Best Paper Presenter award at the First Technical Session at the Student Conference held in Kolkata for CA Students from Asian countries (2013) and Won the World Top Paper Prize for Corporate Finance at the Final Level exams conducted by ABE UK (2002)

Qualifications and Certifications

- FCCA(UK)
- MABE(UK)
- FMAAT (SL)
- BSc. In Applied Accounting - Oxford Brookes University UK

Areas of Expertise

- Feasibility Study
- Strategic Planning
- Valuations & Due Diligence
- Mergers and Acquisitions
- IFRS Advisory

Professional Affiliations

- Fellow Member - Association of Chartered Certified Accountants - UK
- Associate Member of the Association of Business Executives-UK
- Fellow Member of Association of Accounting Technicians-SL

Annexure 08 -Engagement Team (Contd.)

VIDURA DE SILVA
Assistant Manager - BDO Consulting (Pvt.) Ltd.



Vidura is an assistant manager of BDO Consulting (Pvt) Limited. He exhibits and performs well as a young leader, in handling various assignments with the fellow members of the corporate finance team.

He has a diversified experience that extends for more than 4 years, in handling assignments with a corporate finance background. His experience includes dealing with a client base that has a wide variety and taking the lead in assignments that are of both small and large scale.

He has been the manager in charge for IPO valuations, Mandatory offer valuations, CBSL consolidation Due Diligences and Valuations, Business restructure of a Listed conglomerate and several mergers and acquisition related assignments in his tenure at BDO Consulting (Pvt) Ltd.

Vidura has been awarded the merit award for his exceptional performance being a President's Scout at Royal College, Colombo 07, in year 2016.

Qualifications and Certifications

- CIMA adv dip in MA

Areas of Expertise

- Business Valuations
- Brand Valuations
- Financial Due Diligence
- Mergers & Acquisitions
- Financial Modeling & Feasibility studies
- Business Restructures
- IFRS 9

LIST OF CONTACT PERSONS

Nishan Fernando
Managing Director
BDO Consulting (Pvt) Limited

Tel +94-11-2421878-79-70
Fax +94-11-2336064
e-mail nishan@bdo.lk

Buddhi Pathiraja
Associate Director
BDO Consulting (Pvt) Limited

Tel +94-11-2421878-79-70
Fax +94-11-2336064
e-mail buddhip@bdo.lk

Head office:

BDO Consulting (PVT)Ltd
65/2, Chittampalam A. Gardiner Mawatha,
Colombo 2,
Sri Lanka.

BDO Consulting (Pvt) Limited, a limited liability company incorporated in Sri Lanka is associated with BDO Partners which is a member firm of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

ANNEXURE III : REPORT OF FACTUAL FINDINGS ON THE GAP ANALYSIS OF SLFRS/LKAS AS AT 31ST MARCH 2021



04th October, 2021.
The Board of Directors,
Luminex Ltd,
No. 24,
New Galle Road,
Moratuwa,
Sri Lanka.

Dear Sirs,

REPORT OF FACTUAL FINDINGS ON THE GAP ANALYSIS PERFORMED BY LUMINEX LTD (the "company") IN RELATION TO THE TRANSITION OF FINANCIAL REPORTING FRAMEWORK

Please find our report on factual findings of the gap analysis perform by Luminex Ltd with regard to the transition of financial reporting framework from Sri Lanka Accounting Standards for Small & Medium sized Entities (SLFRS for SMES) to Sri Lanka Accounting Standards. (SLFRS/ LKAS).

Thanking you.

NIHAL HETTIARACHCHI & CO.,
Chartered Accountants

"RNH House", 622-B,
Kotte Road,
Kotte, Sri Lanka.

+94 114 975 999

+94 114 511 473

info@nh-co.lk

www.nh-co.lk

Partners
Nihal Hettiarachchi FCA, FCMA, FCPM,
Dinuk Hettiarachchi FCA, FCMA(UK), FCPA (AUS) Yadeeshani Perera ACA, BSc (Bus.Admin)Sp,
Erandi Weerasuriya ACA, BSc (Mgt.Pub)Sp, Dilini Silva ACA
Tax Director :
Dinusha Ilankoon BB.Mgt Accountancy(Sp),CTA



TABLE OF CONTENTS

	<u>PAGE NO.</u>
01. INTRODUCTION	03
02. GAP ANALYSIS - STATEMENT OF COMPREHENSIVE INCOME	04 - 10
03. GAP ANALYSIS - STATEMENT OF FINANCIAL POSITIONS	11 - 20
04. GAP ANALYSIS - DISCLOSURE REQUIREMENTS	21 - 27
05. APPROVAL BY THE BOARD OF DIRECTORS	28
06. REPORT ON FACTUAL FINDINGS OF GAP ANALYSIS	29 - 31



INTRODUCTION

We have been assigned by Luminex Ltd, to perform agreed upon procedures on the gap analysis being performed by the Company with regard to the transition of financial reporting framework from Sri Lanka Accounting Standards for Small & Medium sized Entities (SLFRS for SMES) to Sri Lanka Accounting Standards. (SLFRS/ LKAS).

Luminex Ltd., is a Limited Liability Company incorporated and domiciled in Sri Lanka.

The registered office of the Company is situated at No. 24, New Galle Road, Moratuwa, Sri Lanka.

The Company is engaged in the business of civil, electrical, electronics, telecommunication, and mechanical engineering construction contractors, consultants and technical advisers.

Current accounting practice of the Company is to prepare financial statements in accordance with SLFRS for SMES. Nevertheless, subsequently, based on the gaps identified the required implementation decisions will be performed.

Our engagement was undertaken with Sri Lanka Standards on Related Services -4400 applicable to agreed upon procedures on engagement.

We perform these procedures to assist the company in evaluating the appropriateness of the gap analysis in relation to the transition of financial reporting framework from Sri Lanka Accounting Standards for Small & Medium sized Entities (SLFRS for SMES) to Sri Lanka Accounting Standards. (SLFRS/ LKAS).

Work Done

- ❖ We obtained and examined the gap analysis performed by the Company in relation to the transition of Financial Reporting framework from Sri Lanka Accounting Standards for Small & Medium sized Entities (SLFRS for SMES) to Sri Lanka Accounting Standards. (SLFRS/ LKAS).
- ❖ We examined the current accounting practices under SLFRS for SMES being applied in the audited financial statements in the 31st March 2021. We examined the recommended accounting treatments of SLFRS/LKAS with reference to the transition of financial reporting framework from Sri Lankan Accounting Standards for SMES to Sri Lanka Accounting Standards (SLFRS / LKAS)
- ❖ We examined the appropriateness of management conclusions as per the gap analysis performed for the applicable areas.
- ❖ We evaluated the management conclusion as per the Gap analysis performed for the applicable areas.

GAP ANALYSIS

This GAP analysis has been prepared as at 31 st March 2021 in relation to the transition of Financial Reporting framework from Sri Lanka Accounting Standards for Small & Medium sized Entities (SLFRS for SMEs) to Sri Lanka Accounting Standards. (SLFRS/ LKAS).

In preparing the gap analysis, the management has compared the current accounting practice under SLFRS for SMEs against the recommended accounting treatment under SLFRS/ LKAS. Conclusions derived from the gap analysis are given under the “Management Conclusion” section for the respective financial areas.

GAP ANALYSIS - STATEMENT OF COMPREHENSIVE INCOME

(01) REVENUE

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS	Management Comments and Conclusion
<p>An entity shall measure revenue at the fair value of the consideration received or receivable. The fair value of the consideration received, or receivable takes into account the amount of any trade discounts, prompt settlement discounts allowed by the entity. (SLFRS for SMEs 23.3).</p> <p>Where a contract is judged to be for the construction of a property, revenue is recognized using the percentage of completion method as construction progresses. Further, the Company recognizes the construction revenue only progress payment invoice is approved by the contracted.</p>	<p>Recognition of Revenue</p> <p>SLFRS 15.35 An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs (b) the entity’s performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or (c) the entity’s performance does not create an asset with an alternative use to the entity (see paragraph 36) and the entity has an enforceable right to payment for performance completed to date</p>	<p>Principal activity of Luminex Ltd is to construct of properties. Therefore, the Company can recognize revenue over time as per SLFRS 15 section 35(C) since, the Company satisfies the criteria where the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.</p>

(01) REVENUE (CONTINUED)

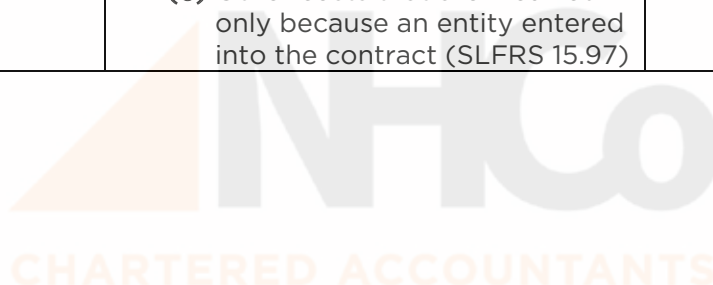
Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS	Management Comments and Conclusion
<p>In opinion of management, performance obligation is continued to be fulfilled to the extent reflected by the current measurement policy for the purpose of over the time revenue recognition.</p> <p>For projects under development, Luminex Ltd recognizes the revenue by considering transaction price, percentage of completion and customer progress payments.</p>	<p>Recognition of Revenue</p> <p>SLFRS 15.31 – Satisfaction of performance obligations An entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.</p> <p>SLFRS 15.35 An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:</p> <p>a) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs (see paragraphs B3–B4); <i>{B3 - customer receives the benefits of an entity's performance as the entity performs and simultaneously consumes those benefits as they are received . B4 - a performance obligation is satisfied over time if an entity determines that another entity would not need to substantially reperform the work that the entity has completed to date if that other entity were to fulfil the remaining performance obligation to the customer}</i></p> <p>b) The entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced (see paragraph B5)</p>	<p>In the opinion of management performance obligation is continued to be fulfilled to the extent reflected by the current measurement policy for the purpose of over time revenue recognition. Therefore, Luminex Ltd can continue current revenue recognition policy, there are no adjustments required under SLFRS/LKAS for revenue recognition for the year ended 31st March 2021.</p>

(01) REVENUE (CONTINUED)

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS	Management Comments and Conclusion
<p>In opinion of management, performance obligation is continued to be fulfilled to the extent reflected by the current measurement policy for the purpose of over time revenue recognition.</p> <p>For projects under development, Luminex Ltd recognizes the revenue by considering transaction price, percentage of completion and customer progress payments.</p>	<p>Recognize Revenue Enforceable Right to payment</p> <p>(ii) the entity has an enforceable right to payment for performance completed to date SLFRS 15.37 An entity shall consider the terms of the contract, as well as any laws that apply to the contract, when evaluating whether it has an enforceable right to payment for performance completed to date in accordance with paragraph 35(c). The right to payment for performance completed to date does not need to be for a fixed amount. However, at all times throughout the duration of the contract, the entity must be entitled to an amount that at least compensates the entity for performance completed to date if the contract is terminated by the customer or another party for reasons other than the entity's failure to perform as promised.</p> <p>SLFRS15.B11</p> <p>In some contracts, a customer may have a right to terminate the contract only at specified times during the life of the contract or the customer might not have any right to terminate the contract. If a customer acts to terminate a contract without having the right to terminate the contract at that time (including when a customer fails to perform its obligations as promised), the contract (or other laws) might entitle the entity to continue to transfer to the customer the goods or services promised in the contract and require the customer to pay the consideration promised in exchange for those goods or services. In those circumstances, an entity has a right to payment for performance completed to date because the entity has a right to continue to perform its obligations in accordance with the contract and to require the customer to perform its obligations (which include paying the promised consideration).</p>	<p>Therefore, the Company can recognize revenue over time as per SLFRS 15 section 35(C) since company satisfies the criteria where the entity's performance does not create an asset with an alternative use to the to the entity and the entity has an enforceable right to payment for performance completed to date.</p>

(02) DIRECT EXPENSES

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS (Conceptual Framework & SLFRS 15 – Direct Expenses)	Management Comments and Conclusion
<p>Recognition of expenses results directly from the recognition and measurement of assets and liabilities.</p> <p>Expenses are recognized in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an assets or an increase of a liability has arises that can be measured reliably. (SLFRS for SMEs 2.42)</p>	<p>Expenses are decrease in assets, or increase in liabilities, that result in decreases in equity, other than those relating to distribution to holders of equity claims. (Conceptual Framework 4.69)</p> <p>Further, costs that relate directly to a contract (or a specific anticipated contract) include any of the followings;</p> <ul style="list-style-type: none"> (a) Direct labor (b) Direct Materials (c) Allocations of costs that relate directly to the contract or to contract activities. (d) Costs that are explicitly chargeable to the customer under the contract; and (e) Other costs that are incurred only because an entity entered into the contract (SLFRS 15.97) 	<p>Cost directly related to the revenue are recognized as “cost of respective projects and cost incurred but not finalized are considered as Work in Progress of such project.</p> <p>Therefore, no adjustments required under SLFRS/LKAS for cost of the completed/work done for the year ended 31st March 2021</p>



(03) ADMINISTRATION & DISTRIBUTION EXPENSES

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS (As per Conceptual Frame work & SLFRS 15 - Administration Expenses & Distribution expenses)	Management Comments and Conclusion
<p>Recognition is the process of incorporating an item in the financial statements that meets the definition of an asset, liability, income or expenses and satisfy the following criteria;</p> <p>Expenses are recognized in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. (SLFRS for SMEs 2.42)</p>	<p>Expenses are decrease in assets, or increase in liabilities, that result in decreases in equity, other than those relating to distribution to holders of equity claims. (Conceptual Framework 4.69)</p> <p>Elements recognized in the financial statements are quantified in monetary terms. This requires the selection of a measurement basis (historical cost, current value, fair value & value in use). Applying a measurement basis to an asset or liability creates a measure for the asset or liability and for related income & expenses. (Conceptual Framework 6.1)</p>	<p>Recognition and measurement basis for the Administration expenses & Distribution Expenses is same under both accounting framework, and hence, no adjustment is required in respect of this.</p>



(04) FINANCE INCOME

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS (As per Conceptual Frame work - Finance Income)	Management Comments and Conclusion
<p>Recognition is the process of incorporating an item in the financial statements that meets the definition of an asset, liability, income or expenses and satisfy the following criteria;</p> <p>a) It is probable that any future economic benefit associated with the item will flow to or from the entity. b)the item has a cost or value that can be measured reliably. (SLFRS for SMEs 2.27) On the accrual basis, items are recognized as income or expenses when they satisfy the definition & recognition criteria for those items. (SLFRS for SMEs 2.36)</p>	<p>Income is the increase in assets, or decrease in liabilities, that result in increase in equity, other than those relating to contribution from holders of equity claims. (Conceptual Framework 4.68)</p> <p>Elements recognized in the financial statements are quantified in monetary terms. This requires the selection of a measurement basis (historical cost, current value, fair value & value in use). Applying a measurement basis to an asset or liability creates a measure for the asset or liability and for related income & expenses. (Conceptual Framework 6.1)</p>	<p>Therefore, the management has quantified the impact to the financial statements on interest income being measured at amortized cost using effective interest rate method.</p>

(05) RENT INCOME

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS As per Conceptual Frame work – Rent Income	Management Comments and Conclusion
<p>Recognition is the process of incorporating an item in the financial statements that meets the definition of an asset, liability, income or expenses and satisfy the following criteria;</p> <ul style="list-style-type: none"> a) It is probable that any future economic benefit associated with the item will flow to or from the entity. b) the item has a cost or value that can be measured reliably. (SLFRS for SMEs 2.27) <p>On the accrual basis, items are recognized as income or expenses when they satisfy the definition & recognition criteria for those items. (SLFRS for SMEs 2.36)</p>	<p>A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. (SLFRS 16.81)</p>	<p>Adjustments required under SLFRS/LKAS for rent income has been quantified and adopted.</p>

NHCO
CHARTERED ACCOUNTANTS

GAP ANALYSIS – STATEMENT OF FINANCIAL POSITIONS

(01) TRADE & OTHER RECEIVABLES

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS As per SLFRS 09 Financial Instrument – Trade Receivables	Management Comments and Conclusion
<p>As per SLFRS for SMEs Assets are recognized in the financial statements when</p> <p>a) it is probable that any future economic benefit associated with the item will flow to or from the entity;</p> <p>b) the item has a cost or value that can be measured reliably. (SLFRS for SMEs 2.27)</p> <p>At initial recognition, an entity shall measure assets and liabilities at historical cost value unless it is required to measure initially on another basis such as fair value.</p> <p>Most non financial assets that an entity initially recognizes at historical cost are subsequently measured on another measurement basis as appropriate. (SLFRS for SMEs, 2.49)</p>	<ul style="list-style-type: none"> - Appropriate to segment trade receivables - Use historical loss experience on its trade receivables and adjust historical loss rates to reflect information about current transactions, and reasonable and supportable forecasts of future economic conditions - Considered observed default rates, forward looking measures that includes the probability of worsening economic environment and updates every year (SLFRS 9.5.1.3, 9.5.5.17, 5.55, 5.5.10, 5.5.11) 	<p>There are no adjustments required under SLFRS/ LKAS as the current accounting treatment is similar to the accounting treatment recorded as SLFRS/ LKAS and considering following factors.</p> <ul style="list-style-type: none"> - Over 90 days exceeded debtor balance consists of 16.24% mainly arises from one customer as per historical data over 90 days is not applicable for recognition of 12 months expected credit losses.

(02) PROPERTY PLANT & EQUIPMENT

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS (As per LKAS 16)	Management Comments and Conclusion
<p>The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:</p> <p>It is probable that, future economic benefits associated with the item will flow to the entity; and The cost of the item can be measured reliably. (SLFRS for SMEs 17.4)</p> <p>PPE is measured initially at cost; cost includes: *Its purchase price Any directly attributable costs to bring the asset to the location and condition necessary for it to be capable of reporting in the manner intended by the management. The initial estimate of costs of dismantling and removing the item and restoring the site on which it is located. Borrowing cost are required to recognize as an expenses. (SLFRS for SME 25.2)</p> <p>Subsequent measurement</p> <p>An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant & equipment. (SLFRS for SMEs 17.15)</p>	<p>The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if:</p> <p>It is probable that, future economic benefits associated with the item will flow to the entity; and The cost of the item can be measured reliably. LKAS 16.7</p> <p>Similar to SLFRS for SMEs, except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets are required to be capitalized as part of the cost of that asset. (LKAS 16.16, LKAS 23.8)</p> <p>In addition to the cost model, the revaluation model is an option, in which classes of PPE are carried at a revalued amount less any accumulated depreciation and subsequent accumulated impairment losses. (LKAS 16.29 & 16.31)</p>	<p>There are no adjustments required as the current accounting treatment is similar to the accounting treatment recommended under SLFRS/LKAS.</p> <p>As per the SLFRS 01 section D 23, First -time adopter can elect to apply the requirements of LKAS 23 from the date of transition or from an earlier date. (SLFRS 01 D23) Therefore, the Company is in the view that the application of such requirement commencing after 01st April 2021.</p> <p>The Board of Directors has decided to use the existing basis i.e. the cost model for subsequent measurements for the period commencing from 01st April 2021.</p> <p>Therefore, there are no adjustments required under SLFRS/LKAS in this regard.</p>

(03) INVESTMENT PROPERTY

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS	Management Comments and Conclusion
<p>Investment property whose fair value cannot be measured reliably without undue cost or effort on an ongoing basis shall apply section 17 (SLFRS for SMEs 17.1)</p> <p>An entity shall measure an item of property, plant and equipment at initial recognition at its cost. (SLFRS for SMEs 17.9)</p>	<p>An investment property shall be measured initially at its cost. (LKAS 40.20)</p> <p>With the exceptions noted in paragraphs 32A and 34 an entity shall choose as its accounting policy either the fair value model in paragraphs 33-55 or the cost model in paragraph 56 and shall apply that policy to all of its investment property. (LKAS 40.30)</p>	<p>The Board of Directors has decided to use the existing basis i.e. the cost model for subsequent measurements for the investment property period commencing from 01st April 2021. Reclassification required to investment property in the financial statements.</p>



(04) RIGHT- OF- USE- ASSET AND LEASE LIABILITY

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS As per SLFRS 16 Right of use asset and lease liability	Management Comments and Conclusion
<p>At the commencement of the lease term, a lessee shall recognize its rights of use and obligations under finance lease as assets and liabilities in its statement of finance position. (SLFRS for SMEs 20.09)</p> <p>An entity shall measure finance lease assets and liabilities at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. Any initial direct cost of the lease (Incremental costs that are directly attributable to the negotiating and arranging a lease) are added to the amount recognized as an asset. (SLFRS for SMEs 20.09)</p>	<p>At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability. Initial measurement of the right-of-use- asset at the commencement date, a lessee shall recognize a right - of - use asset and a lease liability. (SLFRS 16.22) (SLFRS 16-62 & 63)</p> <p>At the commencement date, a lessee shall measure the lease liability at the present value of the lease payment that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined, the lessee shall use the lessee's incremental borrowings rate. (SLFRS 16.26)</p> <p>Subsequent measurement of the right-of-use asset</p> <p>After the commencement date, a lessee shall measure the right-of-use asset applying a cost model, unless it applies either of the measurement models described in paragraphs 34 and 35 (SLFRS 16.28)</p>	<p>The Company has only finance lease assets for the year ended 31st March 2021 & 01st April 2020.</p> <p>There is no impact to the financial statements under SLFRS/LKAS, but the presentation and disclosure requirements shall be changed according to the requirements of SFRS/LKAS.</p>

(05) INTEREST BEARING BORROWINGS

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS As per SLFRS 9 Financial Instruments	Management Comments and Conclusion
<p>On initial recognition, basic financial instruments are measured at the transaction prices. The assets or liabilities is measured at the present value of the future payments if payment is deferred or is financed at an interest rate that is not a market rate. (SLFRS for SMEs 11.13)</p> <p>At the end of each reporting period, basic debt instruments are measured at amortized cost using the effective interest method. Commitments to receive a loan are measured at cost less impairment. Investments in non-convertible and non-puttable ordinary shares or preference shares are measured at fair value through profit or loss if fair can be measured reliably, otherwise at cost less impairment. SLFRS for SMEs 11.14</p>	<p>An entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of financial assets or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liability. (SLFRS 09.5.1.1, 09.5.1.2)</p> <p>After initial recognition financial liability other than those fair value through profit or loss are measured at amortized cost. (SLFRS 9.4.2.1)</p>	<p>As per the section D20 of SLFRS 01, the Company applies the requirements in the paragraph B5.1.2A(b) of SLFRS 9 prospectively to transactions entered into on or after the date of transition to SLFRS. Therefore, no adjustment required for the interest-bearing borrowings under SLFRS/LKAS.</p>

(06) RETIREMENT BENEFIT OBLIGATION

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS (As per LKAS 19 - Retirement benefit obligation)	Management Comments and Conclusion
<p>If an entity is able, without undue cost or effort, to use the projected unit credit method to measure its defined benefit obligation and the related expense, it shall do so. If defined benefits are based on future salaries, the projected unit credit method requires an entity to measure its defined benefits obligation on a basis that reflects estimated future salary increases.</p> <p>Additionally, the projected unit credit method requires an entity to make various actuarial assumptions in measuring the defined benefit obligation, including discount rates, the expected rates of return on plan assets, expected rates of salary increases, employee turnover, mortality, and (for defined benefit medical plans) medical cost trend rates.</p> <p>This standard does not require an entity to engage an independent actuary to perform the comprehensive actuarial valuation needed to calculate its defined benefit obligation. Nor does it require that a comprehensive actuarial valuation must be done annually. In the periods between comprehensive actuarial valuations, if the principal actuarial assumptions have not changed significantly the defined benefit obligation can be measured by adjusting the prior period measurement for changes in employee demographics such as number of employees and salary levels. (SLFRS for SMEs 28.18- 28.20)</p>	<p>The use of an accrued benefit valuation method (the projected unit credit method) is required for calculating differed benefit obligations. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. LKAS 19.64-19.65</p> <p>Re-measurements of the net defined benefit liability (asset), to be recognized in other comprehensive income comprising:</p> <p>(i) actuarial gains and losses LKAS 19.58 Actuarial gains and losses result from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments. Causes of actuarial gains and losses include, for example:</p> <p>(a) unexpectedly high or low rates of employee turnover, early retirement or mortality or of increases in salaries, benefits (if the formal or constructive terms of a plan provide for inflationary benefit increase) or medical costs;</p> <p>(b) the effect of changes to assumptions concerning benefit payment options;</p>	<p>This standard does not require an entity to engage an independent actuary to perform the comprehensive actuarial valuation needed to calculate its defined benefit obligation. Nor does it require that a comprehensive actuarial valuation must be done annually. In the periods between comprehensive actuarial valuations, if the principal actuarial assumptions have not changed significantly the defined benefit obligation can be measured by adjusting the prior period measurement for changes in employee demographics such as number of employees and salary levels. No adjustment is required.</p>

(06) RETIREMENT BENEFIT OBLIGATION (CONTINUED)

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS (As per LKAS 19 - Retirement benefit obligation)	Management Comments and Conclusion
	<p>(c) (c') the effect of changes in estimates of future employee turnover, early retirement or mortality or of increases in salaries, benefits (if the formal or constructive terms of a plan provide for inflationary benefit increases) or medical costs; and</p> <p>(d) (d)the effect of changes in the discount rate.</p> <p>(e) Actuarial gains and losses do not include changes in the present value of the defined benefit obligation because of the introduction, amendment, curtailment or settlement of the defined benefit plan, or changes to the benefits payable under the defined benefits plan. Such changes result in past service cost or gains or losses on settlement. (LKAS 19.128-19.129)</p>	



(07) INTANGIBLE ASSETS

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS (As per LKAS 38 & SIC 32)	Management Comments and Conclusion
<p>Expenditure on intangible is recognized as an asset when it meets the recognition criteria of an asset. (SLFRS for SMEs 18.4-18.7)</p> <p>Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses (Cost model). (SLFRS for SMEs 18.18)</p>	<p>Expenditure on intangible is recognized as an asset when it meets the recognition criteria of an asset. (LKAS 38.21- 38.23)</p> <p>Apart from the cost model, revaluation model is also an option, in which intangible assets are carried at a revalued amount less any accumulated depreciation and subsequent accumulated impairment losses. (LKAS 38.72)</p> <p>A web site arising from development shall be recognized as an intangible asset if, and only if, in addition to complying with the general requirements described in IAS 38.21 for recognition and initial measurement, an entity can satisfy the requirements in IAS 38.57. In particular, an entity may be able to satisfy the requirement to demonstrate how its web site will generate probable future economic benefits in accordance with IAS 38.57(d) (SIC 32.8)</p> <p>Any internal expenditure on the development and operation of an entity's own web site shall be accounted for in accordance with IAS 38. (SIC 32.9)</p> <p>The cost of an internally generated intangible asset for the purpose of paragraph 24 is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria in paragraph 21, 22 and 57. (LKAS 38.65)</p>	<p>Accounting treatments are same in the both reporting standards and therefore, no adjustments are required.</p> <p>The Board of Directors has decided to use the existing basis i.e. the cost model for subsequent measurements for the period commencing from 01st April 2021. Therefore, there are no adjustments required under SLFRS/LKAS in this regard.</p> <p>The website has been developed through a service obtained from external service provider.</p> <p>When customers approach the company for new business opportunities for Water & Civil construction projects the website is one of the channels and therefore, it will directly link to the future economic benefits of the company.</p>

(08) CASH & CASH EQUIVALENTS

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS	Management Comments and Conclusion
An entity shall recognize a financial asset or financial liability only when the entity becomes a party to the contractual provisions of the instrument. (SLFRS for SMEs 11.12)	Similar to SLFRS for SMES (SLFRS 9.3.1.1)	There are no changes to cash and cash equivalents under SLFRS/ LKAS.

(09) INVENTORIES

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS (As per LKAS 02)	Management Comments and Conclusion
Inventories are initially recognized at costs. The cost of inventories includes all costs of purchases, cost of conversion and the other costs incurred in bringing the inventories to their present location and conditions. (SLFRS for SMEs 13.4-13.5)	Inventories are initially recognized at costs. The cost of inventories includes all costs of purchases, cost of conversion and the other costs incurred in bringing the inventories to their present location and conditions. (LKAS 2.9,2.10, 2.11)	The company is identified the inventory in accordance with the same way in its previous reporting and the proposed reporting and therefore, no adjustment is required.

(10) TRADE & OTHER PAYABLES

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS	Management Comments and Conclusion
An entity shall recognize a financial asset or financial liability only when the entity becomes a party to the contractual provisions of the instrument. (SLFRS for SMEs 11.12)	Similar to SLFRS for SMES (SLFRS 9.3.1.1)	There are no changes to cash and cash equivalents under SLFRS/ LKAS.

(11) INCOME TAX PAYABLE

Current Accounting Treatment under SLFRS for SMEs	Recommended accounting treatment under SLFRS/ LKAS	Management Comments and Conclusion
<p>Current Taxes Recognition</p> <p>Unpaid current tax for current and prior periods is recognized as a liability. If the amount already paid exceeds the amount due for those periods, the excess is recognized as assets. The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is recognized as an asset. (SLFRS for SMEs 29.4- 29.5) Current tax liabilities for the current and prior periods and related tax expenses are measured at the amount expected to be paid to the taxation authorities, using the tax rates that have been enacted or substantive enacted by the reporting date. (SLFRS for SMEs 29.23- 29.24)</p>	<p>Similar to SLFRS for SMEs (LKAS 12.12- 12.13), (LKAS 12.46)</p>	<p>There is no impact as the accounting treatment is the same under current accounting frame work</p>



GAP ANALYSIS - DISCLOSURE REQUIREMENTS

Following disclosures shall be made under SLFRS/LKAS in addition to disclosures made under SLFRS for SMEs.

01. SLFRS 16 - Leases

A lessee shall disclose the following amounts for the reporting period:

- (a) depreciation charge for right-of-use assets by class of underlying asset;
 - (b) interest expense on lease liabilities;
 - (c) the expense relating to short-term leases accounted for applying paragraph 6. This expense need not include the expense relating to leases with a lease term of one month or less;
 - (d) the expense relating to leases of low-value assets accounted for applying paragraph 6. This expense shall not include the expense relating to short-term leases of low-value assets included in paragraph 53(c);
 - (e) the expense relating to variable lease payments not included in the measurement of lease liabilities;
 - (f) income from subleasing right-of-use assets;
 - (g) total cash outflow for leases;
 - (h) additions to right-of-use assets;
 - (i) gains or losses arising from sale and leaseback transactions; and
 - (j) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset. (SLFRS 16.53)
- A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying paragraph 6 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying paragraph 53(c) relates.
- A lessee shall disclose a maturity analysis of lease liabilities applying paragraphs 39 and B11 of SLFRS 7 Financial Instruments: Disclosures separately from the maturity analyses of other financial liabilities.

GAP ANALYSIS – DISCLOSURE REQUIREMENTS (CONTINUED)

02. SLFRS 07 - Financial Instruments

The carrying amounts of each of the following categories, as specified in SLFRS 9, shall be disclosed either in the statement of financial position or in the notes:

- financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of SLFRS 9 and (ii) those mandatorily measured at fair value through profit or loss in accordance with SLFRS 9
- financial assets measured at amortised cost.
- financial liabilities measured at amortised cost.
- financial assets measured at fair value through other comprehensive income, showing separately (i) financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SLFRS 9; and (ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of SLFRS 9.

(SLFRS 7.8)

Qualitative Disclosure;

For each type of risk arising from financial instruments, an entity shall disclose:

- (a) the exposures to risk and how they arise;
- (b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and
- (c) any changes in (a) or (b) from the previous period.

(SLFRS 7.33)

Quantitative disclosures;

For each type of risk arising from financial instruments, an entity shall disclose:

- (a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in LKAS 24 Related Party Disclosures), for example the entity's board of directors or chief executive officer.
- (b) the disclosures required by paragraphs 35A–42, to the extent not provided in accordance with (a).
- (c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).

(SLFRS 7.34)

GAP ANALYSIS - DISCLOSURE REQUIREMENTS (CONTINUED)

03. LKAS 33- Earnings per Share

An entity shall disclose the following:

- the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share.
- the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share.

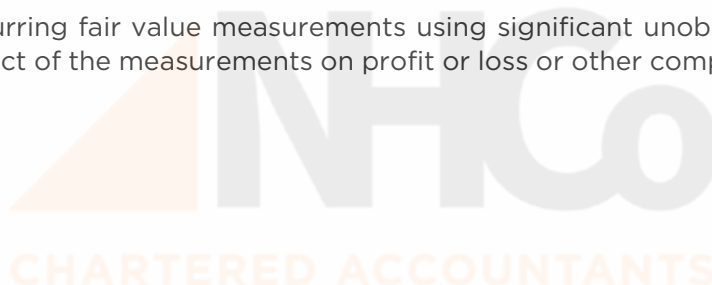
(LKAS 33.70)

04. SLFRS 13-Fair Value Measurements

An entity shall disclose information that helps users of its financial statements assess both of the following:

- a) for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial SLFRS 13 - 763 - position after initial recognition, the valuation techniques and inputs used to develop those measurements.
- b) for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

(SLFRS 13.91)



GAP ANALYSIS – DISCLOSURE REQUIREMENTS (CONTINUED)

05. SLFRS 19-Employee Benefits

Post-Employee Benefits: Defined Benefit Plans

An entity shall disclose information that:

- a) explains the characteristics of its defined benefit plans and risks associated with them (see paragraph 139);
- b) identifies and explains the amounts in its financial statements arising from its defined benefit plans (see paragraphs 140– 144); and
- c) describes how its defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows (see paragraphs 145–147).

(LKAS 19.135)

Each reconciliation listed in paragraph 140 shall show each of the following, if applicable:

- a. current service cost.
- b. interest income or expense.
- c. Re-measurements of the net defined benefit liability (asset), showing separately:
 - I. the return on plan assets, excluding amounts included in interest in (b).
 - II. actuarial gains and losses arising from changes in demographic assumptions (see paragraph 76(a))
 - III. actuarial gains and losses arising from changes in financial assumptions (see paragraph 76(b)).
 - IV. changes in the effect of limiting a net defined benefit asset to the asset ceiling, excluding amounts included in interest in (b). An entity shall also disclose how it determined the maximum economic benefit available, i.e. whether those benefits would be in the form of refunds, reductions in future contributions or a combination of both.
- d. past service cost and gains and losses arising from settlements. As permitted by paragraph 100, past service cost and gains and losses arising from settlements need not be distinguished if they occur together.
- e. the effect of changes in foreign exchange rates
- f. contributions to the plan, showing separately those by the employer and by plan participants.
- g. payments from the plan, showing separately the amount paid in respect of any settlements
- h. the effects of business combinations and disposals.

(LKAS 19.141)

GAP ANALYSIS - DISCLOSURE REQUIREMENTS (CONTINUED)

06. SLFRS 15 - Revenue from Contract with Customers

- An entity shall disclose qualitative and quantitative information about all of the following:
 - (a) its contracts with customers (see paragraphs 113-122);
 - (b) the significant judgements, and changes in the judgements, made in applying this Standard to those contracts (see paragraphs 123-126); and
 - (c) any assets recognized from the costs to obtain or fulfil a contract with a customer in accordance with paragraph 91 or 95 (see paragraphs 127-128). [SLFRS 15.110]

- An entity shall disclose all of the following:
 - (a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed;
 - (b) revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period; and
 - (c) revenue recognized in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price). [SLFRS 15.116]

- An entity shall explain how the timing of satisfaction of its performance obligations (see paragraph 119(a)) relates to the typical timing of payment (see paragraph 119(b)) and the effect that those factors have on the contract asset and the contract liability balances. The explanation provided may use qualitative information. [SLFRS 15.117]

- An entity shall provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period. The explanation shall include qualitative and quantitative information. Examples of changes in the entity's balances of contract assets and contract liabilities include any of the following:
 - (a) changes due to business combinations;
 - (b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is construction) or a contract modification;
 - (c) impairment of a contract asset;
 - (d) a change in the time frame for a right to consideration to become unconditional (i.e. for a contract asset to be reclassified to a receivable); and
 - (e) a change in the time frame for a performance obligation to be satisfied (i.e. for the recognition of revenue arising from a contract liability). [SLFRS 15.118]

GAP ANALYSIS – DISCLOSURE REQUIREMENTS (CONTINUED)

- An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following:
 - (a) when the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement;
 - (b) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained in accordance with paragraphs 56-58);
 - (c) the nature of the goods or services that the entity has promised to transfer highlighting any performance obligations arranged for another party to transfer goods or services (i.e. if the entity is acting as an agent);
 - (d) obligations for returns, refunds and other similar obligations; and
 - (e) types of warranties and related obligations. Transaction price allocated to the remaining performance obligations [SLFRS 15.119]

- An entity shall disclose the following information about its remaining performance obligations:
 - (a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and
 - (b) an explanation of when the entity expects to recognize as revenue the amount disclosed in accordance with paragraph 120(a), which the entity shall disclose in either of the following ways:
 - (i) a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or
 - (ii) By using qualitative information [SLFRS 15.120]

- An entity shall disclose the judgements, and changes in the judgements, made in applying this Standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity shall explain the judgements, and changes in the judgements, used in determining both of the following:
 - (a) the timing of satisfaction of performance obligations (see paragraphs 124-125); and
 - (b) the transaction price and the amounts allocated to performance obligations (see paragraph 126). Determining the timing of satisfaction of performance obligations [SLFRS 15.123]

- For performance obligations that an entity satisfies overtime, an entity shall disclose both of the following:
 - (a) the methods used to recognize revenue (for example, a description of the output methods or input methods used and how those methods are applied); and
 - (b) an explanation of the methods used provide a faithful depiction of the transfer of goods or services. [SLFRS 15.124]

- For performance obligations satisfied at a point in time, an entity shall disclose the significant judgments made in evaluating when a customer obtains control of promised goods or services. [SLFRS 15.125]

GAP ANALYSIS – DISCLOSURE REQUIREMENTS (CONTINUED)

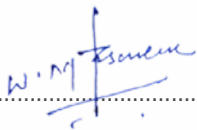
- An entity shall disclose information about the methods, inputs and assumptions used for all of the following:
 - (a) determining the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and measuring non-cash consideration;
 - (b) assessing whether an estimate of variable consideration is constrained;
 - (c) allocating the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable);
 - (d) measuring obligations for returns, refunds and other similar obligations.[SLFRS 15.126)

- An entity shall describe both of the following:
 - (a) the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95); and (by the method it uses to determine the amortization for each reporting period. [SLPRS 15.127]



CERTIFICATION BY THE BOARD OF DIRECTORS

I Certify that the GAP Analysis as at 31st March 2021 has been prepared and concluded appropriately with reference to the company's current accounting practice under SLFRS for SMEs and the recommended accounting treatment under SLFRS/ LKAS, as issued by the Institute of Chartered Accountants of Sri Lanka.



.....
Mr. Prasanna Walisundara

General Manager- Finance

The Board of Directors is responsible for the preparation and presentation of the GAP Analysis. Approved and signed behalf of the board.



.....
 Director



.....
 Director

Colombo

04th October 2021

04th October, 2021

The Board of Directors,
Luminex Limited,
No. 24,
New Galle Road,
Moratuwa,
Sri Lanka.

Dear Sirs,

REPORT OF FACTUAL FINDINGS ON THE GAP ANALYSIS PERFORMED BY LUMINEX LIMITED (the "Company") IN RELATION TO THE TRANSITION OF FINANCIAL REPORTING FRAMEWORK FROM SRI LANKA ACCOUNTING STANDARD FOR SMALL AND MEDIUM-SIZED ENTITIES (SLFRS FOR SMEs) TO SRI LANKA ACCOUNTING STANDARDS (SLFRS/LKAS)

We have performed the procedures agreed with you and enumerated below with respect to the Gap Analysis on transition of Financial Reporting Framework from Sri Lanka Accounting Standard for Small and Medium sized Entities to Sri Lanka Accounting Standards.

our engagement was undertaken in accordance with the Sri Lanka standard on related services 4400 applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the appropriateness of gap analysis performed by the company in relation to the transition of financial reporting framework from Sri Lanka accounting standard for small and medium-sized entities to Sri Lanka accounting standards and are summarized as follows.

1. We obtained and examined the Gap Analysis performed by the Company in relation to the transition of Financial Reporting Framework from SLFRS for SMEs to SLFRS/LKAS.
2. We examined the Current Accounting Practice under SLFRS for SMEs, with reference to the audited financial statements for the year ended 31st March 2021
3. We evaluated the appropriateness of Management Conclusion as per the Gap Analysis formed for the applicable areas.
4. We checked the approval of the Board of Directors of Luminex Limited, in relation to the Gap Analysis performed.
5. We examined the Recommended Accounting Treatment under SLFRS/ LKAS, with reference to the applicable Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka.

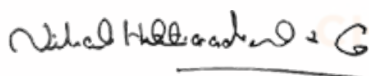
We report our findings below:

01. With respect to work done 01, the directors report on GAP analysis of the Company in relation to the transition of Financial Reporting Framework SLFRS for SMEs to SLFRS/LKAS is given in page no 05-19.
02. With respect to work done 02, we found that the current accounting practice under SLFRS for SMES as per GAP analysis have been appropriately applied, based on the audited financial statements for the year ended 31.03.2021.
03. With respect to work done 03, we examined that the management conclusions as stated in the directors GAP analysis report is appropriate for the applicable areas.
04. With respect to work done 04, we found that the Board of Directors had approved the gap analysis, as given in the page no 20 to the report.
05. With respect to work done 05 we noted that the recommended accounting treatments under SLFRs/LKAs are appropriate.

Since the above procedures do not constitute either an audit or a review made in accordance with Sri Lanka Auditing Standards or Sri Lanka Standards on Review Engagements, we do not express any assurance on the Gap analysis performed by the Company.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Sri Lanka Auditing standards or Sri Lanka Standards Review engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of Luminex Limited, taken as a whole.



Nihal Hettiarachchi

NIHAL HETTIARACHCHI & CO.,
Chartered Accountants



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LUMINEX (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Luminex (Private) Limited.**, (the Company), which comprise the statement of financial position as at March 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.


In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2021, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium-Sized Entities (SLFRS for SMEs).

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, 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.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standard for Small and Medium-Sized Entities (SLFRS for SMEs) 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.

 "RNH House", 622-B,
Kotte Road,
Kotte, Sri Lanka.

 +94 114 975 999

 +94 114 511 473

 info@nh-co.lk

 www.nh-co.lk

Partners
Nihal Hettiarachchi FCA, FCMA, FCPM,
Dinuk Hettiarachchi FCA, FCMA(UK), FCPA (AUS) Yadeeshani Perera ACA, BSc (Bus.Admin)Sp,
Erandi Weerasuriya ACA, BSc (Mgt.Pub)Sp, Dilini Silva ACA
Tax Director :
Dinusha Ilankoon BB.Mgt Accountancy(Sp),CTA



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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located at <http://www.slaasc.lk/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

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.

COLOMBO,
July 15, 2021


NIHAL HETTIARACHCHI & CO.,
Chartered Accountants

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH

	NOTES	2021 Rs.	2020 Rs.
REVENUE	(03)	2,554,040,787	1,545,368,584
OPERATING EXPENSES		(1,848,726,837)	(1,156,151,418)
GROSS PROFIT		705,313,950	389,217,166
OTHER INCOME	(04)	72,117,660	68,291,001
SHARE OF NET (LOSS) / PROFIT OF JOINT VENTURE		(24,384)	22,963,836
ADMINISTRATION EXPENSES		(357,812,551)	(297,918,420)
OTHER EXPENSES		(187,748)	(1,058,006)
OPERATING PROFIT FOR THE YEAR		419,406,927	181,495,577
FINANCE COSTS	(05)	(61,033,903)	(60,423,822)
PROFIT BEFORE TAX	(06)	358,373,024	121,071,755
INCOME TAX EXPENSE	(07)	(63,068,493)	(27,057,138)
PROFIT FOR THE YEAR		295,304,531	94,014,617

The significant accounting policies and notes from pages 6 to 29 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH

ASSETS	NOTES	2021 Rs.	2020 Rs.
Non-current assets			
Property, plant and equipment	(08)	359,832,875	342,947,296
Interest in joint venture	(09)	-	18,086
Intangible assets	(10)	3,442,308	5,389,408
		<u>363,275,183</u>	<u>348,354,790</u>
Current assets			
Deferred tax assets	(11)	1,823,147	761,305
Inventories	(12)	546,847,780	835,160,547
Other financial assets	(13)	312,090,244	257,992,554
Trade and other receivables	(14)	638,552,162	367,926,171
Cash and cash equivalents	(15)	61,296,740	49,207,682
		<u>1,560,610,073</u>	<u>1,511,048,259</u>
Total assets		<u>1,923,885,256</u>	<u>1,859,403,049</u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	(16)	200,000,000	40,000,000
Retained earnings		1,230,122,530	1,124,817,999
		<u>1,430,122,530</u>	<u>1,164,817,999</u>
Non-current liabilities			
Retirement benefit obligation	(17)	60,166,236	50,184,701
Interest bearing borrowings	(18)	62,856,284	80,134,521
Interest in joint venture	(09)	6,298	-
		<u>123,028,818</u>	<u>130,319,222</u>
Current liabilities			
Trade and other payables	(20)	127,849,634	108,980,517
Interest bearing borrowings	(18)	170,073,748	271,494,159
Other financial liabilities	(19)	8,000,000	8,000,000
Income tax Payable	(21)	36,510,937	3,068,169
Bank overdrafts	(15)	28,299,589	172,722,983
		<u>370,733,908</u>	<u>564,265,828</u>
Total liabilities		<u>493,762,726</u>	<u>694,585,050</u>
Total equity and liabilities		<u>1,923,885,256</u>	<u>1,859,403,049</u>

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.



Financial Controller

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

Signed for and on behalf of The Board by,



Director



Director

July 15, 2021

The significant accounting policies and notes from pages 6 to 29 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH**

	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 01st April, 2019	40,000,000	1,054,803,382	1,094,803,382
Profit for the year	-	94,014,617	94,014,617
Dividends	-	(24,000,000)	(24,000,000)
Balance as at 31st March, 2020	40,000,000	1,124,817,999	1,164,817,999
Balance as at 01st April, 2020	40,000,000	1,124,817,999	1,164,817,999
Profit for the year	-	295,304,531	295,304,531
Dividends	-	(30,000,000)	(30,000,000)
Issue of shares	160,000,000	(160,000,000)	-
Balance as at 31st March, 2021	200,000,000	1,230,122,530	1,430,122,530

NHCO
CHARTERED ACCOUNTANTS

The significant accounting policies and notes from pages 6 to 29 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH

	2021 Rs.	2020 Rs.
Cash flows from operating activities		
Profit for the year	295,304,531	94,014,617
Adjustments for non - cash income and expenses :		
Non- cash income tax expenses (Note - a)	32,380,926	10,217,266
Amortization	1,947,100	1,315,255
Depreciation of property, plant and equipment	83,591,479	62,400,362
Interest income	(22,511,789)	(24,398,128)
Profit on disposal of assets	(5,070,000)	(8,147,796)
Provision for gratuity	11,395,849	8,785,251
Share of joint venture Loss / (Profit)	24,384	(22,988,938)
Gratuity paid	(1,414,314)	(1,543,001)
Interest adjustment for lease	(7,102,937)	(6,270,613)
Changes in working capital		
(Increase) / Decrease in trade and other receivables	(270,625,991)	105,774,173
Decrease / (Increase) in inventories	288,312,767	(185,397,196)
Increase / (Decrease) in trade and other payables	17,124,117	(13,725,054)
Net cash generated from operating activities	423,356,122	20,036,198
Cash flows from investing activities		
Interest received	22,511,789	23,519,594
Investment in other financial assets	(54,097,690)	(41,592,072)
Purchase of property, plant and equipment	(98,732,059)	(169,605,537)
Purchase of intangible assets	-	(6,085,415)
Sales proceeds from disposal of assets	5,070,000	20,522,796
Net cash absorbed in investing activities	(125,247,960)	(173,240,634)
Cash flows from financing activities		
Dividend paid	(30,000,000)	(24,000,000)
Proceeds received from borrowings	297,218,910	448,899,030
Repayment of capital portion of borrowings	(357,043,685)	(313,029,116)
Repayment of lease rentals	(51,770,935)	(35,274,832)
Net cash (absorbed in) / generated from financing activities	(141,595,710)	76,595,082
Net Increase / (Decrease) in cash and cash equivalents	156,512,452	(76,609,354)
Cash and cash equivalents at the beginning of the year	(123,515,301)	(46,905,947)
Increase / (Decrease)	156,512,452	(76,609,354)
Cash and cash equivalents at the end of the year	32,997,151	(123,515,301)
Note : (a)		
Income tax paid	30,687,567	16,839,872

The significant accounting policies and notes from pages 6 to 29 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(01) CORPORATE INFORMATION

1.1 Domicile and legal form

Luminex (Pvt) Ltd., is a Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is situated at No. 24, New Galle Road, Moratuwa, Sri Lanka.

1.2 Principal activities and nature of operations

The Company is engaged in the business of civil, electrical, electronics, telecommunication, and mechanical engineering construction contractors, consultants and technical advisers.

1.3 Significant shareholdings

The significant shareholders of the Company at the end of the year were as follows:

Shareholders	Percentage of holding
G.V.R.K. Fernando	51.88%
A.A.C. De Alwis	24.06%
D. B. J. Ramanayake	12.03%
D. H. S. Ramanayake	12.03%

(02) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General

2.1.1 Basis of preparation

These financial statements have been prepared in accordance with the *Sri Lanka Accounting Standard for Small and Medium- Sized Entities* issued by the Institute of Chartered Accountants of Sri Lanka. These Financial Statements are presented in Sri Lankan Rupees (Rs.) and all financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee. The Financial Statements were authorized for issue by the Board of Directors on 15th July, 2021.

2.1.2 Comparative information

The Accounting Policies are consistently applied by the Company and are consistent with those of the previous year other than those required by the Sri Lanka Accounting Standards for Small and Medium Sized Entities. The previous year's figures and phrases are re-arranged wherever necessary to conform to the current year's presentation.

2.1.3 Going concern

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

Notes to the financial statements continued on page 7.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(02) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 General (Continued)

2.1.4 Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2.1.5 Taxation

a) Current taxes

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.24 of 2017 and amendments thereto.

b) Deferred taxation

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered. The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

c) Turnover based taxes

Turnover based taxes include Value Added Tax (V.A.T.), Nation Building Tax (N.B.T.), which are payable to the Department of Inland Revenue in respect of business activities and the Company pay such taxes in accordance with the respective statutes.

2.1.6 Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.1.7 Events occurring after the reporting date

All material events occurring after the reporting date are considered and where appropriate adjustments to or disclosures are made in the respective notes to the accounts.

Notes to the financial statements continued on page 8.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(02) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Assets and basis of their valuation

Assets classified as current assets in the statement of financial position are cash and those which are expected to be realized in cash during the normal operating cycle of the Company's business or within one year from the reporting date whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

2.2.1 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

Computer software	Over 05 Years	20%
Buildings	Over 20 Years	05%
Plant, machinery and equipment	Over 05 Years	20%
Furniture and fittings	Over 10 Years	10%
Motor vehicles	Over 04 Years	25%
Formation expenses of telex bureau	Over 05 Years	20%

No depreciation is provided on freehold land.

The depreciation charges are determined separately for each significant part of an item of property, plant and equipment and begin to depreciate when it is available for use and cease on disposal of such assets.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.2.2 Capital work in progress

Capital work in progress is transferred to the respective asset accounts at the time of first utilization of the asset.

2.2.3 Investments

All long term investments are stated at cost less any amount written off to reflect any permanent diminution in value of such investments.

The cost of the investment is the cost of acquisition inclusive of brokerage fees, duties and bank fees.

Short term investments are stated at the fair value as at the reporting date. The resulting gain or loss is dealt with in the statement of comprehensive income.

Notes to the financial statements continued on page 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(02) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Assets and basis of their valuation (Continued)

2.2.4 Intangible assets

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

2.2.4.1 Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on brands, is recognized in profit or loss as incurred.

2.2.4.2 Amortization

Amortization is recognized in profit or loss on a straight – line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life for the current and comparative periods is as follows:

Computer software	Over 04 Years
-------------------	---------------

2.2.5 Inventories

Inventories are stated at the lower of cost and selling price less costs to complete and sell. In general, cost is determined on a first in first out basis and includes transport and handling costs. Selling price less costs to complete and sell is the price at which the inventories can be realised in the ordinary course of business after allowing for the cost of realisation. Provision is made for obsolescent, slow-moving and defective inventories.

Raw material

At actual cost on weighted average basis.

Work-in-progress

At actual cost of direct materials, direct labour and appropriate proportion of fixed production overheads based on normal operating capacity.

2.2.6 Trade and other receivables

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

Notes to the financial statements continued on page 10.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(02) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Assets and basis of their valuation (Continued)

2.2.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases. Rights to assets held under finance leases are recognised as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

2.2.8 Impairment of assets

At each reporting date, property, plant and equipment, intangible assets and investments are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.2.9 Cash and cash equivalents

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

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand deposits in banks net of outstanding bank overdrafts.

Interest paid is classified as operating cash flows, for the purpose of presentation of cash flow statement, reported based on indirect method.

Notes to the financial statements continued on page 11.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(02) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Liabilities and provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date.

Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these Financial Statements. Provisions and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provision for dividend is recognized at the time of dividend recognized and declared by the Board of Directors and approved by the shareholders.

2.3.1 Trade and other payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Sri Lankan Rupees (Rs.) using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

2.3.2 Employee benefit

2.3.2.1 Defined benefit plan - Retirement gratuity

The Company is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, according to which an obligation to pay gratuity arises only on completion of 5 years of continued service. Gratuity liability is not externally funded nor actuarially valued. This liability is grouped under non current liabilities in the balance sheet date based on gratuity formula method in accordance with Section 28 - *Employee Benefits* of the Sri Lanka Accounting Standards for Small and Medium Sized Enterprises.

a) Discount rate	12%
b) Salary increment rate	10%
c) Staff turnover factor	2%
d) Retiring age - Employees	55 years
- Executives	67 years

2.3.2.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution in to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligation for contribution to defined contribution plans are recognized as an employee benefit expense in the statements of comprehensive income in the period during which services are rendered by employees.

a) Employees' Provident Fund

The Company and employees contribution 12% and 8% respectively on the salary of each employee to the approved provident fund.

b) Employees' Trust Fund

The Company contribution 3% of the salary of each employee to the Employees' Trust Fund.

Notes to the financial statements continued on page 12.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(02) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Liabilities and provisions (Continued)

2.3.3 Bank loans and overdrafts

Interest bearing liabilities are initially recognized at the transaction price including transaction costs, and subsequently measured at amortized cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

2.3.4 Capital commitments and contingencies

All material capital commitments and contingent liabilities of the Company are disclosed in the respective notes to the accounts.

2.4 Statement of comprehensive income

2.4.1 Revenue recognition

a) Construction contracts

When the outcome of the contract can be measured reliably, contract revenue is recognised by reference to stage of completion of the contract activity as at the reporting date. Further, the Company recognizes construction revenue only progress payment invoice is approved by the contracted date.

b) Sale of goods

Revenue from sales of goods is recognised when the goods are delivered and title has passed. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales-related taxes collected on behalf of the government of Sri Lanka.

c) Rental income

Rental income is recognized on an accrual basis.

d) Rendering of service

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

e) Other income

Other income is recognized on an accrual basis.

f) Finance income

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Notes to the financial statements continued on page 13.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(02) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Statement of comprehensive income (Continued)

2.4.2 Expenditure recognition

- a) All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of comprehensive income in arriving at the profit for the year.
- b) For the purpose of presentation of statement of comprehensive income the Directors are of the opinion that the function of expenses method presents fairly the elements of the Company's performance, hence such presentation method is adopted.



Notes to the financial statements continued on page 14.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021 Rs.	2020 Rs.
(03) REVENUE		
Civil construction revenue	378,936,920	301,728,682
Infrastructure development revenue	2,175,103,867	1,243,639,902
	<u>2,554,040,787</u>	<u>1,545,368,584</u>
(04) OTHER INCOME		
Commission income	2,362,819	-
Changes in fair value of investment in unit trust	1,002,418	-
Interest income	21,509,371	24,398,128
N.B.T. payable over provision written back	-	733,604
N.B.T. penalty over provision written back	1,323,420	-
Other sales income	28,667,827	23,186,481
Profit from disposal of property, plant and equipment	5,070,000	3,472,796
Profit from disposal land	-	4,675,000
Profit on sale and lease back transaction	4,481,805	3,214,583
Rent income	7,700,000	8,400,000
Unclaimed salary written back	-	210,409
	<u>72,117,660</u>	<u>68,291,001</u>
(05) NET FINANCE INCOME		
Finance income	Note - 5.1 21,509,371	24,398,128
Finance cost	Note - 5.2 61,033,903	60,423,822
	<u>(39,524,532)</u>	<u>(36,025,694)</u>
(5.1) Finance income		
Interest income	21,509,371	24,398,128
	<u>21,509,371</u>	<u>24,398,128</u>
(5.2) Finance cost		
Bank guarantee commission	11,750,423	10,291,505
Bank charges	1,201,124	1,395,004
Bank commission	199,976	108,350
Other loan interest	3,450,141	2,052,772
Interest on bank overdrafts	10,187,572	15,340,916
Interest on leases	15,865,379	12,539,407
Term loan interest	18,379,288	18,695,868
	<u>61,033,903</u>	<u>60,423,822</u>

Notes to the financial statements continued on page 15.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2021 Rs.	2020 Rs.
(06) PROFIT BEFORE TAX			
<i>Is stated after charging all expenses including the following:</i>			
Amortization		1,947,100	1,315,255
Auditor's remuneration		289,000	265,939
Depreciation		83,591,479	63,024,125
Personnel cost include :			
- Annual bonus		7,863,321	6,138,150
- Defined benefit plan costs - Gratuity		11,438,098	8,785,251
- Defined contribution plan cost - E.P.F. & E.T.F.		24,102,219	20,491,617
- Other staff costs		63,660,103	54,128,788
- Salaries and wages		400,404,755	364,282,648
(07) INCOME TAX EXPENSE			
Current income taxes	Note - 7.1	64,130,335	35,360,481
Deferred tax charge / (reversal)	Note - 11	(1,061,842)	(8,303,343)
		63,068,493	27,057,138

Under the provision of the Inland Revenue Act No. 24 of 2017 and amendments thereto, the Company is liable for income tax at the rate of 14% on total business income and 24% on total Other income.

		2021 Rs.	2020 Rs.
7.1 Reconciliation between accounting profit and taxable profit			
Accounting profit before income tax expense		358,373,024	121,071,755
Aggregate disallowable expenses		116,680,302	87,910,625
Aggregate allowable expenses		(49,675,255)	(79,748,958)
Exempt income / other sources of income		(22,511,789)	(24,398,128)
Adjusted business profit		402,866,282	104,835,294
Interest income		21,509,371	24,397,970
Total statutory income		424,375,653	129,233,264
Less : Tax loss allowed for the year		-	-
Taxable profit		424,375,653	129,233,264
Statutory tax rate - on business profit			
Statutory tax rate - 01.04.2020-31.03.2021		14%	28%
Statutory tax rate - 01.01.2020 - 31.03.2020 (1/4th)		-	24%
Capital gain tax		10%	10%
Other Income (Rs.22,511,789 * 24%)		24%	-
Current income tax expense		56,401,280	34,892,981
Capital gain tax		-	467,500
Other Income		5,162,249	-
Adjustment made in respect of previous year 2019/2020		2,566,806	-
Current income tax expense		64,130,335	35,360,481

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(08) PROPERTY, PLANT AND EQUIPMENT

	As at 01st April, 2020	Additions / Adjustments	(Disposals) / Adjustments	As at 31st March, 2021
	Rs.	Rs.	Rs.	Rs.
Cost				
Freehold assets				
Land	96,983,243	15,700,950	-	112,684,193
Buildings	55,700,187	-	-	55,700,187
Plant, machinery and equipment	207,797,848	26,882,562	-	234,680,410
Furniture and fittings	10,404,082	975,106	-	11,379,188
Computers	15,205,489	2,444,440	-	17,649,929
Motor vehicles	212,982,028	4,225,000	(13,629,346)	203,577,682
Formation expenses of telex bureau	224,775	-	-	224,775
	<u>599,297,652</u>	<u>50,228,058</u>	<u>(13,629,346)</u>	<u>635,896,364</u>
Leasehold assets				
Motor vehicles	178,045,200	48,504,000	(1,440,000)	225,109,200
	<u>777,342,852</u>	<u>98,732,058</u>	<u>(15,069,346)</u>	<u>861,005,564</u>
Accumulated depreciation				
Freehold assets				
Buildings	19,962,452	2,635,671	-	22,598,123
Plant, machinery and equipment	154,525,798	21,949,873	-	176,475,671
Furniture and fittings	5,936,425	703,885	-	6,640,310
Computers	7,842,975	2,249,772	-	10,092,747
Motor vehicles	194,471,170	8,294,770	(13,629,346)	189,136,594
Formation expenses of telex bureau	224,774	-	-	224,774
	<u>382,963,594</u>	<u>35,833,971</u>	<u>(13,629,346)</u>	<u>405,168,219</u>
Leasehold assets				
Motor vehicles	51,431,962	47,757,508	(3,185,000)	96,004,470
	<u>434,395,556</u>	<u>83,591,479</u>	<u>(16,814,346)</u>	<u>501,172,689</u>
Carrying value	<u>342,947,296</u>			<u>359,832,875</u>

Notes to the financial statements continued on page 17.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021 Rs.	2020 Rs.
(09) INTEREST IN JOINT VENTURES		
Interest in joint ventures at the beginning of the year	18,086	(22,970,852)
- Share of net profit / (loss) on joint ventures		
(Loss) / Profit on JNC Luminex	(24,384)	22,963,836
Reimbursement of expenses and fund transfers	-	25,102
Interest in joint ventures at the end of the year	(6,298)	18,086

The Company has interest in following joint ventures which are equity accounted.

<u>Name of arrangement</u>	<u>Principal activity</u>	<u>Ownership interest %</u>
JNC Luminex joint venture	Construction of GLASSAUGH-A Water supply scheme in Nuwara Eliya district.	96

	2021 Rs.	2020 Rs.
(10) INTANGIBLE ASSETS		
Cost		
Balance as at the beginning of the year	7,788,400	1,702,985
Add : Additions made during the year	-	6,085,415
Balance as at the end of the year	7,788,400	7,788,400
Less :		
Amortization		
Balance as at the beginning of the year	2,398,992	1,083,737
Add : Amortization for the year	1,947,100	1,315,255
Balance as at the end of the year	4,346,092	2,398,992
Carrying amount at the end of the year	3,442,308	5,389,408
(11) DEFERRED TAX ASSET / (LIABILITY)		
Balance at the beginning of the year	761,305	(7,542,038)
(Reversal) / Provision for the year		
- Recognized in profit or loss statement	1,061,842	8,303,343
Balance at the end of the year	1,823,147	761,305
Deferred tax asset / liabilities arising from :		
- Temporary difference of property, plant and equipment	(47,143,761)	(47,012,598)
- Temporary difference of employee benefits	60,166,236	50,184,701
	13,022,475	3,172,103
Effective tax rate	14%	24%

Notes to the financial statements continued on page 18.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2021 Rs.	2020 Rs.			
(12) INVENTORIES						
Raw material		179,377,676	245,332,726			
Work in progress		367,470,104	589,827,821			
		<u>546,847,780</u>	<u>835,160,547</u>			
(13) OTHER FINANCIAL ASSETS						
Investments in fixed deposits	(Note 13.1)	272,777,754	254,358,054			
Staff loans & advances		940,172	1,264,600			
Investment in Unit trust	(Note 13.2)	36,002,418	-			
Other Investment		2,369,900	2,369,900			
		<u>312,090,244</u>	<u>257,992,554</u>			
(13.1) Investments in fixed deposits						
Sampath Bank PLC.		268,858,757	250,690,654			
Pan Asia Banking Corporation PLC		3,918,997	3,667,400			
		<u>272,777,754</u>	<u>254,358,054</u>			
(13.2) Investments in Unit Trusts						
Company	No. of Units	Cost as at 31.03.2021 Rs.	Market value as at 31.03.2021 Rs.	No. of Units	Cost as at 31.03.2020 Rs.	Market value as at 31.03.2020 Rs.
NDB Wealth Management Ltd.	1,513,209	35,000,000	36,002,418	-	-	-
		<u>35,000,000</u>	<u>36,002,418</u>		<u>-</u>	<u>-</u>

CHARTERED ACCOUNTANTS

Notes to the financial statements continued on page 19.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2021 Rs.	2020 Rs.
(14) TRADE AND OTHER RECEIVABLES			
Trade debtors		422,108,071	230,274,914
Amounts due from related companies	(Note - 14.1)	7,883,052	16,373,088
Directors' current account	(Note - 14.2)	3,587,899	1,034,596
Advance paid		3,582,272	-
Other receivables			
Advance for purchases		121,277,047	49,179,392
Department of telecommunication		25,000	25,000
Fuel deposit		1,245,000	1,245,000
House and rent deposit		3,053,000	2,678,000
Refundable deposits		30,411,941	391,941
Rent pre payment		-	2,484,500
Rent receivable		2,268,000	3,326,952
Retention by customers	(Note - 14.3)	43,110,880	60,912,788
		201,390,868	120,243,573
		638,552,162	367,926,171
(14.1) Amounts due from related Companies			
Luminex Power Project (Pvt) Ltd.		4,987,952	4,949,952
Luminex Bookshops (Pvt) Ltd.		145,100	8,700,636
Luminex Mini Hydro (Pvt) Ltd.		50,000	22,500
Power Flow (Pvt) Ltd.		2,700,000	2,700,000
		7,883,052	16,373,088
(14.2) Directors' current account			
Mr. A. Alwis		776,657	738,657
Mr. Ramanayake		295,939	295,939
Mr.R.Fernando		2,515,303	-
		3,587,899	1,034,596
(14.3) Retention by customers			
DBN Contract Retention		38,984,547	51,785,283
Electrical Contract Retention		-	733,932
Sethsiripaya Elec. Retention		-	8,015,023
SLT-FTTH Work Retention		-	378,550
MEP (JF-Bus Stand) Retention		4,126,333	-
		43,110,880	60,912,788

Notes to the financial statements continued on page 20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021 Rs.	2020 Rs.
(15) CASH AND CASH EQUIVALENTS		
Favourable balance		
Current accounts		
Sampath Bank PLC		
- A/c No. 0031 1000 2814	25,000	25,000
- A/C No. 0031 1001 0035	25,000	-
Pan Asia Banking Corporation PLC.		
- A/c No. 102411000252	1,980,625	-
Bank Of Ceylon		
- A/C NO. 0085950028	1,470,203	-
Savings accounts		
Sampath Bank PLC		
- A/c No. 1031 1374 0755	23,556,151	16,582,454
- A/c No-5001-2001-6175 (USD)	163	158
National Development Bank		
- A/C No - 106110497507	1,508,611	-
National Development Bank		
- A/C - 106110510821	5,752,248	-
Petty cash	26,978,739	32,600,070
	<u>61,296,740</u>	<u>49,207,682</u>
Unfavourable balances		
Bank overdrafts		
Sampath Bank PLC		
- A/c No. 000110003498	23,583,321	171,922,258
Pan Asia Banking Corporation PLC		
- A/c No. 102411000252	-	800,725
National Development Bank		
- A/C No. 101000948517	4,716,268	-
	<u>28,299,589</u>	<u>172,722,983</u>
Cash and cash equivalents for the purpose of statement of cash flows.	32,997,151	(123,515,301)
(16) STATED CAPITAL		
20,000,000 / 4,000,000 Ordinary shares	<u>200,000,000</u>	<u>40,000,000</u>

Company has issued 16,000,000 No. of shares during the year amounting to Rs. 160,000,000 capitalizing the retained earnings of the company.

Notes to the financial statements continued on page 21.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021 Rs.	2020 Rs.
(17) RETIREMENT BENEFIT OBLIGATION		
Balance at the beginning of the year	50,184,701	42,942,451
Add : Gratuity charge for the year	7,212,497	6,646,588
Interest charge for the year	1,922,483	1,596,529
Deficit / (Surplus) charge for the year	2,260,869	542,134
Less : Payments made during the year	(1,414,314)	(1,543,001)
Balance at the end of the year	60,166,236	50,184,701

The gratuity liability as at 31st March, 2021 amounting to RS. 60,166,236/- was based on formula method. The principal assumptions made are given below.

	2021	2020
Expected salary increment	4.00%	4.00%
Discounting / Interest	4.00%	4.00%
Staff turnover factor (As a%)	2.00%	2.00%

The company will continue in business as going concern. The above provision has not been externally funded.

	2021 Rs.	2020 Rs.
(18) INTEREST BEARING BORROWINGS		
Amounts payable between one year and five years		
Term loan payables (Note - 18.2)	4,999,300	8,999,380
Finance lease obligations (Note - 18.3)	57,856,984	71,135,141
	62,856,284	80,134,521
Amounts payable within one year		
Temporary loan payables (Note - 18.1)	124,358,078	209,200,932
Term loan payables (Note - 18.2)	4,666,760	6,666,000
Finance lease obligations (Note - 18.3)	41,048,910	31,627,227
Director's loan payable (Note - 18.4)	-	24,000,000
	170,073,748	271,494,159

Notes to the financial statements continued on page 22.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021 Rs.	2020 Rs.
(18) INTEREST BEARING BORROWINGS (CONTINUED)		
18.1 Temporary loans		
Balance at the beginning of the year	209,200,932	133,836,878
Add : Obtained during the year	235,407,386	357,393,010
Less : Repayments made during the year	(320,250,240)	(282,028,956)
Balance at the end of the year	124,358,078	209,200,932
Payable within one year	124,358,078	209,200,932
Payable between one year and five years	-	-
	124,358,078	209,200,932
18.2 Term loans		
Balance at the beginning of the year	15,665,380	23,665,540
Add : Obtained during the year	-	-
Less : Repayments made during the year	(5,999,320)	(8,000,160)
Balance at the end of the year	9,666,060	15,665,380
Payable within one year	4,666,760	6,666,000
Payable between one year and five years	4,999,300	8,999,380
	9,666,060	15,665,380
18.3 Finance lease obligations		
Balance at the beginning of the year	129,562,934	93,331,746
Add : Leases acquired during the year	40,811,524	71,506,020
Less : Repayments made during the year	(51,770,935)	(35,274,832)
Gross liability	118,603,523	129,562,934
Interest in suspense	(19,697,629)	(26,800,566)
Net liability	98,905,894	102,762,368
Payable within one year	41,048,910	31,627,227
Payable between one year and five years	57,856,984	71,135,141
	98,905,894	102,762,368
18.4 Director's loan payable		
Balance at the beginning of the year	24,000,000	35,000,000
Add : Obtained during the year	13,000,000	10,000,000
Less : Repayments made during the year	(37,000,000)	(21,000,000)
Balance at the end of the year	-	24,000,000

(Directors' loan includes loan obtained from Mr. G.V.R.K. Fernando)

Notes to the financial statements continued on page 23.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2021 Rs.	2020 Rs.
(19) OTHER FINANCIAL LIABILITIES			
Temporary loans	(Note - 19.1)	8,000,000	8,000,000
		<u>8,000,000</u>	<u>8,000,000</u>
(19.1) Inter company loan			
Luminex Bookshops (Pvt.) Ltd			
Balance at the beginning of the year		8,000,000	-
Add : Obtained during the year		8,000,000	10,000,000
Less : Repayments made during the year		(8,000,000)	(2,000,000)
Balance at the end of the year		<u>8,000,000</u>	<u>8,000,000</u>

The Company has obtained non - interest bearing loan from Luminex Bookshops (Pvt) Ltd has been classified as on demand payable.

		2021 Rs.	2020 Rs.
(20) TRADE AND OTHER PAYABLES			
Trade payables		37,485,749	38,545,225
Directors' current accounts	(Note - 20.1)	-	2,371,934
Advance received	(Note - 20.2)	19,200	3,349,271
Retention		8,612,767	2,385,812
Other payables			
Dividend		11,000,000	8,241,667
E.P.F. & E.T.F payables		3,900,179	6,293,956
N.B.T. penalty payable		-	1,323,420
Salaries		41,304,015	28,034,631
Unclaimed salary		14,229	-
Unearn profit from sale and leaseback transaction		9,781,945	12,518,750
V.A.T.		15,444,550	5,609,276
Stamp duty payable		-	45,575
		<u>81,444,918</u>	<u>62,067,275</u>
Accruals			
Auditors' remuneration		287,000	261,000
		<u>127,849,634</u>	<u>108,980,517</u>

Notes to the financial statements continued on page 24.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021 Rs.	2020 Rs.
(20) TRADE AND OTHER PAYABLES (CONTINUED)		
(20.1) Directors' current accounts		
Mr.G.V.R.K. Fernando	-	2,371,934
	-	2,371,934
(20.2) Advance received		
Other advances	19,200	3,349,271
	19,200	3,349,271
(21) INCOME TAX PAYABLE		
Balance at the beginning of the year	3,068,169	(14,573,906)
Add : Provision for the year		
Income tax	61,563,529	35,360,481
Adjustment made in respect of previous year 2019/2020	2,566,806	-
	67,198,504	20,786,575
Less : Payments made during the year		
Income tax	30,687,567	10,702,562
Economic Service Charge (E.S.C.)	-	6,137,310
Withholding tax (W.H.T.)	-	878,534
	30,687,567	17,718,406
Balance at the end of the year	36,510,937	3,068,169



Notes to the financial statements continued on page 25.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**(22) FAIR VALUES OF FINANCIAL INSTRUMENTS**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows :

	2021		2020	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Assets carried at amortized cost				
Short term investments	312,090,244	312,090,244	257,992,554	257,992,554
Cash and cash equivalents	61,296,740	61,296,740	49,207,682	49,207,682
	<u>373,386,984</u>	<u>373,386,984</u>	<u>307,200,236</u>	<u>307,200,236</u>
Liabilities carried at amortized cost				
Interest bearing borrowings Non-current liabilities	62,856,284	62,856,284	80,134,521	80,134,521
Interest bearing borrowings Current liabilities	170,073,748	170,073,748	247,494,159	247,494,159
Bank overdraft	28,299,589	28,299,589	172,722,983	172,722,983
	<u>261,229,621</u>	<u>261,229,621</u>	<u>500,351,663</u>	<u>500,351,663</u>

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

22.1 Short term investments

The carrying amount of investment in bank deposits approximates fair value due to the relatively short maturity of the financial instrument.

22.2 Cash and cash equivalents

The carrying amount of short term investment approximates fair value due to the relating short maturity of the financial instruments.

22.3 Cash and cash equivalents

The carrying amount of cash and cash equivalents approximate its fair value due to the relatively short maturity of the financial instruments.

Notes to the financial statements continued on page 26.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(22) FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Interest bearing borrowings

All bank borrowings have variable interest rates determined under the contract, which reflects the current market interest rate. Hence, the carrying amount of such financial instruments approximates its fair value.

22.5 Import loans

The fair value of these financial instruments with remaining maturity of less than one year approximates their carrying amounts due to the relatively short maturity of the financial instruments.

22.6 Bank overdraft

The carrying amount of bank overdraft approximates fair value due to the relatively short maturity of the financial instrument.

(23) RELATED PARTY TRANSACTIONS

The Company carried out transactions in the ordinary course of its business with parties who are defined in Sri Lanka Financial Reporting Standards for Small and Medium Sized Enterprises - Section 33 (Related Party Disclosures). The details of which are given below.

23.1 Transactions with related parties

Name of the related party	Nature of the Transaction	Transaction Amount Rs.	Balance as at 31st March, 2021 Rs.	
Power Flow (Pvt) Ltd.	Related party receivable	-	2,700,000	Dr.
Luminex Power Project (Pvt) Ltd.	Reimbursement of expenses	(38,000)	4,987,952	Dr.
Luminex Bookshops (Pvt) Ltd.	Related party receivable	8,555,536	145,100	Dr.
	Loan Balance	8,000,000	8,000,000	Cr.
G.V.R.K Fernando	Director loan	(37,000,000)	-	Cr.

Notes to the financial statements continued on page 27.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(23) RELATED PARTY TRANSACTIONS (CONTINUED)

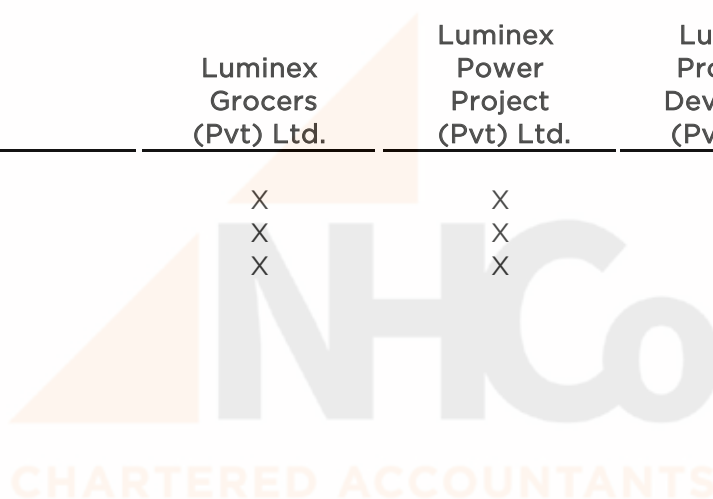
Nature of relationship

Directorship in related Companies

Name of the Director	Luminex Bookshops (Pvt) Ltd.	Luminex Power Project (Pvt) Ltd.	Luminex Property Developers (Pvt) Ltd.	Luminex Retailers (Pvt) Ltd.
Mr. G.V.R.P. Fernando	X	X	X	X
Mr. D. S. Ramanayaka	-	-	-	X
Mr. A. A. C. De Alwis	X	X	X	X

Directors' shareholding in related Companies

Name of the Director	Luminex Grocers (Pvt) Ltd.	Luminex Power Project (Pvt) Ltd.	Luminex Property Developers (Pvt) Ltd.	Luminex Retailers (Pvt) Ltd.
Mr. G.V.R.P. Fernando	X	X	X	X
Mr. D. S. Ramanayaka	X	X	X	X
Mr. A. A. C. De Alwis	X	X	X	X



Notes to the financial statements continued on page 28.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(23) RELATED PARTY TRANSACTIONS (CONTINUED)

23.2 Transactions with key management personnel

According to Section 33 (Related Party Disclosures) of SLFRS for SMEs, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company have been classified as key management personnel of the Company and the emoluments paid to them amounted Rs. 3,180,000/-.The interest on loan paid is Rs 3 450 141/- during the year ended 31st March 2021

(24) CAPITAL COMMITMENTS AND CONTINGENCIES

24.1 Details of Bank Guarantees

Bank guarantees issued by the banks on behalf of the company are as follows.

<u>Bank</u>	<u>Amount</u> <u>Rs.</u>
Sampath Bank PLC	591,726,057
Nation Development Bank PLC	123,503,074
	<u>715,229,131</u>

(25) EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events other than disclosed below occurring after the reporting date ,that require adjustments to or disclosure in the financial statements.

Proposed divided distribution of Rs. 3.50/- Per share.

On 19th July, 2021 board of directors has approved an interim dividend of Rs. 3.50/- per share for the year ended 31st March, 2021 as follows.

<u>Class of Shares</u>	<u>Dividend per share (Rs).</u>	<u>No of shares</u>	<u>Amount (Rs).</u>
Ordinary Shares	3.50	20,000,000	70,000,000

(26) ASSETS PLEDGED AS SECURITIES

The loans of the Company have been secured against the mortgage of the under mentioned assets of the Company and other securities offered as per details given below.

LB Finance PLC Vehicle loan

Loan No	: VL 1210HOF00993
Facility Amount	: Rs. 7,100,000/-
Security	: Demand Promissory Note from the Company. A primary mortgage over WP KS-9485 motor vehicle kept at No. 24, New Galle Road, Moratuwa.
Balance as at 31st March, 2021	: NIL

Notes to the financial statements continued on page 29.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**(26) ASSETS PLEDGED AS SECURITIES (CONTINUED)****LB Finance PLC Vehicle loan (Continued)**

Loan No : VL 1301HOF01378
 Facility Amount : Rs. 7,700,000/-
 Security : Demand Promissory Note from the Company.
 A primary mortgage over WP KT -0092 motor vehicle kept at No. 24,
 New Galle Road, Moratuwa.
 Balance as at 31st March, 2021 : NIL

Loan No : VL 1503CORO3017
 Facility Amount : Rs. 5,769,648/-
 Security : Promissory note given by the Company
 A primary mortgage over WP KM -2192 Micro Rexton an WP KM - 9123
 Maruti Alto motor vehicle..
 Balance as at 31st March, 2021 : NILL

Sampath Bank PLC - A

Loan No : 3931 7000 0598
 Facility Amount : Rs. 40,000,000/-
 Security : Mortgage over the Property at No. 465, Galle Road, Moratuwa.
 Balance as at 31st March, 2021 :NILL

Sampath Bank PLC - B

Loan No : 3001 7000 0065
 Facility Amount : Rs. 40,000,000/-
 Security : Mortgage over the Property at No. 465, Galle Road, Moratuwa.
 Balance as at 31st March, 2021 : Rs. 9,666,060/-

OVERDRAFT (ENHANCED)

Amount : Rs. 20,000,000/- (enhanced from Rs. 3,000,000/-)
 Purpose : To finance working capital
 Interest : Applicable margin above the weighted average of annual effective fixed
 deposit interest rate payable monthly together with statutory levies at
 prevailing rates of the bank.
 Repayment : On demand.
 Condition : Interest rate to be reviewed at maturity of the fixed deposits held as security.
 Security : i. Overdraft agreement for Rs. 20,000,000/-.
 ii. Lien over the following fixed deposits totaling to Rs. 24,748,476.71 in
 the name of Company together with Company letter of set-off.

Fixed deposit No.	Amount (Rs.)
2031 1090 7060	4,748,476.71
2029 1071 9877	20,000,000.00

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH

	SCHEDULES	2021 Rs.	2020 Rs.
Operating profit	(I)	705,313,950	389,217,166
ADD :			
OTHER INCOME			
Commission income		2,362,819	-
Changes in fair value of investment in unit trust		1,002,418	-
Interest received on fixed deposits		20,425,179	23,617,237
Interest received on savings accounts		1,084,192	780,891
N.B.T. payable over provision written back		-	733,604
N.B.T. penalty over provision written back		1,323,420	-
Other sales income		28,667,827	23,186,481
Profit on sale and lease back transaction		4,481,805	3,214,583
Profit on disposal of property plant & equipment		5,070,000	3,472,796
Profit on disposal land		-	4,675,000
Rent income		7,700,000	8,400,000
Unclaimed salary written back		-	210,409
		72,117,660	68,291,001
Share of net (loss) / profit from joint venture		(24,384)	22,963,836
		777,407,226	480,472,003
LESS :			
EXPENSES			
Administration and establishment expenses	(II)	357,812,551	297,918,420
Finance costs	(III)	61,033,903	60,423,822
Other operating expenses	(IV)	187,748	1,058,006
		419,034,202	359,400,248
NET PROFIT FOR THE YEAR		358,373,024	121,071,755

SCHEDULES TO THE FINANCIAL STATEMENTS
31ST MARCH

	2021 Total Rs.	2020 Total Rs.
I. OPERATING PROFIT		
Income received		
- Civil construction	378,936,920	301,728,682
- Direct income	2,175,103,867	1,243,639,902
	2,554,040,787	1,545,368,584
(I.I) Direct income		
Infrastructure	2,175,103,867	1,243,639,902
	2,175,103,867	1,243,639,902
Less :		
DIRECT EXPENSES		
Raw material stocks and work-in-progress beginning of the year	245,332,726	219,469,700
Purchase of raw materials	589,827,821	430,293,651
	769,752,394	709,506,007
	1,604,912,941	1,359,269,358
Add :		
Bonus	6,641,991	5,239,232
Civil raw material cost	24,413,801	18,096,757
Civil labour cost	23,060,096	11,060,887
E.P.F. and E.T.F.	20,099,002	17,782,186
Equipment hiring	5,873,464	4,110,320
Hired labour	213,602,535	117,510,468
Salaries	50,621,608	48,179,797
Transport	90,807,354	104,918,715
Testing and other services	246,867	834,306
Wages, incentives and overtime	241,825,784	225,267,958
	677,192,502	553,000,626
Less :		
Raw material stock and Work-in-progress at the end of the year	179,377,676	245,332,726
	367,470,103	589,827,821
	546,847,779	835,160,547
	1,735,257,664	1,077,109,437
C/F	818,783,123	468,259,147

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)
31ST MARCH

	2021 Total	2020 Total
	Rs.	Rs.
I. OPERATING PROFIT (CONTINUED)		
B/F	818,783,123	468,259,147
Less :		
INDIRECT EXPENSES		
Consultancy fee	-	1,100,000
Electricity	2,269,503	1,012,344
Foreign traveling	-	265,556
Fuel	18,305,014	17,685,244
Insurance	1,983,129	1,111,097
Legal fees	249,850	933,705
License and subscription	1,163,124	-
Maintenance	33,855,833	16,376,730
Postage and stamps	864,612	169,716
Printing and stationery	2,162,591	1,997,239
Professional fees	1,360,500	27,500
Rates and taxes	3,000	-
Rent	22,206,142	11,027,287
Safety equipment	680,671	1,524,943
Security expenses	1,728,185	1,593,180
Site visiting expenses	35,930	112,112
Staff medical	172,305	185,945
Staff training	51,000	48,147
Staff welfare	11,966,430	11,947,226
Telex, telephone and e-mail	4,257,768	3,710,414
Tender fees	1,364,677	1,079,976
Tool expenses	4,761,401	4,803,227
Tools repair	1,067,472	405,335
Travelling	1,233,798	1,350,032
Water	931,938	569,526
Vehicle rent	794,300	-
Web hosting charges	-	5,500
	113,469,173	79,041,981
Operating profit	705,313,950	389,217,166

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)

31ST MARCH

	2021 Rs.	2020 Rs.
(II) ADMINISTRATION AND ESTABLISHMENT EXPENSES		
Advertising	599,931	521,261
Amortization of intangible assets	1,947,100	1,315,255
Auditors' remuneration	289,000	265,939
Bank charges	561,047	602,589
Building rent	369,000	39,000
Consultancy charges	25,500,000	18,000,000
Depreciation	83,591,479	62,400,362
Directors' salaries	3,180,000	2,960,000
E.P.F.	3,202,574	2,709,431
E.T.F.	800,643	677,358
Electricity	-	28,473
Foreign Travelling	-	1,380,729
Fuel	10,938,333	10,413,565
Insurance	5,081,274	4,538,620
Legal fees	1,170,600	1,063,178
Maintenance	33,587,613	27,887,194
Overtime and incentives	53,016,952	43,530,792
Postage and stamps	202,685	1,008,870
Printing and stationery	1,810,684	4,217,133
Professional fees	451,800	750,738
Rates and taxes	435,084	638,708
Safety equipment	299,312	161,700
Salaries and wages	107,957,363	90,834,893
Security charges	652,500	301,002
Staff bonus	1,221,330	898,918
Staff gratuity	11,438,098	8,785,251
Staff medical	9,889	17,798
Staff training expenses	66,000	67,800
Staff welfare	2,703,941	4,374,248
Subscriptions	183,173	216,799
Telephone - Office	1,175,448	394,071
Tender fees	74,553	13,370
Tool expenses	2,821,558	6,152,198
Tool repair	167,792	106,247
Travelling charges	273,213	279,359
Water	139,834	108,971
Website renewal expenses	1,892,748	256,600
	357,812,551	297,918,420

SCHEDULES TO THE FINANCIAL STATEMENTS (CONTINUED)
31ST MARCH

	2021 Rs.	2020 Rs.
(III) FINANCE COSTS		
Bank guarantee commission	11,750,423	10,291,505
Bank charges	1,201,124	1,395,004
Bank account commission	199,976	108,350
Bank overdraft interest	10,187,572	15,340,916
Interest on term loan	18,379,288	18,695,868
Lease interest	15,865,379	12,539,407
Other loan interest	3,450,141	2,052,772
	61,033,903	60,423,822
(IV) OTHER OPERATING EXPENSES		
Donations	-	90,000
Formation expense written off	-	319,250
Penalty charges	187,748	648,756
	187,748	1,058,006

