

INTRODUCTORY DOCUMENT



Financial Advisor & Manager to the Introduction and Sponsor



E M L Consultants Limited

INTRODUCTORY DOCUMENT

Listing of Ninety Million and Nine Hundred Thousand (90,900,000) Ordinary Voting Shares at a Reference Price of LKR 2.00 per Share

To be listed on the Empower Board of the Colombo Stock Exchange



Atarah Capital Partners (Private) Limited
Financial Advisor & Manager to the Introduction and Sponsor

This Introductory Document is dated 31st August 2021

The shares as referred in this Introductory Document are to be listed on the ‘Empower Board’ under Alternate Market Segment of the Colombo Stock Exchange. Upon Listing, the Company will be bound by the Continuing Listing Requirements applicable for the Empower Board, incorporated under relevant sections of the CSE Listing Rules.

Therefore, prospective investors who would trade in these shares after listing are advised to read and understand the manner in which such Rules will be applicable, or consult a professional party for advice prior to trading in these shares in the Secondary Market. Furthermore, if you are in doubt with regard to the contents of this document or if you require further clarification or advice, then 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, Atarah Capital 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.

The Colombo Stock Exchange (“CSE”) has taken reasonable care to ensure full and fair disclosure of the information in this Introductory Document. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed, or reports included in the Introductory Document. Moreover, the CSE does not regulate the pricing of the shares, which is decided solely by the Company.

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. If there is a material change, such material change will be disclosed to the market via an announcement.

The Parties to the Introduction have verified the contents of this Introductory Document, that are relevant to each party based on their fields of expertise and confirm that such disclosures are adequately made in the Introductory Document.

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 in accordance with the provisions contained in the Companies Act No. 07 of 2007.

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 Financial Advisor & Manager to the Introduction and Sponsor
The Financial Advisor & Manager to the Introduction and Sponsor have given and have not withdrawn their written consent for the inclusion of their name as Financial Advisor & Manager to the Introduction and Sponsor, and for the inclusion of their statements/declarations in the form in which they are included in the Introductory Document, before the delivery of a copy of the Introductory Document for registration.
- The written consent of the Company Secretary
The Company Secretary has given and have not withdrawn their written consent for the inclusion of their name as Company Secretary in the Introductory Document, before the delivery of a copy of the Introductory Document for registration.
- The written consent of the Auditors to the Company
The Auditors to the Company have given and have not withdrawn their written consent for the inclusion of their name as Auditors to the Company, and for the inclusion of their reports/statements in the form and context in which they are included in the Introductory Document, before the delivery of a copy of the Introductory Document for registration.
- The written consent of the Lawyers to the Company and Introduction
The Lawyers to the Company and 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, before the delivery of a copy of the Introductory Document for registration.

A declaration made by each of the Directors of the Company in terms of the Companies Act No. 07 of 2007, confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the issue of the Introductory Document and that those provisions have been complied with.

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 jurisdiction 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 investing in the shares after listing.

Responsibility for the content of this Introductory Document

This Introductory Document has been prepared from information provided by the Board of Directors of E M L Consultants Limited (hereinafter referred to as "EML", or "the Company") and its Directors and/or from publicly available sources. The Company and its Directors having made all reasonable inquiries, confirm 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.

Where representations regarding the future performance of the Company have been given in this Introductory Document, such representations have been made after a due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in their best judgment.

The Company accepts responsibility for the information contained in this Introductory Document. While the Company has taken reasonable care to ensure full and fair disclosure of information, prospective investors who would trade in these shares upon listing are advised to carefully read this Introductory Document and rely on their own examination and assessment of the Company, including the risks involved prior to making any investment decision.

Representations

No person is authorized 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 authorized 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 other 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; and changes to performance or achievements expressed or implied by Forward Looking Statements contained 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 to "Investment Considerations and Associated Risk Factors" in Section 10 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 Lanka 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 and various other industry data sources, which the Company/ Financial Advisor & Manager to the Introduction and Sponsor believe to be reliable, however the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, whilst 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 such information.

Table of Contents

1.0 THE INTRODUCTION AT A GLANCE	1
2.0 CORPORATE INFORMATION.....	2
3.0 RELEVANT PARTIES TO THE INTRODUCTION	3
4.0 DEFINITIONS AND INTERPRETATIONS	4
5.0 DETAILS OF THE INTRODUCTION	6
5.1 Listing	6
5.2 Nature of the Shares to be Listed	6
5.3 Objectives of the Listing.....	6
5.4 Basis for the Reference Price	6
5.4.1 Quantitative Factors	7
5.4.2 Qualitative Factors.....	8
5.5 Inspection of Documents	9
5.6 Declaration to the CSE and Secondary Market Trading.....	9
6.0 THE COMPANY.....	10
6.1 Overview	10
6.2 Corporate Structure.....	10
6.3 Business Operations.....	11
6.3.1 Key Projects Completed by EML.....	12
6.4 Financial information	14
6.5 Industry Overview.....	16
6.5.1 Macro Economic Environment	16
6.6 Shareholding details of the Company.....	17
6.7 Human Resource.....	17
6.8 Taxation	17
6.9 Future Strategies of the Company and Assumptions on which such strategies are based upon	18
7.0 CORPORATE STRUCTURE.....	19
7.1 Board of Directors.....	19
7.2 Profiles of the Board of Directors	19
7.3 Other directorships held by the members of the Board.....	21
7.4 Directors' interest in shares.....	21
7.5 Sale or Purchase of Shares by the Directors	21
7.6 Corporate Governance Practices	22
7.6.1 Audit Committee	22
7.6.2 Remuneration Committee.....	22

7.6.3 Related Party Transactions Review Committee	23
7.7 Corporate Management Team	23
7.7.1 Management Team	23
7.7.2 Statement by the Managing Director	25
8.0 CAPITAL STRUCTURE	26
8.1 Stated Capital.....	26
8.2 Details of share issues during the period of 2 years prior to the date of Introductory Document	26
8.3 Details of share transfers carried out during the period of past 2 years prior to the date of the Initial Listing Application	26
8.4 Details of shares locked-in	27
8.5 Free transferability of shares.....	28
8.6 Other Securities	28
8.7 Takeover Offers.....	28
9.0 OTHER INFORMATION.....	29
9.1 Degree of Dependence on Customers or Suppliers.....	29
9.2 Dividend Policy.....	29
9.3 Details of debt, loan capital and borrowings	29
9.4 Litigation, Disputes and Contingent Liabilities.....	30
10.0 INVESTMENT CONSIDERATIONS AND ASSOCIATED RISK FACTORS	31
11.0 STATUTORY DECLARATIONS	33
ANNEXURE 1 – AUDITED FINANCIAL STATEMENTS FOR THE PAST 3 FINANCIAL YEARS.....	34
ANNEXURE 2 – INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 ST MAY 2021.....	116
ANNEXURE 3 – RESEARCH REPORT OF THE MANAGERS TO THE ISSUE JUSTIFYING THE REFERENCE PRICE	124

1.0 THE INTRODUCTION AT A GLANCE

Company	E M L Consultants Limited
Number of Ordinary Voting Shares to be listed	Ninety Million Nine Hundred Thousand (90,900,000)
Reference Price	LKR 2.00 per share
CSE Listing	To be listed on the Empower Board of the CSE, subject to compliance with the CSE Listing Rules and SEC Directives (as applicable)

2.0 CORPORATE INFORMATION

Company	E M L Consultants Limited
Registered Office	6/10, Rajamahavihara Road, Pita Kotte, Sri Lanka Tel: +94 11 5535880 Fax: +94 11 5535877 Web: www.emlconsultants.com
Date, Place and Authority of Incorporation	Incorporated as a Private Limited Liability company on 10 th March 1993 under the name of Environment and Management Lanka (Private) Limited, under the Companies Act No. 17 of 1982. Name of the Company has been changed to E M L Consultants (Private) Limited on 23 rd April 2007. The Company was re-registered under Companies Act No. 07 of 2007 on 14 th January 2008. The Company has changed its status to a Limited Liability Company on 9 th June 2021 in terms of Companies Act No. 7 of 2007. Incorporated in Colombo
Company Registration Number	PB 00240481
Board of Directors	Mr. Thilak Hewawasam - Chairman, Non-Executive, Non-Independent Director Mr. K. A. K. Jayatilake – Managing Director, Executive Director Mr. H. N. J. Chandrasekera – Non Executive Independent Director Mr. K.P.P.H. Mihiripenna - Non-Executive Independent Director
Company Secretary and Registrars	Business Intelligence (Pvt) Limited No 8, Tickell Road, Colombo 8. Tel – 00 94 11 2015913 (Dir), 2015900 (Gen) Fax – 00 94 11 201596
Company Lawyer	Kularatne & Pieris Associates – Attorneys at Law and Notaries Public No 4/2, D. J. Wijesiriwardana Road, Mount Lavinia Tel: 077 7759297
Auditors to the Company	MGI KAL Rupasinghe & Co., Chartered Accountants No. 6, Balahenamulla Lane, Kirulapona Colombo 06 Tel: 011 2815655 Fax: 011 2199819

3.0 RELEVANT PARTIES TO THE INTRODUCTION

Financial Advisor and Manager to the Introduction and Sponsor	Atarah Capital Partners (Private) Limited Principal place of business: #656, 6 th floor, Jana Jaya City Rajagiriya Tel/ Fax: 094 11 2877775 Web: www.atarahcapital.com
Lawyers to the Introduction	Kularatne & Pieris Associates – Attorneys at Law and Notaries Public No 4/2, D. J. Wijesiriwardana Road, Mount Lavinia Tel: 077 7759297

4.0 DEFINITIONS AND INTERPRETATIONS

“ADB”	Asian Development Bank
“Articles of Association”	Articles of Association of E M L Consultants Limited
“Auditors and Reporting Accountants to the Company”	MGI KAL Rupasinghe & Company - Partners, Chartered Accountants
“AWPLR”	Last quoted Average Weighted Prime Lending Rate published by the Central Bank of Sri Lanka
“Bn”	Billion
“CAGR”	Compound Annual Growth Rate
“CBSL”	Central Bank of Sri Lanka
“CDS”	Central Depository Systems (Private) Limited
“CEA”	Central Environmental Authority
“Companies Act”	Companies Act No. 07 of 2007
“CSE”	Colombo Stock Exchange
“DCF”	Discounted Cash Flow
“Directors”	The Directors for the time being of the Company, unless otherwise stated
“EML” or “the Company”	E M L Consultants Limited
“EPS”	Earnings Per Share
“FDI”	Foreign Direct Investments
“FY”	Financial Year
“GDP”	Gross Domestic Product
“GICS”	Global Industry Classification Standards
“GoSL”	Government of Sri Lanka
“Introductory Document”	This Introductory Document dated 31 st August 2021 issued by the Company
“IRD”	Inland Revenue Department
“JBIC”	Japan Bank of International Cooperation
“Listing Rules”	Listing Rules of the Colombo Stock Exchange in effect from time to time
“LKR”, “Rs.”, “Rupees”	Sri Lankan Rupees
“Local Time”	Sri Lanka Time
“Market Day”	Any day on which the CSE is open for trading
“Mn”	Million
“Ordinary Voting Shares”, “Issued and Paid up Ordinary Shares”, “Existing Ordinary Voting Shares”	Ordinary shares of the Company, with the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in dividends paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company in liquidation
“P/ BV”	Price to Book Value Ratio
“P/E”	Price Earnings Ratio
“ROA”	Return on Assets
“ROE”	Return on Equity
“Shares”	Ordinary Voting Shares
“SEC”	Securities and Exchange Commission of Sri Lanka
“SLFRS”, “LKAS”	Sri Lanka Accounting Standards
“SL”	Sri Lanka

“SLIDA”	Sri Lanka Institute of Development Administration
“SME”	Small and Medium Enterprise
“Reference Price”	The price at which the Ordinary Voting Shares will be listed on the CSE
“The Board”, “The Board of Directors”	The Board of Directors of E M L Consultants Limited
“TTM”	Trailing Twelve Months
“UK”	United Kingdom
“UN HABITAT”	United Nations Human Settlements Programme
“UNOPS”	United Nations Office for Project Services
“USAID”	United States Agency for International Development
“USD”	United States Dollars
“VAT”	Value Added Tax
“WHT”	Withholding Tax

5.0 DETAILS OF THE INTRODUCTION

5.1 Listing

An Application has been made to the CSE for permission for a listing of Ninety Million Nine Hundred Thousand (90,900,000) Ordinary Voting Shares, being the entirety of the issued and paid up Ordinary Shares represented in the Stated Capital of the Company. Approval in-principle has been granted by the CSE for a listing of such number of Shares on the Empower Board in the Alternate Market segment of the CSE. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE.

The Company does not require the approval of the existing shareholders for the listing of the Ordinary Voting Shares.

5.2 Nature of the Shares to be Listed

The Ordinary Voting Shares in issue rank equal and *pari passu to each other* in all respects and each Share shall confer on the holder 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 paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company in any liquidation.

5.3 Objectives of the Listing

The Company envisages a listing for its Ordinary Voting Shares with the following objectives.

1. Enhance the governance structure of the Company by complying with the Corporate Governance requirements and continuing listing obligations of the Colombo Stock Exchange. It is aimed to build a transparent corporate profile where stakeholders would be able to always assess the operational and financial performances of the Company.
2. Provide liquidity for the shares through an active secondary market where an exit mechanism is made available to existing shareholders in a future date.

5.4 Basis for the Reference Price

The Reference Price for the purpose of listing on the CSE is LKR 2.00 per share.

The Reference Price of LKR 2.00 has been decided by the Company in consultation with the Manager to the Introduction. The Research Report prepared by the Manager to the Introduction justifying the Reference Price is enclosed in Annexure 3 of this Introductory Document. The NAV per share for the financial year ended 31st December 2020 (Audited) is LKR 1.12 and the reference price is 1.79 times the NAV. Summary of the valuation results are disclosed below.

Valuation Method	Price/ Price range Per Share (LKR)	(Discount)/ Premium to the Reference Price
Discounted Cashflow Basis	2.03 - 2.24	(1.4%) - (10.7%)
Net Asset Value	1.16	72.4%
Adjusted Net Asset Value*	1.76	13.6%

**Adjusted net assets value is derived based on the fair value of assets adjusted for the fair value gain of the Land and Building, which was determined by a Chartered Valuer on 8th February 2021.*

The Reference Price is with a discount of 6.1% to the value per share derived based on DCF method (i.e. LKR 2.13 per share), which is the primary valuation method as detailed in the Research Report. Aforesaid discount is recommended to maintain the fair value of a share within the equity value range arrived as explained above, and it would be an attractive starting price for secondary market trading upon listing.

The investors should read the following summary, along with the risk factors included under Section 10 of this Introductory Document, and the details of the Company and its financial statements included in this Introductory Document.

5.4.1 Quantitative Factors

The following quantitative aspects were also taken into consideration when arriving at the Reference Price;

Earnings per Share (EPS) and Return on Equity (ROE)

For the Period Ended	Basic EPS (LKR)	Diluted EPS (LKR) *	ROE (%)	P/E (times)**
31 st December 2019 – Audited	(0.01)	(0.01)	N/A	N/A
31 st December 2020 – Audited	0.10	0.10	8.7%	20
Interim financial statements (unaudited) for the period ended 31 st May 2021 (not annualized)	0.03	0.03	3%	66.67

**The Company does not have any convertible securities in issue as at the date of this Introductory Document.*

*** P/E is based on Reference Price of LKR 2.00 per share*

Formulas used in the calculations are as follows:

$$\text{Earnings per share} = \frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted Average number of shares outstanding during the year/period}}$$

$$\text{Return on Equity (\%)} = \frac{\text{Net profit after tax}}{\text{Net Assets as at the end of the year / period}}$$

Price/ Earnings Ratio (P/E) in relation to the Reference Price of LKR 2.00

- a) Based on audited financial statements of financial year ended 31st December 2020, and based on EPS of LKR 0.10 is 20 times
- b) Based on average EPS of LKR 0.045 for the last 2 financial years, the P/E ratio is 44.4 times
- c) 'Commercial & Professional Services' Industry Sector P/E 11.23*
- d) The P/E range of the industry composite* is as given below;

	Name of the Company	P/E (x)
Highest	Gestetner of Ceylon PLC	17.87
Lowest	Printcare PLC	5.52

**The P/E is calculated excluding the Trade Suspended companies in the Commercial & Professional Services Sector, and based on TTM earnings as per published interim financials. Market prices as per CSE Daily report as of 31st July 2021.*

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

The P/BV in relation to the Reference Price of LKR 2.00:

- a) Based on the NAV per share for the financial year ended 31st December 2020 (Audited) of LKR 1.12, the P/BV is 1.79 times.
- b) Based on the NAV per share for the interim period ended 31st May 2021 (unaudited) of LKR 1.16, the P/BV is 1.72 times.
- c) Reference Price – LKR 2.00
- d) The P/BV range of the industry composite* is given below;

	Name of the Company	P/ BV (x)
Highest	Printcare PLC	1.10
Lowest	Gestetner of Ceylon PLC	0.74

** The P/BV is calculated excluding the Trade Suspended companies in the Commercial & Professional Services Sector, and based on Net assets values as per latest published interim financials. Market prices as per CSE Daily report as of 31st July 2021.*

Peer Entity accounting ratios

Given the nature of the operations of the Company (i.e. Specialized consultancy services), there are no comparable listed entities in the industry sector that the Company is likely to be classified in the CSE (i.e. the Commercial & Professional Services Sector as per GICS).

5.4.2 Qualitative Factors

Following qualitative factors were considered when determining the Reference Price:

- a) Long-standing business track record of the Company - operating for a period of 27 years in the industry has made EML a key player in the space of consultancy, and a well-known brand amongst government intuitions, private sector institutions and donor agencies.
- b) Industry experience demonstrated by the top management and external consultants are key factors for long-term success and sustainability of the Company. Their skills and experience is vital to secure new businesses, as well as successful completion of the projects undertaken.
- c) It is expected that the focus on infrastructure development at national level will continue, which is bound to create new business opportunities for the Company. Steady level of investments by the government as well as the private sector towards key sectors such as road and rail system development, energy, construction could work favorably for EML, where there will be a demand for related professional consultation services.
- d) Positive economic sentiments in the long run despite the COVID-19 pandemic would support the Company's operations where EML's business is quite sensitive to the macro-economic environment. Forecasted GDP growth and increase in capital expenditure for economic and social development are important factors for EML's success. Donor agencies may also recommence work in Sri Lanka with new projects where social development is considered, especially with the gradual recovery of Western countries.

5.5 Inspection of Documents

The Introductory Document and the Articles of Association of the Company will be hosted in the Company's website (www.emlconsultants.com) and the Colombo Stock Exchange's web site (www.cse.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 such Declaration. In terms of Rule 2.5 (d) of the CSE Listing Rules, the Company will make available the Soft Copies of the Introductory Document to the members and trading members of the CSE within twenty (20) Market Days of receiving approval from the CSE.

The Research Report prepared by the Manager to the Introduction will be hosted on the Company's website (www.emlconsultants.com) and the Colombo Stock Exchange's web site (www.cse.lk) for a period of 2 months commencing from the date of granting approval in principle for the listing of shares of the Entity by the Colombo Stock Exchange.

5.6 Declaration to the CSE and Secondary Market Trading

Subject to making available the Introductory Document as stipulated in paragraph 1 of Section 5.5 above, the Company will submit to the CSE a "Declaration" on the Market Day immediately following the day on which the Introductory Document is made available to the members and trading members of the CSE. As per the CSE Listing Rules, Trading of the Ordinary Shares in the secondary market will commence on or before the third (3rd) Market Day from the receipt of the Declaration by the CSE.

6.0 THE COMPANY

6.1 Overview

E M L Consultants Limited was incorporated in year 1993 to provide technical and management consultancy services to the private and public sector in Sri Lanka and across the globe. Initial scope of services was focused on environmental and natural resources management. Within a brief period of time, EML emerged as a leading consultancy services provider in many diverse industries and fields, and successfully expanded to cover a broad spectrum of areas such as community and livelihood development, SMEs, feasibility and environmental assessments, climate change, biodiversity and eco systems, socioeconomic surveys, institutional development, conceptual and detailed designs, heritage and culture, infrastructure projects related to renewable energy, water supply, waste disposal, roads, transport and coastal management.

EML's business model is such that the required technical expertise is obtained from outside consultants depending on project specifications. The Company involves in many categories of projects where resource requirements vary from one to another, making it more cost effective to obtain resources on need basis. At present, the Company has employed a minimum number of specialists as a measure of cost management and retains third-party consultants from its partner firms identified in Section 6.2 below.

6.2 Corporate Structure

The Company does not have an identifiable parent entity and entirety of the shares are held by 5 individual shareholders as depicted in Section 6.6 of this Introductory Document. Furthermore, the company does not hold any subsidiary, associate or joint venture companies.

EML works closely with a few partner companies to obtain the technical assistance or retain professionals as and when such resources are required. These organizations are listed below;

- Development Concepts (Pvt.) Ltd
Specialized in Financial management, Strategic & Business Planning, Performance Management & Improvement, Financial Restructuring, Enterprise Development, Developing business proposals, Conducting project feasibility studies, Micro finance and Carbon Finance.
- International Institute of Development Training (Pvt.) Ltd
Service scope includes Development Training, Research and Consultancy, Socio-economic Research, training and consultancies on Project Cycle Management, Enterprise Development, Governance, Organizational Development, Personal Productivity and Environmental Sustainability
- Sustainable Engineering Concepts (Pvt) Limited
Involves in projects relating to Environment & Natural Resources Management, Tourism Development, Irrigation & Water Resources Management, Regional & Urban Planning and Infrastructure Development, Industrial & Municipal Waste Management etc. Also provides consultancies in the areas of Vocational Training and Skills Development, Governance and Capacity Building, and Micro-finance and Livelihoods Development.

- Sustainability Agenda (Pvt.) Ltd
Provides service in relation to Developing environmental and social management systems, Sustainability and Environmental reporting, Biodiversity impact assessment and Social Impact Assessments, Conceptualizing and developing CSR initiatives, Advising on biodiversity business - markets and opportunities.
- Green Win Holdings Lanka (Pvt) Ltd.
Specialized in Project Consulting, Designing and Planning, Infrastructure Development, Information Technology related services, Power and energy related activities and Telecommunication sector projects.

Such strategic alliances were developed over a period of time to ensure that EML will have readily available resources as and when required. There are no permanent written contracts/ agreements between EML and these entities where services are retained and transactions take place on mutual understanding built over the years. Types of resources and extent is dependent on the project specifications, hence rates for the services are agreed considering the nature and extent of involvement by each party.

With strong and long-term relationships with these organizations, EML has been able to retain high quality resources as and when required for the projects undertaken in a cost-effective manner.

Mr. K.A.K. Jayatilake, Managing Director of EML is also a Director of International Institute of Development Training (Pvt) Ltd, Sustainable Engineering Concepts (Pvt) Limited and Sustainability Agenda (Pvt) Ltd. Please refer Section 7.3 of this Introductory Document for the shareholding details of the said director. Mr. K.A.K. Jayatilake is also a shareholder of Development Concepts (Pvt) Limited and holds 33.33% of shares.

Apart from Mr. Jayatilake, none of the other directors of EML are directors/ shareholders of these companies and have no conflict of interest.

6.3 Business Operations

As a technical and management consultancy services provider, EML currently serves both public and private sector institutions, as well as international donor agencies by providing a wide array of services on fee-based assignments. Most of the projects are secured through a competitive bidding process based on specific requirements of project owners.

Services provided by EML can be identified in the following main segments:

- Environment and Natural Resources Management (ENR)
- Capacity Building and Human Resources Development (CBH) Programs
- Urban and Industrial Engineering (UIE) Service
- Special Project Management

Environment and Natural Resources Management

One of the key business verticals of the Company is Environmental Impact Assessments (EIA's) and Initial Environmental Examinations (IEE's) for Development Projects. In any development project, environmental

impact is assessed prior to granting approvals from authorities such as Central Environment Authority (CEA), where EML provides its services as an independent party.

Capacity Building and Human Resources Development (CBH) Programs

Aiming at social development as well as development of human resources, EML provides its professional services by offering different programs to clients that include training, capacity building, organizational restructuring, policy making and planning etc. These solutions are developed by EML itself and executed by deploying required resources to meet the expectations of various institutions that seek such services.

Urban and Industrial Engineering (UIE) Service

EML offers end-to-end consultancy services in relation to infrastructure development or other projects by undertaking planning activities (EIA, project feasibility studies), Conceptual & Detail design, implementation, monitoring and evaluation. Also, such services include waste minimization and waste/wastewater management consultancies.

Special Projects Management

EML is also capable of providing services on special projects such as Water and Sanitary Projects, Integrated Waste Management, Institutional Development and Governance. Scope of such services may include EIAs, feasibility studies, detailed design monitoring etc. where different expert services are deployed using internal and external resources.

More details on the business activities of the Company are given in Section 2.2 of the Research Report which forms integral part of this Introductory Document (Annexure 3).

6.3.1 Key Projects Completed by EML

Environment and Natural Resources Management		
Master Plan for Cochin Fisheries Harbor Kerala, India	Strategic Environmental Assessment of the Cauvery Basin	Impact Monitoring of the Sri Lanka Conservation and Sustainable use of Medicinal Plants Project - Socioeconomic Survey
Trincomalee Master Plan Integrated Urban Development Plan	JBIC Study on Promoting Clean Development Mechanism [CDM] in Sri Lanka	Survey of Bio-diversity & Wetland Issues & Option for their sustainable management in Kala Oya Basin
Anchorage Facilities at Kalametiya Lagoon	Environmental Monitoring of Mpanga River Hydro-Project at Kamwenge, Uganda	
Integrating Cleaner Production into Industrial Development	Study on the Determination of the Solid Waste Quantification & Composition Analysis - Local Authorities of Hikkaduwa	
Research on Climate Change – Solar Radiation Potential	Solid Waste Management (SWM) - Ampara District	

Water Supply and Sanitation	
Deduru Oya Water Supply Project – Feasibility Study	Greater Colombo Wastewater Management Project- Design Supervision and Management Consultant
Greater Matale Water Supply Project –Feasibility Study	Ratmalana – Moratuwa/Ja Ela – Ekala Sewerage and Waste Water Project
Lippekelle Water Supply Project	

Urban Infrastructure Development		
Rehabilitation of Minor Irrigation Schemes Under Re-Awakening Project in Batticaloa District	Preparation of Detailed development plan for Horana Growth Centre	Formulation a sustainable development plan for Arugam Bay area
National Irrigation Rehabilitation Project Aftercare Program	Local Government Enhancement Sector Project (LGESP)	Urban Transport System Development Project for Colombo Metropolitan Region and Suburbs - Person Trip Survey
Preparation of a Physical Plan for the Coastal Areas of Eastern Province	Local Government Enhancement Sector Project- Sri Jayewardenepura	
Feasibility Studies for the Development of Three Fisheries Harbours in Gurunagar – Jaffna District, Silawathura – Mannar District, and Gandara – Matara District		Conflict Affected Region Emergency Project - Rehabilitation of National Roads
Feasibility Study on Upgrading of Proposed Infrastructure Facility at Dodanduwa Fishery Harbour Basin		

Capacity Building & Livelihood Development		
Rural Finance Sector Development Project	The Sri Lanka- German Small and Medium Enterprises (SME) Development Program	Infrastructure Development Investment Program for Tourism in Himachal Pradesh -India

Water Supply and Sanitation	
Socio-economic Survey in Northern and Eastern Provinces	Southern Province Rural Economic Advancement Project (SPREAP) Socio-Economic Survey
Socio-economic Survey Baseline Socio-Economic Surveys - Plantation Reform Project-2	Study on Quantification of Economic and Social Benefits contributed by the TVET Sector

6.4 Financial information

(A) Performance Snapshot of Last 5 Financial Years

The nature of the business model explained in the proceeding sections of this Introductory Document regularly results in fluctuations in revenues and financial performances of the Company. When considered the past 5 financial years (i.e. 2016 to 2020), the top line is a mixed bag of results however a CAGR of c. 8% is recorded during this period. Varying gross profit margins reported were c. 33% on average during the period under review and this is based on the extent of resources deployed for projects. In terms of profitability, it is observed that fluctuations in overhead costs, finance cost and contribution from other income categories had significant influence on the net results where profits were recorded in 2016, 2018 and 2020 financial years whilst FY 2017 and 2019 recording losses.

(B) Financial Position

Being a professional services provider, EML's business highly depends on human resources required for professional services and therefore it is not an assets driven company. This position is well reflected in the balance sheet of the Company where total assets are amounting to LKR 194 Mn and total equity is LKR 102 Mn as at 31st December 2020 (audited). Apart from the investment in land and building, majority of the assets are represented by current assets in the form of receivables and liquid assets such as bank deposits and cash.

When considered the capital structure, debt to equity ratio at the end of FY 2020 is 26:74 where debt comprises of loans, leases and bank overdrafts. Accordingly, EML is a moderately geared company and in the long run further reduction of debt levels is expected. As a tenured company, a substantial change to the financial position is not expected during the foreseeable future, unless significant changes are made to the business model depending on the operating environment.

A detailed analysis of historical financial performances of the Company can be referred in Section 2.3 of the Research Report, which forms integral part of this Introductory Document (Annexure 3).

(C) Summary of Financial Results

	2020 (A)		2019 (B)		2018 (C)		Variance A – B *		Variance B – C **	
	LKR	LKR	LKR	LKR	LKR	%	LKR	%	LKR	%
Revenue	133,740,943		126,070,595		159,671,737		7,670,348	6.1%	(33,601,142)	-21.0%
Direct Cost	(102,776,025)		(89,014,336)		(115,592,607)		(13,761,689)	15.5%	26,578,271	-23.0%
Gross Profit	30,964,918		37,056,259		44,079,130		(6,091,341)	-16.4%	(7,022,871)	-15.9%
Profit / (Loss) for the year	8,825,936		(920,186)		7,434,441		9,746,122	1,059.1%	(8,354,627)	-112.4%

* Key highlights in FY 2020 as compared to FY 2019 are drop in gross margin due to increase in Direct costs (cost of sales) and substantial net profit increase. Depending on the nature and extent of resources and expertise required to fulfill project scope, direct costs vary and margins that can be secured also vary from project to project.

Despite the drop in gross margin, other income contributed to the net profits, which is largely attributable to gains from disposal of motor vehicles which is a one-off gain. In addition, reduction in overhead costs in FY

2020 (by 21%) due to closure of office premises as a result of country's lockdown with COVID-19 pandemic contributed to maintain a better net margin.

** FY 2018 saw the highest revenue during last 5 years where EML managed to secure few high value projects compared to other years, leading to generating higher revenue together with the revenues of certain projects continued from the previous year. Despite new projects with high values were secured in FY 2019, certain projects extended to FY 2020 where only a portion of revenues were accrued in FY 2019. Therefore, a drop in revenues is observed as compared to FY 2018, leading to a significant drop in direct costs and gross profit. Unlike in FY 2018 and 2020, there was no major other income components in FY 2019, where a marginal net loss has been recorded in FY 2019.

As discussed above, other income components namely gain from disposal of motor vehicles and foreign exchange gain contributed to the profits of FY 2020, also leading to a notable increase in net assets value as at 31st December 2020. Out of these two components, assets disposal gain is a non-recurrent income. On the other hand, foreign exchange gains are linked to the projects invoiced in foreign currencies, therefore, a regular element that appear under other income category. However, the same could be an exchange loss at times depending on foreign currency fluctuations, as such could have a negative impact on profits and net asset value in such a scenario.

(D) Other financial information

Amounts due to directors as disclosed under Note 18 of the Audited financial statements of 31st December 2020 is relating to sums payable to Managing Director for the consultancy services he provided in various projects in the past. There is an increase in this balance in FY 2020 due to amounts charged in that year in relation to the services obtained. These amounts are paid depending on the availability of cash inflows.

Amounts due from shareholders (LKR 567,792) mentioned under Note 12 of the Audited financial statements of 31st December 2020 is carried forward from FY 2012, and the Company has informed the relevant shareholders on the same. EML is in the process of tracing the past records to identify the nature of the transactions and confirm this balance in order to recover the same.

Compared to financial year 2019, Staff salaries were reduced in FY 2020 with the measures taken by the Company to curtail salaries to certain extent, aiming at effective cost management during the pandemic period.

(E) Interim Financial Statements for the period ended 31st May 2021

Please refer Annexure 2 of the Introductory Document for the interim financial statements of 31st May 2021.

As reflected in the interim accounts, Revenue for the current interim period ended 31st May 2021 has dropped by 7% compared to the comparative interim period since the value of completed/ part completed projects is low during the first 5 months period of 2021. The revenues are dependent on the projects undertaken at different times, hence revenue fluctuations are natural in different financial periods.

The reduction of net profits by 68% during the current interim period is caused by the low gross profits driven by higher project related direct costs and mainly with a 62% increase in administrative expenses due to increase in staff costs, retainer consultants' fees and overheads. During the same period of last year, staff and

overhead costs were low due to closure of the office during the months of March, April and May in view of the first wave of COVID – 19 pandemic.

(F) Preparation of audited financial statements post listing

The Company will continue to prepare audited financial statements as per SLFRS for SMEs in 2021 and will commence to prepare audited financial statements as per full SLFRS from the financial year 2022.

6.5 Industry Overview

Technical and management consultancy services sector is largely dependent on the opportunities available in its market space, mainly driven by the public and private sector demand for such services. Socio-economic development activities, commercial development activities, infrastructure development and institutional specific projects executed by the public/ private sector and international donor agencies are the target business opportunities for the service providers. Therefore, such companies are not capable of creating markets on their own and business volumes are largely dependent on macro-economic conditions including political and economic factors.

6.5.1 Macro Economic Environment

Economic Growth

A growing economy is a signal of active involvement by both government and private sectors in economic activities that encompass infrastructure development, commercial development and socio-economic development. Such activities are key factors for business growth of professional services providers of EML's caliber. Recent challenges due to the spread of COVID-19 caused a negative GDP growth for Sri Lanka in 2020; however, expected to rebound as the time progresses with better prospects for key sectors.

Government Policies

The GoSL has made certain crucial policy decisions during 2020, in terms of lowering the interest rates, encourage domestic manufacturing and restricting non-essential imports etc. Such initiatives were aimed to increase capital availability, manage exchange rates and to support local entrepreneurs, which would induce faster economic development. Focus on local manufacturing and industrialization means that EML and other similar companies would have an on-going project pipeline to provide services in segments such as EIA, project management etc.

Simultaneously, infrastructure development projects also energized with more allocation of funds as the government emphasized the importance of such initiatives to support efficient and fast development. In such activities, it is regularly observed that state institutions seek the services of professionals to conduct feasibility studies, environment impact assessment, and project management etc. creating new avenues for such services. Promotion of FDIs is also a major strategy that always assisted Sri Lanka as a country for a very long time, which assisted setting up new businesses and creating employment opportunities.

Key Sectors

Agriculture, power and energy, manufacturing and tourism sectors are pivotal in driving towards sustainable development with the involvement of state and the private sector. More and more investments into these sectors also require expertise to successfully launch and complete these projects, which will eventually create

more demand for technical consultancy firms. In addition, the construction sector is booming with substantial investments towards large real estate development projects especially by the private sector. The Colombo Port City project remains an untouched market segment for local consultants, however once development activities commence, it is hopeful that Sri Lankan specialists would be able to gain access by extending their professional services.

A comprehensive Industry analysis covering the operating environment and business opportunities for EML is provided under Section 3.0 of the Research Report prepared by the Manager to the Introduction (Annexure 3).

6.6 Shareholding details of the Company

As at the date of this Introductory Document, following parties are the shareholders of EML.

Name of the shareholders	Number of shares	Percentage
Mr. K.A.K. Jayatilake	67,300,738	74.04%
Mr. Dinal Gitanjan Wijemanne	14,725,406	16.19%
Mr. Tulsidas Mahendran Waloopillai	7,362,744	8.10%
Mr. Thilak Hewawasam	944,445	1.04%
Mr. P. C. Fernando	566,667	0.63%
Total	90,900,000	100.0%

Full particulars of the Capital structure are provided under Section 8.0 of this Introductory Document.

6.7 Human Resource

As at the date of this Introductory Document, EML has 22 permanent employees. Other specialist consultants for projects are retained based on the requirements and they do not fall under the purview of EML employees.

As at the date of this Introductory Document, there are no labour unions in the Company and no agreements have been entered into between any labour unions and the Company.

6.8 Taxation

The Company is liable for income tax at the rate of 14% on taxable profits, which is the corporate income tax rate applicable for SME's. There are no tax concessions enjoyed by the Company at present, however, in the event a listing is obtained in the CSE prior to 31st December 2021, EML would avail for a 50% reduction in the income tax payable for the year of assessment commencing from 1st April 2021 in accordance with the provisions of Inland Revenue (Amendment) Act, No.10 of 2021.

The Company has made all tax payments in the past in line with applicable tax regulations, however there are certain pending tax matters which are currently in discussion with the IRD. These are primarily relating to mismatch of payment periods as per IRD records and tax returns filed by the Company and late payment of taxes. Total amount of the penalty calculated by IRD is approximately LKR 2.5 Mn where approximately 80% of this amount is on payment period mismatches as explained above.

The Company has already provided relevant clarifications to the IRD, and appeals have been made where necessary. The matters are currently pending with tax authorities and outcome is unknown as at the date of the Introductory Document. Considering the nature of these items, the Company is of the view that it is unlikely that there would be a material impact on the Company's financial statements due to the above.

6.9 Future Strategies of the Company and Assumptions on which such strategies are based upon

a) Improvements to current level of operations

The Company has identified the importance of securing more businesses in order to maintain a better profitability. The company secures projects through a competitive bidding process as such it is important to continuously explore opportunities in the operating space. Further, relationship building with government and private sector institutions is an added advantage where EML can position itself better when it comes to winning projects. In order to execute these business development activities, the Company is planning to recruit an experienced individual within this year, so that more focus can be given for the identified activities.

It is assumed that the macro-economic conditions will continue to improve, enabling expected improvements in the business operations to materialize in the future. GDP growth, government policies towards infrastructure developments and interest from donor agencies for socio-economic development projects are key factors that Company envisages to improve in the long-run, which opens more business opportunities for EML.

b) Explore new feasibility of expanding business opportunities outside Sri Lanka

The Company in its long-term plans, will explore opportunities to expand beyond borders and provide specialized consultancy services. As a long-established brand in Sri Lanka with a strong track record of successfully completing over 300 projects, EML believes that they will have a better chance of securing businesses especially in South Asian region. In addition, international relationships and exposure of the senior management team is a key factor EML can capitalize when promoting business overseas.

EML believes that the management will be able to secure projects through the relationships of the top management team in a targeted country. It is expected that relevant funds for such activities can be generated internally and human resources including consultants would be available to deploy for the projects.

Potential investors are advised to read Section 10 of this Introductory Document to understand the risks that would impact above strategies.

7.0 CORPORATE STRUCTURE

7.1 Board of Directors

The Board of Directors of the Company comprises of experienced and professional individuals where there are 1 Executive Director, 1 Non-Executive Non-Independent Director and 2 Non-Executive Independent Directors. The Board is responsible to oversee the business affairs of the Company and provides leadership via formulating business strategies.

Name	Nature of the Directorship
Mr. Thilak Hewawasam	Chairman, Non-Executive, Non-Independent Director
Mr. K. A. K. Jayatilake	Managing Director, Executive Director
Mr. H.N. J. Chandrasekera	Non-Executive Independent Director
Mr. K.P.P.H. Mihiripenna	Non-Executive Independent Director

7.2 Profiles of the Board of Directors

Mr. Thilak Hewawasam – Chairman - Non Executive Non-Independent Director

213- 3/18, Park APT, Park Road, Colombo 5

A Regional Development Planner by profession, Mr. Hewawasam has a wealth of experience serving in both public sector and private sector institutions. His service in the state sector includes the tenure as Chairman, Central Environmental Authority, which is the apex body responsible for formulation and implementation of environmental regulations.

He has also been involved in different national level projects and held key positions such as National Project Director for Water Supply & Sanitation Project (CWSSP), 1992- 1997 Ministry of Housing - Sri Lanka, Director - Clean Settlement Program (CSP) funded by World Bank, Project Director – ADB funded Rural Water Supply Pilot Project in the District of Monaragala and Coordinator- Greater Colombo Urban Community Sanitation Program (1994-1996). From 2006-2010, he was the Senior Water and Sanitation Advisor for the USAID Asia (Eco-Asia) Program. His international experience includes involvement in community development projects launched by USAD and World Bank in many countries in the South Asian Region, West Asia and Central Africa.

Mr. Hewawasam holds a MSc (Econ) in Regional Dev. Planning from University of Wales, Post Graduate in Sociology – Land Settlement & Development from University of Colombo, Post Graduate Certificate in Public Administration, SLIDA and BA(Sp) 2nd Class (Hons) in Geography from University of Ceylon, Peradeniya. He also a Member of Sri Lanka Administrative Service (SLAS) and Member of Institute of Environmental Professionals, Sri Lanka.

Mr. K. A. Jayatilake - Managing Director - Executive Director

78/2, Old Nawala Road, Nawala, Rajagiriya

Formerly in the Sri Lanka Administrative Service (SLAS), Mr. Avanthi Jayatilake is one of the top most professionals in the sphere of Environment Management. He started his career as a SLAS Officer in 1979 and served in many important positions in government agencies including Ministry of Planning, CEA and Ministry

of Environment. In 1991 he was employed by the United States Agency for International Development (USAID), as the Program Specialist and was later appointed as the Mission Environmental Officer to look after the environmental aspects of all projects supported by the USAID.

In addition, he has also served as Special Advisor to the US Ambassador on environmental related matters. Mr. Jayatilake has served as the Team Leader for large number of Environmental Impact Assessment Reports and served as the Environmental Specialist for several major projects designed and implemented in other countries as well. Previously, Mr. Jayatilake has also served as a Director/ Chairman on the Board of Property Development PLC, a company quoted on the Colombo Stock Exchange.

He holds a MSc. in Environmental Management from the University of Tasmania – Australia.

Mr. H. N. J. Chandrasekera – Non-Executive Independent Director
354, Biyagama Road, Gonawala, Kelaniya

Mr. Jayaraja Chandrasekera is a senior banking professional who has held Senior Corporate Management positions in one of Sri Lanka's leading private commercial banks Hatton National Bank PLC, with a career spanning over 35 years. He has handled Banking and Bancassurance related responsibilities during his long tenure in the Financial Services Industry. He has also served in the Boards of National Savings Bank and Pan Asia Banking Corporation PLC since 2015 to 2020.

He holds an MBA from the University of Sunderland UK, and a Postgraduate Diploma in Strategic Management. He is also a member of The Association of Professional Bankers, Sri Lanka and has undergone extensive training in banking, leadership, and management both locally and at prestigious overseas institutions such as Mount Eliza Business Faculty, Melbourne University- Australia, National University of Singapore, Lloyds Bank TSB- UK, Development Bank of Philippines and Association for Overseas Technical Scholarship - Japan.

Mr. K.P.P.H. Mihiripenna – Non-Executive Independent Director
No 159/4, Pamunuwila, Gonewala (WP), Sri Lanka

Mr. Mihiripenna is a well-experienced finance professional with a long track record in the fields of accounting and finance, holding key positions in several companies in Sri Lanka. He also possesses ample experience in corporate management as a member of Boards of different entities, both in private and state sector.

Starting his career at Ernst & Young back in 1985, Mr. Mihiripenna has moved to hold key positions, including Finance Controller and Vice President - Finance in private and public listed companies. These companies include Muller & Phipps Ceylon PLC, Ceylon Beverage Holdings PLC (formerly Ceylon Brewery), Yashoda Group of companies and Ruhunu Cement Company Limited.

Mr. Mihiripenna is currently a senior partner of Keerthi Mihiripenna & Co., a firm of Chartered Accountants. He currently serves as the Chairman/Managing Director of Harvest Business Consultants (Pvt) Limited and AMW Insurance Brokers (Pvt) Limited and also the Chairman of Berkly Associate (Pvt) Limited. Previously, he held the positions of Deputy Chairman and Chairman of Milco (Pvt) Limited from February 2015 to May 2018 and also from February 2019 to January 2020. Further, he has been in the Management Board of Samurdhi Bank for a brief period of 6 months in year 2018.

Mr. Mihiripenna is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, Institute of Certified Management Accountants of Sri Lanka and Association of Accounting Technicians of Sri Lanka. He also holds a B.Com (Special) Degree from the University of Sri Jayawardhanapura. He has been an Associate member from the inception (2005) of Sri Lanka Institute of Directors.

7.3 Other directorships held by the members of the Board

Name	Other Directorships held
Mr. Thilak Hewawasam	N/A
Mr. K. A. K. Jayatilake*	International Institute of Development Training (Pvt.) Ltd Sustainable Engineering Concepts (Pvt.) Ltd Sustainability Agenda (Pvt.) Ltd
Mr. H.N. J. Chandrasekera	N/A
Mr. K.P.P.H. Mihiripenna	Harvest Business Consultants (Pvt) Limited AMW Insurance Brokers (Pvt) Limited Berkly Associate (Pvt) Limited.

* Mr. K. A. K. Jayatilake's shareholding in the companies identified herein are as follows:

- International Institute of Development Training (Pvt.) Ltd – 50%
- Sustainable Engineering Concepts (Pvt.) Ltd – 50%
- Sustainability Agenda (Pvt.) Ltd – 50%

7.4 Directors' interest in shares

Other than the Directors identified below, none of the other directors directly or indirectly hold shares in the Company as at the date of this Introductory Document:

Name of the shareholders	Number of shares
Mr.K. A. K. Jayatilake	67,300,738
Mr.Thilak Hewawasam	944,445

7.5 Sale or Purchase of Shares by the Directors

Apart from the share transfer mentioned under Section 8.3 of this Introductory Document, there were no sales or purchases of shares made by the Directors of the Company during the last 12 months prior to the date of this Introductory Document.

7.6 Corporate Governance Practices

The Company as a part of its transformation to a public company has identified the importance of good corporate governance practices that would enhance corporate transparency by having a robust system of internal controls, procedures and financial reporting.

At present, the Company has two Non-Executive Independent Directors on the Board. Names of the Independent members of the Board are as follows:

Mr. H. N. J. Chandrasekera

Mr. K. P. P. H. Mihiripenna

The Board has appointed the above two Independent Directors to the following committees, that supports maintaining a healthy governance structure and best practices:

1. Audit Committee
2. Remuneration Committee
3. Related Party Transactions Review Committee

7.6.1 Audit Committee

Audit Committee comprises of two non-executive independent directors where they are empowered to oversee the financial reporting processes, internal controls, internal audit, whistle blowing activities, and assess the independence and performance of external auditors:

Names of the Committee members are as follows:

Mr. K. P. P. H. Mihiripenna - Chairman

Mr. H. N. J. Chandrasekera

Functions of the Audit Committee include the following:

- a) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.
- b) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- c) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- d) Assessment of the independence and performance of the Entity's external auditors.
- e) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

7.6.2 Remuneration Committee

The Remuneration Committee of the Company is established to assist the Board relating to determination of the remuneration (cash and non-cash benefits) payable to the executive and non- executive directors of the Company. The Committee comprises of 2 Non-executive Independent Directors.

Names of the Committee members are as follows:

Mr. H. N. J. Chandrasekera - Chairman

Mr. K. P. P. H. Mihiripenna

The remuneration policy of the Company is to maintain a balance between providing a suitable compensation to the employees and their performance for the best interest of the Company and the shareholders. The remuneration packages recommended by the Board will be reviewed by the members of the Remuneration Committee to provide required guidance when required.

7.6.3 Related Party Transactions Review Committee

The scope of the committee is to provide independent review and oversight of related party transactions to ensure such transactions are executed in a transparent manner whilst being compliant with applicable regulations upon listing.

The committee comprises of non-Executive independent directors as follows:

Mr. K. P. P. H. Mihiripenna - Chairman

Mr. H. N. J. Chandrasekera

7.7 Corporate Management Team

7.7.1 Management Team

The leadership team of the Company is responsible to ensure that the affairs of EML are carried out in a manner that would achieve the desired objectives for the best interests of the Company and its shareholders.

Mr. K.A.K. Jayatilake – Managing Director

Please refer Section 7.2 of this Introductory Document for Managing Director's profile.

Mr. A Rajaratnam - General Manager - Projects

Mr. A Rajaratnam has 30 years' experience in Environmental Sector. He has a track record of 10 years in EML Consultants Ltd, in various positions in Project Management and Consulting. Prior to joining EML, he had worked for Central Environmental Authority for 15 years in various capacities in the Pollution Control Division. He also served as a Project Management Specialist/ Deputy Project Director in the North East Coastal Community Development Project in the Eastern Province, implemented by the Ministry of Nation Building which was funded by the Asian Development Bank.

Mr. Rajaratnam is a Chartered Environmentalist and holding a Master's degree in Environmental Science from University of Colombo. He has also attended several international and local trainings. He also participated in several technical committees during his tenure at CEA.

Mr. Piyal Ganepola – Advisor/ Consultant

Mr. Piyal Ganepola is a vastly experienced professional with a proven track record in the fields of Project Management, Institutional Management, Urban Engineering- Infrastructure, Housing, Resettlement, Green Technology, Disaster Management and Quality Management. During his career that extends over 40 years, Mr. Ganepola has served as a consultant and advisor in many government institutions as well as in international agencies operating in Sri Lanka. His major involvements include positions held as Advisor - Engineering & Infrastructure - UN Habitat, Senior Technical Advisor - Applied Research Unit of UNOPS, Consultant on Urban Infrastructure - Ministry of Megapolis and Western Development and General Manager - National Housing Development Authority.

Mr. Ganepola holds a bachelor's degree in Engineering from University of Peradeniya and Post Graduate Diploma in Engineering from University of Moratuwa. He is also a Civil Engineer and a Fellow of Institution of Engineers – Sri Lanka. He also has extensive training in areas such as Urban Infrastructure Planning, International Construction Management, and Housing Policy from leading universities around the World.

Dr. Magdon Jayasoorya - Senior Consultant

Dr. Magdon Jayasoorya brings enormous wealth of experience and expertise to EML through his 35 years long career in the state sector and private sector. He is one of the most senior experts in the sector of Ecology and has contributed a great deal towards government efforts in sustainable development through a great number of consultancies, a great extent of researches and through experience gained in working with multi-national teams. His last position under the government service has been the Director, Plant Genetic Resources Centre, Department of Agriculture (January 1996 - March 1998). His specializations extend across the fields of Plant Systematics, Plant Ecology, Biodiversity Conservation and Plant Resources & Agro biodiversity.

Dr. Jayasoorya holds a Ph.D. in Plant Systematics from City University of New York – USA, M.Phil. in Plant Ecology & Plant Systematics from University of Peradeniya and a B.Sc. (Special) degree in Botany (Special subject) Chemistry (Subsidiary subject) from University of Colombo.

Dr. S.M. F. Marikar – Senior Consultant

Dr. Marikar is a leading specialist in Sri Lanka in the statistical design and conduct of surveys and processing of quantitative data and qualitative information. He counts over 20 years of experience in government departments as the Director Planning and is well conversant with the functioning mechanism of the state sector.

During his career, he has spearheaded design and conduct of over twenty socio-economic surveys including design of questionnaires, implementation, monitoring and evaluation. He also has served as the Senior Consultant in the Study on Impact Assessment of the rural community resulting from the development of a major infrastructure project in Southern Sri Lanka. He has been the 'Senior Project Economist' for the ADB funded mission 'Sri Lanka Agricultural Rehabilitation Project, which was aimed at the assessment of the achievement of social and economic objectives via agriculture development.

Dr. Marikar is a Ph. D holder in Natural Resource Economics from Colorado State University – USA and has a Master's degree in Agricultural Economics from Stanford University, California – USA. He also holds a B.Sc. Agriculture (Second Upper) degree from University of Ceylon.

Dr. S. Manitha Weerasuriya – Senior Consultant

Dr. Weerasuriya has extensive experience in project management and governance related training and capacity building projects conducted through the USAID funded TALG and GUGSA programs since 2004. He is the Managing Director of the International Institute of Development Training, IIDT, CEO of Nikini Automation Systems (Pvt) Ltd (Sri Lanka). He was Lecturer at the City University of New York and served as the Assistant Soil Chemist at the Rubber Research Institute of Sri Lanka.

Dr. Weerasuriya obtained his Ph.D. in Environmental Biology and Master of Philosophy Degrees in Biology from the City University of New York. He has also obtained his masters in Botany and BSC in Agriculture from the University of Peradeniya, Sri Lanka. He has received several Awards, Fellowships and Grants during the academic career.

Mr. K H Muthukuda Arachchi

Mr. Muthukuda Arachchi is a veteran in Environmental and Natural Resources Management fields, having served in government Institutions including Central Environmental Authority and National Water Supply & Drainage Board in his career expanding over 30 years. He has held senior positions at different departments in CEA including Director and Deputy Director positions. He has also served in different committees and Boards of Ministries including Ministry of Industry & Commerce and Ministry of Local Government and Provincial Council.

He has undergone foreign training relating to various aspects of Environmental Management in many Asian Countries as well as in Europe.

Mr. Muthukuda Arachchi holds a Bachelor of Science (BSc.) - Biological Science Degree from the University of Sri Jayewardenepura and a Master of Science (MSc.) Degree in Forestry and Environment from the University of Sri Jayewardenepura.

7.7.2 Statement by the Managing Director

The Managing Director of the Company is or was not involved in any of the following events:

- a) 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;
- b) Convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

8.0 CAPITAL STRUCTURE

8.1 Stated Capital

The Stated Capital of the Company comprises of only Ordinary Voting Shares and details are as below:

Description	31-May-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018
Number of Shares	90,900,000	90,900,000	90,900,000	90,900,000
Stated Capital (LKR)	90,900,000	90,900,000	90,900,000	90,900,000

There are no changes to the number of shares and Stated Capital subsequent to 31st May 2021 hence stands unchanged as of the date of this Introductory Document.

Holders of the Ordinary shares of the Company have the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in dividends paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company in liquidation.

There were no shares redeemed or re-purchased or there have been no reduction of stated capital taken place during the 2 year period immediately preceding the date of the Introductory Document

Furthermore, there were no Ordinary Voting Shares or other class of securities subscribed or sold privately, in conjunction with the public issue/ listing of Securities.

Please refer Section 6.6 of this Introductory Document for the details of existing shareholders of the Company.

8.2 Details of share issues during the period of 2 years prior to the date of Introductory Document

There were no allotments of shares during the 2 year period preceding the date of the Introductory Document.

8.3 Details of share transfers carried out during the period of past 2 years prior to the date of the Initial Listing Application

Following share transfers have taken place during the past two years immediately preceding the date of the initial listing application.

Date	Transferor	Transferee	Number of shares
15 th July 2020	Mr. H. N. J. Chandrasekera	Mr. K. A. K. Jayatilake	67,300,738

Above share transfer was made at a consideration of LKR 0.01 per share.

Total number of shares transferred by Mr. Chandrasekera includes 67,111,850 shares directly held and 188,888 shares held "on behalf of employees" as a part of an Employee Share Ownership scheme previously existed where subsequent to aforementioned transfer, 67,300,738 shares are directly held by Mr. Jayatilake

(including aforementioned 188,888 shares) as the absolute and beneficiary shareholder. Those shares previously held “on behalf of employees” have been identified in the audited financial statements (AFS) of 2018 and 2019 (note 14) as shares held by “Employees”. However, EML confirms that the shares were not directly held by the employees, hence the term “Employees” used in the AFS should read as “Shares held on behalf of employees”.

Please refer Section 8.4 of this Introductory Document for details of locked-in shares.

8.4 Details of shares locked-in

In term of Rule 2.1.1 (f) of the CSE Listing Rules, Shares referred as ‘locked-in’ in the below table will not be available for secondary market trading on the CSE upon listing, and until the lock-in period is completed.

Shares ‘Locked-in’ and not ‘Locked-in’

Category of Shareholders (Pre-Listing)	Locked-in Shares	The Months after which the Shares will be Available for Trading	No. of Shares	No. of Shares as a percentage of Total Number of Shares in Issue (Pre-Listing)
Non-Public	Shares held by non-public shareholders prior to the date of Initial listing application - Locked-in	6 months from the date of listing	944,445	1.04%
Non-Public	Shares acquired by way of a transfer within the 12 months period prior to the date of the Initial Listing Application - Locked-in	12 months from the date of transfer or 6 months from the date of listing whichever is longer	67,300,738	74.04%
Public	Not Locked – in	-	22,654,817	24.92%
Total			90,900,000	100.00%

The Company hereby confirms that the information furnished herewith shall remain unchanged until the Date of Listing.

For the purpose of determination of the locked-in period for shares as per Rule 2.1.1 (f) of the CSE Listing Rules, Non-public and Public shareholders have been identified according to the definition provided under Section 2.1.1 of the CSE Listing Rules.

It should be noted that there is no minimum public holding requirement applicable for the Company since a listing is sought on the Empower Board of the CSE.

No change to the current shareholding will take place from the date of Initial Listing Application to the date of listing.

8.5 Free transferability of shares

Upon the Ordinary Shares being listed on the CSE, such Shares shall be freely transferable except for those Shares mentioned in Section 8.4 of this Introductory Document which will be locked-in as detailed therein.

8.6 Other Securities

The Company has not issued any convertible debt securities or any other class of shares or securities other than the Ordinary Voting shares in issue as stated in this Introductory Document.

8.7 Takeover Offers

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

9.0 OTHER INFORMATION

9.1 Degree of Dependence on Customers or Suppliers

The Company is not dependent on any specific Customer or Supplier in relation to business operations.

9.2 Dividend Policy

During the past 5 financial years, no dividend payments were made by the Company.

The Company may, subject to the provisions of the Articles of Association and the Companies Act No. 07 of 2007, make dividend payments to its shareholders by distribution of profits made from time to time. The extent of the dividend distributions would depend on the level of profits, future capital requirements and availability of liquid funds etc. Ordinary Voting shareholders of EML rank equal and *pari-passu* in respect of dividend distributions.

9.3 Details of debt, loan capital and borrowings

- a) As of the date of this Introductory Document, EML has not issued any debt securities or convertible securities.
- b) Details of the loans and other borrowings of the Company as of 31ST May 2021 (unaudited) are as follows:

Lender/ Party	Amount Borrowed/ Facility Limit (LKR)	Outstanding amount (LKR)	Terms of the loan
Hatton National Bank PLC (HNB) – Property Loan*	4,200,000	1,100,000	42 months at an interest rate of AWPLR+3% p.a.
National Development Bank PLC (NDB) – Loan under COVID-19 facility scheme*	5,500,000	4,888,888	18 months at an interest rate of 4% p.a.
Bank Overdraft (O/D) – HNB and NDB **	O/D limit of LKR 16,000,000	20,440,543	Revolving facility at an interest rate of 7.1% p.a.
Total		26,429,431	

* Land and building situated at No. 6/10, Rajamahavihara Road, Pita Kotte is pledged as the primary mortgage for the loan obtained by the Company (Net book value of the property is LKR 48.5 Mn as at 31/12/2020 - audited).

** O/D facilities have been obtained against the Fixed deposits with respective banks.

Other than the above, there are no mortgages or charges on Company's assets for these borrowings, or in other forms as at the date of this Introductory Document.

c) Details of Leasing, lease purchase and hire purchase commitments as at 31st May 2021 (unaudited).

Lessor	Amount Borrowed/ Facility Limit (LKR)	Outstanding amount (LKR)	Terms of the loan
National Development Bank PLC	3,500,000	3,092,698	5 years at an interest rate of 12.25% p.a.
National Development Bank PLC	3,000,000	2,643,980	5 years at an interest rate of 10.5% p.a.
National Development Bank PLC	6,300,000	6,130,360	5 years at an interest rate of 9.25% p.a.
Total		11,867,938	

Apart from the above, there are no any other liabilities under acceptance (other than normal trading bills) or acceptance credits as at the date of this Introductory Document.

d) As at the date of this Introductory Document, the Company has not provided guarantees to any party.

9.4 Litigation, Disputes and Contingent Liabilities

A case has been filed at the Anuradhapura Labour Tribunal against EML by a consultant that was retained on fee basis for a specific project, however claiming for EPF/ETF (Case No 27/Anu/2546/2020). The case is only partly heard and pending for further hearing where the dates have not been fixed yet. In the event the case is decided against the Company, the estimated maximum possible liability would be LKR 3,300,000/- which has not been provided in the financial statements as of the date since the case is pending.

Apart from the above, as at the date of this Introductory Document, there are no

- a) legal, arbitration or mediation proceedings which may have or have had in the recent past significant effects on the Company's financial position.
- b) contingent liabilities that would affect current and future profits of the Company.

Apart from the above, an amount of LKR 691,540/- corresponding to year 2019, which is mentioned under Note 17 of the Audited financial statements of 2020 is a provision made in year 2007 in view of a Labour Tribunal case on non-payment of EPF/ETF. The case was filed against EML by the Assistant Commissioner of Labour – Anuradhapura, based on a complaint lodged by certain consultants who provided services in specific projects. The provision has been made according to a computation of the officials of the Labour department. The case was decided against the Company and an appeal has been made by the Company in year 2006. The case is pending at the Court of Appeal as of date. Since the full provision has been made, the impact is already reflected in the financial statements.

Please also refer section 6.8 of this Introductory Document for details on tax penalties imposed by the IRD on pending tax matters as mentioned therein. Apart from the above, no other penalties imposed by regulatory and state authorities on the Company.

10.0 INVESTMENT CONSIDERATIONS AND ASSOCIATED RISK FACTORS

Risk Factors

Prospective investors who wish to buy shares in the secondary market 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.

These risk factors 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 in which the Company operates and due to strategic initiatives employed by the Company, the business operations of the Company are expected to become sustainable in the foreseeable future.

Risks Related to the Industry

Stable flow of market opportunities is not guaranteed – Service providers in the technical and management consultancy services industry depends on projects undertaken by State and Private Sector organizations. Therefore, the market is not stable and changes in the macro-economic environment plays a key role in rapidly changing the market dimensions. Accordingly, revenue flows of the company will depend on the extent of development projects available in the market. Furthermore, most of the projects are usually secured through a competitive bidding process hence all players operating in the market compete for available projects. Therefore, success rates are varying depending on each party's ability to place a competitive bid, in addition to managing costs and returns to a satisfactory level.

Risks Related to Business Operations of the Company

Variability in project timelines – There could be instances where project timelines vary due to delays of project owners and other parties involved in a project. As the Company is only a single party to such projects, any delays caused by other parties are beyond the control of the company. Due to such variations of timelines, completion of project milestones assigned to EML also may vary hence revenue flows are subject to delays. Having a portfolio of different projects at a given time will assist the Company to mitigate these risks and manage cash flows effectively.

Involvement of third-party consultants The Company's business model is as such, relevant experts are engaged depending on project specifications, where having full time consultants on permanent basis creates additional financial burden on the company. Project specifications are also varying from project to project; therefore having relevant experts in the permanent staff is not viable. However, the captioned model may result in resource constraints at times, as there is a dependency on third parties for services. EML is in possession of partner entities that are capable of providing relevant services on projects, and long standing business relationships maintained with such partners mitigates aforesaid risks.

Macroeconomic risks

Changes in the political environment – One of the main revenue sources for the Company is projects secured in Government funded development activities. Therefore, continuity in development projects undertaken by

the government is a key factor for revenue generation. In the event capital expenditure is reduced for infrastructure, economic and social development activities, the Company's business would be negatively impacted. Accordingly, the government's policy towards funding of such projects is important as far as EML's business is concerned.

Contraction in economies – Slow-down in economic development has an impact on the launch of new projects, both from the State sector and Private sector due to limitation in capital availability and related risks. Furthermore, in a situation of a global economic recession, it could also have a negative impact on donor projects funded by regional and international agencies. Such a situation could lead to a drop in the number of projects undertaken by the Company, thereby reduce revenue flows.

Impact of COVID-19 pandemic on world economy

COVID 19 outbreak has caused a significant impact on world economies where regular economic activities have been hampered throughout year 2020. Even in Sri Lanka, the GDP has recorded a negative growth of 3.6% in year 2020 (Source: CBSL Annual Report-2020). However, the government has continued its development projects with best possible efforts amidst certain interruptions due to lockdowns. Furthermore, private sector projects and donor funded projects may also go through a challenging period in terms of executions due to capital constraints and movement restrictions etc.

However, in year 2020, the Company's revenue has improved by 6% compared to that of 2019, showcasing a low impact from COVID-19 pandemic. Faster the country combats the virus and recovers from its present situation; EML could capitalize on new projects in order to sustain its business growth. Successful vaccination against COVID- 19 is a key driver of socio – economic revival, where state and private sector would be able to focus on development projects.

Risks Related to the Shares and Secondary Market Trading

Non-existence of prior market for the Shares - Prior to listing, 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. The Reference Price is the price at which the shares will be listed on the CSE and may not be indicative of the market price for the Company's Shares after listing. In addition, once trading commences for the shares, market prices are subject to fluctuations depending on a company's financial performances, macro-economic factors and investors' perception on long term business sustainability of the company.

SME sector company investment considerations - It is a general perception that the risks are greater for a relatively smaller size business as compared to a company with a significant capital investment, asset base and a market presence etc. As such, potential for success for a company classified as a SME is evaluated taking into consideration of quantitative factors such as capital/ assets base, market share etc. and the qualitative factors such as strengths of the management, business development strategy, Corporate Governance structures etc. Therefore, potential investors are advised to make an appropriate assessment of these factors and associated risks when making an investment decision.

Where EML is concerned, the long-standing track record and strong presence in the market are indications of stability and potential for long term sustainability of its business. In addition, the vastly experienced management team is a key strength that will enable continuing efforts to secure new projects whilst delivering the best quality service, therefore will assist them to sustain business operations in the long run.

11.0 STATUTORY DECLARATIONS

Statutory Declaration by the Directors

31st August 2021

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

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. Where representations regarding the future performance of EML have been given in the Introductory Document, such representations have been made after due and careful enquiry of the information available to EML and making assumptions that are considered to be reasonable at the present point in time by our best judgement.

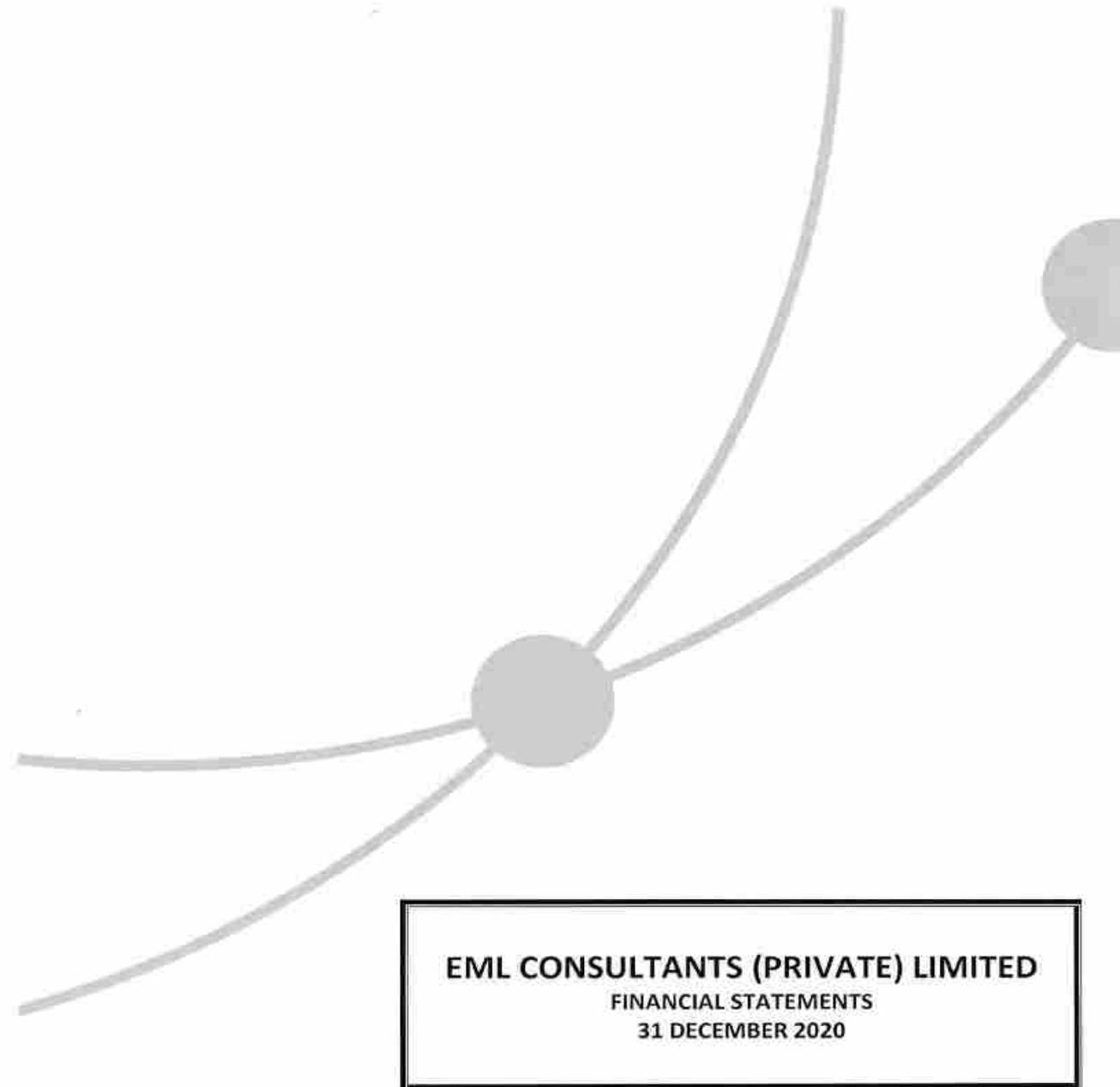
Name	Signature
Mr. Thilak Hewawasam	Sgd.
Mr. K. A. K. Jayatilake	Sgd.
Mr. H,N, J. Chandrasekera	Sgd.
Mr. K.P.P.H. Mihiripenna	Sgd.

ANNEXURE 1

AUDITED FINANCIAL STATEMENTS FOR THE PAST 3 FINANCIAL YEARS

Audited Financial Statements for the year ended 31st December 2020

mgi kal rupasinghe & co.
CHARTERED ACCOUNTANTS



A member of


INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EML CONSULTANTS (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of EML Consultants (Private) Limited, which comprise the Statement of Financial Position as at 31 December 2020, and the Statement of Comprehensive Income, the Statement of Changes in Reserve 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 31 December 2020, and of its financial performance for the year then ended in accordance with Sri Lanka Financial Reporting Standard for Smaller Entities.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Financial Reporting Standard for Smaller Entities 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.



(Cont.....)

INDEPENDENT AUDITORS' REPORT (CONTD.....)

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.

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.

MGI KAL Rupasinghe & Co.
Chartered Accountants
Colombo

23rd June 2021



EMI CONSULTANTS (PRIVATE) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER**

	Note	2020 Rs	2019 Rs
Revenue	3	133,740,943	126,070,595
Direct Cost		(102,776,025)	(89,014,336)
Gross profit		30,964,918	37,056,259
Other income	4	11,850,412	294,118
Administrative expenses		(33,619,247)	(37,891,411)
Operating profit / (loss)		9,196,083	(541,034)
Finance income		2,234,952	2,273,585
Finance costs		(1,892,402)	(2,391,142)
Finance income / (costs) - net	5	342,550	(117,557)
Profit / (Loss) before tax		9,538,633	(658,591)
Income tax	6	(712,697)	(261,595)
Profit / (Loss) for the year		8,825,936	(920,186)
Other Comprehensive Income			
Surplus from retiring benefit obligation	16	790,887	485,143
Deferred Tax effect on actuarial loss on defined Benefits plan		(110,724)	(67,920)
Total comprehensive income / (loss) for the year		9,506,099	(502,963)
Earnings / (loss) per share - basic (Rs)	7	0.10	(0.01)

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

Colombo
23rd June 2021

EMI CONSULTANTS (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER

	Notes	2020 Rs	2019 Rs
Assets			
Non-current assets			
Property, plant and equipment - Freehold	10 (a)	51,192,283	54,017,756
Property, plant and equipment - Leasehold	10 (b)	10,726,682	-
Total Non-current assets		61,918,965	54,017,756
Current assets			
Trade and Other Receivables	8	36,283,319	29,458,033
Income Tax Refund	9	1,698,330	1,698,330
Short - Term Investments	11	42,742,507	38,779,614
Amount due from Related Party	12	20,184,591	20,190,944
Cash and cash equivalents	13	31,225,244	27,095,841
Total current assets		132,133,991	117,222,762
Total assets		194,052,956	171,240,518
Equity and liabilities			
Capital and reserves			
Stated capital	14	90,900,000	90,900,000
Retained earnings		11,101,481	1,595,382
Total Shareholder's funds		102,001,481	92,495,382
Non-current liabilities			
Borrowings	15	7,100,000	3,020,125
Defined benefit obligations	16	3,736,872	4,568,550
Deferred income tax liabilities		2,238,783	1,415,362
Total Non-current liabilities		13,075,655	9,004,037
Current liabilities			
Borrowings	15	19,504,410	17,389,830
Trade and other payables	17	47,067,320	39,637,279
Amount due to Related Party	18	12,404,090	12,713,990
Total current liabilities		78,975,820	69,741,099
Total liabilities		92,051,475	78,745,136
Total equity and liabilities		194,052,956	171,240,518

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

The Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

✓
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.

[Signature]
Director
Colombo



[Signature]
Director

EML CONSULTANTS (PRIVATE) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31ST DECEMBER**

	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 31 December 2018	90,900,000	2,098,345	92,998,345
Total comprehensive loss for the year	-	(502,963)	(502,963)
Balance as at 31 December 2019	90,900,000	1,595,382	92,495,382
Total comprehensive income for the year	-	9,506,099	9,506,099
Balance as at 31 December 2020	90,900,000	11,101,481	102,001,481

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

Colombo
23rd June 2021



EMI CONSULTANTS (PRIVATE) LIMITED
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31ST DECEMBER

	Note	2020 Rs	2019 Rs
Cash generated from / (used in) operations			
Profit / (loss) before tax		9,538,633	(658,591)
Adjustments for:			
Depreciation		4,579,936	3,750,551
Interest income		(2,234,952)	(2,273,585)
Gain on Disposal of Motor Vehicle		(9,015,000)	-
Interest expense		345,467	595,912
Lease Interest on Finance Lease		102,984	28,114
Gratuity Provision		1,606,234	1,000,503
Bad Debts Written off / Reversal of Impairment on Debtors		-	3,570,484
Written off trade payables		-	(658,299)
Operating Profit Before Working Capital Changes		4,923,302	5,355,089
Changes in working capital:			
- (Increase) / Decrease in Trade and Other Receivable		-8,154,915	(812,413)
- (Increase) / Decrease in Amounts Due From Related Party		6,353	(364,110)
- Increase / (Decrease) in Trade and Other Payables		7,430,041	(11,667,365)
- Increase / (Decrease) in Amounts Due To Related Party		(309,900)	6,906,476
Cash generated from / (used in) operations		3,894,881	(582,323)
Interest paid		(345,467)	(595,912)
Income Tax / WHT Paid		-	(110,628)
Net generated from / (used in) operating activities		3,549,414	(1,288,863)
Cash flows from investing activities			
Purchase of property, plant and equipment		(134,000)	(306,294)
Interest received		2,234,952	2,273,585
Investment / uplift in short term investment		(3,962,893)	(898,342)
Net cash (used in) / generated from investing activities		(1,861,941)	1,068,949
Cash flows from financing activities			
Movement in borrowing		6,194,455	(1,002,800)
Net cash generated from / (used in) financing activities		6,194,455	(1,002,800)
Net Increase / (Decrease) in Cash and Cash Equivalents		7,881,928	(1,222,714)
Cash and Cash Equivalents at the Beginning of the Year		9,706,011	10,928,725
Cash and Cash Equivalents at the End of the Year	13	17,587,939	9,706,011

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

Colombo
23rd June 2021



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1 General information

The EML Consultants (Private) Limited is a limited Liability Company incorporated on 10th March 1993 and domiciled in Sri Lanka. The Registered Office and Principal Place of business of the Company is situated at No. 6/10, Rajamaha Vihara Lane, Rajamaha Vihara Road, Pito Kotte.

The Company is engaged in the service of offering consultancy services in the categories of Engineering, Environment, Natural Sciences, Social Sciences, Technical Sciences, Technical, Financial and Management Services etc., to organizations within and outside Sri Lanka.

These financial statements have been approved for issue by the Board of Directors on 23rd June 2021.

2 Summary of significant accounting policies

The first set of financial statements prepared in accordance with the 'SLFRS for Small and Medium-sized Entities' issued by the Institute of Chartered Accountants of Sri Lanka. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of EML Consultants (Private) Limited have been prepared in accordance with the 'Sri Lanka Financial Reporting Standards for Small and Medium-sized Entities' (SLFRS for SMEs). They have been prepared under the historical cost convention, as modified by the fair valuation of financial assets subsequently at amortized cost wherever applicable which are initially recognized at fair value.

The preparation of financial statements in conformity with the SLFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in "Sri Lanka Rupees", which is considered the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within 'finance income / (costs) - net'.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.3 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

(a) *Measurement*

Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced parts are derecognized. All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(b) *Depreciation*

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation on other assets is charged so as to allocate the cost of assets less their residual values over their estimated useful lives using the straight line method commencing from the month in which the asset is available for use. On disposal of assets, depreciation is calculated exclusive of the month in which disposal takes place.

The estimated useful lives range of property, plant and equipment is as follows:

Buildings	20 years
Computer Equipment	3 years
Furniture and fittings	3 years
Office Equipment	4 years
Motor vehicles	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains / (losses) - net, in the statement of comprehensive income.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd)

2.4 Impairment of non-financial assets other than inventories

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CCUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Inventories

Inventories are comprising of jobs at work in progress. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in profit or loss.

2.6 Financial assets - loans and receivables

2.6.1 Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalent in the statement of financial position (Notes 2.8 and 2.9).

2.6.2 Recognition and measurement

Loans and receivables are initially measured at fair value and subsequently carried at amortized cost using the effective interest method.

2.7 Impairment of financial assets - assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.7 Impairment of financial assets - assets carried at amortized cost (Contd)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

2.8 Trade receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2.9 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.10 Stated capital

The ordinary shares are classified as equity.

2.11 Trade payables

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

2.12 Borrowings

Borrowings are initially recognized at the transaction price including transaction costs. These are subsequently stated at amortized cost.

2.13 Borrowing costs

All borrowing costs are recognized as an expense in statement of comprehensive income in the period in which they are incurred.



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The provisions are measured at the present value of expenditures expected to be required to settle the obligation.

2.15 Employee benefit obligations

(a) Defined benefit plans - Gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation. The defined benefit plan comprises the gratuity provided under the Act No 12 of 1983.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually using the formula method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates.

Past-service costs are recognized immediately in statement of comprehensive income, unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of comprehensive income.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 17 to the financial statements.

(b) Defined contribution plans

All local employees of the Company are members of the Employees' Provident Fund and Employees' Trust Fund, to which their employer contributes 12% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances. The contributions are recognized as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognized as an asset.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The provision for current income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act, No.10 of 2006.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax assets is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.17 Revenue recognition

(a) Rendering of Services

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Company's activities. Revenue is shown net of all applicable taxes and levies, returns, rebates and discounts.

(b) Interest income

Interest income is recognized using the effective interest method.

2.18 Expenditure

The expenses are recognized on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property plant and equipment in a state of efficiency is charged against income in arriving at the results for the year.

For the purpose of presentation of the statement of comprehensive income information, expense by function method is used to classify expenses.

2.19 Dividend distribution

Dividend distribution to the company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.20 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2020 Rs	2019 Rs
3 Revenue		
Revenue from Consultancy Services	133,740,943	126,070,595
	<u>133,740,943</u>	<u>126,070,595</u>
4 Other income		
Rent Income	25,000	-
Gain on Disposal of Motor Vehicle	9,015,000	-
Creditor Written Back	-	658,299
Exchange (Loss) / Gain	2,810,412	(364,181)
	<u>11,850,412</u>	<u>294,118</u>
5 Finance income and costs		
<i>Finance income:</i>		
Interest Income	2,234,952	2,273,585
	<u>2,234,952</u>	<u>2,273,585</u>
<i>Finance costs:</i>		
Interest on borrowings	(1,789,418)	(2,363,028)
Lease Interest (in Finance Leases)	(102,984)	(28,114)
	<u>(1,892,402)</u>	<u>(2,391,142)</u>
Finance income / (costs) - net	342,550	(117,557)
6 Income Tax		
Statement of Profit / loss		
Current Tax Expense	712,697	261,595
Deferred Tax	-	-
Tax charge reported in Income Statement	712,697	261,595
Statement of other comprehensive income		
Deferred Tax effect on actuarial gain/(loss) on defined Benefits plan	110,724	67,920
Tax charge directly to other comprehensive income	110,724	67,920
<i>The applicable tax rate on profit was 14%.</i>		
6.1 The tax on the Company's (loss) / profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable to profits of the Company as follows:		
(Loss) / profit before tax	9,538,633	(658,591)
Add: Expenditure Disallowed Under Sec. 26	8,000,474	4,294,025
Less : Allowable Expenses including Business Losses set-off	(6,289,155)	(1,361,849)
Less : Investment Income	(11,249,952)	(2,273,585)
Profit from Trade or Business	-	-
Add: Interest Income / Investment Income	11,249,952	2,273,585
Less : Deduction under Section 32 (Non taxable part & allowable losses set-off)	(11,249,952)	(2,273,585)
Taxable Income	-	-
Tax Expense on Profit from the Business	-	-
Tax Expense on the Interest Income	-	-
Total Income Tax Expense	-	-



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICNT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

7 Earnings / (Loss) per share

Basic earnings / (loss) per share is calculated by dividing the profit / (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2020	2019
Profit / (loss) attributable to equity holders of the Company	9,506,099	(502,963)
Weighted average number of ordinary Shares in issue (Note 15)	90,900,000	90,900,000
Basic Earnings / (Loss) per share (Rs)	0.10	(0.01)

8 Trade and other receivables

Trade receivables	34,305,824	17,398,724
(-) Provision for Impairment	(1,879,973)	(1,879,973)
	<u>32,425,851</u>	<u>15,318,751</u>
Project work-in-progress	-	-
Mobilization advances for projects	-	10,190,958
Deposit and prepayments	471,250	574,063
Other receivables [See Note (a) below]	3,386,218	3,174,261
	<u>36,283,319</u>	<u>29,458,033</u>

(a) Other receivables mainly consist of Interest Receivable of Rs. 807,631/- (2019 - Rs. 762,733/-), Ramboll KCHT receivable Rs. 642,069/- (2019 - Rs. 642,069/-) and ESC Recoverable Rs. 1,562,785/- (2019 - Rs. 1,447,774/-).

9 Income Tax Refund

Balance at the beginning of the year	1,698,330	1,587,702
Less :		
- Income tax provision for the year	-	-
	<u>1,698,330</u>	<u>1,587,702</u>
Add :		
- With Holding Tax	-	110,628
Balance at the end of the year	1,698,330	1,698,330



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

10 (a) Property, plant and equipment - Freehold

	Balance as at	Adjustments	Additions	Disposals	Balance as at
	01.01.2020		during the year	during the year	31.12.2020
	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost / Valuation					
Land	18,000,000	-	-	-	18,000,000
Buildings	45,868,929	-	-	-	45,868,929
Land & Building Improvement	4,138,113	-	-	-	4,138,113
Motor Vehicles	14,998,860	-	-	4,908,928	10,089,932
Office Equipments	1,937,909	-	15,000	-	1,952,909
Computer Equipments	11,711,664	-	119,000	-	11,830,664
Furniture & Fittings	3,416,857	-	-	-	3,416,857
Total	100,072,332	-	134,000	4,908,928	95,297,404

	Balance as at	Adjustments	Charge for the year	Disposals /	Balance as at
	01.01.2020			31.12.2020	
	Rs.	Rs.	Rs.	Rs.	Rs.
Depreciation					
Buildings	14,238,958	-	1,093,394	-	15,332,352
Land & Building Improvement	716,154	-	1,311,848	-	2,028,002
Motor Vehicles	14,998,860	-	-	4,908,928	10,089,932
Office Equipments	1,844,113	-	96,789	-	1,940,902
Computer Equipments	11,211,677	-	326,339	-	11,538,016
Furniture & Fittings	3,044,514	-	131,103	-	3,175,917
Total	46,054,576	-	2,959,473	4,908,928	44,105,121
Net Book Value of Assets (At Cost)	54,017,756				51,192,283

10 (b) Property, plant and equipment - Leasehold

	Balance as at	Additions	Transfer to freehold assets	Disposals/Adju	Balance as at
	01.01.2019			stments during the year	31.12.2019
	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost / Valuation					
Motor Vehicles	7,102,676	12,347,146	-	7,102,676	12,347,146
Total	7,102,676	12,347,146	-	7,102,676	12,347,146
	Balance as at	Charge for the year	Transfer to freehold assets	Disposals /	Balance as at
	01.01.2020			Adjustment	31.12.2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Depreciation					
Motor Vehicles	7,102,676	1,620,464	-	7,102,676	1,620,464
Total	7,102,676	1,620,464	-	7,102,676	1,620,464
Net Book Value of Assets (At Cost)	-				10,726,682



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

		2020 Rs.	2019 Rs.
11 Short - Term Investments			
Investments in Fixed Deposits in Foreign Currency		42,742,507	38,779,614
		<u>42,742,507</u>	<u>38,779,614</u>
12 Amount due from Related Party			
Amounts Due from Related Companies	24 (i)	19,616,799	19,623,152
Amounts Due from Directors and Shareholders	24 (ii)	567,792	567,792
		<u>20,184,591</u>	<u>20,190,944</u>
13 Cash and cash equivalents			
<i>Favourable Cash & Cash Equivalent Balances</i>			
Foreign Saving Accounts		13,148,913	9,927,051
Local Saving Accounts		15,193,094	16,974,510
Local Current Accounts		2,792,673	64,280
Petty Cash		90,567	130,000
Total Favourable Cash & Cash Equivalent		<u>31,225,244</u>	<u>27,095,841</u>
<i>Unfavourable Cash & Cash Equivalent Balances</i>			
Local Current Accounts		13,637,305	17,389,830
Total Unfavourable Cash & Cash Equivalent		<u>13,637,305</u>	<u>17,389,830</u>
<i>Total Cash and Cash Equivalent for the Purpose of Statement of Cash Flows</i>		<u>17,587,939</u>	<u>9,706,011</u>
14 Stated capital		2020	2019
<i>During the year shareholding ship of the company has been changed and the current shareholders together with their respective holdings are as follows:</i>			
Name of the Shareholder	Number of Shares	Value (Rs.)	Value (Rs.)
KAK Jayatilake	67,300,738	67,300,738	67,300,738
Thilak Hewawasam	944,445	944,445	944,445
PC Fernandes	566,667	566,667	566,667
DG Wijemanne	14,725,406	14,725,406	14,725,406
TM Walcopillai	7,362,744	7,362,744	7,362,744
	<u>90,900,000</u>	<u>90,900,000</u>	<u>90,900,000</u>



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2020 Rs.	2019 Rs.
15 Borrowings		
Non Current (due more than one year)		
Term loans	7,100,000	3,020,125
	<u>7,100,000</u>	<u>3,020,125</u>
Current (due within one year)		
Lease Creditors	5,867,105	-
Bank Overdraft	13,637,305	17,389,830
	<u>19,504,410</u>	<u>17,389,830</u>
Total Borrowings	26,604,410	20,409,955

* The property loan taken from HNB has been rescheduled on 08th October 2018, when it was total capital outstanding amount of Rs. 4.2 Million. As per the rescheduled terms and conditions, the loan tenure has been extended (no' of 42 instalments from the date of rescheduled) and accordingly monthly capital repayment is brought down to Rs. 100,000.00.

16 Defined benefit obligations

Statement of financial position obligation for:

- Gratuity	3,736,872	4,568,550
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Statement of comprehensive income

- Gratuity	815,347	515,360
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The movement in the defined benefit obligation over the year is as follows:

At 1 January	4,568,550	4,053,190
Current service cost	750,119	498,321
Interest cost	856,115	502,182
Surplus / (Deficit) from retiring benefit obligation for the year	(790,887)	(485,143)
Benefits paid	(1,647,025)	(1,647,025)
At 31 December	<u>3,736,872</u>	<u>4,568,550</u>

The amounts recognized in the statement of comprehensive income are as follows:

Current service cost	750,119	498,321
Interest cost	856,115	502,182
Surplus / (Deficit) from retiring benefit obligation for the year	(790,887)	(485,143)

The principal assumptions used in the calculation were as follows:

Discount rate	12.00%	12.00%
expected rate of future salary increases	10.00%	10.00%
Retirement Age	65 years	65 years

In addition to the above, demographic assumptions such as turnover of employees and retirement age were considered for the computation.

The provision for defined benefit obligations is not externally funded.



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
	Rs.	Rs.
17 Trade and other payables		
Trade payables	36,144,341	25,439,581
Other Payables	2,820,000	2,820,000
Accrued expenses [See Note (a) below]	6,525,743	4,159,965
Consultancy Fee Payable	-	2,195,000
Project Mobilization Advances Received	1,116,022	3,043,213
VAT Payable	461,020	1,979,326
NBT Payable	194	194
	47,067,320	39,637,279

(a) Accrued Expenses mainly consist of Salary payable Rs. 2,788,196/- (2019 - Rs. 1,438,856/-), MD Commission payable Rs. 0/- (2019 - Rs. 56,557/-) and Labour case EPF/ETF Rs. 349,738/- (2019 - Rs. 691,540/-).

18 Amount Due to Related Party

Amount due to Related company	24 (iii)	9,790,740	10,654,740
Amounts due to Directors and Shareholders	24 (iv)	2,613,350	2,059,250
		12,404,090	12,713,990

19 Contingent liabilities

There were no legal actions against the company as at the Balance sheet date.

There were no material contingent liabilities existing as at the statement of financial position date.

20 Commitments

Capital commitments

There were no material capital commitments outstanding as at the statement of financial position date.

21 Events after the end of reporting date

No circumstances have arisen since the balance sheet date which would require adjustments to, or disclosure in, the financial statements.

22 Financial instruments

Financial assets - measured at amortized cost

Trade and other receivables (excluding prepayments) (Note 9)	35,812,069	28,883,970
Cash and cash equivalents (Note 14)	31,225,244	27,095,841
	67,037,513	55,979,811

Financial liabilities - measured at amortized cost

Cash and cash equivalents (Note 14)	13,637,305	17,389,830
Trade and other payables (Note 18)	47,067,320	39,637,279
	60,704,625	57,027,109

23 Related party transactions

Key management compensation

Key management includes members of the Board of Directors of the Company. The compensation paid or payable to key management for employee services is shown below:

Remuneration paid



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2020 Rs.	2019 Rs.
23.1 Directors' interest in contracts and related party transactions		
Presently the board consist of Mr. KAK Jayathilake, Mr. HNJ Chandrasekera and Mr. Thilak Hewawasamas director of the Company.		
<i>The following transactions were carried out with parties controlled by the company:</i>		
Outstanding balances arising from sales and others:		
(i) <i>Amounts Due from Related Parties:</i>		
Delogistics International (Private) Limited	11,099,410	11,034,523
Eco Tech Management (Private) Limited	4,412,615	4,412,615
Thilina Bookshop	18,419	18,419
International Institute of Development Training (Private) Limited	2,595,053	2,664,587
Zenith BPO (Private) Limited	672,366	854,127
TEDHA	128,994	128,994
Development Concepts (Private) Limited	523,300	357,245
Sustainable Agenda (Private) Limited	166,642	152,642
	<hr/> 19,616,799	<hr/> 19,623,152
(ii) <i>Amounts Due from Directors & Shareholders</i>		
<i>Due from Shareholders</i>		
Mr. Tulsi Waloopillai	492,882	492,882
Mr. D. G. Wijemanne	74,910	74,910
	<hr/> 567,792	<hr/> 567,792
(iii) <i>Amounts Due to Related Parties:</i>		
Sustainable Engineering Concept (Private) Limited	3,678,646	4,542,646
Sustainable Engineering Technology (Private) Limited	6,112,094	6,112,094
	<hr/> 9,790,740	<hr/> 10,654,740
(iv) <i>Amounts Due to Directors</i>		
Mr. K. A. K. Jayathilake	2,613,350	2,059,250
	<hr/> 2,613,350	<hr/> 2,059,250



EML CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

EMI CONSULTANTS (PRIVATE) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

	2020	2019
	Rs.	Rs.
Service Income	133,740,943	126,070,595
Direct Service Costs	(102,776,025)	(89,014,336)
Gross Profit	Statement 1	30,964,918
Other Income	Statement 2	2,567,703
	45,050,282	39,623,962
Personnel Expenses	Statement 3	(22,264,006)
Administration Expenses	Statement 4	(11,354,641)
Finance Costs	Statement 5	(1,892,492)
	(35,511,649)	(40,282,553)
(Loss) / Profit Before Taxation	9,538,633	(658,591)
Income Tax Expense	Statement 6	(712,697)
(Loss) / Profit for the Year	8,825,936	(920,186)



EML CONSULTANTS (PRIVATE) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

Gross Profit

<i>Description of Project/Programme</i>	Statement 1			
	Service Income	Service Costs	Gross Profit / (Loss)	Gross Profit / (Loss)
			2020	2019
Rs.	Rs.	Rs.	Rs.	Rs.
Marine Drive	6,600,749	5,548,172	1,052,577	2,057,584
Simplex Infrastructure	-	21,695	(21,695)	249,689
Kalamatiya Fishery Harbor	-	-	-	(257,681)
Sedawatta Waste to Energy	581,750	143,055	438,695	-
IPF Investment Proposal	2,896,799	1,841,307	1,055,492	-
B01 - EIAR Eravur	4,815,165	2,604,917	2,153,248	-
Hospital Waste - Star Prom	832,500	341,140	491,360	-
Road Peliyagoda	2,188,802	2,005,120	183,682	-
Nuga Tree - Questionnaire	300,000	57,300	242,700	-
SIA for Tech City	-	639,030	(639,030)	1,164,100
UNDP Surveying & Cons	7,365,113	1,270,387	6,094,726	1,316,608
SEMS in Pan Asia Bank	-	-	-	539,122
IEER Mayura Place	-	-	-	(4,900)
IEE Kundasale Haragama	1,050,000	1,143,905	(93,905)	-
Kajikawala	1,521,620	-	1,521,620	-
Northern Fisheries - LKR	18,111,733	17,829,934	281,799	9,777,542
Iluka Wet Season	-	-	-	889,804
Northern Fisheries - Provision	179,890	-	179,890	(1,197,504)
Jaffna Strom Water	9,799,186	9,596,457	202,729	1,089,023
Jaffna - Money from SWS	604,893	-	604,893	-
IEE Fartasy Island	-	-	-	590,134
EIA Alawwa	196,125	313,875	(117,750)	1,542,742
GMC	-	-	-	1,801,358
Marsar Wind Power	4,935,720	3,099,017	1,836,703	665,006
Solar Park Siyabanduwa	594,000	682,548	(88,548)	1,139,651
IEE Ampara Wild Life	-	113,065	(113,065)	279,886
EPR Plastic Waste Mgt	1,187,821	-	1,187,821	4,016,786
Hotel City Waves	-	-	-	316,326
Kochikade	4,983,954	4,421,599	562,355	1,648,232
Northern Tourist Mgt	-	105,000	(105,000)	125,608
Translation DRR Guidelines	80,000	122,300	(42,300)	91,921
Hotspot Eastern	5,753,513	6,055,497	(301,984)	118,711
Hotspot Uva Southern	6,641,725	5,006,310	1,635,415	210,660
GFC Waste Mgt	22,963	118,180	(95,217)	37,037
TA Agriculture Europe EU	21,870,324	21,011,157	859,167	3,508,793
Mehve Hotel Project	-	-	-	37,923
Kapparktota	1,000,000	-	1,000,000	-
Peraliya	2,555,010	-	2,555,010	-
Electric Cars	123,050	-	123,050	-
Biotic Baseline Study	-	50,787	(50,787)	283,486
Mahaweli Left Bank	973,814	544,110	429,704	2,395,201
Land Fill Ja-Ela, Ekala	-	1,346,001	(1,346,001)	-
C/F Balance	2107,772,219	86,091,835	21,680,384	34,432,848



EMI CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER**

<i>Description of Project/Programme</i>	<i>Service Income</i> Rs.	<i>Service Costs</i> Rs.	<i>Gross Profit/ (Loss)</i>	
			<i>2020</i>	<i>2019</i>
			<i>Rs.</i>	<i>Rs.</i>
B/D Balance	107,772,219	86,091,835	21,680,384	34,432,848
Trinco Master Plan	-	-	-	(112,395)
Support Regeneration Proj	26,475	-	26,475	-
IEER Hotel Udagama	540,000	169,763	370,237	-
EIA Wilgamaawa	-	-	-	(3,278)
Norochcholai EIA	860,250	726,560	133,690	-
Kerawalapitiya Health Care	720,000	249,000	471,000	-
AIR Survey	5,518,970	2,682,701	2,836,269	-
UNDP E Governance	2,766,300	2,230,580	565,720	-
Melwaththa EIA	7,175,880	5,231,664	1,944,216	-
UNDP ISO 9001	1,799,400	1,200,000	599,400	-
DSIDC GCWWMP	1,384,319	321,158	1,063,161	582,654
Colombo Transport Project	1,043,754	625,832	417,922	-
Professional Ser - Illuka	-	-	-	1,597,042
LNG Project-Dikkawita USD	-	-	-	3,098,245
IEA Residential Blocks	-	-	-	7,143
EIA Madirigiriya	-	-	-	(199,117)
ILO National Consultancy	-	-	-	1,411,630
POB Singapore	-	-	-	(1,171,989)
Market & SE Survey - Fees	-	1,351,471	(1,351,471)	(3,407,552)
IEI Wellawatte	-	-	-	(157,500)
Electricity Affordability Surv	2,059,616	683,298	1,376,318	(2,610)
Agri Mod'n Project	956,000	325,600	630,400	981,138
GTZ Bridge Wilpattu	1,117,760	916,563	201,197	-
	133,740,943	102,776,025	30,964,918	37,056,259
			2020	2019
			Rs.	Rs.
Other Income				Statement 2
Interest Income		Statement 2.1	2,234,952	2,273,585
Rent Income			25,000	-
Gain on Disposal of Motor Vehicle			9,015,000	-
Creditor written back			-	658,299
Exchange (Loss) / Gain			2,810,412	(364,181)
			14,085,364	2,567,703



EML CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER**

Interest Income

a) Interest Income from Savings Accounts in Local Currency

	2020	2019
	Rs.	Rs.
<i>Statement 2.1</i>		
NDB - Savings Account	197,060	172,471
HNB - Savings Account	170,927	168,216
BOC - Saving Account	150,896	272,431
	<hr/> 518,883	<hr/> 613,118

b) Interest Income from Savings Accounts in Foreign Currency

NDB - Saving Account	15,666	15,951
HNB - Saving Account	181,375	247,929
	<hr/> 197,041	<hr/> 263,880

c) Interest Income from Fixed Deposits in Foreign Currency

NDB - Fixed Deposit Account No.10830001785 / Dollar (Australia)	1,097,431	905,711
HNB - Fixed Deposit Account No.43921015333 / Dollar (Australia)	114,116	136,762
HNB - Fixed Deposit Account No.43921015388 / Dollar (Australia)	120,606	138,863
HNB - Fixed Deposit Account No.043921015418 / Dollar (Australia)	110,835	138,846
NDB - Fixed Deposit (FEEA) FCAPS No.10830001197 / Dollar (USA)	14,844	8,820
NDB - Fixed Deposit (FEEA) FCAPS No.10830002471 / Dollar (USA)	71,196	67,585
	<hr/> 1,519,028	<hr/> 1,396,587
	<hr/> 2,234,952	<hr/> 2,273,585



EML CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER**

	2020 Rs.	2019 Rs.	Statement 3
Personnel Expenses			
Chairman's Remuneration	393,750	412,500	
Staff Salaries and Allowances	12,523,261	14,528,163	
Bonus	580,000	118,050	
EPF Contribution	1,326,894	1,743,383	
ETF Contribution	331,737	435,870	
Retainer's Fees	3,960,426	1,153,425	
Overtime	210,520	524,363	
Mobile Fee Reimbursement	260,125	280,642	
Travelling Reimbursement	940,049	1,766,023	
Coordination allowance	199,879	368,699	
Leave Encashment	-	212,407	
Provision for Employee Benefits - Gratuity	1,606,234	1,000,503	
	22,332,875	22,544,028	
 Administration Income	 (68,269)	 (87,496)	
Salary Reimbursement from related companies	-	(520,127)	
	22,264,606	21,936,405	
 Finance Costs			Statement 5
Interest on Bank Overdrafts	1,443,951	1,767,116	
Lease Interest on Finance Leases	102,984	28,114	
Interest on Loan	345,467	595,912	
	1,892,402	2,391,142	
 Income Tax Expense			Statement 6
<i>Current Income Tax Expense</i>			
Income Tax Expense on Current Year's Profit	-	-	
Deferred Tax Expense	712,697	261,595	
	712,697	261,595	



EMI CONSULTANTS (PRIVATE) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

	2020	2019
	Rs.	Rs.
Administration Expenses		Statement 4
Electricity	26,867	150,869
Water	55,309	61,448
Staff Welfare	281,188	528,777
Security	-	116,734
Staff's Training Seminar & Workshops	5,170	-
Business Promotion & Marketing	-	11,861
Repair & Maintenance	489,914	1,739,671
Repair / Service for Vehicles	1,321,027	962,212
Advertising	21,850	47,550
Stationery	616,180	344,160
Telephone	169,813	199,425
Refreshments & meeting expense	13,248	21,595
Internet	266,689	290,519
Postage & Courier	2,320	3,205
Travelling - Local	86,747	88,965
Travelling - Foreign	-	5,000
Annual License and Insurance Fees - Vehicles	379,524	559,426
Insurance	99,003	115,381
Insurance - Health	1,466,191	784,989
Membership Fees	62,044	109,899
IT Fees	300,000	300,000
Secretarial Services	42,800	48,730
Audit Fees	320,000	310,000
Accounting Support	14,000	7,800
Advisory Consultancy Fee	592,063	2,669,101
Domain Renewal	2,500	2,210
Tender Documentation Charge	77,000	67,840
Bid Bond bank charges	59,214	90,450
Taxation Fees	80,000	100,000
Legal Fees	37,500	666,383
Proposal Writers Fees	243,969	543,875
Proposal Field Visit Expenses	43,924	55,019
MSL - Payroll Preparation	150,336	140,508
Cleaning Charges	506,880	387,340
Nation Building Tax	-	2,053,258
Fuel for Vehicles	957,096	1,003,636
Depreciation on Property, Plant and Equipment	4,579,936	3,750,551
Trade debtors written off	-	3,570,484
Rates	81,818	-
Service Agreement	32,496	55,094
Bank Charges	67,349	81,576
	13,551,765	21,865,411
Over recovery of Expenses	(917,160)	(2,033,842)
Overhead Expenses recovered from related companies	(1,279,964)	(3,876,563)
	11,354,641	15,955,006



EML CONSULTANTS (PRIVATE) LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2019

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**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF EML CONSULTANTS (PRIVATE) LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of EML Consultants (Private) Limited, which comprise the Statement of Financial Position as at 31 December 2019, and the Statement of Comprehensive Income, the Statement of Changes in Reserve 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 31 December 2019, and of its financial performance for the year then ended in accordance with Sri Lanka Financial Reporting Standard for Smaller Entities.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Financial Reporting Standard for Smaller Entities 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.



(Contd.....)

INDEPENDENT AUDITORS' REPORT (CONTD.....)

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.


MGI KAL Rupasinghe & Co.
Chartered Accountants
Colombo
12 October 2020



EML CONSULTANTS (PRIVATE) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER**

	Note	2019 Rs	2018 Rs
Revenue	3	126,070,595	159,671,737
Direct Cost		(89,014,336)	(115,592,607)
Gross profit		37,056,259	44,079,130
Other income	4	294,118	8,047,730
Administrative expenses		(37,891,411)	(42,204,621)
Operating (loss) / profit		(541,034)	9,922,239
Finance income		2,273,585	2,166,719
Finance costs		(2,391,142)	(3,856,166)
Finance costs - net	5	(117,557)	(1,689,447)
(Loss) / profit before tax		(658,591)	8,232,792
Income tax	6	(261,595)	(798,354)
(Loss) / profit for the year		(920,186)	7,434,438
Other Comprehensive Income			
Surplus from retiring benefit obligation	16	485,143	528,064
Deferred Tax effect on actuarial loss on defined Benefits plan		(67,920)	(52,806)
Total comprehensive (loss) / income for the year		(502,963)	7,909,696
(Loss) / earnings per share - basic (Rs)	7	(0.01)	0.09

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

Colombo
13 October 2020



EML CONSULTANTS (PRIVATE) LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER**

	Notes	2019 Rs	2018 Rs
Assets			
Non-current assets			
Property, plant and equipment - Freehold	10 (a)	54,017,756	56,655,034
Property, plant and equipment - Leasehold	10 (b)	-	806,979
Total Non-current assets		54,017,756	57,462,013
Current assets			
Trade and Other Receivables	8	29,458,033	32,216,104
Income Tax Refund	9	1,698,330	1,587,702
Short - Term Investments	11	38,779,614	37,881,272
Amount due from Related Party	12	20,190,944	19,826,834
Cash and cash equivalents	13	27,095,841	26,639,992
Total current assets		117,222,762	118,151,904
Total assets		171,240,518	175,613,917
Equity and liabilities			
Capital and reserves			
Shared capital	14	90,900,000	90,900,000
Retained earnings		1,595,382	2,098,345
Total Shareholder's funds		92,495,382	92,998,345
Non-current liabilities			
Borrowings	15	3,020,125	3,020,125
Defined benefit obligations	16	4,568,550	4,053,190
Deferred income tax liabilities		1,415,362	1,085,847
Total Non-current liabilities		9,004,037	8,159,162
Current liabilities			
Borrowings	15	17,389,830	18,392,630
Trade and other payables	17	39,637,279	51,934,829
Amount due to Related Party	18	12,713,990	4,128,951
Total current liabilities		69,741,099	74,456,410
Total liabilities		78,745,136	82,615,572
Total equity and liabilities		171,240,518	175,613,917

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

The Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

[Signature]
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

[Signature] and signed for and on behalf of the Board.

[Signature]
Colombo



[Signature]
Director

EML CONSULTANTS (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31ST DECEMBER

	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 31 December 2017	90,900,000	(5,791,351)	85,108,649
Prior year Adjustment	-	(20,000)	(20,000)
Total comprehensive loss for the year	-	7,909,696	7,909,696
Balance as at 31 December 2018	90,900,000	2,098,345	92,998,345
Total comprehensive loss for the year	-	(502,963)	(502,963)
Balance as at 31 December 2019	90,900,000	1,595,382	92,495,382

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

Colombo
13 October 2020



EMI CONSULTANTS (PRIVATE) LIMITED
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31ST DECEMBER

	Note	2019 Rs	2018 Rs
Cash generated from / (used in) operations			
(Loss) / profit before tax		(658,591)	8,232,792
Adjustments for:			
Depreciation		3,750,551	4,489,714
Interest income		(2,273,585)	(2,166,719)
Interest expense		595,912	1,735,380
Lease Interest on Finance Lease		28,114	198,754
Gratuity Provision		1,000,503	857,417
Bad Debts Written off / Reversal of Impairment on Debtors		3,570,484	3,938,406
Written off trade payables		(658,299)	(591,587)
Prior Year Adjustment		-	(20,000)
Operating Profit Before Working Capital Changes		5,355,089	16,674,157
Changes in working capital:			
- (Increase) / Decrease in Trade and Other Receivable		-812,413	8,843,098
- (Increase) / Decrease in Amounts Due From Related Party		(364,110)	4,735,454
- Increase / (Decrease) in Trade and Other Payables		(11,667,365)	(616,417)
- Increase / (Decrease) in Amounts Due To Related Party		6,906,476	550,701
Cash (used in) / generated from operations		(582,323)	30,186,993
Interest paid		(595,912)	(1,735,380)
Income Tax/WHT Paid		(110,628)	(104,704)
Net (used in) / generated from operating activities		(1,288,863)	28,346,909
Cash flows from investing activities			
Purchase of property, plant and equipment		(306,294)	(499,739)
Interest received		2,273,585	2,166,719
Investment / uplift in short term investment		(898,342)	3,533,437
Net cash generated from investing activities		1,068,949	5,200,417
Cash flows from financing activities			
Movement in borrowing		(1,002,800)	(10,712,616)
Net cash used in financing activities		(1,002,800)	(10,712,616)
Net (Decrease) / Increase in Cash and Cash Equivalents		(1,222,714)	22,834,710
Cash and Cash Equivalents at the Beginning of the Year		10,928,725	(11,905,985)
Cash and Cash Equivalents at the End of the Year	13	9,706,011	10,928,725

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

Colombo
13 October 2020



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1 General information

The EML Consultants (Private) Limited is a limited Liability Company incorporated on 10th March 1993 and domiciled in Sri Lanka. The Registered Office and Principal Place of business of the Company is situated at No. 6/10, Rajamaha Vihara Lane, Rajamaha Vihara Road, Pita Kotte.

The Company is engaged in the service of offering consultancy services in the categories of Engineering, Environment, Natural Sciences, Social Sciences, Technical Sciences, Technical, Financial and Management Services etc., to organizations within and outside Sri Lanka.

These financial statements have been approved for issue by the Board of Directors on 13 October 2020.

2 Summary of significant accounting policies

The first set of financial statements prepared in accordance with the 'SLFRS for Small and Medium-sized Entities' issued by the Institute of Chartered Accountants of Sri Lanka. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of EML Consultants (Private) Limited have been prepared in accordance with the 'Sri Lanka Financial Reporting Standards for Small and Medium-sized Entities' (SLFRS for SMEs). They have been prepared under the historical cost convention, as modified by the fair valuation of financial assets subsequently at amortized cost wherever applicable which are initially recognized at fair value.

The preparation of financial statements in conformity with the SLFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in "Sri Lanka Rupees", which is considered the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within 'finance income / (costs) - net'.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.3 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

(a) Measurement

Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced parts are derecognized. All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(b) Depreciation

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation on other assets is charged so as to allocate the cost of assets less their residual values over their estimated useful lives using the straight line method commencing from the month in which the asset is available for use. On disposal of assets depreciation is calculated exclusive of the month in which disposal takes place.

The estimated useful lives range of property, plant and equipment is as follows:

Buildings	20 years
Computer Equipment	3 years
Furniture and fittings	3 years
Office Equipment	4 years
Motor vehicles	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains / (losses) - net, in the statement of comprehensive income.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.4 Impairment of non-financial assets other than inventories

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Inventories

Inventories are comprising of jobs at work in progress. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in profit or loss.

2.6 Financial assets - loans and receivables

2.6.1 Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. the Company's loans and receivables comprise trade and other receivables and cash and cash equivalent in the statement of financial position (Notes 2.8 and 2.9).

2.6.2 Recognition and measurement

Loans and receivables are initially measured at fair value and subsequently carried at amortized cost using the effective interest method.

2.7 Impairment of financial assets - assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.7 Impairment of financial assets - assets carried at amortized cost (Contd)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

2.8 Trade receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2.9 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.10 Stated capital

The ordinary shares are classified as equity.

2.11 Trade payables

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

2.12 Borrowings

Borrowings are initially recognized at the transaction price including transaction costs. These are subsequently stated at amortized cost.

2.13 Borrowing costs

All borrowing costs are recognized as an expense in statement of comprehensive income in the period in which they are incurred.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligations as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The provisions are measured at the present value of expenditures expected to be required to settle the obligation.

2.15 Employee benefit obligations

(a) Defined benefit plans - Gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation. The defined benefit plan comprises the gratuity provided under the Act, No 12 of 1983.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually using the formula method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates.

Past-service costs are recognized immediately in statement of comprehensive income, unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of comprehensive income.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 17 to the financial statements.

(b) Defined contribution plans

All local employees of the Company are members of the Employees' Provident Fund and Employees' Trust Fund, to which their employer contributes 12% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances. The contributions are recognized as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognized as an asset.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The provision for current income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act, No.10 of 2006.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax assets is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.17 Revenue recognition

(a) Rendering of Services

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Company's activities. Revenue is shown net of all applicable taxes and levies, returns, rebates and discounts.

(b) Interest income

Interest income is recognized using the effective interest method.

2.18 Expenditure

The expenses are recognized on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property plant and equipment in a state of efficiency is charged against income in arriving at the results for the year.

For the purpose of presentation of the statement of comprehensive income information, expense by function method is used to classify expenses.

2.19 Dividend distribution

Dividend distribution to the company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.20 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2019 Rs	2018 Rs
3 Revenue		
Revenue from Consultancy Services	126,070,595	159,671,737
	<u>126,070,595</u>	<u>159,671,737</u>
4 Other income		
Exchange Gain	(364,181)	7,456,143
Creditor written back	658,299	591,587
	<u>294,118</u>	<u>8,047,730</u>
5 Finance income and costs		
<i>Finance income:</i>		
Interest Income	2,273,585	2,166,719
	<u>2,273,585</u>	<u>2,166,719</u>
<i>Finance costs:</i>		
Interest on borrowings	(2,363,028)	(3,687,412)
Lease Interest on Finance Leases	(28,114)	(198,754)
	<u>(2,391,142)</u>	<u>(3,886,166)</u>
Finance costs - net	<u>(117,557)</u>	<u>(1,689,447)</u>
6 Income Tax		
Statement of Profit / loss		
Current Tax Expense	-	-
Deferred Tax	261,595	798,354
	<u>261,595</u>	<u>798,354</u>
Tax charge reported in Income Statement	<u>261,595</u>	<u>798,354</u>
Statement of other comprehensive income		
Deferred Tax effect on actuarial gain/(loss) on defined Benefits plan	(67,920)	52,806
Tax charge directly to other comprehensive income	<u>67,920</u>	<u>52,806</u>
<i>The applicable tax rate on profit was 14%</i>		
6.1 The tax on the Company's (loss) / profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable to profits of the Company as follows:		
(Loss) / profit before tax	(658,591)	8,232,792
Add: Expenditure Disallowed Under Sec. 26	4,294,025	7,629,091
Less : Allowable Expenses including Business Losses set-off	(1,361,849)	(6,239,021)
Less : Investment Income	<u>(2,273,585)</u>	<u>(9,622,862)</u>
Profit from Trade or Business	-	-
Add: Interest Income / Investment Income	2,273,585	9,622,862
Less : Deduction under Section 32 (Non taxable part & allowable losses set-off)	<u>(2,273,585)</u>	<u>(9,622,862)</u>
Taxable Income	-	-
Tax Expense on Profit from the Business	-	-
Tax Expense on the Interest Income	-	-
Total Income Tax Expense	<u>-</u>	<u>-</u>



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICNT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

7 (Loss) / earnings per share

Basic (loss) / earnings per share is calculated by dividing the (loss) / profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2019	2018
(Loss) / profit attributable to equity holders of the Company	(502,963)	7,909,696
Weighted average number of ordinary Shares in issue (Note 15)	90,900,000	90,900,000
Basic (Loss) / Earnings per share (Rs)	(0.01)	0.09

8 Trade and other receivables

Trade receivables	17,398,724	25,571,904
(-) Provision for Impairment	(1,879,973)	(1,879,973)
	<hr/>	<hr/>
Project work-in-progress	15,516,751	23,691,931
Mobilization advances for projects	-	5,159,405
Deposit and prepayments	10,190,958	168,098
Other receivables [See Note (a) below]	574,063	601,063
	<hr/>	<hr/>
	3,174,261	2,595,607
	<hr/>	<hr/>
	29,458,033	32,216,104

(a) Other receivables mainly consist of Interest Receivable of Rs. 762,733/- (2018 - Rs. Rs. 700,185/-), Cash Margin NDB Rs. 0/- (2018 - Rs. 8,285/-), Ramboll KCHT receivable Rs. 642,069/- (2018 - Rs. 642,069/-) and ESC Recoverable Rs. 1,447,774/- (2018 - Rs. 1,156,573/-).

9 Income Tax Refund

Balance at the beginning of the year	1,587,702	1,482,998
Less :		
- Income tax provision for the year	-	-
	<hr/>	<hr/>
Add :		
- With Holding Tax	110,628	104,704
Balance at the end of the year	<hr/>	<hr/>
	1,698,330	1,587,702



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICNT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

10 (a) Property, plant and equipment - Freehold

	Balance as at 01.01.2019	Transfer from leasehold property	Additions during the year	Disposals	Balance as at 31.12.2019
	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost / Valuation					
Land	18,000,000	-	-	-	18,000,000
Buildings	45,868,929	-	-	-	45,868,929
Land & Building Improvement	4,138,113	-	-	-	4,138,113
Motor Vehicles	14,998,860	-	-	-	14,998,860
Office Equipments	1,937,909	-	-	-	1,937,909
Computer Equipments	11,437,784	-	273,880	-	11,711,664
Furniture & Fittings	3,384,443	-	32,414	-	3,416,857
Total	99,766,038	-	306,294	-	100,072,332
	Balance as at 01.01.2019	Transfer from leasehold property	Charge for the year	Disposals / Adjustment during the year	Balance as at 31.12.2019
	Rs.	Rs.	Rs.	Rs.	Rs.
Depreciation					
Buildings	12,458,647	-	1,780,311	-	14,238,958
Land & Building Improvement	91,223	-	624,931	-	716,154
Motor Vehicles	14,998,860	-	-	-	14,998,860
Office Equipments	1,825,730	-	18,383	-	1,844,113
Computer Equipments	10,824,668	-	387,009	-	11,211,677
Furniture & Fittings	2,911,876	-	132,938	-	3,044,814
Total	43,111,004	-	2,943,572	-	46,054,576
Net Book Value of Assets (At Cost)	56,655,034				54,017,796

10 (b) Property, plant and equipment -Leasehold

	Balance as at 01.01.2019	Additions during the year	Transfer to freehold assets	Disposals/Adju stments during the year	Balance as at 31.12.2019
	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost / Valuation					
Motor Vehicles	7,102,676	-	-	-	7,102,676
Total	7,102,676	-	-	-	7,102,676
	Balance as at 01.01.2019	Charge for the year	Transfer to freehold assets	Disposals / Adjustment	Balance as at 31.12.2019
	Rs.	Rs.	Rs.	Rs.	Rs.
Depreciation					
Motor Vehicles	6,295,697	806,979	-	-	7,102,676
Total	6,295,697	806,979	-	-	7,102,676
Net Book Value of Assets (At Cost)	806,979				-



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICNT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

		2019	2018
		Rs.	Rs.
11. Short - Term Investments			
Investments in Fixed Deposits in Foreign Currency		38,779,614	37,881,272
		<u>38,779,614</u>	<u>37,881,272</u>
12. Amount due from Related Party			
Amounts Due from Related Companies	24 (i)	19,623,152	19,259,042
Amounts Due from Directors and Shareholders	24 (ii)	567,792	567,792
		<u>20,190,944</u>	<u>19,826,834</u>
13. Cash and cash equivalents			
<i>Favourable Cash & Cash Equivalent Balances</i>			
Foreign Saving Accounts		9,927,051	14,022,981
Local Saving Accounts		16,974,510	12,322,731
Local Current Accounts		64,280	64,280
Petty Cash		130,000	230,000
Total Favourable Cash & Cash Equivalent		<u>27,095,841</u>	<u>26,639,992</u>
<i>Unfavourable Cash & Cash Equivalent Balances</i>			
Local Current Accounts		17,389,830	15,711,267
Total Unfavourable Cash & Cash Equivalent		<u>17,389,830</u>	<u>15,711,267</u>
<i>Total Cash and Cash Equivalent for the Purpose of Statement of Cash Flows</i>		<u>9,706,011</u>	<u>10,928,725</u>
14. Stated capital		2019	2018
<i>During the year shareholding ship of the company has been changed and the current shareholders together with their respective holdings are as follows:</i>			
<i>Name of the Shareholder</i>	<i>Number of Shares</i>	<i>Value (Rs.)</i>	<i>Value (Rs.)</i>
HNJ Chandrasekara	67,111,850	67,111,850	67,111,850
Thilak Hewawasam	944,445	944,445	944,445
PC Fernando	566,667	566,667	566,667
DG Wijemanne	14,725,406	14,725,406	14,725,406
TM Wallopillai	7,362,744	7,362,744	7,362,744
Employees	188,888	188,888	188,888
	<u>90,900,000</u>	<u>90,900,000</u>	<u>90,900,000</u>



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2019 Rs.	2018 Rs.
15 Borrowings		
Non Current (due more than one year)		
Term loans	3,020,125	3,020,125
	<u>3,020,125</u>	<u>3,020,125</u>
Current (due within one year)		
Term Loans	-	2,080,500
Lease Creditors	-	600,863
Bank Overdraft	17,389,830	15,711,267
	<u>17,389,830</u>	<u>18,392,630</u>
Total Borrowings	<u>20,409,955</u>	<u>21,412,755</u>

* The property loan taken from HNB has been rescheduled on 08th October 2018, when it was total capital outstanding amount of Rs. 4.2 Million. As per the rescheduled terms and conditions, the loan tenure has been extended (no' of 42 installments from the date of rescheduled) and accordingly monthly capital repayment is brought down to Rs. 100,000.00.

16 Defined benefit obligations

Statement of financial position obligation for:

Gratuity	4,568,550	4,053,190
<i>Statement of comprehensive income</i>		
Gratuity	515,360	329,353

The movement in the defined benefit obligation over the year is as follows:

At 1 January	4,053,190	6,543,837
Current service cost	498,321	427,689
Interest cost	502,182	429,728
Surplus / (Deficit) from retiring benefit obligation for the year	(485,143)	(528,064)
Benefits paid	-	(2,820,000)
At 31 December	<u>4,568,550</u>	<u>4,053,190</u>

The amounts recognized in the statement of comprehensive income are as follows:

Current service cost	498,321	427,689
Interest cost	502,182	429,728
Surplus / (Deficit) from retiring benefit obligation for the year	(485,143)	(528,064)
	<u>515,360</u>	<u>329,353</u>

The principal assumptions used in the calculation were as follows:

Discount rate	12.00%	12.00%
Expected rate of future salary increases	10.00%	10.00%
Retirement Age	65 years	65 years

In addition to the above, demographic assumptions such as turnover of employees and retirement age were considered for the computation.

The provision for defined benefit obligations is not externally funded.



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2019 Rs.	2018 Rs.
17 Trade and other payables		
Trade payables	25,439,581	32,514,199
Other Payables	2,820,000	2,820,000
Accrued expenses	4,159,965	4,515,903
Consultancy Fee Payable	2,195,000	-
Project Mobilization Advances Received	3,043,213	7,226,566
VAT Payable	1,979,326	3,634,625
NBT Payable	194	695,198
ESC Payable	-	528,338
	<u>39,637,279</u>	<u>51,934,829</u>

Accrued Expenses mainly consist of Salary payable Rs. 1,438,858/- (2018 - Rs. 1,436,953/-), MD Commission payable Rs. 56,557/- (2018 - Rs. 192,714/-) and Labour case EPF/ETF Rs. 691,540/- (2018 - Rs. 691,540/-).

18 Amount Due to Related Party

Amount due to Related company	24 (iii)	10,654,740	2,069,701
Amounts due to Directors and Shareholders	24 (iv)	2,059,250	2,059,250
		<u>12,713,990</u>	<u>4,128,951</u>

19 Contingent liabilities

There were no legal actions against the company as at the Balance sheet date.

There were no material contingent liabilities existing as at the statement of financial position date.

20 Commitments

Capital commitments

There were no material capital commitments outstanding as at the statement of financial position date.

21 Events after the end of reporting date

The Corona Virus ("Covid-19") is expected to have an impact on the Company's business performance in the short term. The Management monitors and controls spending in anticipation of an eventual recovery of the marketplace. Based on the prevailing uncertain market conditions, the Management has deferred their capital investment programs in preparation for any uncertainties to the recovery expectations in the market. As a result, the Company's financial performance in the short term is expected to correspond with the prevailing negative business environment which will continue for a foreseeable future.

The Management is of the opinion that the Company has adequate cash flows (or is in a position to arrange credit facilities if required) to meet any contingencies to ensure seamless operation. The management is confident that all their decisions and measures will ensure the Company remains viable as an entity through these uncertain times.

Other than the above, there have been no events after the reporting period which require adjustments to, or disclosure in the financial statements.

22 Financial instruments

Financial assets - measured at amortized cost

Trade and other receivables (excluding prepayments) (Note 9)	28,883,970	31,615,041
Cash and cash equivalents (Note 14)	27,095,841	26,639,992
	<u>55,979,811</u>	<u>58,255,033</u>

Financial liabilities - measured at amortized cost

Cash and cash equivalents (Note 14)	17,389,830	15,711,267
Trade and other payables (Note 18)	39,637,279	51,934,829
	<u>57,027,109</u>	<u>67,646,096</u>



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICNT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2019	2018
	Rs.	Rs.
23 Related party transactions		
Key management compensation		
Key management includes members of the Board of Directors of the Company. The compensation paid or payable to key management for employee services is shown below:		
Remuneration paid	412,500	412,500
	<hr/>	<hr/>
	412,500	412,500

23.1 Directors' interest in contracts and related party transactions

During the period, Mr. KAK Jayathilake has ceased the board and Mr. DL Kumaradasa has newly been appointed to the board and presently the board consist of Mr. HNJ Chandrasekera, Thilak Hewawasam and DL Kumaradasa as director of the company.

The following transactions were carried out with parties controlled by the company:

Outstanding balances arising from sales and others:

(i) <i>Amounts Due from Related Parties:</i>			
Delogistics International (Private) Limited	11,034,523	11,063,409	
Eco Tech Management (Private) Limited	4,412,615	4,412,615	
Thilina Bookshop	18,419	18,419	
International Institute of Development Training (Private) Limited	2,664,587	2,344,934	
Zeneth BPO (Private) Limited	854,127	829,224	
TEDHA	128,994	83,321	
Development Concepts (Private) Limited	357,245	389,045	
Sustainable Agenda (Private) Limited	152,642	118,075	
	<hr/>	<hr/>	
	19,623,152	19,259,042	

(ii) *Amounts Due from Directors & Shareholders*

<i>Due from Shareholders</i>			
Mr. Tulsi Waloopillai	492,882	492,882	
Mr. D. G. Wijemanne	74,910	74,910	
	<hr/>	<hr/>	
	567,792	567,792	

(iii) *Amounts Due to Related Parties:*

Sustainable Engineering Concept (Private) Limited	4,542,646	550,701
Sustainable Engineering Technology (Private) Limited	6,112,094	-
KCHT Lanka Jang (Private) Limited	-	1,519,000
	<hr/>	<hr/>
	10,654,740	2,069,701

(iv) *Amounts Due to Directors*

Mr. K. A. K. Jayatilake	2,059,250	2,059,250
	<hr/>	<hr/>
	2,059,250	2,059,250



EML CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

EMI CONSULTANTS (PRIVATE) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

	2019	2018
	Rs.	Rs.
Service Income	126,070,595	159,671,737
Direct Service Costs	(89,014,336)	(115,592,607)
Gross Profit	Statement 1	37,056,259
Other Income	Statement 2	10,214,449
	39,623,962	54,293,579
Personnel Expenses	Statement 3	(21,936,405)
Administration Expenses	Statement 4	(15,955,006)
Finance Costs	Statement 5	(2,391,142)
	(40,282,553)	(46,060,787)
(Loss) / Profit Before Taxation	(658,591)	8,232,792
Income Tax Expense	Statement 6	(261,595)
(Loss) / Profit for the Year	(920,186)	7,434,438



EML CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER**

Gross Profit

Statement 1

<i>Description of Project/Programme</i>	Service Income Rs.	Service Costs Rs.	Gross Profit / (Loss)	
			2019	2018
			Rs.	Rs.
Marine Drive	5,144,312	3,086,728	2,057,584	2,375,617
Simplex Infrastructure	260,334	10,645	249,689	36,393
Kalamatiya Fishery Harbor	432,345	690,026	(257,681)	400,006
EIA Muthurajawela	-	-	-	(261,168)
EIA Western Power	-	-	-	37,700
Upper Kothmale - Fees	-	-	-	585,445
Puranaguma - Coordination	-	-	-	(10,000)
Puranaguma - Other	-	-	-	(120)
BOI Katunayake	-	-	-	144,898
EIA Nilasevana	-	-	-	(134,531)
SIA for Tech City	2,944,190	1,780,090	1,164,100	343,304
UNDP Surveying & Cons	6,028,508	4,711,900	1,316,608	968,630
SEMS in Pan Asia Bank	2,902,320	3,363,198	539,122	323,524
IEER Mayura Place	-	4,900	(4,900)	369,327
IEE Hemmanthagama	-	-	-	457,583
Hemmanthagama	-	-	-	1,609,097
Northern Fisheries - LKR	23,347,200	13,569,658	9,777,542	12,053,014
Illuka Wet Season	4,519,095	3,629,291	889,804	-
Northern Fisheries - Provision	3,155,603	4,353,109	(1,197,504)	(89,262)
Jaffna Strom Water	4,899,593	3,810,570	1,089,023	6,000,685
IEE Fantasy Island	1,147,959	537,825	590,134	-
EIA Alawwa	3,458,778	1,916,036	1,542,742	-
GMC	1,801,358	-	1,801,358	-
Marinair Wind Power	2,592,862	1,927,856	665,006	-
Solar Park Siyabanduwa	3,224,001	2,084,350	1,139,651	-
IEE Ampara Wild Life	853,000	573,114	279,886	-
EPR Plastic Waste Mgt	4,016,786	-	4,016,786	-
Hotel City Waves	316,326	-	316,326	-
Kochikade	4,983,954	3,335,722	1,648,232	-
Northern Tourist MP	203,035	77,427	125,608	-
Translation DRR Guidelines	136,071	44,150	91,921	-
Hotspot Eastern	4,117,997	3,999,286	118,711	-
Hotspot Uva Southern	5,570,479	5,359,819	210,660	-
GFC Waste Mgt	37,037	-	37,037	-
TA Agriculture Europe EU	18,223,961	14,715,168	3,508,793	302,038
Molwa Hotel Project	244,898	206,975	37,923	157,291
Biotic Baseline Study	670,817	387,331	283,486	701,276
Mahaweli Left Bank	4,544,464	2,149,263	2,395,201	-
EIA Waste to Energy	-	-	-	(128,343)
Vega / Biz	-	-	-	513,148
Peraliya Anchorage	-	-	-	502,399
Septage Treatment	-	-	-	(292,525)
C/F Balance	109,777,285	75,344,437	34,432,845	26,965,455



EMI CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER**

<i>Description of Project/Programme</i>	Service income Rs.	Service Costs Rs.	Gross Profit/	
			(Loss) 2019 Rs.	(Loss) 2018 Rs.
B/D Balance	109,777,285	75,344,437	34,432,848	26,965,455
Trinco Master Plan	-	112,395	(112,395)	6,833,703
Puranawall Fishery Har	-	-	-	499,388
Climate Change	-	-	-	1,489,407
EIA Wilgamuwa	-	3,278	(3,278)	(2,619)
BIQ Dorset Property Development	-	-	-	142,386
Agri Mega Zone - Ampara / Uhana	-	-	-	1,161,895
IMMI Data Collection	-	-	-	1,772,403
Landfill Ja-Ela, Ekala	-	-	-	(2,145)
IEE Black Water Stage II	-	-	-	119,694
Lalan Rubber	-	-	-	14,374
DSIDC GCWWMP	3,690,974	3,108,320	582,654	275,935
Sound Mgt of PCB's	-	-	-	87,807
Professional Ser - Illuaka	1,597,042	-	1,597,042	745,067
LNG Project-Dikkowita USD	6,098,753	3,000,508	3,098,245	4,412,658
IEA Residential Blocks	7,143	-	7,143	-
EIA Madinigiriya	1,012,281	1,211,398	(199,117)	-
ILO National Consultancy	2,183,035	771,405	1,411,630	(962,114)
POB Singapore	-	1,171,989	(1,171,989)	-
Market & SE Survey - Fees	-	3,407,552	(3,407,552)	-
IEE Wellawatte	-	157,500	(157,500)	-
Electricity Affordability Surv	-	2,610	(2,610)	-
Agri Mod'n Project	1,704,082	722,944	981,138	310,517
Booklet for Project Roads	-	-	-	215,319
	126,070,595	89,014,336	37,056,259	44,079,130

<i>Other Income</i>	Statement 2.1	2019	
		Rs.	Rs.
Interest Income	Statement 2.1	2,273,585	2,166,719
Creditor written back		658,299	591,587
Exchange (Loss) / Gain		(364,181)	7,456,143
		2,567,703	10,214,449



EMI CONSULTANTS (PRIVATE) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

Interest Income

a) Interest Income from Savings Accounts in Local Currency

	2019	2018
	Rs.	Rs.
<i>Statement 2.1</i>		
NDB - Savings Account	172,471	135,193
HNB - Savings Account	168,216	79,940
BOC- Saving Account	272,431	75,912
	613,118	291,045

b) Interest Income from Savings Accounts in Foreign Currency

NDB - Saving Account	15,951	15,517
HNB - CAD	-	334
BOC AUD 0073581610	-	316
HNB - Saving Account	247,929	156,270
<i>Statement 2.1</i>		
	263,880	172,437

c) Interest Income from Fixed Deposits in Foreign Currency

NDB - Fixed Deposit Account No.108330001785 / Dollar (Australia)	905,711	827,407
HNB - Fixed Deposit Account No.43031007505 / Dollar (USA)	-	165,819
HNB - Fixed Deposit Account No.43921015333 / Dollar (Australia)	136,762	145,924
HNB - Fixed Deposit Account No.43921015388 / Dollar (Australia)	138,863	145,587
HNB - Fixed Deposit Account No.043921015418 / Dollar (Australia)	138,846	141,030
HNB - Fixed Deposit Account No.43031009331 / Dollar (USA)	-	21,346
NDB - Fixed Deposit (FEEA) FCAPS No.10830001197 / Dollar (USA)	8,820	9,639
NDB - Fixed Deposit (FEEA) FCAPS No.108330002471 / Dollar (USA)	67,585	60,397
	1,396,587	1,517,149

d) Interest Income from Fixed Deposits in Local Currency

HNB - Fixed Deposit Account No.043031013823/LKR	-	186,088
		186,088
<i>Statement 2.1</i>		
	2,273,585	2,166,719



EML CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER**

	2019 Rs.	2018 Rs.
Personnel Expenses		
Chairman's Remuneration	412,500	412,500
Staff Salaries and Allowances	14,528,163	14,866,530
Director Fee	-	560,484
Director - Transport Allowance	-	62,419
Bonus	118,050	348,250
EPF Contribution	1,743,383	1,783,982
ETF Contribution	435,870	446,003
Retainer's Fees:	1,153,425	1,218,322
Overtime	524,363	569,957
Mobile Fee Reimbursement	280,642	301,851
Travelling Reimbursement	1,766,023	1,939,761
Coordination allowance	368,699	362,500
Leave Encashment	212,407	145,801
Tax on Tax - PAYE	-	191,786
Provision for Employee Benefits - Gratuity	1,000,503	857,417
	<u>22,544,028</u>	<u>24,067,564</u>
Administration Income	(87,496)	(134,281)
Salary Reimbursement from related companies	(520,127)	(1,352,731)
	<u>21,936,405</u>	<u>22,580,552</u>
Finance Costs		
Interest on Bank Overdrafts	1,767,116	1,922,032
Lease Interest on Finance Leases	28,114	196,754
Interest on Loan	595,912	1,735,380
	<u>2,391,142</u>	<u>3,856,166</u>
Income Tax Expense		
<i>Current Income Tax Expense</i>		
Income Tax Expense on Current Year's Profit	261,595	798,354
Deferred Tax Expense	261,595	798,354
	<u>261,595</u>	<u>798,354</u>



EML CONSULTANTS (PRIVATE) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

	2019	2018
	Rs.	Rs.
Administration Expenses		Statement 4
Electricity	150,869	139,233
Water	61,448	63,357
Staff Welfare	528,777	415,202
Security	116,634	137,209
Staff's Training Seminar & Workshops	-	13,500
Business Promotion & Marketing	11,861	8,025
Repair & Maintenance	1,759,671	848,039
Repair / Service for Vehicles	962,212	792,142
Advertising	47,550	270,932
Stationery	344,160	376,518
Telephone	199,425	210,660
Refreshments & meeting expense	21,595	23,333
Internet	290,519	367,535
Postage & Courier	3,205	17,004
Travelling - Local	88,965	73,385
Travelling - Foreign	5,000	-
Annual License and Insurance Fees -Vehicles	359,426	290,350
Insurance	115,381	174,089
Insurance - Health	784,989	252,023
Membership Fees	109,899	121,125
IT Fees	300,000	300,000
Secretarial Services	48,700	60,816
Audit Fees	310,000	300,000
Accounting Support	7,800	-
Advisory Consultancy Fee	2,669,101	852,600
Domain Renewal	2,210	2,340
Tender Documentation Charge	67,840	80,250
Bid Bond bank charges	90,450	51,500
Taxation Fees	130,000	176,845
Legal Fees	666,383	421,550
Proposal Writers Fees	543,875	336,599
Proposal Field Visit Expenses	55,019	55,072
Donations	-	5,500
MSL - Payroll Preparation	140,508	134,387
Cleaning Charges	387,340	410,935
Nation Building Tax	2,053,258	3,043,629
Fuel for Vehicles	1,003,636	1,069,350
Depreciation on Property, Plant and Equipment	3,750,551	4,489,714
Trade debtors written off	3,570,484	6,495,949
Impairment on Trade Receivable	-	1,879,973
Service Agreement	55,094	-
Bank Charges	81,576	171,052
Tax Penalty	-	5,947
	21,865,411	24,937,669
Over recovery of Expenses	(2,033,842)	(2,900,280)
Overhead Expenses recovered from related companies	(3,876,563)	(2,413,320)
	15,955,006	19,624,069



Audited Financial Statements for the year ended 31st December 2018

mgi kal rupasinghe & co.
CHARTERED ACCOUNTANTS

**EML CONSULTANTS (PRIVATE) LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2018**

A member of

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EML CONSULTANTS (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of EML Consultants (Private) Limited, which comprise the Statement of Financial Position as at 31 December 2018, and the Statement of Comprehensive Income, the Statement of Changes in Reserve 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 31 December 2018, and of its financial performance for the year then ended in accordance with Sri Lanka Financial Reporting Standard for Smaller Entities.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Financial Reporting Standard for Smaller Entities 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.

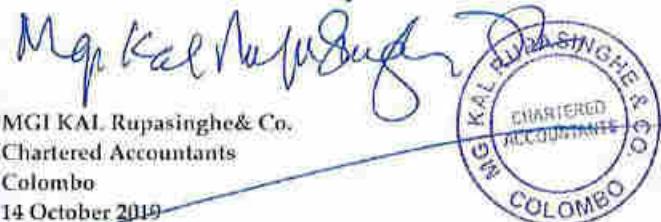
Those charged with governance are responsible for overseeing the Company's financial reporting process.





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.


MGI KAL Rupasinghe & Co.
Chartered Accountants
Colombo
14 October 2010



EML CONSULTANTS (PRIVATE) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER**

	Note	2018 Rs	2017 Rs
Revenue	3	159,671,737	86,528,306
Direct Cost		(115,592,607)	(53,967,613)
Gross profit		44,079,130	32,560,691
Other income	4	8,047,730	3,675,209
Administrative expenses		(42,204,621)	(37,140,830)
Operating profit / (loss)		9,922,239	(904,930)
Finance income		2,166,719	1,806,523
Finance costs		(3,856,166)	(4,367,171)
Finance costs - net	5	(1,689,447)	(2,560,648)
Profit / (loss) before tax		8,232,792	(3,465,578)
Income tax	6	(798,354)	(109,797)
Profit / (loss) for the year		7,434,438	(3,575,375)
Other Comprehensive Income			
Surplus from retiring benefit obligation	16	528,064	72,866
Deferred Tax effect on actuarial loss on defined Benefits plan		(52,806)	(7,287)
Total comprehensive income / (loss) for the year		7,909,696	(3,509,796)
Earnings / (loss) per share - basic (Rs)	7	0.09	(0.04)

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

Colombo
14 October 2019



EMI CONSULTANTS (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER

	Notes	2018 Rs	2017 Rs
Assets			
Non-current assets			
Property, plant and equipment - Freehold	10 (a)	56,655,034	59,224,474
Property, plant and equipment - Leasehold	10 (b)	806,979	2,227,514
Total Non-current assets		57,462,013	61,451,988
Current assets			
Trade and Other Receivables	8	32,216,104	47,555,155
Income Tax Refund	9	1,587,702	1,423,451
Short - Term Investments	11	37,881,272	41,414,709
Amount due from Related Party	12	19,826,834	24,562,288
Cash and cash equivalents	13	26,639,992	13,368,359
Total current assets		118,151,904	128,323,962
Total assets		175,613,917	189,775,950
Equity and Liabilities			
Capital and reserves			
Stated capital	14	90,900,000	90,900,000
Retained earnings		2,098,345	(5,791,351)
Total Shareholder's funds		92,998,345	85,108,649
Non-current liabilities			
Borrowings	15	3,020,125	10,850,625
Defined benefit obligations	16	4,053,190	6,543,837
Deferred income tax liabilities		1,085,847	234,687
Total Non-current liabilities		8,159,162	17,629,149
Current liabilities			
Borrowings	15	18,392,630	30,908,656
Trade and other payables	17	51,934,829	52,551,246
Amount due to Related Party	18	4,128,951	3,578,250
Total current liabilities		74,456,410	87,038,152
Total liabilities		82,615,572	104,667,301
Total equity and liabilities		175,613,917	189,775,950

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.
The Financial Statements are in compliance with the requirements of the Companies Act No. 97 of 2007.

[Signature]
Chief Financial Officer

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

[Signature]
Director

Colombo

14 October 2019



[Signature]
Director

EMI CONSULTANTS (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31ST DECEMBER 2018

	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 31 December 2016	90,900,000	(2,281,555)	88,618,445
Total comprehensive loss for the year	-	(3,509,796)	(3,509,796)
Balance as at 31 December 2017	90,900,000	(5,791,351)	85,108,649
Prior year Adjustment	-	(20,000)	(20,000)
Total comprehensive income for the year	-	7,909,696	7,909,696
Balance as at 31 December 2018	90,900,000	2,098,345	92,998,345

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

Colombo
14 October 2019



EML CONSULTANTS (PRIVATE) LIMITED

STATEMENT OF CASH FLOW

FOR THE PERIOD ENDED 31ST DECEMBER

	Note	2018 Rs	2017 Rs
Cash generated from / (used in) operations			
Profit / (loss) before tax		8,232,792	(3,465,578)
Adjustments for:			
Depreciation		4,489,714	4,589,970
Interest income		(2,166,719)	(1,806,523)
Interest expense		1,735,380	2,381,690
Lease Interest on Finance Lease written off		198,754	321,627
Gratuity Provision		857,417	1,058,010
Bad Debts Written off / Reversal of Impairment on Debtors		3,938,406	690,875
Written off trade payables		(591,587)	-
Profit/(Loss) on disposal of property, plant and equipment		-	335,889
Prior Year Adjustment		(20,000)	-
Operating Profit Before Working Capital Changes		<u>16,674,157</u>	<u>4,105,960</u>
Changes in working capital:			
- (Increase)/Decrease in Trade and Other Receivable		8,843,098	(1,681,287)
- (Increase)/Decrease in Amounts Due From Related Party		4,735,454	(6,656,876)
- Increase/(Decrease) in Trade and Other Payables		(616,417)	19,998,496
- Increase/(Decrease) in Amounts Due To Related Party		550,701	(1,072,185)
Cash generated from operations		<u>30,186,993</u>	<u>14,694,108</u>
Cash generated from / (used in) operations		30,186,993	14,694,108
Interest paid		(1,735,380)	(2,381,690)
Income Tax/WHT Paid		(104,704)	(32,203)
Defined benefit obligations paid		-	(576,000)
Net cash generated from operating activities		<u>28,346,909</u>	<u>11,704,215</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(499,739)	(1,029,663)
Interest received		2,166,719	1,806,523
Investment / uplift in short term investment		3,533,437	(4,713,345)
Proceeds from disposal of property, plant and equipment		-	1,043,478
Net cash generated from / (used in) investing activities		<u>5,200,417</u>	<u>(2,893,007)</u>
Cash flows from financing activities			
Movement in borrowing		(10,712,616)	(6,759,102)
Net cash used in financing activities		<u>(10,712,616)</u>	<u>(6,759,102)</u>
Net Increase in Cash and Cash Equivalents		<u>22,834,710</u>	<u>2,052,106</u>
Cash and Cash Equivalents at the Beginning of the Year		<u>(11,905,985)</u>	<u>(13,958,091)</u>
Cash and Cash Equivalents at the End of the Year	13	<u>10,928,725</u>	<u>(11,905,985)</u>

The accounting policies and notes on pages 5 to 17 form an integral part of these financial statements.

Colombo



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1 General information

The EML Consultants (Private) Limited is a limited Liability Company incorporated on 10th March 1993 and domiciled in Sri Lanka. The Registered Office and Principal Place of business of the Company is situated at No. 6/10, Rajamaha Vihara Lane, Rajamaha Vihara Road, Pita Kotte.

The Company is engaged in the service or offering consultancy services in the categories of Engineering, Environment, Natural Sciences, Social Sciences, Technical Sciences, Technical, Financial and Management Services etc., to organizations within and outside Sri Lanka.

These financial statements have been approved for issue by the Board of Directors on 14 October 2019.

2 Summary of significant accounting policies

The first set of financial statements prepared in accordance with the 'SLFRS for Small and Medium-sized Entities' issued by the Institute of Chartered Accountants of Sri Lanka. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of EML Consultants (Private) Limited have been prepared in accordance with the 'Sri Lanka Financial Reporting Standards for Small and Medium-sized Entities' (SLFRS for SMEs). They have been prepared under the historical cost convention, as modified by the fair valuation of financial assets subsequently at amortized cost wherever applicable which are initially recognized at fair value.

The preparation of financial statements in conformity with the SLFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements.

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in "Sri Lanka Rupees", which is considered the Company's functional and presentation currency.

2.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within 'finance income / (costs) - net'.



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd)

2.3. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

(a) Measurement

Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced parts are derecognized. All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

(b) Depreciation

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation on other assets is charged so as to allocate the cost of assets less their residual values over their estimated useful lives using the straight line method commencing from the month in which the asset is available for use. On disposal of assets depreciation is calculated exclusive of the month in which disposal takes place.

The estimated useful lives range of property, plant and equipment is as follows:

Buildings	20 years
Computer Equipment	3 years
Furniture and fittings	3 years
Office Equipment	4 years
Motor vehicles	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains / (losses) - net, in the statement of comprehensive income.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Contd)

2.4 Impairment of non-financial assets other than inventories

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Inventories

Inventories are comprising of jobs at work in progress. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in profit or loss.

2.6 Financial assets - loans and receivables

2.6.1 Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. the Company's loans and receivables comprise trade and other receivables and cash and cash equivalent in the statement of financial position (Notes 2.8 and 2.9).

2.6.2 Recognition and measurement

Loans and receivables are initially measured at fair value and subsequently carried at amortized cost using the effective interest method.

2.7 Impairment of financial assets - assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Indication of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.7 Impairment of financial assets - assets carried at amortized cost (Contd)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

2.8 Trade receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2.9 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.10 Stated capital

The ordinary shares are classified as equity.

2.11 Trade payables

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

2.12 Borrowings

Borrowings are initially recognized at the transaction price including transaction costs. These are subsequently measured at amortized cost.

2.13 Borrowing costs

All borrowing costs are recognized as an expense in statement of comprehensive income in the period in which they are incurred.



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The provisions are measured at the present value of expenditures expected to be required to settle the obligation.

2.15 Employee benefit obligations

(a) Defined benefit plans - Gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and compensation. The defined benefit plan comprises the gratuity provided under the Act, No 12 of 1983.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually using the formula method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates.

Past-service costs are recognized immediately in statement of comprehensive income, unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of comprehensive income.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 17 to the financial statements.

(b) Defined contribution plans

All local employees of the Company are members of the Employees' Provident Fund and Employees' Trust Fund, to which their employer contributes 12% and 3% respectively of such employees' basic or consolidated wage or salary, and/or living and all other allowances. The contributions are recognized as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognized as an asset.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Contd)

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a charge attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The provision for current income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act, No.10 of 2006.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax assets is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.17 Revenue recognition

(a) Rendering of Services

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Company's activities. Revenue is shown net of all applicable taxes and levies, returns, rebates and discounts.

(b) Interest income

Interest income is recognized using the effective interest method.

2.18 Expenditure

The expenses are recognized on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property plant and equipment in a state of efficiency is charged against income in arriving at the results for the year.

For the purpose of presentation of the statement of comprehensive income information, expense by function method is used to classify expenses.

2.19 Dividend distribution

Dividend distribution to the company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.20 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICNT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2018 Rs	2017 Rs
3 Revenue		
Revenue from Consultancy Services	159,671,737	86,528,306
	<u>159,671,737</u>	<u>86,528,306</u>
4 Other income		
Rent Income		405,000
Exchange Gain	7,456,143	1,968,583
Creditor written back	591,587	651,084
Reversal of bad debt provision		650,542
	<u>8,047,730</u>	<u>3,675,209</u>
5 Finance income and costs		
<i>Finance income:</i>		
Interest Income	2,166,719	1,806,523
	<u>2,166,719</u>	<u>1,806,523</u>
<i>Finance costs:</i>		
Interest on borrowings	(3,657,412)	(4,045,544)
Less: Interest on Finance Leases	(198,754)	(321,627)
	<u>(3,856,166)</u>	<u>(4,367,171)</u>
<i>Finance costs - net</i>	<u>(1,689,447)</u>	<u>(2,560,648)</u>
6 Income Tax		
<i>Statement of Profit / loss</i>		
Current Tax Expense		59,547
Over provision		(38,695)
Deferred Tax	798,354	88,945
<i>Tax charge reported in Income Statement</i>	<u>798,354</u>	<u>109,797</u>
<i>Statement of other comprehensive income</i>		
Deferred Tax effect on actuarial gain/(loss) on defined Benefits plan	52,806	7,287
<i>Tax charge directly to other comprehensive income</i>	<u>52,806</u>	<u>7,287</u>
<i>The convertible tax rate on profit was 28%.</i>		
6(i) The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable to profits of the Company as follows:		
<i>Profit before tax</i>	8,232,792	(3,465,578)
<i>Less: Expenditure Disallowed Under Sec. 26</i>	7,629,091	5,178,365
<i>Less: Allowable Expenses including Business Losses set-off</i>	(6,239,021)	(6,976,982)
<i>Less: Investment Income</i>	(9,622,862)	(1,501,113)
<i>Less: from Trade or Business</i>		(6,765,308)
<i>Less: Interest Income / Investment Income</i>	9,622,862	540,616
<i>Less: Deduction under Section 32 (Non taxable part & allowable losses set-off)</i>	(9,622,862)	(189,216)
<i>Residual Income</i>		351,400
<i>Less: Expense in Profit from the Business</i>		-
<i>Less: Expense in the Interest Income</i>		98,392
<i>Total Income Tax Expense</i>		<u>98,392</u>



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICNT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

7 Earnings / (loss) per share

Basic earnings / (loss) per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2018	2017
Profit / (loss) attributable to equity holders of the Company	7,909,696	(3,863,268)
Weighted average number of ordinary Shares in issue (Note 15)	90,900,000	90,900,000
Basic Earnings / (Loss) per share (Rs)	0.09	(0.04)

8 Trade and other receivables

Trade receivables	25,571,904	41,944,860
(i) Provision for Impairment	(1,879,973)	(1,423,242)
	<hr/>	<hr/>
Project work-in-progress	5,159,405	-
Mobilization advances for projects	168,098	3,582,907
Deposit and prepayments	601,063	513,053
Other receivables [See Note (a) below]	2,595,607	2,937,577
	<hr/>	<hr/>
	32,216,104	47,555,155

(a) Other receivables mainly consist of Interest Receivable of Rs. 700,185/- (2017 - Rs. 726,774/-), Cash Margin NDB Rs. 8,255/- (2017 - Rs. 1,011,367/-), Ramboll KCHT receivable Rs. 642,069/- (2017 - Rs. 642,069/-) and ESC Recoverable Rs. 136,573/- (2017 - Rs. 404,943/-).

9 Income Tax Refund

Balance at the beginning of the year	1,423,451	1,412,100
Less :		
Income tax provision for the year	-	(59,547)
	<hr/>	<hr/>
	1,482,998	1,352,553
Add :		
Over provision	-	38,695
With Holding Tax	104,704	32,203
Balance at the end of the year	<hr/>	<hr/>
	1,587,702	1,423,451



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

(iii) Property, plant and equipment - Freehold

	Balance as at 01.01.2018	Transfer from leasehold property	Additions during the year	Disposals during the year	Balance as at 31.12.2018
	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost / Valuation					
Land	18,000,000	-	-	-	18,000,000
Buildings	45,868,929	-	-	-	45,868,929
Land & Building Improvement	4,138,113	-	-	-	4,138,113
Motor Vehicles	14,998,860	-	-	-	14,998,860
Office Equipments	1,937,909	-	-	-	1,937,909
Computer Equipments	11,267,584	-	170,200	-	11,437,784
Furniture & Fittings	3,054,904	-	329,539	-	3,384,443
Total	99,266,299	-	499,739	-	99,766,038

	Balance as at 01.01.2018	Transfer from leasehold property	Charge for the year	Disposals / Adjustment during the year	Balance as at 31.12.2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Depreciation					
Buildings	10,053,405	-	2,405,242	-	12,458,647
Land & Building Improvement	91,223	-	-	-	91,223
Motor Vehicles	14,998,860	-	-	-	14,998,860
Office Equipments	1,797,966	-	27,764	-	1,825,730
Computer Equipments	10,350,018	-	474,650	-	10,824,668
Furniture & Fittings	2,750,353	-	161,523	-	2,911,876
Total	40,041,825	-	3,069,179	-	43,111,004
Net Book Value of Assets (At Cost)	59,224,474				56,655,034

(iv) Property, plant and equipment -Leasehold

	Balance as at 01.01.2018	Additions during the year	Transfer to freehold assets	Disposals/Adju stments during the year	Balance as at 31.12.2018
	Rs.	Rs.	Rs.	Rs.	Rs.
At Cost / Valuation					
Motor Vehicles	7,102,676	-	-	-	7,102,676
Total	7,102,676	-	-	-	7,102,676
	Balance as at 01.01.2018	Charge for the year	Transfer to freehold assets	Disposals / Adjustment	Balance as at 31.12.2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Depreciation					
Motor Vehicles	4,875,162	1,420,535	-	-	6,295,697
Total	4,875,162	1,420,535	-	-	6,295,697
Net Book Value of Assets (At Cost)	2,227,514				806,979



EMI CONSULTANTS (PRIVATE) LIMITED

SIGNIFICNT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
		Rs.	Rs.
iii) Short - Term Investments			
Investments in Fixed Deposits in Foreign Currency		37,881,272	39,270,570
Investments in Fixed Deposits in Local Currency		-	2,144,139
		<u>37,881,272</u>	<u>41,414,709</u>
iii) Amount due from Related Party			
Amounts Due from Related Companies	24 (i)	19,259,042	23,994,496
Amounts Due from Directors and Shareholders	24 (ii)	567,792	567,792
		<u>19,826,834</u>	<u>24,562,288</u>
iii) Cash and cash equivalents			
<i>Favourable Cash & Cash Equivalent Balances</i>			
Foreign Saving Accounts		14,022,981	9,220,900
Local Saving Accounts		12,322,731	3,903,929
Local Current Accounts		64,280	63,530
Bank Cash		230,000	180,000.00
Total Favourable Cash & Cash Equivalent		<u>26,639,992</u>	<u>13,368,539</u>
<i>Unfavourable Cash & Cash Equivalent Balances</i>			
Local Current Accounts		15,711,267	25,274,344
Total Unfavourable Cash & Cash Equivalent		<u>15,711,267</u>	<u>25,274,344</u>
Total Cash and Cash Equivalent for the Purpose of Statement of Cash Flows		<u>10,928,725</u>	<u>(11,905,985)</u>
iv) Share capital		2018	2017
<i>During the year shareholding ship of the company has been changed and the current shareholders together with their respective holdings are as follows:</i>			
<i>Name of the Shareholder</i>	<i>Number of Shares</i>	<i>Value (Rs.)</i>	<i>Value (Rs.)</i>
MRI Chandrasekara	67,111,850	67,111,850	-
EMI Lankale	-	-	67,111,850
Shiva Hewavasam	944,445	944,445	944,445
PC Samundu	566,667	566,667	566,667
DR M. Seneviratne	14,725,406	14,725,406	14,725,406
DR M. Seneviratne	7,362,744	7,362,744	7,362,744
Others	188,888	188,888	188,888
	<u>90,900,000</u>	<u>90,900,000</u>	<u>90,900,000</u>



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICNT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2018	2017
	Rs.	Rs.
15 Borrowings		
Non Current (due more than one year)		
Term loans	3,020,125	10,850,625
	<u>3,020,125</u>	<u>10,850,625</u>
Current (due within one year)		
Term loans	2,080,500	3,880,500
Trade Creditors	600,863	1,753,812
Bank Overdraft	15,711,267	25,274,344
	<u>18,392,630</u>	<u>30,908,656</u>
Total Borrowings	<u>21,412,755</u>	<u>41,759,281</u>

* The property loan taken from HNB has been rescheduled on 08th October 2018, when it was total capital outstanding amount of Rs. 4.2 Million. As per the rescheduled terms and conditions, the loan tenure has been extended (no' of 42 payments from the date of rescheduled) and accordingly monthly capital repayment is brought down to Rs. 100,000.00.

16 Defined benefit obligations

Statement of financial position obligation for:

- Goodwill	4,053,190	6,543,837
- Statement of comprehensive income		
- Goodwill	329,353	985,144

The movement in the defined benefit obligation over the year is as follows:

31/12/2017	6,543,837	6,134,693
Current service cost	427,689	468,895
Interest cost	429,728	589,115
Benefit (Deficit) from retiring benefit obligation for the year	(528,064)	(72,866)
Settled past	(2,820,000)	(576,000)
31/12/2018	<u>4,053,190</u>	<u>6,543,837</u>

The amounts recognized in the statement of comprehensive income are as follows:

Current service cost	427,689	468,895
Interest cost	429,728	589,115
Benefit (Deficit) from retiring benefit obligation for the year	(528,064)	(72,866)
	<u>329,353</u>	<u>985,144</u>

The principal assumptions used in the calculation were as follows:

Discount rate	12%	10.55%
Rate of future salary increases	10%	10%
Retirement age	65 years	65 years

In addition to the above, demographic assumptions such as turnover of employees and retirement age were considered for the calculation.

The defined benefit obligations is not externally funded.



EML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2018 Rs.	2017 Rs.
27. Trade and other payables		
Trade payables	32,514,199	34,398,585
Other Payables	2,820,000	-
Accrued expenses	4,515,903	4,175,804
Project Mobilization Advances Received	7,226,566	10,702,809
VAT Payable	3,634,625	2,571,514
NBT Payable	695,198	297,591
ESC Payable	528,338	404,943
	51,934,829	52,551,246

Accrued Expenses mainly consist of Salary payable Rs. 1,436,963/- (2017 - Rs. 1,598,913/-), MD Commission payable Rs. 192,714/- (2017 - Rs. 540,718/-) and Labour case EPF/ETF Rs. 691,540/- (2017 - Rs. 708,902/-).

28. Amount Due to Related Party

Amount due to Related company	24 (iii)	2,069,701	1,519,000
Amounts due to Directors and Shareholders	24 (iv)	2,059,250	2,059,250
		4,128,951	3,578,250

29. Contingent liabilities

There were no legal actions against the company as at the Balance sheet date.

There were no material contingent liabilities existing as at the statement of financial position date.

30. Commitments

Capital commitments

There were no material capital commitments outstanding as at the statement of financial position date.

31. Events after the end of reporting date

No circumstances have arisen since the balance sheet date which would require adjustments to, or disclosure in, the financial statements.

32. Financial instruments

Financial assets - measured at amortized cost

Trade and other receivables (excluding prepayments) (Note 9)	28,575,761	45,275,687
Customer credit equivalents (Note 14)	26,639,992	13,368,359
	55,215,753	58,644,046

Financial liabilities - measured at amortized cost

Customer credit equivalents (Note 14)	15,711,267	25,274,344
Trade and other payables (Note 18)	51,934,829	52,551,246
	67,646,096	77,825,590

33. Related party transactions

34. Management compensation

Management includes members of the Board of Directors of the Company. The compensation paid or payable to key management for employee services is shown below:



412,500	375,000
412,500	375,000

ML CONSULTANTS (PRIVATE) LIMITED

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2018 Rs.	2017 Rs.
■ Directors' interest in contracts and related party transactions		
During the period, Mr. KAK Jayathilake has ceased the board and Mr. DL Kumaradasa has newly been appointed to the board and presently the board consist of Mr. HNJ Chandrasekera, Thilak Hewawasam and DL Kumaradasa as director of the company.		
<i>The following transactions were carried out with parties controlled by the company:</i>		
Outstanding balances arising from sales and others:		
<i>■ Accounts Due from Related Parties:</i>		
Dellogistics International (Pvt) Ltd.,	11,063,409	10,923,712
Eco-Tech Management (Pvt) Ltd.,	4,412,615	4,412,615
Thilina Bookshop	18,419	8,195
International Institute of Development Training (Private) Ltd.,	2,344,934	2,251,544
Zeneth BPO (Pvt) Ltd.,	829,224	795,740
Sustainable Engineering Concept (Pvt) Ltd	-	4,642,188
ACHT Lanka Jang (Pvt) Ltd	-	-
TEHHA	83,320,97	-
Development Concepts (Pvt) Ltd.,	389,045	737,727
Sustainable Agenda (Pvt) Ltd	118,075	222,775
	<u>19,259,042</u>	<u>23,994,496</u>
<i>■ Amounts Due from Directors & Shareholders</i>		
<i>Due from Shareholders</i>		
Mr. Faisi Waloopillai	492,882	492,882
Mr. D. G. Wijemarune	74,910	74,910
	<u>567,792</u>	<u>567,792</u>
<i>■ Amounts Due to Related Parties:</i>		
Sustainable Engineering Concept (Pvt) Ltd	550,701	-
ACHT Lanka Jang (Pvt) Ltd	1,519,000	1,519,000
	<u>2,069,701</u>	<u>1,519,000</u>
<i>■ Amounts Due to Directors</i>		
Mr. K. A. K. Jayatilake	2,059,250	2,059,250
	<u>2,059,250</u>	<u>2,059,250</u>



EML CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

EML CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER**

	2018	2017
	Rs.	Rs.
Service Income	159,671,737	86,528,306
Direct Service Costs	(115,592,607)	(53,967,615)
Gross Profit	Statement 1	32,560,691
 <i>Other Income</i>	 Statement 2	 5,481,732
	10,214,449	54,293,579
	Statement 3	38,042,423
Professional Expenses	(22,580,552)	(25,255,503)
Administration Expenses	(19,624,069)	(11,885,327)
Finance Costs	(3,856,166)	(4,367,171)
	Statement 4	(41,508,001)
 Profit / (Loss) Before Taxation	 Statement 5	 8,232,792
 Income Tax Expense	 (3,465,578)	 (798,354)
 Profit / (Loss) for the Year	 7,434,438	 (3,575,375)



EMI CONSULTANTS (PRIVATE) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

Gross Profit

Description of Project/Programme	Statement 1		
	Service Income	Service Costs	Gross Profit/ (Loss) 2018
	Rs.	Rs.	Rs.
Marine Drive	8,437,386	(6,061,739)	2,375,647
Seaplex Infrastructure	43,760	(7,367)	36,393
Kammachiya Fishery Harbour	1,076,453	(676,447)	400,006
SLA Muthurajawela	-	(261,168)	(261,168)
SLA Western Power	-	37,700	37,700
Upper Kathmale - Fees	1,333,000	(747,555)	585,445
Theranagama - Coordination	-	(10,000)	(10,000)
Theranagama - Other	-	(120)	(120)
BCI Kammayake	244,898	(100,000)	144,898
SLA Nilasevana	225,410	(359,941)	(134,531)
SLA for Tech City	1,165,477	(822,173)	343,304
UNDP Surveying & Cons	9,617,779	(8,649,149)	968,630
WEFIS - Pan Asia Bank	862,584	(539,060)	323,524
WEFIS Mayura Place	340,510	28,817	369,327
SLI Hemanthagama	861,489	(403,906)	457,583
Hemanthagama	2,175,220	(566,123)	1,609,097
National Fisheries - LKR	34,157,510	(22,104,496)	12,053,014
National Fisheries - Provision	37,704,715	(37,793,977)	(89,262)
Water Supply Water	8,574,288	(2,573,603)	6,000,685
SLA Agriculture Europe EU	2,154,936	(1,852,898)	302,038
Water Project	489,796	(332,505)	157,291
Water Baseline Study	2,683,269	(1,981,993)	701,276
SLI Water to Energy	-	(128,343)	(128,343)
Waste	994,898	(481,750)	513,148
Waste Anchorage	2,904,434	(2,402,035)	502,399
Waste Treatment	-	(292,525)	(292,525)
WBalance	116,047,811	(89,082,356)	26,965,455



EMI CONSULTANTS (PRIVATE) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

Description of Project/Programme	Service Income Rs.	Service Costs Rs.	Gross Profit/ (Loss)	
			2018	2017
BB Balance	116,047,811	(89,082,356)	26,965,455	
Colombo Master Plan	15,034,773	(8,201,070)	6,833,703	
Pawneawall Fishery Har	499,388	-	499,388	
Climate Change	1,593,619	(104,212)	1,489,407	
SLA, Wigamuwa	377,837	(380,456)	(2,619)	
SLB2 Dorset Property Development	153,061	(10,675)	142,386	
Agro Mega Zone - Ampara / Uhana	1,712,774	(550,879)	1,161,895	
Statistical Data Collection	6,317,250	(4,544,847)	1,772,403	
Landfill ja-Ela, Ekala	-	(2,145)	(2,145)	
SEB Black Water Stage II	184,694	(65,000)	119,694	
Colac Rubber	71,224	(56,850)	14,374	
EDB/C GWMP	3,501,535	(3,225,600)	275,935	
Seawall Mgt of PCB's	1,811,478	(1,723,671)	87,807	
Pharmaceutical Ser - Illuka	1,102,042	(356,975)	745,067	
EDB Project-Dikkowita USD	8,566,413	(4,153,755)	4,412,658	
EDB National Consultancy	1,538,119	(2,500,233)	(962,114)	
Agro Mod in Project	734,400	(423,883)	310,517	
Rebates for Project Roads	425,319	(210,000)	215,319	
	159,671,737	(115,592,607)	44,079,130	
			2018	2017
			Rs.	Rs.
Other Income			Statement 2	
Interest Income	Statement 2.1	2,166,719	1,806,523	
Interest on Rent		-	405,000	
Customer written back		591,587	651,084	
Exchange Gain/Loss		7,456,143	1,968,583	
Removal of bad debt provision		-	650,542	
		10,214,449	5,481,732	



EML CONSULTANTS (PRIVATE) LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER

	2018	2017	Statement 2.1
	Rs.	Rs.	
<i>Interest Income</i>			
<i>Interest Income from Savings Accounts in Local Currency</i>			
NDB - Savings Account	135,193	94,108	
HNB - Savings Account	79,940	3,989	
BOC - Saving Account	75,912	7,342	
	<u>291,045</u>	<u>105,439</u>	
<i>Interest Income from Savings Accounts in Foreign Currency</i>			
NDB - Saving Account	15,517	49,634	
HNB - CAD	334	-	
BOC AUD 0073581610	316	-	
HNB - Saving Account	156,270	99,932	
	<u>172,437</u>	<u>149,566</u>	
<i>Interest Income from Fixed Deposits in Foreign Currency</i>			
NDB - Fixed Deposit Account No.108330001785/Dollar(Australia)	827,407	677,588	
HNB - Fixed Deposit Account No.43031007505/Dollar(USA)	165,819	179,900	
HNB - Fixed Deposit Account No.43921015333/Dollar(Australia)	145,924	145,486	
HNB - Fixed Deposit Account No.43921015388/Dollar(Australia)	145,587	146,338	
HNB - Fixed Deposit Account No.043921015418/Dollar(Australia)	141,030	142,831	
HNB - Fixed Deposit Account No.43031009331/Dollar(USA)	21,346	22,058	
NDB - Fixed Deposit (FEEA) FCAPS No.10830001197/Dollar(USA)	9,639	8,040	
NDB - Fixed Deposit (FEEA) FCAPS No.108330002471/Dollar(USA)	60,397	7,533	
	<u>1,517,149</u>	<u>1,329,774</u>	
<i>Interest Income from Fixed Deposits in Local Currency</i>			
HNB - Fixed Deposit Account No.043031013823/LKR	186,088	221,744	
	<u>186,088</u>	<u>221,744</u>	
	<u>2,166,719</u>	<u>1,806,523</u>	



EMI CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER**

	2018	2017
	Rs.	Rs.
Personnel Expenses		Statement 3
Chairman's Remuneration	412,500	375,000
Staff Salaries and Allowances	14,866,530	15,661,617
Director Fee	560,484	2,064,032
Director - Transport Allowance	62,419	165,161
Reserve	348,250	-
EPF Contribution	1,783,982	1,866,348
SIP Contribution	446,003	466,593
Reserve & Fees	1,218,322	1,680,113
Overheads	569,957	447,315
Mobile Fee Reimbursement	301,851	318,375
Traveling Reimbursement	1,939,761	1,895,986
Communication allowance	362,500	400,000
Leave Encashment	145,801	222,025
Tax on Tax - PAYE	191,786	358,716
Provision for Employee Benefits - Gratuity	857,417	1,058,010
	24,067,564	26,979,291
Administration Income	(134,281)	(98,507)
Overhead Reimbursement from related companies	(1,352,731)	(1,625,282)
	22,580,552	(1,723,789)
Finance Costs		Statement 5
Interest on Bank Overdrafts	1,922,032	1,663,854
Less: Interest on Finance Leases	198,754	321,627
Interest on Loan	1,735,380	2,381,690
	3,856,166	4,367,171



EML CONSULTANTS (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER**

	2018	2017	Statement 4
	Rs.	Rs.	
Administration Expenses			
Electricity	139,233	119,984	
Water	63,357	72,473	
Staff Welfare	415,202	654,671	
Security	137,299	83,870	
Staff's Training Seminar & Workshops	13,500	563,625	
Business Promotion & Marketing	8,025	516,040	
Repair & Maintenance	848,039	1,446,702	
Repairs/Service for Vehicles	792,142	638,888	
Advertising	270,932	127,098	
Stationery	376,518	1,088,706	
Telephone	210,660	239,398	
Refreshments & meeting expense	23,333	34,870	
Internet	367,535	393,387	
Postage & Courier	17,034	45,310	
Travelling - Local	73,385	109,666	
Annual License and Insurance Fees -Vehicles	290,350	418,689	
(PFI) Cover	-	30,000	
Insurance	174,089	103,701	
Insurance - Health	252,023	168,240	
Membership Fees	121,125	112,980	
Off Fees	300,000	300,000	
Secretarial Services	66,816	61,613	
Audit Fees	300,000	285,000	
Accounting Charges	-	67,900	
Professional Fee	-	49,733	
Advisory Consultancy Fee	852,600	-	
Domain Renewal	2,340	2,000	
Tender Documentation Charge	80,250	137,005	
Bid Bond bank charges	51,500	55,000	
Domestic Fees	176,845	117,551	
Legal Fees	421,550	15,000	
Proposal Writers Fees	336,599	509,376	
Proposal Field Visit Expenses	55,072	96,781	
Disbursements	5,500	50,300	
Travelling - Foreign	-	3,000	
SLR - Payroll Preparation	134,387	128,216	
Clearing Charges	410,935	379,882	
Home Building Tax	3,043,629	1,585,934	
Rent for Vehicles	1,069,350	1,237,658	
Depreciation on Property, Plant and Equipment	4,489,714	4,589,970	
Trade debts written off	6,495,949	1,341,417	
Impairment on Trade Receivable	1,879,973	-	
Bank Charges	171,052	95,626	
Interest Disposal of Property Plant and Equipment	-	335,889	
Debt Recovery	5,947	-	
Other Recovery of Expenses	24,937,669	18,433,119	
General Expenses recovered from related companies	(2,900,280)	(2,033,278)	
	(2,413,320)	(4,514,515)	



ANNEXURE 2

INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MAY 2021

EML Consultants(Pvt)Ltd

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31.05.2021**

No.5/10,
Rajamaha Vihara Road,
Pitakotte

EML CONSULTANTS (PVT) LTD

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31.05.2021

Contents	Page
1 Comprehensive Income Statement	1
2 Statement of Financial Position	2
3 Statement of Changes in Equity	3
4 Statement of Cash Flows	4
5 Notes to the Financial Statements	5

EML CONSULTANTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME

Page 01

	01.01.2021 to 31.05.2021	01.01.2020 to 31.05.2020
	Rs.	Rs.
Revenue	36,678,095	39,768,510
Direct Cost	(23,733,506)	(20,696,255)
Gross profit	12,944,587	19,062,555
Other income	4,400,000	-
Administrative expenses	(14,719,542)	(9,060,593)
Operating profit	2,575,045	10,102,000
Finance income	1,454,218	817,413
Finance costs	(373,330)	(904,521)
Finance income / (costs) - net	580,655	(87,108)
Profit before tax	3,155,733	10,014,795
Income tax	-	-
Profit for the year	3,155,733	10,014,795
Earnings Per Share	0.03	0.11

**EMI CONSULTANTS LIMITED
STATEMENT OF FINANCIAL POSITION**

Page 02

	As at 31.05.2021	Audited As at 31.12.2020
	Rs.	Rs.
Assets		
Non-current assets		
Property, plant and equipment - Freehold	50,038,214	51,192,283
Property, plant and equipment - Leasehold	17,365,954	10,726,682
Total Non-current assets	67,404,168	61,918,965
Current assets		
Trade and Other Receivables	42,059,068	36,283,319
Income Tax Refund	847,170	1,698,330
Short - Term Investments	43,677,496	42,742,507
Amount due from Related Party	20,161,660	20,164,591
Cash and cash equivalents	20,265,506	31,275,244
Total current assets	137,210,920	132,133,991
Total assets	204,615,088	194,052,956
Equity and liabilities		
Capital and reserves		
Stated capital	90,900,000	90,900,000
Retained earnings	14,257,214	11,101,481
Total Shareholder's funds	105,157,214	102,001,481
Non-current liabilities		
Borrowings	5,988,888	7,100,000
Defined benefit obligations	3,437,622	3,736,872
Deferred income tax liabilities	2,238,783	2,238,783
Total Non-current liabilities	11,665,293	13,075,655
Current liabilities		
Borrowings	32,307,581	19,504,410
Trade and other payables	43,175,278	47,067,320
Amount due to Related Party	12,308,722	12,404,090
Total current liabilities	87,792,581	78,975,820
Total liabilities	99,457,874	92,051,475
Total equity and liabilities	204,615,088	194,052,956
Net Assets Value Per Share	1.16	1.12

The Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

[Signature]
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.

[Signature]
.....
Director

[Signature]
.....
Director

28th July 2021

**EML CONSULTANTS LIMITED
STATEMENT OF CHANGES IN EQUITY**

Page 03

	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1 January 2020	90,900,000	1,595,382	92,495,382
Total comprehensive loss for the period	-	10,014,795	10,014,795
Unaudited balance as at 31 May 2020	90,900,000	11,610,177	102,510,177
Balance as at 1 January 2021	90,900,000	11,101,481	102,001,481
Total comprehensive income for the period	-	3,155,733	3,155,733
Unaudited balance as at 31 May 2021	90,900,000	14,257,214	105,157,214

**EML CONSULTANTS LIMITED
STATEMENT OF FINANCIAL POSITION**

Page 04

	<u>01.01.2021 to 31.05.2021</u>	<u>01.01.2020 to 31.05.2020</u>
Cash generated from / (used in) operations		
Profit before tax	3,185,733	10,014,793
Adjustments for:		
Depreciation	2,618,554	4,579,930
Interest income	(1,454,218)	(317,413)
Gain on Disposal of Motor Vehicle	(4,400,000)	-
Interest expense	1,973,246	432,673
Lease Interest on Finance Lease	623,352	102,954
Gratuity Provision	-	-
<i>Operating Profit Before Working Capital Changes</i>	3,516,667	14,312,977
Changes in working capital:		
- (Increase) / Decrease in Trade and Other Receivable	(5,775,769)	(511,413)
- (Increase) / Decrease in Amounts Due From Related Party	22,931	(364,110)
- Increase / (Decrease) in Trade and Other Payables	3,874,917	(19,207,943)
- Increase / (Decrease) in Amounts Due To Related Party	94,568	1,538,393
Cash generated from / (used in) operations	1,733,114	(4,813,096)
Interest paid	(2,973,246)	(345,667)
Income Tax / WHT Paid	-	(113,625)
Net generated from / (used in) operating activities	(1,240,133)	(5,269,191)
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,012,269)	(306,294)
Interest received	1,454,218	517,413
Investment / uplift in short term investment	(1,114,959)	(892,342)
Net cash (used in) / generated from investing activities	(9,295,040)	(367,223)
Cash flows from financing activities		
Movement in borrowing	9,429,410	(1,002,800)
Net cash generated from / (used in) financing activities	9,429,410	(1,002,800)
Net Increase / (Decrease) in Cash and Cash Equivalents	(1,163,763)	(6,659,214)
Cash and Cash Equivalents at the Beginning of the Year	10,926,725	17,587,939
Cash and Cash Equivalents at the End of the Year	9,324,963	10,918,725
Cash and cash equivalents		
Favourable Cash & Cash Equivalent Balances:		
Foreign Saving Accounts	15,180,507	15,340,913
Local Saving Accounts	18,373,999	14,993,094
Local Current Accounts	31,000	1,792,670
Petty Cash	100,000	90,567
Total Favourable Cash & Cash Equivalent	30,265,506	51,225,244
Unfavourable Cash & Cash Equivalent Balances:		
Local Current Accounts	20,440,543	20,296,519
Total Unfavourable Cash & Cash Equivalent	20,440,543	20,296,519
Total Cash and Cash Equivalent for the Purpose of Statement of Cash Flows	9,324,963	10,918,725

- 1 Unless otherwise stated specifically, figures in these financial statements are not audited.
- 2 These condensed financial statements comply with Sri Lanka Accounting Standard 34 (LKAS 34).
- 3 There are no changes to the accounting policies adopted as compared to the audited financial statements of 31.12.2020.
- 4 There are no material contingent liabilities as at 31st May 2021, other than disclosed below. A case has been filed at the Anuradhapura Labour Tribunal against EML by a consultant that was retained on fee basis for a specific project, however claiming for EPF/ETF (Case No 27/Anu/2546/2020). The case is only partly heard and pending for further hearing where the dates have not been fixed yet. In the event the case is decided against the Company, the estimated maximum possible liability would be LKR 3,300,000/- which has not been provided in the financial statements as of the date since the case is pending.
- 5 No material events have taken place subsequent to the date of the balance sheet that require disclosure or any adjustments to financial statements.

ANNEXURE 3

RESEARCH REPORT OF THE MANAGERS TO THE ISSUE JUSTIFYING THE REFERENCE PRICE

Research Report



E M L Consultants Limited

We, Atarah Capital Partners (Pvt) Limited (“ACP”) hereby declare that we possess the requisite expertise to perform reports of this nature involving a company that would be likely to be classified under the Commercial and Professional Services Sector of the Colombo Stock Exchange

We also declare that the Research Report has been prepared in accordance with the disclosures specified in the ‘Valuation/ Research Report - Guidance Note’ issued by the CSE.



Atarah Capital Partners (Private) Limited
Financial Advisor & Manager to the Introduction and Sponsor

Contents

1.0 INTRODUCTION	128
1.1 Executive Summary	128
1.2 Objectives of the Report	128
2.0 OVERVIEW OF THE COMPANY	129
2.1 The Company	129
2.2 Main Business Activities.....	129
2.2.1 Environment and Natural Resources Management (ENR)	129
2.2.2 Capacity Building and Human Resources Development (CBH) Programs	130
2.2.3 Urban and Industrial Engineering (UIE) Services	130
2.2.4 Special Projects Management.....	131
2.3 Summary of historical financial information	131
3.0 OVERVIEW OF THE COUNTRY AND INDUSTRY	136
3.1 Sri Lanka Outlook – Challenging but achievable	136
3.2 Investments in Infrastructure despite the pandemic	137
3.3 Developments in sectors related to EML's operating space.....	137
3.4 New developments and drivers for increasing demand for EML's Consultancy Space.....	138
4.0 VALUATION RESULTS	140
4.1 Discounted Cash flow Methodology	140
4.2 Adjusted Net Asset Value Methodology.....	141
5.0 VALUATION METHODOLOGY	142
5.1 Discounted cash flow Methodology.....	142
6.0 ASSUMPTIONS USED IN FINANCIAL FORECASTS	143
6.1 Revenue	143
6.2 Direct Costs.....	143
6.3 Other Income.....	143
6.4 Administrative Expenses	144
6.5 Depreciation	144
6.6 Finance Income.....	144
6.7 Finance Costs	144
6.8 Taxation	145
6.9 Working capital.....	145
6.10 Investments in property, plant and equipment.....	145
7.0 FORECASTED FINANCIAL STATEMENTS	146
7.1 Statement of Comprehensive Income.....	146
7.2 Statement of Financial Position	147
7.3 Statement of Cash Flow.....	148
7.4 Financial Ratios.....	149
8.0 THE TEAM	150
9.0 DISCLAIMER	151

GLOSSARY OF TERMS AND ABBREVIATIONS

ACP	Atarah Capital Partners (Pvt) Limited
ADB	Asian Development Bank
ADO	Asian Development Outlook
BOI	Board of Investments
CAGR	Compound Annual Growth Rate
CBH	Capacity Building and Human Resources Development
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Pvt) Limited
CEA	Central Environmental Authority
CIDA	Construction Industry Development Authority
CSE	Colombo Stock Exchange
DCF	Discounted Cash Flow
DF	Discount Factor
DSC	Design Supervision and Management Consultant
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
EIA	Environmental Impact Assessments
EML, the Company	E M L Consultants Limited
ENR	Environment and Natural Resources Management
EOI	Expression of Interest
FCFF	Free Cash Flows to Firm
FY	Financial Year
FYE	Financial Year Ended
GDP	Gross Domestic Production
GICS	Global Industry Classification Standards
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IEE	Initial Environmental Examinations
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
LHS	Left Hand Side
Mn	Million
NAV	Net Assets Value
P/ BV	Price to Book Value ratio
P/ E	Price to Earnings Ratio
PV	Present Value
Rs or LKR	Sri Lankan Rupees
SEC	Securities and Exchange Commission of Sri Lanka
SMEs	Small and Medium Sized Enterprises
UIE	Urban and Industrial Engineering
UNDP	United Nations Development Program
UNFCCC	United Nations Framework Convention on Climate Change
UN HABITAT	United Nations Human Settlements Programme
UNICEF	United Nations Children's Emergency Fund
USAID	United States Agency for International Development
USD	United States Dollars
WACC	Weighted Average Cost of Capital
WC	Working Capital
YoY	Year on Year

1.0 INTRODUCTION

1.1 Executive Summary

We, Atarah Capital Partners (Pvt) Limited has conducted a research and carried out the valuation of shares using the methods of Discounted Cash Flows valuation and Adjusted/ Historical Net Assets Value techniques to arrive at an appropriate equity value for the Company. The results are summarized as below.

Valuation Technique	Price Per Share (LKR)
Discounted Cash flow Basis	2.03 - 2.24
Net Asset Value	1.16
Adjusted Net Asset Value	1.76

We have adopted the DCF method as the primary valuation technique that most appropriately reflect the fair value of the shares due to the following reasons:

- Given the nature of business operations of the Company and expected business growth backed by internal strategies and general macro-economic developments, DCF will be the most suitable method to capture the growth potential of the company.
- Reported Net Asset Value to have undervalued assets hence Adjusted Net Asset Value approach adopted by revaluing the properties. However, Adjusted Net Asset value approach would also not reflect the true growth potential of the business. Assets based approach has been used to indicate the lowest value point of the range whilst the Adjusted Net Asset Value provides an indication of value of a share considering the fair value of Company's assets and liabilities.
- At present, there are no listed companies that mimic the operations of the company, none with the same operating structure, thus resulting the market-based approach for valuation purposes to be less effective and the said approach was not considered in determining the fair value of the shares.

Based on our analysis, we recommend a value of LKR 2.00 per share as the "Reference Price" of a share for listing by way of an Introduction.

The "Reference Price" recommended by ACP is with a discount of 6.1% to the value per share derived using the DCF method i.e LKR 2.13 per share. Aforesaid discount is recommended to maintain the fair value of a share within the equity value range arrived as explained above, and it would be an attractive starting price for secondary market trading upon listing. The DCF value per share set out herein, is subject to the viability of the assumptions / forecasts made in section 6 and 7 of this Research Report.

1.2 Objectives of the Report

ACP has been engaged by the management of E M L Consultants Limited (EML), to determine the fair value of a share and advise the Company on the appropriate "Reference Price" for shares to be listed via the proposed introductory listing. Accordingly, this Research Report has been prepared by ACP in order to provide the said basis in determining the fair value of Ordinary Voting Shares of EML in connection with the proposed Introductory listing, as required under Rule 3.4.8 (b) (iii) of the CSE Listing Rules.

Accordingly, this report provides information pertaining to the industry in which EML is operating and the basis adopted in determining the fair value of the company's Ordinary Voting Shares.

2.0 OVERVIEW OF THE COMPANY

2.1 The Company

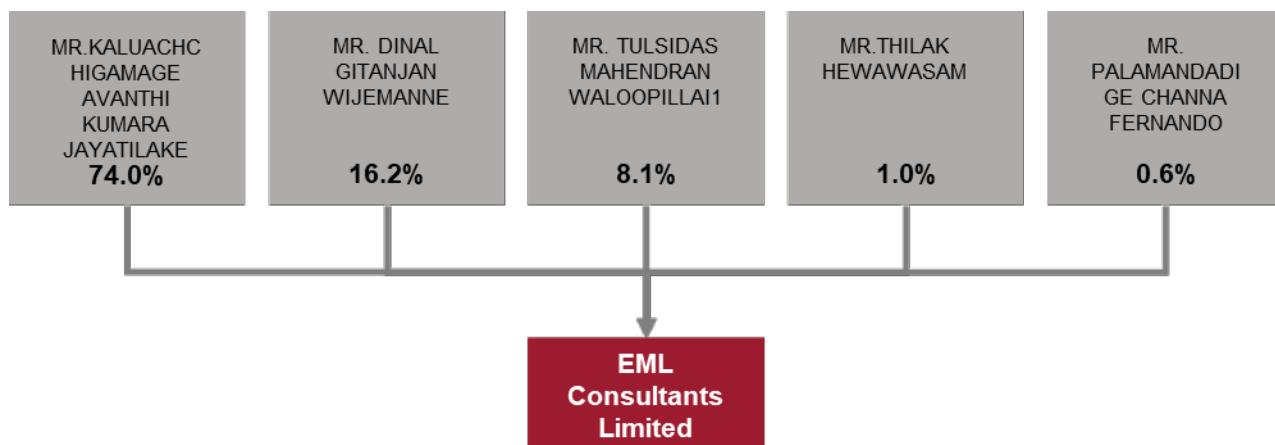
EML was incorporated in year 1993 to provide technical and management consultancy services to the private and public sector in Sri Lanka and across the globe. The Registered office of the Company is situated at No: 6/10 Rajamahavihara Road, Pitakotte, Sri Lanka.

The initial scope of services focused on environmental and natural resources management. Within a brief period of time, EML emerged as a leading consultancy service provider in many diverse industries and fields, and successfully expanded to cover a broad spectrum of areas such as community and livelihood development, SMEs, feasibility and environmental assessments, climate change, biodiversity and eco systems, socioeconomic surveys, institutional development, conceptual and detailed designs, heritage and culture, infrastructure projects related to renewable energy, water supply, waste disposal, roads, transport and coastal management.

EML has successfully implemented over 300 projects, covering a multitude of sectors funded by the State institutions and major international donor agencies including the ADB, World Bank, UNDP, UNFCC, UNICEF, UN HABITAT, USAID, JICA, CIDA and GIZ. EML is a member of National Chamber of Commerce and is also a registered specialized technical service provider to the Central Environmental Authority (CEA), Board of Investment (BOI) and several other Government agencies.

The main revenue streams of the Company are derived from consultancy fees based on projects secured by the company in multiple verticals.

The shareholding structure of the Company is as follows;



2.2 Main Business Activities

2.2.1 Environment and Natural Resources Management (ENR)

Consultancies in the ENR projects segment ranges from conservations to environmental studies, to biotechnology and climate change. In house expertise allows EML to provide services such as Environmental Impact Assessments (EIA's) and Initial Environmental Examinations (IEE's) for Development Projects.

Conducting comprehensive environmental impact assessments is one of the leading business verticals. The company's project managers and officers have experience in fields such as environmental science studies and management as well as agriculture, conservation and geographic information systems. Experienced both in house and in the field environment, these officers spend much of their time visiting project sites and working outdoors, conducting field based research and assessments. Categories serviced under this segment include;

- Agriculture, Irrigation & Natural Resources Management
- Environmental Reviews and Monitoring Reports
- Forestry and Wildlife Management
- CDM Project Development under C-trading
- GIS and Remote Sensing
- Environmental Action Plans and Strategic Environmental Studies

2.2.2 Capacity Building and Human Resources Development (CBH) Programs

The CBH experts at EML offer a host of services aimed for economic growth and institutional development. The CBH division develops specific, measurable and accountable strategies for the clients to meet the aims and objectives of the project.

EML offers many programs in training and human capacity building, facilitating the transfer of knowledge and dissemination of information. The training programs and workshops include social sector development, productivity improvements, organizational restructuring and policy making and planning. Categories serviced under this segment include;

- Governance & Community Development
- Monitoring, Evaluation & Surveys and planning
- Micro-Finance & Enterprise Development

2.2.3 Urban and Industrial Engineering (UIE) Services

The Urban and Industrial Engineering expertise in EML offers consultancy services in EIAs, IEEs, Engineering Assessments (EAs), project feasibility studies, waste minimization and waste/wastewater treatment. With the assistance of internal and external expertise, EML execute the services whilst adhering to the client's aims and objectives. Categories serviced under this segment include;

- Planning and Preparation
 - Project identification/proposal preparation
 - Feasibility studies/Master plans
 - EIAs, IEEs, EAs
 - Technical investigation, sampling, analyzing Waste audits (including Cleaner Production Audit)
- Conceptual & Detail Designs
 - Engineering related conceptual & detail designs
 - Preparation of tender documents
 - Review of designs
 - Evaluation of tenders [as a service for third parties]

- Implementation (including technical supervision)
 - Technical support for the implementation
 - Project management
 - Construction supervision
 - Necessary technical training (human resource development)
 - Workshops/seminars
- Monitoring & Evaluation
 - Performance Evaluation and Management
 - Follow-up and Coaching
 - Documentation and Dissemination
 - Impact Monitoring and Analysis

2.2.4 Special Projects Management

The special project management capacity of EML brings together teams that represent the ENR, CBH and UIE divisions, as well as experts from other areas to implement projects that require different subject areas and expertise. Categories serviced under this segment include;

- Water and Sanitation Projects
- Integrated Waste Management
- Institutional Development and Governance

Projects of this vertical include Greater Colombo Wastewater Management Project- Design Supervision and Management Consultant (DSC), feasibility and detailed designs - In association with SMEC of Australia.

Environment Assessment for the Proposed Septage Treatment Facilities at Mullaitivu and Kilinochchci Districts under Water Supply and Sanitation Improvement Project (WSSIP), Greater Colombo Wastewater Management Project – Institutional Development Consultancy.

2.3 Summary of historical financial information

Revenue

In terms of services listed in the preceding Section 2.2, the company is either directly approached by the respective parties who wish to engage EML's professional services, or the company will engage in a bidding process with other peer competitors.

Success Rates of Expression of Interests

	Submitted Proposals	Shortlisted Proposals	Success Rate (%)
2016	32	16	50
2017	26	12	50
2018	32	20	60
2019	30	12	40
2020	30	20	66

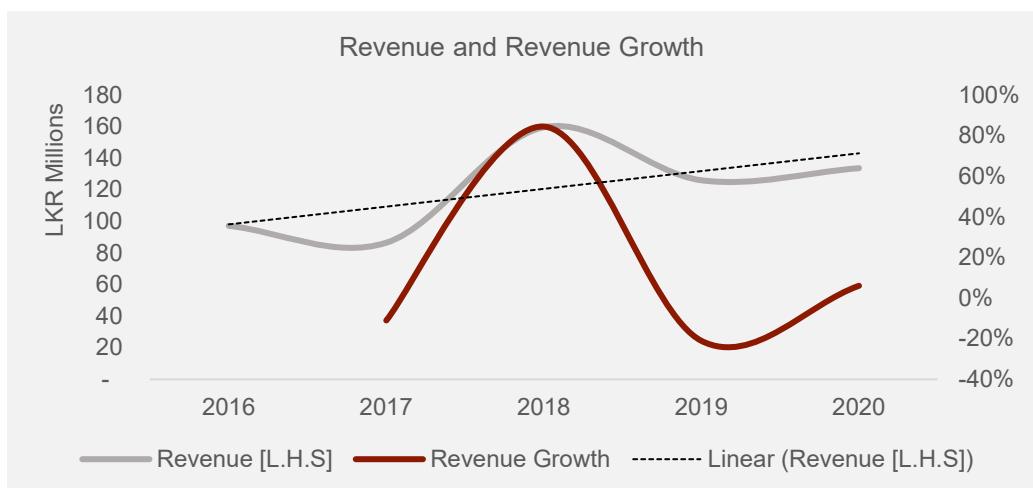
Success Rates of Technical Proposals

	Submitted Proposals	Shortlisted Proposals	Success Rate (%)
2016	60	08	13
2017	29	06	13
2018	40	10	25
2019	50	10	20
2020	55	12	22

Note: Technical Proposal submissions include those short listed plus direct submission without short listing. Ex' All UNDP projects are without short listing

Source: Management Information provided by the Company

The services requested in each project can be unique and the quoted charge (Revenue for EML) will depend on number of factors including the external expertise to be secured (i.e.: Third party Consultants), duration of the project, location of the project etc. Duration of projects can vary from 3 Months to 4 Years. At the request of the project owner, EML will provide additional services with an additional charge on top of the quoted fee.



Source: Management Information and Audited Financial Statements

Given the fact that the Revenues depends on the secured number of projects and different project specifications [including time, value, intended stakeholders, character etc.] high volatility can be expected and such volatility has been observed when historical revenues are considered. However, with the skill and expertise of the management, EML has managed to secure a long term upward trend in revenues.

During the period from 2016 to 2020, overall revenue has increased from LKR 97 Million to LKR 134 Million, indicating a 4 Year compound annual growth rate of c.8% and an increase of 6% compared to that of 2019. Given the nature of the business, impact of COVID - 19 has been comparatively low on the services provided by the company.

Management has been able to **secure twelve new projects** during the first half of 2021 and expects the momentum to continue to the rest of the year; hence we forecasted a revenue of LKR 139 Million for the year 2021 together with the revenues that will accrue from projects continuing from past years.

Revenue will be charged by the company based on Installment Method in line with pre-agree project milestones.

Revenue forecasts have been made considering the current businesses in hand, expected changes in macro-economic conditions supporting future business growth of current business verticals of the Company, and with a reasonable growth expectation as described under 'Forecasted financial statements' and 'Assumptions' sections of this report.

Direct Cost

As discussed in the preceding sections of this report, the business operations of EML is mainly focused on providing consultancy services in a wide range of verticals. In this regard, the management has identified the inefficiencies of maintaining a fixed permanent cadre of consultants. Therefore, at the availability of a project [during the proposal / bidding stage], the management will identify the required specialized expertise for the project and retain relevant consultants/ specialists on contract basis. In addition, the company has two consultants on retainer basis. Hence, under the applied operational model, the consultancy fees dominate a major portion [over 80%] of the direct costs.

Apart from the above mentioned costs, transportation charges, accommodation charges [on projects carried out in outstation areas] are amongst the other cost components. These costs are directly dependent on the number of projects handled and the specifications of such projects. The table below sets out the major cost categories and their approximate contribution to the total direct cost.

Contribution to Direct Cost (%)	
Consultancy fees	80 - 90
Other Operational Costs	10 - 20
Total cost	100

Source: Management Information and Audited Financial Statements

Other Income

Other income includes one-off events such as gains/loss of fixed asset disposals and other recurring non-operational income such as rent income, exchange rate gains etc. Such income categories vary in each year as the majority of these income components are not under the Company's control.

Breakdown of Other Income

LKR	2016	2017	2018	2019	2020
Rent Income	1,620,000	405,000	-	-	25,000
Gain on Disposal of Motor Vehicle	2,396,627			-	9,015,000
Creditor written back	2,610,910	651,084	591,587	658,299	-
Exchange (Loss) / Gain	1,565,287	1,968,583	7,456,146	(364,181)	2,810,412
Reversal of Bad debt Provision		650,542			
Interest Income	1,542,141	1,806,523	2,166,719	2,273,585	2,234,952

Source: Management Information and Audited Financial Statements

The premises [i.e: land and building] that is currently owned by EML is utilized by certain other related party companies. In this regard, it is observed that the rent charged from such companies is significantly lower than prevailing market rates. Further, there are vacant areas in the building where no rent income is derived at present, hence the property is under-utilized. Based on the management's assessment, a monthly rent of LKR 250,000 – LKR 300,000 can be earned for a similar rentable property at current market rates.

In addition, EML conducts merely non-operational activities [administration activities] in the captioned premises and occupies less than **25%** of the total square footage of the building. Therefore, the company has the ability to shift the functions currently operated within the building premises to another location without any business impact. Reason being, the functions carried out by the company within the building being 'non location specific'.

Due to above-mentioned factors, best use value of the property is not reflected in the business due to under-charged rent.

Administrative Expenses

Administrative expenses mainly include overhead items such as staff salaries, other staff costs, utility expenses and maintenance costs etc. relating to daily back-office activities.

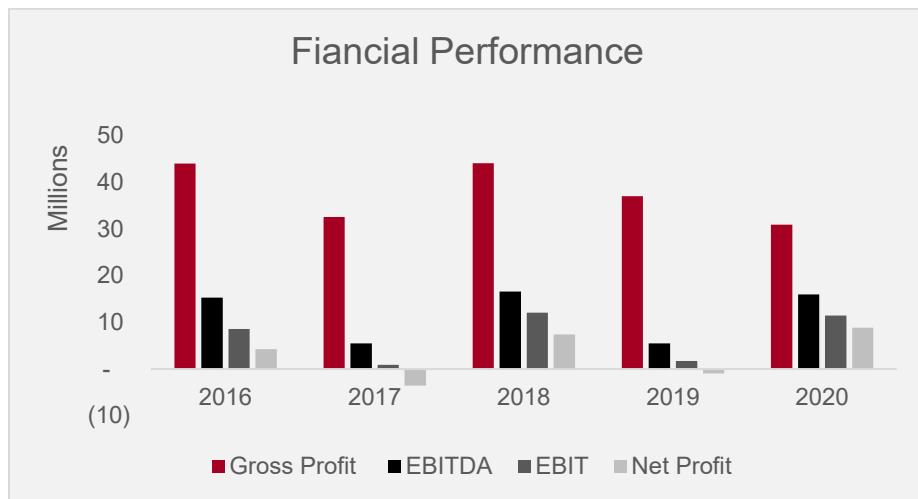
During the financial year 2020, EML has closely managed the overhead costs with the impact of COVID-19 pandemic. However, costs are expected to rise in FY 2021 and future financial years due to the increase in staff related costs, execution of Company's future strategic plans and also due to expected increases in price levels and resulting impact on cost items. Administration expenses [including depreciation and amortization] has reduced from LKR 45 million [2016] to LKR 38 Million in 2019. This has further reduced in 2020 to LKR 33 Million.

Finance Costs

At present, the company incurs interest costs on term loans, leases and bank overdrafts obtained to facilitate fund requirements for the purpose of working capital and developing the business. With the gradual improvement of cash flows and reduction in loans and leases due to future repayments, interest costs of the Company is expected to reduce gradually in the future. In addition, no major borrowings are anticipated in the years to come.

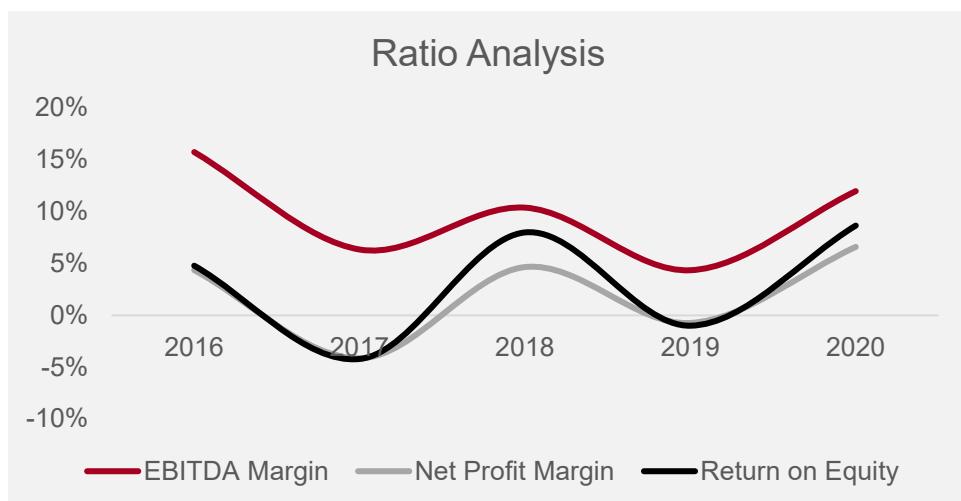
Profitability

The profitability of the company has been varying with the revenues and costs relating to number of secured projects as well as the overhead cost levels. It is also observed that the volatility of gross margins results in volatile returns at each financial year in the past. Given the current operational model which maintains consultants on retainer basis and recruitments on contract basis has resulted in a better financial efficacy in the Company. During the considered period from 2016 to 2020, the highest loss was recorded in 2017 which amounts to LKR 3.5 Million due to a relatively low gross profit and operating profit that further impacted by the interest costs.



Source: Audited Financial Statements

However, the management's continuing efforts on reducing the running cost of the operations will support in the future profitability due to the low breakeven levels.



Source: Audited Financial Statements

Detailed description of assumptions made in the financial forecast is set out under Section 5.3 of this Research Report.

Interim Financial Statements for the period ended 31st May 2021

During the five-months period the company has been able to record a revenue of LKR 36.7 million with a gross profit of LKR 12.9 million. Derived gross profit margin for the period was 35%, which tends higher compared to last two years, however somewhat similar to trends of financial years prior to 2018. Pricing strategies and effective cost controls have been key in achieving the mentioned yield. Net profit of the company for the five-month period is LKR 3.1 million yielding a net profit margin of 2.3%.

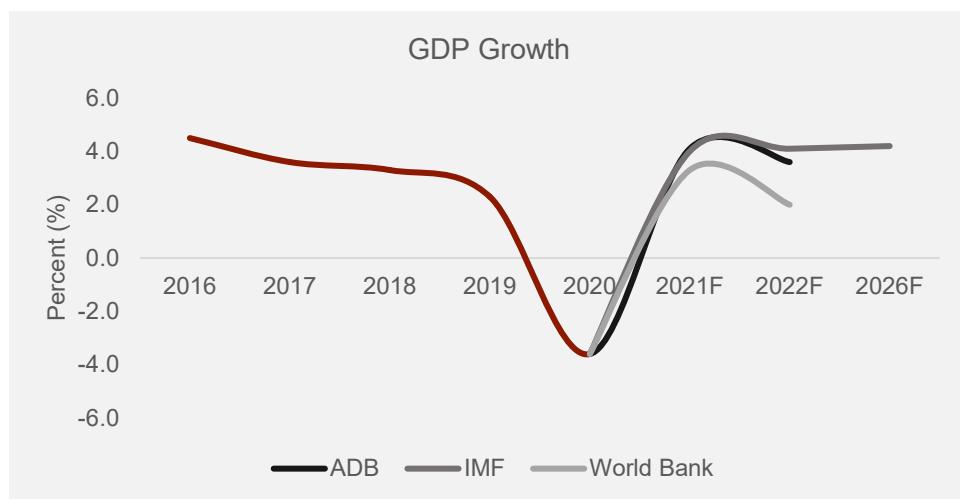
Total asset position of the company is LKR 204.6 million as at 31st May 2021 whilst the total equity value is LKR 105.1 Million as at the same date.

3.0 OVERVIEW OF THE COUNTRY AND INDUSTRY

3.1 Sri Lanka Outlook – Challenging but achievable

Favorable GDP Outlook

As in the case for the rest of the world, Sri Lanka too witnessed the adverse impacts of COVID-19 pandemic, whilst the country was progressing towards a recovery from the Easter Sunday attacks that occurred in April 2019. In 2020, the GDP was severely crippled, especially the second quarter economic activity due to complete lockdown of the country. The economy showed signs of resilience towards COVID-19 second wave which started in the beginning of October, which in fact led to a marginal recovery in economic activity for 2020. Such momentum gained continued into the 1st quarter of 2021 however the 3rd wave of COVID – 19 that hit the country during the month of April is bound to slow down economic activity yet again.



Growth is expected to rebound during the latter part of 2021, as both global and local economic activities are expected to show some recovery and vaccination drives would allow further relaxation of border controls. International agencies maintain positive outlook towards the real GDP growth during the year 2021. ADB, IMF and World Bank has forecasted a minimum 3% growth for the year 2021. However, Sri Lanka's challenging macroeconomic situation is likely to moderate growth in 2022.

Monetary and Fiscal Policies to support Economic Recovery

During the initial stages of the pandemic, the Government provided a six month debt moratorium for sectors which are adversely affected as well as on the lease rentals of vehicles. Tourism moratoriums were extended to March 2021 due to the airport closure and also zero tourism earnings. In addition, certain other facilities were provided to revive the economy.

In addition, due to the gloomy global economic outlook, the CBSL slashed policy rates in January 2020, followed by additional cuts during the year, lowering the short-term interest rates to unprecedented levels which resulted excess liquidity in the market, leading to a sharp decline in the government bonds and bills market. High liquidity levels caused overnight rates to move towards the lower bound of the policy corridor throughout 3Q and 4Q of 2020.

Going forward, Central Bank outlined the intention of maintaining a low single digit interest rate to boost the economic activity and to maintain a sustainable growth trajectory. This can be challenging with the increasing

private sector credit growth and reliance on domestic sources to provide a significant portion of net deficit financing.

Credit Rating Downgrades

Due to existing challenges on the debt repayment plans coupled with high budget deficits, rating agencies downgraded Sri Lanka. In September 2020, Moody's Investor Services downgraded Sri Lanka's long-term foreign currency issuer and senior unsecured ratings to Caa1 from B2 and changed the Outlook to Stable.

Measures to curtail non-essential imports together with significantly lower global petroleum prices, assisted to reduce import expenditure in 2020, resulting in a notable improvement in the trade deficit. Recovery of demand in the export markets, increase in worker remittances coupled up with current import restrictions, the ADB's current account deficit forecast is expected to edge lower to 1.1% of GDP in 2021. [Source: Asian Development Bank's flagship annual economic publication, the Asian Development Outlook (ADO) 2021]

3.2 Investments in Infrastructure despite the pandemic

Despite the pandemic, Government entities and agencies maintained the course of infrastructure development in the country.

In 2020, the Road development authority incurred LKR 226.1 billion [Source: CBSL annual report 2020] for the maintenance and development of expressways and highways, widening and improvement of roads, construction of bridges and flyovers and also rehabilitation of roads affected by natural disasters, which was 49% higher compared to 2019. In addition, the development towards an efficient highway network is continuing. Investments in other transport related sectors have increased during the year as well.

Irrigation and drinking water related investments have continued in 2020, with a focus on providing clean water and to increase the productivity of the agricultural sector.

The government plans to increase public investment to 5.4% of GDP as part of its push for recovery in 2021.[Source: Economic Research Department of CBSL] This increase will come from allocations for Government priorities in health and education, a 100,000 kilometer road program, water for all, rural development and primary production in agriculture, plantations, fisheries, and energy. [Source: CBSL annual report 2020] The government projects a budget deficit at 8.8% of GDP in 2021. High recurrent expenditure of the country can pose a threat towards the achievement of the said public investments.

3.3 Developments in sectors related to EML's operating space

Construction Sector

Despite the spread of COVID-19, there is a high certainty for construction projects to gradually pick up pace and reach the required level of momentum by the 4th quarter of 2021. Foreign funded construction projects are expected to resume and continue since funding would be available for such projects. However, the projects Funded by the Government of Sri Lanka could be paused until the COVID spread is curtailed to a manageable level. Further, there is a likelihood that payments falling due on Government funded projects may encounter delays, as in the case observed in the past.

There is a growing need in the country for affordable middle income housing projects, another segment where EML would find its business potential in terms of provisioning its services.

Developments in the Port City can be viewed as a turnkey project opportunity for the country with heavy reliance on the construction segment.

Agriculture Sector

Pandemic highlighted the fragilities and the vulnerabilities on the imported food market. With the increasing pressure on the exchange rate coupled with identified vulnerabilities, increasing food self-sufficiency whilst boosting economic growth through increased agricultural production has become a key priority.

With the drive towards increasing food self-sufficiency, the Government has committed to providing free fertilizer for paddy production and fertilizer subsidies for several other major crops, while safeguarding local agricultural producers by discouraging imports of certain agricultural products. In line with the government decision to ban chemical fertilizer and consumers' tendency toward organically grown vegetables and fruits will create avenues for research, use of technology and implement new projects where EML also have a chance to provide its services in specific segments.

Key Focus on Tourism

Global tourism sector came to a grinding halt with the regional lockdowns and border restrictions caused due to the pandemic. Sri Lanka, with a higher reliance on the tourism sector, faces the same adverse effects on top of the Easter Sunday attack bombings occurred in 2019.

Vaccination procedure is likely to provide a breathing space towards the sector during 4th quarter 2021. Innovative strategies such as bio bubbles have also been utilized by the Government to revive tourism. Sri Lanka opened its borders for international tourists in January 2021, after being closed for 10 months which showcased a positive momentum. However, the recent setbacks surrounding the ongoing COVID -19 3rd wave has forced closure of Airports yet again, which will hamper tourism related income, perhaps until the 1st quarter of 2022.

In addition, new projects related to hospitality and leisure sector are expected to initiate with the expected boost in tourism sector resulting from the Port City Project. (Related Projects include [South Asia's first Disneyland to come up in Bopita Leisure Park | Daily News – April 8, 2021](#)).

Given the country's high reliance on income derived from tourism, high Government priority and a recovery plan can be expected in the near future, which is bound to benefit the business focus and provision of services by EML in the captioned sector. Further, many countries have started to implement or are considering the use of COVID-19 "vaccine passports" – paper or digital forms certifying that a person has been vaccinated against COVID-19, for purposes of international travel. In addition, some countries are using them for domestic travel and/or access to certain establishments, activities, and events. Such certifications are separate from but related to the issue of vaccine mandates. Where COVID-19 vaccines are mandated, there will be a need to certify vaccine status, and a vaccine passport is a potential tool for that purpose hence Government of Sri Lanka is bound to use this tool to revive the tourism sector.

3.4 New developments and drivers for increasing demand for EML's Consultancy Space

Change in Consumer Behavior

Community awareness towards environmental impact has heightened during the past decade and also growing technological infrastructure [smart mobile penetration and wider internet access] has acted as a catalyst. In addition to the regulatory requirements, the increase in the number of environmental groups and

their activeness will result in new construction projects to be more scrutinized based on the environmental impact on the project surrounding.

Donor related projects to increase with increasing global political ties

During past few years leading up to 2019, a slowdown in donor based projects was witnessed. However, with stronger strategic alliances especially with the Asian block will lead to an increase in donor based projects in the future where EML has the opportunity to benefit well from these projects as seen in the past.

FDI Inflow to the country

The Government of Sri Lanka is targeting to attract more than US\$ 2.5 billion worth of Foreign Direct Investments (FDIs) this year, aftermath of numbers dwindle over the last two years as investor sentiment withered following the Easter Sunday attack and the adverse impacts of COVID-19 on the global economy. During the first nine months of 2020, Sri Lanka managed to attract foreign investments worth only US\$ 548 million, down 31 per cent compared to US\$ 793 million attracted during the same period of 2019. [[Sri Lanka targets US\\$2.5bn FDI in 2021: Minister | EconomyNext](#) Dec 16 2020]

Private Sector Demand for Specialized Consultation Services

Whilst businesses face challenging economic and market conditions, private sector institutions always exploit opportunities in every corner of the organization to improve performance, increase efficiency of the workforce through capacity building and at times restructuring organizations. These activities are generally outsourced to third party service providers that specialized in these areas. EML as a provider of human resource development and capacity building programs certainly could benefit from the increase in demand for such services from the private sector.

4.0 VALUATION RESULTS

4.1 Discounted Cash flow Methodology

Equity Value per Share

	Amounts in LKR					
	2021 (7 Months)	2022	2023	2024	2025	Terminal Value
EBIT	5,405,291	7,711,487	10,333,873	12,730,376	16,095,212	
Tax	(378,370)	(1,079,608)	(1,446,742)	(1,782,253)	(2,253,330)	
Depreciation	3,568,895	5,641,853	5,771,279	5,654,578	3,656,828	
Capital Investment*	(843,442)	-	(501,003)	(854,229)	(1,965,783)	
WC Investment	(3,028,486)	(4,089,242)	(5,788,306)	(1,055,969)	(1,218,118)	
FCFF	4,723,887	8,184,490	8,369,101	14,692,503	14,314,809	117,268,858
DF	0.9600	0.8347	0.7258	0.6310	0.5487	0.5487
PV of FCFF	4,535,057	6,831,746	6,074,013	9,271,491	7,854,096	64,341,817
Enterprise Value	98,908,220					
Additions:						
Cash and Cash Equivalent	30,265,506					
Investment Property ¹	102,300,000					
Deductions:						
Borrowings	(38,296,469)					
Equity Value	193,177,257					
Number of Shares	90,900,000					
Equity Value per Share	2.13					

¹ In order to obtain the best use value of the property, a market rent for the premise used by EML has been charged and the property has been considered as a freehold investment property. Market value of the property to be LKR 102 Million based on the survey conducted by a Chartered Valuation surveyor in February 2021.

*Capital Investment refers to the expected investments in property plant and equipment during the forecasted period.

Sensitivity Analysis and Price Range

Terminal Growth	WACC				
	13.01%	14.01%	15.01%	16.01%	17.01%
2.00%	2.30	2.19	2.10	2.02	1.95
2.25%	2.32	2.21	2.11	2.03	1.96
2.50%	2.34	2.22	2.13	2.04	1.97
2.75%	2.37	2.24	2.14	2.06	1.98
3.00%	2.39	2.27	2.16	2.07	1.99

Based on the different volatilities on WACC and terminal growth rate, value range based on discounted cash flow basis to be LKR 2.03 – LKR 2.24 per share

Key Assumptions

Key Assumptions	
5-year T- Bond secondary market avg. yield as of 17.05.2021	7.97%
Market Risk premium ¹	8.00%
Cost of equity (Ke)	15.97%
Value of Equity ²	80.00%
Weighted Avg. Cost of debt	13.00%
Cost of debt (1-T)	11.18%
Value of debt	20.00%
Discount factor (WACC)	15.012%
Long term growth rate ³	2.50%

¹ Market risk premium of 8% is considered as appropriate to capture Consultancy services industry related risks. The business model of the Company permits them to reasonably manage the impact of adverse economic and market risks, hence we believe the risk premium applied herein is adequate.

² Considering the fact that the borrowings position is reducing gradually, we assumed a debt and equity composition of 20% : 80% in the long run, giving due consideration to future strategies of the Company.

³ Long term growth rate of 2.5% is applied in the valuation, considering the earnings growth and assuming increasing demand for Consultancy and related services in the long run.

4.2 Adjusted Net Asset Value Methodology

	Net Asset Value 31 ST May 2021	Adjustments LKR	Adjusted Net Asset Value LKR
	LKR		
Total Non-current assets	67,404,168	54,450,341	121,854,509
Total current assets	137,210,920	-	137,210,920
Total assets	204,615,088	54,450,341	259,065,429
Total Non-current liabilities	11,665,293	-	11,665,293
Total Current liabilities	87,809,706	-	87,809,706
Total Shareholder's funds	105,140,089	54,450,341	159,590,430
Number of Shares	90,900,000	90,900,000	90,900,000
Value per Share	1.16	0.60	1.76

¹ Increase in market value as per the market valuation conducted on the property in February 2021 by Mr. Sampath P. Dayaratne MRICS, an independent valuer and the current book value of the property.

5.0 VALUATION METHODOLOGY

5.1 Discounted cash flow Methodology

Discounted cash flow is a valuation method used to estimate the value of an investment based on its future cash flows. Based on the future cash flow projection, this methodology will identify the value of the investment as at the considered valuation date. Given the current operation of the business and the expected growth backed by internal strategies and macro-economic developments, DCF will be able to capture the growth potential of the operations of EML. Hence, DCF is considered as the primary valuation technique.

Free Cash Flow to Firm (FCFF) was calculated using the following formula:

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

In order to arrive at an intrinsic value for the company, the future FCFF's were discounted using the following formula:

$$\sum_{i=0}^n \frac{FCFF_i}{(1 + WACC)^i} + \frac{TV}{(1 + WACC)^n}$$

FCFF_i = Free Cash Flow to Firm in year *t*

WACC = Weighted Average Cost of Capital

TV = Terminal Value at year *n*

Where the Terminal Value is calculated through,

$$\frac{FCFF_n \times (1 + g)}{(WACC - g)}$$

g = Long term Growth rate

And WACC is calculated through,

$$W_d \times K_d \times (1 - T) + W_e \times K_e$$

K_e = Cost of Equity

K_d = Cost of Debt

T = Company's tax rate

Fair value of equity was computed by deducting net debt and adjusting the Non-operational assets and liabilities to the total present value of FCFFs.

5.2 Net asset Value and Adjusted Net Asset Value Methodology

Net Asset value is based on reported shareholders' funds in the Balance sheet, whilst the adjusted net asset value is based on the market value of assets and liabilities in the balance sheet. Given the strong balance sheet of the company, this can be a strong parameter in realizing the low end of the valuation range.

$$\text{Net Asset Value per Share} = \frac{\text{Market Value of Total Assets} - \text{Market Value of Total Liabilities}}{\text{Number of Shares}}$$

6.0 ASSUMPTIONS USED IN FINANCIAL FORECASTS

Financial forecasts are based upon assumptions made by the management that would reasonably reflect the future business potential, and such assumptions are based on best estimates. Management has taken into consideration the current business levels, possible impact of the macro-economic environment on its business verticals, business development plans and future capital requirements of the company etc.

6.1 Revenue

During the past 4 operational periods, the company has maintained a compound annual growth of c.8% in revenues. In addition, the management has communicated the plan of recruiting an experienced Business Development professional. With the new recruitment, the Management expects to maintain a 8% year on year growth of revenue during the explicit forecasted period; to be in line with the past revenue growth rates.

As per IMF forecasts, the GDP growth of the country will be volatile around c.4%. A similar increase in the infrastructure projects plus an addition due to the new Government's policies can be expected during the forecasted period.

For the 5 months period ended 31st May 2021, EML has been able to record a topline of LKR 36 million. Management is confident in securing a total revenue of LKR 139 Million for the year, given the prevailing projects at hand and opportunities available.

Considering the interim results of 2021, management's estimates and expected GDP growth, we assumed below mentioned Revenue growth rates as reasonable for the company, and accordingly used in the financial forecast.

	2021E	2022F	2023F	2024F	2025F
Revenue Growth	4.5%	6.2%	6.2%	6.2%	6.2%

Providing a timewise breakdown of Project revenues is challenging given the demanding requirements and variability in the timelines where EML has minimum control.

6.2 Direct Costs

The reported gross profit margin of the company for past 5 financial years has varied from 23% – 45%. The maintained profit margins have been volatile given the specifications of each project undertaken. During the current financial year [as per unaudited interim financial statements] direct costs have declined to 65%.

The management reasonably expect that the same pricing strategies could be maintained going forward. In this regard, a direct cost margin of 70% has been applied for the year 2021, considering the businesses in hand and thereafter the direct cost margin assumed to reduce to 68% in 2023 and maintain the same during the forecasted period.

6.3 Other Income

Total other income for the company for the FY 2020, excluding interest income, a one off event [disposal of Motor Vehicle - LKR 9.0 Million] and rent from related party company [LKR 25,000], reaches to LKR 2.8 Million, hence such a level has been assumed to remain constant over the explicit forecasted period. During the first 5 months period of 2021, there has been a gain of c. LKR 4.4 Mn from disposal of a vehicle that results in a

significant other income for FY 2021E. Other income also consists of interest income that is estimated to generate from short term investments in the range of 6% to 8% p.a.

As discussed earlier in the report, the charged rent from related party companies are significantly below the market rates hence does not reflect the best use of property value. Hence, rent [which is earned from the property] will be discarded from the forecasted financial statements and the property will be treated as an investment property.

6.4 Administrative Expenses

Staff related expenses have been forecasted to grow at 5% YoY over the explicit forecasted period. In addition, there will be a new recruitment towards the business development division that will lead to additional salary cost. An annual growth rate of 6% has been used in order to arrive at the other administrative related expenses over the explicit forecasted period.

As mentioned above, in order to capture the best use value of the property, it will be required to consider it as a free hold investment property. Hence, a monthly rent of LKR 150,000 has been included into the costs [Paying a rent for the square footage used by the EML] enabling the fair value of the property being taken as a part of the equity value.

6.5 Depreciation

Depreciation of assets are charged so as to allocate the cost of assets and less their residual values over their estimated useful lives using the straight line method, commencing from the month in which the asset is available for use. Rates used for depreciation are as follows;

Buildings	5%
Computer Equipment	33%
Furniture and Fittings	33%
Office Equipment's	25%
Motor Vehicles	20%

It is assumed that 20% of the increase in cash at the financial year end will be channeled for new additions to the highly depreciated assets categories of the portfolio.

6.6 Finance Income

Finance income, assuming that the surplus cash generated from operations would be invested at a rate of 6% - 8% p.a., in a suitable investment opportunity as decided by the Company. It is assumed that 60% of the increase in cash at the financial year end will be channeled to such investments at the beginning of the following financial year.

6.7 Finance Costs

Effective interest rates of the loan balances range from 9% -13%. [Except for the COVID-19 related loan granted with an interest rate of 4%, which has been acquired in the month of March 2020].

Effective interest rate of 7.1% has been applied in FY 2021 for the Bank overdraft facility driven by the working capital requirements of the company, and it is maintained at 8.5% during the remaining forecasted period.

6.8 Taxation

The Company is liable for income tax at the rate of 14% on taxable profits, which is the corporate income tax rate applicable for SMEs. There are no tax concessions enjoyed by the Company at present, however, in the event a listing is obtained in the CSE prior to 31st December 2021, EML will avail for a 50% reduction in the income tax payable for the year of assessment commencing from 1st April 2021 in accordance with the provisions of Inland Revenue (Amendment) Act, No.10 of 2021.

6.9 Working capital

During the end of the explicit forecasted period, the management targets to maintain a 90 days trade receivable period and a 90 days creditor settlement period.

6.10 Investments in property, plant and equipment

It is assumed that 20% of the net increase in yearly cash flows to be used for purchase of PPE in the subsequent financial year.

6.11 Borrowings

It is assumed that the loans and leases to be settled as scheduled and Bank overdraft to be maintained in the range of LKR 13.6 Mn each year.

7.0 FORECASTED FINANCIAL STATEMENTS

7.1 Statement of Comprehensive Income

	Amounts in LKR					
	2020A	2021E	2022F	2023F	2024F	2025F
Revenue	133,740,943	139,759,285	148,424,361	157,626,672	167,399,525	177,778,296
Direct Cost	(102,776,025)	(97,831,500)	(102,412,809)	(107,186,137)	(113,831,677)	(120,889,241)
Gross profit	30,964,918	41,927,786	46,011,552	50,440,535	53,567,848	56,889,055
Other income	14,085,364	10,160,618	5,635,225	5,635,225	6,697,069	6,902,084
Administrative expenses	(29,039,311)	(36,466,401)	(38,293,436)	(39,970,607)	(41,879,964)	(44,039,099)
EBITDA	16,801,858	15,622,003	13,353,340	16,105,152	18,384,954	19,752,040
Depreciation	(4,579,936)	(6,187,449)	(5,641,853)	(5,771,279)	(5,654,578)	(3,656,828)
EBIT	11,431,035	9,434,554	7,711,487	10,333,873	12,730,376	16,095,212
Finance costs	(1,892,402)	(2,745,383)	(2,136,162)	(1,829,573)	(1,542,534)	(1,274,574)
Finance costs – net	(1,892,402)	(2,745,383)	(2,136,162)	(1,829,573)	(1,542,534)	(1,274,574)
(Loss) / profit before tax	9,538,633	6,689,170	5,575,325	8,504,300	11,187,842	14,820,638
Income tax	-(712,697)	(468,242)	(780,546)	(1,190,602)	(1,566,298)	(2,074,889)
(Loss) / profit for the year	8,825,936	6,220,929	4,794,780	7,313,698	9,621,544	12,745,749
Earnings/ (Loss) per share	0.10	0.07	0.05	0.08	0.11	0.14

7.2 Statement of Financial Position

Amounts in LKR

	2020A	2021E	2022F	2023F	2024F	2025F
Assets						
Non-current assets						
PPE – Freehold	51,192,283	50,520,165	49,010,809	47,779,949	47,045,246	46,956,281
PPE -Leasehold	10,726,682	14,657,253	10,587,824	6,518,394	2,448,965	848,965
Total Non-current assets	61,918,965	65,177,418	59,598,632	54,298,344	49,494,211	47,805,246
Current assets						
Trade and Other Receivables	36,283,319	38,290,215	36,597,788	38,866,851	41,276,595	43,835,744
Income Tax Refund	1,698,330	1,698,330	1,698,330	1,698,330	1,698,330	1,698,330
Short - Term Investments	42,742,507	47,080,209	47,471,663	48,989,623	51,555,408	57,467,459
Amount due from Related Party	20,184,591	20,184,591	20,184,591	20,184,591	20,184,591	20,184,591
Cash and cash equivalents	31,225,244	25,192,704	27,855,481	32,131,789	41,985,208	49,050,151
Total current assets	132,133,991	132,446,050	133,807,853	141,871,183	156,700,132	172,236,275
Total assets	194,052,956	197,623,467	193,406,485	196,169,527	206,194,343	220,041,521
Equity and liabilities						
Capital and reserves						
Stated capital	90,900,000	90,900,000	90,900,000	90,900,000	90,900,000	90,900,000
Retained earnings	11,101,481	17,322,410	22,077,050	29,380,851	39,026,213	51,797,710
Total Shareholder's funds	102,001,481	108,222,410	112,977,050	120,280,851	129,926,213	142,697,710
Non-current liabilities						
Borrowings	7,100,000	2,930,106	154,191	-	-	-
Defined benefit obligations	3,736,872	4,592,986	5,491,906	6,435,772	7,426,832	8,467,444
Deferred income tax liabilities	2,238,783	2,238,783	2,238,783	2,238,783	2,238,783	2,238,783
Total Non-current liabilities	13,075,655	9,761,876	7,884,881	8,674,555	9,665,615	10,706,227
Current liabilities						
Borrowings	19,504,410	24,004,990	22,039,607	20,228,417	18,263,035	16,957,074
Trade and other payables	47,067,320	40,204,726	33,669,965	29,366,065	29,627,423	29,808,306
Amounts due to Related Party	12,404,090	16,081,890	16,834,982	17,619,639	18,712,057	19,872,204
Total Current liabilities	78,975,820	80,291,606	72,544,554	67,214,121	66,602,515	66,637,584
Total Equity and liabilities	194,052,956	198,275,891	193,406,485	196,169,527	206,194,343	220,041,521
Net Assets value per share	1.12	1.19	1.24	1.32	1.43	1.57

7.3 Statement of Cash Flow

	Amounts in LKR					
	2020A	2021E	2022F	2023F	2024F	2025F
Cash generated from / (used in) operations						
(Loss) / profit before tax	9,538,633	6,655,462	5,565,104	8,492,791	11,215,538	14,850,578
Adjustments for:						
Depreciation	4,579,936	6,221,158	5,675,562	5,806,275	5,659,394	3,659,649
Interest expense	448,451	2,745,383	2,136,162	1,829,573	1,542,534	1,274,574
Gratuity Provision	1,606,234	856,114	898,920	943,866	991,059	1,040,612
Profit/(Loss) on disposal of property, plant and equipment	(9,015,000)	-	-	-	-	-
Operating Profit Before Working Capital Changes	7,158,254	16,478,117	14,275,748	17,072,506	19,408,526	20,825,413
Changes in working capital:						
- (Increase) / Decrease in Trade and Other Receivable	(8,154,915)	(2,006,896)	1,692,428	(2,269,063)	(2,409,745)	(2,559,149)
- (Increase) / Decrease in Amounts Due From Related Party	6,353	-	-	-	-	-
- Increase / (Decrease) in Trade and Other Payables	7,430,041	(6,862,594)	(6,534,761)	(4,303,900)	261,358	180,883
- Increase / (Decrease) in Amounts Due To Related Party	(309,900)	3,677,800	753,092	784,657	1,092,418	1,160,148
Cash (used in) / generated from operations	6,129,833	11,286,427	10,186,506	11,284,199	18,352,556	19,607,294
Interest paid	(345,467)	(2,745,383)	(2,136,162)	(1,829,573)	(1,542,534)	(1,274,574)
Income Tax/WHT Paid	(465,882)	(779,115)	(1,188,991)	(1,570,175)	(2,079,081)	
Net (used in) / generated from operating activities	5,784,366	8,075,162	7,271,229	8,265,635	15,239,847	16,253,640
Cash flows from investing activities						
Purchase of property, plant and equipment	(134,001)	(9,576,385)	-	(505,986)	(855,262)	(1,970,684)
Investment / uplift in short term investment	(3,962,893)	(4,729,156)	-	(1,517,959)	(2,565,785)	(5,912,051)
Net cash generated from investing activities	(4,096,894)	(14,305,542)	-	(2,023,946)	(3,421,046)	(7,882,735)
Cash flows from financing activities						
Movement in borrowing	6,194,455	330,686	(4,741,297)	(1,965,382)	(1,965,382)	(1,305,962)
Net cash used in financing activities	6,194,455	330,686	(4,741,297)	(1,965,382)	(1,965,382)	(1,305,962)
Net (Decrease) / Increase in Cash and Cash Equivalents	7,881,927	(5,899,695)	2,529,932	4,276,308	9,853,419	7,064,943
Cash and Cash Equivalents at the Beginning of the Year	9,706,011	17,587,938	11,688,244	14,218,176	18,494,484	28,347,903
Cash and Cash Equivalents at the End of the Year	17,587,938	11,688,244	14,218,176	18,494,484	28,347,903	35,412,846

7.4 Financial Ratios

Ratio	2020	2021E	2022F	2023F	2024F	2025F
Revenue Growth	6.1%	4.5%	6.2%	6.2%	6.2%	6.2%
Gross Profit (GP) Margin	23%	30%	31%	32%	32%	32%
EBITDA	12%	11%	9%	10%	11%	11%
Net Profit (NP) Margin	7%	4%	3%	5%	6%	7%
Return on Equity (ROE)	8.7%	5.7	4.2%	6.1%	7.4%	8.9%
Net Asset Value per share (LKR)	1.12	1.19	1.24	1.32	1.42	1.57
Earnings/ (loss) per share (LKR)	0.10	0.07	0.05	0.08	0.11	0.14
Debt/ Equity	26%	25%	20%	17%	14%	12%

8.0 THE TEAM

Rohan Senewiratne – Founder | Managing Director

A veteran in the Sri Lankan capital markets industry with three decades of experience across Regulatory Organizations (Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange) and market intermediary institutions (Securities Brokerage Firms and Unit Trusts) in his career. Rohan is a Director / Shareholder of ACP, with corporate experience across multiple industries and institutions.

Rohan joined the capital markets industry in 1992 as a Management Trainee of the Colombo Stock Exchange. In 1994, he joined Lanka Securities (Pvt) Limited (a joint venture stockbroking firm between Bank of Ceylon and Merchant Bank of Sri Lanka) as an Investment Advisor and rose to the level of Director Sales in 2001. In 2003, he joined Lanka ORIX Securities (Pvt) Limited (former subsidiary of Lanka ORIX Leasing Company PLC) as an Executive Director. During his career in stockbroking, he has successfully structured many strategic transactions (listed and unlisted) and has offered investment advice to clients ranging from local retail investors to global foreign funds functioning in Frontier Markets sphere.

In 2008 Rohan joined the Global Service Delivery Centre of HSBC in Colombo, its Hedge Funds and Traditional Funds Administration division as Vice President Operations and subsequently rose to the level of VP / Country Head, HSBC Securities Services COE Colombo in 2011.

Rohan joined the capital markets regulator, Securities and Exchange Commission of Sri Lanka as Consultant - Special Projects in 2013. He was instrumental in development and implementation of the first ever USD denominated investment product in the Sri Lankan capital market (Dollar Bond Fund Unit Trusts) during his tenure at SEC.

Rohan is a Graduate / Passed Finalist of Association of Business Executives UK and also graduated with a Master's Degree in Business Administration from University of Wales in 2008.

Chandana Wijesundara – Vice President – Investment Banking

After completing a successful career spanning over 9 years at the Colombo Stock Exchange (CSE), Chandana joined Atarah Capital Partners in February 2020. His experience encompasses Corporate Finance / Investment Banking, complemented with vast experience on end-to-end process of public listing of securities gained whilst holding key responsibilities at the Listings Division of the CSE. He was a member of the regulatory teams that launched the Multi Currency Board and the Empower Board (for SME's) as listing platforms and has been involved in many other regulatory process implementations and revisions with ample exposure to capital market related practices, laws and regulations. He has been a key resource person representing CSE at various forums conducted to promote listing of securities amongst prospective issuers.

Chandana also possesses hands on experience in Financial Reporting and Auditing where he carried out numerous tasks during statutory audits at Ernst & Young for over 3 years. Formally qualified with a Bachelor of Business Management (Finance) Special Degree (2nd Lower) from University of Kelaniya Sri Lanka, Chandana is also an Affiliate of Association of Chartered Certified Accountants (ACCA) UK.

9.0 DISCLAIMER

Valuation model of this report has been prepared by ACP based on the analysis of historical financial statements, both audited and unaudited of E M L Consultants Limited and the future plans provided by the management of the Company. The financial forecasts are based on several assumptions and judgements of significance subjectivity. Therefore, such information should not be considered as a guarantee or representation, expressed or implied of the future achievements of the Company and are subject to change according to the Company's ability to execute its business plans and may vary depending on the macro-economic conditions prevailing time-to-time.

ACP's independent verifications were limited to analysis of historical financial statements of the Company, present operational structure and use of professional judgement as regard to the assumptions disclosed under section of 'Discounted cash flows'. Forecasted results and assumptions have been discussed with the management of EML and assumptions used has been compared with the past trends and macro-economic factors to the extent of availability of such information. ACP has made inquiries with the management on future plans in place to achieve the expected results.

ACP assumes no responsibility over the omission of information furnished by the Company. The industry information included in this report is based on external information sources mentioned therein and ACP has not independently verified such information.

Accordingly, the information and results should not be considered as a representation made by ACP and does not by any mean is a guarantee of future achievements of the Company. ACP does not accept any liability of a loss incurred by any person by acting or not acting based on the information presented in this Report. The recipients of this report are expected to make their own analysis and judgments considering the historical financial information and macro-economic factors that could affect the present and future operations of the Company.

The value recommendation provided in this report is valid for a period of 3 months from the date of the Introductory Document, provided no material changes are taking place in the Company's operating environment during the aforesaid period.

We also confirm that we are neither a related party of EML as defined in Sri Lanka Accounting Standards, nor has a significant interest or financial connection with the Company.

Valuation Date: 31st May 2021

Report Date: 31st July 2021

