



INTRODUCTORY DOCUMENT

ALPHA FIRE SERVICES LTD

MANAGER, FINANCIAL ADVISOR & SPONSOR
TO THE INTRODUCTION



A joint venture of DFCC Bank and HNB

Alpha Fire Services Limited (AFS)

INTRODUCTORY DOCUMENT



**LISTING OF 2,760,000 ORDINARY VOTING SHARES
AT A REFERENCE PRICE OF LKR 11.70 PER SHARE
ON THE EMPOWER BOARD OF THE COLOMBO STOCK EXCHANGE**

Manager, Financial Advisor & Sponsor to the Introduction



This Introductory Document is dated 24th May 2022

The delivery of this Introductory Document shall not under any circumstance constitute a representation or create any implication or suggestion, that there has been no material change in the affairs of the Company since the date of this Introductory Document. However, if there are any material changes in the affairs of the Company from the date of this Introductory Document, till the Company's Shares are listed; such material changes will be duly disclosed through CSE. If you are in doubt regarding the contents of this document, you should consult your stockbroker, lawyer or any other professional advisor.

In accordance with the requirements of the CSE listing Rules on entities seeking a listing on the Empower Board to obtain the services of a Sponsor approved by the CSE, Acuity Partners (Pvt) Limited will act as the Sponsor for a period not less than the release of the second Annual Report of the Entity after listing.

No Shares will be available for trading during the lock in period as stipulated under Section 7.4 of this Introductory Document

Responsibility for the Content of the Introductory Document

This Introductory Document has been prepared from information provided by Alpha Fire Services Ltd (hereinafter referred to as "AFS" or the "Company") or which is publicly available. The Directors of the Company, collectively and individually, having made all reasonable enquiries confirm to the Managers, Financial Advisors and Sponsors to the Introduction and the public that to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which, would make any statement herein misleading. AFS accepts responsibility for the information contained in this Introductory Document. While AFS has taken reasonable care to ensure full and fair disclosure, it does not assume any responsibility for any investment decisions made by investors based on information contained herein. In making an investment decision, prospective investors must rely on their own examination and assessments of the Company including the risks involved.

The Colombo Stock Exchange (the "CSE") has taken reasonable care to ensure full and fair disclosure of information in this Introductory Document. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed or reports included in this Introductory Document.

For further inquiries, please contact Manager, Financial Advisor and Sponsor to the Introduction.

Registration of the Introductory Document

A copy of this Introductory Document has been delivered to the Registrar General of Companies in Sri Lanka for registration. The following documents were also attached to the copy of the Introductory Document delivered to the Registrar General of Companies.

- **The written consent of the Managers, Financial Advisors and Sponsors to the Introduction**
Managers, Financial Advisors and Sponsors to the Introduction have given and have not before the delivery of a copy of the Introductory Document for registration withdrawn their written consent for the inclusion of their names as Managers, Financial Advisors and Sponsors to the Introduction and for the inclusion of the Research Report in the form in which it is included in the Introductory Document.
- **The written consent of the Auditors and Reporting Accountants to the Company and to the Introduction**
The Auditors and Reporting Accountants to the Company and to the Introduction have given and have not before the delivery of a copy of the Introductory Document for registration withdrawn their written consent for the inclusion of their name as Auditors and Reporting Accountants to the Company and to the Introduction and for the inclusion of their report in the form and context in which it is included in the Introductory Document.
- **The written consent of the Lawyers to the Introduction**
The Lawyers to the Introduction have given and have not before the delivery of a copy of the Introductory Document for registration withdrawn their written consent for the inclusion of their name as Lawyers to the Introduction in the Introductory Document.
- **The written consent of the Company Secretaries**
The Company Secretaries have given and have not before the delivery of a copy of the Introductory Document for registration withdrawn their written consent for the inclusion of their name as Company Secretaries in the Introductory Document.
- **The Declaration by the Directors**
A declaration made by each of the Directors of the Company confirming that each of them are aware of the provisions of the Companies Act No. 7 of 2017 relating to the issue of this document and that those provisions have been complied with.
- **Declaration by the Company**
A declaration by the Company confirming that the Company has no conflict of interest with the parties to the Introduction who are expected/considered to be independent.

Registration of the Introductory Document in Jurisdictions Outside of Sri Lanka

This Introductory Document has not been registered with any authority outside of Sri Lanka. Non-resident investors may be affected by the laws of the jurisdictions of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making their investment.

Representation

No person is authorised to give any information or make any representation not contained in this Introductory Document and if given or made, any such information or representation must not be relied upon as having been authorised by the Company.

Forward Looking Statements

Any statements included in this Introductory Document that are not statements of historical fact constitute "Forward Looking Statements". These can be identified by the use of forward-looking terms such as "expect", "anticipate", "intend", "may", "plan to", "believe", "could" and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward-Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Introductory Document, investors are advised not to place sole reliance on such statements.

Investment Considerations

It is important that this Introductory Document is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, refer "Investment Considerations and Associated Risk Factors" in Section 8.0 of this Introductory Document.

Presentation of Currency Information and Other Numerical Data

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lankan Rupees. References in the Introductory Document to “LKR”, “Rupees”, and “Rs.” are references to the lawful currency of Sri Lanka. Reference to “USD” is with reference to United States Dollars, the official currency of the United States of America.

Certain numerical figures in the Introductory Document have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Presentation of Macroeconomic and Industry Data

Economic and industry data used throughout this Introductory Document are derived from the Central Bank of Sri Lanka (CBSL) and various other industry data sources, which the Company believes to be reliable, but the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, while believed to be reliable, have not been independently verified and neither the Company nor the Managers to the Introduction make any representation as to the accuracy of that information.

TABLE OF CONTENTS

DEFINITIONS/INTERPRETATIONS	9
1.0 CORPORATE INFORMATION	10
2.0 RELEVANT PARTIES TO THE INTRODUCTION.....	11
3.0 DETAILS OF THE INTRODUCTION	12
3.1 LISTING OF SHARES OF ALPHA FIRE SERVICES LTD	12
3.2 BASIS FOR REFERENCE PRICE AT AN INTRODUCTION.....	12
3.3 INSPECTION OF DOCUMENTS	16
3.4 DECLARATION TO THE CSE AND SECONDARY MARKET TRADING	16
4.0 BUSINESS OPERATIONS OF ALPHA FIRE SERVICES LTD (AFS)	17
4.1 OVERVIEW OF ALPHA FIRE SERVICES LTD (AFS)	17
4.2 PARENT COMPANY AMTEK ENGINEERING (PVT) LIMITED (AEPL)	17
4.3 BUSINESS OPERATIONS OF AFS.....	18
4.4 CERTIFICATIONS	22
4.5 BRANDS MARKETED BY AFS	22
4.6 HUMAN RESOURCES	23
4.7 PAST FINANCIALS OF AFS.....	23
4.8 FUTURE DIRECTION OF AFS.....	26
4.9 ASSUMPTIONS RELATING TO THE FUTURE PLANS OF AFS	26
4.10 IMPACT OF COVID 19 ON THE COMPANY AND ITS BUSINESS OPERATIONS.....	27
5.0 CORPORATE STRUCTURE	28
5.1 BOARD OF DIRECTORS OF AFS	28
5.2 PROFILES OF THE BOARD OF DIRECTORS.....	28
5.3 OTHER DIRECTORSHIPS HELD BY THE BOARD OF AFS.....	29
5.4 DIRECTORS' INTEREST IN SHARES	30
5.5 DETAILS OF TRANSACTIONS RELATING TO PROPERTY	30
5.6 DIRECTORS' INTEREST IN MATERIAL CONTRACTS.....	30
5.7 STATEMENT - BOARD OF DIRECTORS	31
5.8 CORPORATE GOVERNANCE PRACTICES.....	31
5.9 SENIOR MANAGEMENT OF AFS.....	32
5.10 SENIOR MANAGEMENT EMOLUMENTS	33
5.11 STATEMENT – MANAGING DIRECTOR	33
6.0 OTHER INFORMATION.....	34
6.1 DEGREE OF DEPENDENCE ON KEY CUSTOMERS AND SUPPLIERS.....	34
6.2 DIVIDENDS	34
6.3 LITIGATION, DISPUTES AND CONTINGENT LIABILITIES	34
6.4 TAXATION	34
6.5 MANAGEMENT AGREEMENT.....	34
7.0 CAPITAL STRUCTURE	36
7.1 AN OVERVIEW OF THE CAPITAL STRUCTURE.....	36
7.2 SHAREHOLDING STRUCTURE OF AFS	36
7.3 DETAILS OF THE NON-PUBLIC SHAREHOLDERS OF THE COMPANY	37
7.4 DETAILS PERTAINING TO LOCKED-IN SHARES.....	37
7.5 STATUTORY TRANSFERABILITY OF SHARES.....	38
7.6 OTHER SECURITIES.....	38
7.7 SHARE RE-PURCHASES OR REDEMPTIONS.....	38
7.8 TAKEOVER OFFERS.....	38
8.0 INVESTMENT CONSIDERATIONS AND ASSOCIATED RISK FACTORS	39
8.1 RISKS RELATED TO THE INDUSTRY/BUSINESS	39
8.2 RISKS RELATED TO SME COMPANIES.....	39

8.3	RISKS RELATED TO THE FUTURE PLANS.....	40
8.4	CAPITAL MARKET RELATED RISKS	40
9.0	STATUTORY DECLARATION.....	42
	ANNEXURE 1 - RESEARCH REPORT PUBLISHED BY ACUITY PARTNERS (PRIVATE) LIMITED, MANAGERS, FINANCIAL ADVISORS AND SPONSORS TO THE INTRODUCTION TO ASCERTAIN THE REFERENCE PRICE OF THE ORDINARY SHARES OF ALPHA FIRE SERVICES LTD.....	43
	ANNEXURE 2 - ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY	71
	ANNEXURE 3 – AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021, 31 MARCH 2020 AND 31 MARCH 2019	79
	ANNEXURE 4 – INTERIM FINANCIAL STATEMENTS FOR THE 09 MONTHS ENDED 31 DECEMBER 2021	136

LIST OF TABLES

TABLE 3.1 : NET ASSET VALUE (NAV) AND PRICE TO BOOK VALUE (P/BV).....	12
TABLE 3.2 : EARNINGS PER SHARE (EPS) AND RETURN ON EQUITY (ROE).....	13
TABLE 3.3 : THE P/E RATIO RANGE OF THE INDUSTRY PEERS	14
TABLE 3.4 : P/BV RATIO RANGE OF THE INDUSTRY PEERS	14
TABLE 3.5 : COMPARISON OF KEY RATIOS ACROSS PEERS – AS PER AUDITED FINANCIAL STATEMENTS	15
TABLE 3.6 : COMPARISON OF KEY RATIOS ACROSS PEERS - AS PER TTM* OPERATIONS FOR THE PERIOD ENDING DECEMBER 31, 2021 PUBLISHED BY THE RESPECTIVE COMPANIES ON THE CSE WEBSITE.....	15
TABLE 4.1 : SHAREHOLDERS OF AEPL AS AT THE DATE OF THIS INTRODUCTORY DOCUMENT	17
TABLE 4.2 :SHAREHOLDERS OF VSR VENTURES (PVT) LTD AS AT THE DATE OF THIS INTRODUCTORY DOCUMENT.....	18
TABLE 4.3 :THE BOARD OF DIRECTORS OF AEPL AS AT THE DATE OF THIS INTRODUCTORY DOCUMENT.....	18
TABLE 4.4 :KEY PROJECTS OF AFS	18
TABLE 4.5: KEY PRODUCTS.....	19
TABLE 4.6: CERTIFICATIONS	22
TABLE 4.7 : WORKFORCE BREAKUP	23
TABLE 4.8 :PERFORMANCE ANALYSIS	25
TABLE 5.1: DETAILS OF BOARD OF DIRECTORS OF AFS.....	28
TABLE 5.2 : PROFILES OF BOARD OF DIRECTORS OF AFS.....	28
TABLE 5.3 : OTHER DIRECTORSHIPS	29
TABLE 5.4 : DIRECTORS’ DIRECT SHAREHOLDING IN AFS	30
TABLE 5.5 : DIRECTORS’ INDIRECT SHAREHOLDING IN AFS.....	30
TABLE 5.6 : COMPOSITION OF THE BOARD OF DIRECTORS	31
TABLE 6.1 : DIVIDEND PAYMENTS FOR THE LAST 03 FINANCIAL YEARS	34
TABLE 7.1 : STATED CAPITAL OF AFS	36
TABLE 7.2 : SHAREHOLDERS OF AFS	36
TABLE 7.3 : NON-PUBLIC SHAREHOLDERS OF AFS.....	37
TABLE 7.4 : DETAILS OF “LOCKED-IN SHARES”	37

DEFINITIONS/INTERPRETATIONS

The following definitions/interpretations apply throughout this Introductory Document, unless the context otherwise requires:

ACUITY	Acuity Partners (Private) Limited
AFS, the Company	Alpha Fire Services Limited
AEPL	Amtek Engineering (Pvt) Limited
Avg	Average
AWPR	Average Weighted Prime Lending Rate
Bn	Billion
CAGR	Compound Annual Growth Rate
CBSL	Central Bank of Sri Lanka
CIDA/ICTAD	Construction Industry Development Authority
CSE	Colombo Stock Exchange
DCF	Discounted Cash Flow
DPS	Dividend Per Share
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EPS	Earnings per Share
FDAS	The Fire Detection and Alarm System (FDAS)
FYE	Financial Year Ended
GICS	Global Industry Classification Standard
HR	Human Resources
ISO	International Organization for Standards
LKR/Rs.	Sri Lankan Rupees
MEP	Mechanical, Electrical, Plumbing
Mn/mn	Million
M/s	Messrs
NAV	Net Asset Value
NFPA	National Fire Protection Association
PAT	Profit After Tax
p.a	Per Annum
P/BV	Price to Book Value Ratio
P/E	Price to Earnings Ratio
PPE	Property Plant and Equipment
ROE	Return on Equity
SME	Small and Medium Enterprises
TTM	Trailing Twelve Months
UDA	Urban Development Authority
USA	United States of America
USD	United States Dollars
YoY	Year on Year

1.0 CORPORATE INFORMATION

The Company	Alpha Fire Services Limited	
Registered Office	487/5, Old Kottawa Road, Pannipitiya, Sri Lanka Tel: +94 11 508 888 / 0777 747 317 Fax: +94 112 503 392	
Legal Form of the Company	Incorporated in Sri Lanka on May 07, 2003 and re registered on October 16, 2007 as a Private Limited Liability Company under the provisions of Companies Act No. 7 of 2007. The legal form of the company was changed from Private Limited to a Limited Company under provisions of the Companies Act No. 07 of 2007 on November 27, 2021	
Company Registration Number (as a Public Company)	PB00248999	
Place of Incorporation	Colombo, Sri Lanka	
Company Secretaries	Ms. F. S. Ismail 168/5, Elvitigala Mawatha, Colombo 08, Sri Lanka Tel: +94 11 2695009	
Auditors to the Company	M/s KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03, Sri Lanka Tel: +94 11 5426426 Fax: +94 11 2445872	
Board of Directors	Mr. Sanjay Vijith Anthony Perera	Chairman/Managing Director /Executive Non-Independent Director
	Mr. Malindra Christopher Fernando	Executive Non-Independent Director
	Mrs. Deanna Marise Ryde	Co-Founder/Non-Executive Non-Independent Director
	Mr. Agampodi Samud Ishara Gunasekera	Executive Non-Independent Director
	Mr. Kapila Liyanagamage	Independent Non-Executive Director
	Mr. Ranil De Silva	Independent Non-Executive Director

2.0 RELEVANT PARTIES TO THE INTRODUCTION

Managers, Financial Advisors and Sponsors to the Introduction	Acuity Partners (Private) Limited No. 53, Dharmapala Mawatha, Colombo 03, Sri Lanka Tel: +94 11 2206206 Fax: +94 11 2437149
Lawyers to the Introduction	Mr. Kanchana Pieris 20/4, Kassapa Road Colombo 05 Sri Lanka Tel +94 11 2553342 Fax +94 11 2582470
Auditors and Reporting Accountants to the Introduction	M/s KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03, Sri Lanka Tel: +94 11 5426426 Fax: +94 11 2445872

3.0 DETAILS OF THE INTRODUCTION

3.1 Listing of Shares of Alpha Fire Services Ltd

An application has been made to the CSE for permission for a listing of **Two Million Seven Hundred and Sixty Thousand (2,760,000)** Ordinary Voting Shares being the entirety of the Issued and Paid-up Ordinary Shares represented in the Stated Capital of the Company by way of an Introduction. However, the CSE reserves the right to withdraw such approval granted for the listing of the Shares mentioned above, in the circumstances set out in Rule 2.3 of the CSE listing rules.

Subsequent to the completion of the Introduction, the **entire Two Million Seven Hundred and Sixty Thousand Shares (2,760,000)** Ordinary Voting Shares will be listed on the **Empower Board of the CSE** at the **Reference Price of Sri Lanka Rupees Eleven and Cents Seventy (LKR 11.70) per Share**.

3.2 Basis for Reference Price at an Introduction

The **Reference Price of Sri Lanka Rupees Eleven and Cents Seventy (LKR 11.70) per Share** was determined by the Company in consultation with Managers, Financial Advisors and Sponsors to the Introduction, The Net Asset Value per share of the Equity (NAV) is Rs. 14.02 (unaudited 31st Dec 2021 NAV per share) and the Reference Price is 0.83 times the NAV.

Investors should read the following summary with the risk factors included on Section 8.0 and the details about the entity and its financial statements included in this Introductory Document.

Acuity Partners (Pvt) Limited in accordance with the Research Report compiled by the Managers, Financial Advisors and Sponsors to the Introduction in line with Rule 3.4.8. b (iii) of the CSE Listing Rules. A copy of the Research Report is enclosed as Annexure 1 of this Introductory Document.

The Net Asset Value (NAV) per share, Price to Earnings (P/E) and the Price to Book Value (P/BV) and Discounted Cashflow (DCF) value per share at the Reference Price are as follows;

TABLE 3.1 : NET ASSET VALUE (NAV) AND PRICE TO BOOK VALUE (P/BV)

As at		Rs.	Multiple	Value per share (Rs.)	Reference Price at a Premium/(Discount) to the valuation
NAV (Unaudited)	Dec 31, 2021	14.02*	N/A	14.02*	-17%
Peer P/E based value	Forecasted EPS 2022F	2.18	5.66x	12.32	-5%
Peer P/BV based value	Trailing Unaudited BVPS Dec 2021	14.02*	0.69x	9.74	20%
DCF based value				30.87	-62%
Reference Price				11.70	

*Trailing Unaudited Book value as at Dec 31, 2021 post the share capitalization and share split. The Stated Capital was increased from Rs. 7.12 Mn to Rs. 25.57 Mn to adhere to the Empower Board Listing Rules requirement. Therefore 6,400 shares were issued at the audited NAV per share as at FYE March 2021 of Rs. 2,882.40 and a

share split of 150 shares for every share held was carried out on November 30, 2021, which increased the number of shares to 2,760,000

The Company expects to utilize a mix of internal and external funds at the time of the funding requirement as detailed in the future plans of AFS under Section 4.8 of this Introductory Document. At present the above-mentioned plans are at preliminary stages, therefore the financial impact on earnings growth cannot be estimated. ***The Reference Price for this Introductory listing has not considered the future expansion plans of the Company.***

The investors should read the following Section 3.2.1 and Section 3.2.2 with the risk factors included under Section 8 of this Introductory Document and the details of the Company and its financial statements included in this Introductory Document.

3.2.1 Quantitative Factors

The historical Earnings per Share and Return on Equity (ROE) based on the five-year summary of Income Statements presented in Annexure 2 is given below:

TABLE 3.2 : EARNINGS PER SHARE (EPS) AND RETURN ON EQUITY (ROE)

For the Period Ended	Basic Earnings per Share (LKR)* (based on the no. of shares outstanding at the year end)	Diluted Earnings per Share (LKR)**	ROE (%)***	P/E****
March 31, 2019	940.94	4.09	37.52%	2.86
March 31, 2020	317.82	1.38	11.81%	8.47
March 31, 2021	291.77	1.27	10.12%	9.22
Average EPS#	516.84	2.25	19.82%	6.85
December 31, 2021 - 09 months' Earnings	1.48	1.48	10.58%	7.89
- Annualized Earnings	1.98	1.98	11.95%	5.91

*Earnings per share (Rs.) = Net profit as restated, attributable to equity shareholders/Weighted Average number of equity shares outstanding during the year or period

**Adjusted for post capitalization and subdivision of shares. The cost per share is LKR 9.26 as at December 31, 2021 (Cost per share = Stated Capital Post Capitalization/No. of shares post capitalization and subdivision)

***Return on Equity (%) = Net profit after tax, as restated/Net Assets as at the end of the year or period

****P/E is calculated at the Reference Price

#Average EPS is calculated for the audited financial years

Note: Share Capitalization and Share split: The Stated Capital was increased from Rs. 7.12 Mn to Rs. 25.57 Mn to adhere to the Empower Board Listing Rules requirement. Therefore 6,400 shares were issued at the audited NAV per share as at FYE March 2021 of Rs. 2,882.40. Subsequently a share split of 150 shares for every share held was carried out on November 30, 2021 which increased the number of shares to 2,760,000

Price to Earnings Ratio (P/E Ratio)

The P/E Ratio in relation to the Reference Price of LKR 11.70 per share is,

- Based on the basic and diluted EPS for the period ending March 31, 2021 adjusted for capitalization and share split of LKR 1.27, the P/E Ratio is 9.22 times.
- Based on the Average adjusted EPS of LKR 2.25 for the last 03 financial years, the P/E is 6.85 times.
- Industry P/E is given in Table 3.3.

TABLE 3.3 : THE P/E RATIO RANGE OF THE INDUSTRY PEERS

	Name of the Peer Company	P/E Ratio based on TTM Earnings (times)*
Highest	Lakehouse Printers & Publishers PLC (LPRT)	17.14x
Lowest	Printcare PLC (CARE)	4.69x
Industry Average**		5.66x

* TTM Earnings is calculated by ACUITY using last four quarter unaudited financial statements upto December 31, 2021 published by respective companies on the CSE. Market Capitalisation is based on the closing market price as at March 11, 2022. Shares listed under the Commercial & Professional Services sector of GICS of the CSE is taken as industry peers excluding peers under the watch list as fire protection service is considered appropriate to be included under this sector of the CSE.

**Industry average is the weighted average.

Sector Classification: Commercial and Professional Services

Note: There are no directly comparable peers of AFS listed on the CSE at present as there are no fire protection companies listed on the CSE at present.

Net Asset Value (NAV) and Price to Book Value Ratio (P/BV Ratio)

The P/BV Ratio in relation to the Reference Price of LKR 11.70 per share is,

- Based on the NAV per Share as at March 31, 2021 adjusted for the share capitalization and share split of LKR 12.53, the P/BV Ratio is 0.93 times.
- Based on the NAV per share as at December 31, 2021 post the share capitalization and share split of LKR 14.02, the P/BV Ratio is 0.83 times.
- Post listing: LKR 14.02 (as at 31st December 2021)
- Reference Price: LKR 11.70

The P/BV ratio for the peer group using NAVs as at December 31, 2021 and Market Capitalisation based on the closing share prices as at March 11, 2022 are given in the table below;

Table 3.4 : P/BV Ratio Range of the Industry Peers

Particulars	Name of the Peer Company	P/BV Ratio (times)*
Highest	Lakehouse Printers & Publishers PLC (LPRT)	0.79x
Lowest	Printcare PLC (CARE)	0.68x
Industry Composite**		0.69x

* Book value is calculated by ACUITY using the latest unaudited financial statements published by respective companies on the CSE. Market Capitalisation is based on the closing market price as at March 11, 2022. Shares listed under the Commercial & Professional Services sector of GICS of the CSE is taken as industry peers excluding peers under the watch list as fire protection service is considered appropriate to be included under this sector of the CSE

**Industry average is the weighted average

Note: There are no directly comparable peers of AFS listed on the CSE at present.

Peer Entity Accounting Ratios

The comparable ratios as per latest audited financial statements of the identified peers are given below

Table 3.5 : Comparison of Key Ratios across Peers – as per audited financial Statements

Peer Company	Net Asset Value per Share (LKR)	Earnings per Share (LKR)	P/E Ratio* (times)	P/BV Ratio* (times)	ROE (%)**
Gestetner	83.20	4.96	16.76	0.68	4.06%
Lakehouse Printers	181.25	27.93	6.49	0.81	12.49%
Printcare	33.70	6.69	5.04	0.96	19.02%

Source: Audited financial statements for the year ended March 31, 2021 published by the respective companies on the CSE website used for the above ratios

Sector Classification: Commercial and Professional Services

*Market Capitalisation is based on the closing market price as at March 11, 2022. Shares listed under the Commercial & Professional Services sector of GICS of the CSE is taken as industry peers excluding peers under the watch list as fire protection service is considered appropriate to be included under this sector of the CSE.

** ROE Return on Equity (%) = Net profit after tax, as restated/Net Assets as at the end of the year or period

Additionally, the peer multiples using TTM operations for the period ending December 31, 2021 is provided below;

Table 3.6 : Comparison of key ratios across peers - as per TTM* Operations for the period ending December 31, 2021 published by the respective companies on the CSE website

Peer Company	Net Asset Value per Share (LKR)	Earnings per Share (LKR)	P/E Ratio (times)**	P/BV Ratio (times)**	ROE (%)***
Gestetner of Ceylon PLC	83.20	(1.21)	N/A	0.70	-1.02%
Lakehouse Printers & Publishers PLC	181.25	10.57	17.14	0.79	4.60%
Printcare PLC#	33.70	7.18	4.69	0.68	14.48%

*Trailing Twelve Months (TTM) as calculated by ACUITY, using the last four quarters' earnings and net asset values for the interim period ended December 31, 2021.

** Market Capitalisation is based on the closing market price as at March 11, 2022. Shares listed under the Commercial & Professional Services sector of GICS of the CSE is taken as industry peers excluding peers under the watch list as fire protection service is considered appropriate to be included under this sector of the CSE.

*** ROE Return on Equity (%) = Net profit after tax, as restated/Net Assets as at the end of the year or period#Printcare PLC latest quarter earnings adjusted for one off gain on sale from investment

3.2.2 Qualitative Factors

The qualitative factors considered in arriving at the Reference Price are as follows:

- Established in 2003, AFS with a qualified and trained team of engineers and technical staff has a state of art facility is fully equipped to handle large scale fire protection, detection and suppression systems located in Pannipitiya.

- AFS is in the top tier as per the CIDA grading system (Source: https://www.cida.gov.lk/sea_con/pages_e.php?id=124, accessed on 29th Mar 2022) with CIDA EM1 (ICTAD) status (Source: https://www.cida.gov.lk/sea_con/search_name_bygradenew_list.php, accessed on 29th Mar 2022) and ISO 9001:2015 certification and is a member of National Fire Protection Authority-USA (NFPA) (Please refer Table 4.3 of this Introductory Document).
- AFS has inhouse trained service team to provide after sales maintenance and revalidate services.

3.3 Inspection of Documents

The Introductory Document and Articles of Association of the Company will be available on the website of the CSE, www.cse.lk, on the website of the Company, www.alphafire.lk on the website of the Managers, Financial Advisors and Sponsors, www.acuity.lk, for a period of not less than seven (7) Market Days prior to the submission of the Declaration referred to in Appendix 2D of the CSE Listing Rules and not less than fourteen (14) Market Days from the date of submission of the aforesaid Declaration as stipulated in Rule 3.4.11 (a) (i) of the CSE Listing Rules.

The research report prepared by Acuity Partners (Pvt) Limited justifying the Reference Price (Annexure 1 to this Introductory Document) will be available on the website of the CSE, www.cse.lk, on the Company website, www.alphafire.lk and on the website of the Managers, Financial Advisors and Sponsors, www.acuity.lk for a period of two (02) months from the date of granting approval in principle for the listing of shares of the Company by the CSE as stipulated in Rule 3.4.11 (a) (ii) of the CSE Listing Rules.

The above documents will be available only in soft copy form, since the Company is to be listed on the Empower Board of the CSE.

3.4 Declaration to the CSE and Secondary Market Trading

The Company will submit a declaration to the CSE referred to in Appendix 2D of the CSE Listing Rules on the Market Day immediately following the day on which the Introductory Document is made available to the member firms and trading members of the CSE subject to the Company making the Introductory Document available on the websites mentioned under Section 3.3 for a period of not less than seven (7) Market Days prior to the submission of the Declaration. Trading of shares in the secondary market will commence on completion of the 6 month lock in period detailed under Section 7.4 of this Introductory Document.

4.0 BUSINESS OPERATIONS OF ALPHA FIRE SERVICES LTD (AFS)

4.1 Overview of Alpha Fire Services Ltd (AFS)

Alpha Fire Services was established in 1989 in Bahrain by late Mr. Frank Ryde and subsequently the Sri Lankan branch AFS was established in the year 2003. AFS with a qualified and trained team of engineers and technical staff has a workshop located in Pannipitiya. The state of art facility is fully equipped to handle large scale fire protection, detection and suppression systems.

AFS is in the top tier with CIDA EM1 (ICTAD) status and ISO 9001:2015 certification and is a member of National Fire Protection Association (NFPA) – USA (Refer Table 4.3 of this Introductory Document).

Industry overview is provided in Section 3 of the Research Report included in this Introductory Document. Local competitor analysis of the fire safety equipment industry in Sri Lanka is not carried out as there is no publicly available information on the companies carrying out business in this sector as they are privately held companies with no public industry data.

4.2 Parent Company Amtek Engineering (Pvt) Limited (AEPL)

Amtek Engineering (Pvt) Ltd is an engineering solutions provider to the construction industry of Sri Lanka. AEPL are the providers of system formwork and mechanical couplers to the local construction market for the past 16 years. In addition to that AEPL provides scaffolding systems, mechanical couplers & bar connectors, casting channels and lifting equipment, concrete spacers, post-tensioning equipment, mould oil, drainage systems and gondola/façade access systems.

AEPL holds 51% shareholding in AFS, therefore AFS is a subsidiary of AEPL.

AEPL exclusively represents the following companies in Sri Lanka as principal agents:

- MFE Aluminium Formwork Systems - Malaysia
- Alsina Formwork Systems – Spain
- Halfen Moment Sdn Bhd- Malaysia
- Astra concrete spacers – India
- Anrin drainage systems – Germany

AEPL has no shareholding or related party relationship with the above companies.

Table 4.1 : Shareholders of AEPL as at the date of this Introductory Document

Name	No of Shares	% shareholding
VSR Ventures (Pvt) Ltd	279,009	90.00%
Mr. Samud Gunasekera	31,001	10.00%
	310,010	100.00%

Table 4.2 :Shareholders of VSR Ventures (Pvt) Ltd as at the date of this Introductory Document

Name	No of Shares	% Shareholding
Mr. Vijith Perera	10,900,000	66.67%
Mr. Malindra Fernando	5,450,000	33.33%
	16,350,000	100.00%

Table 4.3 :The Board of Directors of AEPL as at the date of this Introductory Document

Name	Designation
Mr. Vijith Perera	Executive Non-Independent Director
Mr. Malindra Fernando	Executive Non-Independent Director
Mr. Samud Gunasekera	Executive Non-Independent Director

4.3 Business Operations of AFS

AFS offers an extensive range of solutions and maintenance services committed to serving their customers, which meet international standards and quality with relevant certifications, experienced and qualified team of engineers and skilled workers.

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

AFS has a diverse clientele in various sectors namely, consultants, architects, contractors, government organizations, BOI companies, banks, hospitals, condominiums and many other organizations. AFS also provides their services to domestic customers.





AFS has undertaken many projects including UDA projects and for multinational companies. Some of the key projects handled by AFS in the past is as follows:






TABLE 4.4 :KEY PROJECTS OF AFS

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

4.3.1 Products Offered by AFS

TABLE 4.5: KEY PRODUCTS

Type of Product	Description	Product Images
Fire Alarm Systems	The broad range of available devices, from manual call points adapted for internal and external installation to automatic smoke detectors, heat detectors and multi-sensor detectors. The Fire Detection and Alarm System (FDAS) meets the strict EN54 safety standards. The fire alarm control panels are characterized by many well-thought-out solutions for easier periodical inspections and maintenance of the system.	
Fire Blanket	Manufactured under the SAI Global standards mark scheme. The fire blanket is specialized fiberglass mesh blanket, supplied in a PVC red pouch. It is designed to smother cooking oil and fat fires.	
Fire Hose Reel Systems	Fire Hose reels are located at strategic places in buildings to provide a reasonable accessible and controlled supply of water for the fire extinction. Fire hose reel systems consist of pumps, pipes and supply of water. It is wall mounted in buildings with cabinet protection. Fire hose reel in BSI/ LPCB approved.	
Fire Extinguishers	Fire extinguishers are portable devices used to extinguish small fires or reduce their destruction before the fire department arrives at the scene. Kept handy at places, namely fire points, in buildings, factories, public paces or transportation, they can be considered first line of defense against fires.	
Fire Hydrant Systems	Fire hydrant system is an effective and efficient means of extinguishing large fires, which can otherwise cause devastation. Hydrant system enables the firefighting to attack the seat of the fire from a distance.	
Fire Doors and Frames	Fire Doors are doors with fire-resistance rating and play an important role in fire protection and loss prevention. They are used as part of a passive fire protection system to reduce the spread of fire or smoke between compartments. Fire Doors enable safe escape from a building or structure during events like fire, earthquake, etc. Since Fire Doors have a distinct purpose, they have	

	additional special characteristics than those of ordinary doors.	
	AFS offers an ample range of fire rated doors including steel rated doors, glazed doors, access panel doors, louvers, vision panels and associated hardware accessories. Fire door assemblies are produced and tested in accordance with international standards set by UL10 B, UL10 C, UL1784 and are compliant to NFPA 252, NFPA 105, NFPA 80 and CAN-ULC S104.	
Fire Pump Systems	Diesel engine driven, electric motor driven high quality pumps are fully competent to NFPA and UL/FM Standards. NFPA 20 system comes in a skid mounted plug and play unit, while UL/FM pumps arrangement is to be designed as per the specific location spacing.	
Sprinkler Systems	Fire sprinkler system is an active fire protection method, consisting of a water supply system, providing adequate pressure and flowrate to a water distribution piping system, onto which fire sprinklers are connected. Fire sprinkler is fitted at the end of pipeline to spray water for extinguishing or suppressing the fire.	
Fire Flex Systems	This system is used for extinguish fire like Combustion from short circuits, overloading or overheating, Extensive damage to circuitry.	
Kitchen Hood Fire Suppression	Ensuring protection from potential threats such as open flame red hot cooking surfaces and a heavily grease laden environment which in turn leads to oil and grease fires, our kitchen hood fire suppression units are designed to fit cooker heads of different sizes. The Nano mist system has low water usage and contains smoke scrubbing qualities. Ensuring further protection, the hood is LPCB/CE certified.	
Foam Bladder Tanks	The Tank Foam utilizes the water pressure to inject foam concentrate into a water supply with the added advantage of a collapsible bladder that physically separates the foam concentrate from the water supply. Easily operate the systems require no outside source of power or pump only flowing water.	

Fire Suppression Systems AFS offers a wide range of fire extinguishing and suppression systems. The suppression systems allow human intervention to ensure that there is no ignition or reigniting fire which gives you an opportunity to ensure complete safety. AFS takes advantage of the unique chemical characteristics of a fluid to store it as a liquid, but deliver it as a gas. Purpose is to develop and commercialize equipment and systems optimized for the unique properties of 3M™ Novec™ 1230 Fire Protection Fluid for the use in fire protection.



Source: Management, <http://www.alphafire.lk/products.php>, retrieved on 15th November 2021)




4.3.2 Services Offered by AFS

AFS offers an extensive range of solutions and services which are as follows:

- **Designing**
AFS designs fire protection and detection, suppression systems and centralized liquid petroleum gas systems to meet individual needs according to the local and international standards and regulations. Proactive action is expected from everybody at AFS based on the Company's philosophy to focus on prevention by doing the right thing right the first time.
- **Installation**
AFS designs, supplies, installs, tests and commissions total fire safety and solutions on land, sea and air. AFS' solutions range from fire alarm systems to suppression systems, deluge systems, sprinkler systems, cooking facility protection and more.
- **Commissioning**
AFS commissions the installed systems, confirming that interconnected fire systems are functioning according to the design criteria and operational needs, including compliance requirements of applicable local and international regulations and standards.
- **Maintenance**
AFS provides island wide services and maintenance of all type of fire equipment. AFS readily upgrades existing fire systems according to the standards.
- **Training**
AFS provides fire trainings and demonstrations on how to identify and use various types of fire equipment. AFS prepares fire evacuation plans and train how to rescue in a fire incident.

4.4 Certifications

TABLE 4.6: CERTIFICATIONS

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

*Initially registered on 10th Apr 2018. Expires on 10th August 2022. Annual renewal process.

**Certification issued on 03rd Mar 2020 expires on 02nd Mar 2023 subject to the continued satisfactory operation of the organization’s management system.

***Lifetime membership

If the above certifications are not renewed by the Company, it will impact on future and potential customer base as these certifications add value to the products being sold.

4.5 Brands Marketed by AFS

			
UAE Fire Pumps & Fire Doors	UK ULFM Fire Alarm Systems	Malaysia Fire Protection Equipment	China Fire Resistant Cables
			
USA Sprinkler Systems	Germany Sprinkler Systems	USA Sprinkler Systems	China Exit Signs
			
Germany Fire Suppression Systems	Greece Fire Pumps	China Fire Extinguishers	China Fire Alarm Systems
			
UK Sprinkler System Equipment & Fire Doors	USA NOVEC 1230 Gas and Kitchen Hood Suppression Systems	India Galvanized Pipes	USA Aspirating Fire Alarm Systems

Source: Management of AFS

4.6 Human Resources

As at January 31, 2022, the Company's work force consisted of 50 employees and the break up of the work force is as follows;

TABLE 4.7 : WORKFORCE BREAKUP

Category	Number of Employees
Management	3
Executive and Non-Executive	19
Technicians and others	28
Total	50

There are no labour unions as at the date of the Initial Listing Application.

4.7 Past Financials of AFS

Income Statement – FYE Mar (Rs. Mn)	2016/17	2017/18	2018/19	2019/20	2020/21	9M Dec 2021**
Revenue	99.23	151.91	185.61	184.27	184.96	154.57
Cost of Sales	(63.87)	(106.67)	(119.32)	(114.06)	(129.80)	(114.39)
Gross Profit	35.37	45.24	66.29	70.21	55.17	40.18
Other operating Income	0.27	0.80	0.03	0.01	-	-
Administration exp*	(17.88)	(19.27)	(30.05)	(32.86)	(21.71)	(16.11)
Selling & Distribution Exp	(3.94)	(8.19)	(7.18)	(12.84)	(9.55)	(4.30)
EBITDA	13.82	18.58	29.08	24.53	23.90	19.78
Depreciation	(1.58)	(1.44)	(2.14)	(2.51)	(2.83)	(1.41)
EBIT	12.23	17.14	26.94	22.02	21.07	18.36
Finance Income	0.86	0.72	1.01	2.56	2.57	1.20
Finance cost	(2.36)	(2.46)	(2.74)	(4.41)	(5.16)	(5.23)
Management Fee	(7.67)	(11.39)	(13.64)	(14.03)	(13.87)	(10.24)
Profit before tax	3.06	4.01	11.57	6.14	4.61	4.09
Taxation	(0.90)	(1.18)	(0.28)	(2.33)	(1.11)	-
Profit/(Loss) After Tax	2.17	2.83	11.29	3.81	3.50	4.09
EPS (Rs.)	180.63	236.10	940.94	317.82	291.77	1.48***
DPS (Rs.)	-	15.63	-	135.00	100.00	-

Note:

*Excluding Depreciation

**Unaudited interim financials

***Post the share capitalization and share split

Balance Sheet – as at Mar	2016/17	2017/18	2018/19	2019/20	2020/21	Dec 2021
(Rs. Mn)						(Unaudited)
Non-Current Assets						
Land	-	-	-	-	18.88	18.88
Property, Plant & Equipment	7.87	6.05	12.86	12.38	10.31	9.23
Investment in FDs	6.16	6.81	15.64	29.26	26.52	27.67
	14.03	12.86	28.51	41.64	55.71	55.77
Current Assets						
Inventory	35.56	33.81	64.63	84.57	104.36	98.70
Trade and other receivables	17.14	38.28	26.10	35.59	28.81	25.05
Cash Margin A/C	0.69	2.37	1.00	1.16	0.30	0.30
Cash and Cash Equivalents	0.57	1.13	0.46	4.71	2.12	5.37
	54.01	75.58	92.19	126.03	135.58	129.42
Total Assets	68.04	88.44	120.70	167.67	191.30	185.19
Capital and Reserves						
Stated capital	7.12	7.12	7.12	7.12	7.12	25.57
Revaluation Reserves	1.53	1.53	1.53	1.53	1.53	1.53
Retained earnings	7.50	10.15	21.44	23.63	25.93	11.58
Shareholder equity	16.16	18.80	30.09	32.29	34.59	38.68
Non-Current Liabilities						
Deferred tax liabilities	-	-	-	0.50	0.33	0.33
Interest Bearing Borrowings	2.19	0.94	-	-	19.25	21.65
Lease creditor	0.41	0.52	4.87	3.67	1.45	2.32
Retirement Benefit Obligation	0.14	0.45	1.28	2.15	2.82	2.82
	2.74	1.91	6.15	6.32	23.84	27.13
Current Liabilities						
Trade and Other payables	32.11	46.99	29.24	77.01	67.62	63.22
Interest Bearing Borrowings		-	1.34	1.86	-	-
Lease Creditor	1.26	0.74	-	-	2.52	-
Short Term Borrowings	6.63	2.80	7.88	13.78	23.34	23.04
Amount due to related parties	3.05	2.81	22.03	15.94	18.33	9.50
Taxes payable	0.86	1.12	0.86	1.19	1.48	-
Bank Overdraft	5.23	13.27	23.12	19.28	19.57	20.01
	49.14	67.73	84.46	129.06	132.87	119.39
Total Equity & Liabilities	68.04	88.44	120.70	167.67	191.30	185.19
NAVPS (Rs.)	1,346.41	1,566.89	2,507.81	2,690.64	2,882.40	14.02**

Note:

**Post the share capitalization and share split

Table 4.8 :Performance Analysis

Key Ratios	2018/19	2019/20	2020/21
Gross Profit Margin	35.7%	38.1%	29.8%
Operating Profit Margin	14.5%	11.9%	11.4%
Net Profit Margin	6.1%	2.1%	1.9%
Current Ratio (times)	1.09	0.98	1.02
Liquid Ratio (times)	0.33	0.32	0.24
Working Capital Days	160	95	160
Gearing Ratio	14%	10%	36%
Interest Cover (times)	9.8	5.0	4.1

Gross Profit Margin = Gross Profit/Revenue*100

Operating Profit Margin = EBIT/Revenue*100

Net Profit Margin = PAT/Revenue*100

Current Ratio = Current Assets/ Current Liabilities

Liquid Ratio = (Current Assets – Inventory)/ Current Liabilities

Working Capital Days = Inventory Days+Debtor Days-Creditor Days

Gearing Ratio = Long term Debt/(Long term Debt + Equity)

Interest Cover= EBIT/Finance cost

During FYE Mar 2018/19 and 2019/20, AFS carried out projects which yielded high gross profit margins. The high net profit margin 2018/19 is mainly due to the Company being able to settle off carried forward losses which reduced its taxes. The drop in net profit margin in 2019/20 is mainly attributable to the significant growth in distribution expenses which included agent commissions on certain projects and provision on bad debt.

AFS' decrease in gross profit margin in 2020/21 to 29.8% compared to the previous year's gross profit margin of 38.1% is mainly due to the Company carrying out high margin projects in the previous two years. In FY 2019/20 and 2020/21, project income decreased by 14% and 8% respectively which reduced the gross profit margins. However, in FYE March 2020/21 the covid 19 lock down effect was seen in the drop in admin expenses and distribution expenses compared to the previous year. Staff costs and other administration expenses reduced due to the reduction in salaries for two months and the business being shut down for 04 months. AFS was able to maintain the revenues and complete projects by utilizing sub contracting the work while improving its revenue from services.

AFS has shown continuous cashflow deficit from FYE Mar 2018/19 to 2020/21 as it is inherent to the business of AFS (please refer Note 18 of the audited financial statements of FYE Mar 2018/19 and Note 6 of the audited financial statements of FYE Mar 2019/20 and 2020/21. The Company manages its working capital requirement through short term borrowings and overdraft facilities. The break up of the loan details are shown below.

Break up of the Loan Details (Rs. Mn)	2018/19	2019/20	2020/21
Long term Borrowings	4.86	3.67	19.24
Short Term Borrowings	7.88	13.78	23.34
Lease – Long term	-	-	1.45
Lease – Short term	-	-	2.52
Bank Overdraft	23.12	19.28	19.57
Total	35.86	36.73	66.12

4.8 Future Direction of AFS

AFS plans to implement the following strategies for future expansion and growth:

- **Manufacturing facility** – AFS is planning to set up a manufacturing plant for fire doors and cabinets such as hose reel and extinguisher cabinets estimated to cost Rs. 10 Mn which will be sourced through equity funding post listing subject to receipt of relevant regulatory approvals. Currently AFS purchases cabinets from local suppliers and fire doors from both local and foreign suppliers based on the requirement. This will improve the Company's delivery efficiency and lead to cost reduction. In addition, the Company will be able to supply fire doors to competitors as well. No prior approvals are required. The project has not started yet.
- **Develop a workshop and office premises** – AFS plans to develop the workshop and office in newly purchased premises at an estimated cost of Rs. 25 Mn part funded by equity raising post listing and through bank borrowings. Current premises on which AFS has its office, stores and workshop has limited space. Therefore, the Company is facing difficulties in terms of storage and workshop activities. The Company has submitted the building plan for approval. Currently at planning stage.
- **Increase the inventory** - Currently AFS purchases goods from local and foreign suppliers on a project-by-project basis. To increase inventory, AFS requires Rs. 10 Mn which will be funded through short term borrowings. By increasing inventory, AFS expects to start trading to competitors as well. Out of total purchases of fire protection and detection items/equipment approximately 45 % is imported. The present foreign exchange limitations are managed by AFS by opening Letter of Credit with usance period of more than 3 months through the banks and by utilizing parent company and related company export proceeds to finance for telegraphic transfer remittances. As at the date of priting of the Introductory Document, AFS is building up the inventory level and has already placed the Letter of Credit for USD 26,000 to import from India with the balance by telegraphic transfer remittance. No prior approvals are required.
- **Establish a subsidiary** – AFS is planning to establish a subsidiary for MEP, Closed Circuit Television (CCTV), Solar power and similar products which is estimated to cost Rs. 10 Mn through equity raising post listing subject to receipt of relevant regulatory approvals. Usually, fire projects are categorized as MEP and AFS expects to improve revenue with these new product developments and penetrating the existing customer base thereby improving revenues. No prior approvals and required and work has not commenced yet.
- **Retail outlets** - In the long term, AFS expects to establish retail outlets in selected areas, which can be used by the Company to increase revenue from new markets and improve service efficiencies. This will require approximately Rs. 15 Mn which will be funded through equity raising post listing subject to receipt of relevant regulatory approvals. No prior approvals and required and work has not commenced yet.

The Company expects to utilize a mix of internal and external funds at the time of the funding requirement. At present the above-mentioned plans are at preliminary stages, therefore the financial impact on earnings growth cannot be estimated. ***The Reference Price for this Introductory listing has not considered the future expansion plans of the Company.***

4.9 Assumptions Relating to the Future Plans of AFS

The above-mentioned future plans are based on the following assumptions;

- The local economic and industrial policies will not undergo significant changes which will have an adverse effect on the future plans of the Company

- There will be no downturn in the construction industry and the Sri Lankan economy will improve to be stable.
- Stable monetary policies to control exchange rate fluctuations, interest rates and effective control of the pandemic situation in the country.

The future plans of AFS are dependent on the above assumptions and the general economic and political conditions of the country at the time of execution. Any significant changes in the economy, industry, competition etc may require amendments to the plans and strategies of the Company. The present foreign exchange limitations are managed by AFS by opening Letter of Credit with usance period of more than 3 months through the banks and by utilizing parent company and related company proceeds where the Company settles in rupees.

4.10 Impact of Covid 19 on the Company and its Business Operations

Currently due to the pandemic situation, the Company faces the following challenges in its business operations;

- Temporary closure of project sites leading to delays in cashflows, managing the health and safety of labour and working capital issues due to project delays
- Increased overhead expenditures due to the requirement to provide transport, sanitization, covid testing facilities for staff and labourers.

The Company follows health protocols and roster management of staff and work force to continue the business operation without any interruption and projects delays.

5.0 CORPORATE STRUCTURE

5.1 Board of Directors of AFS

The Board of Directors of AFS consists of three (03) Executive Non-Independent Directors, one (01) Non-Executive Non Independent Director and two (02) Non-Executive Independent Directors with the Chairman and Managing director functioning as an Executive Non-Independent Director.

TABLE 5.1: DETAILS OF BOARD OF DIRECTORS OF AFS

Name	Designation
Mr. Sanjay Vijith Anthony Perera	Chairman/ Managing Director /Executive Non-Independent Director
Mr. Malindra Christopher Fernando	Executive Non-Independent Director
Mrs. Deanna Marise Ryde	Co-Founder/Non-Executive Non-Independent Director
Mr. Agampodi Samud Ishara Gunasekara	Executive Non-Independent Director
Mr. Kapila Liyanagamage	Independent Non-Executive Director
Mr. Ranil De Silva	Independent Non-Executive Director

5.2 Profiles of the Board of Directors

TABLE 5.2 : PROFILES OF BOARD OF DIRECTORS OF AFS

Name	Qualifications/Business Experience
Mr. Sanjay Vijith Anthony Perera	BA Economic-University of California, Berkley USA Obtained a BA Economics degree from the University of California, Berkley USA and passed out as an Attorney-at-law from Sri Lanka Law College, Founder Director of Amtek Engineering (Pvt) Ltd, Ultrakleen (Pvt) Ltd and Ultrakill (Pvt) Ltd. Possesses wide experience in Management. Currently serves on the board of several business establishments.
Mr. Malindra Christopher Fernando	Founder Director of Amtek Engineering (Pvt) Ltd Decades of experience in business and industry. Currently serves as a board director in several business ventures including facilities management, engineering and service sectors. He has played an active role in the rapid infrastructure development in Sri Lanka by advising numerous international contractors and investors in project management and implementation.
Mrs. Deanna Marise Ryde	Co-Founder & Executive Director of Alpha Fire Services W.L.L. Bahrain, 1996-2014 Retired Executive Director of Alpha Safety & Security Holdings BSC. Over two decades experience in Office Management, Human Resources Management, Marketing, & Planning. Conceptualized the Alpha Fire logo and branding of the company and subsidiaries. Identified and developed business system & procedures, set up offices, equipment and infrastructure as required, recruited and trained staff and managed the day-to-day operations of the business at executive level prior to the acquisition of 51% stake by Amtek Engineering.
Mr. Agampodi Samud Ishara Gunasekara	MBA(IND) MLIM(SL) FCPM(SL) P.Mkt (SL)A top level marketer in the business with over 15 years of corporate experience. A specialist in engineering products, solution & services. Strong experience in project sales, fire engineering and contracting. A life member of Sri Lanka Institute of Marketing.

Mr. Kapila Liyanagamage	Mr. Kapila Liyanagamage is an Independent Non-Executive Director and an Attorney-at-Law of the Supreme Court of Sri Lanka with more than 20 years of experience in the field of Civil & Commercial Law. He holds a degree of Master of Laws in Law of International Trade from the University of Wales. He has served as the Legal Consultant of Sri Lanka Ports Authority (2004 - 2015) and as a Director of National Savings Bank (2005 - 2008).
Mr. Ranil De Silva	Fellow Member of the Chartered Institute of Management Accountants, United Kingdom, Associate Member of the Institute of Chartered Accountants of Sri Lanka and Member of the Chartered Institute of Marketing, United Kingdom. He was the Joint Managing Director of Aitken Spence Hotels (2017 - 2019), Managing Director – Hemas Hotel Sector (Serendib Leisure) (2010 –2016), Group CEO – DCSL Group (Melstacorp PLC) (2008 – 2010) and Director / CEO – Comfortwear (Pvt) Ltd. (2006 – 2008) (Brandix Group Company). Prior to these he was the Head of Finance & Controlling (Arabian Gulf) – Sika Gulf BSC, Bahrain – (1995 – 2002 and 2004 – 2006), Head of Finance & IT - Sathosa Retail Ltd (2003 - 2004) and Senior Manager, Ernst & Young, Colombo & Kuwait (1984 - 1994).

5.3 Other Directorships Held by the Board of AFS

Other directorships held by the Board of AFS are as follows.

TABLE 5.3 : OTHER DIRECTORSHIPS

Name of Director	Other Directorships Held
Mr. Sanjay Vijith Anthony Perera	<ul style="list-style-type: none"> ▪ Ultrakleen (Pvt) Ltd ▪ Ultrakil Pest Management Co (Pvt) Ltd ▪ Amtek Engineering (Pvt) Ltd ▪ Alumart Engineering (Pvt) Ltd ▪ Dataone Solutions (Pvt) Ltd
Mr. Malindra Christopher Fernando	<ul style="list-style-type: none"> ▪ Ultrakleen (Pvt) Ltd ▪ Ultrakil Pest Management Co (Pvt) Ltd ▪ Amtek Engineering (Pvt) Ltd ▪ Alumart Engineering (Pvt) Ltd ▪ Dataone Solutions (Pvt) Ltd
Mrs. Deanna Marise Ryde	<ul style="list-style-type: none"> ▪ F & D Ryde Holdings (Pvt) Limited ▪ Golden Dome (Pvt) Limited
Mr. Agampodi Samud Ishara Gunasekara	<ul style="list-style-type: none"> ▪ Amtek Engineering (Pvt) Ltd ▪ Alumart Engineering (Pvt) Ltd
Mr. Kapila Liyanagamage	<ul style="list-style-type: none"> ▪ Renuka Agri Foods PLC
Mr. Ranil De Silva	<ul style="list-style-type: none"> ▪ Central Industries PLC ▪ Singer Finance PLC ▪ Lanka Shipping & Logistics (Pvt) Ltd. ▪ Hayleys Leisure PLC ▪ The Autodrome PLC

5.4 Directors' Interest in Shares

5.4.1 Directors' Direct & Indirect Shareholdings in the Company

The Directors' direct shareholdings in the Company as at the date of this Introductory Document is as follows.

TABLE 5.4 : DIRECTORS' DIRECT SHAREHOLDING IN AFS

Name of Director	Number of Shares Held	Percentage (%)
Mrs. Deanna Marise Ryde	676,200	24.50%

The Directors' indirect shareholdings in the Company as at the date of this Introductory Document is as follows.

TABLE 5.5 : DIRECTORS' INDIRECT SHAREHOLDING IN AFS

Name of Director	Number of Shares Held	Percentage (%)
Mr. Vijith Perera	430,747	30.60%
Mr. Malindra Fernando	215,341	15.30%

5.4.2 Sale or Purchase of Shares by the Directors

There were no sales, transfers or purchases of shares made by the Directors of the Company since incorporation of the Company. However, 1,568 Shares were issued to the Director, Mrs. Deanna Marise Ryde and 3,264 shares were issued to AEPL through which Directors, Mr. Vijith Perera and Mr. Malindra Fernando hold indirect shareholding during the share capitalization at the NAV per share to increase the stated capital to meet the CSE Empower Board listing requirement and subsequently split into 150 shares for each share held.

5.5 Details of Transactions Relating to Property

There were no transactions relating to the property since incorporation of AFS in which any vendor of the property to the Company or any person who is or was at the time of the transaction, a promoter or a director or proposed director of the Company had any interest, direct or indirect.

Furthermore, as of the date of the Application, no director holds any interest in the promotion of or in the property of the Company.

5.6 Directors' Interest in Material Contracts

The Share Subscription Agreement which was in place from September 30, 2013 to November 30, 2021 between Mr. Frank Anthony Ryde, Mrs. Deanna Marise Ryde, Amtek Engineering (Pvt) Limited and Alpha Fire Services (Pvt) Limited ceased to exist on the November 30, 2021 when the Articles of the Company was amended to that of a listed public company. A fixed management fee at Rs. 600,000 per month is to be paid as Executive Directors' Remuneration replacing the previous agreement of 7.5% of revenue for the services of the executive directors as per the Management

Agreement signed between Amtek Engineering (Pvt) Limited and Alpha Fire Services (Pvt) Limited dated December 01, 2021.

There are no other contracts or arrangements in force as at the date of Initial Listing Application in which the Directors of the Company are materially interested in relation to the business of the Company.

5.7 Statement - Board of Directors

No Director or a person nominated to become a Director of the Company is or was involved in any of the following events:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

5.8 Corporate Governance Practices

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

TABLE 5.6 : COMPOSITION OF THE BOARD OF DIRECTORS

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

The Board has also appointed the following committee as required to support the corporate governance functions:

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

Audit Committee

The members of the Audit Committee are as follows:

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

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

Remuneration Committee

The members of the Remuneration Committee are as follows:

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

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

Related Party Transaction Review Committee

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

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

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

5.9 Senior Management of AFS

The senior management Team of the Company is headed by the Managing Director. The senior management personnel set out below are responsible for managing the affairs of AFS in addition to managing their key responsibilities.

Mr. Sanjay Vijith Anthony Perera – Managing Director

Please refer Section 5.2 of this Introductory Document for the detailed profile.

Mr. T.A.Y. Iranga – Engineer

Mr. Iranga holds the Bachelor of Science, Mechanical Engineering (University of Moratuwa, Sri Lanka) with eight years experience in Designing of fire systems, Project Costing, Project management and material imports. He has vast experience in the execution of custom designed projects to address user needs based on knowledge of market trends and available technologies, analysis, control and planning.

Ms. M. K. M. Chamarika Perera – Assistant Manager Marketing Projects

Ms. Perera has over 15 years of experience in sales, marketing and administration in telecommunication (6 years), branded apparel (02 years) and fire industry (07 years). She holds the Master of Business Administration (MBA) from the Postgraduate Institute of Management (PIM),

University of Sri Jayewardenepura and is an Associate Member of Chartered Institute of Marketing, UK (ACIM).

5.10 Senior Management Emoluments

The Senior Management were remunerated in the form of salaries and bonuses during FY 2020/21 amounting to LKR 5,768,623/-.

The Senior Management is expected to be remunerated in the form of salaries and bonuses during FY 2021/22 to an approximate extent of LKR 6,272,800/-.

5.11 Statement – Managing Director

The Managing Director of the Company has not been involved in any of the following:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

6.0 OTHER INFORMATION

6.1 Degree of Dependence on Key Customers and Suppliers

There is no material dependency on key customers or suppliers in terms of the overall business operations of the Company.

6.2 Dividends

6.2.1 Dividend Policy

The Company may, subject to the provisions of the Articles of Association and the Companies Act No. 07 of 2007, make dividend payments by way of interim and final dividends to its shareholders in relation to the profits made from time to time. Such dividends would be paid after taking into consideration the Company's earnings, capital investment requirements and other financial conditions.

6.2.2 Dividend History

The Company was incorporated on May 07, 2003 and has paid dividends to its Shareholders in the last 03 years as follows:

TABLE 6.1 : DIVIDEND PAYMENTS FOR THE LAST 03 FINANCIAL YEARS

FYE March	2017/18	2018/19	2019/20	2020/21
Interim Dividend per share (Rs.)	-	-	-	-
Final Dividend per share (Rs.)	15.63	-	135.00	100.00
Dividends (Rs.)	187,540	-	1,620,000	1,200,000

FYE Mar 2019/20 dividend of Rs. 1.62 Mn was paid. However, as per the audited financials for the FYE Mar 2020/21 this payment is shown under the working capital adjustment and not in a separate line item under the cash flow statement as required by paragraph 7.16 of SLFRS for SMEs (Please refer Annexure III FYE Mar 2021 Cashflow Statement). The dividend payment is shown in the statement of changes of Equity of the FYE Mar 2021 audited accounts. (Please refer Annexure III FYE Mar 2021 Statement of Changes in Equity). From FYE Mar 2022 onwards in the audited financials the dividend payment will be included under the cashflow from investing activities

6.3 Litigation, Disputes and Contingent Liabilities

As at the date of this Introductory Document, the Company has no material legal, arbitration or mediation proceedings which may have or have had in the recent past any significant effects on the Company's financial position or profitability.

Further, there are no penalties imposed by any regulatory or state authority against the Company or any contingent liabilities that would affect the current and future profits of the Company as at the date of this Introductory Document.

6.4 Taxation

Presently AFS pays corporate Tax at 14% p.a under SME category.

6.5 Management Agreement

The Share Subscription Agreement dated September 30, 2013 between Mr. Frank Anthony Ryde, Mrs. Deanna Marise Ryde, Amtek Engineering (Pvt) Limited and Alpha Fire Services (Pvt) Limited ceased to

exist on the December 01, 2021. As such the Management Fee which was charged at 7.5% of Revenue paid by AFS to AEPL ceased to exist with the amendment of the articles.

Management Agreement signed between Amtek Engineering (Pvt) Limited and Alpha Fire Services Limited on December 01, 2021 for a fixed management Fee of Rs. 600,000 monthly to be paid by AFS to the parent company Amtek Engineering (Pvt) Limited as remuneration of the executive directors commencing December 01, 2021. Although the directors of AEPL are also the directors of AFS, they are involved in the day-to-day operations of the business of AFS. Therefore, AFS needs to reimburse the cost to AEPL.

7.0 CAPITAL STRUCTURE

As at the date of this Introductory Document, the Stated Capital of the Company is Sri Lanka Rupees **Twenty-Five Million Five Hundred and Sixty-Nine Thousand Five Hundred and Sixty (LKR 25,569,560)** divided into **Two Million Seven Hundred and Sixty Thousand (2,760,000)** fully paid-up Ordinary Shares.

7.1 An Overview of the Capital Structure

The detailed breakdown of the Stated Capital of AFS as at the date of Introductory Document is given below.

TABLE 7.1 : STATED CAPITAL OF AFS

	As at Dec 31, 2021	March 31, 2021	March 31, 2020	March 31, 2019
Stated Capital (LKR)	25,569,560	7,122,200	7,122,200	7,122,200
Number of Ordinary Shares in Issue Refer Note 7.1.1	2,760,000	12,000	12,000	12,000

7.1.1 Capitalization of Reserves and Share Split

AFS had a stated capital of 12,000 ordinary voting shares amounting to Rs. 7,122,200 as at March 31, 2021. To satisfy the stated capital requirement of Rs. 25 Mn to list on the Empower Board of the CSE as per Listing Rule 2.1.3(i)(a), AFS issued 6,400 shares by way of capitalization at the 31st Mar 2021 audited NAV of Rs. 2,882.40 per share on November 30, 2021 to increase the stated capital of the Company to Rs. 25,569,560. A share split was carried out as well at 150 shares for each share held, which increased the number of ordinary voting shares to 2,760,000 as at November 30, 2021.

7.1.2 Nature of Shares

Ordinary Shares of AFS shall confer on the holder thereof the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in any dividend that may be declared by the Company from time to time and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

7.2 Shareholding Structure of AFS

The shareholders of AFS as at the date of the Introductory Document, are illustrated below.

Table 7.2 : Shareholders of AFS

Name	No of Shares	% Shareholding
Amttek Engineering (Pvt) Limited	1,407,600	51.00%
Estate of Late Mr. Frank Ryde	676,200	24.50%
Mrs. Deanna Ryde	676,200	24.50%
Total	2,760,000	100.00%

7.3 Details of the Non-Public Shareholders of the Company

TABLE 7.3 : NON-PUBLIC SHAREHOLDERS OF AFS

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

7.4 Details Pertaining to Locked-In Shares

Details pertaining to the locked-in Shares constituting the public and non-public holding are below. In compliance with the CSE Listing Rules Rule 2.1.1(f)(i) shares held by Non Public Shareholders prior to the date of the Initial Listing Application shall be locked-in for a period of six (6) months from the Date of Listing. In accordance with the CSE Listing Rule 2.1.1(f)(iv) the shares allotted to Non Public Shareholders or Public Shareholders during the period of twelve (12) months prior to the date of the Initial Listing Application shall be subject to lock-in at the discretion of the SEC.

Accordingly, 6,400 shares issued to the existing shareholders and split into 150 shares for each share held (totalling 960,000 shares), together with the shares held prior to the capitalization split into 150 shares for each share held (totalling 1,800,000 shares) would be locked-in for a period of six (06) months from the date of listing and would not be available for trading on the CSE subsequent to its listing of shares, until the expiry of the aforesaid six (06) months period from the date of listing as given in Table 7.4 below.

Details of "Locked-In Shares" are given below.

TABLE 7.4 : DETAILS OF "LOCKED-IN SHARES"

Category of Shareholders	Locked-in Shares	Months After Which the Shares will be Available for Trading	Number of Shares	Number of Shares as a Percentage of Total Number of Shares in Issue
Non-Public (shares issued during capitalization)	Locked	06 Months from the date of listing	960,000	34.78 %
Non-Public (shares held prior to the capitalization)*	Locked	06 Months from the date of listing	1,800,000	65.22%
Public**	Not Locked-in	-	-	-
Total			2,760,000	100.00%

*shares held prior to the capitalization subdivided at 150 shares for each share held

**'Public' defined under the definition mentioned in the CSE Listing Rules

Since there were no share transfers during the period of twelve (12) months immediately preceding the date of the Initial Listing Application, no further shares will be subject to a lock-in, in terms of CSE Listing Rule 2.1.1 (f) (iii). Further, the Company shall not allot any shares or transfer existing shares during the interim period between the date of the Initial Listing Application and the date of listing of the shares of the Company.

7.5 Statutory Transferability of Shares

There are no restrictions on the transferability of the shares. All shares will be locked-in for a minimum period of 06 months from the date of listing as per Section 7.4 of this Introductory Document.

7.6 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 Introduction.

7.7 Share Re-Purchases or Redemptions

The Company has not engaged in any share re-purchase, redemption or stated capital reduction exercises since incorporation of the Company on May 07, 2003.

7.8 Takeover Offers

There have been no takeover offers by third parties in respect of the Company's shares since incorporation and no takeover offers have been made by the Company in respect of shares of third parties.

8.0 INVESTMENT CONSIDERATIONS AND ASSOCIATED RISK FACTORS

Prior to investing in the shares, prospective investors 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 investors 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 and the strategic initiatives employed by the Company, the business operations of the Company are expected to be sustainable in the foreseeable future.

8.1 Risks Related to the Industry/Business

The Company faces the following risks that are inherent to the business;

- **Lack of trained and competent technical workers** – The fire services and equipment industry in Sri Lanka is a niche market with very few skilled technical workers possessing the required qualifications and experience. Therefore, it is a challenge to find suitable technical workforce in the country. AFS being a top tier Company, (refer Table 4.3) is able to retain technical workforce to some extent in order to continue the business operations through continuous training, remuneration and benefits.
- **Large number of small companies in the industry** – this leads to competition on pricing for projects as smaller companies are able to quote lower contracts due to lower overheads. However, AFS being a larger Company is able to negotiate contracts based on track record and stronger resources required to implement the projects on time and quality.
- **Increased Direct costs** - Increase in the material costs due to increased prices of raw materials, higher import costs due the rupee depreciation, controls put in place on imports, higher transportation costs are some of the key direct costs impacting on the financial performance of the industry as a whole. However, this can be managed by pricing of contracts maintaining the required profit margins. Since fire services and equipment is a necessity for larger construction projects, the business operations will not be impacted significantly.
- **Foreign Exchange restrictions impacting imports** - Out of total purchases of fire protection and detection items/equipment approximately 45% is imported. The present foreign exchange limitations are managed by AFS by opening Letter of Credit with usance period of more than 3 months through the banks and by utilizing parent company and related company export proceeds to finance for telegraphic transfer remittances and company settles in LKR.

8.2 Risks Related to SME companies

- **Business Continuity/ Interruption Risks** – SMEs are inherently managed by a few key persons and have a few key suppliers to rely on with a small team of staff. Even a minor interruption can stall the business operations. AFS manages this risk by having a diverse team and supplier/ brands to reduce reliance on a few people.
- **Financial Risk** – proper cashflow management is one of the key risks faced by SME companies. Due to their inherent lower bargaining power and competing for supplies with large companies, the SME companies incur higher costs. Therefore, cashflows need to be managed effectively. AFS

being a top tier CIDA EM1 company is better placed in terms of cost competitiveness from suppliers and implements tight controls in terms of cashflow management as reflected in its gearing and liquidity positions.

8.3 Risks Related to the Future Plans

The future plans and strategies of the Company discussed in Section 4.8 will be subject to the risk factors mentioned under Section 8.1 and 8.2, in addition to the specific risks mentioned below.

Financial risks - Implementing the future plans as outlined in Section 4.8 of this Introductory Document would require more funds and there might be difficulties in implementing the Company's plans on time if the required funds cannot be raised. In addition, changes in interest rates and exchange rate fluctuations will impact directly on the Company's revenue generation as AFS expects to import for expansion not only for the Company's projects, but for trading as well. The present foreign exchange controls have not impacted AFS significantly as approximately 45% of the purchases are imported and AFS is able to manage by opening Letter of Credits with usance period of more than 3 months through the bank and using parent and related companies' export proceeds to finance for telegraphic transfer remittances.

As the Company is working with contractors, private organizations and many other government institutes, there can be risks relating to credit or cash flows.

Knowledge risks - Currently AFS possesses the required expertise in the fire industry, however the Company will have skills shortage for new products and services implementation in the future. The Company will require more skilled technical workforce to develop new products in the industry. Finding qualified, experienced technical workforce with the required skills and knowledge is difficult in the industry even at present.

Covid 19 Pandemic situation - The present Covid 19 Pandemic situation is expected to continue until a prevention mechanism is found by the healthcare sector. This has impacted the construction industry which in turn will impact the fire services industry which is closely tied with the construction industry.

8.4 Capital Market Related Risks

Non-existence of Prior Market for the Shares

Prior to the listing of shares of AFS 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 Reference Price.

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 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 investor sentiment prevalent in the market at a given time. In addition, the price of the shares in the market will fluctuate as a result of share trading volumes.

Listed Shares May Not be a Suitable Investment for All Investors

Each potential investor in shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- Have sufficient knowledge and experience to evaluate shares, the merits and risks of investing in shares and the information contained or incorporated by reference in this Introductory Document;
- Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in shares and the impact the shares will have on its overall investment portfolio;
- Have sufficient financial resources and liquidity to bear all of the risks of an investment in shares, including where the settlement currency is different from the currency in which such investor's principal financial activities are denominated;
- Understand thoroughly the terms of shares and be familiar with any relevant indices and financial markets; and
- Be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Non-Availability of Shares for Trading

No Shares will be available for trading during the lock-in period as stipulated under Section 7.4 of this Introductory Document. The above-mentioned risks will be applicable on expiry of such lock in periods, once the shares are available for trading.

9.0 STATUTORY DECLARATION

Statutory Declaration by the Directors

24th May 2022

This Introductory Document 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.

Also, as per Section 40 (1) b the Companies Act No. 07 of 2007, the persons named in the Introductory Document, being Directors of the Company do hereby declare that we are aware of the provisions of this Act relating to the issue of this document and those provisions have been complied with to the best of our knowledge and belief.

The parties to the Introduction have submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with the Company.

Name	Designation	Signature
Mr. Vijith Perera	Chairman/Managing Director/Executive Non-Independent Director	Sgd
Mr. Malindra Fernando	Executive Non-Independent Director	Sgd
Mrs. Deanna Marise Ryde	Co-Founder/Non-Executive Non-Independent Director	Sgd
Mr. Samud Gunasekara	Executive Non-Independent Director	Sgd
Mr. Kapila Liyanagamage	Independent Non-Executive Director	Sgd
Mr. Ranil De Silva	Independent Non-Executive Director	Sgd

Declaration by the Manager, Financial Advisor and Sponsor to the Listing by Introduction – Acuity Partners (Private) Limited

24th May 2022

We, Acuity Partners (Private) Limited, of 53, Dharmapala Mawatha, Colombo 03 being the Manager, Financial Advisor and Sponsor to the Introductory Listing of AFS, hereby declare and confirm that to the best of our knowledge and belief the Introductory Document constitutes full and true disclosure of all material facts about AFS, whose Ordinary Voting Shares are being listed through an Introduction.

Sgd.

Director

Declaration by the Company

24th May 2022

An application has been made to the CSE for permission to deal in and for a listing for all of the Ordinary Voting Shares of the Company. 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 Introductory Document and Introductory Document. Listing on the CSE is not to be taken as an indication of the merits of the Company or of the shares being listed.

Sgd.

Director

Sgd.

Director

ANNEXURE 1 - RESEARCH REPORT PUBLISHED BY ACUITY PARTNERS (PRIVATE) LIMITED, MANAGERS, FINANCIAL ADVISORS AND SPONSORS TO THE INTRODUCTION TO ASCERTAIN THE REFERENCE PRICE OF THE ORDINARY SHARES OF ALPHA FIRE SERVICES LTD

Report date: 16th Mar 2022
Valuation date: 11th Mar 2022

Alpha Fire Services Ltd (AFS)

Research Report to

The Board of Directors of Alpha Fire Services Ltd on the Proposed Listing by Introduction

Acuity Partners (Pvt) Ltd (“Acuity”) hereby declare that we possess the requisite expertise to perform reports of this nature involving a quoted company likely to be categorized under the **Commercial and Professional Services sector**. Acuity Partners (Pvt) Ltd is not in the same group and does not have a significant interest in or financial connection with either offeror or offeree and the Company, its Board of Directors, senior management, employees or agents do not have any arrangements which would compromise its independence.

Research Report prepared by

Acuity Partners (Pvt) Ltd



7th Floor, Acuity House
53, Dharmapala Mawatha, Colombo 03
Sri Lanka



Acuity Partners (Pvt) Ltd
7th Floor, Acuity House
53, Dharmapala Mawatha,
Colombo 03,
Sri Lanka
TP: +94 112 206 206
Fax: +94 112 437 149

The Board of Directors
Alpha Fire Services Ltd
487/5, Old Kottawa Road,
Pannipitiya
Sri Lanka

Dear Sirs and Madams,

Valuation of Ordinary Voting Shares of Alpha Fire Services Ltd ("AFS", or "the Company") as at 11th March 2022

We, Acuity Partners (Pvt) Ltd ("Acuity") in the capacity of the Managers, Financial Advisors and Sponsors to the Introduction of Alpha Fire Services Ltd, wish to submit the enclosed Research Report in accordance with Section 3.1.4. C of the Listing Rules of the Colombo Stock Exchange.

We have carried out a detailed analysis of the business operations of AFS to arrive at a **Reference Price of Rs. 11.70 per share** and the results have been summarized below.

Reference Price of Rs. 11.70 per share is at a 17% discount to the unaudited NAV per share as at 31st Dec 2021, 20% premium to the P/BV based valuation, 5% discount to the peer P/E based valuation and 62% discount to the DCF based valuation.

Considering your intention to offer an upside to potential secondary market investors and the healthy marketability of shares, we recommend a Reference Price of LKR 11.70 per share at a forward Earnings Multiple of 5.38x based on the FYE March 2022F earnings which is a 5% discount to the peer P/E based valuation.

Yours faithfully,


Ray Abeywardena
Group Managing Director
Acuity Partners (Pvt) Ltd

Table of Contents

1.	Terms of Engagement of the Preparer	5
2.	Statement of responsibility, disclaimers by the Preparer.....	5
3.	Industry Analysis	6
3.1.	Global Fire Safety Equipment Market	6
3.1.1.	Overview	6
3.1.2.	Key Growth Drivers Globally	6
3.1.3.	Key Challenges faced by the Fire Protection Systems Industry	6
3.2.	Growth Drivers for the Fire Safety Equipment Market in Sri Lanka.....	6
3.2.1.	Growth in Urbanization	7
3.2.2.	Growth in the Construction and Manufacturing Sectors.....	7
3.2.3.	Stringent Implementation of Fire services and building standards laws	9
3.2.4.	Increasing awareness for fire prevention - residences, shops and offices	9
4.	Company Analysis	10
5.	Valuation.....	11
5.1.	Valuation Methodologies	11
5.1.1.	Net Asset Value (NAV) Based Valuation	11
5.1.2.	Price to Book Value (P/BV) Based Valuation	11
5.1.3.	Price to Earnings (P/E) Based Valuation	12
5.1.4.	Discounted Cash Flow Approach (DCF)	12
5.2.	Financial Forecast and Equity Valuation of AFS	14
5.2.1.	Key Assumptions	14
5.2.2.	Financial Forecast	17
5.2.3.	Net Asset Value (NAV) Based Valuation	18
5.2.4.	Price to Book Value (P/BV) Based Valuation	18
5.2.5.	Price to Earnings (P/E) Based Valuation	19
5.2.6.	Discounted Cash Flow (DCF) Based Valuation.....	20
5.3.	Summary of the Valuation & Value Recommendation	21
6.	Risks	22
7.	Preparer's Profile	23
	ANNEXURE I – FORECASTED FINANCIALS (2021/22F TO 2025/26F).....	24
	ANNEXURE II – DISCOUNTED CASH FLOW (DCF) BASED VALUATION	27

Glossary of Terms and Abbreviations

Acuity	Acuity Partners (Pvt) Ltd
AEPL	Amtek Engineering (Pvt) Ltd
AFS	Alpha Fire Services Limited
AWPR	Average Weighted Prime lending Rate
Bn	Billion
BV	Book value
BVPS	Book Value Per Share
CAGR	Compounded Annual Growth Rate
CBSL	Central Bank of Sri Lanka
CIDA	Construction Industry Development Authority
CSE	Colombo Stock Exchange
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EPS	Earnings Per Share
FCFE	Free Cash Flow to Equity
FCFF	Free Cash Flow to the Firm
FMV	Future Market Value
FYE	Financial Year Ended
GDP	Gross Domestic Production
GICS	Global Industry Classification Standards
ISO	International Standards Organization
IoT	Internet of Things
LT	Long Term
Mn	Million
MPS	Market Price per Share
NAV	Net Asset Value
NBV	Net Book Value
NFPA	National Fire Protection Authority-USA
P/BV	Price to Book Value
P/E	Price to Earnings
PAT	Profit After Tax
PBT	Profit Before Tax
Rs.	Sri Lankan Rupees
ST	Short term
TTM	Trailing Twelve Months
TV	Terminal Value
UDA	Urban Development Authority
UK	United Kingdom
UN	United Nations
USD	United States Dollar
WACC	Weighted Average Cost of Capital

1. Terms of Engagement of the Preparer

This report was prepared by Acuity Partners (Pvt) Limited (“hereinafter referred to as “Acuity”) to value the shares of Alpha Fires (Pvt) Limited (“hereinafter referred to as “AFS”) and present to the Board of Directors and Shareholders in order for listing on the CSE through an Introduction. Acuity is acting as the Managers, Financial Advisors and Sponsors to the listing by Introduction on the Empower Board.

2. Statement of responsibility, disclaimers by the Preparer

All assumptions made in order to appraise this entity were based on information obtained from the audited and interim financials of AFS as well as from the budgets provided by the AFS board of directors/ management which were validated by us. Nothing has come to our attention to cause us to believe that the facts and data set forth in this report are incorrect. However, no responsibility is assumed for technical information furnished by the organization and these are believed to be reliable. Neither Acuity Partners (Private) Limited 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 directorate’s claims to the properties have been assumed to be valid. No consideration has been given to liens or encumbrances, which may be against the properties.

This report is for the use of the Board of Directors and Shareholders of AFS for the purpose set out in Section 1.0 of this report and should not be used for any other purpose.

The estimates of future operations herein were prepared by Acuity Partners (Private) Limited based on the information made available by the company, internally developed data and other sources, believed to be reliable. Opinions and estimates given constitute a judgment as of the date of the material and are subject to change without notice. *The value recommendations made herein are valid upto a **time period of three (03) months from the date of issuance of the Introductory Document** subject to there being no material changes to the operating environment of the Company.* The information that was available was adequate to facilitate an informed view of the Company and to form a reasonable basis for the opinion. The recipients of this report must make their own independent decision regarding any securities, investments or financial instruments mentioned herein.

3. Industry Analysis

3.1. Global Fire Safety Equipment Market

3.1.1. Overview

The global fire protection systems market size was valued at USD 96.5Bn in 2019, and is projected to reach USD 131.3 Bn by 2027, registering a CAGR of 5.2% from 2020 to 2027. Fire protection systems are certified products developed according to the standards specified by the government authorities and regulatory bodies to control fire outbreaks. They are equipped with flame detectors and smoke control devices that aid during fire emergency while alarm valves and sprinkler systems are some of the widely used fire protection systems. <https://www.alliedmarketresearch.com/fire-protection-system-market>, Aug 2020.

3.1.2. Key Growth Drivers Globally

The fire protection systems market growth is fuelled by the growth in the construction industry, stringent regulations, and rising adoption of wireless technology in fire detection. With the rapid development of smoke detectors, along with IoT and big data technologies, the concept of smart smoke detectors has come to the fore, leading to the expansion of the smoke detector market.

Increased risk of property damage and public safety concerns due to fire accidents has led to the growing demand for advanced fire safety systems for industries, such as manufacturing, utilities, petrochemical, mining, oil & gas exploration, energy & power, automotive, and construction, is anticipated to drive the market. Several developed, as well as developing, regions like North America, Asia Pacific, and Europe have implemented stringent regulations, which mandate the installation of fire safety systems at industrial, residential, and commercial places. In addition, rapid urbanization & industrialization fuels the demand for fire protection systems. As more than four-fifths of the global GDP is produced in cities, urbanization can influence sustainable development <https://www.marketsandmarkets.com/Market-Reports/fire-protection-systems-market-1018.html>, Aug 2021.

3.1.3. Key Challenges faced by the Fire Protection Systems Industry

High initial costs, predictive maintenance as well as fluctuation in raw material prices hinder the growth of the market. Lockdowns due to Covid 19 reduced the production of new fire protection equipment and products which negatively affected the market globally. Moreover, many firms and suppliers in fire protection systems industry depend on other countries for their materials. The restrictions on movement by the government has halted all logistics operations across the globe, thus experiencing difficulties with their supply chain.

3.2. Growth Drivers for the Fire Safety Equipment Market in Sri Lanka

Local competitor analysis of the fire safety equipment industry in Sri Lanka is not carried out as there is no publicly available information on the companies carrying out business in this sector as they are privately held companies with no public industry data.

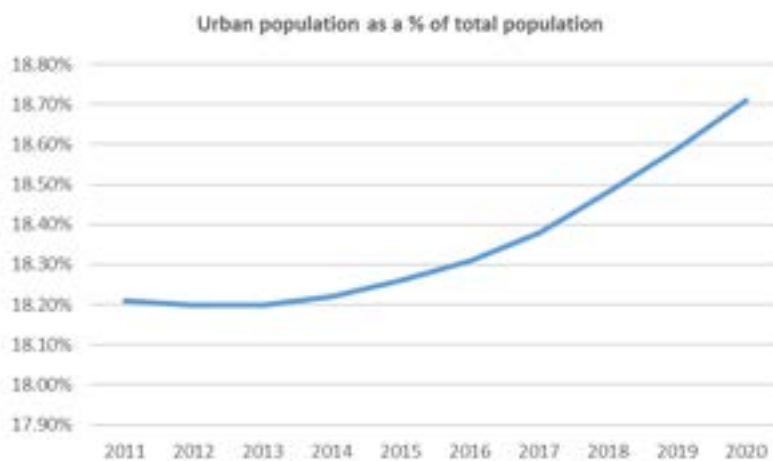
The following favourable macroeconomic conditions is expected to improve the consumer demand for fire safety equipment in Sri Lanka:

3.2.1. Growth in Urbanization

The UN-Habitat State of Sri Lankan Cities Report suggests that during the period 1995-2017, urban area grew by 9.57% p.a which is a remarkably high figure even by global standards. Colombo's rapid urban expansion is mirrored across the other provincial capitals. Sri Lanka ranks as the fifth least urbanised out of 233 countries, according to the UN's 2014 World Urbanisation Prospects, with a marginally lower urban to rural population ratio than Niger, St. Lucia and South Sudan. Officially, only around 18% of Sri Lankans live in an urban area according to World Bank data. This figure is far below the global average of around 50%, and is the joint lowest in the South Asian region. This administrative definition of urban in Sri Lanka also accounts for the country's low urbanization rates although many parts of the country are rapidly having urbanization characteristics. <https://unhabitat.org/is-sri-lanka-one-of-the-least-urbanised-countries-on-earth>, Apr 2018.

Urbanization indirectly contributes to the growth in demand for fire equipment within the country due to increasing awareness and technological upgrades

Figure 3.1: Urbanization in Sri Lanka – 2011 to 2020

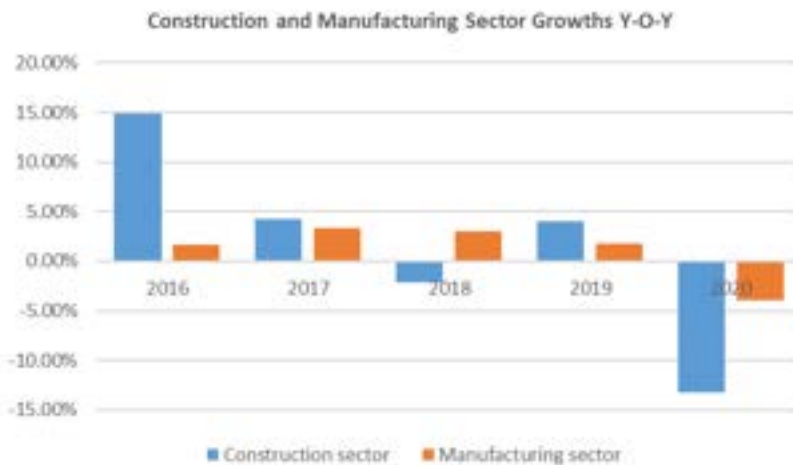


Source: <https://www.statista.com/statistics/728547/urbanization-in-sri-lanka/>, June 2021

3.2.2. Growth in the Construction and Manufacturing Sectors

Sri Lanka's GDP from construction also shows increasing trend during the recent past years. The growth in the construction sector will create a favourable environment for the fire equipment industry. Construction industry contributed 6.2% of the Sri Lankan GDP in 2020 even with the adverse impact from the Covid 19 pandemic (CBSL Annual Report, 2020).

Figure 3.2: Construction and Manufacturing Sector Growths – 2016 to 2020



(Central Bank of Sri Lanka, 2016 to 2020)

According to Constract360, the residential construction industry in value terms increased at a CAGR of 9.7% during 2015-2019. The building construction industry in Sri Lanka is expected to record a CAGR of 15.1% to reach LKR 2,231.5 billion by 2024 while the commercial building construction market in value terms is expected to record a CAGR of 16.3% over the future <https://www.marketresearch.com/ConsTrack360-v4128/Sri-Lanka-Building-Construction-Databook-12294617/>, Jan 2019.

Public/Private Sector construction contracts worth roughly Rs. 800-1000 billion per year are required to successfully sustain the construction industry in Sri Lanka and contribute 10% to GDP (Daily FT, 2020). Some of the key development projects coming up in Sri Lanka would require fire safety equipment. Tri Zen by John Keells Properties with 891 units estimated to be completed by 2023, 606 The Address with 200+ luxury homes and pent houses to be completed by 2022, Marina Square with 1,068 units to be completed by 2023 are some of the larger apartment projects coming up that would require fire safety equipment installed <https://www.lankapropertyweb.com/featured-dev/featured.php>, Nov 2021.

Sri Lanka’s UDA has planned to develop the Colombo 03 public market into a 40-storey complex that would require fire safety equipment (Economy Next, 2021). The Colombo Port city has 100 ha of land ready for construction. 40 out of 74 buildable plots of land are allocated for commercial development which will bring investments and business activities while 34 plots are for residential use. These projects would require fire safety equipment and the Sri Lankan companies will be able to tender for these (Economy Next, 2021). The budget 2022 outlines Rs. 2000 million for the development of urban housing projects while Rs. 5000 million will be allocated for the development of rural housing <https://www.ft.lk/special-report/Budget-Speech-2022/22-725849>, Nov 2021.

Fire Service Equipment is required for industries such as mining and quarrying sectors as well as for utilities such as electricity gas, water and waste treatment and for the services sector wholesale and retail trade, storage, financial services, telecom as well as public services. These sectors contributed 62.4% to the GDP and -11.8% growth in 2020 mainly due to Covid 19 lockdowns and disruption (Central Bank of Sri Lanka, 2020). Growth in these sectors will indirectly impact on the growth in the fire service protection systems industry through installation and maintenance of preventative and control measures implemented in these sectors.

3.2.3. Stringent Implementation of Fire services and building standards laws

Growing concerns about safety, implementation of building safety codes, and renovation conducts have been propelling the growth of the global fire protection equipment market. In China, for instance, the Code of Design for Building Fire Protection and Prevention needs to be adhered to. State agencies have developed these standards in collaboration with municipal agencies, designers, and industrial experts. The public security ministry governs these regulations via local fire services.

The Construction Industry Development Authority (CIDA), under the Ministry of Housing and Construction, is the body tasked with devising fire safety regulations for buildings in Sri Lanka. The mandatory structural fire protection and access requirements were introduced in 2017 to be included in proposed building plans. This was done after a period of 12 years after Colombo's skylines changed with new high-rise buildings. There are measures to make it mandatory to have a yearly fire safety inspection for all buildings. This can be done by an authority having jurisdiction, either the fire brigade or a qualified fire safety expert <https://lifeseconline.com/fire-regulations-in-sri-lanka/>, Nov 2021.

3.2.4. Increasing awareness for fire prevention - residences, shops and offices

Significant opportunities are likely to emerge on account of rising demand for personal protective equipment. Personal protective equipment includes protective footwear, protective clothing, hand protection, head protection, fall protection, and respiratory protection, and so on. Growing awareness about ensuring safety of people, in public places in particular, has been leading to increasing installation of fire protection equipment <https://www.transparencymarketresearch.com/fire-protection-equipment.html>, Nov 2021. More attention towards fire safety has been directed in the draft Megapolis and Regulations and Guidelines. These will strengthen the existing regulations and guidelines of the Urban Development Authority (UDA). Even if more regulations are introduced and legal powers accorded, implementation of fire safety measures will largely depend on the whole community together to ensure fire safety is put in place.

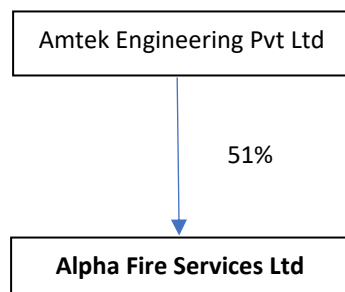
4. Company Analysis

Alpha Fire Services Limited (AFS) was established in 1989 in Bahrain by late Mr. Frank Ryde and subsequently the Sri Lankan branch AFS was established in the year 2003. AFS with a qualified and trained team of engineers and technical staff has a workshop located in Pannipitiya. The state of art facility is fully equipped to handle large scale fire protection, detection and suppression systems.

AFS is in the top tier with CIDA EM1 (ICTAD) status and ISO 9001:2015 certification and is a member of National Fire Protection Association - USA (NFPA). The Company is involved in Designing, Installation, Commissioning, Maintenance and Training of fire protection and detection solution systems.

AFS has a diverse clientele in various sectors namely, consultants, architects, contractors, government organizations, BOI companies, banks, hospitals, condominiums and many other organizations. AFS also provides their services to domestic customers.

Group Structure



Amtek Engineering (Pvt) Ltd (AEPL) is an engineering solutions provider to the construction industry of Sri Lanka. AEPL are the providers of system formwork, mechanical couplers providers to the local construction market for the past 16 years. In addition to that AEPL provides scaffolding systems, mechanical couplers & bar connectors, casting channels and lifting equipment, concrete spacers, post-tensioning equipment, mould oil and drainage systems and gondola/façade access systems representing companies in Malaysia, Spain, India and Germany.

AFS intends to grow its operations in Sri Lanka by setting up a manufacturing plant for fire doors and cabinets such as hose reel and extinguisher cabinets, develop its workshop and retail outlets. The assumptions and forecasts in this valuation report does not include this growth as future funding would be required for expansion and AFS intends to raise funds through equity. The financial forecast and valuation in this report assumes the Company operates as it is in order to arrive at a Reference Price for the shares.

5. Valuation

As mentioned earlier, the purpose of this report is to determine the value of the shares of AFS in order to ascertain the Reference Price for the Introduction. The *Fair Market Value* is the expected price at which the business would be transferred from a willing seller to a willing buyer. This assumes that both parties to the transaction are informed of all relevant factors as at the date of the transaction and are undertaking the transaction without undue pressure.

5.1. Valuation Methodologies

The following valuation methodologies were applied to value the shares of AFS.

Asset based Approach – Net Asset Value (NAV)	Estimates the intrinsic value of a common share as the value of the total assets of a company minus the value of its total liabilities
Market Approach - Price to Book Value Based Approach (P/BV)	Based on the estimated market value of assets (adjusted for physical, functional and economic depreciation) and the market value of liabilities
Market Approach – Price to Earnings Based Approach (P/E)	Based on the general market indicator of Price/Earnings in the Sri Lankan marketplace
Discounted Cash Flow Based Approach (DCF)	Based on the earnings/cash generating capacity of the assets under appraisal

5.1.1. Net Asset Value (NAV) Based Valuation

Net Asset based valuation focuses on a company's Net Asset Value (NAV), or the fair-market value of its total assets minus its total liabilities. NAV is also known as the book value of a company. NAV based valuation approach is most suitable when a business is non-operating or has been generating losses, and the company's focus is holding investments or real estate. The Asset Based Valuation set out herein of the company, has been prepared in accordance with the relevant historical financial statements of the company.

5.1.2. Price to Book Value (P/BV) Based Valuation

The Net Asset Value (NAV) which is the Book Value, involves determining the fair market value of all assets and liabilities of the enterprise. P/BV approach is a multiple based valuation that determines the value of the shares based on its book value. This approach is generally not favoured in the valuation of an enterprise as a going concern as it is difficult to establish the contribution of individual assets to the business and because it does not reflect the future earnings potential of the assets held.

The Book value per share is calculated as follows:

$$BVPS = \frac{\text{Total Equity} - \text{Preferred Equity} - \text{Minority Interest}}{\text{Number of shares outstanding}}$$

Price to Book value multiple is calculated as follows:

$$P/BV = \frac{MPS}{BVPS}$$

Where:

BVPS = Book Value Per Share

MPS = Market Price per Share

The Market Based Valuations set out herein of the company, is dependent upon the relative size of the peer entities identified under section 5.2.3 of the Research Report, in comparison to the company.

5.1.3. Price to Earnings (P/E) Based Valuation

The P/E ratio (Price-to-Earnings ratio) of a stock (also called its "P/E", or simply "multiple") is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. The P/E tells you what the market is willing to pay for the company's earnings. If a stock has a P/E of 10(x), it means the market is willing to pay 10 times its earnings for the stock.

The disadvantage of using P/E based valuation is that when earnings are negative P/E valuation does not make economic sense. In addition, the P/E based valuation approach focuses on the short term earnings potential and does not take into consideration the long term earnings growth. As such this approach will under value a company where there is significant potential for earnings growth due to capacity expansion, market growth etc.

The Price to Earnings Multiple (PE) is used for valuing a company by measuring its current share price relative to its Earnings Per Share (EPS). A High PE value means the company's stock is over-valued compared to its peers or the investors are expecting high growth rates in the future.

Earnings Per Share (EPS) is calculated as follows:

$$\text{EPS} = \frac{\text{Profit Attributable to Ordinary Shareholders of the Parent Co} - \text{Preferred Dividends}}{\text{Number of shares outstanding}}$$

P/E ratio is calculated as follows:

$$\text{P/E} = \frac{\text{MPS}}{\text{EPS}}$$

Where:

P/E = Price to Earnings multiple

MPS = Market Price per Share

EPS = Earnings Per Share

The Market Based Valuations set out herein of the company, is dependent upon the relative size of the peer entities identified under section 5.2.5 of the Research Report, in comparison to the company.

5.1.4. Discounted Cash Flow Approach (DCF)

The Discounted Cash Flow (DCF) method is considered a theoretically sound valuation methodology for an ongoing business. In this approach, the value of a business entity is considered to be equivalent to the present value of the operating cash that could potentially be withdrawn from the entity without impairing its growth or operations. It is the amount an investor would pay for the right to receive such cash flows. Hence, this valuation approach is based on the premise that the value of an organization is a function of the future cash flows generated by the business, discounted back to its present value by a risk adjusted cost of capital.

FCFF = Earnings before Interest and Tax * (1-tax rate) + Depreciation and Amortization - Capital Expenditure - Working Capital Investment

In arriving at the fair value of Ordinary Voting Shares of AFS, the present value of FCFFs was calculated using the following:

$$V_0 = \left[\sum_{t=1}^n \frac{FCFF_t}{(1 + WACC)^t} \right] + TV_n$$

Where:

V_0 = Intrinsic Value in year 0

$FCFF_t$ = Free Cash Flow to Firm in year t

$WACC$ = Weighted Average Cost of Capital

TV_n = Present Value of Terminal Value at year n

Further, the Gordon Growth Model (GGM) was used to derive TV_n with the following formula:

$$TV_n = \frac{FCFF_n (1 + g)}{(WACC - g) \times (1 + WACC)^n}$$

Where:

TV_n = Present Value of Terminal Value at year n

g = Terminal Growth Rate

$WACC$ = Weighted Average Cost of Capital

The discount rate used in a FCFF calculation is the Weighted Average Cost of Capital (WACC) which captures the effects of both equity and debt capital in a company when calculating the required rate of return. The following formula is used to calculate the WACC:

$$WACC = We (Ke) + Wd ((1 - t))$$

Where:

We = Weightage of Equity

Wd = Weightage of Debt

$(1 - t)$ = After Tax Cost of Debt

Ke = Cost of Equity

In arriving at the fair value of Ordinary Voting Shares of the company, the following formula was used:

$$\text{Fair Value} = \text{Present Value of FCFFs} - \text{Net Debt} +/- \text{Non-Operational Assets and Liabilities}$$

The DCF value per share set out herein, is subject to the viability of the said forecasts/assumptions made in Section 5.2.6 of this Research Report

5.2. Financial Forecast and Equity Valuation of AFS

5.2.1. Key Assumptions

FYE Mar	2021 Audited	2022F	2023F	2024F	2025F	2026F
Revenue (% growth rates)						
Project income	-8%	16%	5%	7%	7%	7%
Services	15%	8%	7%	10%	10%	10%
Ex-bond sales	72%	7%	7%	10%	10%	10%
Cost of Sales (% of revenue)	-72%	-72%	-72%	-72%	-72%	-72%
Admin Expenses						
Staff cost including EPF & ETF (% growth rates)	-8%*	15%	15%	12%	12%	12%
Gratuity provision (% of staff cost)	4%	4%	4%	4%	4%	4%
Auditor's Remuneration (% growth rates)	0%	5%	5%	5%	5%	5%
Directors' emoluments - NEDs (% growth rates)	-	Rs. 0.3Mn**	Rs. 0.9Mn**	5%	5%	5%
Other Admin Exp (% growth rates)	- 53%***	5%	5%	5%	5%	5%
Selling & Distribution exp (% of revenue)	-5.2%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Management Fee (% of Revenue)**	-7.5%	-7.5% for 8 months upto Nov	-	-	-	-
Fixed Management Fee (growth rate)**		Rs. 2.4 Mn	Rs.7.2 Mn	5%	5%	5%
Management Fee Paid (% of B/F Mgt Fee)**	77%	18%	18%	18%	22%	26%
Continuing PPE (Rs.Mn)	0.8	1.0	1.0	1.0	1.0	1.0
Depreciation (% of NBV)	22%	18%	18%	18%	18%	18%
Finance Income (% of investments in FDs)	10%	5%	5%	5%	5%	5%
Finance cost – interest rates						
Long term loans#	6%	9%	9%	9%	9%	9%
Short term loans (AWPR+2.5%)	8%	11.5%	12.0%	12.5%	13.0%	13.5%
Leases	18%	18%	18%	18%	18%	18%
Overdraft	13%	13%	13%	13%	13%	13%
ST Loan Disbursement (% of COS)	7%	7%	7%	7%	7%	7%
Working Capital Days						
Inventory Days	293	274	256	237	219	219
Debtor Collection days	57	67	67	67	67	67
Creditor Repayment days	190	183	183	183	183	183
Corporate income tax rate	14%	14%	14%	14%	14%	14%
Dividends (% of PAT)	34%	35%	35%	35%	35%	35%

Note:

*Decrease in staff cost in FYE Mar 2021 is due to the staff costs being reduced for two months during Covid 19 lockdowns.

**Currently 03 executive directors are involved in the management of AFS for which Management fees is paid at 7.5% of revenues in the past to cover the directors' services from the parent company which will be paid for 8 months upto Nov 2021 until the cancellation of the existing Share Subscription Agreement. Thereafter a fixed fee of Rs. 600,000 per month for the executive directors would be paid and NED remuneration is shown under the admin exp. Payment of management fee to the executive directors will be based on the positive cash flow of the Company.

***Reduction in other admin expenses were mainly due to cost savings from lockdowns due to Covid19 where the business was closed for 04 months as well as other cost efficiency measures implemented by the management.

#85% of the long term loans are obtained at fixed rates between 5% to 9.5% averaging to 7.5% at present with the floating rate loan. Allowing for fluctuation in the floating rate loan, 9% average interest rate is assumed for the long term loans.

Revenue

Project income decreased by 8% in FYE Mar 2021 due to the impact of covid on starting new projects and completing existing projects as the business was shut down for 04 months. AFS managed to maintain its revenues by improving on its services category of revenue and the Ex Bond sales on revenue from Government projects by utilizing sub-contractors which impacted on the gross profit margins. Revenue in 2022F is based on the 9 month actual performance and expected revenues as per the management upto 31 March 2022. Revenue growths forecasted from 2023F to 2026F is based on the management estimates.

The future expansion plans detailed in Section 4.8 of the Introductory Document is not included in the assumptions and forecasts, as these plans are currently at preliminary stages, the financial impact on earnings growth cannot be estimated. The Company expects to utilize a mix of internal and external funds at the time of the funding requirement. Therefore, the Reference Price is arrived at based on the Company continuing its business as it is.

Gross Profit

Gross profit margin is maintained at 28% of total revenue based on the FYE Mar 2021 audited gross profit margin of 28%.

Administration Expenses

Staff costs including EPF and ETF declined by 8% in FYE Mar 2021 mainly due to the staff being paid 70% of the salary for 2 months due to lockdowns when the business was closed for 4 months. The higher growth rates of 15% in staff cost is estimated in 2022F and 2023F to adjust this one off cost saving and allow for the regular salary increases. Non executive directors' remuneration is estimated by the management for 4 months in 2022F with a full year estimate in 2023F, thereafter assumed to grow at 5% p.a. In terms of other admin expenses, due to the business being closed down for 4 months during lockdowns the other admin exp reduced significantly in FYE Mar 2021. Post the covid lockdowns, the company has implemented cost saving measures therefore no significant cost increases forecasted.

Distribution Expenses

AFS' past 5 year average distribution expenses was 5% of revenue. For the 9 months ending Dec 2021, AFS' distribution expenses was 2.8% of revenue. It is estimated from 2022F onwards that AFS' distribution expenses will be 3% of revenue.

Depreciation

Past 5 year (FYE Mar 2017 to 2021) average depreciation rate of 18% on the book value of the PPE is applied from 2022F onwards.

Finance income

AFS generated a higher finance income on its fixed deposits in FYE Mar 2021 at a 9.7% interest rate. For the 9 months ending Dec 2021, AFS generated 5.6% in its fixed deposits. From 2022F a conservative interest rate of 5% is applied to the forecast.

Finance costs

The lower finance cost on long term loans in FYE Mar 2021 was mainly due to AFS obtaining Rs. 15.6 Mn which was disbursed during the latter part of the year. 85% of AFS' long term loans are obtained at fixed rates ranging between 5% to 9.5% with a weighted average interest rate of 7.5% at present. Therefore the interest rate applied to the forecast is 9% to allow for the floating rate loan interest rate movements as well.

Short term loans disbursed in each year is estimated to be 7% of the cost of sales (same as the FYE Mar 2021 disbursement rate). AWPR + 2.5% is applied to the short term loans as interest rate in 2022F increasing by 0.5% each year thereafter. Overdraft rate of 13% and lease rate of 18% is applied to the forecasts.

Management Fee

This is the payment by AFS to the parent company AEPL for the three executive directors who are involved in the management of AFS for which Management fees was paid at 7.5% of revenues in the past to cover the directors' services from the parent company which will be paid for 8 months upto Nov 2021 until the cancellation of the existing Share Subscription Agreement. From Dec 2021 onwards, a fixed fee of Rs. 600,000 per month for all three executive directors is being paid Payment of management fee to the executive directors will be based on the positive cash flow of the Company as explained under the "Dues to related party".

Tax

Income tax rate of 14% on PBT is applied to the forecasted financials.

Property Plant and Equipment

1 Mn p.a continuing capital expenditure is assumed from 2022F onwards for replacement and upgrading of tools at the workshop based on the management estimate.

Inventory, Trade and other receivables, Trade and other payables

For the FYE Mar 2021, inventory amounted to 80% of the cost of sales due to AFS holding higher stocks as the project completions and new projects declined due to covid lockdowns. From 2022F with improved project performance AFS' inventory holding will be improved gradually to 60% of cost of sales by 2025F. Trade and other receivables was 16% of revenue in FYE Mar 2021 and from 2022F it is forecasted to be maintained at 18% of revenue. Trade and other payables which was 52% of cost of sales in FYE Mar 2021 is expected to be maintained at 50% of cost of sales from 2022F onwards.

Interest bearing borrowings

Long term loan obtained in Feb 2021 has a grace period of 1 year on repayment and thereafter payable in 5 years.

Short term loans and Leases

7% of cost of sales is estimated to be the disbursements each year of short-term loans, No disbursements in leases are estimated.

Amount due to related parties

Management fee payment to the executive directors depends on the cashflow situation of the Company. Based on the financial forecast, 18% to 26% of the brought forward Management fee amount is assumed to be paid as management fee for the forecasted period of 2022F to 2026F.

5.2.2. Financial Forecast

Detailed financial forecasts are shown in Annexure I

Summarised Income Statements

FYE Mar – Rs. Mn	2021 Audited	Unaudited 9M Dec 2021	2022F	2023F	2024F	2025F	2026F
Revenue	184.96	154.57	210.07	221.74	239.14	257.94	278.26
Gross Profit	55.17	40.18	58.82	62.09	66.96	72.22	77.91
EBITDA	23.90	19.78	28.39	28.11	29.95	31.89	33.91
EBIT	21.07	18.36	26.31	26.22	28.23	30.30	32.43
PBT	4.61	4.09	6.98	14.43	18.24	21.39	23.75
PAT	3.50	4.09	6.01	12.41	15.69	18.39	20.42
EPS (Rs.)	1.27*	1.48	2.18	4.50	5.68	6.66	7.40
DPS (Rs.)	0.43*	-	0.76	1.57	1.99	2.33	2.59

Note:

*Adjusted for the capitalization and subdivision of shares.

The Stated Capital was increased from Rs. 7.12 Mn to Rs. 25.57 Mn to adhere to the Empower Board Listing Rules requirement. Therefore 6,400 shares were issued at the audited NAV per share as at FYE Mar 2021 of Rs. 2,882.40. Subsequently a share split of 150 shares for every share held was carried out on the 30th November 2021 which increased the number of shares to 2,760,000.

Summarized Balance Sheets

FYE Mar – Rs. Mn	2021 Audited	Dec 2021 Unaudited	2022F	2023F	2024F	2025F	2026F
Non-Current Assets	55.71	55.77	54.62	53.74	53.01	52.42	51.94
Current Assets	135.58	129.42	153.15	153.60	156.94	171.07	190.22
Total Assets	191.30	185.19	207.77	207.34	209.95	223.49	242.16
Shareholders' Equity	34.59	38.68	38.49	46.56	56.75	68.71	81.99
Non-Current Liabilities	23.84	27.13	19.09	15.86	12.71	9.65	6.68
Current Liabilities	132.87	119.39	150.19	144.92	140.48	145.13	153.49
Total Liabilities and Equity	191.30	185.19	207.77	207.34	209.95	223.49	242.16
NAV per share (Rs.)	12.53*	14.02	13.95	16.87	20.56	24.89	29.71

Note:

* Adjusted for the capitalization and subdivision of shares.

5.2.3. Net Asset Value (NAV) Based Valuation

NAV = Total Assets – Total Liabilities

The Net Asset Value of AFS as at 31st March 2021 is Rs. 34.59 Mn (Total Assets Rs. 191.30 Mn minus Total Liabilities of Rs. 156.71 Mn). The Net Asset Value per share amounts to Rs. 2,882.40 as at 31st March 2021. The **Net Asset Value per share adjusted for the capitalization and share split amounts to Rs. 12.53** as at 31st March 2021 and Rs. 14.02 as at 31st December 2021.

5.2.4. Price to Book Value (P/BV) Based Valuation

Methodology applied

- Net Asset Value (Total assets minus the total liabilities) of the company as at 31st December 2021 unaudited was used as book value for the valuation.
- P/BV multiple of the CSE Market and weighted average P/BV of the listed peers (Commercial & Professional Services Sector of the CSE taken as the likely peers) were used to compute the fair value of the Company's share based on both the Market and Sector multiples.
- Market P/BV as at 11th March 2022 was used for the Market P/BV based valuation
- Closing Share prices as at 11th March 2022 for the listed peers on the Main Board (although there are no direct listed peers for AFS listed on the CSE), were used together with the book values from the latest interim financials of the listed peers were used to arrive at the weighted average P/BV multiple of the sector companies. Companies on the watch list were excluded.

P/BV multiples of Listed Peers

Comparable Peer P/BVs - as at 11 th March 2022				
GICS Commercial & Professional Services Sector	Ticker	Closing MPS (Rs.)	BVPS as at Dec 2021 (Rs.)	P/BV (times)
Gestetner	GEST	83.20	118.96	0.70
Lakehouse Printers	LPRT	181.25	229.98	0.79
Printcare	CARE	33.70	49.59	0.68
Weighted Avg Peer Sector P/BV				0.69

Source: Published interim financials of the respective companies on the CSE website

P/BV based valuation of AFS

	Market P/BV based valuation	GICS Sector P/BV based Valuation	TTM listed peer P/BV multiple based Valuation
NAV as at 31 st Dec 2021 (Rs. Mn)	38.68	38.68	38.68
Multiple (times)	1.40	1.11	0.69
P/BV based equity value (Rs. Mn)	54.16	42.94	26.87
No of shares (Post capitalization and subdivision)	2,760,000	2,760,000	2,760,000
Price per Share (Rs.)	19.62	15.56	9.74

Sensitivity Analysis

		Value Per Share (Rs.)
P/BV multiple	0.60x	8.41
	0.70x	9.81
	0.80x	11.21
	0.90x	12.61

5.2.5. Price to Earnings (P/E) Based Valuation

Methodology applied

- Forecasted Profit After Tax for the FYE 31st Mar 2022F was used for the P/E based valuation
- P/E multiple of the CSE Market and weighted average P/E of the listed peers were used to compute the fair value of the Company's share based on both the Market and Sector multiples.
- Market P/E as at 11th March 2022 was used for the Market P/E based valuation
- Closing Share prices as at 11th March 2022 for the listed peers on the Main Board was used for the listed peers (although there are no direct listed peers for AFS listed on the CSE) together with the trailing four quarter PAT from the interim financials of the listed peers were used to arrive at the weighted average P/E multiple of the sector companies. Companies on the watch list were excluded.

P/E multiples of Listed Peers

Comparable Peer P/Es - as at 11 th March 2022 GICS Commercial & Professional Services Sector	Ticker	Closing MPS (Rs.)	Trailing 04 Qtr EPS (Rs.)	P/E (times)
Gestetner	GEST	83.20	(1.21)	N/A
Lakehouse Printers	LPRT	181.25	10.57	17.14
Printcare	CARE	33.70	7.18*	4.69
Weighted Avg Peer Sector P/E				5.66

Source: Published interim financials of the respective companies on the CSE website

Note:

*Printcare's gain on sale of investment amounting to Rs. 1004.59 Mn in the Dec quarter of 2021 is removed to calculate the trailing EPS as it is a one off gain.

P/E based valuation of AFS

	Market P/E based valuation	GICS Sector P/E Based Valuation	TTM listed peer P/E multiple based Valuation
PAT - FYE 31 st Mar 2022F (Rs.Mn) *	6.01	6.01	6.01
Multiple (times)	10.78	7.94	5.66
P/E based equity value (Rs. Mn)	64.74	47.69	33.91
No of shares (Post capitalization and Subdivision)	2,760,000	2,760,000	2,760,000
Price per Share (Rs.)	23.46	17.28	12.32

*Refer Annexure I Income Statements

Sensitivity Analysis

		Value Per Share (Rs.)
P/E Multiple	4x	8.70
	5x	10.88
	6x	13.06
	7x	15.23

5.2.6. Discounted Cash Flow (DCF) Based Valuation

Methodology:

- The audited financial statements for the years ended 31 March 2017 to 31 March 2021 for companies were considered to assess the ratios, past performance and position of the company.
- The interim financials upto 31st Dec 2021 and budgets were used to forecast FYE Mar 2022F
- The management budgets for FYE Mar 2022/23F and management estimates thereafter were reviewed and evaluated in detail with Acuity judgement applied to assumptions based on the economic situation and the realistic achievability of the budgets.
- Revenue was forecasted taking into consideration the expected growth in the company with the impact of Covid 19 on its business operations, together with the current import restrictions in place.
- The cost assumptions were based on management budgets/expectations and were reviewed to ensure consistency with actual past performance and cost structure
- Tax rates were assumed based on disclosure in the audited financials or standard rates and the budget concessions for new listings on the CSE
- Assumptions were made with regards to continuing capital expenditure (based on actual outlays budgeted or forecasted by management), and investment in working capital assuming the Company operates as it is.
- Free Cash Flow to the Firm (FCFF) in each year is derived by deducting capital expenditure and incremental working capital from the EBIT after adjusting for taxes.
- FCFF of the terminal cashflow is the cashflow in the previous year assumed to grow at the terminal growth rate and discounted by the WACC minus the terminal growth rate.
- FCFF is discounted to the present value using the WACC to arrive at the total PV of the Firm
- To arrive at the PV of FCFE, Net Debt is deducted. (Debt includes All interest-bearing borrowings while Cash and Cash Equivalent includes cash, short term investments and long-term investment in FDs.)

Key Assumptions

WACC assumptions used:

- Cost of Equity (Ke): **19.54%** - 12-year T-bond rate of 13.14% as at 02nd March 2022 reported by CBSL with an Equity Risk Premium of 8% assumed and a Beta of 0.8 assumed
- After Tax Cost of Debt (Kd): **10.00%** - AWPR of 9.13% (weekly AWPR as at 11th March 2022 reported by CBSL) plus 2.5% debt spread based on the gearing level and Tax Rate 14% (corporate tax rate of AFS)
- Weight of Equity: 60%, Weight of Debt: 40% (Targeted capital structure in four years' time)
- Terminal Growth rate 3%
- WACC of 15.72%

Source:

T-Bond rate: https://www.cbsl.lk/eResearch/Modules/RD/SearchPages/Indicators_GovernmentSecurities.aspx, accessed on 11th March 2022

AWPR: https://www.cbsl.lk/eResearch/Modules/RD/SearchPages/CMB_LendingAndDeposit.aspx, accessed on 11th March 2022

DCF based Valuation

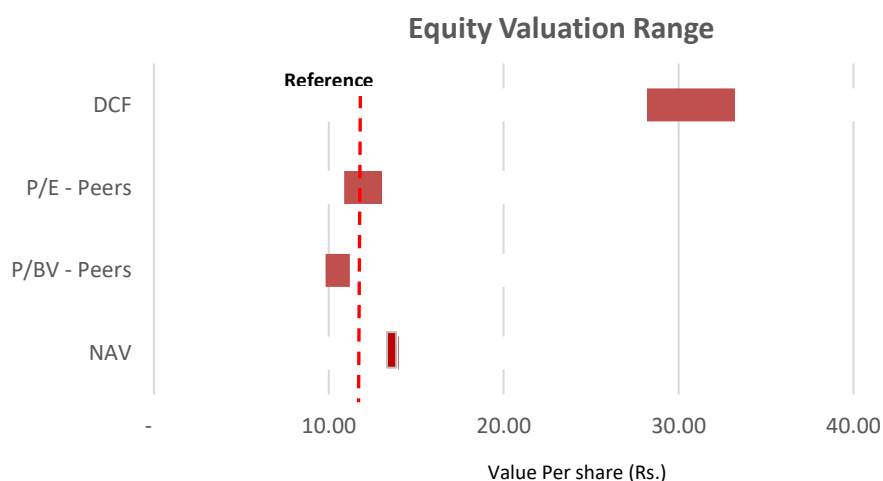
DCF based value of the Company is Rs. 85.21 Mn. **DCF based value per share of AFS is Rs. 30.87**. Please refer Annexure II for detailed DCF calculation.

Sensitivity Analysis of AFS' price per share is provided below:

		WACC			
		14%	15%	16%	17%
Terminal Growth Rate	1%	32.00	29.10	26.58	24.37
	2%	34.28	31.01	28.19	25.74
	3%	36.98	33.23	30.04	27.30
	4%	40.21	35.85	32.21	29.11

5.3. Summary of the Valuation & Value Recommendation

Summary Valuation Method	Equity Value (Rs. Mn)	Equity Value per share (Rs.)	Reference Price is at a (Discount) or Premium to the valuation
Net Asset Value Method (as at Dec 2021 Unaudited)	38.68	14.02	-17%
P/BV Method (Listed Peer P/BV)	26.87	9.74	20%
P/E Method (Listed Peer P/E)	33.99	12.32	-5%
DCF Method	85.21	30.87	-62%



Reference Share Price Calculation

Forward EPS (Rs.) – 2022F PAT Forecasted	2.18
Trailing BVPS (Rs.) – 31 st Dec 2021 BV - Unaudited	14.02
Reference Price (Rs.)	11.70
P/E multiple at Reference Price	5.38x
P/BV multiple at Reference Price	0.83x

Note: NAV range is between the unaudited NAV as at 31st Dec 2021 and Forecasted NAV as at 31st Mar 2022

Reference Price of Rs. 11.70 per share was based on a P/E multiple of 5.38x on the forward earnings which is at a 17% discount to the unaudited NAV as at 31st Dec 2021, 5% discount to the peer P/E based valuation, 20% premium to the P/BV based valuation and 62% discount to the DCF based valuation.

6. Risks

The following risks can impact the future performance of the Company;

- The financial forecast and valuation carried out in this report is based on the Company operating in its present state without implementing any expansion plans or funding infusion.
- The present Covid 19 pandemic situation is expected to continue until a prevention mechanism is found by the healthcare sector. This has impacted the construction industry which in turn will impact the fire services industry which is closely tied with the construction industry.
- Lack of trained and competent technical workers where the fire services and equipment industry in Sri Lanka is a niche market with very few skilled technical workers possessing the required qualifications and experience. Therefore, it is a challenge to find suitable technical workforce in the country. AFS being a larger Company is able to retain technical workforce to some extent in order to continue the business operations through continuous training, remuneration and benefits.
- Large number of small companies in the industry – this leads to competition on pricing for projects as smaller companies are able to quote lower contracts due to lower overheads. However, AFS being a larger Company is able to negotiate contracts based on track record and stronger resources required to implement the projects on time and quality.
- Increased Direct costs - Increase in the material costs due to increased prices of raw materials, higher import costs due the rupee depreciation, controls put in place on imports, higher transportation costs are some of the key direct costs impacting on the financial performance of the industry as a whole. However, this can be managed by pricing of contracts maintaining the required profit margins. Since fire services and equipment is a necessity for larger construction projects, the business operations will not be impacted significantly.

7. Preparer's Profile

Acuity Partners established in 2009 is a full-service Investment Bank equally owned by DFCC Bank and Hatton National Bank (HNB) offering a comprehensive suite of products and services that include Corporate Finance, Equities, Fixed Income Securities, Venture Capital Services & Asset Management.

Individuals Materially Involved in the Equity Valuation of AFS

▪ **Amani Ranaweera – Senior Vice President – Corporate Finance**

Amani has over 11 years' experience in business valuations, restructuring, equity capital raising, listings, M&A transactions & advisory. She is currently working on equity raising, M&A and restructuring projects, having completed IPOs, M&A transactions, Private Placements and advisory projects for clients in the hospitality, banking & finance, insurance, manufacturing, plantations and service sectors.

Amani has over 3 years' experience in auditing, management consultancy & taxation and she has worked as a Financial Analyst at the Distilleries Corporation of Sri Lanka (DCSL) for over a year, prior to joining Acuity Partners in 2011.

Amani is a member of the Chartered Institute of Management Accountants (CIMA) UK, member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and an affiliate of the Association of Chartered Certified Accountants (ACCA) UK. She has a Bachelor of Science degree in Banking & Finance from the University of London – London School of Economics and Political Science, with First Class Honours and a Master of Science degree in Finance from the University of Liverpool, with a distinction.

▪ **Sonali Selvaratnam – Assistant Vice President Corporate Finance**

Sonali has over 11 years' experience in Corporate Finance, Business Valuations and Financial Advisory. Prior to joining Acuity she was at the Corporate Finance Division of DFCC Bank. She holds the Masters of Business Administration from the Postgraduate Institute of Management, Bachelor of Science degree in Finance (Second Class Upper Division) from the University of Sri Jayewardenepura, Associate Member of the Chartered Institute of Management Accountants UK, CGMA and has passed Level II of the CFA exams conducted by the CFA Institute U.S.A.

She has extensive work experience in financial advisory covering diverse sectors, M&A, public and private equity raising as well as syndicated debt raising for companies in diverse industries. She has provided Independent Advisory on many Mandatory Offers on the CSE as well.

ANNEXURE I – FORECASTED FINANCIALS (2021/22F TO 2025/26F)

Income Statements

For the year ended 31 st Mar (Rs. Mn)	2021 Audited	2022F	2023F	2024F	2025F	2026F
Revenue	184.96	210.07	221.74	239.14	257.94	278.26
Cost of Sales	(129.80)	(151.25)	(159.65)	(172.18)	(185.71)	(200.35)
Gross Profit	55.17	58.82	62.09	66.96	72.22	77.91
Other Income	-	-	-	-	-	-
Administration exp	(21.71)	(24.12)	(27.33)	(29.83)	(32.60)	(35.65)
Distribution exp	(9.55)	(6.30)	(6.65)	(7.17)	(7.74)	(8.35)
EBITDA	23.90	28.39	28.11	29.95	31.89	33.91
Depreciation	(2.83)	(2.09)	(1.89)	(1.72)	(1.59)	(1.48)
EBIT	21.07	26.31	26.22	28.23	30.30	32.43
Finance Income	2.57	1.34	1.34	1.34	2.01	2.41
Finance cost	(5.16)	(8.61)	(5.93)	(3.77)	(2.98)	(2.75)
Management Fee*	(13.87)	(12.05)	(7.20)	(7.56)	(7.94)	(8.33)
Profit before tax	4.61	6.98	14.43	18.24	21.39	23.75
Taxation	(1.11)	(0.98)	(2.02)	(2.55)	(2.99)	(3.32)
Profit/(Loss) After Tax	3.50	6.01	12.41	15.69	18.39	20.42
EPS (Rs.)	1.27**	2.18	4.50	5.68	6.66	7.40
DPS (Rs.)	0.43**	0.76	1.57	1.99	2.33	2.59

Note: *The Share Subscription Agreement detailing the Management Fee (which is for shared services by the directors to AFS) ceased to exist on the 30th Nov 2021. The new Management Fee Agreement between the Executive Directors and AFS for the services of the executive directors who are involved in the day-to-day operations of the business will be a fixed fee of Rs. 600,000 per month. The remuneration for the other non-executive directors is shown as Directors' remuneration under admin expenses from Dec 2021 onwards which is a fixed fee. (Refer Section 5.2.1)

**Adjusted for the capitalization and subdivision of shares.

Balance Sheets

As at 31 st Mar – Rs. Mn	2021 Audited	2022F	2023F	2024F	2025F	2026F
Non-Current Assets						
Land	18.88	18.88	18.88	18.88	18.88	18.88
Property, Plant & Equipment	10.31	9.22	8.34	7.61	7.02	6.54
Investment in FDs	26.52	26.52	26.52	26.52	26.52	26.52
	55.71	54.62	53.74	53.01	52.42	51.94
Current Assets						
Inventory	104.36	113.44	111.76	111.92	111.43	120.21
Trade and other receivables	28.81	38.41	40.55	43.73	47.16	50.88
Cash Margin A/C	0.30	0.30	0.30	0.30	0.30	0.30
Cash and Cash Equivalents	2.12	1.00	1.00	1.00	1.00	1.00
ST Investments	-	-	-	-	11.18	17.83
	135.58	153.15	153.60	156.94	171.07	190.22
Total Assets	191.30	207.77	207.34	209.95	223.49	242.16
Capital and Reserves						
Stated capital	7.12	25.57	25.57	25.57	25.57	25.57
Revaluation Reserves	1.53	1.53	1.53	1.53	1.53	1.53
Retained earnings	25.93	11.39	19.45	29.65	41.61	54.88
Shareholder equity	34.59	38.49	46.56	56.75	68.71	81.99
Non-Current Liabilities						
Deferred tax liabilities	0.33	0.33	0.33	0.33	0.33	0.33
Interest Bearing Borrowings	19.25	15.40	11.55	7.70	3.85	-
Lease Liabilities	1.45	-	-	-	-	-
Retirement Benefit Obligation	2.82	3.36	3.99	4.69	5.47	6.35
	23.84	19.09	15.86	12.71	9.65	6.68
Current Liabilities						
Trade and Other payables	67.62	75.63	79.83	86.09	92.86	100.17
Interest Bearing Borrowings	-	3.85	3.85	3.85	3.85	3.85
Lease Creditor	2.52	1.45	-	-	-	-
Short Term Borrowings	23.34	11.13	11.75	12.67	13.67	14.75
Amount due to related parties	18.33	27.28	29.77	32.17	33.27	33.24
Taxes payable	1.48	1.48	1.48	1.48	1.48	1.48
Bank Overdraft	19.57	29.37	18.24	4.22	-	-
	132.87	150.19	144.92	140.48	145.13	153.49
Total Equity & Liabilities	191.30	207.77	207.34	209.95	223.49	242.16
NAVPS (Rs.)	12.53*	13.95	16.87	20.56	24.89	29.71

*Adjusted for the capitalization and subdivision of shares.

Cashflow Statements

FYE Mar Rs. Mn	2022F	2023F	2024F	2025F	2026F
<u>Cashflow from operating activities</u>					
PBT	6.98	14.43	18.24	21.39	23.75
Depreciation & Amortization	2.09	1.89	1.72	1.59	1.48
Gratuity Provision	0.54	0.62	0.70	0.78	0.88
Management Fee	12.05	7.20	7.56	7.94	8.33
Finance Cost	8.61	5.93	3.77	2.98	2.75
	30.27	30.07	31.99	34.68	37.20
Adjustments					
(Inc)/Dec in trade & other receivables	(9.60)	(2.13)	(3.18)	(3.44)	(3.72)
(Inc)/ Dec in inventory	(9.08)	1.68	(0.16)	0.49	(8.78)
Inc/ (dec) in trade & other payables	8.00	4.20	6.26	6.77	7.32
Net Change in Working Capital	(10.68)	3.75	2.92	3.82	(5.18)
Management Fee Paid	(3.10)	(4.71)	(5.16)	(6.83)	(8.36)
Interest paid	(8.61)	(5.93)	(3.77)	(2.98)	(2.75)
Gratuity Paid	-	-	-	-	-
Taxes Paid	(0.98)	(2.02)	(2.55)	(2.99)	(3.32)
Cash from operations	6.90	21.16	23.43	25.69	17.58
<u>Cashflow from investing activities</u>					
(Purchase)/sale of PPE	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
(Purchase)/sale of Intangible assets	-	-	-	-	-
Cash from investing	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
<u>Cashflow from Financing activities</u>					
Issue/Redemption of stated capital	-	-	-	-	-
Issue/ (repay) loans, leases	(14.73)	(4.68)	(2.93)	(2.85)	(2.77)
Dividends paid	(2.10)	(4.34)	(5.49)	(6.44)	(7.15)
Cash from financing	(16.83)	(9.02)	(8.42)	(9.29)	(9.92)
Net Inc/(Dec) in cash	(10.92)	11.14	14.02	15.40	6.65
Cash B/F	2.12	1.00	1.00	1.00	1.00
Net Change in Cash	(10.92)	11.14	14.02	15.40	6.65
Cash C/F (minimum amount)	1.00	1.00	1.00	1.00	1.00
OD B/F	19.57	29.37	18.24	4.22	-
Inc/(Dec) in OD	9.81	(11.14)	(14.02)	(4.22)	-
OD C/F - To BS	29.37	18.24	4.22	-	-
ST investments B/F	-	-	-	-	11.18
Inc/(dec) in deposits	-	-	-	11.18	6.65
ST investments C/F - To BS	-	-	-	11.18	17.83

ANNEXURE II – DISCOUNTED CASH FLOW (DCF) BASED VALUATION

DCF valuation (Rs. Mn)					Terminal Value
	2023F	2024F	2025F	2026F	2027F onwards
EBIT after management fee *(1-t)	16.36	17.78	19.23	20.72	
Add: Working capital exp	3.75	2.92	3.82	(5.18)	
Deduct: Fixed Capital exp	(1.00)	(1.00)	(1.00)	(1.00)	
FCFF	19.11	19.70	22.05	14.54	117.73
DCF	0.8641	0.7467	0.6452	0.5576	0.5576
PV	16.51	14.71	14.23	8.11	65.64
Firm value	119.20				
Add:					
Cash & ST investments*	5.37				
Investments in FDs*	27.67				
	152.24				
	-				
Deduct: Debt (LT&ST)*	(67.03)				
Equity value	85.21				
No of Shares	2,760,000				
Value per share (Rs.)	30.87				

Note: Refer sections 6.1.4 and 6.2.6 of this Valuation Report for detailed assumptions and method of calculation.

*Balances as at 31st Dec 2021 based on the 9 months unaudited financials

ANNEXURE 2 - ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

22 April 2022

Board of Directors
Alpha Fire Services (Private) Limited
487/5
Old Kottawa Road
Pannipitiya.

Dear Sirs/Mesdames,

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF ALPHA FIRE SERVICES (PRIVATE) LIMITED

This report has been prepared for the inclusion in the Prospectus issued of Alpha Fire Services (Private) Limited ("Company").

We have examined the financial statements of Alpha Fire Services (Private) Limited for the financial years ended 31st March 2017 to 31st March 2021, included in the Prospectus and report as follows.

1. INCORPORATION

Alpha Fire Services (Private) Limited ("Company") is a limited liability Company incorporated in and domiciled in Sri Lanka under the provisions of the Companies Act No. 7 of 2007. The registered office of the Company and the principle place of business is located at No. 487/5, Old Kottawa Road, Pannipitiya.

The principal activities of the Company is to provide fire protection services.

2. FINANCIAL STATEMENTS

2.1 Five Years Summary of Financial Statements

A summary of Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash flows of Alpha Fire Services (Private) Limited for the years ended 31st March 2017 to 31st March 2021, based on the audited financial statements of the Company prepared in accordance with SLFRS for SMEs are set out in Annexure 1 of this report.



2.2 Audit Reports

We have audited the financial statements of the Company for the years ended 31st March 2020 to 31st March 2021. Years 31 March 2017 to March 2019 have been audited by another auditor. Unqualified audit opinions have been issued for the said financial years.

2.3 Subsequent events

There were no material events occurring after the reporting date which require adjustments to or disclosures in the financial statements except, it should be noted the Company issued 64,00 shares amounting to Rs.18,447,360/- by a way of capitalization the reserves of the Company on 17th December 2021.

Further, the Company sub-divided each one (1) share into 150 shares (1:150) and increased the number of shares in issue from the existing 18,400 ordinary voting shares to 2,760,000 ordinary voting shares without any changes to the Stated Capital.

2.4 Application of Accounting Standards and Accounting Policies

The financial statements of the Company for the financial years ended 31st March 2017 to 31st March 2021 complied with the applicable Sri Lanka Accounting Standards for Small and Medium-sized Entities (“SLFRS for SMES”).

The accounting policies of the Company are stated in detail in the audited financial statements of Alpha Fire Services (Private) Limited for the year ended 31st March 2021. The adoption of revised/new accounting standards and a summary of related amendments to the accounting policies of the Company from financial years ended 31st March 2017 to 31st March 2021 are given below.

Financial Year	Adoption of revised Accounting Standards and related changes in Accounting Policies
31 st March 2017	There were no material changes.
31 st March 2018	There were no material changes.
31 st March 2019	There were no material changes.
31 st March 2020	There were no material changes.
31 st March 2021	There were no material changes.

2.5 Dividend

The Company has declared the following dividends in respect of Ordinary Shares during the respective financial years ended 31st March 2017 to 31st March 2021.

Year ended 31 st March	Dividend Declared Rs.
2017	None
2018	187,540
2019	None
2020	1,620,000



2.6 Purpose and restriction on use and distribution

This report is made solely for the purpose of the Board of Directors of Alpha Fire Services (Private) Limited for the inclusion in the Prospectus. This report should not be used, circulated, quoted or otherwise referred to any other purpose.

Yours faithfully,

A handwritten signature in blue ink, appearing to be a stylized 'K' followed by a long horizontal stroke that curves upwards at the end.

**CHARTERED ACCOUNTANTS
COLOMBO**

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

<i>As at 31 March,</i>	2021	2020	2019	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Non-current assets					
Property, plant and equipment	29,190,538	12,375,794	12,864,793	6,051,719	7,871,494
Fixed deposits	26,522,512	29,260,595	15,640,690	6,810,752	6,159,153
Total non-current assets	55,713,050	41,636,389	28,505,483	12,862,471	14,030,647
Current assets					
Inventories	104,356,804	84,572,541	64,633,098	33,808,777	35,561,359
Trade and other receivables	28,810,033	35,591,627	26,101,401	38,277,439	17,178,277
Cash margin account	297,822	4,705,020	455,445	2,366,541	692,447
Cash and cash equivalents	2,117,920	1,163,780	1,002,202	1,129,226	572,919
Total current assets	135,582,579	126,032,968	92,192,146	75,581,983	54,005,002
Total assets	191,295,629	167,669,357	120,697,629	88,444,454	68,035,649
Equity and liabilities					
Equity					
Stated capital	7,122,200	7,122,200	7,122,200	7,122,200	7,122,200
Revaluation reserves	1,534,467	1,534,467	1,534,467	1,534,467	1,534,467
Retained earnings	25,932,172	23,630,975	21,437,094	10,145,956	7,500,274
Total equity	34,588,839	32,287,642	30,093,761	18,802,623	16,156,941
Non-current liabilities					
Employee benefits	2,820,550	2,152,625	1,281,800	451,750	143,250
Lease creditor	1,446,276	3,669,512	4,865,238	523,506	410,960
Deferred tax liabilities	327,330	498,329	-	-	-
Interest bearing borrowing	19,245,333	-	-	937,487	2,187,490
Total non-current liabilities	23,839,489	6,320,466	6,147,038	1,912,743	2,741,700
Current liabilities					
Lease creditor	2,522,850	1,860,512	1,338,050	739,475	1,264,386
Interest bearing borrowing	23,336,354	13,783,431	7,877,649	2,800,000	6,625,679
Trade and other payables	67,623,812	77,006,438	29,238,133	46,985,453	32,110,728
Amount due to related party	18,333,389	15,938,475	22,027,422	2,814,604	3,046,301
Income tax payable	1,482,671	1,193,727	858,541	1,117,357	863,150
Bank overdraft	19,568,224	19,278,665	23,117,037	13,272,200	5,226,764
Total current liabilities	132,867,301	129,061,249	84,456,830	67,729,088	49,137,008
Total liabilities	156,706,790	135,381,715	90,603,868	69,641,831	51,878,708
Total equity and liabilities	191,295,629	167,669,357	120,697,629	88,444,454	68,035,649

Annexure 01

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME

<i>Annexure 01</i>	2021	2020	2019	2018	2017
<i>For the year ended 31 March,</i>					
	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	184,964,494	184,273,338	185,606,015	151,908,398	99,233,533
Cost of sales	(129,798,334)	(114,061,478)	(119,318,581)	(106,666,753)	(63,868,299)
Gross profit	55,166,160	70,211,860	66,287,434	45,241,645	35,365,234
Other income	-	12,790	25,971	799,232	270,769
Administrative expenses	(24,541,565)	(35,370,389)	(32,191,280)	(20,709,595)	(19,462,089)
Selling and distribution expenses	(9,550,951)	(12,836,504)	(7,179,690)	(8,187,515)	(3,940,762)
Profit from operations	21,073,644	22,017,757	26,942,435	17,143,766	12,233,152
Finance expenses	(2,587,368)	(1,847,907)	(1,734,017)	(1,736,199)	(1,501,863)
Management fee	(13,872,337)	(14,025,084)	(13,638,831)	(11,393,130)	(7,666,419)
Profit before taxation	4,613,939	6,144,766	11,569,588	4,014,437	3,064,870
Income tax expense	(1,112,742)	(2,330,884)	(278,450)	(1,181,215)	(897,322)
Profit after taxation	3,501,197	3,813,882	11,291,138	2,833,222	2,167,548
Other comprehensive income					
Other comprehensive income	-	-	-	-	-
Total comprehensive income	3,501,197	3,813,882	11,291,138	2,833,222	2,167,548
Earning per share (Rs.)	292	318	941	236	181

*Annexure 01***ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY***For the year ended 31 March,*

	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1 April 2016	7,122,200	1,534,467	923,092	9,579,759
Adjustment	-	-	(229,047)	(229,047)
Reinstatement of accumulated depreciation	-	-	4,638,680	4,638,680
Profit for the year	-	-	2,167,548	2,167,548
Balance as at 31 March 2017	7,122,200	1,534,467	7,500,273	16,156,940
Profit for the year	-	-	2,833,222	2,833,222
Dividend paid	-	-	(187,540)	(187,540)
Balance as at 31 March 2018	7,122,200	1,534,467	10,145,956	18,802,623
Profit for the year	-	-	11,291,138	11,291,138
Balance as at 31 March 2019	7,122,200	1,534,467	21,437,094	30,093,761
Profit for the year	-	-	3,813,882	3,813,882
Dividend paid	-	-	(1,620,000)	(1,620,000)
Balance as at 31 March 2020	7,122,200	1,534,467	23,630,975	32,287,642
Profit for the year	-	-	3,501,197	3,501,197
Dividend paid	-	-	(1,200,000)	(1,200,000)
Balance as at 31 March 2021	7,122,200	1,534,467	25,932,172	34,588,839

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

<i>For the year ended 31 March,</i>	2021	2020	2019	2018	2017
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Cash flow from operating activities					
Profit/ (loss) before taxation	4,613,939	6,144,766	11,569,588	4,014,437	3,064,870
<i>Adjustments for:</i>					
Depreciation on Property, plant and equipment	2,827,188	2,679,847	2,137,542	1,440,636	1,584,956
Assets Written off	-	-	-	603,068	(229,047)
Provision for retiring gratuity	667,925	870,825	830,050	308,500	98,750
Provision on trade receivable	1,073,727	2,834,510	-	-	-
Fixed deposit interest	(2,574,580)	(2,562,287)	(1,006,531)	(722,518)	(821,653)
Loan interest	1,755,787	1,459,972	1,291,320	1,117,273	-
Lease interest	698,510	846,628	815,235	341,413	213,247
Dividend	-	-	-	(187,540)	-
Operating profit before working capital changes	9,062,496	12,274,260	15,637,203	6,915,269	3,911,123
<i>Changes in:</i>					
(Increase) / decrease in inventories	(19,784,263)	(19,939,443)	(30,824,322)	1,752,582	(18,937,142)
(Increase) / decrease in trade and other receivables	5,707,867	(12,129,115)	12,176,037	(21,099,162)	(6,179,185)
Increase / (decrease) in amount due to related party	2,394,914	(6,088,947)	(437,001)	(231,698)	32,311
Increase in trade and other payables	(9,382,626)	47,768,305	1,902,498	14,874,725	19,330,729
Cash generated / (used in) from operations	(12,001,612)	21,885,060	(1,545,585)	2,211,716	(1,842,164)
Income tax paid	(860,461.83)	(1,587,523)	(500,000)	(874,120)	(43,883)
WHT paid	(134,335)	(73,342)	(37,266)	(52,888)	(34,789)
Net cash generated / (used in) operating activities	(12,996,409)	20,224,195	(2,082,851)	1,284,708	(1,920,836)
Cash flow from investing activities					
Purchase of property, plant and equipment	(19,641,932)	(2,190,846)	(8,950,616)	(223,929)	(1,224,663)
Withdrawal of / (investment in) cash margin	4,407,198	(4,249,575)	1,911,096	(1,674,094)	(564,624)
Interest income	2,574,580	2,562,287	1,006,531	70,919	-
Withdrawal of / (investment in) fixed deposits	2,738,083	(13,619,905)	(8,829,938)	-	-
Net cash generated from investing activities	(9,922,071)	(17,498,039)	(14,862,927)	(1,827,104)	(1,789,287)
Cash flow from financing activities					
Long term loan Received / (Paid)	19,245,333	-	(937,487)	(1,250,003)	(1,250,025)
Short term loans received	23,336,354	13,783,431	7,877,649	2,800,000	6,625,679
Short term loans paid	(13,783,431)	(7,877,649)	(2,800,000)	(6,625,679)	(3,985,516)
Loan interest paid	(1,755,787)	(1,459,972)	(1,291,320)	(1,117,273)	-
Lease interest paid	(698,510)	(846,628)	(815,235)	(341,413)	(188,303)
Lease rental paid	(1,560,899)	(2,325,391)	4,940,306	(412,364)	(299,598)
Net cash generated from investing activities	24,783,060	1,273,791	6,973,914	(6,946,732)	902,237
Net decrease in cash and cash equivalents	1,864,581	3,999,950	(9,971,862)	(7,489,128)	(2,807,886)
Cash and cash equivalents at the beginning of the year	(18,114,885)	(22,114,835)	(12,142,973)	(4,653,845)	(1,845,979)
Cash and cash equivalents at the end of the year	(16,250,304)	(18,114,885)	(22,114,835)	(12,142,973)	(4,653,865)

**ANNEXURE 3 – AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR
ENDED 31 MARCH 2021, 31 MARCH 2020 AND 31 MARCH 2019**

**ALPHA FIRE SERVICES
(PRIVATE) LIMITED**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2021**



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ALPHA FIRE SERVICES (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alpha Fire Services (Private) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2021, and the statements of comprehensive income, changes in equity and 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 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities ("SLFRS for SMEs").

Basis for Opinion

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

Other Information

Management is responsible for other information. These financial statements do not comprise other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 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.



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 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 Salus 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 based on these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibilityv.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.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

06 December 2021

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 March,

	Note	2021 Rs.	2020 Rs.
Assets			
Non-current assets			
Property, plant and equipment	2	29,190,538	12,375,794
Fixed deposits	3	26,522,512	29,260,595
Total non-current assets		55,713,050	41,636,389
Current assets			
Inventories	4	104,356,804	84,572,541
Trade and other receivables	5	28,810,033	35,591,627
Cash margin account		297,822	4,705,020
Cash and cash equivalents	6	2,117,920	1,163,780
Total current assets		135,582,579	126,032,968
Total assets		191,295,629	167,669,357
Equity and liabilities			
Equity			
Stated capital	7	7,122,200	7,122,200
Revaluation reserves		1,534,467	1,534,467
Retained earnings		25,932,172	23,630,975
Total equity		34,588,839	32,287,642
Non-current liabilities			
Employee benefits	8	2,820,550	2,152,625
Lease creditor	9	1,446,276	3,669,513
Deferred tax liabilities	10	327,330	498,329
Interest bearing borrowing	11	19,245,333	-
Total non-current liabilities		23,839,489	6,320,467
Current liabilities			
Lease creditor	9	2,522,850	1,860,512
Interest bearing borrowing	11	23,336,354	13,783,431
Trade and other payables	12	67,623,812	77,006,438
Amount due to related party	13	18,333,389	15,938,475
Income tax payable	14	1,482,671	1,193,727
Bank overdraft	6	19,568,224	19,278,665
Total current liabilities		132,867,301	129,061,248
Total liabilities		156,706,790	135,381,715
Total equity and liabilities		191,295,629	167,669,357

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

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.


Head of Finance

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

Approved and signed for and on behalf of the Board of Directors.


Director

06 December 2021
 Colombo


Director

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March,

	Note	2021 Rs.	2020 Rs.
Revenue	15	184,964,494	184,273,338
Cost of sales	16	(129,798,334)	(114,061,478)
Gross profit		<u>55,166,160</u>	<u>70,211,860</u>
Other income		-	12,790
Administrative expenses		(24,541,565)	(35,370,389)
Selling and distribution expenses		(9,550,951)	(12,836,504)
Profit from operations	17	<u>21,073,644</u>	<u>22,017,757</u>
Finance expenses	18	(2,587,368)	(1,847,907)
Management fee		(13,872,337)	(14,025,084)
Profit before taxation		<u>4,613,939</u>	<u>6,144,766</u>
Income tax expense	19	(1,112,742)	(2,330,884)
Profit after taxation		<u>3,501,197</u>	<u>3,813,882</u>
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		<u>3,501,197</u>	<u>3,813,882</u>
Earning per share (Rs.)		292	318

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

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March,

	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1 April 2019	7,122,200	1,534,467	21,437,094	30,093,761
Profit for the year	-	-	3,813,882	3,813,882
Dividend paid	-	-	(1,620,000)	(1,620,000)
Balance as at 31 March 2020	<u>7,122,200</u>	<u>1,534,467</u>	<u>23,630,975</u>	<u>32,287,642</u>
Profit for the year	-	-	3,501,197	3,501,197
Dividend paid	-	-	(1,200,000)	(1,200,000)
Balance as at 31 March 2021	<u>7,122,200</u>	<u>1,534,467</u>	<u>25,932,172</u>	<u>34,588,839</u>

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

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 March,

	2021	2020
	<u>Rs.</u>	<u>Rs.</u>
Cash flow from operating activities		
Profit/ (loss) before taxation	4,613,939	6,144,766
<i>Adjustments for:</i>		
Depreciation on Property, plant and equipment	2,827,188	2,679,847
Provision for retiring gratuity	667,925	870,825
Provision on trade receivable	1,073,727	2,834,510
Fixed deposit interest	(2,574,580)	(2,562,287)
Loan interest	1,755,787	1,459,972
Lease interest	698,510	846,628
Operating profit before working capital changes	<u>9,062,496</u>	<u>12,274,260</u>
<i>Changes in:</i>		
(Increase) / decrease in inventories	(19,784,263)	(19,939,443)
(Increase) / decrease in trade and other receivables	5,707,867	(12,129,115)
Increase / (decrease) in amount due to related party	2,394,914	(6,088,947)
Increase in trade and other payables	(9,382,626)	47,768,305
Cash generated / (used in) from operations	<u>(12,001,612)</u>	<u>21,885,060</u>
Income tax paid	(860,461.83)	(1,587,523)
WHT paid	(134,335)	(73,342)
Net cash generated / (used in) operating activities	<u>(12,996,409)</u>	<u>20,224,195</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(19,641,932)	(2,190,846)
Withdrawal of / (investment in) cash margin	4,407,198	(4,249,575)
Interest income	2,574,580	2,562,287
Withdrawal of / (investment in) fixed deposits	2,738,083	(13,619,905)
Dividend paid	(1,200,000)	-
Net cash generated from investing activities	<u>(11,122,071)</u>	<u>(17,498,039)</u>
Cash flow from financing activities		
Long term loan received	19,245,333	-
Short term loans received	23,336,354	13,783,431
Short term loans paid	(13,783,431)	(7,877,649)
Loan interest paid	(1,755,787)	(1,459,972)
Lease interest paid	(698,510)	(846,628)
Lease rental paid	(1,560,899)	(2,325,391)
Net cash generated from investing activities	<u>24,783,060</u>	<u>1,273,791</u>
Net decrease in cash and cash equivalents	664,581	3,999,950
Cash and cash equivalents at the beginning of the year	(18,114,885)	(22,114,835)
Cash and cash equivalents at the end of the year (Note 6)	<u>(17,450,304)</u>	<u>(18,114,885)</u>

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

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Alpha Fire Services (Private) Limited, ("the Company") is a private limited liability company incorporated in Sri Lanka, under the companies Act No.07 of 2007 and domiciled in Sri Lanka. The registered office of the company is located at 487/5, Old Kottawa Road, Pannipitiya. 51% of the ownership of the Company is owned by Amtek Engineering (Private) Limited.

(a) Principal activities and nature of operations

The principal activities of the Alpha Fire Services (Private) Limited is to provide fire protection services.

1.2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company comprise statement of financial position, statement of profit or loss, statement of changes in equity and statement of cash flows, and notes comprising other explanatory information. These statements have been prepared in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities ("SLFRS for SMEs") laid down by the Institute of Chartered Accountants of Sri Lanka.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with SLFRS for SMEs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only the financial year, or in the period of the revision and future periods if the revision affects both current and future financial years.

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Depreciation

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depreciation is provided from the date the assets are available for use up to the date of disposal.

(b) Inventories

Finished goods are valued at the lower of cost determined on a weighted average cost basis.

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

(c) Trade and other receivables

Trade and other receivables and prepayments are carried at anticipated realizable value.

(d) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, deposits held at call with bank and investments in money market instruments with a maturity period of less than 3 months.

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

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Liabilities

Liabilities are recognized in the statement of financial position when there is a present obligation as a result of past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditors or within one year of the reporting date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the statement of financial position.

(f) Employee benefit

Defined benefit plan

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

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

Defined contribution plan

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

(g) Revenue recognition

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

i. Project Income

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

ii. Sale of Goods

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

iii. Rendering of Services

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

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Expenditure

All expenditure related to the period have been charged to the statement of income and expenditure in arriving at the Company's profit for the year.

(i) Taxation

i. Income taxation

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

ii. Deferred taxation

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

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

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

(j) Comparative information

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

(k) Events occurring after the reporting date

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

(l) Commitment and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control.

(m) Related Party Disclosures

Transactions with Key Management Personnel

Key Management Personnel are persons who have authority and planning, directing and controlling the activities of the Company.

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March,

2 Property, plant and equipment		Land	Building Improvements	Machinery	Tools and Equipment	Office Equipment	Computers	Furniture and Fittings	Motor Vehicles	Containers	Mobile Phones Accessories	Total
Cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2019	-	1,069,066	3,200,707	3,604,716	675,813	2,460,218	1,093,589	13,049,408	-	20,733	-	25,174,250
Additions during the year	-	-	558,986	918,315	11,690	805,500	-	-	-	-	-	2,294,491
Disposals during the year	-	-	-	-	-	-	(103,643)	-	-	-	-	(103,643)
Balance as at 31 March 2020	-	1,069,066	3,759,693	4,523,031	687,503	3,265,718	989,946	13,049,408	-	20,733	-	27,365,098
Additions during the year	18,878,600	-	-	554,423	56,919	151,990	-	-	-	-	-	19,641,932
Reclassification during the year	-	-	-	(780,000)	-	-	-	-	780,000.00	-	-	-
Balance as at 31 March 2021	18,878,600	1,069,066	3,759,693	4,297,454	744,422	3,417,708	989,946	13,049,408	780,000	20,733	-	47,007,030
Accumulated depreciation												
Balance as at 1 April 2019	-	374,173	1,168,048	2,578,512	675,813	1,970,438	632,901	4,892,839	-	16,733	-	12,309,457
Charge for the year	-	53,453	306,705	352,628	2,329	329,063	92,041	1,543,628	-	-	-	2,679,847
Balance as at 31 March 2020	-	427,626	1,474,753	3,009,140	678,142	2,299,501	724,942	6,358,467	-	16,733	-	14,989,304
Charge for the year	-	53,453	376,578	437,060	22,898	309,447	84,124	1,465,628	78,000	-	-	2,827,188
Reclassification during the year	-	-	-	(78,000)	-	-	-	-	78,000	-	-	-
Balance as at 31 March 2021	-	481,079	1,851,331	3,368,200	701,040	2,608,948	809,066	7,824,095	156,000	16,733	-	17,816,492
Carrying value												
As at 31 March 2021	18,878,600	587,987	1,908,362	929,254	43,382	808,760	180,880	5,225,313	624,000	4,000	-	29,190,538
As at 31 March 2020	-	641,440	2,284,940	1,513,891	9,361	966,217	265,004	6,690,941	-	4,000	-	12,375,794

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31 March,</i>	2021	2020
	Rs.	Rs.
3 Fixed deposits		
Hatton National Bank PLC -003300056654	9,083,173	8,271,680
Hatton National Bank PLC -003300149848	-	6,856,388
Hatton National Bank PLC -003300150747	2,331,930	2,162,408
Hatton National Bank PLC- 003300155715	7,285,513	6,600,000
Hatton National Bank PLC- 98300032920	1,190,836	1,087,500
Hatton National Bank PLC- 003300162715	2,272,624	2,125,000
Hatton National Bank PLC- 3020725557	-	57,619
Hatton National Bank PLC- 3300165660	2,237,664	2,100,000
People's Bank - 33560010000123941	2,120,772	-
	<u>26,522,512</u>	<u>29,260,595</u>
4 Inventories		
Consumables	50,794,427	29,251,002
Work in progress	53,936,377	55,321,539
(-) Provision for inventory	(374,000)	-
	<u>104,356,804</u>	<u>84,572,541</u>
5 Trade and other receivables		
Trade debtors (Note 5.1)	25,556,105	27,045,885
Value added tax receivable	-	4,586,576
Deposits - others	35,558	35,558
Fuel deposit - Swastika Mills	50,000	50,000
Deposit - Madawala Enterprises	50,000	50,000
Deposit - Sri Lanka Port Authority	10,500	10,500
Deposit - Colombo University	6,603	6,603
Staff loans and advances	235,000	94,500
Staff receivables	576,767	576,767
Advances	2,289,500	2,920,314
Others	-	214,924
	<u>28,810,033</u>	<u>35,591,627</u>
5.1 Trade Debtors		
Trade debtors	31,372,984	31,789,037
Provision for bad and doubtful debt	(5,816,879)	(4,743,152)
	<u>25,556,105</u>	<u>27,045,885</u>
6 Cash and cash equivalents		
Cash in hand (Note 6.1)	330,962	540,172
Cash at bank- favorable balances	1,786,958	623,608
	<u>2,117,920</u>	<u>1,163,780</u>
Cash at bank- bank overdraft	(19,568,224)	(19,278,665)
Cash and cash equivalents for cash flow purposes	<u>(17,450,304)</u>	<u>(18,114,885)</u>
6.1 Cash in hand		
Petty cash IOU	249,313	470,148
Cash in hand	81,649	70,024
	<u>330,962</u>	<u>540,172</u>
7 Stated capital		
12,000 ordinary shares	7,122,200	7,122,200
	<u>7,122,200</u>	<u>7,122,200</u>

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2021 Rs.	2020 Rs.
8 Employee benefits		
Balance as at beginning of the year	2,152,625	1,281,800
Provision for the year	667,925	870,825
Payments made during the year	-	-
Closing balance as at end of the year	<u>2,820,550</u>	<u>2,152,625</u>
9 Lease creditor		
Mercantile Investment and Finance PLC- Scissor Lift Platform (Note 9.1)	-	100
Mercantile Investment and Finance PLC-Tata Xenon Light Truck (Note 9.2)	341,694	460,597
Hatton National Bank PLC- Motor Lony -JMC JX 1041 (Note 9.3)	1,567,821	2,202,474
Hatton National Bank PLC- Motor Lony WP - LO 2012 (Note 9.4)	1,552,347	2,199,123
Mercantile Investments & Finance PLC - Canon TM5300 Plotter (Note 9.5)	507,264	667,731
	<u>3,969,126</u>	<u>5,530,025</u>
Payable within one year	<u>2,522,850</u>	<u>1,860,512</u>
Payable after one year	<u>1,446,276</u>	<u>3,669,513</u>
9.1 Mercantile Investment and Finance PLC- Scissor Lift Platform		
Opening balances as at beginning of the year	100	77,099
Lease interest for the year	-	-
Lease payments made during the year	(100)	(76,999)
	<u>-</u>	<u>100</u>
Interest in suspense	-	-
Closing balance as at end of the year	<u>-</u>	<u>100</u>
9.2 Mercantile Investment and Finance PLC - Tata Xenon Light Truck		
Opening balances as at beginning of the year	460,597	708,002
Lease interest for the year	65,740	114,279
Lease payments made during the year	(184,643)	(361,684)
	<u>341,694</u>	<u>460,597</u>
9.3 Hatton National Bank PLC - Motor Lony - JMC JX 1041		
Opening balances as at beginning of the year	2,202,473	2,711,092
Lease obtained during the year	-	-
Lease interest for the year	257,239	328,842
Lease payments made during the year	(891,891)	(837,461)
	<u>1,567,821</u>	<u>2,202,473</u>
9.4 Hatton National Bank PLC- Motor Lony WP - LO 2012		
Opening balances as at beginning of the year	2,199,123	2,707,095
Lease obtained during the year	-	-
Lease interest for the year	256,859	328,356
Lease payments made during the year	(903,635)	(836,328)
	<u>1,552,347</u>	<u>2,199,123</u>

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2021 Rs.	2020 Rs.
9.5 Mercantile Investments & Finance PLC - Canon TM5300 Plotter		
Opening balances as at beginning of the year	667,731	-
Lease obtained during the year	-	805,500
Lease interest for the year	103,134	75,150
Lease payments made during the year	(263,601)	(212,919)
	<u>507,264</u>	<u>667,731</u>
10 Deferred tax liabilities		
Opening balance as at beginning of the year	498,329	-
Charge for the origination of temporary differences	(170,999)	498,329
Closing balance as at the year end	<u>327,330</u>	<u>498,329</u>
10.1 The deferred tax liability is recognized on temporary differences are as follows:		
	2021	
	Temporary differences	Tax effect @ 14%
	Rs.	Rs.
On property, plant and equipment	3,624,154	507,382
On revaluation reserve	1,534,467	214,825
On retirement benefit obligation	(2,820,550)	(394,877)
	<u>2,338,071</u>	<u>327,330</u>
11 Interest bearing borrowing		
Long term borrowings - (Note - 11.1)	19,245,333	-
Short-term borrowings - (Note - 11.2)	<u>23,336,354</u>	<u>13,783,431</u>
11.1 Long-term borrowings		
People's Bank PLC	5,000,000	-
Hatton National Bank PLC - Property Loan	9,833,333	-
CBSL - Saubhagya Loan	4,412,000	-
	<u>19,245,333</u>	<u>-</u>
11.2 Short-term borrowings		
Hatton National Bank PLC - Import Loan	23,336,354	13,783,431
	<u>23,336,354</u>	<u>13,783,431</u>
12 Trade and other payables		
Trade payable	36,962,841	29,885,757
Other payable	30,660,971	47,120,681
	<u>67,623,812</u>	<u>77,006,438</u>
13 Amount due to related party		
Amtek Engineering (Pvt) Limited- Current account	83,189	274,607
Amtek Engineering (Pvt) Limited- Management fee	17,228,786	14,747,454
Mr.Frank Anthony Ryde	1,021,414	916,414
	<u>18,333,389</u>	<u>15,938,475</u>
14 Income tax payable		
Balance as at beginning of the year	1,193,727	858,541
Provision for the year	1,283,741	1,832,555
Withholding tax	(134,335)	90,154
Payments made during the year	(860,462)	(1,587,523)
Closing balance as at end of the year	<u>1,482,671</u>	<u>1,193,727</u>

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

	2021 Rs.	2020 Rs.
15 Revenue		
Project income	130,802,454	142,016,296
Services	38,787,388	33,585,228
Ex-bond sales	15,374,652	8,921,814
	<u>184,964,494</u>	<u>184,523,338</u>
Warranty provision	-	(250,000)
	<u>184,964,494</u>	<u>184,273,338</u>
16 Cost of sales		
Stocks as at beginning of the year	84,572,541	64,633,098
Purchases: Local	36,786,432	47,777,886
Purchases: Imports	52,825,126	35,888,282
	<u>174,184,099</u>	<u>148,299,266</u>
Stocks as at end of the year	(104,356,804)	(84,572,541)
	<u>69,827,295</u>	<u>63,726,725</u>
Direct expenses	60,345,039	50,334,753
	<u>129,798,334</u>	<u>114,061,478</u>
17 Profit from operations		
Profit/ (Loss) from operations is stated after charging all expenses including the following:		
Audit fees	305,000	305,000
Depreciation	2,827,188	2,509,446
Salaries and wages	17,927,687	10,935,332
Defined contribution plan costs - EPF and ETF	667,925	1,256,614
18 Net finance income/ (expense)		
<i>Finance income</i>		
Interest income	2,574,580	2,562,287
	<u>2,574,580</u>	<u>2,562,287</u>
<i>Less: Finance expenses</i>		
Guaranty charges	503,547	-
Interest on bank overdraft	1,607,239	1,489,821
Loan interest	1,755,787	1,459,972
Lease interest	698,510	846,628
Bank charges	596,865	613,773
	<u>5,161,948</u>	<u>4,410,194</u>
	<u>(2,587,368)</u>	<u>(1,847,907)</u>

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

	2021 Rs.	2020 Rs.
19 Income tax expense		
Income tax for the year (Note 19.1)	1,283,741	1,832,555
Deferred tax for the year (Note 10)	(170,999)	498,329
	1,112,742	2,330,884
19.1 A reconciliation between current tax expense/ income and the product of accounting profit		
Accounting profit before tax	4,613,939	6,144,766
Less: other source of income	(2,574,580)	(2,562,287)
Aggregate disallowed expenses	7,126,885	9,350,718
Aggregate allowed expenses	(4,410,232)	(2,405,808)
Statutory income from the business	4,756,012	10,527,388
Less: Deduction under section 52		
Tax losses	-	-
	4,756,012	10,527,388
Income from other sources		
Interest Income	2,574,580	2,562,287
Total Statutory Income	7,330,592	13,089,675
Income tax expense at special rate of 14%	665,842	1,832,555
Tax on balance taxable income at 24%	617,899	-

20 Related party transaction

20.1 Transactions with related parties

Nature of the relationship	Transaction	Transaction during the year		Closing balance payable	
		2021	2020	2021	2020
Shareholder Company and Common Directorship - Amtek Engineering (private) Limited	Office expense reimbursement	1,620,000	840,000	667,032	274,607
	Management fee	13,872,337	13,638,831	17,228,786	14,747,454
	Dividend paid	612,000	95,645	-	-
Mr. Frank Anthony Ryde	Rent	455,000	396,000	1,021,414	1,021,414
	Dividend paid	294,000	45,947	-	-
Mrs. Deanna Ryde	Dividend paid	294,000	45,947	-	-

20.2 Transactions with key management personnel

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

Transaction	Transaction during the year		Closing balance (payable)/ receivable	
	2021	2020	2021	2020
Director fee	200,000	600,000	-	-

20.3 Guarantees given

Nature of the relationship	Security
Amtek Engineering (Private) Limited	Corporate Guarantees of Rs.30 Mn
Directors Mr. Vijith Perera Mr. Malindra Fernando Mr. Samud Gunasekara	Joint and several personal guarantees amounting to Rs. 46 Mn

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

21 Securities pledged

Nature of Liability	Loan/ facility amount	Assets pledged	Carrying amount of assets pledged	
			2021 Rs.	2020 Rs.
Import loan and LC facility	30,000,000	Stock in trade	50,794,427	29,251,002
		Land	18,878,600	-
		Trade receivable	25,556,105	31,789,037
Permanent overdraft	13,200,000	Fixed deposit	16,368,686	15,128,068
Letter of guarantee	40,000,000	Personal and Corporate guarantees, Land	18,878,600	8,271,680
Property Loan	10,000,000	Land	18,878,600	
Working Capital Loan	6,000,000	Personal guarantees and Fixed Deposit	2,120,772	-

22 Litigation and claims

There are no litigations or claims against the Company as at the reporting date.

23 Commitment and contingencies

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

24 Events occurring after the reporting date

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

25 The impact of COVID-19

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

26 Directors' responsibility

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



ALPHA FIRE SERVICES
(PRIVATE) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2020

Dynamic
Audit

Underpinned by

Quality, integrity and insight

**ALPHA FIRE SERVICES
(PRIVATE) LIMITED**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2020**



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ALPHA FIRE SERVICES (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alpha Fire Services (Private) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2020, and the statements of comprehensive income, changes in equity and 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 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities ("SLFRS for SMEs").

Basis for Opinion

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

Other Matter

The financial statements of the Company for the year ended 31 March 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 14 November 2019.

Other Information

Management is responsible for other information. These financial statements do not comprise other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 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.



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 Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/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.


CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
27 February 2021

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 March,

	Note	2020 Rs.	2019 Rs.
Assets			
Non-current assets			
Property, plant and equipment	2	12,375,794	12,864,793
Fixed deposits	3	29,260,595	15,640,690
Total non-current assets		41,636,389	28,505,483
Current assets			
Inventories	4	84,572,541	64,633,098
Trade and other receivables	5	35,591,627	26,101,401
Cash margin account		4,705,020	455,445
Cash and cash equivalents	6	1,163,780	1,002,202
Total current assets		126,032,968	92,192,146
Total assets		167,669,357	120,697,629
Equity and liabilities			
Equity			
Stated capital	7	7,122,200	7,122,200
Revaluation reserves		1,534,467	1,534,467
Retained earnings		23,630,975	21,437,094
Total equity		32,287,642	30,093,761
Non-current liabilities			
Employee benefits	8	2,152,625	1,281,800
Lease creditor	9	3,669,513	4,865,238
Deferred tax liabilities	10	498,329	-
Total non-current liabilities		6,320,467	6,147,038
Current liabilities			
Lease creditor	9	1,860,512	1,338,050
Short term loan	11	13,783,431	7,877,649
Trade and other payables	12	77,006,438	29,238,133
Amount due to related party	13	15,938,475	22,027,422
Income tax payable	14	1,193,727	858,541
Bank overdraft	6	19,278,665	23,117,037
Total current liabilities		129,061,248	84,456,831
Total liabilities		135,381,715	90,603,869
Total equity and liabilities		167,669,357	120,697,629

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

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

.....
Chief Accountant

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

Approved and signed for and on behalf of the Board of Directors.

.....
Director

27 February 2021
 Colombo

.....
Director

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March,

	Note	2020 Rs.	2019 Rs.
Revenue	15	184,273,338	185,606,015
Cost of sales	16	(114,061,478)	(119,318,581)
Gross profit		<u>70,211,860</u>	<u>66,287,434</u>
Other income		12,790	25,971
Administrative expenses		(35,370,389)	(32,191,280)
Selling and distribution expenses		(12,836,504)	(7,179,690)
Profit/ (loss) from operations	17	<u>22,017,757</u>	<u>26,942,435</u>
Finance expenses	18	(1,847,907)	(1,734,017)
Management fee		(14,025,084)	(13,638,831)
Profit/ (loss) before taxation		<u>6,144,765</u>	<u>11,569,588</u>
Income tax expense	19	(2,330,884)	(278,450)
Profit after taxation		<u>3,813,882</u>	<u>11,291,138</u>
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		<u>3,813,882</u>	<u>11,291,138</u>
Earning per share (Rs.)		317.82	940.93

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

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March,

	Stated capital	Revaluation reserve	Retained earnings	Total
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2018	7,122,200	1,534,467	10,145,956	18,802,623
Profit for the year	-	-	11,291,138	11,291,138
Balance as at 31 March 2019	7,122,200	1,534,467	21,437,094	30,093,761
Profit for the year	-	-	3,813,882	3,813,882
Dividend paid	-	-	(1,620,000)	(1,620,000)
Balance as at 31 March 2020	7,122,200	1,534,467	23,630,975	32,287,642

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

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 March,

	2020	2019
	<u>Rs.</u>	<u>Rs.</u>
Cash flow from operating activities		
Profit/ (loss) before taxation	6,144,765	11,569,588
<i>Adjustments for:</i>		
Depreciation on Property Plant and Equipment	2,509,446	2,137,542
Provision for Retiring Gratuity	870,825	830,050
Provision on trade receivable	2,834,510	-
Fixed Deposit Interest	(2,562,287)	(1,006,531)
Loan Interest	1,459,972	1,291,320
Lease Interest	846,628	815,235
operating profit before working capital changes	<u>12,103,859</u>	<u>15,637,204</u>
<i>Changes in:</i>		
(Increase) / Decrease in Inventories	(19,939,443)	(30,824,322)
(Increase) / Decrease in Trade and Other Receivables	(11,855,069)	12,176,037
Increase / (Decrease) in Amount due to Related Party	(6,088,947)	(437,001)
Increase in trade and ther payables	47,768,305	1,902,498
Cash generated / (used in) from operations	<u>21,988,706</u>	<u>(1,545,584)</u>
Income tax paid	(1,587,523)	(500,000)
WHT paid	(73,342)	(37,266)
Net cash generated / (used in) operating activities	<u>20,327,841</u>	<u>(2,082,850)</u>
Cash flow from investing activities		
Purchase of Property, Plant and Equipment	(2,294,492)	(8,950,616)
Investment in Cash Margin	(4,249,575)	1,911,096
Interest Income	2,562,287	1,006,531
Investment in fixed deposits	(13,619,905)	(8,829,938)
Net cash generated from investing activities	<u>(17,601,684)</u>	<u>(14,862,927)</u>
Cash flow from financing activities		
Long Term Loans Paid	-	(937,487)
Short Term Loans Received	13,783,431	7,877,649
Short Term Loans Paid	(7,877,649)	(2,800,000)
Loan Interest Paid	(1,459,972)	(1,291,320)
Lease Interest Paid	(846,628)	(815,235)
Lease Rental Paid	(2,325,391)	4,940,306
Net cash generated from investing activities	<u>1,273,791</u>	<u>6,973,913</u>
Net decrease in cash and cash equivalents	3,999,949	(9,971,863)
Cash and cash equivalents at the beginning of the year	<u>(22,114,835)</u>	<u>(12,142,973)</u>
Cash and cash equivalents at the end of the year (Note 6)	<u>(18,114,885)</u>	<u>(22,114,835)</u>

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

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Alpha Fire Services (Private) Limited, ("the Company") is a private limited liability company incorporated in Sri Lanka, under the companies Act No.07 of 2007 and domiciled in Sri Lanka. The registered office of the company is located at 487/5, Old Kottawa Road, Pannipitiya. 51% of the ownership of the Company is owned by Amtek Engineering (Private) Limited.

(a) Principal activities and nature of operations

The principal activities of the Alpha Fire Services (Private) Limited is to provide fire protection services.

1.2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company comprise statement of financial position, statement of profit or loss, statement of changes in equity and statement of cash flows, and notes comprising other explanatory information. These statements have been prepared in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities ("SLFRS for SMEs") laid down by the Institute of Chartered Accountants of Sri Lanka.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with SLFRS for SMEs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only the financial year, or in the period of the revision and future periods if the revision affects both current and future financial years.

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Depreciation

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depreciation is provided from the date the assets are available for use up to the date of disposal.

(b) Inventories

Finished goods are valued at the lower of cost determined on a weighted average cost basis.

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

(c) Trade and other receivables

Trade and other receivables and prepayments are carried at anticipated realizable value.

(d) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, deposits held at call with bank and investments in money market instruments with a maturity period of less than 3 months.

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

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Liabilities

Liabilities are recognized in the statement of financial position when there is a present obligation as a result of past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditors or within one year of the reporting date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the statement of financial position.

(f) Employee benefit

Defined benefit plan

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

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

Defined contribution plan

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

(g) Revenue recognition

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

i. Project Income

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

ii. Sale of Goods

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

iii. Rendering of Services

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

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Expenditure

All expenditure related to the period have been charged to the statement of income and expenditure in arriving at the Company's profit for the year.

(i) Taxation

i. Income taxation

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

ii. Deferred taxation

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

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

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

(j) Comparative information

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

(k) Events occurring after the reporting date

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

(l) Commitment and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control.

(m) Related Party Disclosures

Transactions with Key Management Personnel

Key Management Personnel are persons who have authority and planning, directing and controlling the activities of the Company.

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March.

2. Property, plant and equipment

Cost	Building Improvement Rs.	Machinery Rs.	Tools and Equipment Rs.	Office Equipment Rs.	Computers Rs.	Furniture and Fixings Rs.	Motor Vehicles Rs.	Mobile Phones Accessories Rs.	Total Rs.
Balance as at 1 April 2018	1,069,066	2,555,601	2,726,876	675,813	2,235,468	684,669	6,259,408	16,733	16,223,633
Additions during the year	-	645,106	877,840	-	224,750	408,920	6,790,000	4,000	8,950,616
Disposals during the year	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2019	1,069,066	3,200,707	3,604,716	675,813	2,460,218	1,093,589	13,049,408	20,733	25,174,249
Additions during the year	-	558,986	658,315	11,690	805,500	156,355	-	-	2,190,846
Disposals during the year	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	1,069,066	3,759,693	4,263,031	687,503	3,265,718	989,946	13,049,408	20,733	27,365,098
Accumulated depreciation									
Balance as at 1 April 2018	320,720	966,641	2,497,740	657,376	1,683,799	503,705	3,525,201	16,733	10,171,915
Charge for the year	53,453	201,407	80,772	18,437	286,639	129,196	1,367,638	-	2,137,542
Depreciation on disposal	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2019	374,173	1,168,048	2,578,512	675,813	1,970,438	632,901	4,892,839	16,733	12,309,457
Charge for the year	53,453	306,705	352,628	20,766	310,626	92,041	1,543,628	-	2,679,847
Depreciation on disposal	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	427,626	1,474,753	2,931,140	678,142	2,299,501	724,942	6,436,467	16,733	14,989,304
Carrying value									
As at 31 March 2020	641,440	2,284,940	1,591,891	9,361	966,217	265,004	6,612,941	4,000	12,375,794
As at 31 March 2019	694,893	2,032,659	1,026,204	-	489,780	460,688	8,156,569	4,000	12,864,792

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2020	2019
	Rs.	Rs.
3 Fixed deposits		
Hatton National Bank PLC -003300056654	8,271,680	7,522,669
Hatton National Bank PLC -003300149848	6,856,388	6,172,500
Hatton National Bank PLC -003300150747	2,162,408	1,945,521
Hatton National Bank PLC- 003300155715	6,600,000	-
HNB Kottawa- 98300032920	1,087,500	-
Hatton National Bank PLC- 003300162715	2,125,000	-
Hatton National Bank PLC- 3020725557	57,619	-
Hatton National Bank PLC- 3300165660	2,100,000	-
	29,260,595	15,640,690
4 Inventories		
Consumables	29,251,002	23,357,953
Work in Progress	55,321,539	41,275,145
	84,572,541	64,633,098
5 Trade and other receivables		
Trade Debtors (Note 5.1)	27,045,885	23,224,257
Value Added Tax Receivable	4,586,576	1,563,757
Deposit - Rent	-	238,000
Deposits - Others	35,558	35,558
Fuel Deposit - Swastika Mills	50,000	50,000
Deposit - Madawala Enterprises	50,000	50,000
Deposit - Sri Lanka Port Authority	10,500	10,500
Deposit - Colombo University	6,603	6,603
Staff Loans	7,000	43,500
Staff Receivables	576,767	576,767
Others	214,924	183,007
Festival Advance	87,500	89,451
Advances on Sales Commission	2,920,314	30,000
	35,591,627	26,101,401
5.1 Trade Debtors		
Trade Debtors	31789037	25,132,900
Provision for bad and doubtful debt	(4,743,152)	(1,908,642)
	27,045,885	23,224,257
6 Cash and cash equivalents		
Cash in hand (Note 6.1)	540,172	157,945
Cash at bank- favorable balances	623,608	844,257
	1,163,780	1,002,202
Cash at bank- bank overdraft	(19,278,665)	(23,117,037)
Cash and cash equivalents for cash flow purposes	(18,114,885)	(22,114,835)
6.1 Cash in hand		
Petty cash IOU	470,148	96,803
Cash in hand	70,024	61,142
	540,172	157,945
7 Stated capital		
12,000 ordinary shares	7,122,200	7,122,200
	7,122,200	7,122,200

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31 March,</i>		2020	2019
		Rs.	Rs.
8	Employee benefits		
	Balance as at beginning of the year	1,281,800	451,750
	Provision for the year	870,825	830,050
	Payments made during the year	-	-
	Closing balance as at end of the year	<u>2,152,625</u>	<u>1,281,800</u>
9	Lease creditor		
	Mercantile Investment and Finance PLC- Scissor Lift Platform (<i>Note 9.1</i>)	100	77,099
	Mercantile Investment and Finance PLC-Tata Xenon Light Truck (<i>Note 9.2</i>)	460,597	708,002
	Hatton National Bank PLC- Motor Lony -JMC JX 1041(<i>Note 9.3</i>)	2,202,474	2,711,092
	Hatton National Bank PLC- Motor Lony WP - LO 2012 (<i>Note 9.4</i>)	2,199,123	2,707,095
	Mercantile Investments & Finance PLC - Canon TM5300 Plotter (<i>Note 9.5</i>)	667,731	-
		<u>5,530,025</u>	<u>6,203,288</u>
	Payable within one year	<u>1,860,512</u>	<u>1,338,050</u>
	Payable after one year	<u>3,669,513</u>	<u>4,865,238</u>
9.1	Mercantile Investment and Finance PLC- Scissor Lift Platform		
	Opening balances as at beginning of the year	77,099	-
	Lease interest for the year	-	-
	Lease payments made during the year	(76,999)	80,547
		<u>100</u>	<u>80,547</u>
	Interest in suspense	-	(3,448)
	Closing balance as at end of the year	<u>100</u>	<u>77,099</u>
9.2	Mercantile Investment and Finance PLC-Tata Xenon Light Truck		
	Opening balances as at beginning of the year	708,002	881,889
	Lease interest for the year	114,279	159,159
	Lease payments made during the year	(361,684)	(333,046)
		<u>460,597</u>	<u>708,002</u>
9.3	Hatton National Bank PLC- Motor Lony -JMC JX 1041		
	Opening balances as at beginning of the year	2,711,092	-
	Lease obtained during the year	-	2,911,110
	Lease interest for the year	328,842	287,840
	Lease payments made during the year	(837,461)	(487,858)
		<u>2,202,474</u>	<u>2,711,092</u>
9.4	Hatton National Bank PLC- Motor Lony WP - LO 2012		
	Opening balances as at beginning of the year	2,707,095	-
	Lease obtained during the year	-	2,921,209
	Lease interest for the year	328,356	288,265
	Lease payments made during the year	(836,328)	(502,379)
		<u>2,199,123</u>	<u>2,707,095</u>

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

	2020 Rs.	2019 Rs.
9.5 Mercantile Investments & Finance PLC - Canon TM5300 Plotter		
Opening balances as at beginning of the year	-	-
Lease obtained during the year	805,500	
Lease interest for the year	75,150	-
Lease payments made during the year	(212,919)	-
	<u>667,731</u>	-
10 Deferred tax liabilities		
Opening balance as at beginning of the year	-	-
Charge for the origination of temporary differences	498,329	-
Closing balance as at the year end	<u>498,329</u>	-
10.1 The deferred tax liability is recognized on temporary differences are as follows:		
	2020	
	Temporary differences Rs.	Tax effect @ 14% Rs.
On property, plant and equipment	4,177,649	584,871
On revaluation reserve	1,534,467	214,825
On retirement benefit obligation	(2,152,625)	(301,368)
	<u>3,559,491</u>	<u>498,329</u>
11 Short term loan		
Import Loan -003040321716	-	4,488,252
Import Loan -003040311267	-	1,500,000
Import Loan -003040307437	-	1,889,397
Import loan - 003040342568	2,590,248	-
Import Loan - 003040359689	3,637,129	-
Import Loan - 003040363259	2,333,541	-
Import Loan - 003040364904	2,186,932	-
Import Loan - 003040357531	2,473,267	-
Import Loan - 003040357494	562,314	-
	<u>13,783,431</u>	<u>7,877,649</u>
12 Trade and other payables		
Trade payable	29,885,757	18,282,824
Other payable	47,120,681	10,955,309
	<u>77,006,438</u>	<u>29,238,133</u>
13 Amount due to related party		
Amtek Engineering (Pvt) Limited- Current account	274,607	993,189
Amtek Engineering (Pvt) Limited- Management fee	14,747,454	19,649,818
Mr.Frank Anthony Ryde	916,414	1,384,414
	<u>15,938,475</u>	<u>22,027,422</u>
14 Income tax payable		
Balance as at beginning of the year	858,541	1,117,357
Provision for the year	1,832,555	278,450
Withholding tax	90,154	-
Payments made during the year	(1,587,523)	(537,266)
Closing balance as at end of the year	<u>1,193,727</u>	<u>858,541</u>

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March,

	2020 Rs.	2019 Rs.
15 Revenue		
Project income	142,016,296	164,978,128
Services	33,585,228	19,645,605
Ex-bond sales	8,921,814	982,282
	<u>184,523,338</u>	<u>185,606,015</u>
Warrenty provision	(250,000)	-
	<u>184,273,338</u>	<u>185,606,015</u>
16 Cost of sales		
Stocks as at beginning of the year	64,633,098	33,808,777
Purchases: Local	47,777,886	61,683,240
Purchases: Imports	35,888,282	30,384,953
	<u>148,299,266</u>	<u>125,876,970</u>
Stocks as at end of the year	(84,572,541)	(64,633,098)
	<u>63,726,725</u>	<u>61,243,872</u>
Direct expenses	50,334,753	58,074,709
	<u>114,061,478</u>	<u>119,318,581</u>
17 Profit/ (loss) from operations		
Profit/ (Loss) from operations is stated after charging all expenses including the following:		
Audit Fees	305,000	180,895
Depreciation	2,509,446	2,137,542
Salaries and Wages	10,935,332	8,543,756
Defined Contribution Plan Costs - EPF and ETF	1,256,614	838,691
18 Net finance income/ (expense)		
<i>Finance income</i>		
Interest income	2,562,287	1,006,531
	<u>2,562,287</u>	<u>1,006,531</u>
<i>Less: Finance expenses</i>		
Interest on Bank Overdraft	1,489,821	1,291,320
Loan Interest	1,459,972	633,993
Lease Interest	846,628	815,235
Bank Charges	613,773	-
	<u>4,410,194</u>	<u>2,740,548</u>
	<u>(1,847,907)</u>	<u>(1,734,017)</u>

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020,

	2020	2019
	Rs.	Rs.
19 Income tax expense		
Income tax for the year (Note 19.1)	1,832,555	278,450
Deferred tax for the year (Note 10)	498,329	-
	2,330,884	278,450
19.1 A reconciliation between current tax expense/ income and the product of accounting profit		
Accounting profit before tax	6,144,765	11,569,588
Less: other source of income	(2,562,287)	(1,006,531)
Aggregate disallowed expenses	9,350,718	5,734,421
Aggregate allowed expenses	(2,405,808)	(5,154,596)
Statutory income from the business	10,527,388	11,142,881
Less: Deduction under section 52		
Tax losses	-	(9,153,952)
	10,527,388	1,988,929
Income from other sources		
Interest Income	2,562,287	-
Total Statutory Income	13,089,675	1,988,929
Current income tax expense @ 14%	1,832,555	278,450

20 Related party transaction

20.1 Transactions with related parties

Nature of the relationship	Transaction	Transaction during the year		Closing balance payable	
		2020	2019	2020	2019
Shareholder Company and Common Directorship - Amtek Engineering (private) Limited	Office expense reimbursement	840,000	840,000	274,607	993,189
	Management fee	14,025,084	13,638,831		
	Dividend paid	826,200	95,645		
Mr.Frank Anthony Ryde	Rent payment	408,000	396,000	1,021,414	1,384,414
	Dividend paid	396,900	45,947	-	-
Mrs.Deanna Ryde	Dividend paid	396,900	45,947	-	-

20.2 Transactions with key management personnel

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

Transaction	Transaction during the year		Closing balance (payable)/ receivable	
	2020	2019	2020	2019
Director fee	600,000	500,000	-	-

20.3 Guarantees given

Nature of the relationship	Security
Amtek Engineering (Private) Limited	Corporate Guarantees of Rs.30 Mn
Directors Mr. Malindra Fernando Mr. Vijith Perera	Joint and several personal guarantees amounting to Rs. 38.5 Mn

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31 March,

21 Securities pledged

Nature of Liability	Loan/ facility amount	Assets pledged	Carrying amount of assets pledged	
			2020 Rs.	2019 Rs.
Import loan and LC facility	15,000,000	Stock in trade	29,251,002	23,357,953
Permanent overdraft	13,200,000	Trade receivable	31,789,037	25,132,900
		Fixed deposit	15,128,068	13,695,169
Letter of guarantee	26,500,000	Fixed deposit and personal guarantee	8,271,680	7,522,669
Letter of guarantee	20,000,000	Personal guarantee	-	-

22 Litigation and claims

There are no litigations or claims against the Company as at the reporting date.

23 Commitment and contingencies

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

24 Events occurring after the reporting date

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

25 The impact of COVID-19

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

26 Directors' responsibility

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

**ALPHA FIRE SERVICES (PRIVATE)
LIMITED**

Accounts for the Year Ended 31st March 2019

*Tudor V. Perera & Co.
Chartered Accountants,
Colombo.*

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALPHA FIRE SERVICES (PRIVATE) LIMITED**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Alpha Fire Services (Private) Limited, which comprise the statement of financial position as at 31st March 2019, 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 31st March 2019 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Financial Reporting Standards for Small and Medium-Sized Entities (SLFRS for SME's).

Basis for opinion

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

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 Financial Reporting Standards for Small and Medium-Sized Entities (SLFRS for SME's), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

Contd..... 

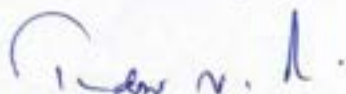
As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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.



TUDOR V. PERERA & CO.
Chartered Accountants

Colombo.
Date: 14/11/2019

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31st March,

	Notes	2019 Rs. Cts.	2018 Rs.
Revenue	8	185,606,015.30	151,908,398
Cost of Sales	9	<u>(119,318,580.87)</u>	<u>(106,666,753)</u>
Gross Profit		66,287,434.43	45,241,645
Other Income		25,971.00	799,231
Administration Expenses		<u>(32,191,279.80)</u>	<u>(20,709,595)</u>
Selling and Distribution Expenses		<u>(7,179,690.16)</u>	<u>(8,187,515)</u>
Profit from Operations	10	26,942,435.47	17,143,765
Net Finance Cost	11	<u>(1,734,016.96)</u>	<u>(1,736,199)</u>
Management Fee		<u>(13,638,830.87)</u>	<u>(11,393,130)</u>
Profit / (Loss) before Taxation		11,569,587.64	4,014,436
Taxation	12	<u>(278,449.96)</u>	<u>(1,181,215)</u>
Net Profit / (Loss) for the Year		11,291,137.68	2,833,221
Earning / (Loss) Per Share	13	940.93	181

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 05 to 13 form an integral part of these Financial Statements.



ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31st March,

ASSETS	Notes	2019		2018
		Rs.	Cts.	Rs.
Non Current Assets				
Property, Plant and Equipment	14	12,864,793.18		6,051,719
Fixed Deposits	15	15,640,690.12		6,810,752
		<u>28,505,483.30</u>		<u>12,862,471</u>
Current Assets				
Inventories	16	64,633,098.49		33,808,777
Trade and Other Receivables	17	26,101,400.56		38,277,439
Cash Margin Account		455,445.19		2,366,541
Cash and Cash Equivalents	18	1,002,201.91		1,129,226
		<u>92,192,146.15</u>		<u>75,581,983</u>
Total Assets		<u>120,697,629.45</u>		<u>88,444,454</u>
EQUITY AND LIABILITIES				
Equity / Capital and Reserves				
Stated Capital	19	7,122,200.00		7,122,200
Revaluation Reserves		1,534,466.97		1,534,467
Retained Earnings		21,437,093.63		10,145,956
		<u>30,093,760.60</u>		<u>18,802,623</u>
Non Current Liabilities				
Retirement Benefit Obligations	20	1,281,800.00		451,750
Long Term Loan		-		937,487
Lease Liabilities	21	4,865,238.11		739,475
		<u>6,147,038.11</u>		<u>2,128,712</u>
Current Liabilities				
Lease Liabilities	21	1,338,049.68		523,506
Amount Due to Related Parties	22	2,377,603.71		2,814,604
Short Term Loan	23	7,877,649.08		2,800,000
Trade and Other Payables	24	48,887,950.46		46,985,452
Current Tax Liabilities	25	858,541.20		1,117,357
Bank Balances Overdrawn	26	23,117,036.61		13,272,200
Total Current Liabilities		<u>84,456,830.74</u>		<u>67,513,119</u>
Total Equity and Liabilities		<u>120,697,629.45</u>		<u>88,444,454</u>

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 05 to 13 form an integral part of these Financial Statements.

I certify that the Financial Statements have been prepared in accordance with the requirements of Companies Act No.07 of 2007.

.....
Accountant

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

.....
Director



.....
Director

Colombo,
Date: 14/11/2019

ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31st March 2019

	<u>Stated</u> <u>Capital</u> Rs. Cts.	<u>Revaluation</u> <u>Reserve</u> Rs. Cts.	<u>Retained</u> <u>Earnings</u> Rs. Cts.	<u>Total</u> Rs. Cts.
Balance as at 1st April 2017	7,122,200.00	1,534,466.97	7,500,273.58	16,156,940.55
Dividend Paid	-	-	(187,540.00)	(187,540.00)
Profit for the Year	-	-	2,833,222.37	2,833,222.37
Balance as at 1st April 2018	7,122,200.00	1,534,466.97	10,145,955.95	18,802,622.92
Profit for the Year	-	-	11,291,137.68	11,291,137.68
Balance as at 31st March 2019	7,122,200.00	1,534,466.97	21,437,093.63	30,093,760.60

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 05 to 13 form an integral part of these Financial Statements.



ALPHA FIRE SERVICES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

For the Year Ended 31st March,

	<u>2019</u>	<u>2018</u>
	Rs. Cts.	Rs.
Cash Flow From Operating Activities		
Net Profit / (Loss) before Taxation	11,569,588	4,014,437
Adjustment for		
Depreciation on Property Plant and Equipment	2,137,542	1,440,636
Assets Written Off	-	603,068
Provision for Retiring Gratuity	830,050	308,500
Fixed Deposit Interest	(1,006,531)	(722,518)
Loan Interest	1,291,320	1,117,273
Lease Interest	815,235	341,413
Dividend	-	(187,540)
Operating Profit / (Loss) before Working Capital Changes	<u>15,637,203</u>	<u>6,915,269</u>
(Increase) / Decrease in Inventories	(30,824,322)	1,752,582
(Increase) / Decrease in Trade and Other Receivables	12,176,037	(21,099,162)
Increase / (Decrease) in Amount due to Related Party	(437,001)	(231,698)
Increase in Accrued and Other Payables	1,902,498	14,874,725
Cash from / (Used in) Operating Activities	<u>(1,545,583)</u>	<u>2,211,716</u>
Income Tax Paid	(500,000)	(874,120)
With Holding Tax	(37,266)	(52,888)
Net Cash from / (Used in) Operating Activities	<u>(2,082,849)</u>	<u>1,284,708</u>
Cash Flow From Investing Activities		
Purchase of Property, Plant and Equipment	(8,950,616)	(223,929)
Investment in Cash Margin	1,911,096	(1,674,094)
Interest Income	1,006,531	70,919
Investment In Fixed Deposits	(8,829,938)	-
Net Cash Flow from / (Used in) Investing Activities	<u>(14,862,927)</u>	<u>(1,827,104)</u>
Cash Flow from Financing Activities		
Long Term Loans Paid	(937,487)	(1,250,003)
Short Term Loans Received	7,877,649	2,800,000
Short Term Loans Paid	(2,800,000)	(6,625,679)
Loan Interest Paid	(1,291,320)	(1,117,273)
Lease Interest Paid	(815,235)	(341,413)
Lease Rental Paid	4,940,306	(412,364)
Net Cash from Used in Financing Activities	<u>6,973,914</u>	<u>(6,946,732)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	<u>(9,971,863)</u>	<u>(7,489,128)</u>
Cash and Cash Equivalents at the Beginning of the Year	<u>(12,142,973)</u>	<u>(4,653,845)</u>
Cash and Cash Equivalents at the End of the Year (Note A)	<u>(22,114,835)</u>	<u>(12,142,973)</u>
NOTE A		
Cash and Cash Equivalents		
Cash at Bank - Hatton National Bank PLC - A/c No. 098010010049	495,275	81,626
Hatton National Bank PLC - A/c No. 003010146351	46,360	18,777
Hatton National Bank PLC - A/c No. 003010325951	(23,117,037)	(13,272,200)
Hatton National Bank PLC - A/c No.	57,619	718,290
Hatton National Bank PLC - USD A/C 003010513195	245,004	245,004
Petty Cash	61,142	46,217
Petty Cash IOU	96,803	19,313
	<u>(22,114,835)</u>	<u>(12,142,973)</u>

Figures in brackets indicate deductions.

The significant Accounting Policies and Notes from Page No. 05 to 13 form an integral part of these Financial Statements.



ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March 2019

1. Corporate Information

1.1. Domicile and Legal Form:

Alpha Fire Services (Private) Limited is a limited liability Company, incorporated and domiciled in Sri Lanka. The registered office of the Company and its principal place of business is situated at 487/5, Old Kottawa Road, Pannipitiya. The Company was incorporated on 07th May 2003.

Amtek Engineering (Private) Limited holds 51% of Alpha Fire Services (Private) Limited Shares.

1.2. Principal Activities and Nature of the Operations:

During the year, the principal activity of the Company was to provide fire protection services.

1.3. These Financial Statements are presented in Sri Lanka Rupees. (LKR)

2. Summary of Significant Accounting Policies

2.1. General Policies

2.1.1. Basis of Preparation

The financial statements are presented in Sri Lanka Rupees.

The financial statements of the Company are prepared under the historical cost convention and in accordance with Sri Lanka Financial Reporting Standards for Small and Medium Sized Entities (SLFRS for SME's)

2.1.2. Transactions in Foreign Currency

Foreign Currency transactions are converted to Sri Lanka Rupees at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupees equivalent using period end spot foreign exchange rates. The resulting gains and losses are accounted for in the Statement of Comprehensive Income.

2.1.3. Finance Leases

Plant and equipment on finance leases, which effectively transfer to the Company substantially the entire risk and benefits incidental to ownership of the leased assets are capitalized and disclosed as finance leases at their cash price and depreciated over the period, the Company expects to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations applicable to each financial year is charged to the Statement of Comprehensive Income over the period of lease on a sum of digit method.

2.1.4. Taxation

Provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provision of the Inland Revenue Act No. 24 of 2017 and subsequent amendments there on.

2.2. Assets and Basis of their Valuation

2.2.1. Property, Plant and Equipment

a) Cost and Valuation

All items of property, plant and equipment are stated at cost less accumulated depreciation. The cost of the property, plant and equipment is the cost of purchase or construction together with any expenses incurred in bringing the assets to their working condition for its intended use.



Contd....

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March 2019

a) Cost and Valuation (Contd.....)

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase earning capacity of the business has been treated as capital expenditure.

b) Depreciation

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis in order to write off the cost of such assets over the estimated useful lives. The depreciation rates are as follows.

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

2.2.2. Inventories

Finished goods are valued at the lower of cost and net realizable value (NRV). In general cost is determined on a weighted average cost basis.

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

2.2.3. Trade and Other Receivables

Trade and other receivables are stated at their estimated realizable values.

2.2.4. 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 know amounts of cash and subject to insignificant risk of changes in value.

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.

3.1. Retirement Benefit Obligations

a) Defined Benefit Plan - Retiring Gratuity

Provision for retiring gratuity has been made as per the gratuity act No. 12 of 1983.

b) Defined contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees' are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes the defined percentages of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

3.2. Trade and Other Payables

Trade and other payables are stated at their cost.



Contd....

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March 2019

4. Statement of Comprehensive Income

4.1. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated cost incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific criteria are used for the purpose of recognition of revenue.

4.1.1 Project Income

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

4.1.2 Sale of Goods

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

4.1.3 Interest

Interest income is recognized in the Statement of Comprehensive Income on an accrual basis.

4.1.4 Rendering of Services

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

4.1.5 Other Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non current assets, including investments are accounted in the Statement of Comprehensive Income, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

4.2. Expenditure

Expenses are recognized in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to the Statement of Comprehensive Income in arriving at the (loss) / profit for the period.

5. Statement of Cash Flows

The Statement of Cash Flows has been prepared using the indirect method in accordance with Sri Lanka Accounting Standard 7 "Statement of Cash Flows".

6. Comparative Information

Previous year's figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

7. Related Party Disclosures

7.1. Transactions with Key Management Personnel

Key Management Personnel are persons who have authority and responsibility directly or indirectly for planning, directing and controlling the activities of the Company.



ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March,

	<u>2019</u>	<u>2018</u>
	Rs. Cts.	Rs.
8. Revenue		
Projects Income	164,978,128.44	133,323,355
Services	19,645,605.00	11,762,185
Ex-bond Sales	982,281.86	6,822,858
	<u>185,606,015.30</u>	<u>151,908,398</u>
9. Cost of Sales		
Stock at the Beginning of the Year	33,808,777.00	35,561,359
Purchase - Local	61,683,240.05	55,760,934
- Imports	30,384,953.25	17,472,111
	<u>125,876,970.30</u>	<u>108,794,405</u>
Stocks as at the End of the Year	(64,633,098.49)	(33,808,777)
	<u>61,243,871.81</u>	<u>74,985,628</u>
Direct Expenses	58,074,709.06	31,681,125
	<u>119,318,580.87</u>	<u>106,666,753</u>
10. Profit / (Loss) From Operations		
Profit / (Loss) from operations is stated after charging all expenses including the following:		
Audit Fees	180,895.00	164,450
Depreciation	2,137,542.37	1,801,905
Salaries and Wages	8,543,756.42	6,052,923
Defined Contribution Plan Costs - EPF and ETF	838,690.76	885,663
11. Finance Cost		
Finance Income		
Interest Income	1,006,531.31	722,518
Total Finance Income	<u>1,006,531.31</u>	<u>722,518</u>
Finance Cost		
Interest on Bank Overdrawn	1,291,320.03	463,025
Loan Interest	633,993.39	1,117,272
Lease Interest	815,234.85	341,413
Bank Charges	-	537,007
Total Finance Cost	<u>2,740,548.27</u>	<u>2,458,717</u>
Net Finance Income / (Cost)	<u>(1,734,016.96)</u>	<u>(1,736,199)</u>
12. Taxation		
Income Tax Provision for the Year	278,449.96	1,181,215
Adjustment of Over / (Under) Provision	-	-
	<u>278,449.96</u>	<u>1,181,215</u>

Contd....



ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,

13. Earning / (Loss) per Share

The earnings / (loss) per share has been calculated by dividing the profit / (loss) after taxation by weighted average number of shares issued.

Weighted Average Number of Ordinary Shares	12,000		12,000
	Rs.	Cts.	Rs.
Net Profit / (Loss) Attributable to Shareholders	11,291,137.68		2,833,221
Basic Earning / (Loss) per Share	940.93		181

14. Property, Plant and Equipment

	2018		Additions	2019	
Cost:	Rs.	Cts.	Rs.	Cts.	Rs. Cts.
Building Improvements	1,069,065.69		-		1,069,065.69
Machinery	2,555,601.08		645,106.05		3,200,707.13
Tools and Equipment	2,726,875.52		877,840.17		3,604,715.69
Office Equipment	675,813.01		-		675,813.01
Computers	2,235,467.98		224,750.00		2,460,217.98
Furniture and Fittings	684,669.39		408,920.00		1,093,589.39
Motor Vehicles	6,259,407.50		6,790,000.00		13,049,407.50
Mobile Phones Accessories	16,733.00		4,000.00		20,733.00
	16,223,633.17		8,950,616.22		25,174,249.39

	2018		Charge for	2019	
Depreciation:	Rs.	Cts.	the Year	Rs.	Cts.
			Rs. Cts.		
Building Improvements	320,720.09		53,453.00		374,173.09
Machinery	966,640.66		201,407.00		1,168,047.66
Tools and Equipment	2,497,739.63		80,772.37		2,578,512.00
Office Equipment	657,375.06		18,437.00		675,812.06
Computers	1,683,799.06		286,639.00		1,970,438.06
Furniture and Fittings	503,705.44		129,196.00		632,901.44
Motor Vehicles	3,525,200.90		1,367,638.00		4,892,838.90
Mobile Phones and Accessories	16,733.00		-		16,733.00
	10,171,913.84		2,137,542.37		12,309,456.21
Written Down Value	6,051,719.33				12,864,793.18

15 Fixed Deposits		2019		2018
		Rs.	Cts.	Rs.
Hatton National Bank PLC - A/c No. 003300056654		7,522,669.29		6,810,752
		7,522,669.29		6,810,752
Hatton National Bank PLC - A/c No. 003300149848		6,172,500.00		-
		6,172,500.00		-
Hatton National Bank PLC - A/c No. 003300150747		1,945,520.83		-
		1,945,520.83		-
		15,640,690.12		6,810,752
16 <u>Inventories</u>		23,357,953.00		18,462,283
	Consumables	41,275,145.49		15,346,494
	Work in Progress	64,633,098.49		33,808,777



Contd....

ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March,

	2019 Rs. Cts.	2018 Rs.
17. Trade and Other Receivables		
Trade Debtors (Note 17.1)	23,224,257.47	35,555,078
Value Added Tax Receivable	1,563,756.88	1,563,757
Deposit - Rent	238,000.00	158,000
Deposits - Others	35,558.00	35,558
Fuel Deposit - Swastika Mills	50,000.00	50,000
Deposit - Madawala Enterprises	50,000.00	50,000
Deposit - Sri Lanka Port Authority	10,500.00	10,500
Deposit - Colombo University	6,602.50	6,603
Staff Loans	43,500.24	111,500
Staff Receivables	576,767.45	576,767
Others	183,007.46	87,475
Festival Advance	89,450.56	72,200
Advances on Sales Commission	30,000.00	-
	<u>26,101,400.56</u>	<u>38,277,439</u>
17.1 Trade Debtors	Rs. Cts.	Rs.
Trade Debtors	25,132,899.88	37,463,720
Less : Provision for Bad and Doubtful Debtors	(1,908,642.41)	(1,908,642)
	<u>23,224,257.47</u>	<u>35,555,078</u>
18. Cash and Cash Equivalents		
Hatton National Bank PLC - A/c. No. 003010146351	46,359.76	18,777
Hatton National Bank PLC - A/c. No. 098010010049	495,274.75	81,626
Hatton National Bank PLC - A/C No. 003020725557	57,619.03	718,290
Hatton National Bank PLC - USD - A/C No. 003010513195	245,003.81	245,004
Cash in Hand	61,141.56	46,217
Petty Cash IOU	96,803.00	19,312
	<u>1,002,201.91</u>	<u>1,129,226</u>
19. Stated Capital		
Number of Ordinary Shares Issued and Fully Paid	<u>12,000</u>	<u>12,000</u>
	Rs. Cts.	Rs.
Ordinary Share Capital Issued and Fully Paid	<u>7,122,200.00</u>	<u>7,122,200</u>
	<u>7,122,200.00</u>	<u>7,122,200</u>
20. Retirement Benefit Obligation		
Balance as at the Beginning of the Year	451,750.00	143,250
Add: Provision for the Year	830,050.00	308,500
	<u>1,281,800.00</u>	<u>451,750</u>
Less: Payments Made	-	-
Balance as at the End of the Year	<u>1,281,800.00</u>	<u>451,750</u>

Contd....



ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March,

21. <u>Assets Obtain on Lease</u>	2018		2019	
	Current Rs.	Non Current Rs.	Current Rs.	Non Current Rs.
<u>Mercantile Investment and Finance PLC</u>				
<u>Scissor Lift Platform</u>				
Lease Payment	353,967	91,140	80,547.12	-
Interest in Suspense	(60,566)	(3,450)	(3,448.00)	-
Present Value of Finance Lease Liabilities	293,401	87,690	77,099.12	-
<u>Tata Xenon Light Truck</u>				
Lease Payment	384,875	843,984	358,536.00	541,665.17
Interest in Suspense	(154,771)	(192,199)	(114,279.00)	(77,920.00)
Present Value of Finance Lease Liabilities	230,104	651,785	244,257.00	463,745.17
<u>Hatton National Bank PLC</u>				
<u>Motor Lorry -JMC JX 1041</u>				
Lease Payment	-	-	837,564.00	2,722,083.00
Interest in Suspense	-	-	(328,842.44)	(519,712.56)
Present Value of Finance Lease Liabilities	-	-	508,721.56	2,202,370.44
<u>Motor Lorry WP - LO 2012</u>				
Lease Payment	-	-	836,328.00	2,718,066.00
Interest in Suspense	-	-	(328,356.00)	(518,943.50)
Present Value of Finance Lease Liabilities	-	-	507,972.00	2,199,122.50
Total	523,506	739,475	1,338,049.68	4,865,238.11
			2019	2018
22. <u>Amount Due to Related Parties</u>			Rs. Cts.	Rs.
Amttek Engineering (Pvt) Limited			993,189.27	1,133,190
Mr.Frank Anthony Ryde			1,384,414.44	1,681,414
			2,377,603.71	2,814,604
23. <u>Short Term Loan</u>				
Import Loan - A/c No. -003040272087			-	1,000,000
Import Loan - A/c No. -003040263245			-	1,000,000
Import Loan - A/c No. -003040256629			-	800,000
Import Loan - A/c No. -003040321716			4,488,251.70	-
Import Loan - A/c No. -003040311267			1,500,000.00	-
Import Loan - A/c No. -003040307437			1,889,397.38	-
			7,877,649.08	2,800,000
24. <u>Trade and Other Payables</u>				
Trade Payable			18,282,823.86	22,570,945
Other Payable			30,605,126.60	24,414,507
			48,887,950.46	46,985,452
25. <u>Current Tax Liability</u>				
Balance as at the Beginning of the Year			1,117,357.20	863,150
Adjustments (Over) / Under Provision			-	-
Less: Income Tax Paid			(500,000.00)	(863,150)
			617,357.20	-
Provision for the Year			278,449.96	1,181,215
			895,807.16	1,181,215
Less: Income Tax Paid			-	(10,970)
Withholding Tax Deducted			(37,265.96)	(52,888)
Balance as at the End of the Year			858,541.20	1,117,357
26. <u>Bank Balances Overdrawn</u>				
Hatton National Bank PLC - A/c No.003010325951			23,117,036.61	13,272,200
			23,117,036.61	13,272,200



ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March 2019

27. Related Parties

27.1 Transactions with Key Management Personnel

27.1.1 The Compensation of KMPs

For the Year Ended 31st March 2019 2018

	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
	Rs.	Rs.	Rs.	Rs.
Short Term Employment Benefit Director Fee	300,000	200,000	Nil	Nil
Post Employment Benefit - Defined Benefit Plans	Nil	Nil	Nil	Nil
Loans Given to Key Management Personnel during the Year (Other Long Term Benefits)	Nil	Nil	Nil	Nil
Termination Benefits	Nil	Nil	Nil	Nil
Share Based Payment Benefits	Nil	Nil	Nil	Nil

27.2 Dealings with Related Parties

Name of the Company and Relationship	Name of Directors	Nature of Transaction	Amount of Outstanding Balances/ Amount of the Transaction (Rs. Cts.)	Provisions for Doubtful Debts Related to Outstanding Balances (Rs. Cts.)
Amtek Engineering (Pvt) Ltd.	Mr. Vijith Perera Mr. Malindra Fernando Mr. Samuth Gunasekara	Temporary Loans and Rent Payment	993,189.27	Nil
Frank Anthony Ryde	-	Temporary Loans and Rent Payment	1,384,414.44	Nil

27.2.1 The Guarantees Given.

Name of the Company and Relationship	Security
Personnel Guarantees Mr. Malindra Fernando Mr. Vijith Perera Corporate Guarantees of Amtek Engineering (Pvt) Ltd.	Joint and Several Personal Guarantees amounts to Rs. 37.5 Million

Contd.....



ALPHA FIRE SERVICES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March 2019

27.3 The Board of Directors confirm that the related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated and all relevant transactions which needed disclosure been disclosed above and there are no related party transactions other than those disclosed in notes 22.

28. **Securities Pledged**

Following assets have been pledged as security for liabilities.

Nature of Liability	Loan/Facility Rs. Cts.	Security	Carrying Amount of Assets Pledged	
			2019 Rs.	2018 Rs.
Import Loan	14,000,000	Stock in Trade Trade Receivable	23,357,953 25,132,899	18,462,283 37,463,720
LC Facility	16,500,000	Personal Guarantee		
Permanent Overdraft	9,600,000	Fixed Deposit	13,695,169	6,810,752
Short Term Loan Import Loan Letter of Guarantee	5,000,000	Fixed Deposit and Personal Guarantee	7,522,669	6,810,752
Letter of Guarantee	20,000,000	Personal Guarantee	-	-

29. **Capital Commitments**

	2019 Rs.	2018 Rs.
Followings are the capital commitments as at the reporting date Contracted, but not provided for	<u>Nil</u>	<u>Nil</u>
Total	<u>Nil</u>	<u>Nil</u>

30. **Contingencies**

No known contingent liabilities exist as at the reporting date.

31. **Events After the Reporting Date**

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



ALPHA FIRE SERVICES (PRIVATE) LIMITED
DETAILED SCHEDULES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st March,

	<u>2019</u>	<u>2018</u>
	Rs. Cts.	Rs.
I. Administration and Establishment Expenses		
Staff Salaries	8,543,756.42	6,052,923
Allowance	1,987,805.53	2,396,055
Bonus	491,670.00	-
Contributions to Employees' Provident Fund	492,718.00	711,460
Contributions to Employees' Trust Fund	345,972.76	174,203
Staff Welfare	111,219.30	411,602
Staff Training	272,338.00	-
Accommodation	217,035.80	48,455
Annual Leave Encashment	66,100.00	32,827
Gratuity	830,050.00	308,500
Vehicle Allowance	2,449,070.00	1,835,660
Incentives	1,536,560.00	878,100
Membership Fee	248,319.89	-
Electricity	178,225.75	203,431
Telephone and Fax	582,292.49	382,749
Water	33,047.30	18,295
Staff Quarters Rent	313,000.00	323,000
Rent	396,000.00	396,000
Corporate Office Expenses	840,000.00	840,000
Courier Charges	-	5,824
Office Repairs and Maintenance	187,702.00	403,892
Computer Maintenance	75,750.00	109,610
Depreciation	2,137,542.37	1,801,905
Printing, Postage and Stationery	1,405,593.93	947,376
Registration / Tender Fee	266,130.00	274,615
Secretarial Fees	148,000.00	133,500
Audit Fees	180,895.00	164,450
Audit Fee Under Provision 2017/18	30,250.00	24,021
Accountancy fees	770,014.00	655,500
Consultancy Fees	845,000.00	579,575
Insurance	297,927.36	196,925
Donation	20,000.00	35,000
Other Expenses	13,245.69	14,999
Professional Charges	230,000.00	68,532
Legal Compensation	4,000.00	31,500
Office Supplies	-	4,943
Staff Recruitment	-	31,649
Nation Building Tax	3,879,978.62	212,519
Directors Fee	500,000.00	-
Entertainment	6,280.23	-
Software Annual Fee and Domain Charges	59,300.00	-
Exchange Loss	85,351.94	-
Bank Charges	1,113,137.42	-
	<u>32,191,279.80</u>	<u>20,709,595</u>

ALPHA FIRE SERVICES (PRIVATE) LIMITED
DETAILED SCHEDULES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st March,

	<u>2019</u>	<u>2018</u>
	Rs. Cts.	Rs.
2. <u>Selling and Distribution Expenses</u>		
Sale Commission	611,122.67	696,738
BOI Gate Pass / Parking	76,443.00	71,260
Advertising	657,268.90	589,868
Vehicle Maintenance	723,237.37	678,570
Fuel	3,054,817.30	2,057,441
Travelling Expenses	1,101,923.66	760,119
Business Promotion	479,000.00	559,876
Vehicle Tickets Charges	7,750.00	74,500
Bad Debts Write Off	227.26	790,501
Provision for Bad and Doubtful Debts	-	1,908,642
Foreign Travelling	467,900.00	-
	<u>7,179,690.16</u>	<u>8,187,515</u>
3. <u>Direct Expenses</u>		
Overtime	1,905,813.11	1,682,350
Contribution to Employees' Provident Fund - Casual	58,089.00	96,940
Contribution to Employees' Trust Fund - Casual	14,521.00	30,230
Contribution to Employees' Provident Fund - Workshop	637,788.20	512,985
Contribution to Employees' Trust Fund - Workshop	159,444.30	128,246
Incentives - Workshop	596,400.00	322,820
Vehicle Allowances - Workshop	912,000.00	671,830
Allowances - Workshop	1,526,125.71	1,870,423
Salaries - Workshop	6,217,137.23	4,515,196
Delivery Charges	33,000.00	-
Additional Allowances	-	600,000
Site Allowances	3,617,720.00	809,000
Inspections	64,150.00	15,000
Custom Duty and Clearing Charges	10,311,223.20	5,616,661
Project Expenses	6,451,558.80	4,370,098
Workshop Expenses	188,200.00	289,153
Daily Wages	812,828.00	1,392,260
Air Freight Charges	-	22,935
Tools Written Off	-	241,798
Sub Contract Payments	24,568,710.51	8,493,200
	<u>58,074,709.06</u>	<u>31,681,125</u>
4. <u>Other Payable</u>		
Management Fees	19,649,817.93	17,962,202
Staff Salary	32,182.25	1,529,660
Staff Welfare Fund	133,797.29	126,889
Casual Wages	132,140.00	82,680
Other Accrued Expense	77,313.00	62,678
Audit Fees	180,895.00	164,450
Audit Fees Payable 2015/2016	-	-
Employees' Provident Fund	425,242.13	736,379
Employees' Trust Fund	72,688.78	84,006
Value Added Tax	5,845,577.71	1,031,777
Dividend Payable	-	168,786
Corporate Office Expense Payable	-	490,000
Nation Building Tax	3,670,790.51	1,975,000
PAYE	119,500.00	-
Lease Payable	265,182.00	-
	<u>30,605,126.60</u>	<u>24,414,507</u>



**ANNEXURE 4 – INTERIM FINANCIAL STATEMENTS FOR THE 09 MONTHS
ENDED 31 DECEMBER 2021**

ALPHA FIRE SERVICES LIMITED

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

ALPHA FIRE SERVICES LIMITED**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2021**

	Note	31 Dec 2021 Rs.	31 Dec 2020 Rs.
Revenue	1	154,566,564	110,192,539
Cost of Sales	2	(114,386,719)	(73,254,848)
Gross Profit		40,179,844	36,937,691
Administrative Expenses		(17,519,844)	(22,453,350)
Selling and Distribution Expenses		(4,298,154)	(3,878,413)
Profit from Operation		18,361,846	10,605,927
Management Fee		(10,237,701)	(8,264,440)
Net Finance Expenses	3	(4,029,611)	(1,797,604)
Profit Before Taxation		4,094,535	543,884
Income Tax Expenses		-	-
Profit for the Year		4,094,535	543,884
Basic Earnings / (Loss) Per Share	4	1.48	45

ALPHA FIRE SERVICES LIMITED**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**


	Note	31 Dec 2021 Rs.	31 March 2021 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	5	28,107,840	29,190,538
Fixed Deposit		27,665,895	26,522,512
		<u>55,773,735</u>	<u>55,713,050</u>
Current Assets			
Inventories	6	98,695,036	104,356,804
Trade and Other Receivables	7	25,054,389	26,520,533
Cash Margin Account		297,822	297,822
Cash and Cash Equivalents	8	5,822,210	2,117,919
		<u>129,869,458</u>	<u>133,293,078</u>
TOTAL ASSETS		<u>185,643,193</u>	<u>189,006,128</u>
EQUITY AND LIABILITIES			
Equity			
Stated Capital	9	25,569,560	7,122,200
Revaluation Reserve		1,534,467	1,534,467
Retained Earnings		11,579,347	25,932,173
		<u>38,683,374</u>	<u>34,588,840</u>
Non-Current Liabilities			
Retirement Benefits Obligation	10	2,820,550	2,820,550
Lease Liabilities	11	2,322,951	3,969,226
Bank Borrowings	12	21,654,884	19,245,333
Deferred Tax		327,330	327,330
		<u>27,125,715</u>	<u>26,362,439</u>
Current Liabilities			
Amount due to Related Parties	13	9,504,517	1,104,603
Short Term Bank Borrowings	14	23,041,203	23,336,354
Trade and Other Payables	15	65,039,100	83,965,871
Statutory Liabilities	16	1,788,025	79,797
Bank Overdrafts	17	20,461,257	19,568,224
		<u>119,834,103</u>	<u>128,054,850</u>
TOTAL EQUITY AND LIABILITIES		<u>185,643,193</u>	<u>189,006,128</u>

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

Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed on behalf of the Board of Directors.


Vijith Perera
Managing Director
8 February 2021


Malindra Fernando
Director

ALPHA FIRE SERVICES LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2021**

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
Balance as at 01 April 2020	7,122,200	1,534,467	23,630,976	32,287,643
Profit for the Period			543,884	543,884
Balance as at 31 December 2020	7,122,200	1,534,467	24,174,859	32,831,526
Profit for the Period			2,957,313	2,957,313
Dividend Distribution			(1,200,000)	(1,200,000)
Balance as at 31 March 2021	7,122,200	1,534,467	25,932,172	34,588,839
Capitalization of Reserve	18,447,360		(18,447,360)	-
Profit for the Period	-		4,094,535	4,094,535
Balance as at 31 December 2021	25,569,560	1,534,467	11,579,347	38,683,374

ALPHA FIRE SERVICES LIMITED**CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2021**

	31 Dec 2021	31 Dec 2020
	Rs.	Rs.
Cash Flows from Operating Activities		
Profit Before Taxation	4,094,535	543,884
<i>Adjustments for;</i>		
Depreciation	1,413,594	1,039,924
Gratuity	-	-
Interest Income	(1,201,002)	(1,890,035)
Interest Expenses	5,230,613	3,687,639
Operating Profit Before Changes in Working Capital	9,537,739	3,381,411
Changes in Working Capital		
Inventories	5,661,768	(12,699,724)
Trade and Other Receivables	3,755,644	10,381,675
Amount due to Related Parties	8,399,914	640,718
Trade and Other Payables	(19,224,012)	(6,183,649)
Statutory Liabilities	305,354	(1,096,484)
Accrued Expenses	(589,486)	(4,273,736)
Cash Generated from / (used in) Operations	7,846,922	(9,849,789)
Interest Paid	(4,849,543)	(4,849,543)
Net Cash Flow from / (used in) Operating Activities	2,997,379	(14,699,332)
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(330,896)	(974,457)
Interest Income	57,620	-
Reversal of Cash Margin	-	4,407,198
Net Cash Flow from / (used in) Investing Activities	(273,276)	3,432,741
Cash Flows from Financing Activities		
Long Term Loan Received	10,000,000	10,500,000
Long Term Loan Paid	(7,590,449)	-
Short Term Loan Received / (Paid)	(295,152)	4,555,994
Lease Rental Paid	(2,027,244)	(1,378,223)
Net Cash Flow from / (used in) Financing Activities	87,155	13,677,771
Net Changes in Cash and Cash Equivalents During the Year	2,811,257	2,411,181
Cash and Cash Equivalents at Beginning of the Year	(17,450,304)	(18,114,846)
Cash and Cash Equivalents at End of the Year	(14,639,047)	(15,703,665)

ALPHA FIRE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Nine Months ended 31 December 2021

1. ACCOUNTING POLICIES

1.1 REPORTING ENTITY

Alpha Fire Services (Private) Limited, (“the Company”) is a private limited liability company incorporated in Sri Lanka, under the companies Act No.07 of 2007 and domiciled in Sri Lanka. The registered office of the company is located at 487/5, Old Kottawa Road, Pannipitiya. 51% of the ownership of the Company is owned by Amtek Engineering (Private) Limited.

(a) Principal activities and nature of operations

The principal activities of the Alpha Fire Services (Private) Limited is to provide fire protection services.

1.2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company comprise statement of financial position, statement of profit or loss, statement of changes in equity and statement of cash flows, and notes comprising other explanatory information. These statements have been prepared in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (“SLFRS for SMEs”) laid down by the Institute of Chartered Accountants of Sri Lanka.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with SLFRS for SMEs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only the financial year, or in the period of the revision and future periods if the revision affects both current and future financial years.

ALPHA FIRE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Nine Months ended 31 December 2021

1.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Depreciation

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depreciation is provided from the date the assets are available for use up to the date of disposal.

(b) Inventories

Finished goods are valued at the lower of cost determined on a weighted average cost basis.

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

(c) Trade and other receivables

Trade and other receivables and prepayments are carried at anticipated realizable value.

(d) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, deposits held at call with bank and investments in money market instruments with a maturity period of less than 3 months.

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

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Liabilities

Liabilities are recognized in the statement of financial position when there is a present obligation as a result of past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditors or within one year of the reporting date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the reporting date are treated as non-current liabilities in the statement of financial position.

(f) Employee benefit

Defined benefit plan

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

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

Defined contribution plan

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

(g) Revenue recognition

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

i. Project Income

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

ii. Sale of Goods

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

iii. Rendering of Services

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

ALPHA FIRE SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the Nine Months ended 31 December 2021

1.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Expenditure

All expenditure related to the period have been charged to the statement of income and expenditure in arriving at the Company's profit for the year.

(i) Taxation

i. Income taxation

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

ii. Deferred taxation

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

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

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

(j) Comparative information

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

(k) Events occurring after the reporting date

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

(l) Commitment and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control.

(m) Related Party Disclosures

Transactions with Key Management Personnel

Key Management Personnel are persons who have authority and planning, directing and controlling the activities of the Company.

ALPHA FIRE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021**

	31 Dec 2021	31 Dec 2020
	Rs.	Rs.
1 Revenue		
Project Income	121,696,264	74,406,428
Services	20,956,506	20,411,459
Ex -Bond Sales	11,913,794	15,374,652
	<u>154,566,564</u>	<u>110,192,539</u>
2 Cost of Sales		
Opening Stocks	50,799,427	29,250,989
Opening Work in Progress	53,936,377	55,321,539
Purchases - Local	32,786,189	23,085,904
Imports	30,942,629	32,105,077
	<u>168,464,622</u>	<u>139,763,509</u>
Closing Stocks	(36,065,021)	(33,756,896)
Cost of Goods Consumed	<u>132,399,601</u>	<u>106,006,613</u>
Direct Expenses	45,084,564	30,988,995
	<u>177,484,165</u>	<u>136,995,608</u>
Less: Work in Progress	(63,097,446)	(63,740,760)
	<u>114,386,719</u>	<u>73,254,848</u>
3 Net Finance Expenses		
Interest Income		
Interest on Fixed Deposits	1,201,002	1,890,035
	<u>1,201,002</u>	<u>1,890,035</u>
Interest Expenses		
Interest on Bank Overdrafts	962,785	1,227,893
Loan Interest	2,873,988	1,229,914
Lease Interest	381,069	542,999
Bank Charges	1,012,770	686,833
	<u>5,230,613</u>	<u>3,687,639</u>
Net Finance Income / (Expenses)	<u>(4,029,611)</u>	<u>(1,797,604)</u>
4 Basic Earnings / (Loss) Per Share		
Basic Earnings per share is calculated by dividing the profit attributable to the equity holders by the weighted average number of ordinary shares in issue during the reporting period.		
Net Profit Attributable to Equity Holders (Rs.)	4,094,535	543,884
Weighted Average number of Shares in Issue	2,760,000	12,000
Basic Earnings Per Share (Rs.)	<u>1.48</u>	<u>45</u>

ALPHA FIRE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021****5 Property, Plant and Equipment**

	Land	Buildings	Machinery	Tools and Equipment	Office Equipment	Computers	Furniture and Fittings	Motor Vehicles	Containers	Total
Cost										
Balance as at 01 April 2020	-	1,069,066	3,759,693	3,743,031	708,236	3,265,718	989,946	13,049,408	780,000	27,365,098
Addition	18,878,600			554,423	56,919	151,990				19,641,932
Balance as at 31 March 2021	18,878,600	1,069,066	3,759,693	4,297,454	765,155	3,417,708	989,946	13,049,408	780,000	47,007,030
Addition			24,800	123,100		182,996				330,896
Balance as at 31 December 2021	18,878,600	1,069,066	3,784,493	4,420,554	765,155	3,600,704	989,946	13,049,408	780,000	47,337,926

Depreciation

Balance as at 01 April 2020		427,626	1,474,753	3,009,140	694,875	2,299,501	724,942	6,358,467	-	14,989,304
Charge for the Year		53,453	376,578	437,060	22,898	309,447	84,124	1,465,628	78,000	2,827,188
Balance as at 31 March 2021		481,079	1,851,331	3,446,200	717,773	2,608,948	809,066	7,824,095	78,000	17,816,492
Charge for the Year		26,726.46	188,289.17	218,530.00	11,448.97	154,723.47	42,061.78	732,814.00	39,000.00	1,413,594
Balance as at 31 December 2021		507,805	2,039,620	3,664,730	729,222	2,763,671	851,128	8,556,909	117,000	19,230,086

Net Carrying Values

	31 Dec 2021	31 March 2021
	Rs.	Rs.
Land	18,878,600	250,000
Buildings	561,260	641,440
Machinery	1,744,873	2,164,940
Tools and Equipment	755,824	1,296,618
Office Equipment	35,933	40,740
Computers	837,033	1,078,644
Furniture and Fittings	138,818	282,335
Motor Vehicles	4,492,499	5,792,941
Containers	663,000	762,667
	28,107,840	12,310,324

ALPHA FIRE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021**

		31 Dec 2021	31 Dec 2020
		Rs.	Rs.
6 Inventories			
Consumables		35,597,590	33,531,505
Work in Progress		63,097,446	63,740,760
		98,695,036	97,272,265
7 Trade and Other Receivables			
Trade Receivables		23,700,981	19,237,351
Refundable Deposits	Note 7.1	302,661	152,661
Staff Receivables	Note 7.2	1,050,748	938,268
		25,054,389	20,328,279
7.1 Deposits and Advances			
Deposit- Madawala Enterprises		200,000	50,000
Deposit- Sri Lanka Port Authority		10,500	10,500
Deposit- Colombo University		6,603	6,603
Deposit- Others		35,558	35,558
Fuel Deposit - Swastika Mills		50,000	50,000
		302,661	152,661
7.2 Staff Receivables			
Staff Loans		119,000	221,500
Festival Advance		354,980	140,000
Others		576,767	576,767
		1,050,748	938,268
8 Cash and Cash Equivalents			
Favorable Balances			
Cash at Bank			
Hatton National Bank PLC		1,624,136	153,348
Hatton National Bank PLC - USD A/C		444,221	245,004
People's Bank - Saving Account		1,710,000	-
Hatton National Bank PLC - Saving A/C		957,619	-
Seylan Bank - Current A/C		39,442	133,010
People's Bank Current A/C		(448,340)	(23,976)
Cash in Hand		1,046,791	671,929
		5,373,870	1,179,315
Unfavorable Balances			
Bank Overdrafts			
Hatton National Bank PLC - Head Office		19,299,352	15,884,540
Hatton National Bank PLC - Kotawa		713,566	998,440
		20,012,917	16,882,980
Cash and Cash Equivalents for the Purpose of Cash Flow Statement		(14,639,047)	(15,703,665)
9 Stated Capital			
Issued and fully paid			
2,760,000 Ordinary Shares		25,569,560	7,122,200
		25,569,560	7,122,200

ALPHA FIRE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021**

	31 Dec 2021 Rs.	31 Dec 2020 Rs.
10 Retirement Benefits Obligation		
Balance as at 01 April	2,820,550	2,152,625
Expenses Recognized in Comprehensive Income	-	
Payments Made During the year	-	
Closing Balance	<u><u>2,820,550</u></u>	<u><u>2,152,625</u></u>
11 Lease Liabilities		
Mercantile Investment & Finance PLC		
Lease Rental Liabilities - Tata Xenon Light Truck	89,345	473,839
Interest in Suspense	(4,380)	(19,179)
	<u>84,965</u>	<u>454,660</u>
Lease Rental Liabilities - Printer	119,712	672,759
Interest in Suspense	(26,125)	(28,727)
	<u>93,587</u>	<u>644,032</u>
Hatton National Bank		
Lease Rental Liabilities - (JMC JX1043DL2R Motor Lorry)	1,184,799	2,230,208
Interest in Suspense	(104,502)	(325,068)
	<u>1,080,297</u>	<u>1,905,140</u>
Lease Rental Liabilities -(JMC JX1041DSLA2RS Motor Lorry)	1,186,652	2,010,416
Interest in Suspense	(122,550)	(319,547)
	<u>1,064,102</u>	<u>1,690,869</u>
	<u><u>2,322,951</u></u>	<u><u>4,694,801</u></u>
12 Bank Borrowings		
Hatton National Bank	10,099,330	5,000,000
Peopels Bank	11,555,554	5,500,000
	<u>21,654,884</u>	<u>10,500,000</u>
13 Amount due to Related Parties		
Amtek Engineering Pvt Ltd	7,103,103	705,325
Ultrakil Pest Management Co.(pvt) Ltd	1,015,000	-
Mr. Frank Anthony Ryde	1,386,414	1,126,414
	<u>9,504,517</u>	<u>1,831,739</u>
14 Short Term Bank Borrowings		
Hatton National Bank PLC	23,041,203	18,339,425
	<u>23,041,203</u>	<u>18,339,425</u>
15 Trade and Other Payables		
Trade Payables	15,955,429	21,707,344
Management Fees	17,735,503	13,048,049
Advance Received	29,526,457	40,194,191
	<u>63,217,388</u>	<u>74,949,584</u>

ALPHA FIRE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021**

	31 Dec 2021	31 Dec 2020
	Rs.	Rs.
16 Statutory Liabilities		
Corporate Tax	848,350	1,193,726
Value Added Tax	(658,534)	(3,308,050)
Withholding Tax Payable	226,800	226,800
Nation Building Tax	1,463,875	2,393,115
Withholding Tax	(92,465)	(90,154)
	<u>1,788,025</u>	<u>415,437</u>
17 Bank Overdrafts		
Hatton National Bank PLC - Head Office	19,299,352	15,884,540
Hatton National Bank PLC - Kotawa	713,566	998,440
	<u>20,012,917</u>	<u>16,882,980</u>
18 Accrued Expenses		
Staff Welfare Fund	57,443	21,634
Wages	31,043	129,280
Employee Provident Fund	526,612	276,268
Employee Trust Fund	70,941	72,038
P.A.Y.E	448,519	439,608
Staff Salary	50,406	-
Others	636,748	1,001,689
	<u>1,821,712</u>	<u>1,940,518</u>

19 Commitment and contingencies

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

20 Events occurring after the reporting date

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