

VIDULLANKA  
LIMITED



The Power of Water.



*The water flow at the Tailrace at the Bambarabatuoya Mini Hydro Power Project in Ratnapura*

# The Power of Water.

Vidullanka Limited is the first Hydropower Company in Sri Lanka to be listed on the Colombo Stock Exchange.

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## The Power of Water

Hydropower is one of the cleanest energy sources. It produces no greenhouse gases, no waste and no pollution. A smooth running fossil fuel plant converts about 35% of energy to electricity, whereas in comparison, a hydroplant could convert as much as 60%-70% of energy into electricity.

Hydropower is now the leading source of renewable energy around the world. It provides more than 95% of all electricity generated by renewable sources. Other sources include solar, geothermal, wind and biomass. The use of hydropower saves a vast amount of oil every year and is easily the most efficient way to generate electricity.

### How Hydropower Works

The concept of the hydropower plant is simple.... the water flows through a dam and turns a turbine, which drives a generator. The power of the water's kinetic energy is then converted into electricity.

Today, hydropower plants produce about 24% of the world's electricity - supplying more than 1 billion people with power.

## About Us



*A view of the Switch Yard*

Vidullanka Limited is a BOI (Board of Investment of Sri Lanka) approved company and was incorporated in 1997 to construct and operate a mini-hydroelectric power project - the Bambarabatuoya mini Hydro Power Project, located in Ratnapura, in the Sabaragamuwa region of Sri Lanka.

The project contributes 3.2 megawatts of electricity to the national grid and has a 15-year standard power purchase agreement with the Ceylon Electricity Board. The Company has now obtained the rights to construct and commission another 2 MW Mini Hydro project at Batatota Oya in Ratnapura.

Vidullanka Limited is actively researching other potential hydropower projects for future development and has plans to explore opportunities in biomass, dendro, gas, thermal, wind and solar sectors.



*A view of the Headrace Channel  
A safety crossing for Public*



*A view of the Turbine*



*A View of the Transformers*



*A View of the Penstocks*



*The Main control panel*



*A view of the Generator*

## Notice of Meeting

NOTICE IS HEREBY GIVEN That the 9th Annual General Meeting of shareholders of the Company will be held on 30th September 2005 at the Holiday Inn at 3.00 pm for the following purposes:

- To receive, consider and adopt the Audited Financial Statements for the year ended 31st March 2005 together with the Reports of the Auditors and Directors thereon.
- To re-elect Mr. Ranjan Mather as a Director of the Company who retires by rotation in terms of Article 90 of Table A.
- To re-elect Dr. A. A. M. Haroon as a Director of the Company who retires by rotation in terms of Article 90 of Table A.
- To re-appoint the retiring auditors M/s Ernst & Young, Chartered Accountants for the ensuing year and authorize directors to determine their remuneration.

By Order of the Board

**Managers & Secretaries (Private) Limited**

*Secretaries*

06th September 2005

**Note:**

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him.
2. A Proxy need not be a member of the Company.
3. A form of proxy accompanies this notice.



## Chairman's Review

On behalf of the Board of Directors I am pleased to present to you the Annual Report and the audited financial statements of the company for the year ended 31st March 2005.

The company's net turnover for the year ended 31st March 2005 is Rs. 71.9 Million, which is a growth of 11.61% over the previous year. The pre-tax profit of Rs. 51.1 Million is an improvement of 133% over the previous year. The improved profitability was enhanced by a substantial savings in finance cost as a result of retiring the debt following the private placement of shares. The entire debt was replaced by equity by the end of 31st March 2004.

The all round performance of the company this year has to be viewed with satisfaction, despite the Ceylon Electricity Board lagging to implement the increased tariff rate of USD Cents 6 per KW unit for calendar year 2005.

The second mini hydro plant "Batatota" which has a capacity of 2 MW is due to be mobilized in the next few months and is expected to connect to the grid at the end of the second quarter of financial year 2006/ 2007. The commissioning of this plant will enable the company to benefit from the ten year tax holiday from the Board of Investment of Sri Lanka. The total energy generation to the National grid as a result of the new plant would be enhanced to 20 Gwh from the current 12 Gwh.

We will continue to explore opportunities in the fields of Hydro, Biomass, Dendro, Wind, Gas Thermal, and Solar power with an aim of delivering satisfactory returns to our shareholders in the future. These projects would be undertaken through strategic partnerships.

In addition to expanding in the renewable energy sector, we anticipate to complete our first social responsibility Micro Hydro project to provide electrification for 21 families by the end of August 2005. This project is expected to cost Rs. 1.2 Million.

Your company has declared a total dividend of 20% for the year ended 31st March 2005.

In conclusion, I sincerely acknowledge the efforts of my colleagues on the Board, Staff and the workforce, without whose dedication your company could not have achieved these results.



**Osman Kassim**

*Chairman*

15th June 2005

## Director's Report

The Directors are pleased to submit their Report together with the Auditors Report and Financial Statements for the year ended 31st March 2005 to be presented at the 9th Annual General Meeting of the Company.

### Principal Activities

The Principal activities of the Company is to produce and transmit electrical energy to the National grid.

### Directors' Interests in Shares/ Contracts

Directors' Interest in contracts both direct and indirect are disclosed in Note 19 to the Financial Statements.

### Directorate

The interest of the Directors in the shares of the company as at 31st March 2005 were as follows:-

Ordinary Shares of Rs. 10/- each.

	31.03.2005	31.03.2004
Mr. Osman Kassim	-	-
Mr. Riyaz M Sangani	1	1
Mr. Shahid M Sangani	1	1
Mr. Ranjan Mather	-	1,120,000
Dr. A. A. M. Haroon	-	-
Mr. Hilal Peiris	-	-

### Results and Appropriations

	Year ended 31.03.2005	Year ended 31.03.2004
	Rs'000	Rs'000
<b>Net Profit / (loss) for the year</b>	51,098	21,934
Add : Accumulated profit/(loss) brought forward	(2,846)	(9,625)
	48,185	12,309
<b>Appropriations</b>		
Shares issued to Promoters		(8,000)
Dividends Paid (full & final)	(47,700)	(7,155)
<b>Accumulated Profit/(Loss) carried forward</b>	<u>552</u>	<u>(2,846)</u>

### Auditors

The resolution to re-appoint the present Auditors, Ernst & Young, Chartered Accountants, who have expressed their willingness to continue in office, will be proposed at the Annual General Meeting.

### Post Balance Sheet Events

No events have arisen since the Balance Sheet date that would require adjustments to or disclosure in the Financial statements.

### Shareholdings

As at 31st March 2005 there were 44 shareholders. The relevant shareholder and investor information is disclosed on page 26 & 27.

By order of the Board

**Managers & Secretaries (Pvt) Ltd**

*Secretaries*

15th June 2005

# Financial Information

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# Auditor's Report



■ **Chartered Accountants**  
201 De Saram Place  
P. O. Box 101  
Colombo 10  
Sri Lanka

■ Telephone : (0) 11 2463500  
Fax Gen : (0) 11 2697369  
Tax : (0) 11 5578180  
E-Mail : eysl@lk.ey.com

## AUDITORS' REPORT TO THE MEMBERS OF VIDULLANKA LIMITED

We have audited the balance sheet of Vidullanka Limited as at 31 March 2005, and the related statements of income, cash flows and changes in equity for the year then ended, together with the accounting policies and notes as set out on pages 12 to 25.

### Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

### Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, so far as appears from our examination, the Company has maintained proper books of account for the year ended 31 March 2005, and to the best of our information and according to the explanations given to us, the said balance sheet and related statements of income, cash flows and changes in equity and the accounting policies and notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act, No.17 of 1982 and give a true and fair view of the Company's state of affairs as at 31 March 2005 and, its profit and cash flows for the year then ended.

### Directors' Interest in Contracts with the Company

According to the information made available to us, the directors of the Company were not directly or indirectly interested in contracts with the Company during the year then ended 31 March 2005, except as stated in Note 19 to these financial statements.

Colombo  
15 June 2005

■ **Partners** : G A E Gunatilleke FCA T K Bandaranayake FCA M P D Cooray ACA FCMA  
Ms. Y A De Silva ACA W R H Fernando FCA FCMA A P A Gunasekera FCA FCMA  
A Herath FCA D K Hulangamuwa ACA FCMA LLB (Lond)  
A S M Ismail ACA FCMA H M A Jayasinghe ACA FCMA  
Ms. L C G Nanayakkara ACA FCMA A D B Talwatte FCA FCMA

# Income Statement

<i>Year ended 31 March 2005</i>	Note	2005 Rs.	2004 Rs.
Revenue	3	71,915,190	64,431,741
Cost of Electricity Generated		<u>(5,896,566)</u>	<u>(4,500,053)</u>
Gross Profit		66,018,624	59,931,688
Other Income	4	4,746,942	548,886
Administrative Expenses		<u>(19,585,737)</u>	<u>(20,042,171)</u>
<b>Profit from Operating Activities</b>	5	51,179,829	40,438,403
Finance Cost	6	-	<u>(18,503,952)</u>
Profit/(Loss) from Ordinary Activities Before Tax		51,179,829	21,934,451
Income Tax Expense	7	(81,535)	-
<b>Net Profit/(Loss) for the Year</b>		<u>51,098,294</u>	<u>21,934,451</u>
Earnings Per Share - Basic	8	2.14	0.92
Dividends Per Share		2.00	0.29

The accounting policies and notes on pages 16 to 25 form an integral part of the financial statements.

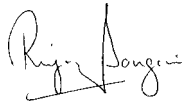
Colombo

15 June 2005

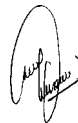
# Balance Sheet

As at 31 March 2005	Note	2005 Rs.	2004 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment - At Cost	9	290,684,141	292,560,433
		<u>290,684,141</u>	<u>292,560,433</u>
<b>Current Assets</b>			
Receivables	10	6,332,223	4,343,930
Cash and Bank Balances	16	10,016,195	4,900,399
		<u>16,348,418</u>	<u>9,244,329</u>
<b>Total Assets</b>		<u><b>307,032,559</b></u>	<u><b>301,804,762</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital	11	238,500,070	238,500,070
Share Premium	12	60,000,000	60,000,000
Accumulated Loss		552,635	(2,845,645)
<b>Total Equity</b>		<u><b>299,052,705</b></u>	<u><b>295,654,425</b></u>
<b>Non-Current Liabilities</b>			
Other Deferred Liabilities	15	315,287	182,025
		<u>315,287</u>	<u>182,025</u>
<b>Current Liabilities</b>			
Other Payables	13	2,813,031	4,214,854
Amounts Due to Related Parties	14	-	1,721,708
Directors Current Accounts		-	31,750
Dividend Payable		4,770,001	-
Provision for Income Tax		81,535	-
		<u>7,664,567</u>	<u>5,968,312</u>
<b>Total Equity and Liabilities</b>		<u><b>307,032,559</b></u>	<u><b>301,804,762</b></u>

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



**Riyaz M. Sangani**  
Director



**Osman Kassim**  
Director

The accounting policies and notes on pages 16 to 25 form an integral part of the financial statements.

Colombo  
15 June 2005

## Statement of Changes in Equity

<i>Year ended 31 March 2005</i>	Share Capital Rs.	Share Premium Rs.	Acumulated Losses Rs.	Total Rs.
Balance as at 31 March 2003	100,500,070	-	(9,625,094)	90,874,976
Shares issued during the year				
- For Cash	120,000,000	-	-	120,000,000
- For Non-Cash	18,000,000	-	-	18,000,000
Additions during the year	-	60,000,000	-	60,000,000
Profit for the year	-	-	21,934,451	21,934,451
Shares issued to Promoters	-	-	(8,000,000)	(8,000,000)
Dividends	-	-	(7,155,002)	(7,155,002)
<b>Balance as at 31 March 2004</b>	<u>238,500,070</u>	<u>60,000,000</u>	<u>(2,845,645)</u>	<u>295,654,425</u>
Profit for the year	-	-	51,098,294	51,098,294
Dividends	-	-	(47,700,014)	(47,700,014)
<b>Balance as at 31 March 2005</b>	<u>238,500,070</u>	<u>60,000,000</u>	<u>552,635</u>	<u>299,052,705</u>

The accounting policies and notes on pages 16 to 25 form an integral part of the financial statements.

Colombo

15 June 2005



# Cash Flow Statement

Year ended 31 March 2005	Note	2005 Rs.	2004 Rs.
<b>Cash Flows From / (Used in) Operating Activities</b>			
Profit/(Loss) from Ordinary Activities Before Tax		51,179,829	21,934,451
Adjustments for			
Depreciation		10,130,486	11,336,928
Loss/(Profit) on Disposal of Property, Plant & Equipment	4	(1,598)	(548,886)
Finance Costs		-	18,630,024
Provision for Retiring Gratuity	5	133,262	99,087
Property, Plant & Equipment Written Off		479,639	-
<b>Operating Profit/ (Loss) Before Working Capital Changes</b>		<u>61,921,618</u>	<u>51,451,604</u>
(Increase)/Decrease in Receivables	10	(1,988,293)	4,662,910
Decrease in payables	13	(1,401,823)	(1,891,664)
Increase/(Decrease) in Amounts due to Related Parties	14	(1,721,708)	(19,789,600)
Increase/(Decrease) in Director's Current Account		(31,750)	(1,519,511)
<b>Cash Generated from Operations</b>		<u>56,778,044</u>	<u>32,913,739</u>
Finance Cost Paid		-	(18,630,024)
<b>Net Cash From/(Used in) Operating Activities</b>		<u>56,778,044</u>	<u>14,283,715</u>
<b>Cash Flows from/(Used in) Investing Activities</b>			
Transfer/Acquisition of Property, Plant & Equipment		(8,767,568)	(7,391,582)
Proceeds from Sale of Property, Plant & Equipment		35,329	877,205
<b>Net Cash Flows from/(Used in) Investing Activities</b>		<u>(8,732,239)</u>	<u>(6,514,377)</u>
<b>Cash Flows from/(Used in) Financing Activities</b>			
Dividends Paid		(42,930,009)	(7,155,002)
Repayment of Interest Bearing Loans & Borrowings		-	(173,065,603)
Principal Payment Under Finance Lease Liabilities		-	(2,793,445)
Proceeds from Share Issurance		-	180,000,000
<b>Net Cash Flows from/(Used in) Financing Activities</b>		<u>(42,930,009)</u>	<u>(3,014,050)</u>
<b>Net Increase in Cash &amp; Cash Equivalents</b>		5,115,796	4,755,288
Cash & Cash Equivalents at the beginning of the year	16	4,900,399	145,111
Cash & Cash Equivalents at the end of the year	16	<u>10,016,195</u>	<u>4,900,399</u>

The accounting policies and notes on pages 16 to 25 form an integral part of the financial statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 General

Vidullanka Limited (“Company”) is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Level 10, Access Tower, No. 278, Union Place, Colombo 02, and the principal place of business is situated at Bambarabatuoya, Ratnapura.

### 1.2 Principal Activities and Nature of Operations

The Principal activities of the Company is to produce and transmit electrical energy to the National grid. For this purpose the Company has constructed a Hydro Power Plant at Bambarabatuoya, Ratnapura and commenced its operations during June 2001.

### 1.3 Number of Employees

The number of employees at the end of the year was 23 (2004– 25).

## 2.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 General Policies

#### 2.1.1 Basis of Preparation

The balance sheet, statements of income changes in equity and cash flows, together with accounting policies and notes, (“Financial Statements”) of the Company as at 31st March 2005 and for the year then ended, comply with the Sri Lanka Accounting Standards.

#### 2.1.2 Foreign Currency Translation

All foreign exchange transactions are converted to Sri Lanka Rupee, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using

year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the income statement.

#### 2.1.3 Taxation

##### Current Taxes

Pursuant to the agreement dated 1st October 1998 entered into with the Board of Investment under Section 17 of the Board of Investment Law, the Company is exempt from income tax for a period of ten years reckoned from the year of assessment as may be determined by the Board.

For the above purpose the year of assessment shall be reckoned from the date on which the enterprise commences its business, as specified in a certificate issued by the Board.

However, the Board of Investment has the right under the agreement to withdraw the tax exemption period of 10 years and the other benefits granted under the BOI agreement if the investment is not increased to Rs.500 million on or before 30th September 2006.

#### 2.1.4 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use, are capitalised as part of that asset.

#### 2.1.5 Deferred Expenditure

Deferred expenditure which consist of pre-operating expenses is not deemed to have a benefit or relationship to more than one financial year.

## 2.2 Valuation of Assets and their Measurement Bases

### 2.2.1 Trade and Other Receivables

Receivables and dues from Related Parties are recognised at cost less provision for bad and doubtful receivables.

### 2.2.2 Cash and Cash Equivalents

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

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

### 2.2.3 Property, Plant and Equipment

#### a) Cost

Property, Plant & Equipment are recorded at cost less accumulated depreciation.

#### b) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

#### c) Depreciation

The provision for depreciation is calculated by using a straight line method on the cost of all property, plant and equipment other than freehold land, in order to write off such amounts over the estimated useful lives. The principal annual rates used are:

Office Furniture	20 %
Office Equipment	20 %
Motor Vehicles	20 %
Computer	33 1/3 %
Accounting Software	33 1/3 %
Plant & Machinery	2.5% - 6.67%
Transformers	10%

Full provision is made in the year of sale and none in the year of purchase.

### 2.2.4 Leases

- a) Finance Leases – where the Company is the Lessee Property, plant and equipment on finance leases, which effectively transfer to the Company substantially all of the risk and benefits incidental to ownership of the leased item are capitalised at their cash price and disclosed as property, plant and equipment and depreciated over the period the Company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations applicable to each financial year is charged to the income statements over the period of the lease using sum of digits method.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

## 2.3 Liabilities and Provisions

### 2.3.1 Retirement Benefit Obligations

#### a) Defined Benefit Plan – Gratuity

Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the Gratuity Act No. 12 of 1983. In order to meet this liability, a provision is carried forward in the balance sheet, equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt with in the income statement.

The gratuity liability is not funded nor actuarially valued. This item is grouped under provision and other liabilities in the Balance Sheet.

#### b) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

## 2.4 Income Statement

### 2.3.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade

discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

#### a) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer; with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

#### b) Others

Net Gains and losses of a revenue nature on the disposal of property, plant & equipment and other non current assets including investments have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

### 2.4.2 Expenditure Recognition

a) Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

b) Finance expenses are recognized in the income statement on an accrual basis.

Year ended 31 March 2005	2005	2004
	Rs.	Rs.
<b>3. REVENUE</b>		
<b>3.1 Summary</b>		
Turnover (Gross)	82,702,468	71,244,227
Less : Goods & Services Tax/Value Added Tax	(10,787,278)	(6,812,486)
Turnover (Net)	<u>71,915,190</u>	<u>64,431,741</u>
<b>4. OTHER INCOME</b>		
Profit from Amana Investment	357,674	-
Work done for LEL, Group	50,000	-
Compensation Receivable (Arbitration Award)	4,337,670	-
Profit on Disposal of Fixed Assets	1,598	548,886
	<u>4,746,942</u>	<u>548,886</u>
<b>5. PROFIT FROM OPERATING ACTIVITIES</b>		
Stated after charging/Crediting		
Directors Emolument	2,163,089	-
Auditors Remuneration (Fee & Expenses)	70,000	59,424
Depreciation	10,130,486	11,336,928
Staff Costs (Include the following Retirement Benefit Costs)	5,179,936	4,169,180
Defined Benefit Plan Costs - Gratuity	133,262	99,087
Defined Contribution Plan Costs - EPF and ETF	654,502	384,383
(Profit)/Loss on Disposal of Property, Plant & Equipment	1,598	(548,886)
	<u>1,598</u>	<u>(548,886)</u>
<b>6. FINANCE COST</b>		
Interest Expense on Overdrafts	-	85,362
Interest Expense on Loans & Borrowings Payable to		
- Related Parties	-	1,807,769
- Others	-	16,318,237
Finance charges on Lease Liabilities	-	292,584
	<u>-</u>	<u>18,503,952</u>
<b>7. INCOME TAX EXPENSES</b>		
<b>Current Income Tax</b>		
Taxable Profit on Other Income	407,674	-
Statutory Tax Rate %	20%	20%
Current Income Tax Expenses	<u>81,535</u>	<u>-</u>

**8. EARNINGS PER SHARE**

8.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

8.2 The following data was taken to calculate the Basic Earnings Per Share computations.

	2005 Rs.	2004 Rs.
<b>Amounts Taken as Numerator</b>		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	<u>51,098,294</u>	<u>21,934,451</u>
<b>Number of Ordinary Shares Taken as Denominator</b>		
Weighted Average Number of Ordinary Shares in Issue	<u>23,850,007</u>	<u>23,850,007</u>

	Balance As at 01.04.2004 Rs.	Additions /Transfers /Acquisitions Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2005 Rs.
<b>9. PROPERTY, PLANT &amp; EQUIPMENT</b>				
<b>9.1 Gross Carrying Amounts</b>				
Land	3,147,100	256,875	-	3,403,975
Office Furniture	376,976	157,001	(6,610)	527,367
Office Equipment	64,031	-	-	64,031
Accounting Software	89,750	-	-	89,750
Computers	814,521	119,330	-	933,851
Plant & Machinery	311,320,247	1,526,230	(508,346)	312,338,131
Office Partition Work	374,531	-	-	374,531
	<u>316,187,156</u>	<u>2,059,436</u>	<u>(514,956)</u>	<u>317,731,636</u>
<b>In the Course of Construction</b>				
Capital work in Progress	-	6,708,132	-	6,708,132
<b>Total Gross Carrying Value</b>	<u>316,187,156</u>	<u>8,767,568</u>	<u>(514,956)</u>	<u>324,439,768</u>

	Balance As At 01.04.2004 Rs.	Charge for the year/ Transfers Rs.	Disposals/ Transfers Rs.	Balance As at 31.03.2005 Rs.
<b>At Cost</b>				
<b>9.2 Depreciation</b>				
Office Furniture	13,310	75,395	(1,582)	87,123
Office Equipment	64,031	-	-	64,031
Plant and Machinery	18,888,786	14,048,118	-	32,936,904
Accounting Software	89,750	-	-	89,750
Computers	275,867	227,046	-	502,913
Office Partition	-	74,906	-	74,906
	<u>19,331,744</u>	<u>14,425,465</u>	<u>(1,582)</u>	<u>33,755,627</u>
<b>On Finance Lease</b>				
Plant & Machinery	4,294,979	-	(4,294,979)	-
<b>Total Depreciation</b>	<u>23,626,723</u>	<u>14,425,465</u>	<u>(4,296,561)</u>	<u>33,755,627</u>

	2005 Rs.	2004 Rs.
<b>9.3 Net Book Values</b>		
At Cost	290,684,141	292,560,433
On Finance Lease	-	-
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<u>290,684,141</u>	<u>292,560,433</u>

9.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 8,767,568/- (2004 - Rs. 7,391,582/-). Cash payments amounting to Rs. 8,767,568/- (2004 - Rs. 7,391,582/-) were made during the year for purchase of Property, Plant & Equipment.

	2005 Rs.	2004 Rs.
<b>10. TRADE AND OTHER RECEIVABLES</b>		
Trade Debtors	4,676,843	2,677,717
Advances and Prepayments	1,263,041	1,261,523
Loans given to Contractors	205,252	315,252
Staff Loans (10.1)	117,485	74,500
Other Debtor	69,602	14,938
	<u>6,332,223</u>	<u>4,343,930</u>
<b>10.1 Loans to Company Officers:</b>		
<b>Summary</b>		
Balance as at the beginning of the Year	74,500	-
Loans Granted During the Year	234,985	107,500
Less: Repayments	(192,000)	(33,000)
Balance as at the end of the Year	<u>117,485</u>	<u>74,500</u>

	Par Value Rs.	2005 Number	2004 Number
<b>11. SHARE CAPITAL</b>			
<b>11.1 Authorised</b>			
Number of Shares - Ordinary Shares	10/-	27,500,000	27,500,000
		<u>27,500,000</u>	<u>27,500,000</u>

		2005 Rs.	2004 Rs.
Number of Shares - Ordinary Shares	10/-	275,000,000	275,000,000
		<u>275,000,000</u>	<u>275,000,000</u>



	Par Value Rs.	At the Beginning of the Year 01.04.2004 Number	Issued for Cash During the Year Number	Issued for Non Cash Consideration Number	Converted during the year Number	At the End of the year 31.03.2005 Number
<b>11.2 Issued and Fully Paid</b>						
Number of Shares - Ordinary Shares	10/-	23,850,007	-	-	-	23,850,007
		<u>23,850,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,850,007</u>
		Rs.	Rs.	Rs.	Rs.	Rs.
Nominal Value - Ordinary Shares	10/-	238,500,070	-	-	-	238,500,070
		<u>238,500,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,500,070</u>

	2005 Rs.	2004 Rs.
<b>12. SHARE PREMIUM</b>		
As at the beginning of the year	-	-
Received during the year	60,000,000	60,000,000
As at the end of the year	<u>60,000,000</u>	<u>60,000,000</u>
<b>13. OTHER PAYABLES</b>		
Sundry Creditors Including Accrued Expenses	2,813,031	4,214,854
	<u>2,813,031</u>	<u>4,214,854</u>
<b>14. AMOUNTS DUE TO RELATED PARTIES</b>		
Diamond Cutters Ltd		
Relationship		
Group Company	-	1,721,708
	<u>-</u>	<u>1,721,708</u>

	Balance as at 01.04.2004 Rs.	Charge for the year Rs.	Payments made during the year Rs.	Balance as at 31.03.2005 Rs.
<b>15. OTHER DEFERRED LIABILITIES</b>				
Retirement Benefit Obligation				
- Gratuity	182,025	133,262	-	315,287

	2005 Rs.	2004 Rs.
<b>16. CASH AND CASH EQUIVALENTS</b>		
Components of Cash and Cash Equivalents		
16.1 Favourable Cash & Cash Equivalents Balance		
Cash & Bank Balances	10,016,195	4,900,399
16.2 Unfavourable Cash & Cash Equivalent Balance		
Bank Overdraft (10)	-	-
<b>Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement</b>	<b>10,016,195</b>	<b>4,900,399</b>

**17. CONTINGENCIES**

There are no significant commitments and/or contingencies other than for the above as at the balance sheet date.

**18. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements, except as mentioned below.

The Company was listed in the Second Board of the Colombo Stock Exchange, on 10 June 2005.

#### 19. DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

Mr. Osman Kassim is the Chairman of the Company and is also the Chairman of Amana Investments Ltd., Expolanka (Corporate) Ltd., Amana Takaful Ltd., Amana Capital Ltd.

Mr. Riyaz M. Sangani is the Managing Director of the Company and is also the Director of Lanka Equities (Pvt) Ltd., Diamond Cutters Ltd., and Alankara (Pvt) Ltd. Alankara SKR (Pvt) Ltd., with which the Company has had the following significant transactions as detailed in Note 20 below.

Mr. Shahid M. Sangani is a Director of the Company and is also the Managing Director of Lanka Equities (Pvt) Ltd. and Director of Alankara SKR (Pvt) Ltd., Note 20 below.

Mr. Ranjan Mather is a Director of the Company and is also a Director of Belmont Agents Ltd.

Dr. A. A. M. Haroon is a Director of the Company and is also a Director of Vanguard Industries (Pvt) Ltd. Lucky Industries (Pvt) Ltd., Amana Investments Ltd. & Amana Takaful Ltd.

Mr. Hilal Peiris is a Director of the Company and is also the CEO of Equity Investments Lanka Ltd.

#### 20. RELATED PARTY TRANSACTIONS

The following are the related party transactions during the year.

Name of Company	Relationship	Nature of Transaction	2005 Rs.	2004 Rs.
Lanka Equities (Pvt) Ltd	Group Company	Reimbursement Expenses paid to Group Finance Manager	120,000	-
Growth Lanka (Pvt) Ltd	Group Company	Expenses incurred on land phone, interior, electricity and furniture. Transfer of Fixed Assets	-	1,000,000
Diamond Cutters Ltd	Group Company	Transfer of Funds for the settlement of office rent Usage of Directors Mobile	- 138,240 60,000	1,721,708 - -
Alankara (Pvt) Ltd	Group Company	Settlement of a Courier Bill	5,000	-
Alankara SKR (Pvt) Ltd	Group Company	Work Rendered by VLL Staff & Reimbursement of Transportation	122,900	-

## Shareholder and Investor Information

### Shareholder

The twenty largest shareholders as at 31st March 2005 are as follows:

#### Top 20 Shareholders as at 31st March 2005

Name	No. of Shares	Percentage (%)
1 Growth Lanka (Pvt) Ltd	3,740,000	15.68
2 Belmont Agents Ltd	3,120,000	13.08
3 Wembly Spirit Ltd	3,000,000	12.58
4 Lanka Equities (Pvt) Ltd	2,300,000	9.64
5 Vanguard Industries (Pvt) Ltd	2,000,000	8.39
6 Amana Investments Ltd	2,000,000	8.39
7 Mrs. Renlan Mather	1,120,000	4.70
8 Mrs. Yumna Kunimoto	1,050,000	4.40
9 ABC International Ltd	1,000,000	4.19
10 Equity Investments Lanka Ltd	1,000,000	4.19
11 Mr. Mohamed Shafee Mohideen	680,000	2.85
12 Amana Takaful Ltd	604,100	2.53
13 Mr. Mohamed Haji Omar	500,000	2.10
14 Expolanka (Corporate) Pvt Ltd	375,000	1.57
15 Lucky Industries (Pvt) Ltd	300,000	1.26
16 Mr. Mohamed Fazal Bahardeen	200,000	0.84
17 Mr. Fauzul Kabeer Mohideen	120,000	0.50
18 Mr. Mohamed Haniffa Mohamed Rafiq	101,000	0.42
19 Mr. Ahamed Imthiaz Ismail	100,000	0.42
20 Mrs. Sithy Fazeena Zubai	100,000	0.42
21 United Overseas Investments Ltd	100,000	0.42
22 Mr. N.A.M.M. Muhammed & Mrs. M.B.F. Shiyana	100,000	0.42
	<u>23,610,100</u>	<u>98.99</u>
Others	239,907	1.01
<b>TOTAL</b>	<u><b>23,850,007</b></u>	<u><b>100.00</b></u>

### Analysis of Shareholders

There were 44 shareholders as at 31st March 2005 distributed as follows:

Shareholding Segment		No. of Shareholders	Shareholding	%
Less Than	1001 Shares	8	1,207	0.00
1001	To 5000 Shares	5	15,700	0.07
5001	To 10000 Shares	2	18,000	0.07
10001	To 50000 Shares	6	138,000	0.58
50001	To 100000 Shares	5	467,000	1.96
100001	To 500000 Shares	6	1,596,000	6.69
500001	To 1000000 Shares	4	3,284,100	13.77
	Over 1000000 Shares	8	18,330,000	76.86
<b>TOTAL</b>		<b>44</b>	<b>23,850,007</b>	<b>100.00</b>

# Corporate Information

## Company Status & Capital

### Legal Status

Public Limited Liability Company listed on the Colombo Stock Exchange on 10th June 2005.

### Incorporation

24th September 1997

### Authorised Capital

Rs. 275,000,000

### Issued Capital

23,850,007 shares of Rs. 10/= amounting to Rs. 238,500,070

## Board of Directors

Mr. Osman Kassim (*Chairman*)

Mr. Riyaz M. Sangani (*Managing Director*)

Mr. Shahid M. Sangani

Mr. Ranjan Mather

Dr. A. A. M. Haroon

Mr. Hilal Peiris

## Alternate Director

Mr. Ishrat Rauff (*for Mr Osman Kassim*)

## Company Secretary

Managers & Secretaries (Pvt) Limited

## Registered Office

Level 10, 'Access Tower'

No. 278 Union Place, Colombo 2.

## Auditors

Ernst & Young, *Chartered Accountants*

## Bankers

Commercial Bank of Ceylon Limited







# Form of Proxy

I/We ..... of .....  
 .....  
 being member/s of Vidullanka Limited, do hereby appoint .....  
 ..... of .....  
 as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 30th September 2005 and at any adjournment thereof.

	For	Against
1. To receive, consider and adopt the Audited Financial Statements for the year ended 31st March 2005 together with the Reports of the Auditors and Directors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Ranjan Mather as a director of the Company who retires by rotation in terms of Article 90 of Table A.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re -elect Dr. A A M Haroon as a director of the Company who retires by rotation in terms of Article 90 of Table A.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint the retiring auditors M/s Ernst & Young, Chartered Accountants for the ensuing year and authorize directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this.....day of .....2005

.....  
 Signature of Shareholder/s

#### Instructions to Complete the Form of Proxy

1. Kindly perfect the Form of Proxy, by filling in legibly your full name and address, signing in the space provided, and filling in the date of signature.
2. In the case of a company /corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
3. The completed Form of Proxy should be deposited at the Registered Office of Vidullanka Limited at Level 10, Access Towers, 278 Union Place, Colombo 2 not less than 48 hours before the time fixed for the Meeting.



