



**VIDULLANKA PLC**  
Building on Renewable Energy Sources

**Re-  
mark-  
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**Inner Back Cover**  
Corporate Information

# Remarkable

The year under review was remarkable one for Vidullanka PLC. We endured a challenging natural and operational environment to emerge victorious today with strategic investments we made in the past having come to fruition, finally. We've proven that we are able and more than capable of enhancing sustainability for a brighter tomorrow. Our foray into geographic diversification, the Muvumbe hydropower project established in Uganda, has significantly contributed to our impressive financial performance. We have also made headway in the process of establishing the Dendro power plant which will be generating energy with the use of sustainably-sourced biomass. We have finally made our mark as the pulse of Sri Lanka's green energy movement and look forward to reaping the fruit of our endeavors, well into the future.



# About Vidullanka PLC



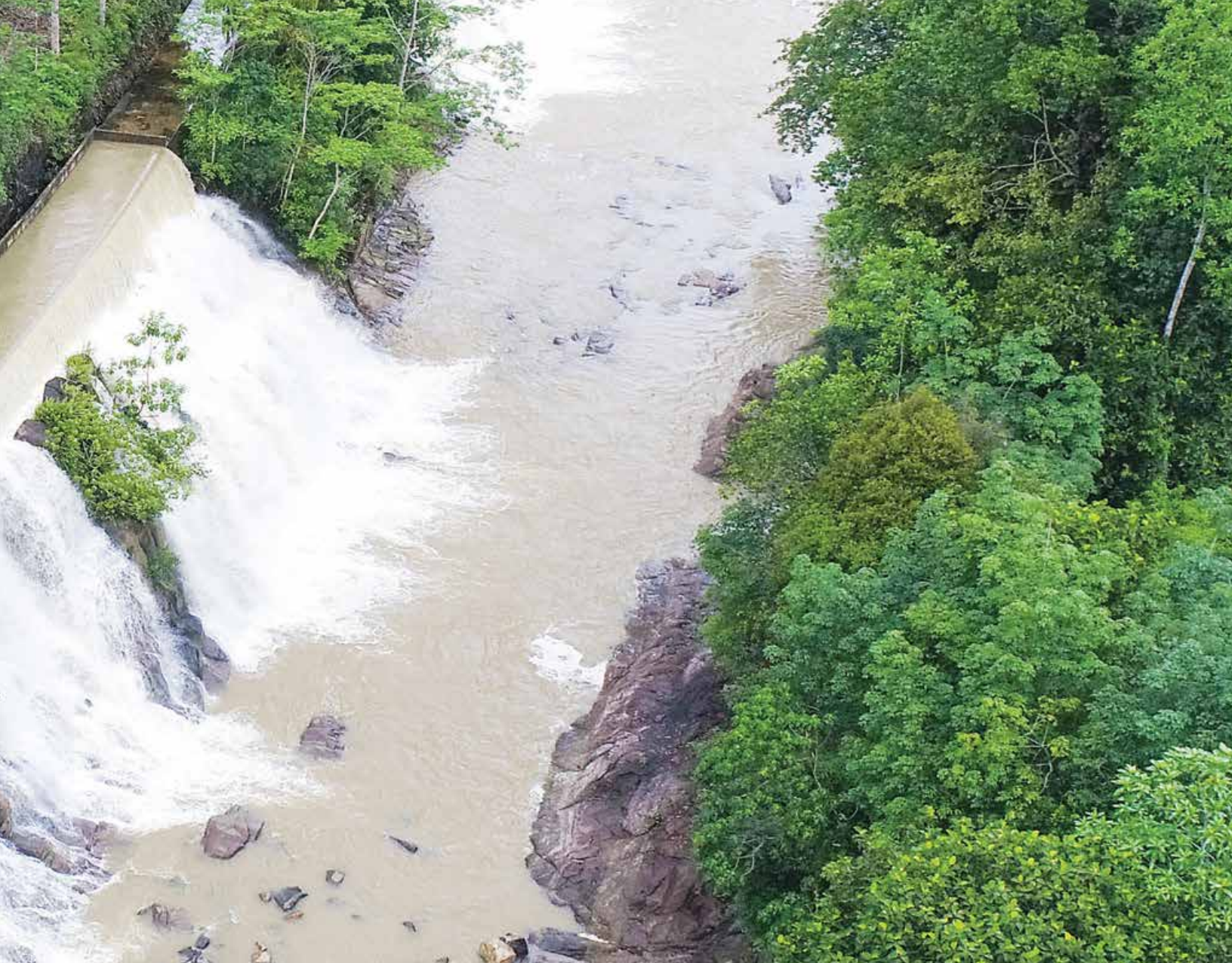
Incorporated two decades ago, Vidullanka PLC has grown into a pioneer in the local industry with 11 mini hydropower plants and has expanded its operations into the foreign earthen with its first foreign project in the continent of Africa. The plants developed, constructed and operated by Vidullanka PLC stands at a total installed capacity of 27 MW with an estimated energy potential of 107.5 GWh of power annually.

The company's key asset is its employees, which comprise of a highly skilled team of civil, mechanical and electrical engineers, as well as environmental and social specialists. They are experts in site identification, technical, financial and environmental due diligence, design and engineering, operation and maintenance of power plants.

Vidullanka PLC is currently listed on the main board of the Colombo Stock Exchange (CSE). Moreover, it also holds the distinction for being the first renewable company to be listed on the exchange. During the year 2018, credit rating of Vidullanka PLC was re-affirmed as A- (SL) with a stable outlook by ICRA Lanka Limited.

The company continues to grow in terms of its financial performance, asset base, resources and technical excellence. As a responsible corporate citizen, the Company is committed to sustainability and is also well supported by the management's strategic vision and the concern for the planet and the people.





## Vision

Be the foremost in promoting and developing renewable energy resources while ensuring good stakeholder returns.

## Mission

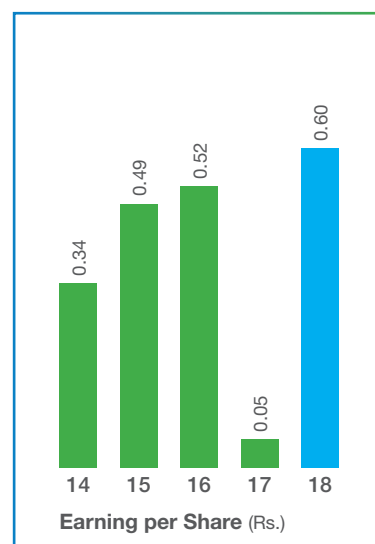
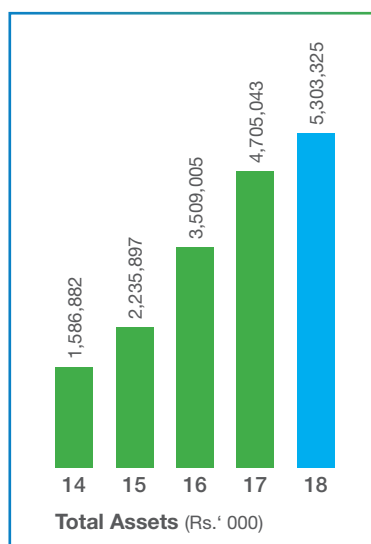
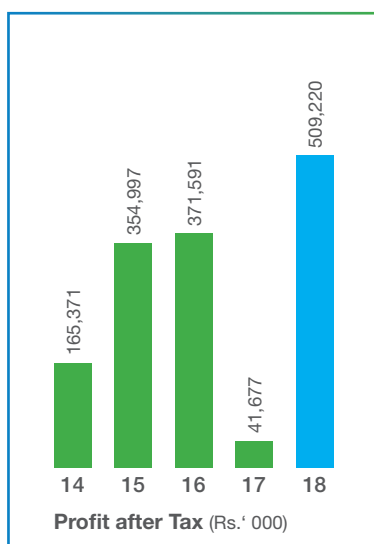
Passionately develop business opportunities aligned to our core business that will maximise economic value to our stakeholders, thereby giving us a competitive advantage in the marketplace. Use the strength of our engineering team to become the leader supplying renewable energy.

## Values

Work with the passion for excellence while ensuring honesty and integrity with innovative mindsets by taking risks while providing attention to detail with the entrepreneurial drive through team work.

# Financial Highlights

| Year Ended 31st March         | 2018<br>Rs. ' 000 | 2017<br>Rs. ' 000 | 2016<br>Rs. ' 000 |
|-------------------------------|-------------------|-------------------|-------------------|
| Revenue                       | 974,838           | 534,754           | 723,224           |
| Gross Profit                  | 726,369           | 391,062           | 601,700           |
| Operating Profit              | 908,559           | 199,934           | 479,792           |
| Profit before Tax             | 649,490           | 40,715            | 392,464           |
| Profit after Tax              | 509,220           | 41,677            | 371,591           |
| Output (GWh)                  | 92.6GWh           | 48.5GWh           | 68.0GWh           |
| Total Assets / Equity (Times) | 2.4               | 2.6               | 1.9               |
| Net Profit Margin (%)         | 52.2              | 7.8               | 51.4              |
| Return on Equity (%)          | 23.0              | 2.3               | 19.9              |
| Return on Assets (%)          | 17.1              | 4.3               | 13.7              |
| Current Ratio (Times)         | 0.5               | 0.5               | 1.0               |
| Debt/(Debt + Equity) (%)      | 54.3              | 59.0              | 43.6              |
| Earning per Share (Rs.)       | 0.60              | 0.05              | 0.52              |
| Dividend per Share (Rs.)      | 0.20              | 0.10              | 0.23              |





# 23%

Return on Equity



# Rs.509.2Mn

Net Profit



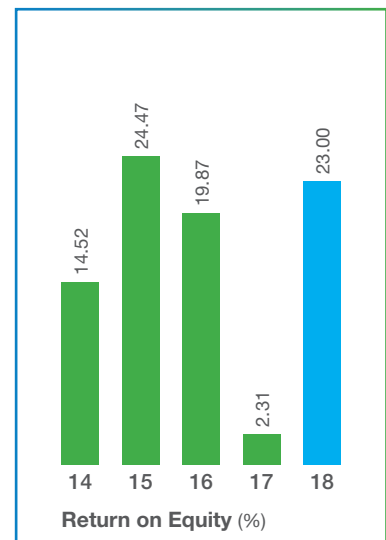
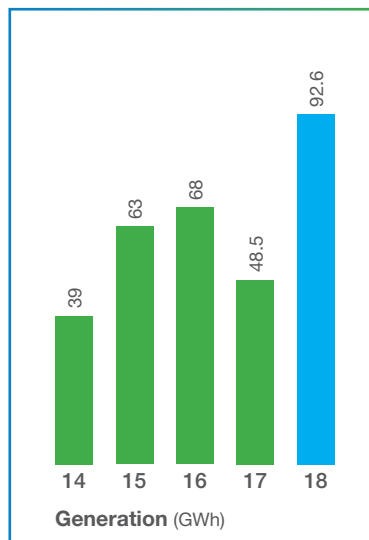
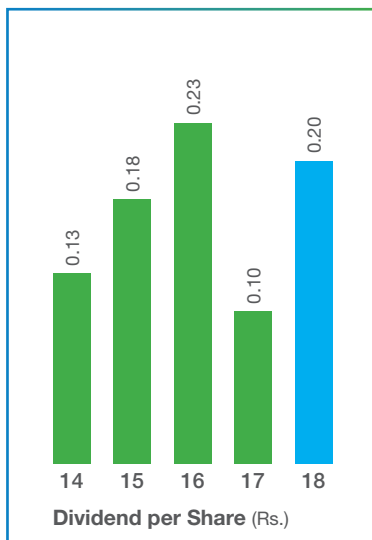
# 92.6GWh

Power Generation

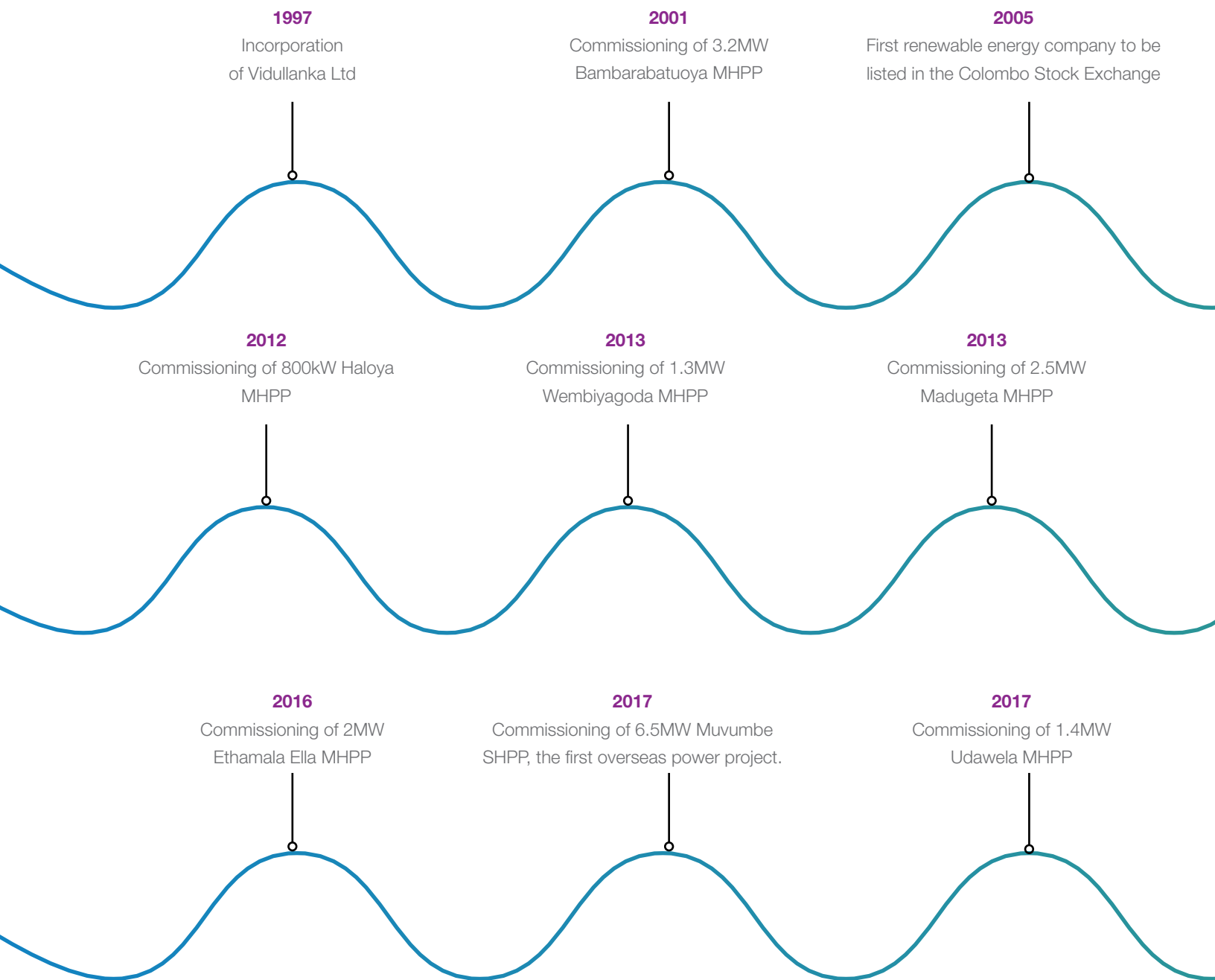


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Emission Reduction



# Key Milestones





**2007**

Commissioning of 2MW  
Batathota MHPP

**2010**

Commissioning of 1.2MW  
Ganthuna MHPP

**2014**

Commissioning of 4.0MW  
Lower Kotmale Oya MHPP

**2015**

Commissioning of 1.75MW  
Rideepana MHPP

**2018**

Construction of 3.3MW  
Dehiattakandiya Dendro  
PP in progress

Acquires Timex Bukinda Hydro  
(U) Limited to develop the 6.5MW  
Bukinda SHPP in Uganda

Vidullanka PLC with over 27MW  
Installed Capacity reports the  
highest ever PAT in history

# Our Plant Portfolio

|                        | Projects in Operation  |   |  |
|------------------------|--|---|--|
| Plant Name             | Bambarabatuoya MHPP  | Batathota MHPP  | Ganthuna MHPP  |
| Description            | The first project by Vidullanka PLC commissioned in June 2001 which marked the beginning of the Vidul Group. | The first project to be designed, constructed and operated by Vidul Engineering Ltd, the in-house engineering arm of the Company. | This is the first joint venture of Vidullanka. The project is a High Head - Low Flow project with the highest head amongst all the Vidul projects. |
| Project Company        | Vidullanka PLC   | Vidullanka PLC  | Gurugoda Hydro (Pvt) Ltd   |
| Installed Capacity     | 3.2 MW   | 2.0 MW  | 1.2 MW   |
| Location               | Ratnapura  | Ratnapura   | Kegalle  |
| Project Cost           | US\$ 3.4 Mn  | US\$ 2.5 Mn   | US\$ 1.6 Mn  |
| River                  | Kalu Ganga   | Kuru Ganga  | Gurugoda Oya   |
| Catchment Area         | 76 km <sup>2</sup>   | 64 km <sup>2</sup>  | 5 km <sup>2</sup>  |
| Plant Factor           | 44%  | 58%   | 38%  |
| Designed Annual Energy | <b>12.3 GWh</b>  | <b>10.3 GWh</b>   | <b>4.0 GWh</b>   |
| Gross Head             | 47 m   | 41.6 m  | 220 m  |
| Channel Length         | 2,850 m  | 1,700 m   | 220 m  |
| Penstock Length        | 150 m  | 140 m   | 560 m  |
| Turbine Configuration  | Francis Turbines<br>(4 x 800kW)  | Francis Turbines<br>(2 x 800kW + 1 x 400kW)   | Pelton Turbines<br>2 x 600kW)  |
| Status                 | Commissioned on 1st June 2001. SPPA to be renewed  | Commissioned on 6th March 2007  | Commissioned on 26th March 2010  |

|  | Haloya MHPP   | Wembiyagoda MHPP   | Madugeta MHPP   |
|--|---|--|---|
|  | The first project to be powered by the Vidul Control Solutions including synchronised panels and governors. | Built on the cascade of the Koswathu Ganga, the project benefits from the higher rainfall in the region. | The first Low Head - High Flow project of the Group, catchment nourished by the Sinharaja Forest and the Dellawa proposed forest reserve. |
|  | Udaka Energy Group (Pvt) Ltd  | Walagamba Balashakthi (Pvt) Ltd  | Vidul Madugeta (Pvt) Ltd  |
|  | 800 kW  | 1.3 MW   | 2.5 MW  |
|  | Badulla   | Ratnapura  | Galle   |
|  | US\$ 1.2 Mn   | US\$ 2 Mn  | US\$ 4.4 Mn   |
|  | Haloya  | Koswathu Ganga   | Gin Ganga   |
|  | 57 km <sup>2</sup>  | 77 km <sup>2</sup>   | 179 km <sup>2</sup>   |
|  | 39%   | 40%  | 46%   |
|  | <b>2.7 GWh</b>  | <b>4.5 GWh</b>   | <b>10.1 GWh</b>   |
|  | 63 m  | 22.5 m   | 15 m  |
|  | 207 m   | 440 m  | 660 m   |
|  | 102 m   | 40 m   | -   |
|  | Francis Turbines<br>(2 x 400kW)   | Francis Turbines<br>(2 x 650kW)  | Kaplan Turbines<br>(2 x 1250kW)   |
|  | Commissioned on 30th July<br>2012   | Commissioned on 19th March<br>2013   | Commissioned on 1st November<br>2013  |



# Our Plant Portfolio

|                        | Projects in Operation  |   |  |
|------------------------|--|---|--|
| Plant Name             | Lower Kothmale Oya MHPP  | Rideepana MHPP  | Ethamala Ella MHPP   |
| Description            | This is the largest project to be designed and constructed by Vidullanka in Sri Lanka, located between the Upper Kothmale and Kothmale Reservoirs. | This is the second project to be constructed in Badulla District. | The power plant is designed and engineered to harness the energy from the flow of Nilwala Ganga. |
| Project Company        | Lower Kothmale Oya Hydro Power (Pvt) Ltd   | Rideepana Hydro (Pvt) Ltd   | Nilwala Vidulibala Company (Pvt) Ltd   |
| Installed Capacity     | 4.0 MW   | 1.75 MW   | 2 MW   |
| Location               | Nuwara Eliya   | Badulla   | Matara   |
| Project Cost           | US\$ 8.2 Mn  | US\$ 3.1 Mn   | US\$ 3.5 Mn  |
| River                  | Kothmale Oya   | Badulu Oya  | Nilwala Ganga  |
| Catchment Area         | 89 km <sup>2</sup>   | 205 km <sup>2</sup>   | 119 km <sup>2</sup>  |
| Plant Factor           | 37%  | 44%   | 44%  |
| Designed Annual Energy | <b>13 GWh</b>  | <b>5.9 GWh</b>  | <b>7.8 GWh</b>   |
| Gross Head             | 71.5 m   | 30.5 m  | 40 m   |
| Channel Length         | 1,430 m  | 590 m   | 300 m  |
| Penstock Length        | 870 m  | 60 m  | 80 m   |
| Turbine Configuration  | Francis Turbines<br>(2 x 1600kW + 1 x 800kW)   | Francis Turbines<br>(1 x 1250kW + 1 x 500kW)                      | Francis Turbines<br>(2 x 800kW + 1 x 400kW)  |
| Status                 | Commissioned on 25th June 2014   | Commissioned on 15th May 2015                                     | Commissioned on 30th September 2016  |

|  |  | Projects Under Construction   | Upcoming Projects   |
|--|--|---|---|
| Udawela MHPP   | Muvumbe SHPP   | Dehiattakandiya Dendro PP   | Bukinda SHPP  |
| The newest addition to the Vidullanka plant portfolio, being the third to be constructed in Badulla. | This marks the first overseas project by Vidullanka PLC and the largest project in terms of capacity and output. | This is the first fuelwood - based power project; expected to be commissioned during the new financial year | Proposed acquisition of the project company will pave the way for the development of the Bukinda SHPP |
| Udawela Hydro (Pvt) Ltd  | Muvumbe Hydro (U) Limited  | Vidul Biomass (Pvt) Ltd   | Timex Bukinda Hydro (U) Ltd   |
| 1.4MW  | 6.5 MW   | 3.3MW   | 6.5MW   |
| Badulla  | Kabale, Uganda   | Ampara  | Rugashari (Kibale District)   |
| US\$ 2.8 Mn  | US\$ 13.5 Mn   | US\$ 8.4 Mn   | US\$ 13.4 Mn  |
| Badulu Oya   | Muvumbe River  | -   | Nkusi River   |
| 242 km <sup>2</sup>  | 868 km <sup>2</sup>  | -   | 2,317km <sup>2</sup>  |
| 45%  | 55%  | 76%   | 48%   |
| <b>5.5 GWh</b>   | <b>31.4 GWh</b>  | <b>22.0 GWh</b>   | <b>27.4 GWh</b>   |
| 21m  | 120 m  | -   | 110.6m  |
| 37m  | 2,080 m  | -   | 726m  |
| 200m   | 295 m  | -   | 396m  |
| Francis Turbines (1x1400kW)  | Francis Turbines<br>(1 x 4000kW + 1 x 2500kW)  | -   | Francis Turbines<br>(1 x 4000kW+1 x 2500kW)   |
| Commissioned on 29th December 2017   | Commissioned on 15th March 2017  | Under Construction  | Construction to be commenced  |









# The ability to adapt and overcome.

The strategic investments made to expand our capacity for renewable energy generation has paid off – despite challenging weather conditions. We are now finally reaping the rewards of profitable growth and expansion.



# Chairman's Message

***The company marked another year of success in its continuing efforts to generate better returns to shareholders.***

It is my honour and privilege to meet our valued shareholders at the 22nd Annual General Meeting of Vidullanka PLC and to present the Annual Report of the company for the financial year ended 31st March 2018.

The year under review has been a successful year for the company and the entire industry, despite the challenges faced due to changing weather patterns and revolving paradigms of political policies and overviews on the industry.

During the year under review, the company managed to achieve growth in terms of financial performance and new capacity enhancements, despite the challenges posed by both internal limitations as well as adverse external factors. During the previous financial year, the company focused on capitalizing and diversification in-line with the changing policy views on renewable energy and the stagnating local mini hydropower industry in Sri Lanka. The financial year 2017/18 was a continuation of the same pattern, consistently focusing on diversification and expansion beyond national boundaries, whilst ensuring profitability of the existing business operations.

## **The Stance of the International Renewable Energy Industry in the Global Economy**

The global renewable industry is experiencing a level of policy uncertainty that may be unprecedented even for an industry accustomed to shifting state policies. Regardless of the short-term uncertainty, renewable energy is well-entrenched and growing. Wind and solar markets are finally reaching the scale and scope to expand the exploration of new technologies that show potential to further reduce costs and spark growth. The pace of growth will likely moderate as markets mature. However, in the long-term, powerful enablers such as robust customer demand across multiple business segments and global regions, declining prices, decarbonization, digitalization, and the drive to boost resiliency will likely underpin continued strong growth.

From a business viewpoint, renewable energy power developers will probably have to be more compelled to work by forming strategic alliances and also manage complex business environments. Managing operations in such a volatile and uncertain business environment can be risky, but it would undoubtedly ensure substantial opportunities and returns.

## **Local Economy and the Industry**

Identifying the importance of developing both economic and social infrastructure to enhance the country's competitiveness and accelerate sustainable economic growth, the government continues with its infrastructure development work.

Meanwhile, global and domestic developments posed challenges to the delivery of consumer utilities, particularly in the energy sector. Rising global oil prices eroded the profitability of the Ceylon Petroleum Corporation. Whereas financial losses of the Ceylon Electricity Board widened due to increased reliance on thermal power generation owing to drought conditions that prevailed in the nation during the years 2016 and 2017. These state-owned business enterprises have periodically faced similar adverse situations in the past seriously challenging the financial viability of these entities.

During the year under review, the government strengthened the drive towards sustainable energy projects. However, it is vital to expedite the expansion and diversification of energy generation to ensure energy security whilst minimizing energy generation cost.

Electricity generation continued to expand with a higher dependence on thermal power generation during 2017. Total electricity generation increased by 3.7 per cent in 2017. The drought conditions that prevailed in previous three quarters of the year, significantly hampered hydropower generation and unfortunately increased the country's reliance on thermal power. Consequently, hydropower generation, excluding mini hydro generation, registered a decline of 12.1 per cent. With the rise in mini hydropower generation due to the rainfall received during the latter part of 2017, electricity generation through non-conventional renewable energy (NCRE) sources increased by 26.3 per cent to 1,464 GWh in 2017, compared to the previous year.

During 2017, the Public Utilities Commission of Sri Lanka (PUCSL) approved the long awaited least cost long-term Generation Expansion Plan for the CEB, which includes a Generation Framework for the next 20-year period with the aim of ensuring energy security, while considering both financial and economic costs of energy generation. According to the approved plan, 215 MW of mini hydro, 1,389 MW of solar, 1,205 MW of wind and 85 MW of biomass will be added to the installed capacity of the country during the 2018 - 2037 period. It is crucial to execute the proposed generation plan in a timely manner in order to meet the growing energy demand at the lowest economic cost.

It must be noted that, the failure to achieve the milestones of the plan could result in the CEB having to resort to emergency power purchasing agreements with high-cost independent thermal power producers while the share of thermal IPPs in total energy generation is already at a considerably high level.

The government continued to increase the capacity of renewable energy generation in the country, with a view to enhance sustainability in the energy sector. The Moragahakanda hydropower project, which is the last phase of the Mahaweli project commissioned on 8th of January 2018 adding a further 40MW generating capacity to the national grid. The Umaoya and Broadlands hydropower projects which are under construction are expected to add a further 157 MW to the national grid in the near future. Meanwhile, bids are being evaluated to construct a 100 MW wind park in the Mannar Island. The 'Soorya Bala Sangramaya' programme, which was launched in collaboration with the Ministry of Power and Renewable Energy, the Sri Lanka Sustainable Energy Authority, the CEB and the Lanka Electricity Company (Private) Limited, continued during 2017 encouraging both public and private sector investments in solar power generation.

## ***The first overseas power project of Vidullanka, 6.5MW Muvumbe SHPP strengthened the group performance with profitability and diversification.***

### **Company Performance**

The company marked another year of success in its continuing efforts to generate better returns to shareholders. The company reported a Profit after Tax of Rs. 509.2Mn, setting yet another year with the highest ever profit on record. The first overseas power project of Vidullanka, 6.5MW Muvumbe SHPP also strengthened the group performance with profitability and geographical diversification.

The group revenue increased by 82% to Rs. 974.8Mn compared to the previous financial year. Vidullanka PLC earned Rs. 85.1Mn from its joint ventures while Muvumbe SHPP accounted for 35% of the total revenue in the form of foreign exchange. The project has been a great step forward in Vidullanka's expansion strategy that reduces the reliance on the local weather and a single customer.

Further, the company successfully commissioned its 1.4 MW mini hydropower project in Badulla District, Udawela MHPP which will strengthen the company's local presence. The project is expected to generate 5.5 GWh of energy to the national grid annually.

In its continuing efforts to invest and build power generating capacities from renewable sources other than hydro, the company's exclusive subsidiary for biomass based power generation, Vidul Biomass (Pvt) Limited, has embarked on the construction of its 3.3 MW biomass power project which is to be commissioned during the financial year 2018/19.

During the year under review, the company offered its valued shareholders two interim dividends distributing Rs. 156Mn and issued new shares to the shareholders, at a ratio of one share for every ten shares held by way of capitalization of reserves. The company firmly believes in sharing its growth with its stakeholders.



# Chairman's Message

## Sustainability

As a corporate citizen placing a major concern on the values of sustainability across the company at every stratum of the organization, while delivering its contribution to the stakeholders Vidullanka continues to strive on adhering to its beliefs and policies of sustainability throughout the business processes. Our operations are carefully planned in a manner that preserves and safeguards the environment and biodiversity of the region we are operating in. Vidullanka's power plants are designed from scratch so that it can become part of the natural environment rather than exploiting natural resources. In such manner, it is remarkable to note that the total electrical energy generated by the group represents savings of over 58,000 equivalent tonnes of carbon dioxide emission to the atmosphere.

The company has always considered its work force as an important resource and takes good care of its employees.

## Strategic Outlook

The development of Vidullanka is backed by its strategic vision of incremental addition of renewable energy projects to its diverse portfolio which promises to benefit its stakeholders.

Following the successful implementation of the 6.5MW Muvumbe SHPP in Uganda, the company is continuing its quest in that country with our next project, which is the Bukinda small hydropower project.

The long delayed proposed acquisition of the Timex Bukinda Hydro (U) Limited is now set to proceed with the company having obtained necessary approvals from the Ugandan and Sri Lankan authorities and having signed the Standard Power Purchasing Agreement with the Government of Uganda. Vidullanka expects to commence construction of the power plant during the latter part of the new financial year.

Further, the company is actively exploring the potential to develop hydropower projects in neighbouring countries in Africa, expecting to generate a tremendous contribution towards the company's journey of expansion beyond borders. In wake of new development prospects, the group envisages to establish strategic alliances with renewable energy and green funds in the future.

In the backdrop of rising interest for environment friendly renewable energy worldwide, as a result of growing threats through the adverse effect of climate change, the priority shown by the governments around the globe for clean energy, has given Vidullanka PLC hope of tremendous growth avenues.

While investments around the globe are directed toward renewable energy, in Sri Lanka red tape has resulted in significant reduction of investments by the private sector leading to court battles and redirection of investments outside Sri Lanka.

## Acknowledgement

I would like to take this opportunity to express my gratitude to the management and all our staff for their continuous effort and commitment towards the company and for enabling the company to become an active participant in the global renewable energy industry. I further congratulate the team on commissioning of Udawela MHPP and trust that the company will continue to grow consistently

I would also like to express my gratitude to our shareholders for the confidence placed on us as we move towards a successful future in the global renewable energy industry.



Osman Kassim  
Chairman

06 July 2018

# CEO's Review

***The company will continue building a diverse portfolio of renewable energy assets spread across regions covering multiple sources of renewable energy.***

The year started with the industry recovering from a sluggish performance during the previous financial year due to the extreme dry weather condition that prevailed. However, with the commissioning of our very first overseas power plant, 6.5MW Muvumbe SHPP in Uganda only two weeks prior the start of the new financial year opened up a whole new frontier of new business operations to the group.

## **Strategic Decisions Bearing Fruit**

One key strategic decision Vidullanka took in the past is to venture into overseas markets with untapped renewable energy resources, as part of geographical diversification, where the company could excel with its strong pool of engineering excellence in the field. The decision proved to yield remarkable results with the overseas power project generating 25% of the group gross power output in its very first year of commercial operation. The operational excellence of the power project, together with the receipt of the first tranche of the development grant, resulted in the project company returning more than fifty percent of Vidullanka's investment as dividends during the period.

In addition to the success of the first overseas power project, the company is moving ahead with the acquisition of Timex Bukinda Hydro (U) Limited, which holds the rights and requisite approvals to develop and operate Bukinda SHPP with the installed capacity of 6.5MW. This will enable Vidullanka to retain the growth momentum over the next few years. The successful conclusion of the development of the Bukinda SHPP will result in Vidullanka securing a sizable generating capacity in Uganda.

Moving ahead with the other strategic priority of developing power generating capacity in renewable sources other than hydro in Sri Lanka, the Vidul Biomass (Pvt) Limited, a fully owned subsidiary of Vidullanka PLC, commenced the construction of its very first biomass fuelled power plant with an installed capacity of 3.3MW, in Dehiattakandiya. Understanding the engineering complexities and challenges, the project development is undertaken through an EPC contract. Whilst the biomass project development progresses, another wholly owned subsidiary, Vidul Plantation (Pvt) Limited, is engaged in developing a sustainably grown fuel wood supply to the power plant.

## **Excellence in Performance**

The company marked a strong recovery from last year's sluggish performance by reporting a Profit after Tax of Rs. 509.2Mn, whilst achieving a group turnover of approximately Rs. 1bn, for the very first time. The financial results are testament of the best yield of investments that the company continues to make. Further ICRA Lanka Limited, a group company of Moody's Investor service, has re-affirmed the issuer rating of A-(SL) while upgrading the outlook from negative to stable for the year 2018.

Operationally, Vidullanka marked its excellence with an added capacity of 1.4MW through commissioning of Udawela MHPP in Badulla, becoming the largest listed renewable energy company in the Colombo Stock Exchange in terms of installed capacity.

## **Standing out from the Crowd**

The renewable energy generation, more specifically hydropower generation and its related operations are homogeneous with standardized base technologies, safety standards as well as no competition in delivering the output to its single customer, the Ceylon Electricity Board. More recently the malicious propaganda spread mainly through social media hindering the development of new projects in Sri Lanka, has made it more challenging for the renewable energy companies to be more than just a power plant operator.

In contrast, Vidullanka differentiates itself through continuous capacity additions in Sri Lanka as well as overseas. The wealth of engineering knowledge and experience gained through developing our own power plants as well as introducing in-house built innovative engineering solutions to existing power plants has helped the company gain operational excellence. Dedicated implementation and passionate maintenance of concepts such as 5S and Kaizen has resulted in a pleasant working environment enjoyed by the working staffs. It is noteworthy that Vidullanka PLC is

# CEO's Review

perhaps the only company, among the listed renewable energy companies to sustain the growth momentum over a decade by continuously adding new generating capacity, while maintaining a reasonable dividend payout.

## Enhancing the Sustainability

Vidullanka is one of the few listed companies to have a positive carbon footprint on the environment. The company understands the importance of improving livelihood of the local populace. It has undertaken many initiatives with local schools and bodies in its good cause, created job opportunities and welfare programs. The company as a corporate body, adheres to rules and regulations, while contributing the nation through its value addition as well as tax contributions. The company treasures its employees and strongly believes in creativity and innovation.

## Challenges Ahead

Vidullanka is poised to continue its growth momentum with ongoing construction of its very first biomass fired power plant in Dehiattakandiya. Teams are at work in establishing the strong supply chain network through Vidul Plantation. The timing of the construction of the Bukinda SHPP is scheduled to follow the biomass power plant in early 2019.

The company will continue building a diverse portfolio of renewable energy assets spread across regions covering multiple sources of renewable energy. In its course of accelerated growth, the company is in discussions with various industry players, including suppliers and development finance institutions, to establish key partnerships and alliances to create strategic advantages.

With the opportunities present locally as well as overseas and strategic resources as well as human resources at our disposal, there could not be a better time for Vidullanka to continue to reach greater heights.

***With the opportunities present locally as well as overseas and strategic resources at our disposal, there could not be a better time for Vidullanka to continue to reach greater heights.***

## Supporting National Issues

Successive governments of Sri Lanka had pledged to achieve a greater level of power generation through indigenous renewable energy sources. Mini hydropower industry play a pivotal role with a combined installed capacity over 350MW contributing to more than 10% of the electricity requirement of the nation. Vidullanka PLC prides itself in contributing a sizable share to this good cause.

In understanding the crucial nature of the installations at Muvumbe SHPP, given the low electricity and grid penetration, the Muvumbe SHPP is designed to sustain an isolated grid, which can power the nearby city of Kabale in the event of a transmission grid failure, hence playing a key role in uplifting the regional economy and welfare. The company envisages to develop the upcoming Bukinda SHPP also in a manner that supports the regional development.

## Acknowledgements

The company was able to conclude yet another successful year with a shining performance only because of the support extended by all the stakeholders of the company. We, the management team wish to take this opportunity to express our sincere gratitude to all of them.

As I conclude, I wish to thank the regulatory bodies and government institutions of Sri Lanka and Uganda for their guidance and support in implementing and operating our power plants in an optimal order. I deeply appreciate the management of Ceylon Electricity Board and Uganda Electricity Transmission Company Limited for their continuous support in facilitating the outputs from our power plants reaching the consumers.



I am very much grateful to the shareholders for their trust and confidence placed on us; to the fellow board directors for their continuous guidelines and directions in decision making and to the staff members for their dedication, commitment and support toward excellence.

Moving forward, I wish to assure that the company will stay committed in maximizing value to all the stakeholders, and will stand together for a brighter, greener tomorrow.

A handwritten signature in black ink, appearing to read 'Riyaz M. Sangani', with a stylized flourish at the end.

Riyaz M. Sangani  
CEO

06 July 2018

# Board of Directors

## Mr. Osman Kassim

*Chairman*

Mr. Osman Kassim was the founder Chairman of the Expolanka Group. He is an entrepreneur with vast experience in the fields of management and strategy. He is also renowned for his expertise in Islamic Banking and Insurance. He counts over 40 years of senior management experience.

Mr. Kassim is also the Chairman of Amana Bank PLC. He also holds directorships in Crescent rating (Pvt) Ltd – Singapore, Amana Takaful PLC and Amana Takaful Maldives Ltd – Maldives. He is also Chairman of the Asia Pacific Institute of Information Technology (APIIT) in Sri Lanka. He holds an Honorary Doctorate from the Staffordshire University in recognition of his achievements as both a global entrepreneur and visionary educationalist.

## Mr. Riyaz M. Sangani

*Chief Executive Officer*

Mr. Sangani is one of the founders of Vidullanka, a pioneer in the Sri Lanka's small hydropower industry. In addition to serving in the Boards of all the Vidullanka group companies, Mr. Sangani serves the Board of the several companies in different spears of business.

Mr. Sangani, being a graduate from the University of Colombo, has also obtained his MBA at the Post-Graduate Institute of Management (PIM), University of Sri Jayewardenepura. He is a Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA).

Mr. Sangani served as the President for the Grid Connected Small Hydropower Developers Association during 2015/17. He is also an Ex-officio Member of the Board of Management of the Sri Lanka Sustainable Energy Authority and an advisory committee member for Public Utilities Commission of Sri Lanka and Export Development Board of Sri Lanka.

## Ranjan Mather

*Non-Executive Director*

Mr. Mather has been serving the Board of Vidullanka PLC since its foundation and is the chairman of all the subsidiary companies of the group.

Mr. Mather is a renowned businessman with interests in renewable energy, textile and hospitality industries. He currently serves the Boards of Boruka Power (Pvt) Ltd and Chinese Dragon Café (Pvt) Ltd and holds over 25 years of experience in senior management positions in diverse business sectors.

## Mr. Sattar Kassim

### *Non-Executive Director*

Mr. Sattar Kassim is one of the founder Directors of Expolanka Holding PLC, a conglomerate that has diversified to be a leading player in a range of business sectors such as transportation, manufacturing, travel & leisure, international trade and strategic investments, with subsidiary companies in 14 countries.

He is also one of the Founders and Group Director of Aberdeen Holdings (Pvt) Ltd., under its umbrella, comes the leading player in industries such commodity trading, airline and transport, solar power, modern farming, IT services, digital media, recycling, packaging, financial services, tea trading and food solutions.

Mr. Sattar Kassim is the Chairman for more than 25 companies including Bio Extracts (Pvt) Ltd., the pioneer in Sri Lanka and the largest in black seed Extraction Company in South East Asia, Denshun Industries (Pvt) Ltd and also Expack Corrugated Cartons (Pvt) Ltd., the market leaders in corrugated cartons. He also holds directorships in Aberdeen Holdings (Pvt) Ltd, Fits Aviation (Pvt) Ltd, Lanka Commodity Holdings (Pvt) Ltd, HiEnergy Services (Pvt) Ltd, Expoceylon Pharmaceuticals (Pvt) Ltd, Expoteas Ceylon (Pvt) Ltd, Lanka Commodity Trading (Pvt) Ltd, Aberdeen Produce (Pvt) Ltd, Colombo Realty (Pvt) Ltd, Classic Enterprises (Pvt) Ltd, Neptune Recyclers (Pvt) Ltd, Tropical Exotics (Pvt) Ltd, Silver Wings (Pvt) Ltd, Classic Papers (Pvt) Ltd, Oceanpick (Private) Ltd and Roar Digital (Private) Ltd.

He is an Executive Council Member of the Sri Lanka-Pakistan Business Council. He serves the Board as a Non-Executive Director.

## Shahid M Sangani

### *Non-Executive Director*

Mr. Shahid Sangani is the Managing Director of Lanka Equities (Pvt) Ltd., a family holding company with diverse business interests ranging from Apparel, Jewellery, Renewable Energy and Trading. He is also the Chief Operating Officer (COO) of the World Memon Organisation (WMO), a UK Registered Charity and Social Organization of the Worldwide Memon Community. He served as the CEO of Kenanga investment Corp Ltd., the Sri Lankan arm of the Malaysian listed K & N Kenanga Holdings Berhad, from August 2009 to December 2012. He has over 25 years of experience at Senior Management level in the private sector.

Presently, he is the CEO of Co-Energi (Pvt) Ltd and holds directorships on the boards of Dynawash Ltd, Autus Chemicals (Pvt) Ltd, Diamond Cutters Sales (Pvt) Ltd, Trade first (Pvt) Ltd.

Mr. Shahid Sangani is an Attorney-at-Law of the Supreme Court of Sri Lanka. He serves the Board as a Non-Executive Director.

## Mrs. B.R.I Sangani

### *Independent Non-Executive Director*

A graduate from the Colombo Law Faculty and an Attorney-at-Law, she holds directorships within the Lanka Equities Group including Lanka Equities Private Ltd, and Dynawash Ltd. Mrs. Sangani is currently the Managing Director of Alankara Jewellery (Pvt) Ltd.

Mrs. B.R.I Sangani serves the Board as an Independent Non-Executive Director.



# Board of Directors

## Mr. M. Zulficar Ghouse

*Independent Non-Executive Director*

Mr. M. Zulficar Ghouse is the Executive Director of Expack Corrugated Cartons (Pvt) Ltd., a leading corrugated paper manufacturer. He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and Certified Management Accountants of Sri Lanka, with more than 28 years of experience in senior management positions both internationally and locally in multinational and listed companies. He currently holds directorship of Aberdeen Holdings Pvt Ltd & HiEnergy Services (Pvt) Ltd.

He also served as the Chairman of Liberty Plaza Management Corporation from 2002 to 2010. He was a Director /CEO of Colombo Land & Development PLC. Prior to that he was Managing Director of iOM Lanka (Pvt) Ltd and as Country Manager of iOM Philippines, which was a subsidiary of Royal Clicks Ltd, a company listed in the Singapore Stock Exchange.

Mr. Ghouse also served as the Senior Vice Chairman of International Chamber of Commerce of Sri Lanka from 2010 to 2016 and held the position of Treasurer of National Chamber of Exporters of Sri Lanka during 2014/15. He served in the Panel of Judges for the Best Quality Software award organized by British Computer Society from 2004-2012 and Panel of Judges for the Entrepreneur of the Year in 2003 and 2004.

Mr. Ghouse serves the Board as an Independent Non-Executive Director and holds directorship in several companies in the Group.

## Dr. A.A.M. Haroon

*Independent Non-Executive Director*

A medical practitioner by profession, Dr. Haroon has garnered unwavering reputation as a successful businessman over the years. He serves in the capacity of a director in several companies including Amana Takaful PLC, Vanguard industries Ltd, Vanguard Trading Company (Pvt) Ltd, Lucky industries Ltd, Master Apparels, Colombo Medilab (Pvt) Ltd, Lucky Property Developers (Pvt) Ltd and Udaka Energy Group (Pvt) Ltd. He has numerous years of experience in diverse industries such as Islamic Banking & Finance, Takaful Insurance, Garments, Textiles manufacturing and exports, Health Care and Clinical Diagnostics.

Dr. Haroon serves the Board as an Independent Non-Executive Director.

## Mr. Sujendra Mather

*Non-Executive Director*

Mr. Sujendra Mather is currently the Managing Director of YSP Advisors Pvt Ltd. (YSP), a boutique Investment Banking firm based in Sri Lanka. Prior to co-founding YSP, he has had 12 years of international Investment Banking and Corporate Finance experience working with Houlihan Lokey Howard & Zukin, John Keells Holdings PLC and Deloitte & Touche Corporate Finance in the US, Sri Lanka and Singapore respectively.

He has successfully managed and led several billion dollars of Mergers & Acquisitions, Fund Raising, Restructuring and Strategic Advisory transactions in the North America and Asia Pacific regions across the Consumer, Retail, Real Estate, Hospitality, Infrastructure, Technology, Mining and Financial Services sectors. He has acted both as a key strategic advisor to CEO's and entrepreneurs as well as a principal investor throughout his career.

Also, Mr. Mather is a board member of several publicly listed and private companies in Sri Lanka.

Mr. Mather received a B.A. in Economics-Mathematics from Claremont McKenna College in California, USA.

## Mr. S.S.V. Fernando

*Independent Non-Executive Director*

Mr. Sidath Fernando is an entrepreneur with business interests in sectors including Manufacturing, Real Estate, Property Management and Information Communications Technology. Mr. Fernando is the principal shareholder and Chairman of V.D.P. Fernando & Co. Ltd, a family owned business established in 1938 and functions as the Managing Director of Crystal Holding (Pvt) Ltd.

Mr. Fernando holds an extensive experience in the Real Estate & Property Development Sector including developing and managing large scale commercial properties in the city of Colombo.

He served as a Director of the Sri Lanka Telecom during 2008 and also served as the Director of Sky Network (Pvt) Ltd, SLT Manpower Solution (Pvt) Ltd and People's Leasing & Finance PLC. He had been a Committee Member of the Chamber of Young Entrepreneurs in Sri Lanka and also a Rotarian.

He serves the Board as an Independent Non-Executive Director.

## Mr. C. F. Fuhrer


*Non-Executive Director*

Mr. C.F. Fuhrer serves the Board of Vidullanka PLC as a Non-Executive Director. He also served as the Director of Ranmalu Fashion (Pvt) Ltd and Chesa Swiss Restaurants (Pvt) Ltd and has over a decade of experience in senior management and Board positions in Sri Lanka.







An aerial photograph of a power substation in a rural, hilly area. The substation features a large building with a green corrugated metal roof and several tall electrical pylons with cross-arms. The surrounding landscape is lush green, with banana plantations and small houses visible in the background. A green semi-transparent box is overlaid on the right side of the image, containing white text.

# More than capable, on foreign territory.

We gallantly embarked on new territory with our Muvumbe Project in Uganda; our first attempt at geographic diversification. The project was a success and is one of the contributing factors to our financial performance in the year under review.



# Management Discussion & Analysis

## THE OPERATING ENVIRONMENT

The financial year in review has encountered important developments in terms of growth and diversification both locally and internationally. This report provides perspicacity on the macro environmental challenges of the industry. Further, it provides a more detailed outline on the financial and operational highlights of the company with regard to the financial year of 2017/18.

### The Sri Lankan Economy

The economy of the country was subdued during the last year and surprised with an economic growth rate of 3.1% which marked the lowest growth rate since 2001. The inclement weather conditions such as floods, prolonged droughts and the stringent monetary policies caused the economy to endure with a lower economic growth rate.

These adverse weather conditions contracted the agricultural contributions of the economy by 0.8%. Although the industrial services sector contribution has increased from 26.6% to 26.8%, the rate of change with compared to 2016 has declined from 5.8% to 3.9%. The main reasons for the declined rate of change were the deceleration in the growth of construction, mining and quarrying activities. Services sector contributes for 56.8% of the real GDP and was mainly driven by the information and communication services, financial services and wholesale and retail trade activities. However, public administration and defence activities record a contraction which dampens the service sector growth.

The year 2017 was recorded for the highest value in exports and an enhancement of 10.2% with compared to the previous year. The amplification in exports was supported by the GSP+ facility, recovery in external demand, expansion in the investment in export related activities, conducive export related policies. It is also notable that the import expenditure was increased by 1.2% and the main reasons were the inclement

weather conditions and the firming of international commodity prices.

Moreover, the average annual inflation rate was 6.6% which was recorded as the highest level of inflation rate after 2013. Although, the unemployment rate declined from 4.4% to 4.2%, the unemployment among youth and the females has been a longstanding issue for the economy.

### Sri Lankan Power and Energy Industry

“Energy” is considered as a primary building block for the development of any nation. Development of the power and energy industry is directly linked with the development of the country. Sri Lanka has already achieved a grid connectivity of 99% which is commendable by South Asian standards. Current total installed power generation capacity of the country is 4,138 MW consisting of 1,384 MW of hydro, 1,293 MW of fuel, 900 MW of coal and 561 MW of Non Conventional Renewable Energy (NCRE) sources such as wind, mini hydro, biomass and solar. The total electricity generation has been increased by 3.7% with compared to the preceding year.

The drought conditions prevailed in the first half of the year, significantly hampered the hydropower generation. However, due to the increase in rainfall in the latter part of 2017, electricity generation level of mini hydropower increased. It contributed to increase the electricity generation of NCRE sources by 26.3%. However, in the year 2017 Ceylon Electricity Board (CEB) had to incur significant losses due to the drought conditions coupled with the periodic disruptions in coal power generation which resulted CEB to utilise the high cost fuel oil based power generation.

With the aim of ensuring energy security in the country, the Public Utilities Commission of Sri Lanka approved the Least Cost Long Term Generation Expansion Plan for CEB for next 20 years. As per this plan during the period of 2018- 2037, 242 MW of

major hydro, 215 MW of mini hydro, 1,389 MW of solar, 1,205 MW of wind, 85 MW of biomass, 4,800 MW of liquefied natural gas, 320 MW of furnace oil and 105 MW of gas turbine power plants will be added to the power generating capacity of the country during the 2018 - 2037 period. It is crucial to execute the proposed generation plan in a timely and effective manner in order to meet the growing energy demand at the lowest economic cost to the economy. However ongoing disagreement between the Public Utilities Commission and the Ceylon Electricity Board has resulted a delays in the implementation of the Long term generation explanation plan, hence risking the country failing to meet the growing demand for electricity in the near future.

The government continued the “Soorya Bala Sangramaya” programme for 2017; introduced “Rivi Bala Savi” programme during the year to provide concessionary loans to set up rooftop solar PV panels. Moreover, 4,275 customers have joined the net metering, net accounting and net plus as rooftop energy generators which add 35 MW to the national grid. In addition “Rivi Aruna” project was commenced in the year 2017 which will convert rooftops of some of the selected religious premises to solar power plants.

Additionally, in the year 2017 several measures were implemented in the energy sector to introduce energy related standards and regulations to improve the efficiency of energy and demand management.

## ORGANIZATIONAL PROFILE

### Organizational Structure

Vidullanka group experimented and adopted a dynamic organizational structure to consolidate the ownership, layout partnerships and streamline the operations that would facilitate the smooth functioning of the group.

## The Company

In addition to Vidullanka commencing commercial operations in 2001 that followed the commissioning of the 3.2MW Bambarabatuoya MHPP, the company proceeded to build the 2.0MW Batathota MHPP which was commissioned in 2007 to the national grid. Vidullanka then proceeded to acquire engineering knowledge and expertise as part of its expansion in becoming a key player in the industry.

Vidullanka Limited was first incorporated as a BOI venture in 1997 with the core business interest in grid connected renewable energy generation in Sri Lanka through the proposed Bambarabatuoya MHPP. The company was listed in the Colombo Stock Exchange on 10 June 2005, thus becoming Vidullanka PLC. The company was re-registered under the companies act No 07 of 2007 on 27 September 2007 and bears the registration number PQ 83.

## Subsidiaries

### Vidul Engineering Limited

Incorporated as Vidul Construction Limited and renamed as Vidul Engineering Limited in later years, the Company focused on serving the renewable energy industry with engineering services, turnkey solutions and operation and management services.

### Walagamba Balashakthi (Pvt) Limited

Walagamba Balashakthia is a fully owned subsidiary of Vidullanka PLC, which owns and operates the 1.3MW Wembiyagoda MHPP in Kalawana. The project was commissioned on 19th March 2013.

### Rideepana Hydro (Pvt) Limited

Rideepana owns and operates the Rideepana MHPP with an installed capacity of 1.75MW in Badulla. The project was commissioned to the national grid on 15 May 2015. Vidullanka owns 95% equity shares of the company.

### Lower Kotmale Oya Hydro Power (Pvt) Limited

The company owning the 4.0MW Lower Kotmale Oya MHPP is a fully owned subsidiary of Vidullanka PLC. The group acquired the controlling shareholding from the joint venture partners during FY 2015/16.

### Muvumbe Hydro (U) Limited

The groups' first overseas subsidiary is incorporated and domiciles in Uganda, where it owns and operates the 6.5MW Muvumbe SHPP in Kabale District. Vidullanka holds 95% equity shares in the company.

### Udawela Hydro (Pvt) Limited

The project company under which the 1.4MW Udawela MHPP was developed with an investment of Rs. 400Mn. The company is a wholly owned subsidiary of Vidullanka PLC.

### Vidul Biomass (Pvt) Limited & Vidul Plantation (Pvt) Limited

The fully owned subsidiaries of Vidullanka are presently undertaking the establishment of the 3.3MW dendro power plant as well as establishing the supply chain associated with it.

## Joint Ventures

Vidullanka established various joint ventures in the past to continue the growth momentum, of which the following exist as of now:

### Vidul Madugeta (Pvt) Limited

The Renewgen (Pvt) Ltd, formally known as Esna Power (Pvt) Limited joined forces with Vidullanka to develop the Madugeta MHPP in 2012. The project was commissioned to the national grid on 1 November 2013.

### Gurugoda Hydro (Pvt) Limited

The Hirdaramani group joined forces with Vidullanka PLC to develop the 1.2MW Ganthuna MHPP in 2009. Subsequently the holding by the joint venture partner was consolidated with Esna Power (Pvt) Limited, which is presently known as Renewgen (Pvt) Limited.

### Udaka Energy Group (Pvt) Limited

The joint venture between Vidullanka PLC and Vanguard industries resulted in Udaka Energy Group (Pvt) Limited developing of Haloya MHPP with installed capacity of 800kW. The project has been grid connected since 30 July 2012.

## Associate Entity

### Nilwala Vidulibala Company (Pvt) Limited

As associate of Vidullanka PLC with a 26.3% equity stake, the company developed and operates Ethamala Ella MHPP with an installed capacity of 2.0MW.



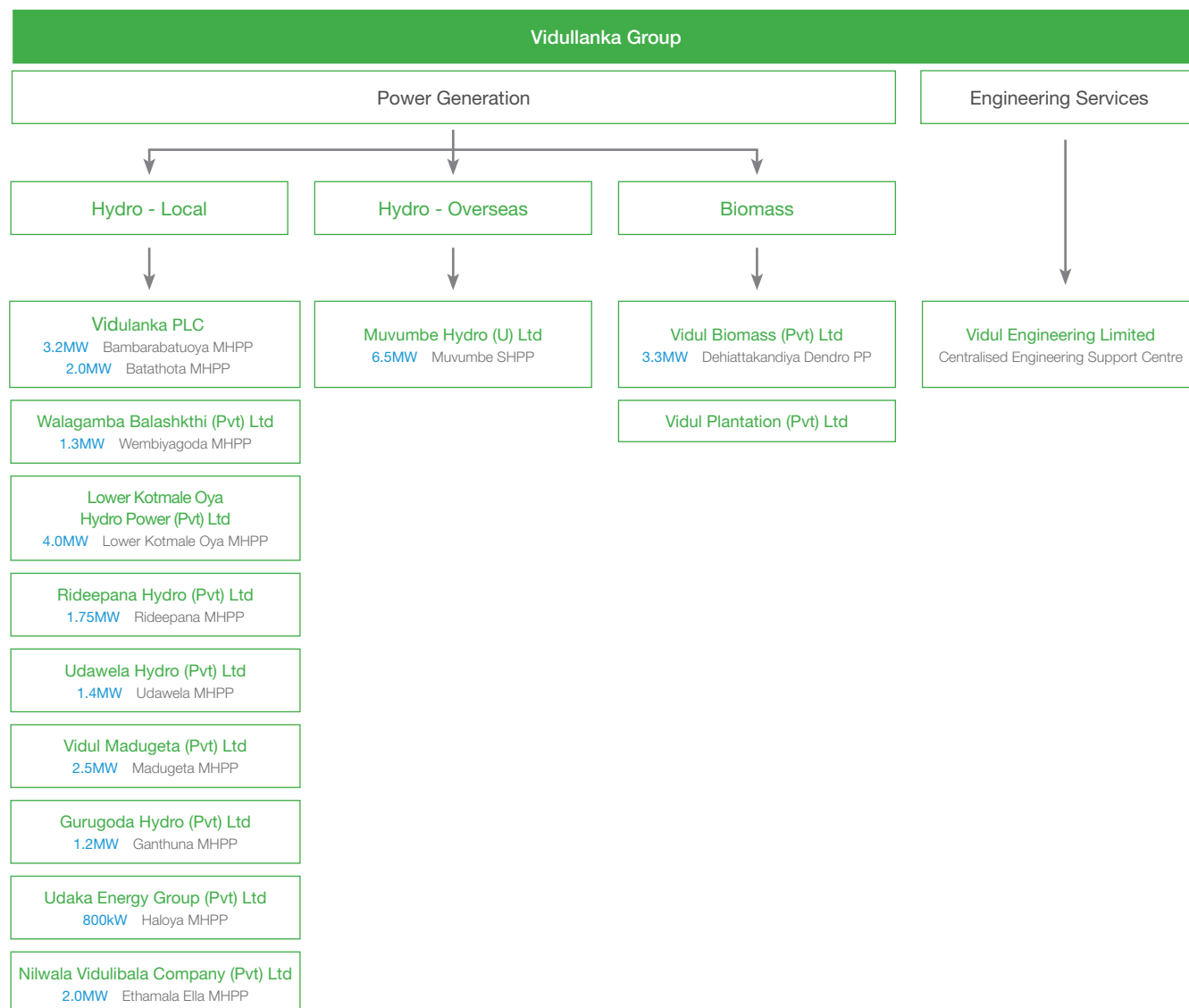


# Management Discussion & Analysis

## Operational Matrix

Vidul group operates with three key Strategic Business Units that of Hydro - Local, Hydro - Overseas and Biomass. The local hydro business unit is further segregated into regions which are headed by dedicated engineers. Whilst the engineering support is rendered through the centralized engineering office located in Kuruwita, the support services are based in the Head Office in Colombo. Considering the distinct nature and difference in associated dynamics, the overseas power plant is managed directly from the Head Office in Colombo.

The Biomass business unit shall house the Dehiattakandiya Dendro PP, which is presently under construction and the associated operations of Vidul Plantation covering the supply chain and logistics.



## FINANCIAL REVIEW

### Overview

The group recorded its highest ever Profit after Tax of Rs. 509.2Mn for the financial year 2017/18 surpassing the previous highest profit of Rs. 371.6Mn recorded during the financial year 2016/17. This year profits also marked a strong recovery from last years' modest performance of Rs. 41.7Mn Profit after Tax, marking the returns of the investments the company has made in adding generating capacity in Sri Lanka as well as in Uganda.

Commissioning of the Muvumbe SHPP in Uganda is the key performance driver in achieving the overall financial performance of the Group, this was supported by the power plants in Sri Lanka returning to normality after the long drought condition that prevailed till the first half of the financial year. The Muvumbe SHPP received the first tranche of the development grant from the EU funded Lighting Africa program upon conformity of the standards set by the monitoring agency.

The credit rating agency, ICRA Lanka Limited, an associate of Moody's Financial Services, reaffirmed the corporate credit

rating of A- (SL) for the upcoming review year by upgrading the outlook to stable from negative.

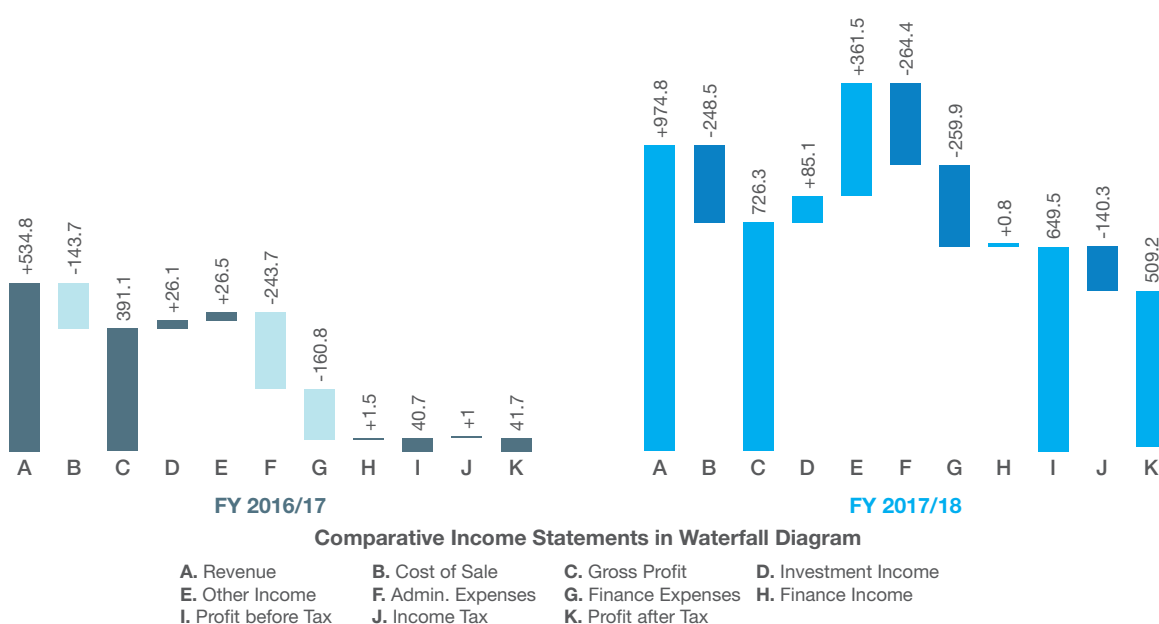
### Group Operational and Financial Performance

The group recorded the highest ever output of 92.6GWh from the power plants operated by Vidullanka PLC. Whilst the local power plants recorded an output of 68.8GWh of electricity output, Muvumbe SHPP reported an output for the period of 23.8GWh. The local power generation is in par with the output in the financial year 2016/17, the year prior to the drought. The group grid connected the 1.4MW Udawela MHPP on 29th December 2017, in line with the group's continuing efforts to add new generating capacity.

Consolidated gross profit improved to Rs. 726.4Mn compared to Rs. 391Mn in the previous year, administrative expenses increased to Rs. 264.4Mn and finance cost increased to Rs. 259.9Mn compared to Rs. 243.7Mn and Rs. 160.7Mn respectively. The share of investment income from equity accounted entities of Rs. 85.1Mn and other income of Rs. 361.5Mn, mainly stemming from the development grant receipt, the group

reports a Profit before Tax of Rs. 649.5Mn. The group also recorded a tax expense of Rs. 140.2Mn leading to the Profit after Tax of Rs. 509.2Mn. The exposure to the foreign operations resulted in the exchange translation gain over Rs. 66.6Mn leading to a total group comprehensive income of Rs. 575.4Mn.

Although the year under review brought key achievements, the company continued to face challenges from many facets. The renewal of the power purchase agreement of Bambarabatuoya MHPP is still in progress as CEB is awaiting clearance from the Public Utilities Commission of Sri Lanka. The avoided cost tariff applicable to Batathota power plant experienced a downward revision owing to the lower crude oil prices that prevailed in the past. The power plants in Sri Lanka felt the impact of the prolonged drought till the first half of the financial year and Muvumbe SHPP experienced transmission line failures, which resulted in lost generation and deemed energy claims. Ganthuna MHPP entered the 2nd tier of the tariff from March 2018, whilst Haloya MHPP reported a loss of Rs. 0.5Mn for the financial year owing to the lesser rainfall in the region.



# Management Discussion & Analysis

## Vidullanka PLC

Vidullanka PLC reported a revenue of Rs. 219.4Mn from the power plants owned and operated, namely Bambarabatuoya MHPP and Batathota MHPP. The company continued to recognise the revenue from Bambarabatuoya MHPP at the rate of Rs. 5.30, being the average rate offered by the CEB for renewal of the power purchase agreement of similar power plants, whilst the revenue from Batathota MHPP recognized on avoided cost based tariff. The dividend receipts and other income accounts for Rs. 324.6Mn. The company reported a Profit after Tax of Rs. 224.9Mn after factoring administrative expense of Rs. 204.7Mn and finance cost of Rs. 75.8Mn in addition of Rs. 49.2Mn reported as cost of sales.

## Subsidiaries

### Vidul Engineering Limited

The engineering arm of the group, continued on its strategic direction in functioning as the engineering support, reported a revenue of Rs. 19.3Mn and reported a profit of Rs. 0.2Mn.

### Walagamba Balashakthi (Pvt) Limited

The company owning and operating the 1.3MW Wembiyagoda MHPP, reported a Profit after Tax of Rs. 37.6Mn from the gross revenue of Rs. 79.6Mn.

### Rideepana Hydro (Pvt) Limited

The Rideepana Hydro (Pvt) limited recorded a revenue of Rs. 74.8Mn from the generation from 1.75MW Rideepana MHPP and a Profit after Tax of Rs. 27.6Mn for the same period.

### Lower Kotmale Oya Hydro Power (Pvt) Limited

The company reported a revenue of Rs. 227.9Mn and contributed Rs. 125.8Mn as Profit after Tax to the group.

### Udawela Hydro (Pvt) Limited

The project commissioned in 29th December 2017, generating a revenue of Rs. 14.1Mn for the financial year and recorded a loss of Rs. 0.8Mn for the three months ending March 2018.

## Muvumbe Hydro (U) Limited

The company recorded revenue from power generation of Rs. 339.3Mn and Rs. 352.4Mn as other income from development grant received from the Lighting Africa program. The company reported a Profit after Tax of Rs. 382.4Mn for the financial year. Vidullanka is in receipt of Rs. 216.8Mn as dividend from Muvumbe, which is over 50% of the equity investment made for the development of the Muvumbe SHPP.

## Joint Ventures and Associates

### Vidul Madugeta (Pvt) Limited

Madugeta MHPP reported a revenue of Rs. 145.1Mn and a Profit after Tax of Rs. 103.4Mn for the financial year 2017/18. The share of income amounting to Rs. 51.7Mn is accounted as investment income from joint ventures and associates.

### Gurugoda Hydro (Pvt) Limited

The company reported a Profit after Tax of Rs. 31.6Mn from the generation revenue of Rs. 48.5Mn derived from the 1.2MW Ganthuna MHPP. The share of income of Rs. 15.8Mn accounted as the investment income in the group consolidated financial statements.

## Udaka Energy Group (Pvt) Limited

A joint venture with Vanguard Industries (Pvt) Limited, which owns and operated the Haloya MHPP with an installed capacity of 800kW, reported a loss of Rs. 0.54Mn from the generation revenue of Rs. 18.4Mn.

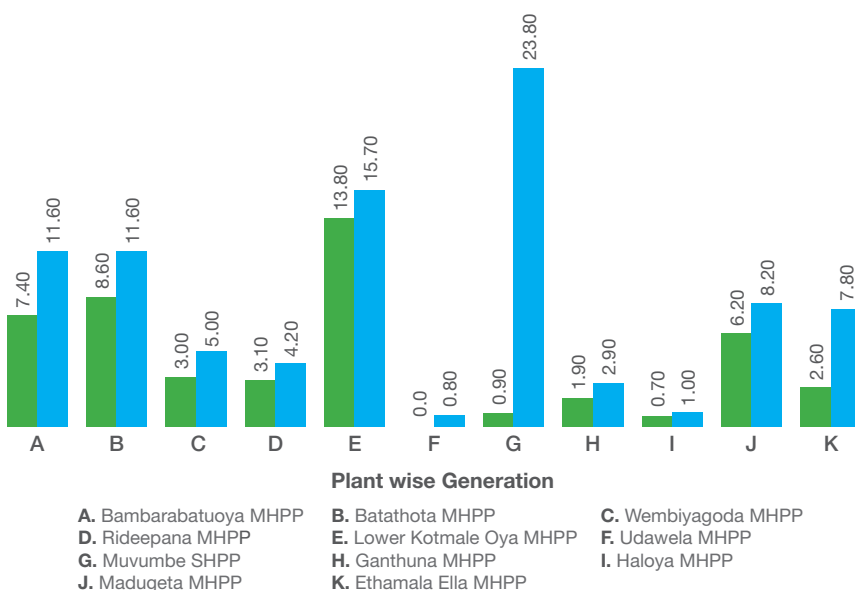
## Nilwala Vidulibala Company (Pvt) Limited

The company reported a revenue of Rs. 137.9Mn from the power generated from the Ethamala Ella MHPP and a Profit after Tax of Rs. 67.7Mn. Investment income Rs. 17.8Mn arising from the above included as the investment income in the consolidated financial statements.

## Segmental Performance

The local generation segment reported a consolidated revenue of Rs. 616.3Mn whilst the overseas power generation segment contributed Rs. 339.3Mn. The engineering consultancy and project management segment contributed remaining Rs. 19.3Mn out of the group consolidated revenue of Rs. 974.8Mn.

The local power generation reported a Profit before Tax of Rs. 163.0Mn and a Profit after Tax of Rs. 126.6Mn, the overseas segment



reported a Profit before Tax of Rs. 486.2Mn and a Profit after Tax of Rs. 382.4Mn. Collective performance of the segments resulted in the group Profit after Tax of Rs. 509.2Mn for the financial year under review.

The increased performance of the overseas power generating segment is due to the revenue generated from power generation at Muvumbe SHPP and the first tranche of the development grant amounting to Rs. 352Mn received, which is recognized as an other income in the company.

### Value Creation

Vidullanka PLC functioning in an industry has earned the reputation for the country through its technical excellence and sustainable utilisation of natural resources. The non-conventional renewable energy (NCRE) industry in Sri Lanka has attracted large scale private sector investments and now contributes over 10% of the electricity requirement of the nation. The Group generated 68.8Mn units of electricity in Sri Lanka that consumed into uplifting the living standards of the people and facilitating industries to operate, thus resulting in the overall economic well-being of the country.

The project developed in Uganda has risen to play an important role in ensuring uninterrupted delivery of power to the nearby city of Kabale, which is a considerable milestone for the region that has significantly lower electricity penetration and grid connectivity.

The small scale hydropower generation, the key sector in the NCRE industry has its inherent benefit to the environment as it utilizes the kinetic energy of the flow of water stream to rotate the turbine generators which generate electricity, whilst ultimately returning the water utilized back to the original stream without any contamination. Unlike large scale projects, the small scale hydropower generation does not result in building of reservoirs, thereby creating a

minimal effect to the surrounding ecosystem. Although it is inevitable that the construction of the projects will have an impact on the surrounding environments, with the utilization of appropriate mitigatory measures during construction and post construction restoration efforts the lasting effects are minimized. The above method is known to be the most environmentally friendly renewable energy technology.

In addition, Vidullanka creates value through empowering local populace with skilled and semi skilled job opportunities, training and development activities and social welfare programs through Vidu Saviya and other CSR Initiatives.

In addition, as a public listed company, Vidullanka PLC is proudly owned by approximately 1,500 shareholders. The company continued its tradition of ensuring a reasonable dividend payout whilst retaining the adequate amount of profits for reinvestment and growth.

The value delivered by the company to the key stakeholders are summarised below,

- Value of Electricity generated - Rs. 955.5Mn
- Value of carbon emission avoided - \$ 76,000
- Dividends Distributed - Rs. 170.9Mn
- Value as remuneration & benefits - Rs. 136.6Mn

### Growth Strategies

Vidullanka in perusing the aspiration of becoming a key player in the renewable energy industry, seeking to expand its reach in multiple fronts. In addition to the projects under construction, the company is proceeding with the acquisition of Timex Bukinda Hydro (U) Limited, which is set to open the next phase of growth for the group in Uganda. In a more recent development, Timex Bukinda has secured the necessary regulatory approvals and entered into the

standard power purchasing agreement with the Uganda Electricity Transmission Company Limited.

Vidullanka derives most of its revenue from hydropower generation. The changing rainfall patterns, seasonal and cyclical variations have resulted in significant variations in the revenue and profits of the group in the past. Commissioning of the Muvumbe SHPP has helped to expand and geographically diversify the group revenue. Accordingly, 35% of the group revenue from power generation for the financial year 2017/18 is derived from the overseas operations and the power generation in Sri Lanka contributed the balance 65% which resulted in reducing our exposure to Ceylon Electricity Board (CEB).

The 3.3MW biomass fuelled power plant under construction marks the entry of Vidullanka into the sustainably grown biomass fuelled power generation in Sri Lanka. Considering the operational complexities and the available learnings from the sector, we have taken up extensive measures to mitigate key risks, most notably the project implementation and the supply chain and logistics to ensure continuous and timely supply of fuel wood to the power plant. The construction of the power plant is undertaken by a reputed Indian developer. The subsidiary dedicated to securing the fuel supply is presently undertaking medium scale plantation projects, introduced out-grower model to the local farmers and entered into agreements with plantation companies to grow the fuel wood plant as mixed crop plantations.

Vidullanka is actively seeking to expand our horizons beyond hydro and biomass based power generation, into wind and solar. While CEB is not keen on adding new wind capacity to the grid in the near term, the solar power projects are being offered through tenders. The company is in active discussions with other players to jointly develop such solar power projects.



# Management Discussion & Analysis

## Knowledge & Expertise

Vidullanka sought to acquire knowledge through acquiring and retaining the best pool of highly skilled engineers who perform at their best in their respective profession. As a learning organization, the company promotes experimentation and innovation, recognise, reward and celebrates the innovators who are the cornerstones in making the company dynamic and responsive to the ever evolving requirement.

The company having developed most of its power projects in-house, acquired a larger pool of knowledge and skills and is capable of carrying out our own design, engineering, construction management and operations of hydropower development. Muvumbe SHPP, which was developed according to the IFC performance standards has helped to elevate our standards of the deliverables in par with the international players. The in-house developed highly customized construction management systems provide a clear edge in meeting the construction targets, including cost, quality and implementation time. The power plant management information system coupled with control solutions from Vidul Engineering Limited enable online information availability to the engineers and enables remote troubleshooting, thus resulting in least plant downtime, far exceeding the industry average.

**The employees are the driving force behind each and every outstanding achievement that the company has accomplished, thus becoming the invaluable assets of the company.**

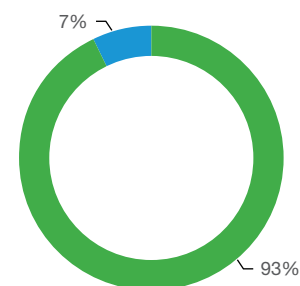
## HUMAN CAPITAL

The employees are the driving force behind each and every outstanding achievement that the company has accomplished, thus becoming the invaluable asset of the company. The highly skilled and experienced team remains committed to drive the company in the forefront of the non conventional renewable energy sector in Sri Lanka as well as overseas.

The company adopts a robust and inclusive system of dealing with the employees through which it secures the competitive edge in operational excellence. Vidullanka has embedded the innovation as a core value in its corporate culture where new innovative thinking gets promoted, failures get embraced, and successes get celebrated. Rewards and recognitions are designed to retain the best talent in-house.

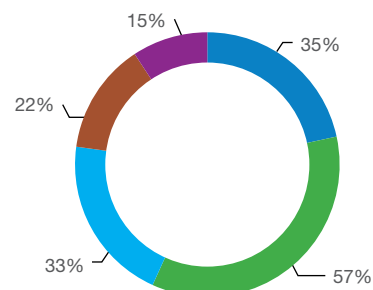
### Our Team

The group comprised of 162 staff members, including 15 in Uganda. The pool of staff comprised of highly skilled staff covering diverse fields of specialization including civil, mechanical and electrical engineering, finance, legal, agricultural, physical science and environmental science.



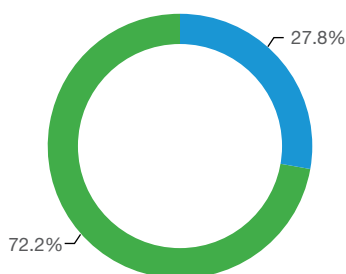
**Employee Composition by Gender (%)**

Male Female



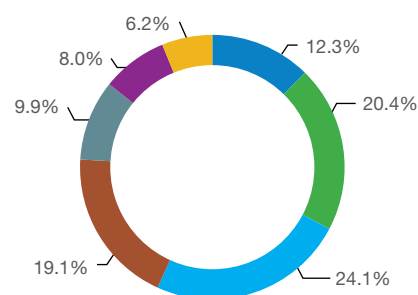
**Employee Composition by Service Years**

0-1 1-5  
5-9 9-15  
>15



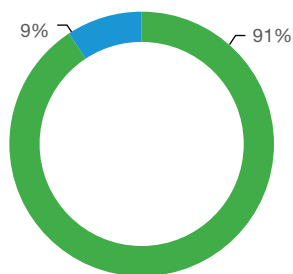
**Employee Composition by Category (%)**

Executive Non-executive



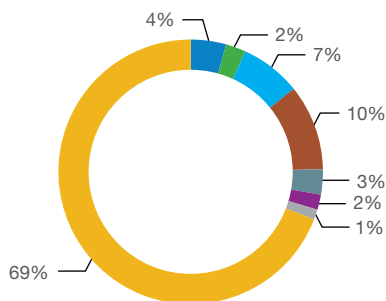
**Employee Composition by Age Group (%)**

20-24 25-29  
30-34 35-39  
40-44 45-49  
>50



**Employee Composition by Demography (%)**

● Sri Lanka ● Uganda



**Employee Composition Functional Area (%)**

● Admin ● BDU Hydro  
 ● BDU Non Hydro ● Engineering  
 ● Finance ● HR  
 ● IT  
 ● Power plants

|                        |    |
|------------------------|----|
| Bambarabatuoya MHPP    | 9% |
| Batathota MHPP         | 8% |
| Wembiyagoda MHPP       | 6% |
| Rideepana MHPP         | 5% |
| Lower Kotmale Oya MHPP | 9% |
| Udawela MHPP           | 6% |
| Muvumbe SHPP           | 9% |
| Ganthuna MHPP          | 6% |
| Haloya MHPP            | 3% |
| Madugeta MHPP          | 8% |

### Equal Employment Policy

The equal employment opportunity policy at Vidullanka promotes equality at workplace environment and ensures that there is no discrimination based on race, faith, colour, gender, marital status or based on any other civil rights. The company also ensures that the recruitment process is void of such bias thereby free from undue discrimination. The team at Vidullanka comprised of employees from various religious, cultural, educational and linguistic backgrounds, making the work life more joyful and interesting.

Whilst the female representation in our core engineering strength is comparatively lesser due to social constraints and differing career preferences, the company has ensured no such disparity exist in the fields of administration and support services. It is noteworthy that the construction of the Udawela MHPP, commissioned during the financial year was successfully co-headed by a young female engineer from our staff.

### Remuneration & Benefits

The company understands and ensures that the remuneration and benefits offered to the employees are in exceedance of the industry averages, which is essential in acquiring and retaining the best set of skills required to meet the objectives. The company also ensures the remuneration and benefits are in recognition of the performance without any bias. The company considers the rewards and remuneration spent as investments made in the right direction. During the

financial year the company invested Rs. 136.6Mn in remunerating and rewarding the employees who have excelled in making the company reaching newer heights.

### Work Life Balance

Vidullanka places greater importance in work life balance and believes that the proper work life balance can lead to higher motivation and productivity among the workforce. Hence the company does take continuous efforts in encouraging and motivating the employees in perusing their interests and studies that would lead them to reach their potential. In addition, the company ensures the presence of better working environment and carries out several programs and initiatives in supporting the employees to enhance their engagement beyond the work related responsibilities, which include,

- Annual family get-together
- Sports activities through Vidul Sports club
- Encourage & Recognize the implementation of productivity concepts at home
- Professional and life skill training programs

In addition to the above, the company introduced a flexible working hours scheme for executives, which is proven to be supporting the staff with higher job satisfaction, motivation and work life balance.



# Management Discussion & Analysis

## Performance Appraisal

Vidullanka adopts a performance driven culture where performers, including individual, teams or operational units will get assessed based on the merits of their performance. This leads to continuous improvements and performance driven culture, where the performers rose to the heights with better prospects and rewards.

In continuation of the tradition, the company held its annual get together in recognizing the exceptional performances among the executives. The winners were recognized with gold and silver awards along with cash rewards. In addition, awards celebrating the new initiatives were rewarded along with special recognition.

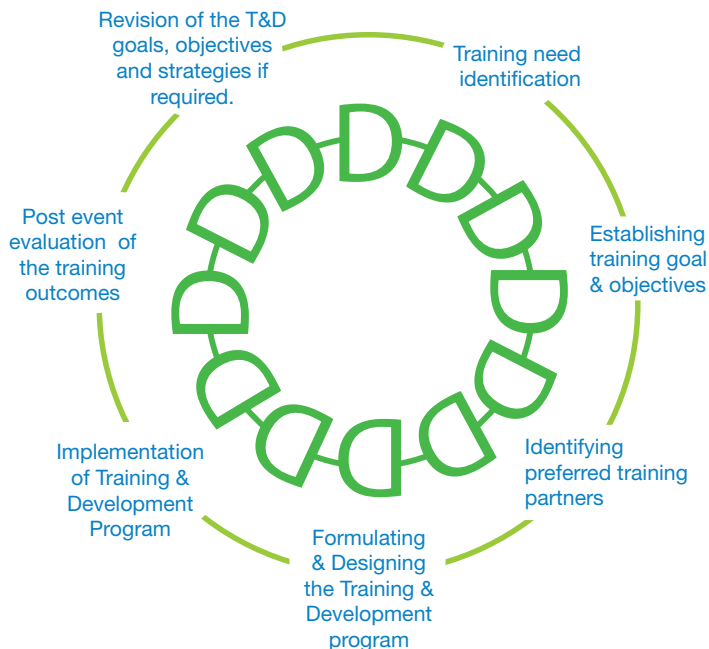
A rigorous and unbiased assessment supported with laid out guidelines was carried in assessing the operational power plants, whilst self and peer assessment were carried out to encourage self motivation and team building. In addition to the gold and silver awards recognizing the best performers, the best supervisor award recognizing best leader and team based awards such as the talent award in recognizing the most versatile team, the productivity award recognizing the most efficient and effective team and the safety award recognizing the utmost commitment to the safety of the site were also awarded.

The performance appraisal system also helps to identify the skill and knowledge gap required in addressing the emerging challenges in the business environment. Accordingly, training and development programs are designed and implemented.

## Training and Development

Having understood the importance of the human capital development to lead in the renewable energy arena, the company invests extensively in training and development activities including on the job training, outbound training programs, participations to the technical and research sessions etc. The company has established

a training & development process starting from training need identification, implementation of training & development program to post event evaluation, more fully detailed below,



During the year under review the company delivered 358 hours of technical training and 12 hours of soft skill trainings targeting employees from all the levels of the organization.

## Health and Safety

The company operates in a relatively high risk industry in terms of occupational health and safety. Hence the company has taken extensive preventive and protective measures, far exceeding the industry norms to ensure safety and well being of our employees and/ or contractors. The company considers zero accident as one of the key operational key performance indicators and formulated an extensive health and safety policy, comprehensively covering all the workplace risk aspects. Accordingly, our power plants are designed in the manner that would ensure safe and risk free working environment and safe work practices.



The safety policy & practices require provision of sufficient safety equipments and all the power plant employees and engineers are provided with safety gear including protective gloves and shoes. In addition, routine fire & flood drills are conducted at sites with the help of the internal engineers as well as safety audits were carried out with the support of the external consultants. While the workplace safety is incorporated into the induction program on recruitment, annual health and safety workshops conducted at power plants with resource persons from regional offices of the Ceylon Electricity Board or any other competent institutions.

Supported with occupational health and safety measures and collective effort in implementing the best practices, have marked yet another year with zero accidents at Vidullanka PLC.

### Grievance Handling

Harmonious and supportive work environment is crucial at all the levels of the company to ensure the smooth functioning of the affairs of the company. Among many, factors such as individual differences, difference of perception, communication gaps lead to many of the grievances. The company strives to address the grievances promptly and effectively through facilitating mutual communication and understanding. Whilst the company strives to ensure the employee satisfaction in addressing grievances, it also ensures that it acts promptly to restore normality and order where such grievances leading to unfunded chaos and disturbances to the work.

The company practices an open door policy and encourages early reporting of grievances so that the grievance can be addressed at the very early stages. Accordingly the company is able to develop an open, collaborative, performance driven culture that foster team based innovation and growth whilst upholding the highest level of professional and ethical standards.



## SUSTAINABILITY

In the ever-changing business environment, organizations thrive on carrying out its business activities which are in-line which meets both current and future aspirations of the society as a whole. Being a responsible corporate citizen, Vidullanka PLC strives hard to achieve sustainability in all organizational aspects.

### Social Sustainability

Vidullanka PLC continuously endeavors to increase its contribution to the welfare of the society as a whole. We highly focus on the areas like preservation of natural environment & resources, education of under privileged children, and Health and Safety measures in naming a few.

Vidul power plants are mainly located in rural areas of the country which are mostly under developed and lack basic infrastructure requirements. With the projects being developed in such rural areas, Vidullanka contributes to the development of infrastructure of such rural areas by building roads, health facilities etc.

It is the company policy to recruit the needed workforce from the local community during all stages of the project development and operations of the power plant. It will provide employment opportunities while enabling the company to be socially inclusive with the local communities.



Further the company is in the process of starting an in-house training academy with the aim of providing the technical training in the fields of engineering to those students who are seeking to obtain training as a part of their studies.

### Vidu Saviya

This exclusive initiative commenced in 2011, Vidu Saviya supports the aspiring school children from the project areas. As part of this initiative, scholarships are provided to those who have excelled in their studies or performed exceptionally in sports to enable them reaching their pinnacle.

During the year, the company continued the good cause and increased the number of beneficiaries in recognizing and supporting the talented students in achieving the best in their respective fields. Further it extends the



# Management Discussion & Analysis

support to develop the schools and pre-schools in the areas including distribution of school bags and shoes, rehabilitation of class rooms etc.

During the year under review, the company assisted the flood victims of Morawaka and Neluwa areas with the distribution of dry rations and clothing and supported the restoration of the local livelihood.



## Environmental Sustainability

All of the hydropower plants developed by Vidullanka are constructed as run of the river plants. When compared with larger scale hydropower projects which require massive dam structure which blocks and retain the water flow of the river, run of the river plants utilize the river flow to spin its turbines to generate electricity by diverting the water flow through the channel and releases it back to the origin of the river at a lower elevation while maintaining the minimum environmental flow determined by the regulatory authority.

The run of the river technology is renowned for being an environment friendly, cost effective, clean, and green alternative for coal and fuel which have many negative impacts to the environment.

**Vidullanka group with its core business in renewable energy generation is one of the few companies listed in the Colombo stock exchange with a positive carbon footprint.**

It is noteworthy that the power generated from the power plants operated by Vidullanka group has resulted in an avoided carbon emission over 58,000 tons during the year.

Vidullanka group with its core business in renewable energy generation is one of the few companies listed in the Colombo stock exchange with a positive carbon footprint.

Vidullanka being in the journey of diversification has focused more attention on environmental sustainability. Vidul Plantation (Pvt) Ltd, a subsidiary of Vidullanka PLC is dedicated on developing growing its own Gliricidia plantations as well as through out-grower schemes. The sustainably grown Gliricidia will be used in generating electricity by Vidul Biomass (Pvt) Ltd which is soon going to be the newest addition to the Vidullanka's project portfolio.

While the Gliricidia plantation will enhance the living standards of the local farmers by providing a way of an additional income, the cultivation of Gliricidia itself is considered beneficial to the soil and the ecosystem.

During the inception stages of the projects, the company undertakes Environmental Impact Assessment or similar study to identify and mitigate the impact the project can have on the environment. Further the company secures the expert services and directions in minimizing the impact to the environment during construction phase and adheres to highest levels of achieving construction standards.

Adopting the international best practices of environment and social sustainability, the construction and operation of Muvumbe small hydropower project was a significant experience for Vidullanka PLC. During

|                        | 2016/17      |                    | 2017/18      |                    |
|------------------------|--------------|--------------------|--------------|--------------------|
|                        | GWh          | tCO <sub>2</sub> e | GWh          | tCO <sub>2</sub> e |
| Bambarabatuoya MHPP    | 7.40         | 4,662              | 11.60        | 7,308              |
| Batathota MHPP         | 8.60         | 5,418              | 11.60        | 7,308              |
| Wembiyagoda MHPP       | 3.30         | 2,079              | 5.00         | 3,150              |
| Rideepana MHPP         | 3.10         | 1,953              | 4.20         | 2,646              |
| Lower Kotmale Oya MHPP | 13.80        | 8,694              | 15.70        | 9,891              |
| Udawela MHPP           | -            | -                  | 0.80         | 504                |
| Muvumbe SHPP           | 0.90         | 567                | 23.80        | 14,994             |
| Ganthuna MHPP          | 1.90         | 1,197              | 2.90         | 1,827              |
| Haloya MHPP            | 0.70         | 441                | 1.00         | 630                |
| Madugeta MHPP          | 6.20         | 3,906              | 8.20         | 5,166              |
| Ethamala Ella MHPP     | 2.60         | 1,638              | 7.80         | 4,914              |
| <b>Total</b>           | <b>48.50</b> | <b>30,555</b>      | <b>92.60</b> | <b>58,338</b>      |

the construction period of the project, the company followed the guidelines set by International Finance Corporation (IFC) environmental and social performance standards.

Whilst the Lower Kotmale Oya MHPP is a registered recipient of Carbon Emission Credits under the Clean Development Mechanism set up in accordance with the Kyoto Protocol, its noteworthy the credits secured for the initial two years of operations were instrumental in supporting another Sri Lankan venture in offsetting their carbon footprint.

The company also joined forces with a popular media organization and local schools in initiating a reforestation campaign during the year with the aim of preserving the environment to the future generations.









# Going beyond ourselves.

We are not limited by our title, our strategy to transform into new ventures has heralded an exhilarating dawn for us.



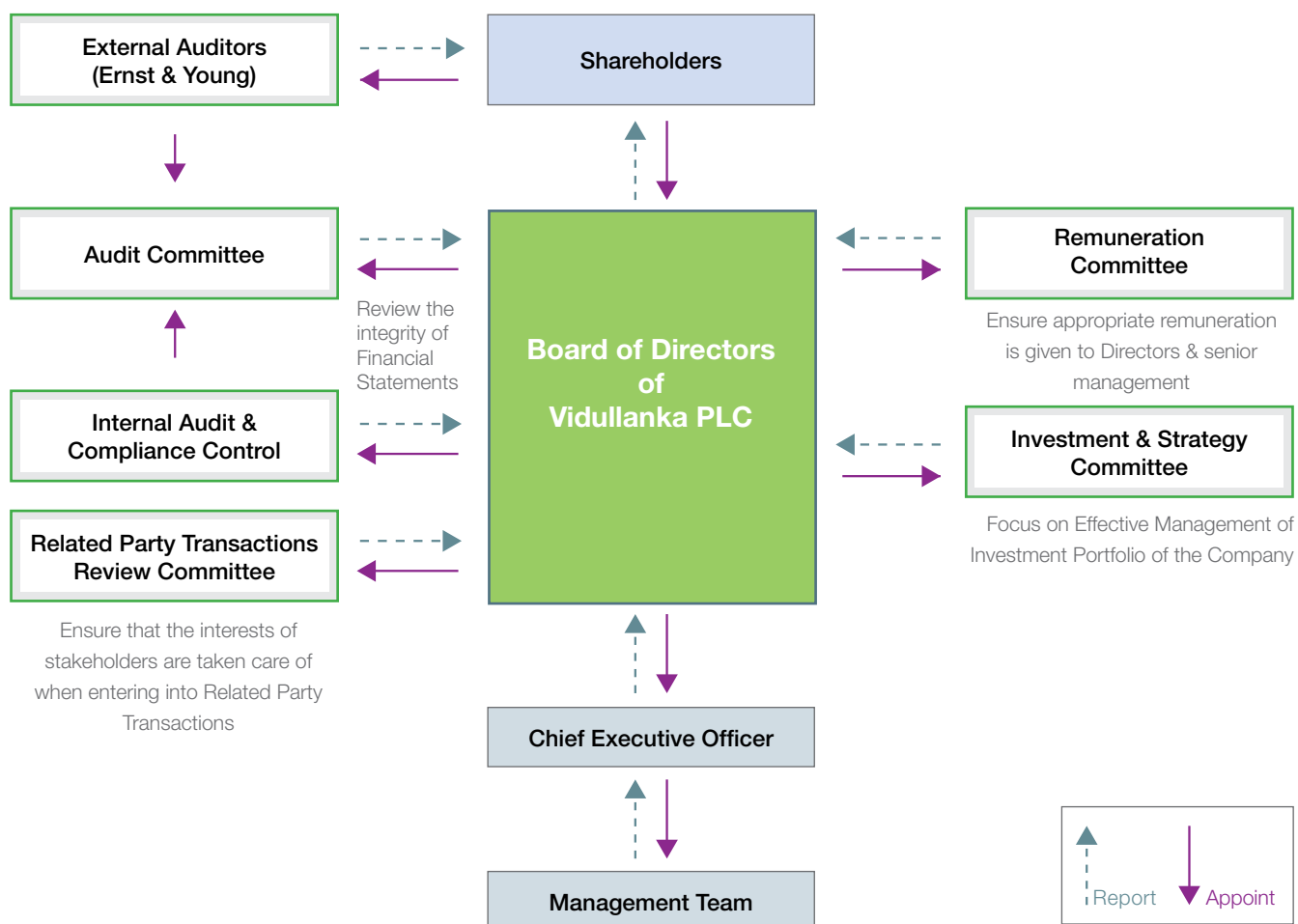
# Corporate Governance

**Vidullanka PLC has dedicated itself in adhering to the best practices of corporate governance and has shaped the company policies and practices with the fundamental concepts of accountability and transparency in business operations.**

Corporate governance is the framework made of rules, processes and best practices that enables the company fulfilling its duties toward the stakeholders and the society. Establishing a transparent and fair corporate governance framework with transparency and fairness is a vigilant factor in achieving long term sustainable success of the organization to deliver shareholder value.

The Board of Directors along with the Executive Committees and senior management consider the importance of establishing and maintaining a governance framework with a higher degree of integrity and fairness while balancing the interest of the company's stakeholders including our shareholders, employees, customers, suppliers and society as a whole.

Vidullanka PLC has dedicated itself in adhering to the best practices of corporate governance and has shaped the company policies and practices with the fundamental concepts of accountability and transparency in business operations.



### Role and Composition of the Board

Board of Directors being the apex governing body of the organization put a great effort in strengthening the best practices and while incorporating transparency and integrity to the operations of the company.

Further the board ensured that the internal controls, systems and processes are in place to deal with threats and opportunities arise in the environment and also to deal with the conflict of interest, transparency and integrity related issues while maintaining a quality flow of information to the shareholders.

Vidullanka Board of Directors for the financial year consisted of eleven directors, including the Chairman, Chief Executive Officer, five Non-Executive Directors and four Non Executive Independent Directors.

Some of the functions of the Board can be listed as follows.

- Deciding the long term strategic direction of the company along with its long term objectives and directions.
- Creation of sustainable stakeholder value in the long run by overseeing the overall operations of the company.
- Analyzing and approving the annual business plan while ensuring that sufficient resources are in place to achieve the given objectives.
- Ensuring that robust system, procedures and internal controls are in place while complying with the statutory and non statutory requirements.
- Delegating the authority to subcommittees and to the senior management.

Vidullanka PLC has ensured that there is no individual having unimpeded powers of decision making by having two different personnel with clear separation between the responsibilities of the Chairman and the Chief Executive Officer.

The Non-Executive Directors play an important role in ensuring the best practices relating to corporate governance and providing unbiased viewpoints on the affairs of the company, whilst enriching the board with diverse business and professional experience. As per the requirements of CSE listing rules 7.10.2 (b), during the year under review, all the Non-Executive Directors submitted a declaration form declaring their independence or non-independence. Two Non-Executive Directors whose declaration forms are in compliance with the code have been declared as Independent Non-Executive Directors. Further, Non-Executive Directors, Mr. A.A.M. Haroon and Mr. M. Zulficar Ghouse having served the board for eleven years consecutively, were resolved by the board to be considered as independent, given their objective and impartial approach to the affairs of the Board.

During FY 2017/18, Board of Directors met three times with the objective of determining the future strategic direction of the company while reviewing the company's performance in both operational and financial perspectives.

### Board Committees

Vidullanka PLC has established four Board subcommittees namely Audit Committee, Remuneration Committee, Investment and strategic Committee and Related Party Transaction Review Committee which have members from the Board with specified duties. These committees met regularly within the last financial year and made recommendations on the respective areas for the better control of the organizational duties.

#### Audit Committee

During the FY 2017/2018, Audit Committee of Vidullanka PLC comprised of three members while Mr. M. Zulficar Ghouse, an Independent Non-Executive Director and a fellow member of CA Sri Lanka and CMA Sri Lanka chairs the committee along with Mr. S.S.V. Fernando and Mr. Shahid M. Sangani.

The Committee met four times for the year with the participation of the majority of the members along with the Chief Executive Officer and the senior management of the company.

The main purpose of the audit committee was to ensure that the financial statements are prepared and presented in accordance with the financial standards and statutory requirements. Further audit committee overlooked the overall finance aspects of the organization with the aim of improving the transparency and integrity of financial reporting.

#### Investment and Strategy Committee

The Investment and Strategic Committee was functioned with the major objective of effectively managing the Investment portfolio of the company through strategy formulation to expand and diversify the business in a manner which helps to maximize and protect the shareholder wealth.

The Committee consists of the Chairman of the Board & Chief Executive Officer, two Independent Directors, a Non-Executive Director of the company. The committee held four meetings during the year with the participation of the majority of the members.

#### Remuneration Committee

Remuneration Committee met three times during the year with the participation of all the members.

The committee is tasked with setting up a transparent and fair remuneration process to determine the suitable remuneration package to the Executive Director and senior management. The committee reviewed the performance of the senior management along with the Executive Director for the last year and forwarded their recommendations to the board to make the final decision.

The report of the remuneration committee is included in the Board Committees section in the annual report.



# Corporate Governance

## Related Party Transaction Review Committee

The Related Party Transaction Review Committee was formed, adopting the code of best practices on Related Party Transactions by the Security Exchange Commission of Sri Lanka which was then incorporated into the listing rules of the Colombo Stock Exchange.

The three member committee met one time during the year and the committee was responsible to ensure that related party transactions are evaluated and where necessary seek further information in advising the Board on the best course of action.

## Compliance Management

Compliance Controlling mechanisms are considered to be an integral part of the Vidullanka PLC. Different types of compliance requirements are addressed by different departments of the organization.

Financial related statutory requirements of the Central Bank, Securities and Exchange Commission, Colombo Stock Exchange and the Inland Revenue Department are being taken care of by the finance department whilst the compliance with the labour and work place related regulations are monitored and adopted by the human resource department of the company.

Every month a compliance checklist is circulated as a part of the monthly management reports to the senior management. This helps the senior management to monitor the statutory compliances on periodically and take the corrective actions if needed. Further periodic compliance statements were presented to the Board to ensure continuous compliance and control.

Further the Company established Standard Operating Procedures covering both finance and accounting functions as per the recommendation by the audit committee, with the aim of streamlining the finance function and improve internal controls.

The power plant operations of the company are regulated through internally developed framework of best practices and the workplace health and safety mandates. Number of measures, including Internal controls, periodic audits, live monitoring systems and laid out chain of command in dealing with critical aspects of the operations are in place.

Further the company puts a great effort in complying with the laws and regulations regarding the employees of the organization. We are trying our best to create a friendly and hassle free working environment for the employees, both at our sites and the Head Office.

Hydropower being the main input of the Vidullanka's operations, the company is required to comply with laws and regulations set out by several authorities, including the Central Environmental Authority, Mahaweli Authority and local government bodies of the relevant regions.

With the new project additions in Uganda, resulted in the group adapting to the legal, tax and regulatory environments of Uganda. Securing professional support from renowned institutions in their respective fields has helped the company adopt and stay in compliance with the laws and regulations of the nation.

Vidullanka makes maximum effort to stay in compliance with almost the rules and regulations that are imposed on us while adopting with the changes in the legal framework and other changes in the environment with the aim of identifying new opportunities and taking proactive measures for the upcoming threats.

## Risk Management

Risk management being the key element of every successful organization, the management of Vidullanka is tasked with adopting a robust risk review and management process. Capital intensive investments made by the group in developing the renewable energy projects locally as well as overseas require calculated steps in making such decisions due to the severity and likelihood. The management utilized a risk rating approach considering the past experience and emerging trends in the industry as well as the global economy.

Whilst the departmental heads are responsible for identifications through various sources and checklist of risk triggers, the company collectively and proactively addresses the identified risks in order to make the best measures in managing the risks.

The detailed report of the risk review & management presented separately on page 48.

| Name of Directors      | Directorship status  | Board Meetings | Audit Committee Meetings | Investment and Strategy Committee Meetings | Remuneration Committee Meetings | Related Party Transaction Committee Meetings |
|------------------------|--|----------------|--------------------------|--|---------------------------------|--|
| Mr. Osman Kassim       | Chairman   | 3/3            | N/A                      | 4/4  | N/A                             | N/A  |
| Mr. Riyaz M. Sangani   | Chief Executive Officer  | 3/3            | 4/4                      | 4/4  | 3/3                             | N/A  |
| Mr. Shahid M. Sangani  | Non-Executive Director   | 3/3            | 4/4                      | N/A  | N/A                             | N/A  |
| Mr. Ranjan Mather      | Non-Executive Director   | 3/3            | N/A                      | 3/4  | 3/3                             | N/A  |
| Mr. Sattar Kassim      | Non-Executive Director   | 2/3            | N/A                      | N/A  | N/A                             | N/A  |
| Mr. C.F. Fuhrer        | Non-Executive Director   | 3/3            | N/A                      | N/A  | N/A                             | N/A  |
| Dr. A.A.M. Haroon      | Independent Non-Executive Director   | 2/3            | N/A                      | 3/4  | N/A                             | N/A  |
| Mr. M. Zulficar Ghouse | Independent Non-Executive Director   | 3/3            | 4/4                      | 4/4  | 3/3                             | N/A  |
| Mrs. B.R.I. Sangani    | Independent Non-Executive Director   | 3/3            | N/A                      | N/A  | N/A                             | 1/1  |
| Mr. S.S.V. Fernando    | Independent Non-Executive Director   | 3/3            | 3/4                      | N/A  | 3/3                             | 1/1  |
| Mr. Sujendra Mather    | Non-Executive Director & Alternate Director to Mr. Ranjan Mather & Mr. C.F. Fuhrer | 3/3            | N/A                      | N/A  | N/A                             | 1/1  |

**Table: Corporate Governance Compliance**

| Rule  | Requirement   | Compliance | Explanatory Notes  |
|---|---|------------|--|
| <b>Board of Directors</b>                     |   |            |  |
| 7.10.1 (a)<br>Non-Executive Directors         | At least 1/3 of the total number of Directors should be Non-Executive Directors   | Yes        | Report on Corporate Governance on Page 40.   |
| 7.10.2(b)<br>Independent Directors            | 2 or 1/3 of Non-Executive Directors, whichever is higher should be independent  | Yes        |  |
| 7.10.2 (b)<br>Independent Directors           | Each Non-Executive Director should submit a declaration of Independence or Non Independence   | Yes        | Profile of Board Directors on page 20.   |
| 7.10.3 (a)<br>Disclosures regarding Directors | The board shall make a determination annually as to the independence or non-independence of each Non-Executive director   | Yes        | Annual Report of the Board of Directors on the affairs of the company is given on page 56. |
| 7.10.3 (b)<br>Disclosures regarding Directors | In the event a director does not qualify as independent, but the Board is of the view that the particular Director is nevertheless independent, shall specify the criteria not met and the basis for the determination in the annual report | Yes        |  |

# Corporate Governance

| Rule   | Requirement   | Compliance | Explanatory Notes  |
|--|---|------------|--|
| 7.10.3 (c)<br>Disclosures regarding Directors  | A brief of resume of each director should be included in the annual report.   | Yes        | Refer Profile of board Directors on the page 20.   |
| 7.10.3 (c)<br>Disclosures regarding Directors  | Upon appointment of a new director to the board a brief of resume of each director should be provided to the CSE  | N/A        |  |
| <b>Remuneration Committee</b>  |   |            |  |
| 7.10.5<br>Remuneration Committee   | A listed Company shall have a Remuneration Committee  | Yes        | Report of the remuneration committee is given on page 60.  |
| 7.10.5 (a)<br>Composition of Remuneration Committee                                  | Shall comprise of Non-Executive Directors majority of whom shall be independent   | Yes        |  |
| 7.10.5 (b)<br>Report of Remuneration committee                                       | The Remuneration Committee shall recommend the remuneration of CEO and the Executive Directors  | Yes        |  |
| 7.10.5 (c)<br>Disclosure in the annual report relating to the Remuneration Committee | The annual report should set out the names of the directors comprising the remuneration Committee, a statement of the remuneration policy and the aggregate remuneration to Executive and Non-Executive Directors | Yes        | Report of the remuneration Committee is given on page 60 provides the names of the Directors comprising the committee and the remuneration policy.<br><br>Aggregate Salary to the Directors indicated in the Notes to the Financial Statements on note 25.2 on page 108. |
| <b>Audit Committee</b>   |   |            |  |
| 7.10.6<br>Audit Committee  | The company shall have an audit committee   | Yes        | Report of the audit committee on page 59.  |
| 7.10.6 (a)<br>Composition of the Audit Committee                                     | Shall comprise of Non-Executive Directors majority of whom shall be independent   | Yes        |  |
|  | The CEO and CFO should attend Audit Committee meetings  | Yes        |  |
|  | The Chairman of the Audit committee or one member should be a member of a Professional Accountancy Body   | Yes        | The chairman of the audit committee is a fellow member of CA Sri Lanka   |



| Rule   | Requirement  | Compliance | Explanatory Notes                         |
|--|--|------------|---|
| 7.10.6 (b)<br>Functions of the Committee                                     | Overseeing of the preparation, presentation and adequacy of disclosure in the Financial Statements, in accordance with Sri Lanka Accounting standards(SLFRS & LKAS)                                      | Yes        | Report of the Audit Committee on page 59. |
|  | Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements                              | Yes        |   |
|  | Processes to ensure that the internal controls and risk management are adequate, to meet the requirement of the Sri Lanka Financial Reporting Standards  | Yes        |   |
|  | Assessment of the independence and performance of the External Auditors  | Yes        |   |
|  | Make recommendations to the Board pertaining to the appointment, reappointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors         | Yes        |   |
| 7.10.6(c)<br>Disclosure in the Annual Report relating to the Audit Committee | Name of the Directors comprising the Audit Committee   | Yes        | Report of the Audit Committee on page 59. |
|  | The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination   | Yes        |   |
|  | The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance of the functions  | Yes        | Report of the Audit Committee on page 59. |
| <b>Related Party Transactions Committee</b>                                  |  |            |   |
| 9.1.1 (a)<br>Non recurring related party transactions                        | Shareholder approval if transaction value more than 1/3 of the total assets of the entity or the aggregate of the value of the similar transactions with the same related party within the given period. | N/A        |   |

# Corporate Governance

| Rule   | Requirement  | Compliance | Explanatory Notes   |
|--|--|------------|---|
| 9.1.1 (b)<br>Acquisition / Disposal of substantial asset from/to the related party or its associates | Shareholder approval by way of a special resolution for transactions other than the transactions specified under section 9.5 of the listing rule   | Yes        |   |
| 9.1.2 (a)<br>Recurring Related Party Transactions  | Shareholder approval if RPT transaction or the aggregate of the transaction with the same related party during the period exceeding the 1/3 of the group consolidated revenue<br><br>And<br>Transaction/s not of the ordinary course of business and on the opinion of the RPTRC, are on favorable terms than those generally available to the general public. | N/A        |   |
| 9.1.3<br>Aggregation of Related Party Transactions   | Transactions once approved need not to be aggregated with the future transactions with the same related party.   | N/A        |   |
| 9.1.4<br>Approval from shareholders  | Shareholder approval where necessary should be obtained prior entering into the transaction or shall be conditional to shareholder approval  | Yes        |   |
| 9.2<br>Related Party Transaction Review Committee (RPTRC)  | The board shall appoint/have a Related Party Transactions Review Committee (RPTRC)   | Yes        | Annual Report of the board of Directors presented on page 56.               |
| 9.2.1<br>Review of Related Party Transaction   | The committee shall review all the RPT transactions other than the transactions specified under section 9.5 of the listing rule  | Yes        | Report on Related Party Transactions Review Committee presented on Page 62. |
| 9.2.2<br>Composition of the committee  | The Committee shall comprise of Non-Executive Directors and Independent Non-Executive Directors  | Yes        |   |

| Rule  | Requirement  | Compliance | Explanatory Notes  |
|---|--|------------|--|
|   | An Independent Non-Executive Director shall function as the chairman of the committee  | Yes        |  |
| 9.2.5<br>Information Gathering & Approval                     | The committee shall ensure they have enough knowledge/expertise to assess all the aspects of the transactions.<br>The Committee may seek expert advice where necessary to better evaluate the related party transactions.  | Yes        |  |
| 9.3<br>Disclosures relating to the Related Party Transactions | The board shall make immediate disclosures to the CSE, where necessary.  | Yes        |  |
|   | Annual Report shall contain a report from the Related Party Transaction Review Committee.  | Yes        | Report on Related Party Transactions Review Committee presented on Page 62.  |
| 9.3.2 (d)   | A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s. |            | A negative statement indicating there were not any major related party transaction within the year under review is included in the report on Related Party Transactions Review Committee presented on Page 62. |



# Risk Management

In the era of global corporate leadership spearheading the adoption of renewable energy technologies while the global political leaderships engaging in policy level disagreements in combating climate change, it is important to have a well established risk management process to ensure proactive and calculated measures in safeguarding the best interest of the company.

Vidullanka's risk management process commences from the very early stages of project development to identify and select feasible power projects prior committing substantial financial and human resources. New project identification and exploration do not come without failures; however, with professional approach towards project evaluation helps the company in minimizing the losses whilst securing the best locations for development. This involves the deployment of engineers, hydrologists and geological experts at the very early stages of the project evaluation, so that the company can make informed decisions in terms of the viability of the projects.

The construction of the power plants is monitored by a pool of consultants with diverse experience and expertise in ensuring the construction of the plant structures are in compliance with the highest standards. It is noteworthy that the upcoming power plant, Bukinda SHPP in Uganda will also be constructed in accordance with the IFC performance standards.

Vidullanka being a power plant operator with more than ten power plants in commercial operations, has adopted an operational matrix in coordinating between the power plants and the support services. Engineers dedicated to the respective clusters of power plants are responsible for the preventive maintenance and equipped with the best support teams in ensuring the site specific issues are identified and addressed at the very early stages. In addition, periodical safety audits are conducted to ensure the power plants are at the best order meeting the safety standards set.

## Risk Management Process

### Determination



- Determining the strategic goals and objectives of the company
- Determining the strategic goals and objectives of the risk management process

### Assessment



- Identify the risk
- Identify how the risks evolve through the organization
- Assessment of possible impacts and likelihood of occurrence using consistent parameters

### Development



- Establish the risk appetite
- Develop the risk response strategy by the managers
- Deciding the risk management strategies for the risks identified among risk retention, avoidance, reduction transfer & sharing.

### Implementation



- Implement the selected strategies
- Delegating the responsibilities and communicating them to the relevant party
- Risk Financing : decision making on retention or to transfer the risks

### Control



- Implementing the controls
- Continuous monitoring of the control mechanisms

### Revision



- Reviewing and updating the existing control mechanism
- Forming and Implementing the new control mechanisms

The senior management of the company is tasked with the risk management process from identification of risks to the risk control and management. Vidullanka in perusing growth from multiple facets, faces risk from diverse fronts. The management together with the Audit Committee reviews such scenarios and decide on the best course of action in managing such risks.

Preventive and mitigatory measures in risk management are in place to strengthen the overall business operations. The identified risks are assessed based on the severity of the impact to the organisation and the likelihood of such adverse events taking place.

The company has developed risk control processes and established business continuity plans, secured insurance policies, bank guarantees and agreements with the investment promotion bodies in order to ensure the interest of the company are well protected from any adverse changes. The key risks faced by the company, including the measures taken to safeguard the company from such events are discussed below.

#### **Weather Risk**

The primary risk, every company in the industry faces is the weather risk. The unpredictable and volatile nature of the weather in the country has lead to severe seasonal and cyclical fluctuations in the performance of the group in the past. Better understanding of the nature of the impact weather changes will have on different sources of renewable energy helps to company in shaping its investment portfolio, whilst geographical diversification also can support the company in dealing with the risk.

Vidullanka over the period has diversified its investment portfolio from locating power plants in the regions receiving rain during the south-western monsoon to regions receiving rain during the north-eastern monsoon. Additional diversification came in the form of geographical diversification into Uganda.

The ongoing investment in biomass fuelled power plant in Dehiattakandiya will enable the company further mitigate the effect of weather will have on the performance.

#### **Country Risk**

Country risk in the broader sense reflects on the possible adverse effects on the company due to the political, policy, economic and exchange rate changes in the host country. Vidullanka with presence and investments made in Uganda and plans for further investment in the continent is exposed to such adverse developments.

While the company undertook an extensive study in assessing the risk profile of the country prior to investment, it continues to closely monitor the developments. The investment agreement with the government of Uganda protects the investment against political risk, including expropriation and the freedom to repatriate funds.

#### **Exchange Rate Risk**

The exchange rate risk involves loss of value of assets or transactions when the financial transaction is denominated in currencies other than the base currency. In the case of Vidullanka, most of the foreign currency exposure is arising from its operations in Uganda. The United States dollar denominated tariff in Uganda protects the company's investments against the exchange losses against depreciation of the local currency. Meanwhile, a strong United States dollar against Sri Lanka rupees will result in an increase in the foreign currency denominated liabilities.

However, in the context of Vidullanka, United States dollar denominated revenue and liabilities have resulted in natural hedge against each other.

#### **Credit Risk**

The default or delays over the receivables of the company and the cost and losses associated result in credit risk to a business organization. Although Vidullanka is relying solely on the Ceylon Electricity Board (CEB)

as the sole customer in Sri Lanka, the utility has maintained good payment record, especially considering the renewable energy sector. Accordingly the risk associated with the CEB is perceived to be low.

Whilst the overseas operations of the group reduce the exposure to the CEB, it nevertheless introduces to us new customer; The Uganda Electricity Transmission Company Limited (UETCL). According to the terms and conditions of the Power Purchase Agreement, the UETCL has maintained a good track record of payments over the twelve months of operations. In addition the payments are secured by way of a bank guarantee to further mitigate the associated credit risk.

#### **Regulatory Risk**

We consider it as our utmost duty to oblige with the regulatory framework and regulations in all the countries we operate in. The regulatory risk is embedded in every phase of Vidullanka's business cycle from the initial stage of getting relevant approvals to the commissioning and continuing the operations of the plants. At each and every phase the company ensures that the regulatory requirements are met so as to minimise the regulatory risk and the disruptions caused by breaching of the legal requirements.

The Audit Committee regularly reviews the changes in the regulatory framework while ensuring that Vidullanka PLC comply with the regulations relating to financial and non-financial affairs of the company. Moreover, periodical reviews are carried out by the committee in ensuring the regulatory requirements are met.

Apart from adhering to the regulatory framework in Sri Lanka, the operations in Uganda require the company to abide by the laws and regulations of Uganda also. Given the complexities and the associated risks, the company has secured the services of reputed legal, tax and financial consultants.

# Risk Management

## Stakeholder Risk

Vidullanka having operations in multiple locations involving major investment, it is imperative to address the stakeholder concerns in order to ensure the operations of the company are unaffected by any adverse issues.

The company is focused on mitigating the risk through various mechanisms, it undertakes stakeholder analysis in identifying the different groups of stakeholders in terms of interest and power they have over the interests of the Company. The risk management strategies are devised based on the stakeholder profiles and risk is mitigated accordingly.

## Operational Risk

Operational risk is where the losses incurred due to the inadequacy or failures in internal processes, people and system or from external events. With the introduction of standard operating procedures within the organisation, we have standardised our internal procedures with the aim of minimising losses incurring due to the unnecessary delays in processes, fraudulent activities etc. The finance department periodically carries out internal audits with the participants from operational and IT departments with the aim of identifying any discrepancies and reporting to the senior management so that they can take

corrective actions for the discrepancies identified.

Further we have set up an internal monitoring system where our engineers regularly carryout relevant machinery supervisions, maintenance activities in order to prevent any machinery failures which will cause heavy losses to the company. We have also established online monitoring system in each plant so as to take preventive actions against any risk arising due to plant failures.

## Identified Risks and Mitigation Strategies - Checklist

| Type of Risk & Description   | Risk Rating | Mitigation Strategy  | Compliance Status | System Maintenance | Annual Control Review |
|--|-------------|--|-------------------|--------------------|-----------------------|
| <b>Macro Economic and Political Environment</b>  |             |  |                   |                    |                       |
| <b>Economic Risk</b><br>The likelihood of an investment getting affected by adverse macro economic conditions, including government regulations, exchange rates and political stability. | High        | The Company carries out periodical in depth macro economic analysis & economic feasibility prior to project investments.   | Yes               | Adopted            | Yes                   |
| <b>Financial Exposure</b>  |             |  |                   |                    |                       |
| <b>Credit Risk</b><br>Risk of loss of principal or loss of financial reward stemming from a debtor's failure to repay a loan or to meet a contractual obligation.                        | Low         | Vidullanka sells electricity to CEB in Sri Lanka and UETCL in Uganda. The transactions are done according to the Power Purchase Agreements. Both entities are backed by the respective states, reducing the credit risk. UETCL payments are further supported by a bank guarantee.   | Yes               | Adopted            | Yes                   |
| <b>Financial Risk</b><br>Risk of losing shareholders' wealth as a result of company's incompetence to match the liquidity and financial obligation.                                      | Medium      | The Company closely monitors changes in the macroeconomic environment, changes in weather and strategic investments to efficiently manage the liquidity. The Company has diversified its revenue streams geographically, giving more stable cash inflows. The Audit Committee periodically reviews the debt position of the group as well as the contingent liabilities. | Yes               | Adopted            | Yes                   |



| Type of Risk & Description  | Risk Rating | Mitigation Strategy  | Compliance Status | System Maintenance | Annual Control Review |
|---|-------------|--|-------------------|--------------------|-----------------------|
| <b>Exchange Rate Risk</b><br>The risk of losses due to the fluctuation of exchange rates. This further brings in translation and transaction risk to the business.  | Medium      | The company constantly monitors the movement in exchange rates and take adequate measures as detailed in the risk management report.   | Yes               | Adopted            | Yes                   |
| <b>Environment and Health and Safety</b>  |             |  |                   |                    |                       |
| <b>Health and Safety Risk</b><br>The risk of employees getting exposed to dangers while working in the power plant construction site and during the operation.  | High        | The power plant employees are provided with the required safety equipment during both construction and operation. Training is given to them periodically and plant operating instructions are in place incorporating workplace safety measures. The Company strives for a zero accident work place.  | Yes               | Adopted            | Yes                   |
| <b>Environmental Risk</b><br>The risk of imposing actual and potential threats of adverse impacts on the environment and inhabitants effluents and resource depletion arising from the organization's activities. | High        | The company employs environmental consultants internally and external consultants' advice also sought in times of need and carries out an extensive initial environment examination before the initiation of projects & conducts environmental impact analysis for the project. The company also adopts IFC performance standards for the studies and development of its overseas project. | Yes               | Adopted            | Yes                   |
| <b>Weather Risk</b><br>The risk associated with the changing weather pattern, resulting in operational, and financial losses to the Company.  | High.       | The Company considers geographical & technological diversification as the key mitigation strategy. The Company plans to further invest in building of new hydropower capacity overseas including Bukinda SHPP in Uganda as well as generating capacity using other renewable energy sources such as biomass & solar in Sri Lanka.  | Yes               | Adopted            | Yes                   |
| <b>Reputation of the Organization</b>   |             |  |                   |                    |                       |
| <b>Public Relations Risk/ Stakeholder Risk</b><br>This is the risk of losing the reputation and the conflict with the members of the society.   | High        | The Company adopts comprehensive and interactive mechanisms in Stakeholder relations. The Company also consults the key stakeholders in its key decisions.<br><br>Operations department is involved in extensive CSR projects to share the benefits of sustainable energy generation with the local communities.   | Yes               | Adopted            | Yes                   |

# Risk Management

| Type of Risk & Description  | Risk Rating | Mitigation Strategy  | Compliance Status | System Maintenance | Annual Control Review |
|---|-------------|--|-------------------|--------------------|-----------------------|
| <b>Stakeholder Risk</b><br>The risk occurs when the company fails to reasonably satisfy its stakeholder expectations.   | Medium      | The Company identifies the expectations of the stakeholders and these expectations are fulfilled based on the level of importance in the affairs of the Company. Since the power projects are located in remote villages, the Company always ensures due care in the welfare of the villages, especially in the areas of education, social welfare and infrastructure development                        | Yes               | Adopted            | Yes                   |
| <b>Operations and Internal Resources</b>  |             |  |                   |                    |                       |
| <b>Operational Risk</b><br>The risk incurred by an organization's internal activities. The risk of loss resulting from inadequate internal processes, people and systems, or from external events. The risks associated with errors or events in transaction processing or other business operations. | Medium      | Standard operating procedures are in place for the critical areas of business operations and strict adherence to the procedures ensured. Periodic internal control assessments are carried out and the findings are reported to the Audit committee for the necessary actions.   | Yes               | Adopted            | Yes                   |
| <b>Fraud Risk</b><br>Sub-optimal usage of company assets, fraudulent statements and corruption.   | Low         | The Company adopts the internal control mechanisms to optimize the utilization of assets, eliminate the chances of fraud and misuse of Company resources by segregation of duties and suitable approaches.   | Yes               | Adopted            | Yes                   |
| <b>Information Technology Security</b>  |             |  |                   |                    |                       |
| <b>Information Risk</b><br>The risk of non-public or confidential information could be accessed and exploited by unauthorized parties.  | Medium      | The access to sensitive and confidential information is limited only to authorized personnel. IT infrastructure is embedded with required software access control applications. The Company has placed firewall controls that enable IT administration to provide efficient corporate solutions to deal with the usage of wasteful and dangerous applications to increase network and user productivity. | Yes               | Adopted            | Yes                   |

| Type of Risk & Description   | Risk Rating | Mitigation Strategy  | Compliance Status | System Maintenance | Annual Control Review |
|--|-------------|--|-------------------|--------------------|-----------------------|
| <b>Regulatory Environment</b>  |             |  |                   |                    |                       |
| <b>Regulatory &amp; Legal Risk</b><br>The risk of changes in laws and regulations with material impact on business operations and viability of Investments.  | High        | The Company adopts a proactive approach on possible changes in laws and regulations. The Company believes in voluntary compliance of regulations set by regulatory bodies.   | Yes               | Adopted            | Yes                   |
| <b>Global Business Environment</b>   |             |  |                   |                    |                       |
| <b>Global Competition Risk</b><br>The risk of increasing global competition and the failure of the Company to adopt to the changing environment.   | Low         | At the moment the Company has sufficient in-house expertise to compete with the international market players. Company is in the continuous lookout for industry developments in Sri Lanka, East Africa and other potential investment destinations to identify the emerging opportunities, in order to ensure the early mover advantage. | Yes               | Adopted            | Yes                   |
| <b>Country and Political Risk</b><br>Country risk is a collection of risks associated with investing in a foreign country including political risk, exchange rate risk, economic risk, sovereign risk and transfer risk. | Medium      | The Company carries out a comprehensive country analysis covering legal, economic, and regulatory and tax frameworks. The political risk insurance and investment agreements with the respective governments are considered.   | Yes               | Adopted            | Yes                   |







An aerial photograph of a small dam and hydroelectric power station nestled in a lush tropical forest. The dam is a concrete structure with a wide spillway where water is cascading down, creating white rapids. To the right of the spillway is a small building with a blue roof and blue walls, likely the power station. The surrounding area is covered in dense green vegetation, including many palm trees. A dirt road or path runs along the top left of the dam. The water in the reservoir behind the dam is a murky brown color. The overall scene conveys a sense of sustainable energy production in a natural environment.

# The path to innovation.

We always seek new methods, new processes that will drive us to bigger goals and therefore bigger returns. We acknowledge that our affiliation to innovation has smoothed our path to new ventures.



# Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors is pleased to submit their report together with the Auditor's Report and Financial Statements for the year ended 31st March 2018, to be presented at the 22nd Annual General Meeting of the Company.

## Review of the Year

### Principal Activity of the Company / Core Activity

The principal activity of the company is to produce electrical energy and transmit to feed the national grid.

### Principal Activity of the Subsidiaries

The principal activity of Vidul Engineering Limited is the provision of construction and engineering services related to hydropower plants and hydraulic structures.

Walagamba Balashakthi (Pvt) Limited's principal activity is to produce hydro electricity through its Wembiyagoda mini hydropower plant located in Kalawana, Ratnapura and transmit to the national grid.

The principal activity of Rideepana Hydro (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Rideepana mini hydropower plant in Badulla.

The principal activity of Lower Kotmale Oya Hydro Power (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Lower Kotmale Oya mini hydropower plant in Kotmale, Nuwaraeliya.

The principal activity of Udawela Hydro (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Udawela mini hydropower plant in Badulla. The power plant was commissioned to the national grid on 29 December 2017.

The principal activity of Muvumbe Hydro (U) Limited is to produce electrical energy and transmit to the national grid of Uganda from the Muvumbe small hydropower plant in Kabale District of Republic of Uganda. The

power plant commenced the commercial operation of 15 March 2017.

The principal activity of Vidul Biomass (Pvt) Limited is to produce electrical energy and transmit to feed the national grid. The Dehiattakandiya Dendro power plant is under construction as of 31 March 2018.

The principal activity of Vidul Plantation (Pvt) Limited is to ensure fuel wood supply to the Dendro power plant by Vidul Biomass (Pvt) limited through its own fuel-wood plantations and out-grower schemes.

### Principal Activity of the Joint Venture

The primary activity of Gurugoda Hydro (Pvt) Limited is to produce hydroelectricity and transmit to the national grid. The company's power plant, Ganthuna mini hydropower project is located in Aranayake, Kegalle.

The principal activity of Udaka Energy Group (Pvt) Limited is to generate hydropower and transmit to the national grid from its Haloya mini hydropower plant located in Welimada, Badulla.

Generating hydro energy and transmitting it to the national grid is the principal activity of Vidul Madugeta (Pvt) Limited. The plant owned and operated by the company is located Madugeta mini hydropower plant is situated in Neluwa, Galle.

### Material Business Transactions

The company secured the requisite regulatory approvals to acquire Timex Bukinda Hydro (U) Limited for a consideration of Rs. 75.3Mn, which is to be concluded via share swap by way of a private placement of shares of Vidullanka PLC.

During the year under review company embarked on the investment in the 3.3MW Dehiattakandiya Dendro-power project through its wholly owned subsidiary Vidul Biomass (Pvt) Limited with a total investment commitment of Rs. 1.4bn of which Rs. 450Mn by way of equity investment and the

remaining Rs. 950Mn through a syndicated project funding facility secured by Vidul Biomass (Pvt) Limited guaranteed by the Vidullanka PLC.

## Financial Statements

The financial statements prepared in compliance with the requirements of Section 151 of the Companies Act No. 7 of 2007 are given on page 70 of this annual report.

## Independent Auditor's Report

The Auditor's Report on the financial statements is given on page 67 of this report.

## Accounting Policies

The Accounting Policies adopted in preparation of the financial statements is given on page 76. There were no changes in Accounting Policies adopted by the Company during the year under review.

## Financial Results / Profit and Appropriations

The Group made a profit of Rs. 509,219,774 of which Rs. 495,035,210 is attributed to equity shareholders. During the year under review, the Company paid two interim dividends of Rs. 0.10 per share each amounting to a distribution of Rs. 156,902,296. In addition the company declared and concluded a capitalization of reserves at a ratio of one share for every ten shares held. The capitalization resulted in an increase in the stated capital by Rs. 74,715,379.

## Property, Plant & Equipment

During the year under review the Group invested a sum of Rs. 581,193,552 (2017 - Rs. 1,342,385,594) in property, plant & equipment of which Rs. 358,115,555 (2017 - Rs. 1,251,452,431) is in plant & machinery, Rs. 3,955,425 (2017 - Rs. 1,740,613) is in Computer and other equipment and Rs. 2,343,086 (2017 - Rs. 533,057) is in Furniture and fixtures. Further Rs. 2,039,864 (2017 - Rs. 5,080,989) is invested in office equipment, Rs. 8,227,830 (2017 - Rs. 7,692,554) in Motor Vehicles and



Rs. 204,002,493 (2017 - Rs. 34,500,627) in Power plants Work-in-progress. Investment in Freehold Land Rs. 2,509,300 (2017 - Rs. 6,884,695). In addition the group invested Rs. 7,167,269 (2017 - Rs. 4,426,260) in biological assets.

Information relating to movement in Property, Plant & Equipment during the year is disclosed under Note. 4 to the financial statement.

#### **Market Value of Freehold Land**

There was no freehold land classified as investment properties.

#### **Investments**

Details of long-term Investments held by the Group are given in Note 5 to the financial statements on page 90.

#### **Directors' Responsibilities**

The Statement of the Directors' Responsibilities is given on page 63 of this report.

#### **Corporate Governance**

The Company has complied with the corporate governance rules laid down under the listing rules of the Colombo Stock Exchange, and the report on corporate governance best practices given in page 40.

#### **Dividend**

Company paid two interim dividend of Rs. 0.10 per share each amounting to a total distribution of Rs. 156,902,296 during the financial year.

#### **Reserves**

The Reserves and Accumulated Profits as at 31st March 2018 amount to Rs. 810,201,685 vs Rs. 569,026,544 as at 31st March 2017. The breakup and the movement are shown in the Statement of Changes in Equity in the financial statements.

#### **Stated Capital**

As per the terms of the Companies Act No. 7 of 2007, the stated capital of the Company was Rs. 1,342,608,484. The movements are shown in the Statement of Changes in Equity in the financial statements.

#### **Post Balance Sheet Events**

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

#### **Statutory Payments**

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been made on time.

#### **Interests Register**

Details of the transactions with Director-related entities are disclosed in Note 25 to the financial statements on page 107, and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 7 of 2007.

#### **Board Committees**

##### **Audit Committee**

Following are the names of the Directors comprising the Audit Committee of the Board:

Mr. M. Zulficar Ghouse  
Mr. Shahid M. Sangani  
Mr. S.S.V Fernando

The report of the Audit Committee on page 59 set out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10.6 of the Rules of the Colombo Stock Exchange on Corporate Governance.

##### **Remuneration Committee**

Following are the names of the Directors comprising the Remuneration Committee of the Board:

Mr. Ranjan Mather – Chairman  
Mr. M. Zulficar Ghouse  
Mr. S.S.V Fernando

The report of the Remuneration Committee on page 60 contain a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive, Non-Executive Directors and other key management personals during the financial year are given in Note 25.2 on page 108 to the financial statement.

##### **Investment and Strategy Committee**

Following are the names of the Directors comprising the Investment and Strategy Committee of the Board;

Mr. Osman Kassim  
Dr. A.A.M. Haroon  
Mr. Ranjan Mather  
Mr. M. Zulficar Ghouse  
Mr. Riyaz M. Sangani

The report of the Investment and Strategy Committee on the strategic direction and the investment policy is given on page 61.

##### **Related Party Transaction Review Committee**

Following are the names of the Directors comprising the Related Party Transaction Review Committee of the Board;

Mr. S.S.V Fernando  
Mrs. B.R.I Sangani  
Mr. Sujendra Mather

The report of the Related Party Transactions Review Committee is given on page 62.

##### **Investor Information and Shareholdings**

The investor information is given on Page 116.

##### **Major Shareholders**

Details of twenty largest shareholders of the company and percentage held by each of them are disclosed in page 118.

# Annual Report of the Board of Directors on the Affairs of the Company

## Directors

The Directors of the Company as at 31st March 2018 and their brief profiles are given on page 20 in this report.

The following Directors retire by rotation and being eligible had offered themselves for re-election.

Mr. Shahid M. Sangani  
Mrs. B.R.I. Sangani  
Mr. C.F. Fuhrer  
Mr. S. Ranjan Mather

## Independence of Directors

In accordance with Rule 7.10.3 of Colombo Stock Exchange Rules on Corporate Governance ('CSE-CG Rules'), Mr. Osman Kassim, Mr. Shahid M. Sangani, Dr. A.A.M. Haroon, Mr. S. Ranjan Mather, Mr. M. Zulficar Ghouse, Mrs. B.R.I. Sangani, Mr. C.F. Fuhrer, Mr. S.S.V. Fernando, Mr. Sattar Kassim, Mr. Sujendra Mather who are Non-Executive Directors of the Company have submitted a signed and dated declaration to the Board of their Independence.

Whereas, the Board of Directors of Vidullanka PLC having noted that Dr. A. A. M. Haroon and Mr. M. Zulficar Ghouse have served on the Board of the Company continuously for a period exceeding nine years from the date of the first appointment, and having declared that all Directors have made a formal declaration of all their interests on an annual basis resolves as follows, in terms of Rule no.7.10.3 (a) of the listing rules of CSE.

IT IS HEREBY RESOLVED that, based on the declarations made as noted above and notwithstanding that Dr. A. A. M. Haroon and Mr. M. Zulficar Ghouse have completed more than 9 consecutive years as Directors, nevertheless the Board considers their "Independent" given their impartial approach to the deliberations of the Board.

## Directors' Shareholding

The interest of the Directors in the shares of the Company as at 31st March of 2017 and 2018 were as follows:

| Director               | No of Ordinary Shares |                     |
|------------------------|-----------------------|---------------------|
|                        | As at<br>31-03-2018   | As at<br>31-03-2017 |
| Mr. Osman Kassim       | 10,442,641            | 9,493,310           |
| Mr. Riyaz M. Sangani   | 93,352,000            | 78,467,353          |
| Mr. Shahid M. Sangani  | 4,227,569             | 2,306,865           |
| Dr. A.A.M. Haroon      | -                     | -                   |
| Mr. S. Ranjan Mather   | 8,250,000             | 5,500,000           |
| Mr. M. Zulficar Ghouse | 4,163,999             | 10,000,000          |
| Mrs. B.R.I. Sangani    | 5,752,417             | 7,598,708           |
| Mr. C.F. Fuhrer        | 1,098,398             | -                   |
| Mr. S.S.V. Fernando    | 4,950,000             | 4,500,000           |
| Mr. Sattar Kassim      | 73,637,368            | 66,933,205          |
| Mr. Sujendra Mather    | 19,827,892            | 18,025,356          |

## Auditors

The resolutions to appoint the present Auditors, Messrs. Ernst & Young Chartered Accountant, who have expressed their willingness to continue in office, will be proposed at the Annual General Meeting.

As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than those disclosed above.

The Audit committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditor. Details of the work of the Audit Committee are set out in the Audit Committee Report.

## Going Concern

The directors are satisfied the company, its subsidiaries and associates have adequate resources to continue in operational existence for the foreseeable future to justify adopting the going concern basis in preparing the financial statements.

## Notice of Meeting

The Annual General Meeting will be held at 10.30am on 31st July 2018 at Baugainville Ballroom, Galadari Hotel, Colombo 01

The Notice of the Annual General Meeting appears on page 121.

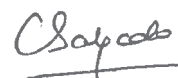
For and on behalf of the Board.



Osman Kassim  
Chairman



Riyaz Sangani  
Chief Executive Officer



Managers & Secretaries (Pvt) Ltd  
Secretaries

Vidullanka PLC  
06 July 2018  
Colombo

# Board Committees

The Board of Directors of Vidullanka PLC has established four board subcommittees and delegated specific duties and responsibilities to ensure adherence to the best corporate governance practices. The subcommittees are responsible for the critical evaluation and providing guidance in making rationale decisions in matters of concern. The corporate governance concepts and best practices are embedded into the functions of the committees.

The Board of Directors of the company has established four board subcommittees focused on different areas including audit and internal control, remuneration, investment and strategy, and related party transactions. As per the requirements of the listing rules, the reports of the Board subcommittees are presented below.

## Audit Committee

### Dear Shareholder,

Report on the affairs of the Audit Committee during the financial year 2017/18.

The audit committee was established in adherence to the listing rule 7.10.6 of Colombo Stock Exchange. In accordance with the guidelines set, the committee is comprised of the following members

Mr. M. Zulficar Ghouse – *Committee Chairman*

Mr. S.S.V. Fernando

Mr. Shahid M.Sangani

Mr. Ghouse is a fellow member of the Institute of Chartered Accountants of Sri Lanka and the Certified Management Accountants of Sri Lanka.

The committee held four meetings during the financial year with the participation of the majority of the committee members, while the Chief Executive Officer and the senior management attended the meetings by invitation.

### Role of the Committee

The committee is entrusted with the objective of overseeing and ensuring the preparation, presentation of the financial statements and including adequate disclosures in accordance with accounting standards, requirements set by the Companies Act and other related regulations. The committee also ensures adequate internal controls and risk management measures are in place to better safeguard the interests of the company from any adverse events.

In addition, the committee advises and directs the senior management on ensuring the company decisions and the new endeavors are in the best interest of the company and shareholders.

In vesting its duties and responsibilities the committee carried out following activities during the financial year is detailed below,

- Review and approve interim and year end financial statements of the group.
- Review of internal control mechanisms in place, review of SOPs implemented and suggested improvement required.
- Reviewed the performance and independence of the external auditors of the group, evaluated alternative options and recommended the Board on the best course of action.
- Reviewed monthly management reports and advised on the improving the overall group performance.

- Reviewed key proposals recommended by the management and advised the board on the implications of the same.

During the year under review the committee reviewed the risk management measures in place with regard to the overseas investments in light of the weakening of rupees against major currencies.

### Independent Auditors

The shareholders of the company reappointed Messers, Ernst & Young as the external auditor of the group companies except Muvumbe Hydro (U) Limited. The Muvumbe Hydro (U) Limited is audited by the Messers, KMPG, Uganda.

The Audit Committee recommends the reappointment of the external auditors for the financial year 2018/19 having reviewed their scope of work, terms of engagement, independence and the remuneration.

I hereby confirm that during the financial year 2017/18, the committee received accurate and unbiased information on timely manner supporting the committee discharging its duties.



M. Zulficar Ghouse  
*Chairman – Audit Committee*  
06 July 2018



# Board Committees

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## Remuneration Committee

### Dear Shareholder,

The report of the remuneration committee activities during the financial year 2017/18

The remuneration committee and the Board of Directors of the company continued to ensure that the remuneration policies and the scales are set to reflect the performance and the market rates. It further ensured that the implementation of such policies encourage performance based rewards and motivation and also focused on retention of the best talent in-house. It also ensured that remuneration policies and practices are in line with the corporate governance best practices.

The remuneration committee is comprised of following Non-Executive Directors as members.

Mr. Ranjan Mather – *Committee Chairman*

Mr. S.S.V. Fernando

Mr. M. Zulficar Ghouse

In accordance with the corporate governance best practices the committee comprised of three Non-Executive Directors among which two directors are independent.

During the year under review, the committee reviewed the process and documentations relating to the Employee Share Option Scheme (ESOS) and directed towards the board and shareholder approval. Accordingly the ESOS scheme is currently operational.

In line with the policies, the committee reviewed the improved performance of the company and recommended annual bonus payments covering all spectrums of the company. During the year under review, the committee further improved the remuneration policies focusing on attracting and retaining the core engineering force of the company.

During the year under review, the committee held three meetings with the participation of all the members of the committee.



Ranjan Mather

*Chairman – Remuneration Committee*

06 July 2018

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## Investment and Strategy Committee

### Dear Shareholders,

The report of the Investment and strategy committee for the financial year 2017/18

The investment and strategy committee is with the mandate to establish investment policies, review investment proposals and opportunities and advise the Board on building a sound investment portfolio with the objective of long term stability and investment protection. The committee deliberates extensively on the investment opportunities and reviewed the risk and return profiles of such investments, in making informed investment decisions and strategy formulations.

The committee is headed by the chairman of the Board and consist of the following members,

Mr. Osman Kassim – *Committee chairman*

Dr. A.A.M. Haroon

Mr. Ranjan Mather

Mr. M. Zulficar Ghouse

Mr. Riyaz M. Sangani

The committee held meeting four times during the year and discussed in detail the performance of the overseas investments in the changing economic climate and deliberated on the actions and strategies with regard to the ongoing investment in Biomass fuelled power plant through Vidul Biomass (Pvt) Limited.

Furthermore, the committee directed the senior management in making decisions with regard to the investment asset portfolio, securing funding and overall business strategy.

Following are the few key deliberations held by the committee in its cause of vesting its duties;

- Critical evaluation of the risk profile of the company in light of the drought condition prevailed.
- Review of status of the acquisition of Timex Bukinda Hydro (U) Limited and structuring of the private placement of shares.
- Review of plant-wise performance in light of the management effort required, and possible restructuring and consolidation of the asset portfolio.
- Evaluation of new investment destinations in Africa and Asia considering the changing global political and investment climate, advised the Board on the best course of action.
- Review of the capital structure of the group, contingent liabilities and associated risks.

During the year under review, the committee recommended exploring strategic alliances with regional funds focused on renewable energy and green funding.



Osman Kassim

*Chairman – Investment & Strategy Committee*

06 July 2018

# Board Committees

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## Related Party Transaction Review Committee

### Dear Shareholder,

The report on the activities of the Related Party Transactions Review committee during the financial year 2017/18.

The committee is vested with the mandate to critically evaluate and advise the Board on the transactions involving the related parties, in order to facilitate the Board in making decisions that would be impartial to all the parties involved and reasonable by the other stakeholders of the company.

The committee consist of following Non-Executive Directors,

Mr. S.S.V Fernando – *Committee Chairman*

Mrs. B.R.I. Sangani

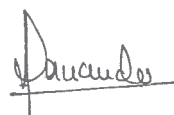
Mr. Sujendra Mather

In accordance with the requirements of the listing rule 9.2, two non executives are independent.

The committee undertakes following in its effort to ensure the related party transactions are objectively evaluated.

- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into, with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary, including, obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval or shareholder approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not detrimental to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors, External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non-recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

During the year under review, the committee held one meeting with the participation of all members. The committee reviewed the transactions involving related parties and concluded that the proposed transactions are conducted at arm's length.



S.S.V. Fernando

*Chairman – Related Party Transaction Review Committee.*

06 July 2018



# Directors' Responsibility for Financial Reporting

The Directors' responsibility in relation to the Financial Statements is detailed below. The report of the Auditors sets out their responsibility in relation to the Financial Statements.

The Companies Act No.07 of 2007 requires that the Directors prepare Financial Statements for each financial year, which reflect a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and the profit for that financial year. In preparation of these statements the Directors are required to ensure that,

1. Appropriate accounting policies have been selected and applied on a consistent basis. Material anomalies, if any, are disclosed and explained.
2. Ensure that all applicable accounting standards have been followed.
3. The adjustments and estimates are reasonable and prudent.
4. The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and that of the Group and to enable them to ensure that the Financial Statements comply with the Companies Act. They are also responsible for taking reasonable steps to safeguard the assets of the Company and to establish appropriate systems of internal controls, which provide reasonable, though not absolute assurance to the Directors that assets are safeguarded and internal controls, are in place with a view to the prevention and detection of fraud and error.
5. The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps, and undertake whatever inspection, they consider to be appropriate for the purpose of enabling them to give their audit report.

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

## Compliance Report

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

By order of the Board,



Managers & Secretaries (Pvt) Ltd  
*Secretaries*

Vidullanka PLC  
06 July 2018







An aerial photograph of a vast, dense forest with a thick canopy of green trees. The perspective is from directly above, looking down on the forest floor. The colors range from deep forest green to lighter, sunlit green at the top of the canopy.

# Ushering in a greener era.

Ever since commissioning our first project, Vidullanka continued to build new generating capacities in its quest for a greener and sustainable future.



# Financial Reports



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| <b>73</b> | Statement of Changes in Equity    |
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| <b>76</b> | Notes to the Financial Statements |



# Independent Auditor's Report



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Chartered Accountants  
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Sri Lanka

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## TO THE SHAREHOLDERS OF VIDULLANKA PLC

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Vidullanka PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018 and the Statement of Comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSSs). 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 Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# Independent Auditor's Report

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| Annual impairment of Goodwill.   |  |
| The financial statements, include Goodwill on consolidation amounting to Rs.215,879,383 which is subject to an annual impairment test using significant estimates as disclosed in Note 5.2.1 to the financial statements. Therefore, we have determined this to be a Key audit matter. | <p>Our audit procedures included the following procedures amongst others.</p> <ul style="list-style-type: none"> <li>• We involved our internal specialists to assist us, in assessing the appropriateness of the models and reasonableness of estimates used by the management.</li> <li>• We also assessed the adequacy of the related disclosures in Note 5.2.1 to the financial Statements.</li> </ul> |

## Other Information included in The 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## 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.

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

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



modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these

matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

The Institute of Chartered Accountant of Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M-2440



06 July 2018  
Colombo

# Statement of Financial Position

|   |       | Group         |               | Company       |               |
|---|-------|---------------|---------------|---------------|---------------|
| As at 31 March                                      |       | 2018          | 2017          | 2018          | 2017          |
|   | Notes | Rs.           | Rs.           | Rs.           | Rs.           |
| ASSETS  |       |               |               |               |               |
| Non-Current Assets                                  |       |               |               |               |               |
| Property, Plant and Equipment                       | 4     | 4,057,474,026 | 3,519,593,686 | 470,191,379   | 492,847,735   |
| Mature Bearer Biological Assets                     | 4.1.8 | 9,806,425     | 3,541,008     | -             | -             |
| Investments in Subsidiaries                         | 5.1   | -             | -             | 804,408,461   | 903,334,126   |
| Investment in Joint Ventures and Associate          | 5.2.2 | 319,172,245   | 327,305,102   | 171,037,412   | 220,912,412   |
| Other Project Investments                           | 6     | 112,928,877   | 134,519,339   | 112,928,877   | 134,519,340   |
| Goodwill  | 5.2.1 | 215,879,383   | 215,879,382   | -             | -             |
| Deferred Taxation                                   | 10.3  | 202,060       | -             | -             | -             |
|   |       | 4,715,463,016 | 4,200,838,517 | 1,558,566,129 | 1,751,613,613 |
| Current Assets                                      |       |               |               |               |               |
| Inventories   |       | 17,632,700    | 12,803,644    | 4,589,912     | 5,151,350     |
| Trade and Other Receivables                         | 7     | 462,113,344   | 256,578,657   | 607,765,202   | 276,091,075   |
| Other Financial Assets                              | 5.3   | 2,500,000     | 153,647,689   | 2,500,000     | 153,647,689   |
| Cash and Bank Balances                              | 20    | 105,616,266   | 81,174,875    | 36,687,715    | 7,346,696     |
|   |       | 587,862,310   | 504,204,865   | 651,542,829   | 442,236,810   |
| Total Assets  |       | 5,303,325,326 | 4,705,043,383 | 2,210,108,958 | 2,193,850,423 |
| EQUITY AND LIABILITIES                              |       |               |               |               |               |
| Capital and Reserves                                |       |               |               |               |               |
| Stated Capital                                      | 8     | 1,342,608,484 | 1,267,893,105 | 1,342,608,484 | 1,267,893,105 |
| Retained Earnings                                   |       | 810,201,685   | 569,026,544   | 141,306,450   | 149,900,900   |
| Other components of equity                          |       | 31,462,897    | (35,150,450)  | -             | -             |
| Equity attributable to Equity Holders of the Parent |       | 2,184,273,066 | 1,801,769,199 | 1,483,914,934 | 1,417,794,005 |
| Non Controlling Interest                            |       | 27,882,261    | 5,820,869     | -             | -             |
| Total Equity  |       | 2,212,155,327 | 1,807,590,068 | 1,483,914,934 | 1,417,794,005 |
| Non-Current Liabilities                             |       |               |               |               |               |
| Financing and Lease (Ijara) Payables                | 9     | 1,728,356,326 | 1,906,785,297 | 92,900,163    | 156,231,626   |
| Defined Benefit Liability                           | 12    | 22,674,659    | 21,946,500    | 19,333,793    | 18,080,258    |
| Deferred Taxation                                   | 10.2  | 112,760,799   | 14,270,492    | 4,230,918     | 14,095,721    |
|   |       | 1,863,791,784 | 1,943,002,289 | 116,464,874   | 188,407,605   |

| As at 31 March                       | Notes | Group                |                      | Company              |                      |
|--------------------------------------|-------|----------------------|----------------------|----------------------|----------------------|
|                                      |       | 2018<br>Rs.          | 2017<br>Rs.          | 2018<br>Rs.          | 2017<br>Rs.          |
| <b>Current Liabilities</b>           |       |                      |                      |                      |                      |
| Trade and Other Payables             | 11    | 322,115,380          | 251,383,522          | 128,451,950          | 62,849,735           |
| Financing and Lease (Ijara) Payables | 9     | 901,094,898          | 697,823,990          | 481,185,886          | 524,511,494          |
| Income Tax Liabilities               |       | 4,167,937            | 5,243,514            | 91,314               | 287,584              |
|                                      |       | 1,227,378,215        | 954,451,026          | 609,729,150          | 587,648,813          |
| <b>Total Equity and Liabilities</b>  |       | <b>5,303,325,326</b> | <b>4,705,043,383</b> | <b>2,210,108,958</b> | <b>2,193,850,423</b> |
| Net Asset Value Per Share (Rs.)      |       | 2.66                 | 2.41                 | 1.81                 | 1.90                 |

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No :07 of 2007.



**Mafaz Ansar**  
*Head of Finance & Treasury*

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



**Riyaz M Sangani**  
*Director*



**M. Zulficar Ghouse**  
*Director*

The accounting policies and notes on pages 76 through 115 form an integral part of these financial statements.

06 July 2018  
Colombo



# Statement of Comprehensive Income

| Year ended 31 March   | Notes | Group              |                   | Company            |                    |
|---|-------|--------------------|-------------------|--------------------|--------------------|
|   |       | 2018<br>Rs.        | 2017<br>Rs.       | 2018<br>Rs.        | 2017<br>Rs.        |
| Revenue   | 13    | 974,838,204        | 534,753,809       | 219,471,224        | 183,286,476        |
| Cost of Sales   |       | (248,468,907)      | (143,692,061)     | (49,198,588)       | (40,181,539)       |
| Gross Profit  |       | 726,369,297        | 391,061,748       | 170,272,636        | 143,104,937        |
| Other Income and Gains / (Losses)   | 17    | 361,477,278        | 26,537,942        | 324,609,567        | 70,689,869         |
| Investment Income from Joint Ventures / Associates                                | 5.2.3 | 85,108,584         | 26,085,760        | -                  | -                  |
| Administrative Expenses   |       | (264,396,094)      | (243,751,088)     | (204,661,984)      | (154,289,549)      |
| Finance Cost  | 15    | (259,911,483)      | (160,747,117)     | (75,836,387)       | (76,375,128)       |
| Finance Income  | 16    | 842,277            | 1,527,478         | 720,962            | 1,107,819          |
| Profit/(Loss) Before Tax  | 14    | 649,489,859        | 40,714,723        | 215,104,794        | (15,762,053)       |
| Income Tax (Expense)/ Reserve   | 10    | (140,270,085)      | 962,223           | 9,759,702          | 5,966,212          |
| <b>Profit/(Loss) for the Year</b>   |       | <b>509,219,774</b> | <b>41,676,946</b> | <b>224,864,496</b> | <b>(9,795,841)</b> |
| <b>Other Comprehensive Income (OCI)</b>   |       |                    |                   |                    |                    |
| <b>Other Comprehensive Income Not to be</b>                                       |       |                    |                   |                    |                    |
| <b>Reclassified to Profit or Loss in Subsequent Period</b>                        |       |                    |                   |                    |                    |
| Net Actuarial Gain/(Loss) on Defined Benefit Plan                                 |       | (631,935)          | (439,358)         | (2,152,628)        | 420,555            |
| Income Tax on Other Comprehensive Income  |       | 316,523            | 53,049            | 301,368            | (73,597)           |
| <b>Other Comprehensive Income to be Reclassified to</b>                           |       |                    |                   |                    |                    |
| <b>Profit or Loss in Subsequent Period</b>  |       |                    |                   |                    |                    |
| Exchange differences on translation of foreign operations                         |       | 66,613,347         | (29,440,714)      | -                  | -                  |
| Share of other comprehensive income of equity<br>accounted investees (net of tax) |       | (83,075)           | 54,549            | -                  | -                  |
| Other Comprehensive Income for the Year, Net of Tax                               |       | 66,214,860         | (29,772,474)      | (1,851,260)        | 346,958            |
| <b>Total Comprehensive Income for the Year, Net of Tax</b>                        |       | <b>575,434,634</b> | <b>11,904,472</b> | <b>223,013,236</b> | <b>(9,448,882)</b> |
| <b>Profit attributable to:</b>  |       |                    |                   |                    |                    |
| Equity Holders of the Parent  |       | 495,035,210        | 40,826,049        | 224,864,496        | (9,795,841)        |
| Non-Controlling Interests   |       | 14,184,564         | 850,897           | -                  | -                  |
|   |       | <b>509,219,774</b> | <b>41,676,946</b> | <b>224,864,496</b> | <b>(9,795,841)</b> |
| <b>Total Comprehensive Income attributable to:</b>                                |       |                    |                   |                    |                    |
| Equity Holders of the Parent  |       | 561,250,415        | 10,997,784        | 223,013,236        | (9,448,882)        |
| Non-Controlling Interests   |       | 14,184,219         | 906,688           | -                  | -                  |
|   |       | <b>575,434,634</b> | <b>11,904,472</b> | <b>223,013,236</b> | <b>(9,448,882)</b> |
| Earnings Per Share - Basic  | 18    | 0.60               | 0.05              | 0.27               | (0.01)             |
| Dividend Per Share  |       |                    |                   | 0.20               | 0.10               |

The accounting policies and notes on pages 76 through 115 form an integral part of these financial statements.

# Statement of Changes in Equity

| Year ended 31 March 2018                |      | Stated<br>Capital | Retained<br>Earnings | Foreign<br>currency<br>translation<br>reserves | Non-<br>Controlling<br>Interest | Total         |
|---|------|-------------------|----------------------|--|---------------------------------|---------------|
|   | Note | Rs.               | Rs.                  | Rs.  | Rs.                             | Rs.           |
| <b>Group</b>                            |      |                   |                      |  |                                 |               |
| Balance as at 31 March 2016             |      | 1,267,893,105     | 603,247,633          | (5,709,736)                                    | 4,968,730                       | 1,870,399,732 |
| Profit for the Year                     |      | -                 | 40,826,049           | -  | 850,898                         | 41,676,947    |
| Other Comprehensive Income              |      | -                 | (331,759)            | (29,440,714)                                   | 1,241                           | (29,771,232)  |
| Total Comprehensive Income for the Year |      | -                 | 40,494,290           | (29,440,714)                                   | 852,139                         | 11,905,715    |
| Dividend paid during the year           | 19   | -                 | (74,715,379)         | -  | -                               | (74,715,379)  |
| Balance as at 31 March 2017             |      | 1,267,893,105     | 569,026,544          | (35,150,450)                                   | 5,820,869                       | 1,807,590,068 |
| Profit for the Year                     |      | -                 | 495,035,210          | -  | 14,184,562                      | 509,219,772   |
| Acquisition of stake                    |      | -                 | (21,843,908)         | -  | 21,843,908                      | -             |
| Capitalization of Reserves              |      | 74,715,379        | (74,715,379)         | -  | -                               | -             |
| Other Comprehensive Income              |      | -                 | (398,486)            | 66,613,347                                     | -                               | 66,214,861    |
| Total Comprehensive Income for the Year |      | 74,715,379        | 398,077,437          | 66,613,347                                     | 36,028,470                      | 575,434,633   |
| Dividend paid during the year           | 19   | -                 | (156,902,296)        | -  | (13,967,077)                    | (170,869,373) |
| Balance as at 31 March 2018             |      | 1,342,608,484     | 810,201,685          | 31,462,897                                     | 27,882,261                      | 2,212,155,327 |
| <b>Company</b>                          |      |                   |                      |  |                                 |               |
| Balance as at 31 March 2016             |      |                   | 1,267,893,105        | 234,065,162                                    |                                 | 1,501,958,267 |
| Loss for the Year                       |      |                   | -                    | (9,795,841)                                    |                                 | (9,795,841)   |
| Other Comprehensive Income              |      |                   | -                    | 346,958  |                                 | 346,958       |
| Total Comprehensive Income for the Year |      |                   | -                    | (9,448,883)                                    |                                 | (9,448,883)   |
| Dividend paid during the year           | 19   |                   | -                    | (74,715,379)                                   |                                 | (74,715,379)  |
| Balance as at 31 March 2017             |      |                   | 1,267,893,105        | 149,900,900                                    |                                 | 1,417,794,005 |
| Profit for the Year                     |      |                   | -                    | 224,864,496                                    |                                 | 224,864,496   |
| Capitalization of Reserves              |      |                   | 74,715,379           | (74,715,379)                                   |                                 | -             |
| Other Comprehensive Income              |      |                   | -                    | (1,841,271)                                    |                                 | (1,841,271)   |
| Total Comprehensive Income for the Year |      |                   | 74,715,379           | 148,307,844                                    |                                 | 223,023,224   |
| Dividend paid during the year           | 19   |                   | -                    | (156,902,296)                                  |                                 | (156,902,296) |
| Balance as at 31 March 2018             |      |                   | 1,342,608,484        | 141,306,450                                    |                                 | 1,483,914,934 |

The accounting policies and notes on pages 76 through 115 form an integral part of these financial statements.

# Statement of Cash Flows

|  |       | Group         |                 | Company       |               |
|--|-------|---------------|-----------------|---------------|---------------|
| Year ended 31 March  |       | 2018          | 2017            | 2018          | 2017          |
|  | Notes | Rs.           | Rs.             | Rs.           | Rs.           |
| Operating Activities   |       |               |                 |               |               |
| Profit/(Loss) Before Tax   |       | 649,489,859   | 40,714,723      | 215,104,794   | (15,762,053)  |
| Adjustments for  |       |               |                 |               |               |
| Depreciation   | 4     | 134,724,160   | 85,370,283      | 25,188,568    | 25,752,940    |
| Profit / Loss on Disposal of Property, Plant and Equipment                       | 17    | 298,493       | (19,195)        | 298,493       | (19,195)      |
| Fair value Loss on Investments in Quoted Shares                                  |       | -             | 11,024,357      | -             | 11,024,357    |
| Profit / Loss on Share Disposal  |       | 3,489,242     | 1,316,939       | 3,489,242     | 1,316,939     |
| Expenses on Defined Benefit Plan   | 12    | 5,940,884     | 4,299,357       | 3,951,236     | 3,513,485     |
| Dividend Income  | 17    | -             | (8,912,827)     | (247,635,521) | (31,788,821)  |
| Impairment / Written off of other projects                                       | 6     | 31,611,319    | 2,508,897       | 31,611,319    | 2,508,897     |
| Profits on Disposal of Stakes  |       | -             | -               | (68,679,710)  | -             |
| Share of Profits from Joint Ventures   | 5.2.3 | (85,108,584)  | (26,085,760)    | -             | -             |
| Finance Income   | 16    | (842,277)     | (1,527,478)     | (720,962)     | (1,107,819)   |
| Finance Cost   | 15    | 259,911,483   | 160,747,117     | 75,836,387    | 76,375,128    |
| Operating Profit Before Working Capital Changes                                  |       | 999,514,579   | 269,436,413     | 38,443,845    | 71,813,858    |
|  |       |               |                 |               |               |
| (Increase) / Decrease in Inventories   |       | (4,829,056)   | (11,642,705)    | 561,438       | (3,474,282)   |
| (Increase) / Decrease in Trade & Other Receivables                               |       | (207,296,427) | 86,381,315      | (333,435,867) | (45,694,216)  |
| Increase / (Decrease) in Other Payables  |       | 70,731,859    | 104,326,476     | 65,602,215    | (64,079,804)  |
| Transfer of expenses from other project investment to relevant project companies |       | 8,005,751     | 16,502,417      | 8,005,751     | 16,502,417    |
| Cash Generated from/(used in) Operations   |       | 866,126,706   | 465,003,916     | (220,822,616) | (24,932,026)  |
|  |       |               |                 |               |               |
| Finance Cost Paid  |       | (258,149,743) | (160,747,117)   | (74,074,647)  | (76,375,128)  |
| Defined Benefit Plan Cost Paid   | 12    | (5,212,725)   | (849,200)       | (4,850,325)   | (849,200)     |
| Income Tax Paid  |       | (1,051,069)   | (3,930,931)     | -             | (3,930,931)   |
| Net Cash from/(used in) Operating Activities                                     |       | 601,713,170   | 299,476,668     | (299,747,589) | (106,087,285) |
| Investing Activities   |       |               |                 |               |               |
| Acquisition of Property, Plant & Equipment                                       | 4     | (669,398,456) | (1,358,857,650) | (3,320,719)   | (2,824,150)   |
| Proceeds from sale of Property Plant and Equipment                               |       | 500,000       | -               | 500,000       | 61,357        |
| Proceeds from Disposal of Stake  |       | 78,409,367    | -               | 217,480,375   | -             |
| Investment in new projects   |       | (18,026,608)  | (74,508,802)    | (18,026,608)  | (74,508,802)  |
| Net Investment on Other Financial assets   |       | 147,658,447   | 30,277,684      | 147,658,447   | 30,277,684    |
| Finance Income Received  |       | 842,277       | 1,527,478       | 720,962       | 1,107,819     |
| Net Cash and Cash Equivalents on Investment in subsidiary                        |       | -             | -               | -             | (20,000,000)  |
| Net proceeds from Investment in Joint Ventures and associates                    |       | -             | -               | -             | -             |
| Dividend Received  |       | 28,770,625    | 8,912,827       | 247,635,521   | 31,788,822    |
| Net Cash Flows/(used in) Investing Activities                                    |       | (431,244,347) | (1,392,648,463) | 592,647,979   | (34,097,270)  |



| Year ended 31 March   | Notes     | Group                |                      | Company              |                     |
|---|-----------|----------------------|----------------------|----------------------|---------------------|
|   |           | 2018<br>Rs.          | 2017<br>Rs.          | 2018<br>Rs.          | 2017<br>Rs.         |
| <b>Financing Activities</b>                                   |           |                      |                      |                      |                     |
| Dividend Payments   |           | (170,869,371)        | (74,715,379)         | (156,902,296)        | (74,715,379)        |
| Principal Payment Under Ijara Facilities (Finance Leases)     |           | (2,909,622)          | (2,610,254)          | (1,232,020)          | (1,115,240)         |
| Principal Payment Under Murabaha Facilities                   |           | (19,978,986)         | (18,175,147)         | (19,978,986)         | (18,175,147)        |
| Principal Payment Under Diminishing Musharakah Facilities     |           | (200,102,715)        | (188,692,711)        | (25,000,003)         | (25,000,000)        |
| Principal Payment Under Wakala Facilities                     |           | (39,999,996)         | (39,999,996)         | (39,999,996)         | (39,999,996)        |
| Principal Payment Under Short term Facilities                 |           | (517,695,699)        | (45,943,087)         | (517,695,699)        | (45,943,087)        |
| Proceeds from Wakala Facilities                               |           | -                    | 71,926,285           | -                    | 71,926,285          |
| Proceeds from Ijara Facilities                                |           | 3,700,000            | -                    | -                    | -                   |
| Proceeds from Diminishing Musharakah Facilities               |           | 304,579,324          | 1,121,996,495        | -                    | -                   |
| Proceeds from Short term Facilities                           |           | 497,249,632          | 257,737,334          | 497,249,632          | 257,737,334         |
| <b>Net Cash Flows From Financing Activities</b>               |           | <b>(146,027,433)</b> | <b>1,081,523,540</b> | <b>(263,559,368)</b> | <b>124,714,770</b>  |
| <b>Net Increase / (Decrease) in Cash and Cash Equivalents</b> |           | <b>24,441,391</b>    | <b>(11,648,255)</b>  | <b>29,341,019</b>    | <b>(15,469,785)</b> |
| <b>Cash and Cash Equivalents at the Beginning of the year</b> |           | <b>81,174,875</b>    | <b>92,823,130</b>    | <b>7,346,696</b>     | <b>22,816,481</b>   |
| <b>Cash and Cash Equivalents at the End of the year</b>       | <b>20</b> | <b>105,616,266</b>   | <b>81,174,875</b>    | <b>36,687,715</b>    | <b>7,346,696</b>    |

The accounting policies and notes on pages 76 through 115 form an integral part of these financial statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 General

Vidullanka PLC ("the Company") is a public quoted Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Level 4, Access Towers, No.278, Union Place, Colombo 02 and the principal places of business are situated in Rathnapura District.

The Consolidated financial statements of the company for the year ended 31 March 2018 comprise the Company and its Subsidiaries (together referred as the "Group").

#### Subsidiaries

Vidul Engineering Limited is a fully owned Subsidiary of Vidullanka PLC. Vidul Engineering Limited was incorporated on 03 September 2007 under the Companies Act No.07 of 2007. The registered office of the subsidiary is located at Level 04, Access Tower, No, 278, Union Place, Colombo 02.

Walagamba Balashakthi (Pvt) Limited is a fully owned Subsidiary of Vidullanka PLC. Walagamba Balashakthi (Pvt) Limited was incorporated on 07 July 2008 under the Companies Act No.07 of 2007. The registered office of the subsidiary is located at Level 04, Access Tower, No, 278, Union Place, Colombo 02.

Rideepana Hydro (Pvt) Limited, a company incorporated in Sri Lanka under the Companies Act No. 07 of 2007. The registered office of the subsidiary is located at Level 4, Access Towers, No 278, Union Place, Colombo 02. Vidullanka PLC owns 95% of the equity stake in the project company.

Muvumbe Hydro (U) Limited is a subsidiary of Vidullanka PLC, incorporated as a limited liability company in the Republic of Uganda under the Companies Act No 110 of 2012.

The registered office of Muvumbe Hydro (U) Limited is located at Get in House, First Floor suite No. 3, Plot 3, William Street, Kampala, Uganda. Vidullanka PLC owns 95% of the equity share in the company.

Vidul Biomass (Pvt) Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The company is a fully owned subsidiary of Vidullanka PLC. The registered office of the Company is located at Level 04, Access Towers, No.278, Union Place, Colombo 02.

Vidul Plantation (Pvt) Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The company is a fully owned subsidiary of Vidullanka PLC. The registered office of the Company is located at Level 04, Access Towers, No.278, Union Place, Colombo 02.

Lower Kotmale Oya Hydro Power (Pvt) Limited is a limited liability company incorporated on 06 April 2010 under the Companies Act No 07 of 2007. The company is a fully owned subsidiary of Vidullanka PLC. The registered office of the company is located at Level 04, Access Towers, No.278, Union Place, Colombo 02.

Udawela Hydro (Pvt) Limited is a limited liability company incorporated on 24 November 2009 under the Companies Act No 07 of 2007. The company is a fully owned subsidiary of Vidullanka PLC. The registered office of the company is located at Level 04, Access Towers, No.278, Union Place, Colombo 02.

#### Joint Ventures

Vidullanka PLC has following investment in the following joint venture companies;

| Joint Venture                    | Holding Percentage | Joint Venture Partner             |
|----------------------------------|--------------------|-----------------------------------|
| Gurugoda Hydro (Pvt) Limited     | 50%                | RenewGen (Pvt) Limited            |
| Udaka Energy Group (Pvt) Limited | 50%                | Vanguard Industries (Pvt) Limited |
| Vidul Madugeta (Pvt) Limited     | 50%                | RenewGen (Pvt) Limited            |

The registered offices of the above companies are located at Level 4, Access Tower, No. 278, Union Place, Colombo 02.

#### Associate

Nilwala Vidulibala Company (Pvt) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Pahuruthota, Morawaka, Matara and the principal place of business is located at Morawaka, Matara. Vidullanka PLC holds 26.3% equity stake in the Company.

### 1.2 Principal Activities and Nature of Operations

#### Company

The principal activity of the company is to produce electrical energy and transmit to feed the national grid. For this purpose the company has constructed two hydropower plants at Bambarabatuoya, Balangoda Ratnapura and Batathota Kuruwita. Bambarabatuoya mini hydropower plant commenced its operation during June 2001 and the Batathota mini hydropower plant commenced its operation during March 2007.

## Subsidiaries

The principal activity of Vidul Engineering Limited is the provision of construction and engineering services related to hydropower plants & hydraulic structures.

The principal activity of Walagamba Balashakthi (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Wembiyagoda mini hydro power plant in Kalawana Rathnapura.

The principal activity of Rideepana Hydro (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Rideepana mini hydropower plant in Badulla.

The principal activity of Muvumbe Hydro (U) Limited is to produce electrical energy and transmit to the national grid from the Muvumbe small hydropower plant in Kabale District of Republic of Uganda.

The principal activity of the Vidul Biomass (Pvt) Limited is to produce electrical energy and transmit to feed the national grid. For this purpose the company has commenced the construction of a biomass power plant in Dehiattakandiya.

The principal activity of the Vidul Plantation (Pvt) Limited is the cultivation and supply of fuelwood to the biomass power plant to be operated by Vidul Biomass (Pvt) Ltd, in Dehiattakandiya.

The principal activity of Udawela Hydro (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Udawela mini hydropower plant in Badulla. The Udawela mini hydropower plant was commissioned to the national grid on 29th December 2017.

## Joint Ventures

The principal activity of Gurugoda Hydro (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Ganthuna mini hydropower plant in Aranayaka, Kegalle.

The principal activity of Udaka Energy Group (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Haloya mini hydropower plant in Welimada, Badulla.

The principal activity of Vidul Madugeta (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Madugeta mini hydropower plant in Neluwa, Galle.

## Associate

The principal activity of Nilwala Vidulibala Company (Pvt) Ltd is to produce electrical energy and transmit to feed the national grid from its Ethamala Ella mini hydropower project in Morawaka, Matara.

## 1.3 Date of Authorization for Issue

The Consolidated Financial Statements of Vidullanka PLC, for the year ended 31 March 2018 was authorized for issue in accordance with a resolution of the Board of Directors on 6 July 2018.

## 2.1 Basis of Preparation

### 2.1.1 Statement of Compliance

The Consolidated Financial Statement of the Group and the separated Financial Statement of the Company, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No 7 of 2007.

### 2.1.2 Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except financial instruments at fair value through profit or loss that have been measured at fair value and defined benefit

obligations is recognised as the present value of the defined benefit obligation.

## 2.1.3 Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs.) and all values are rounded to the nearest rupee, except when otherwise indicated.

### 2.1.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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



# Notes to the Financial Statements

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

## 2.1.5 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 01, (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of comprehensive income unless required or permitted by an Accounting Standard.

## 2.1.6 Comparative Information

The comparative information is restated or re-classified wherever necessary to conform to the current year's presentation.

## 2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements of the Group in conformity with Sri Lanka Accounting Standards (SLFRSs) requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements of the Group and the Company are as follows:

### 2.2.1 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 2.2.2 Impairment Loss on Non Financial Assets

The Group determines whether the assets have been impaired by performing an impairment review. If any such indication exists or when annual impairment testing for the assets is required, the Group makes an estimate of the assets recoverable amount. This requires the estimation of the 'value in use' of the cash generating units. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

### 2.2.3 Defined Benefit Plan

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

### 2.2.4 Useful Lives of Property, Plant and Equipment & Mature Bearer Biological Assets

The Group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgement by the management is exercised in the estimation of these values, rates and methods and hence they are subject to uncertainty.

## 2.3 Summary of Significant Accounting Policies

### 2.3.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition and the amount of any non-controlling interest in the acquiree.

Acquisition related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised as a profit or loss.

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

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

### **2.3.2 Interest on Equity Accounted Investees – Joint ventures and Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method. The Company discloses the cost less any accumulated impairment loss of the investment in the individual financial statements.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of comprehensive income outside operating profit.

The financial statements of the associate and joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from the disposal is recognised in profit or loss.

### **2.3.3 Foreign Currency**

#### **2.3.3.1 Foreign Currency Translation**

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

# Notes to the Financial Statements

## 2.3.3.2 Net Gain or Loss on Conversion of Foreign Operation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated into Sri Lanka Rupees at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Sri Lanka Rupees at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI, and accumulated in the foreign currency translation reserve (Translation reserve), except to the extent that the translation difference is allocated to NCI.

## 2.3.4 Taxation

### Current Taxes

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax law used to compute the amount are those that are enacted or substantively enacted at the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act.

Gurugoda Hydro (Pvt) Limited, Vidul Madugeta (Pvt) Limited, Lower Kotmale Oya Hydro Power (Pvt) Limited and Walagamba Balashakthi (Pvt) Limited, Udawela Hydro (Pvt) Limited are the companies approved under Board of Investments Law, as such the companies enjoy a tax holiday for five years effective from the year in which the company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations, whichever is earlier, as per the agreement dated 28 May 2009, 29 September 2011, 2 June 2011, 28 October 2010 and 07 April 2016

respectively. Currently, the companies are in the tax holiday period except Gurugoda Hydro (Pvt) Limited.

After the expiration of the tax exemption period or tax holiday, the income of the Company shall be charged at the concessionary rate of 10% for a period of 2 years and 20% thereafter.

Udaka Energy Group (Pvt) Limited, was entitled for 5 years tax holiday under the provisions of subsection 16 of Inland Revenue Act 10 of 2006 having invested more than Rs.100Mn in the development of a hydropower plant. However, in accordance with the provisions of the Inland Revenue Act No 24 of 2017, the company will be subjected to an income tax at a rate of 14%.

Rideepana Hydro (Pvt) Limited is a BOI approved company entitle for a 6 year tax holiday under subsection 16 of the inland revenue act of 10 of 2006 having invested over Rs.300Mn by 31 March 2015 as an specific undertaking. In accordance with the transitional provisions of the Inland Revenue Act No.24 of 2017, the benefits and concessions extended under BOI agreements will prevail.

After the expiration of the aforesaid concessionary tax rate the profits and income of the enterprises shall for any year of assessment be changed at the rate of 14%.

However, other income of the company is liable for income tax in accordance with the provisions of the Inland Revenue Act.

Muvumbe Hydro (U) Limited is a company subjected to the provisions of Uganda Revenue act No 10 of 2017, the company is liable for tax at a rate of 30% on its taxable income.

Management has used its judgment on the application of tax laws, including transfer pricing regulations involving identification of

associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

### Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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



### 2.3.5 Borrowing Costs

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

### 2.3.6 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The costs incurred in bringing the inventories to its present location and the conditions are accounted as follows:-

Raw Materials - At actual cost on first-in, first-out basis (FIFO)

### 2.3.7 Financial Instruments – Initial Recognition and Subsequent Measurement

#### 2.3.7.1 Financial Assets

##### Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by

regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

#### (a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

#### (b) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income (positive and negative net changes in fair value) in the statement of comprehensive income.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date

and only if the criteria under LKAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

##### De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired and the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that

# Notes to the Financial Statements

loss event has an impact on the estimated future cash flows of the financial asset or the 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 2.3.7.2 Financial Liabilities

### Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, loans and borrowings, financial guarantee contracts.

### Subsequent Measurement

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

### Financing and Lease (Ijara) Payables

After initial recognition, financing and lease (Ijara) payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

### De-recognition

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

### Fair Value of Financial Instruments

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

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

## 2.3.8 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 overdrafts. Investments with short maturities i.e. three months or less from the date of acquisitions are also treated as cash equivalents.

## 2.3.9 Property, Plant and Equipment

### a) Recognition and Measurement

All items of Property, Plant and Equipment are initially recorded at cost. Subsequent to the initial recognition the Group records assets at cost less any accumulated depreciation and accumulated impairment loss thereon.

### b) Depreciation

The provision for depreciation is calculated by using a straight line method on the cost or valuation of all property, plant and equipment other than freehold land, in order to write off such amounts over the following estimated useful lives by equal installments.

|                                 |                      |
|---------------------------------|----------------------|
| Office Furniture                | 10 Years             |
| Office Equipment                | 05 Years             |
| Plant and Machinery             | 05 Years to 40 Years |
| Computer and Computer Equipment | 04 Years             |
| Vehicles                        | 05 Years             |

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

## 2.3.10 Mature Bearer Biological Asset

All items of Mature Bearer Biological Asset are initially recorded at cost. Subsequent to the initial recognition the Group records assets at cost less any accumulated depreciation and accumulated impairment loss thereon.

The estimated useful life of the Mature Bearer Biological Assets is 5 years and depreciated over their useful lives.

## 2.3.11 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the

arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

#### **Group as a Lessee**

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

#### **Group as a Lessor**

Hydropower plants in which the group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease income from all power plants is recognised in the statement of comprehensive income based on energy output for the period, which is more representative of the time pattern in which use benefit derived from leased assets are diminished. Cost including depreciation incurred in earning the lease income is recognised as an expense. The depreciation policy for depreciable leased assets is consistent with the group's normal depreciation policy for similar assets.

#### **2.3.12 Other Project Investments**

The Group's investments in the development of various power generating projects are included under this category. Other Project Investments are stated at cost or lower of management's estimation of realizable value. The Group assesses the viability of the projects at each reporting date for any indications of impairment. Any impairment recognized will be charged to the statement of comprehensive income.

#### **2.3.13 Impairment of Non Financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is

the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Whereby, the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to assets. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired assets, except for property previously revalued where the revaluation was taken to equity. In this case, impairment is also recognized in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation. Had no impairment loss been recognized for the asset in prior years such reversal is recognized in the statement of comprehensive income unless the asset is

carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

#### **2.3.14 Provisions**

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

#### **2.3.15 Defined Benefit Plan – Gratuity**

The Group annually measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using the Projected Unit Credit Actuarial Valuation method.

This item is stated under the Defined Benefit Liability in the Statement of Financial Position.

##### **a) Recognition of Actuarial Gains and Losses**

Actuarial gains and losses are recognized as other comprehensive income/expenses in the year in which it arose itself.

##### **b) Funding Arrangements**

The gratuity liability is not externally funded.

#### **2.3.16 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 Group contributes 12 % and 3%



# Notes to the Financial Statements

of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

## 2.4 Statement of Comprehensive Income

### 2.4.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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) Energy Supplied

Revenue from energy supplied is recognized, upon delivery of energy from the power plant and the adjustment for transmission line losses shall be adjusted monthly upon receiving the meter reading by the buyer (Ceylon Electricity Board or Uganda Electricity Transmission Company Limited) at the metering point. Delivery of Electrical Energy shall be completed when Electrical Energy meets the specifications as set out in the Power Purchase Agreement is received at the metering point. As per the Standard Power Purchasing Agreement, the power plants are to be operated as must run facilities and the tariff/price is also governed by the same agreement.

#### b) Interest

Interest Income is recognised as the interest accrues (taking into account the effective interest rate) unless collectibles are doubtful.

#### c) Rendering of Services

Revenue from rendering of services is recognized by reference to the stage of completion.

#### d) Dividend Income

Dividend income is recognised when the right to receive payment is established.

#### e) Other Income

Other income is recognized on an accrual basis. 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 statement of comprehensive income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

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

### 2.4.2 Expenditure Recognition

- a) Expenses are recognized in the income statement on the basis of direct association between the cost incurred and the earning of specific item of income. All expenditure incurred in the running of the business and the maintenance of the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.
- b) For the purpose of presentation of Statement of comprehensive income the Directors are of the opinion that function of expenses method presents fairly the elements of the Group's performance, and hence such presentation method is adopted.
- c) Finance expenses are recognized in the statement of comprehensive income on effective interest cost basis.

### 2.4.3 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group's other components.

The Group comprises of three major business segments: Power Generation (Local), Power Generation (Overseas) and Engineering, Consultation & Project Management. Details of the segment reporting are shown in Note 21 to the Financial Statements.

### 2.4.4 Net Asset Per Share

The Net Asset Per Share is arrived by dividing the net asset attributable to the equity holders of the Company by the number of shares of the company.

### 2.4.5 Earning Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 2.4.6 Dividend Per Share

The Company presents its dividend per share (DPS) for its ordinary shares. The DPS is calculated by dividing the total dividend by the number of ordinary shares.

## 3. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 MARCH 2018

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements. None of those have been early adopted by the group.

**a) SLFRS 9 Financial Instruments**

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

**b) SLFRS 15 Revenue from Contracts with Customers**

SLFRS 15 is effective for periods beginning on 1 January 2018 with early adoption permitted. SLFRS 15 defines principles for recognizing revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of SLFRS 15 and will be regulated by the other applicable standards (e.g., SLFRS 9, and SLFRS 16 Leases).

Revenue under SLFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The entity does not anticipate early adopting SLFRS 15. The Group's preliminary evaluation has not revealed a significant change to the revenue recognition pattern. However, the Group is currently in the process of evaluating and quantifying the accounting impact and the contemporary system and processes will be modified where necessary.

**c) SLFRS 16 Leases**

SLFRS 16 provides a single lessee accounting model, requiring leases to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers. SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The impact on the implementation of the above Standard has not been quantified yet by the group.

**d) Business Segment Reporting**

An operating segment is a element of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the audit committee to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the audit committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

# Notes to the Financial Statements

## 4. PROPERTY, PLANT AND EQUIPMENT

### 4.1 Group

#### 4.1.1 Gross Carrying Amounts

|                                   | Balance<br>as at<br>01.04.2017<br>Rs. | Additions/<br>Transfers<br>Rs. | Transfers/<br>Disposals<br>Rs. | Unrealised<br>Exchange<br>Gain/(Loss)<br>Rs. | Balance<br>as at<br>31.03.2018<br>Rs. |
|-----------------------------------|---------------------------------------|--------------------------------|--------------------------------|--|---------------------------------------|
| Freehold Land                     | 55,617,253                            | 2,509,300                      | -                              | -  | 58,126,553                            |
| Office Furniture and Fittings     | 12,505,165                            | 2,343,086                      | (1,858,833)                    | 36,630                                       | 13,026,048                            |
| Office Equipment                  | 16,642,017                            | 2,039,864                      | (1,234,666)                    | 133,802                                      | 17,581,016                            |
| Computers and Computer Equipment  | 18,283,606                            | 3,955,425                      | (173,205)                      | 203,262                                      | 22,269,088                            |
| Plant and Machinery               | 3,732,060,392                         | 392,616,182                    | (3,025,483)                    | 93,637,523                                   | 4,215,288,614                         |
| Motor Vehicles                    | 34,906,800                            | 794,830                        | (1,501,115)                    | 621,703                                      | 34,822,218                            |
|                                   | 3,870,015,233                         | 404,258,687                    | (7,793,302)                    | 94,632,920                                   | 4,361,113,537                         |
| On Finance Lease                  |                                       |                                |                                |  |                                       |
| Motor Vehicle                     | 14,901,887                            | 7,433,000                      | -                              | -  | 22,334,887                            |
|                                   | 14,901,887                            | 7,433,000                      | -                              | -  | 22,334,887                            |
| Total Value of Depreciable Assets | 3,884,917,120                         | 411,691,687                    | (7,793,302)                    | 94,632,920                                   | 4,383,448,424                         |

#### 4.1.2 In the Course of Construction

|                              | Balance<br>as at<br>01.04.2017<br>Rs. | Incurred<br>During<br>the Year<br>Rs. | Transfers<br>Rs. | Unrealised<br>Exchange<br>Gain/(Loss)<br>Rs. | Balance<br>as at<br>31.03.2018<br>Rs. |
|------------------------------|---------------------------------------|---------------------------------------|------------------|--|---------------------------------------|
| Power Plant Work-in-Progress | 34,500,627                            | 512,388,753                           | (342,886,887)    | -  | 204,002,493                           |
|                              | 34,500,627                            | 512,388,753                           | (342,886,887)    | -  | 204,002,493                           |
| Total Gross Carrying Value   | 3,919,417,747                         | 924,080,440                           | (350,680,190)    | 94,632,920                                   | 4,587,450,917                         |

#### 4.1.3 Depreciation

|                                   | Balance<br>as at<br>01.04.2017<br>Rs. | Charge for the<br>year/Transfers<br>Rs. | Transfers/<br>Disposals<br>Rs. | Balance<br>as at<br>31.03.2018<br>Rs. |
|-----------------------------------|---------------------------------------|---|--------------------------------|---------------------------------------|
| At Cost                           |                                       |   |                                |                                       |
| Office Furniture and Fittings     | 6,935,835                             | 1,340,918                               | (1,070,369)                    | 7,206,384                             |
| Office Equipments                 | 9,609,817                             | 2,381,199                               | (1,224,181)                    | 10,766,835                            |
| Computers and Computer Equipments | 13,456,705                            | 2,408,720                               | (159,266)                      | 15,706,160                            |
| Plant and Machinery               | 342,253,122                           | 119,439,741                             | (270,292)                      | 461,422,571                           |
| Motor Vehicles                    | 22,956,024                            | 5,286,737                               | (961,971)                      | 27,280,790                            |
|                                   | 395,211,504                           | 130,857,315                             | (3,686,079)                    | 522,382,739                           |
| On Finance Lease                  |                                       |   |                                |                                       |
| Motor Vehicle                     | 4,612,558                             | 2,981,593                               | -                              | 7,594,151                             |
|                                   | 4,612,558                             | 2,981,593                               | -                              | 7,594,151                             |
| Total Depreciation                | 399,824,062                           | 133,838,909                             | (3,686,079)                    | 529,976,890                           |



#### 4.1.4 Net Book Values

|   | 2018<br>Rs.          | 2017<br>Rs.          |
|---|----------------------|----------------------|
| <b>At Cost</b>  |                      |                      |
| Freehold Land   | 58,126,553           | 55,617,253           |
| Office Furniture and Fittings                                 | 5,819,663            | 5,569,330            |
| Office Equipment  | 6,814,181            | 7,032,200            |
| Computers and Computer Equipments                             | 6,562,928            | 4,826,900            |
| Plant and Machinery   | 3,753,866,043        | 3,389,807,270        |
| Motor Vehicles  | 7,541,428            | 11,950,777           |
|   | 3,838,730,797        | 3,474,803,730        |
| <b>On Finance Lease</b>                                       |                      |                      |
| Motor Vehicles  | 14,740,736           | 10,289,329           |
|   | 14,740,736           | 10,289,329           |
| <b>In the Course of Construction</b>                          |                      |                      |
| Power Plant Work-in-Progress                                  | 204,002,493          | 34,500,627           |
|   | 204,002,493          | 34,500,627           |
| <b>Total Carrying Amount of Property, Plant and Equipment</b> | <b>4,057,474,026</b> | <b>3,519,593,686</b> |

**4.1.5** The carrying value of property, plant and equipment held under finance leases and Ijara as at 31 March 2018 was Rs. 14,740,736/- (2017 - Rs. 10,289,329/-). During the year the group acquired property plant and equipment aggregate value of Rs. 669,398,456/- (2017 - Rs. 1,559,952,921/-).

**4.1.6** Property, plant and equipment includes fully depreciated assets that are still in use having a gross carrying amount of Rs. 42,885,633/- and in (2017 - Rs. 46,152,337/-).

**4.1.7** The Group holds a gross extent of 20.48 acres of land in Balangoda, Kalawana, and Kuruwita, Ratnapura District. The Group also owns the civil structures of the power plants located in Balangoda, Kalawana and Kuruwita, Lower Kothmale and Badulla.

# Notes to the Financial Statements

## 4. PROPERTY, PLANT & EQUIPMENT (CONTD...)

### 4.1.8 Mature Bearer Biological Assets

|                        | Balance<br>as at<br>01.04.2017<br>Rs. | Additions/<br>Transfers<br>Rs. | Transfers/<br>Disposals<br>Rs. | Balance<br>as at<br>31.03.2018<br>Rs. |
|------------------------|---------------------------------------|--------------------------------|--------------------------------|---------------------------------------|
| Gross Carrying Amounts |                                       |                                |                                |                                       |
| Gliricidia fuel wood   | 4,426,260                             | 7,167,269                      | (16,600)                       | 11,576,929                            |
|                        | 4,426,260                             | 7,167,269                      | (16,600)                       | 11,576,929                            |

|                      | Balance<br>as at<br>01.04.2017<br>Rs. | Charge<br>for the Year<br>Rs. | Transfers/<br>Disposals<br>Rs. | Balance<br>as at<br>31.03.2018<br>Rs. |
|----------------------|---------------------------------------|-------------------------------|--------------------------------|---------------------------------------|
| Depreciation         |                                       |                               |                                |                                       |
| Gliricidia fuel wood | 885,252                               | 885,252                       | -                              | 1,770,504                             |
| Total Depreciation   | 885,252                               | 885,252                       | -                              | 1,770,504                             |

| Net Book Values<br>At Cost | 2018<br>Rs. | 2017<br>Rs. |
|----------------------------|-------------|-------------|
| Written Down Value         | 9,806,425   | 3,541,008   |

## 4.2 Company

### 4.2.1 Gross Carrying Amounts

|                                   | Balance<br>as at<br>01.04.2017<br>Rs. | Additions<br>/ Transfers<br>Rs. | Transfers<br>/ (Disposals)<br>Rs. | Balance<br>as at<br>31.03.2018<br>Rs. |
|-----------------------------------|---------------------------------------|---------------------------------|-----------------------------------|---------------------------------------|
| At Cost                           |                                       |                                 |                                   |                                       |
| Freehold Land                     | 27,839,175                            | -                               | -                                 | 27,839,175                            |
| Office Furniture and Fittings     | 10,549,212                            | 344,173                         | (1,858,833)                       | 9,034,552                             |
| Office Equipments                 | 12,134,752                            | 484,313                         | (1,234,666)                       | 11,384,399                            |
| Computers and Computer Equipments | 10,460,810                            | 1,106,748                       | (173,205)                         | 11,394,353                            |
| Plant and Machinery               | 637,023,430                           | 1,409,866                       | -                                 | 638,433,296                           |
| Motor Vehicles                    | 22,548,639                            | -                               | -                                 | 22,548,639                            |
|                                   | 720,556,018                           | 3,345,100                       | (3,266,704)                       | 720,634,413                           |
| On Finance Lease                  |                                       |                                 |                                   |                                       |
| Motor Vehicle                     | 7,458,075                             | -                               | -                                 | 7,458,075                             |
|                                   | 7,458,075                             | -                               | -                                 | 7,458,075                             |
| Total Gross Carrying Value        | 728,014,093                           | 3,345,100                       | (3,266,704)                       | 728,092,488                           |

#### 4.2.2 Depreciation

|                                   | Balance<br>as at<br>01.04.2017<br>Rs. | Charge for<br>the year/<br>Transfers<br>Rs. | Transfers/<br>(Disposals)<br>Rs. | Balance<br>as at<br>31.03.2018<br>Rs. |
|-----------------------------------|---------------------------------------|---|----------------------------------|---------------------------------------|
| <b>At Cost</b>                    |                                       |   |                                  |                                       |
| Office Furniture and Fittings     | 6,095,175                             | 801,739                                     | (1,070,369)                      | 5,826,545                             |
| Office Equipments                 | 8,276,829                             | 1,422,667                                   | (1,224,181)                      | 8,475,315                             |
| Computers and Computer Equipments | 8,885,455                             | 847,627                                     | (159,266)                        | 9,573,816                             |
| Plant and Machinery               | 193,233,240                           | 17,122,469                                  | -                                | 210,355,709                           |
| Motor Vehicle                     | 16,536,225                            | 3,499,605                                   | -                                | 20,035,830                            |
|                                   | 233,026,924                           | 23,694,107                                  | (2,453,816)                      | 254,267,215                           |
| <b>On Finance Lease</b>           |                                       |   |                                  |                                       |
| Motor Vehicle                     | 2,139,435                             | 1,494,460                                   | -                                | 3,633,895                             |
|                                   | 2,139,435                             | 1,494,460                                   | -                                | 3,633,895                             |
| <b>Total Depreciation</b>         | <b>235,166,359</b>                    | <b>25,188,567</b>                           | <b>(2,453,816)</b>               | <b>257,901,110</b>                    |

#### 4.2.3 Net Book Values

|   | 2018<br>Rs.        | 2017<br>Rs.        |
|---|--------------------|--------------------|
| <b>At Cost</b>  |                    |                    |
| Freehold Land   | 27,839,175         | 27,839,175         |
| Office Furniture and Fittings                                 | 3,208,007          | 4,454,037          |
| Office Equipment  | 2,909,084          | 3,857,923          |
| Computers and Computer Equipments                             | 1,820,537          | 1,575,355          |
| Plant and Machinery   | 428,077,587        | 443,790,191        |
| Motor Vehicles  | 2,512,809          | 6,012,414          |
|   | 466,367,198        | 487,529,095        |
| <b>On Finance Lease</b>                                       |                    |                    |
| Motor Vehicles  | 3,824,181          | 5,318,640          |
|   | 3,824,181          | 5,318,640          |
| <b>Total Carrying Amount of Property, Plant and Equipment</b> | <b>470,191,379</b> | <b>492,847,735</b> |

**4.2.4** The carrying value of Property, Plant & Equipment held under finance leases and ljarah as at 31 March 2018 was Rs. 3,824,180/- (2017 - Rs. 5,318,640/-) During the year the group acquired property plant and equipment aggregate value of 3,320,719 /- (2017 - Rs. 2,824,150/-)

**4.2.5** Property, plant and equipment includes fully depreciated assets that are still in use having a gross carrying amount of Rs. 28,363,207/- (2017 - Rs. 31,026,452/-).

**4.2.6** The company holds lands with a gross extent of 7.51 acres in Balangoda and Kuruwita in Ratnapura District. The Company also owns the civil structures associated with the power plants in the above said locations.



# Notes to the Financial Statements

## 5. INVESTMENTS

Group and Company

### 5.1 Investments in Subsidiaries (Company)

| Non Quoted                               | Relationship | 2018<br>Holding<br>Percentage | 2017<br>Holding<br>Percentage | 2018<br>Cost<br>Rs. | 2017<br>Cost<br>Rs. |
|--|--------------|-------------------------------|-------------------------------|---------------------|---------------------|
| Vidul Engineering Ltd                    | Subsidiary   | 100%                          | 100%                          | 26,700,080          | 26,700,080          |
| Walagamba Balashakthi (Pvt) Ltd          | Subsidiary   | 100%                          | 100%                          | 36,000,000          | 48,000,000          |
| Rideepana Hydro (Pvt) Ltd                | Subsidiary   | 95%                           | 95%                           | 62,500,000          | 62,500,000          |
| Vidul Biomass (Pvt) Ltd                  | Subsidiary   | 100%                          | 100%                          | 101,000             | 101,000             |
| Muvumbe Hydro (U) Ltd                    | Subsidiary   | 95%                           | 100%                          | 400,912,327         | 400,912,327         |
| Vidul Plantation (Pvt) Ltd               | Subsidiary   | 100%                          | 100%                          | 10                  | 10                  |
| Lower Kothmale Oya Hydro Power (Pvt) Ltd | Subsidiary   | 100%                          | 100%                          | 258,195,044         | 345,120,709         |
| Udawela Hydro (Pvt) Ltd                  | Subsidiary   | 100%                          | 100%                          | 20,000,000          | 20,000,000          |
|  |              |                               |                               | 804,408,461         | 903,334,126         |

During the year Walagamba Balashakthi (Pvt) Ltd and Lower Kothmale Oya Hydro Power (Pvt) Ltd have authorised the repurchase of 25% of ordinary shares held by shareholders, which resulted the reduction of investment by Rs. 98.92Mn, however there are no changes in ownership and control.

#### 5.1.1 Material Partially Owned Subsidiaries

As per SLFRS 12 (Disclosure of Interests in Other Entities), Financial information of Subsidiaries that have material non-control interest needs to be disclosed separately. However the Management of the Group concluded that there were no subsidiaries with material non-controlling interest that require separately disclosure.

### 5.2 Investments in Joint Ventures and Associates

| Non Quoted                           | Relationship  | 2018<br>Holding<br>Percentage | 2017<br>Holding<br>Percentage | 2018<br>Cost<br>Rs. | 2017<br>Cost<br>Rs. |
|--------------------------------------|---------------|-------------------------------|-------------------------------|---------------------|---------------------|
| Gurugoda Hydro (Pvt) Ltd             | Joint Venture | 50%                           | 50%                           | 31,412,412          | 55,412,412          |
| Udaka Energy Group (Pvt) Ltd         | Joint Venture | 50%                           | 50%                           | 5,000,000           | 5,000,000           |
| Vidul Madugeta (Pvt) Ltd             | Joint Venture | 50%                           | 50%                           | 90,000,000          | 108,000,000         |
| Nilwala Vidulibala Company (Pvt) Ltd | Associate     | 26.3%                         | 26.3%                         | 44,625,000          | 52,500,000          |
|                                      |               |                               |                               | 171,037,412         | 220,912,412         |

#### 5.2.1 Goodwill

|  | Group       |             |
|--|-------------|-------------|
|  | 2018<br>Rs. | 2017<br>Rs. |
| Goodwill from Walagamba Balashakthi (Pvt) Ltd          | 11,999,960  | 11,999,960  |
| Goodwill from Rideepana Hydro (Pvt) Ltd                | 42,499,000  | 42,499,000  |
| Goodwill from Muvumbe Hydro (U) Ltd                    | 582,129     | 582,129     |
| Goodwill from Lower Kothmale Oya Hydro Power (Pvt) Ltd | 160,798,294 | 160,798,293 |
|  | 215,879,383 | 215,879,382 |

Goodwill as at the reporting date has been tested for impairment.

The Company and its subsidiaries annually carry out impairment tests on all its intangible assets. The business acquisition to which the goodwill is attributable is valued based on the earnings growth method. Assumptions applied in such computations are reviewed each year.

Goodwill as at the date of financial position has been tested for impairment and there was no impairment of the carrying value. Recoverable values for the above test was estimated based on value in use of the acquired assets on business combination in the normal course of business. The key assumptions used to determine the recoverable amount are as follows;

#### Discount rate

The discount rate of used is the risk free rate adjusted by the addition of an appropriate risk premium.

#### Period covered & Tariff

Period covered was as per the Standardised Power Purchase Agreement (SPPA) with Ceylon Electricity Board and Uganda Electricity Transmission Company Limited.

| Subsidiary                              | Remaining years | Tariff scheme applicable |
|---|-----------------|--------------------------|
| Rideepana Hydro (Pvt) Ltd               | 17 years        | 2012 three tier tariff   |
| Walagamba Balashakthi (Pvt) Ltd         | 15 years        | 2009 three tier tariff   |
| Muvumbe Hydro (U) Ltd                   | 19 years        | Rs. 14.88 (US \$ 0.094)  |
| Lower Kotmale Oya Hydro Power (Pvt) Ltd | 16 years        | 2010 three tier tariff   |

#### Inflation rate

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

#### Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the years preceding the budgeted year adjusted for projected market conditions.

### 5.2.2 Investment in Joint Ventures & Associates (Group)

#### Share of Net Asset Value from Joint Ventures & Associates

|  | Group       |             |
|--|-------------|-------------|
|  | 2018<br>Rs. | 2017<br>Rs. |
| Investment in Gurugoda Hydro (Pvt) Ltd             | 52,776,207  | 73,059,939  |
| Investment in Udaka Energy Group (Pvt) Ltd         | 35,385,967  | 35,656,943  |
| Investment in Vidul Madugeta (Pvt) Ltd             | 167,341,650 | 165,309,408 |
| Investment in Nilwala Vidulibala Company (Pvt) Ltd | 63,668,421  | 53,278,812  |
| Total Investment in Joint Ventures                 | 319,172,245 | 327,305,102 |

### 5.2.3 Share of Comprehensive Income from Joint Ventures & Associate

|   | Group       |             |
|---|-------------|-------------|
|   | 2018<br>Rs. | 2017<br>Rs. |
| Gurugoda Hydro (Pvt) Ltd                                | 15,784,311  | 5,304,730   |
| Udaka Energy Group (Pvt) Ltd                            | (270,977)   | (3,353,506) |
| Vidul Madugeta (Pvt) Ltd                                | 51,712,191  | 23,410,273  |
| Nilwala Vidulibala Company (Pvt) Ltd                    | 17,799,984  | 778,812     |
| Total Share of Comprehensive Income from Joint Ventures | 85,025,509  | 26,140,309  |

# Notes to the Financial Statements

## 5.2.4 Movement in Investment in Joint Ventures & Associates during the Period

|   | Group        |              |
|---|--------------|--------------|
|   | 2018<br>Rs.  | 2017<br>Rs.  |
| Balance as at the beginning of the reporting period             | 327,305,102  | 313,587,225  |
| Investment in Joint Ventures                                    | -            | -            |
| Share of total comprehensive Income                             | 85,025,509   | 26,140,309   |
| Dividends Received  | (28,770,625) | (12,422,433) |
| Acquisition & Transfer / Disposal of Stake in the Joint Venture | (64,387,740) | -            |
| Balance as at the end of the reporting period                   | 319,172,245  | 327,305,102  |

**5.2.5** The Group has a 50% interest in Gurugoda Hydro (Pvt) Ltd, Udaka Energy Group (Pvt) Ltd and Vidul Madugeta (Pvt) Ltd. The Group's interest in those companies are accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint ventures, based on their SLFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below as at 31 March 2018. Nilwala Vidulibala Company (Pvt) Ltd is an associate entity of Vidullanka PLC with 26.3% stake.

|   | Gurugoda<br>Hydro<br>(Pvt) Ltd<br>Rs. | Udaka Energy<br>Group<br>(Pvt) Ltd<br>Rs. | Vidul<br>Madugeta<br>(Pvt) Ltd<br>Rs. | Nilwala<br>Vidulibala<br>Company<br>(Pvt) Ltd<br>Rs. |
|---|---------------------------------------|---|---------------------------------------|--|
| Current assets                          | 10,205,543                            | 12,401,657                                | 38,164,584                            | 40,841,792   |
| Non-current assets                      | 130,463,912                           | 126,830,955                               | 514,899,079                           | 332,177,052  |
| Current liabilities                     | (47,831,246)                          | (45,570,741)                              | (92,724,804)                          | (41,499,277)   |
| Non-current liabilities                 | (660,620)                             | (22,889,937)                              | (125,655,660)                         | (171,951,182)  |
| Equity                                  | 92,177,590                            | 70,771,934                                | 334,683,199                           | 159,568,385  |
| Equity proportionate                    | 46,088,795                            | 35,385,967                                | 167,341,600                           | 41,966,485   |
| Goodwill or other adjustments           | 6,687,412                             | -   | 50                                    | 21,701,936   |
| Group carrying amount of the Investment | 52,776,207                            | 35,385,967                                | 167,341,650                           | 63,668,421   |

Summarised statement of profit or loss for the year ended 31 March 2018.

|  | Gurugoda<br>Hydro<br>(Pvt) Ltd<br>Rs. | Udaka Energy<br>Group<br>(Pvt) Ltd<br>Rs. | Vidul<br>Madugeta<br>(Pvt) Ltd<br>Rs. | Nilwala<br>Vidulibala<br>Company<br>(Pvt) Ltd<br>Rs. |
|--|---------------------------------------|---|---------------------------------------|--|
| Revenue  | 48,470,484                            | 18,390,579                                | 145,151,284                           | 137,951,336  |
| Cost of Sales                                      | (16,941,182)                          | (12,079,561)                              | (43,762,810)                          | (41,835,995)   |
| Administrative Expenses                            | (622,864)                             | (233,415)                                 | (426,716)                             | (4,924,447)  |
| Finance Cost                                       | -                                     | (6,034,791)                               | (19,748,376)                          | (31,841,771)   |
| Other Income                                       | 140,315                               | 16,927                                    | 22,289,597                            | 8,334,584  |
| Profit before Tax                                  | 31,046,753                            | 59,739                                    | 103,502,979                           | 67,683,707   |
| Income tax expense                                 | 659,914                               | (574,674)                                 | (96,335)                              | (3,158)  |
| Profit for the year                                | 31,706,667                            | (514,935)                                 | 103,406,644                           | 67,680,549   |
| Total comprehensive income for the year            | 31,568,621                            | (541,952)                                 | 103,424,381                           | 67,680,549   |
| Group's share of comprehensive income for the year | 15,784,311                            | (270,976)                                 | 51,712,191                            | 17,799,984   |



### 5.3 Other Financial Assets

#### 5.3.1 Financial Assets at Fair Value through Profit or Loss (Group & Company)

|                             | 2018<br>Number of<br>Shares | 2017<br>Number of<br>Shares | 2018<br>Carrying<br>Value<br>Rs. | 2017<br>Carrying<br>Value<br>Rs. |
|-----------------------------|-----------------------------|-----------------------------|----------------------------------|----------------------------------|
| Investment in Quoted Shares |                             |                             |                                  |                                  |
| Panasian Power PLC          | -                           | 50,282,563                  | -                                | 151,147,689                      |
|                             |                             |                             | -                                | 151,147,689                      |

#### 5.3.2 Financial Assets

|  | 2018<br>Number of<br>shares | 2017<br>Number of<br>shares | 2018<br>Rs. | 2017<br>Rs. |
|--|-----------------------------|-----------------------------|-------------|-------------|
| Non Quoted                             |                             |                             |             |             |
| Investment in Shares - ADL Capital Ltd | 250,000                     | 250,000                     | 2,500,000   | 2,500,000   |
|  |                             |                             | 2,500,000   | 2,500,000   |
| Other Financial Assets                 |                             |                             | 2,500,000   | 153,647,689 |

Unquoted Available for sale equity investment is recorded at cost since the fair value of the investments can not be reliably measured. There is no active market for this investment.

## 6. OTHER PROJECT INVESTMENTS

|   | Group        |              | Company      |              |
|---|--------------|--------------|--------------|--------------|
| Summary                                 | 2018<br>Rs.  | 2017<br>Rs.  | 2018<br>Rs.  | 2017<br>Rs.  |
| Balance as at the beginning of the Year | 134,519,339  | 79,021,852   | 134,519,339  | 79,021,852   |
| Projects Costs incurred during the Year | 18,026,608   | 74,508,802   | 18,026,608   | 74,508,802   |
| Less: Transfers                         | (8,005,751)  | (16,502,417) | (8,005,751)  | (16,502,417) |
| Written off                             | (4,819,701)  | (827,438)    | (4,819,701)  | (827,438)    |
| Impairment Provision                    | (26,791,618) | (1,681,460)  | (26,791,618) | (1,681,460)  |
| Balance as at the end of the Year       | 112,928,877  | 134,519,340  | 112,928,877  | 134,519,340  |

#### 6.1 Impairment of Other Project Investments

|                     | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
|---------------------|-------------|-------------|-------------|-------------|
| As at 01 April 2017 | 1,681,460   | -           | 1,681,460   | -           |
| Charge for the year | 25,110,158  | 1,681,460   | 25,110,158  | 1,681,460   |
| As at 31 March 2018 | 26,791,618  | 1,681,460   | 26,791,618  | 1,681,460   |

# Notes to the Financial Statements

## 7. TRADE AND OTHER RECEIVABLES

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Trade Receivables                           | 292,845,354 | 101,789,674 | 97,212,720  | 32,032,535  |
| Other Receivables                           | 64,622,185  | 51,380,072  | 12,642,463  | 55,519,985  |
| Advances and Prepayment                     | 48,260,003  | 66,480,221  | 26,692,164  | 21,149,570  |
| Amounts Due from Related Parties (Note 7.1) | 53,597,313  | 30,038,988  | 468,429,366 | 160,949,682 |
| Loans to Company Officers (Note 7.2)        | 2,788,489   | 6,889,702   | 2,788,489   | 6,439,303   |
|   | 462,113,344 | 256,578,657 | 607,765,202 | 276,091,075 |

### 7.1 Amounts due from Related Parties

|   |               | Group       |             | Company     |             |
|---|---------------|-------------|-------------|-------------|-------------|
|   | Relationship  | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Vidul Engineering Ltd                   | Subsidiary    | -           | -           | -           | 1,066,299   |
| Walagamba Balashakthi (Pvt) Ltd         | Subsidiary    | -           | -           | 14,400,541  | -           |
| Rideepana Hydro (Pvt) Ltd               | Subsidiary    | -           | -           | 71,783,835  | 41,796,534  |
| Lower Kotmale Oya Hydro Power (Pvt) Ltd | Subsidiary    | -           | -           | 68,511,175  | 12,426,863  |
| Vidul Biomass (Pvt) Ltd                 | Subsidiary    | -           | -           | 145,476,915 | 46,966,052  |
| Vidul Plantation (Pvt) Ltd              | Subsidiary    | -           | -           | 12,096,842  | 9,665,100   |
| Muvumbe Hydro (U) Ltd                   | Subsidiary    | -           | -           | 153,200     | -           |
| Udawela Hydro (Pvt) Ltd                 | Subsidiary    | -           | -           | 103,011,755 | 19,122,315  |
| Gurugoda Hydro (Pvt) Ltd                | Joint Venture | 23,085,351  | 171,101     | 23,015,923  | 168,514     |
| Udaka Energy Group (Pvt) Ltd            | Joint Venture | 11,084,321  | 8,981,189   | 10,936,693  | 8,913,631   |
| Vidul Madugeta (Pvt) Ltd                | Joint Venture | 19,427,641  | 740,898     | 19,042,486  | 686,644     |
| Nilwala Vidulibala Company (Pvt) Ltd    | Associate     | -           | 20,145,800  | -           | 20,137,730  |
|   |               | 53,597,313  | 30,038,988  | 468,429,366 | 160,949,682 |

### 7.2 Loans to Company Officers

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Balance as at the beginning of the Year   | 6,889,702   | 7,613,410   | 6,439,303   | 7,613,410   |
| Loans Granted/Transferred During the Year | 730,962     | 1,500,296   | 730,962     | 938,205     |
| Less: Repayments                          | (5,051,398) | (1,445,817) | (4,600,999) | (1,377,686) |
| Effective Interest Rate Adjustment        | 219,223     | (778,187)   | 219,223     | (734,626)   |
| Balance as at the end of the Year         | 2,788,489   | 6,889,702   | 2,788,489   | 6,439,303   |

## 8. STATED CAPITAL

### 8.1 Fully Paid Ordinary Shares

|                          | Group         |               | Company       |               |
|--------------------------|---------------|---------------|---------------|---------------|
|                          | 2018<br>Rs.   | 2017<br>Rs.   | 2018<br>Rs.   | 2017<br>Rs.   |
| Balance as at 1 April    | 1,267,893,105 | 1,267,893,105 | 1,267,893,105 | 1,267,893,105 |
| Issue of Ordinary Shares | 74,715,379    | -             | 74,715,379    | -             |
| Balance as at 31 March   | 1,342,608,484 | 1,267,893,105 | 1,342,608,484 | 1,267,893,105 |

### 8.2 Movement in Number of Ordinary Shares

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2018        | 2017        | 2018        | 2017        |
| Balance as at 1 April                    | 747,153,790 | 747,153,790 | 747,153,790 | 747,153,790 |
| Issue of Ordinary Shares during the year | 74,715,379  | -           | 74,715,379  | -           |
| Balance as at 31 March                   | 821,869,169 | 747,153,790 | 821,869,169 | 747,153,790 |

The shares of the Company are listed at Colombo Stock Exchange.

## 9. FINANCING AND LEASE [LJARA] PAYABLES - (INTEREST-BEARING LOANS AND BORROWINGS)

### 9.1 Group

|   | Amount<br>Repayable<br>Within 1 Year<br>Rs. | Amount<br>Repayable<br>After 1 Year<br>Rs. | 2018<br>Total<br>Rs. | Amount<br>Repayable<br>Within 1 Year<br>Rs. | Amount<br>Repayable<br>After 1 Year<br>Rs. | 2017<br>Total<br>Rs. |
|---|---|--|----------------------|---|--|----------------------|
| Ljara Facilities/ Finance Leases (9.1.1)      | 3,546,175                                   | 4,913,910                                  | 8,460,085            | 2,867,276                                   | 4,802,430                                  | 7,669,706            |
| Mudarabaha Facilities (9.1.2)                 | 21,961,852                                  | 22,041,326                                 | 44,003,178           | 19,974,395                                  | 44,007,769                                 | 63,982,164           |
| Diminishing Musharakah Facilities (9.1.3)     | 417,723,866                                 | 1,631,401,078                              | 2,049,124,944        | 196,677,242                                 | 1,747,971,094                              | 1,944,648,336        |
| Wakala Facilities (9.1.4)                     | 39,999,996                                  | 70,000,012                                 | 110,000,008          | 39,996,000                                  | 110,004,004                                | 150,000,004          |
| Short Term Working Capital Facilities (9.1.5) | 417,863,009                                 | -  | 417,863,009          | 438,309,076                                 | -  | 438,309,076          |
|   | 901,094,898                                 | 1,728,356,326                              | 2,629,451,224        | 697,823,990                                 | 1,906,785,297                              | 2,604,609,287        |

#### 9.1.1 Ljara Facilities (Finance Leases)

|   | As at<br>01.04.2017<br>Rs. | Facilities<br>Obtained<br>Rs. | Repayments<br>Rs. | As at<br>31.03.2018<br>Rs. |
|---|----------------------------|-------------------------------|-------------------|----------------------------|
| Amana Bank PLC                              | -                          | 3,700,000                     | (42,346)          | 3,657,654                  |
| Commercial Bank of Ceylon PLC               | 7,669,707                  | -                             | (2,867,276)       | 4,802,431                  |
|   | 7,669,707                  | 3,700,000                     | (2,909,622)       | 8,460,085                  |
| Gross Liability                             | 8,640,072                  |                               |                   | 10,306,043                 |
| Finance Charges allocated to future periods | (970,365)                  |                               |                   | (1,845,958)                |
| Net Liability                               | 7,669,707                  |                               |                   | 8,460,085                  |



# Notes to the Financial Statements

## 9. FINANCING AND LEASE [LJARA] PAYABLES - (INTEREST-BEARING LOANS AND BORROWINGS) (CONTD...)

### 9.1.2 Murabhaha Facilities

|   | As at<br>01.04.2017<br>Rs. | Facilities<br>Obtained<br>Rs. | Repayments<br>Rs. | As at<br>31.03.2018<br>Rs. |
|---|----------------------------|-------------------------------|-------------------|----------------------------|
| Amana Bank PLC                              | 63,982,164                 | -                             | (19,978,986)      | 44,003,178                 |
|   | 63,982,164                 | -                             | (19,978,986)      | 44,003,178                 |
| Gross Liability                             | 73,506,515                 |                               |                   | 48,304,282                 |
| Finance Charges allocated to future periods | (9,524,351)                |                               |                   | (4,301,104)                |
| Net Liability                               | 63,982,164                 |                               |                   | 44,003,178                 |

### 9.1.3 Diminishing Musharakah Facilities

|   | As at<br>01.04.2017<br>Rs. | Facilities<br>Obtained<br>Rs. | Repayments<br>Rs. | As at<br>31.03.2018<br>Rs. |
|---|----------------------------|-------------------------------|-------------------|----------------------------|
| Amana Bank PLC  | 25,000,003                 | -                             | (25,000,003)      | -                          |
| MCB Bank Ltd  | 252,761,607                | 165,197,755                   | (49,287,753)      | 368,671,609                |
| NDB Bank PLC  | 445,248,514                | -                             | (100,810,960)     | 344,437,554                |
| Syndicated Facility (Bank of Ceylon & Hatton National Bank PLC) | 1,150,070,495              | 139,381,569                   | -                 | 1,289,452,064              |
| Hatton National Bank PLC  | 71,567,716                 | -                             | (25,003,999)      | 46,563,717                 |
|   | 1,944,648,335              | 304,579,324                   | (200,102,715)     | 2,049,124,944              |
| Gross Liability   | 3,033,594,395              |                               |                   | 2,509,924,836              |
| Finance Charges allocated to future periods                     | (1,088,946,060)            |                               |                   | (460,799,892)              |
| Net Liability   | 1,944,648,335              |                               |                   | 2,049,124,944              |

### 9.1.4 Wakala Facilities

|   | As at<br>01.04.2017<br>Rs. | Facilities<br>Obtained<br>Rs. | Repayments<br>Rs. | As at<br>31.03.2018<br>Rs. |
|---|----------------------------|-------------------------------|-------------------|----------------------------|
| Bank of Ceylon                              | 150,000,004                | -                             | (39,999,996)      | 110,000,008                |
|   | 150,000,004                | -                             | (39,999,996)      | 110,000,008                |
| Gross Liability                             | 186,353,254                |                               |                   | 129,388,847                |
| Finance Charges allocated to future periods | (36,353,250)               |                               |                   | (19,388,839)               |
| Net Liability                               | 150,000,004                |                               |                   | 110,000,008                |

### 9.1.5 Short term Working Capital Facilities

|                             | As at<br>01.04.2017<br>Rs. | Facilities<br>Obtained<br>Rs. | Repayments<br>Rs. | As at<br>31.03.2018<br>Rs. |
|-----------------------------|----------------------------|-------------------------------|-------------------|----------------------------|
| Amana - Candor Shariah Fund | 30,309,076                 | 219,249,632                   | (156,195,699)     | 93,363,009                 |
| Commercial Papers           | 245,000,000                | 60,000,000                    | (114,000,000)     | 191,000,000                |
| Hatton National Bank PLC    | 100,000,000                | 188,000,000                   | (194,000,000)     | 94,000,000                 |
| Amana Bank PLC              | 50,000,000                 | 30,000,000                    | (50,000,000)      | 30,000,000                 |
| ADL Comtrust Mudarabah Fund | 13,000,000                 | -                             | (3,500,000)       | 9,500,000                  |
|                             | 438,309,076                | 497,249,632                   | (517,695,699)     | 417,863,009                |

## 9.2 Company

|   | Amount<br>Repayable<br>Within 1 Year<br>Rs. | Amount<br>Repayable<br>After 1 Year<br>Rs. | 2018<br>Total<br>Rs. | Amount<br>Repayable<br>Within 1 Year<br>Rs. | Amount<br>Repayable<br>After 1 Year<br>Rs. | 2017<br>Total<br>Rs. |
|---|---|--|----------------------|---|--|----------------------|
| Ijara Facilities (Finance Leases) (9.2.1)         | 1,361,029                                   | 858,825                                    | 2,219,854            | 1,232,020                                   | 2,219,854                                  | 3,451,874            |
| Mudarabah Investment (9.2.2)                      | 21,961,852                                  | 22,041,326                                 | 44,003,178           | 19,974,395                                  | 44,007,769                                 | 63,982,164           |
| Diminishing Musharakah Facilities (9.2.3)         | -   | -  | -                    | 25,000,003                                  | -  | 25,000,003           |
| Wakala Facilities (9.2.4)                         | 39,999,996                                  | 70,000,012                                 | 110,000,008          | 39,996,000                                  | 110,004,004                                | 150,000,004          |
| Short Term Working<br>Capital Facilities (9.2.5 ) | 417,863,009                                 | -  | 417,863,009          | 438,309,076                                 | -  | 438,309,076          |
|   | 481,185,886                                 | 92,900,163                                 | 574,086,049          | 524,511,494                                 | 156,231,626                                | 680,743,120          |

### 9.2.1 Ijara Facilities (Finance Leases)

|   | As at<br>01.04.2017<br>Rs. | Facilities<br>Obtained<br>Rs. | Repayments<br>Rs. | As at<br>31.03.2018<br>Rs. |
|---|----------------------------|-------------------------------|-------------------|----------------------------|
| Commercial Bank of Ceylon PLC               | 3,451,874                  | -                             | (1,232,020)       | 2,219,854                  |
|   | 3,451,874                  | -                             | (1,232,020)       | 2,219,854                  |
| Gross Liability                             | 3,931,200                  |                               |                   | 2,409,445                  |
| Finance Charges allocated to future periods | (479,326)                  |                               |                   | (189,591)                  |
| Net Liability                               | 3,451,874                  |                               |                   | 2,219,854                  |

# Notes to the Financial Statements

## 9. FINANCING AND LEASE [IJARA] PAYABLES - (INTEREST-BEARING LOANS AND BORROWINGS) (CONTD...)

### 9.2.2 Murabaha Facilities

|   | As at<br>01.04.2017<br>Rs. | Facilities<br>Obtained<br>Rs. | Repayments<br>Rs. | As at<br>31.03.2018<br>Rs. |
|---|----------------------------|-------------------------------|-------------------|----------------------------|
| Amana Bank PLC                              | 63,982,164                 | -                             | (19,978,986)      | 44,003,178                 |
|   | 63,982,164                 | -                             | (19,978,986)      | 44,003,178                 |
| Gross Liability                             | 73,506,515                 |                               |                   | 48,304,282                 |
| Finance Charges allocated to future periods | (9,524,351)                |                               |                   | (4,301,104)                |
| Net Liability                               | 63,982,164                 |                               |                   | 44,003,178                 |

### 9.2.3 Diminishing Musharakah Facilities

|   | As at<br>01.04.2017<br>Rs. | Facilities<br>Obtained<br>Rs. | Repayments<br>Rs. | As at<br>31.03.2018<br>Rs. |
|---|----------------------------|-------------------------------|-------------------|----------------------------|
| Amana Bank PLC                              | 25,000,003                 | -                             | (25,000,003)      | -                          |
|   | 25,000,003                 | -                             | (25,000,003)      | -                          |
| Gross Liability                             | 26,798,336                 |                               |                   | -                          |
| Finance Charges allocated to future periods | (1,798,333)                |                               |                   | -                          |
| Net Liability                               | 25,000,003                 |                               |                   | -                          |

### 9.2.4 Wakala Facilities

|   | As at<br>01.04.2017<br>Rs. | Facilities<br>Obtained<br>Rs. | Repayments<br>Rs. | As at<br>31.03.2018<br>Rs. |
|---|----------------------------|-------------------------------|-------------------|----------------------------|
| Bank of Ceylon                              | 150,000,004                | -                             | (39,999,996)      | 110,000,008                |
|   | 150,000,004                | -                             | (39,999,996)      | 110,000,008                |
| Gross Liability                             | 185,748,804                |                               |                   | 129,888,837                |
| Finance Charges allocated to future periods | (35,748,800)               |                               |                   | (19,388,839)               |
| Net Liability                               | 150,000,004                |                               |                   | 110,000,008                |

### 9.2.5 Short Term Working Capital Facilities

|                             | As at<br>01.04.2017<br>Rs. | Facilities<br>Obtained<br>Rs. | Repayments<br>Rs. | As at<br>31.03.2018<br>Rs. |
|-----------------------------|----------------------------|-------------------------------|-------------------|----------------------------|
| Amana - Candor Shariah Fund | 30,309,076                 | 219,249,632                   | (156,195,699)     | 93,363,009                 |
| Commercial Papers           | 245,000,000                | 60,000,000                    | (114,000,000)     | 191,000,000                |
| Hatton National Bank PLC    | 100,000,000                | 188,000,000                   | (194,000,000)     | 94,000,000                 |
| Amana Bank PLC              | 50,000,000                 | 30,000,000                    | (50,000,000)      | 30,000,000                 |
| ADL Comtrust Mudarabah Fund | 13,000,000                 | -                             | (3,500,000)       | 9,500,000                  |
|                             | 438,309,076                | 497,249,632                   | (517,695,699)     | 417,863,009                |



## 10. INCOME TAX

The major components of income tax expense for the year ended 31 March 2018 are as follows:

| Year ended 31 March   | Group              |                  | Company            |                    |
|---|--------------------|------------------|--------------------|--------------------|
|   | 2018<br>Rs.        | 2017<br>Rs.      | 2018<br>Rs.        | 2017<br>Rs.        |
| <b>Current Income Tax</b>   |                    |                  |                    |                    |
| Current Tax Expense on Ordinary Activities for the year           | 42,067,360         | 5,736,633        | 91,316             | 448,826            |
| (Over)/Under provision of current taxes in respect of prior years | (287,582)          | (588,161)        | (287,582)          | (588,161)          |
|   | 41,779,778         | 5,148,472        | (196,266)          | (139,335)          |
| <b>Deferred Income Tax</b>  |                    |                  |                    |                    |
| Deferred Taxation Charge/(Reversal) (10.2)                        | 98,490,307         | (6,110,695)      | (9,563,436)        | (5,826,877)        |
|   | 98,490,307         | (6,110,695)      | (9,563,436)        | (5,826,877)        |
| <b>Income Tax expense reported in the Income Statement</b>        | <b>140,270,085</b> | <b>(962,223)</b> | <b>(9,759,702)</b> | <b>(5,966,212)</b> |

### 10.1 A reconciliation between Tax Expense and the Accounting Profits multiplied by Statutory Tax Rates is as follows:

|   | Group        |              | Company      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2018<br>Rs.  | 2017<br>Rs.  | 2018<br>Rs.  | 2017<br>Rs.  |
| Accounting profit before income tax                             | 649,489,859  | 40,714,723   | 215,104,794  | (15,762,053) |
| At the statutory income tax rate of 12 % ( 2017 : 12% )         | 30,362,790   | 2,712,397    | 25,812,575   | (1,891,446)  |
| At the statutory income tax rate of 28 % ( 2017 : 28% )         | 121,223      | 5,065,864    | -            | -            |
| At the statutory income tax rate of 30 %                        | -            | (15,935,977) | -            | -            |
| Tax effect of Disallowable Expenses                             | 1,412,797    | 17,164,696   | 4,944,105    | 16,988,600   |
| Tax effect of Aggregate Allowable Items                         | (994,140)    | (11,231,908) | (1,467,717)  | (6,165,544)  |
| Tax Effect of Income Exempt from Tax                            | (26,022,625) | (3,130,291)  | (38,374,137) | (8,482,784)  |
| WHT on Overseas Dividend  | 38,252,629   | -            | -            | -            |
| At the effective income tax rate of 12% (2017 : 12 % )          | 43,132,674   | 5,355,219    | (9,085,173)  | 448,826      |
| At the effective income tax rate of 28% (2017 : 12% )           | -            | -            | 140,487      | -            |
| (Over)/ Under Provision of Income Tax in respect of prior years | (287,582)    | (588,161)    | (287,582)    | (588,161)    |
| Deferred Taxation Charge/(Reversal)                             | 97,424,993   | (5,729,281)  | (9,563,436)  | (5,826,877)  |
| Deduction of previous year Tax loss                             |              |              | (49,170)     |              |
|   | 140,270,085  | (962,223)    | (9,759,702)  | (5,966,212)  |
| <b>Effective Tax Rate (%)</b>                                   | <b>22%</b>   | <b>-2%</b>   | <b>-5%</b>   | <b>38%</b>   |

# Notes to the Financial Statements

## 10. INCOME TAX (CONTD...)

### 10.2 Deferred Tax Assets, Liabilities and Income Tax relates to the followings

|                                     | Statement of<br>Financial Position |             | Statement of<br>Comprehensive Income |             |
|-------------------------------------|------------------------------------|-------------|--------------------------------------|-------------|
|                                     | 2018<br>Rs.                        | 2017<br>Rs. | 2018<br>Rs.                          | 2017<br>Rs. |
| Group                               |                                    |             |                                      |             |
| Deferred Tax Liability              |                                    |             |                                      |             |
| Capital allowances for tax purposes | 138,186,545                        | 22,910,029  | 115,276,516                          | 872,083     |
|                                     | 138,186,545                        | 22,910,029  |                                      |             |
| Deferred Tax Assets                 |                                    |             |                                      |             |
| Defined Benefit Plans               | (2,800,626)                        | (2,169,631) | (314,472)                            | (459,823)   |
| Tax Losses brought forward          | (22,625,119)                       | (6,469,906) | (16,155,213)                         | (6,469,906) |
|                                     | (25,425,745)                       | (8,639,537) |                                      |             |
| Deferred Tax Charge for OCI         |                                    |             | (316,523)                            | (53,049)    |
| Deferred Tax (Reversal) / Charge    |                                    |             | 98,490,308                           | (6,110,695) |
| Net Deferred Tax Liability/(Asset)  | 112,760,799                        | 14,270,492  |                                      |             |
| 10.3 Group Deferred Tax Asset       |                                    |             |                                      |             |
| Deferred Tax Liability              |                                    |             |                                      |             |
| Capital allowances for tax purposes | 119,375                            | -           | 119,375                              | -           |
|                                     | 119,375                            | -           |                                      |             |
| Deferred Tax Assets                 |                                    |             |                                      |             |
| Defined Benefit Plans               | (321,435)                          |             | (321,435)                            |             |
| Tax Losses brought forward          | -                                  | -           |                                      |             |
|                                     | (321,435)                          | -           |                                      |             |
| Deferred Tax Charge for OCI         |                                    |             | -                                    |             |
| Deferred Tax (Reversal) / Charge    |                                    |             | (202,060)                            | -           |
| Net Deferred Tax Liability/(Asset)  | (202,060)                          |             |                                      |             |
| Company                             |                                    |             |                                      |             |
| Deferred Tax Liability              |                                    |             |                                      |             |
| Capital allowances for tax purposes | 25,389,410                         | 22,735,257  | 2,654,153                            | 844,499     |
|                                     | 25,389,410                         | 22,735,257  |                                      |             |
| Defined Benefit Plans               | (2,706,731)                        | (2,169,630) | (537,101)                            | (275,068)   |
| Tax Losses brought forward          | (18,451,761)                       | (6,469,906) | (11,981,855)                         | (6,469,906) |
|                                     | (21,158,492)                       | (8,639,536) |                                      |             |
| Deferred Tax Charge for OCI         |                                    |             | 301,368                              | 73,597      |
| Deferred Tax (Reversal) / Charge    |                                    |             | (9,563,436)                          | (5,826,878) |
| Net Deferred Tax Liability/(Asset)  | 4,230,918                          | 14,095,721  |                                      |             |

## 11. TRADE AND OTHER PAYABLES

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Amounts Due To Related Parties (11.1)       | 176,071     | -           | 2,646,382   | 20,904,404  |
| Sundry Creditors Including Accrued Expenses | 315,696,680 | 250,083,334 | 119,562,938 | 33,963,043  |
| Financial Guarantee                         | 6,242,629   | 1,300,188   | 6,242,630   | 7,982,289   |
|   | 322,115,380 | 251,383,522 | 128,451,950 | 62,849,735  |

### 11.1 Amounts due To Related Parties

|                                      |              | Group       |             | Company     |             |
|--------------------------------------|--------------|-------------|-------------|-------------|-------------|
|                                      | Relationship | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Walagamba Balashakthi (Pvt) Ltd      | Subsidiary   | -           | -           | -           | 20,904,404  |
| Vidul Engineering Ltd                | Subsidiary   | -           | -           | 2,313,208   | -           |
| Nilwala Vidulibala Company (Pvt) Ltd | Associate    | 176,071     | -           | 333,174     | -           |
|                                      |              | 176,071     | -           | 2,646,382   | 20,904,404  |

## 12. DEFINED BENEFIT LIABILITY

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Balance as at the beginning of the year               | 21,946,500  | 17,897,828  | 18,080,258  | 15,788,028  |
| Expenses on Defined Benefit Plan (12.1)               | 5,308,968   | 4,299,357   | 4,134,954   | 3,513,486   |
| Net Actuarial (Gain)/ Loss recognized during the year | 631,916     | 468,477     | 2,152,628   | (420,555)   |
| Payment During the year                               | (5,212,725) | (849,200)   | (4,850,325) | (849,200)   |
| Inter-Company Transfers during the Year               | -           | 130,038     | (183,721)   | 48,499      |
| Balance as at the end of the year                     | 22,674,659  | 21,946,500  | 19,333,793  | 18,080,258  |

### 12.1 Expenses on Defined Benefit Plan

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Current Service Cost                       | 2,510,788 | 2,496,570 | 2,281,808 | 1,929,833 |
| Interest Cost on Defined Benefit Liability | 2,798,179 | 1,802,787 | 1,853,146 | 1,583,653 |
|  | 5,308,967 | 4,299,357 | 4,134,954 | 3,513,486 |

### 12.2 Principal Assumptions

|                  |                             |                             |                             |                             |
|------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Discount Rate    | 11.0%                       | 12.5%                       | 11.0%                       | 12.5%                       |
| Salary increment | 8.0%                        | 7.5%                        | 8.0%                        | 7.5%                        |
| Retirement age   | 55                          | 55                          | 55                          | 55                          |
| Mortality        | A 1967/70<br>Morality Table | A 1967/70<br>Morality Table | A 1967/70<br>Morality Table | A 1967/70<br>Morality Table |

An actuarial valuation of the gratuity fund was carried out as at 31 March 2017/2018 by Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries & valuation method used by the actuary to value the fund is the "Projected Unit Credit Method" recommended by Sri Lanka accounting Standards - LKAS 19 (Employee Benefits).



# Notes to the Financial Statements

## 12.3 Sensitivity of Assumptions Employed In Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability assessment of the Group.

| Increase/Decrease in Discount Rate | Increase/Decrease in Salary Increment | Group   |             | Company   |             |
|------------------------------------|---------------------------------------|---|-------------|---|-------------|
|                                    |                                       | Sensitivity Effect on Employment Benefit Obligation |             | Sensitivity Effect on Employment Benefit Obligation |             |
|                                    |                                       | 2018<br>Rs.   | 2017<br>Rs. | 2018<br>Rs.   | 2017<br>Rs. |
| (+1%)                              |                                       | (1,253,324)   | (1,067,555) | (1,036,880)   | (847,856)   |
| (-1%)                              |                                       | 1,385,482   | 1,177,140   | 1,141,077   | 931,246     |
|                                    | (+1%)                                 | 1,274,653   | 1,194,588   | 1,134,390   | 943,060     |
|                                    | (-1%)                                 | (1,386,987)   | (1,099,408) | (1,047,651)   | (871,686)   |

## 13. REVENUE

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Power Generation - Local                       | 616,250,928 | 489,759,521 | 219,471,224 | 183,286,476 |
| Power Generation - Overseas                    | 339,272,119 | 12,308,516  | -           | -           |
| Engineering Consultancy and Project Management | 19,315,157  | 32,685,772  | -           | -           |
|  | 974,838,204 | 534,753,809 | 219,471,224 | 183,286,476 |

## 14. PROFIT/(LOSS) BEFORE TAX

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Stated after Charging                                |             |             |             |             |
| Included in Cost of Sales                            |             |             |             |             |
| Depreciation   | 125,085,130 | 74,780,207  | 17,520,415  | 17,133,738  |
| Defined Benefit Plan Costs - Gratuity                | 1,758,717   | 429,727     | 876,041     | 162,678     |
| Included in Administrative Expenses                  |             |             |             |             |
| Depreciation   | 9,639,030   | 10,590,077  | 7,668,153   | 8,619,200   |
| Staff Costs (Include the following Costs)            | 75,349,765  | 97,378,682  | 62,205,994  | 89,701,932  |
| Defined Benefit Plan Costs - Gratuity                | 3,550,250   | 3,879,492   | 3,258,913   | 3,350,808   |
| Defined Contribution Plan Costs - EPF & ETF          | 11,286,271  | 9,177,891   | 9,338,196   | 8,878,610   |
| Auditors' Remunerations - Audit fees                 | 1,292,100   | 1,239,403   | 489,312     | 444,829     |
| Impairment/Written off of Other Projects Investments | 31,611,319  | 2,508,897   | 31,611,319  | 2,508,897   |

## 15. FINANCE COST

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Lease Markup on Ijara / Murabaha/<br>Musharakah Facilities/Staff Loan | 259,911,483 | 160,747,117 | 75,836,387  | 76,375,128  |
|   | 259,911,483 | 160,747,117 | 75,836,387  | 76,375,128  |

## 16. FINANCE INCOME

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Profit from Mudarabah Savings Accounts | 623,054     | 743,592     | 501,739     | 373,193     |
| Finance Income - Staff Loan            | 219,223     | 783,886     | 219,223     | 734,626     |
|  | 842,277     | 1,527,478   | 720,962     | 1,107,819   |

## 17. OTHER INCOME AND GAINS/ (LOSSES)

|  | Group        |              | Company      |              |
|--|--------------|--------------|--------------|--------------|
|  | 2018<br>Rs.  | 2017<br>Rs.  | 2018<br>Rs.  | 2017<br>Rs.  |
| Dividend Received  | -            | 8,912,827    | 247,635,521  | 31,788,821   |
| Profit / (Loss) on Disposal of Property, Plant & Equipment | (298,493)    | 19,195       | (298,493)    | 19,195       |
| Capital Gain/ (Loss) on Quoted Share Disposal              | 7,871,194    | (1,316,939)  | 7,871,194    | (1,316,939)  |
| Gain/(Loss) in Value of Investments in Quoted Shares       | -            | (11,024,357) | -            | (11,024,357) |
| Profit / (Loss) from Sale of Project Stake                 | (12,883,315) | 16,372,557   | (12,883,315) | 16,372,557   |
| Profit / (Loss) from Share repurchase                      | -            | -            | 68,679,710   | -            |
| Development Services Fee                                   | -            | -            | -            | 31,088,869   |
| Management Fee   | -            | 13,574,659   | -            | -            |
| Other income   | 353,182,942  | -            | -            | 3,740,214    |
| Gain/(Loss) in Exchange Rate fluctuations                  | 13,604,950   | -            | 13,604,950   | 21,509       |
|  | 361,477,278  | 26,537,942   | 324,609,567  | 70,689,869   |

**17.1** Other Income Includes amount of Rs. 352,415,353/- GETFIT grant administered by the KfW Development Bank of Germany, The Muvumbe SHPP marks a milestone for the GETFIT program by becoming the first hydropower project to get commissioned to the national grid of Uganda under the program.

# Notes to the Financial Statements

## 18. EARNINGS PER SHARE

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.

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2018        | 2017        | 2018        | 2017        |
| Amounts Used as Numerator  |             |             |             |             |
| Net Profit/(Loss) Attributable to Ordinary Shareholders of the parent for Basic Earnings per Share (Rs.) | 495,035,210 | 40,826,049  | 224,864,496 | (9,795,841) |
| Number of Ordinary Shares Used as Denominator  |             |             |             |             |
| Weighted Average Number of Ordinary Shares in Issue  | 821,869,169 | 747,153,790 | 821,869,169 | 747,153,790 |
| Earning Per Share  | 0.60        | 0.06        | 0.27        | (0.01)      |
| Earning Per Share (Restated)   | 0.60        | 0.05        | 0.27        | (0.01)      |

## 19. DIVIDEND PAID AND PROPOSED

|   | 2018<br>Rs. | 2017<br>Rs. |
|---|-------------|-------------|
| Declared and paid during the year                           |             |             |
| 1st Interim Dividend - 2017/18 Rs. 0.10 (2016/17 Rs. 0.10 ) | 74,715,379  | 74,715,379  |
| 2nd Interim Dividend - 2017/18 Rs. 0.10 (2016/17 Rs. 0.10)  | 82,186,917  | -           |
|   | 156,902,296 | 74,715,379  |

## 20. CASH AND CASH EQUIVALENTS

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2018<br>Rs. | 2017<br>Rs. | 2018<br>Rs. | 2017<br>Rs. |
| Components of Cash and Cash Equivalents      |             |             |             |             |
| Favourable Cash and Cash Equivalents Balance |             |             |             |             |
| Cash and Bank Balances                       | 105,616,266 | 81,174,875  | 36,687,715  | 7,346,696   |
| Total Cash and Cash Equivalents              |             |             |             |             |
| For the Purpose of Cash Flow Statement       | 105,616,266 | 81,174,875  | 36,687,715  | 7,346,696   |



## 21. SEGMENT INFORMATION

|   | Power Generation - Local |                      | Power Generation - Overseas |                      | Engineering Consultancy and Project Management |                   | Group                |                      |
|---|--------------------------|----------------------|-----------------------------|----------------------|--|-------------------|----------------------|----------------------|
|   | 2018<br>Rs.              | 2017<br>Rs.          | 2018<br>Rs.                 | 2017<br>Rs.          | 2018<br>Rs.                                    | 2017<br>Rs.       | 2018<br>Rs.          | 2017<br>Rs.          |
| Segmental Revenue                                     | 616,250,928              | 489,759,521          | 339,272,119                 | 12,308,516           | 19,315,157                                     | 32,685,772        | 974,838,204          | 534,753,809          |
| <b>Segmental Results</b>                              |                          |                      |                             |                      |  |                   |                      |                      |
| Depreciation  | (82,656,763)             | (80,024,466)         | (50,107,188)                | (3,385,608)          | (1,960,210)                                    | (1,960,210)       | (134,724,160)        | (85,370,284)         |
| Finance Cost  | (157,506,794)            | (160,729,992)        | (102,148,393)               | -                    | (256,295)                                      | (17,125)          | (259,911,483)        | (160,747,117)        |
| Finance Income  | 788,356                  | 1,478,218            | -                           | -                    | 53,921   | 49,260            | 842,277              | 1,527,478            |
| Profit share of Investment income from Joint Ventures | 85,108,584               | 26,085,760           | -                           | -                    | -  | -                 | 85,108,584           | 26,085,760           |
| Profit/(Loss) before Tax                              | 163,053,040              | 75,742,276           | 486,181,038                 | (53,119,923)         | 255,781  | 18,092,371        | 649,489,859          | 40,714,724           |
| Income Tax Expense                                    | (36,428,929)             | 5,867,088            | (103,795,711)               | -                    | (45,445)                                       | (4,904,865)       | (140,270,085)        | 962,223              |
| <b>Profit / (Loss) for the Year</b>                   | <b>126,624,111</b>       | <b>81,609,364</b>    | <b>382,385,327</b>          | <b>(53,119,923)</b>  | <b>210,336</b>                                 | <b>13,187,506</b> | <b>509,219,774</b>   | <b>41,676,947</b>    |
| Non-Current Assets                                    | 3,051,330,851            | 2,685,626,807        | 1,655,894,161               | 1,513,301,887        | 8,238,004                                      | 1,909,824         | 4,715,463,016        | 4,200,838,517        |
| Current Assets  | 332,390,959              | 356,711,456          | 236,776,912                 | 119,561,550          | 18,694,440                                     | 27,931,859        | 587,862,310          | 504,204,865          |
| <b>Total Assets</b>                                   | <b>3,383,721,809</b>     | <b>3,042,338,262</b> | <b>1,892,671,073</b>        | <b>1,632,863,437</b> | <b>26,932,444</b>                              | <b>29,841,683</b> | <b>5,303,325,326</b> | <b>4,705,043,382</b> |
| Non-Current Liabilities                               | 678,060,600              | 792,097,181          | 1,181,475,436               | 1,150,070,495        | 4,255,748                                      | 834,613           | 1,878,791,784        | 1,943,002,289        |
| Current Liabilities                                   | 953,747,366              | 733,614,556          | 269,782,226                 | 210,957,612          | 3,848,622                                      | 9,878,857         | 1,227,378,215        | 954,451,025          |
| <b>Total Liabilities</b>                              | <b>1,631,807,966</b>     | <b>1,525,711,737</b> | <b>1,451,257,662</b>        | <b>1,361,028,107</b> | <b>8,104,370</b>                               | <b>10,713,470</b> | <b>3,091,169,999</b> | <b>2,897,453,314</b> |

## 22. COMMITMENTS & CONTINGENCIES

### 22.1 Capital Expenditure Commitments

During the year the group entered into capital commitment contracts , mainly purpose of constructing power plant, the total value of the contractor contracted but not provided for amounts to Rs. 965Mn (2017 - Rs. 133.75Mn).

### 22.2 Letter of Credit

|               | Group       |             |
|---------------|-------------|-------------|
|               | 2018<br>Rs. | 2017<br>Rs. |
| MCB Bank Ltd. | -           | 62,850,000  |
|               | -           | 62,850,000  |

# Notes to the Financial Statements

## 22.3 Corporate Guarantees

| Company Name                             | Relationship with Vidullanka PLC | Amount of Guarantee provided by the Vidullanka PLC | Amount of Loan Obtained by the Relevant Company | Loan Balance as at 31 March 2018 | Loan Balance as at 31 March 2017 |
|--|----------------------------------|--|---|----------------------------------|----------------------------------|
| Lower Kothmale Oya Hydro Power (Pvt) Ltd | Subsidiary                       | 610,000,000  | 610,000,000                                     | 344,437,534                      | 445,248,514                      |
| Vidul Madugeta (Pvt) Ltd                 | Joint Venture                    | 160,000,000  | 320,000,000                                     | 176,016,552                      | 213,705,692                      |
| Udaka Energy Group (Pvt) Ltd             | Joint Venture                    | 35,000,000   | 70,000,000                                      | 34,175,347                       | 46,331,865                       |
| Rideepana Hydro (Pvt) Ltd                | Subsidiary                       | 284,000,000  | 284,000,000                                     | 173,673,854                      | 222,961,607                      |
| Muvumbe Hydro (U) Ltd                    | Subsidiary                       | 1,291,915,000                                      | 1,289,452,064                                   | 1,289,452,064                    | 1,150,070,495                    |
| Udawela Hydro (Pvt) Ltd                  | Subsidiary                       | 293,000,000  | 200,000,000                                     | 194,997,755                      | 60,057,609                       |

## 23. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

### 23.1 Company

| Nature of Liability   | Carrying Amount of Pledged Assets |                    |                               |
|---|-----------------------------------|--------------------|-------------------------------|
|   | 2018<br>Rs.                       | 2017<br>Rs.        | Included under Assets         |
| Charge over Leased Assets<br>on Finance Lease Liabilities                 | 3,824,180                         | 5,318,640          | Property, Plant and Equipment |
| Extended Murabaha (Trade finance)<br>& Diminishing Musharakah (Term Loan) | 455,916,762                       | 471,629,366        | Property, Plant and Equipment |
| <b>Total Carrying Value of Assets Pledged</b>                             | <b>459,740,942</b>                | <b>476,948,006</b> |                               |

### 23.2 Group

|   |                      |                      |                               |
|---|----------------------|----------------------|-------------------------------|
| Charge over Leased Assets<br>on Finance Lease Liabilities | 14,740,736           | 10,289,329           | Property, Plant and Equipment |
| Ijara, Murabaha & Diminishing Musharakah Facilities       | 3,811,992,596        | 3,445,424,523        | Property, Plant and Equipment |
| <b>Total Carrying Value of Assets Pledged</b>             | <b>3,826,733,332</b> | <b>3,455,713,852</b> |                               |

## 24. LITIGATIONS

Following Court actions have been initiated against the Company.

- D.C. Ratnapura Case No. 22020/L
- Balangoda Forest Case

Since the outcome of these matters are inherently uncertain, management believes that none of these outstanding matters are material, either individually or in aggregate.

## 25. RELATED PARTY DISCLOSURE

### 25.1 Details of significant Related Party Disclosure are as follows:

The Company carried out following transactions with related parties in the ordinary course of its business on an arms length basis at commercial rates during the year.

| Company  | Relationship  | Nature of Transactions                     | 2018<br>Rs.  | 2017<br>Rs.  |
|--|---------------|--|--------------|--------------|
| Walagamba Balashakthi (Pvt) Ltd (WMB)          | Subsidiary    | Expenses incurred by VLL                   | 5,856,721    | 8,806,496    |
|  |               | Repurchase of Shares                       | 45,000,000   | -            |
|  |               | Settlement/Fund Transfer done by WMB       | (23,136,776) | (14,812,572) |
|  |               | Fund Transfers from VLL                    | 5,485,000    | -            |
|  |               | Dividend from WMB                          | 2,100,000    | -            |
| Rideepana Hydro (Pvt) Ltd (RHPL)               | Subsidiary    | Expenses incurred by VLL on behalf of RHPL | 5,289,529    | 5,172,025    |
|  |               | Fund Transfers from VLL                    | 26,250,000   | 11,100,000   |
|  |               | Settlement done by RHPL                    | (1,540,368)  | (8,615,256)  |
|  |               | Dividend from RHPL                         | -            | 798,000      |
| Vidul Engineering Ltd (VEL)                    | Subsidiary    | Expenses incurred by VLL on behalf of VEL  | 15,640,937   | 20,143,865   |
|  |               | Expenses incurred by VEL on behalf of VLL  | (22,495,522) | (34,003,703) |
|  |               | Settlements done by VEL                    | (6,200,000)  | (9,000,000)  |
|  |               | Fund transfer from VLL                     | 9,675,000    | 7,500,000    |
| Vidul Madugeta (Pvt) Ltd (VMPL)                | Joint Venture | Expenses incurred by VLL on behalf of VMPL | 6,255,918    | 13,295,030   |
|  |               | Repurchase of Shares                       | 27,000,000   | -            |
|  |               | Settlements done by VMPL                   | (14,863,694) | (12,608,386) |
|  |               | Dividends from VMPL                        | 22,680,000   | 3,348,000    |
| Gurugoda Hydro (Pvt) Ltd (GHPL)                | Joint Venture | Expenses incurred by VLL on behalf of GHPL | 5,474,304    | 12,851,551   |
|  |               | Settlement done by GHPL                    | (12,626,894) | (12,683,038) |
|  |               | Repurchase of Shares                       | 30,000,000   | -            |
|  |               | Dividends from GHPL                        | 6,090,625    | 8,624,325    |
| Udaka Energy Group (Pvt) Ltd (UEGL)            | Joint Venture | Expenses incurred by VLL on behalf of UEGl | 4,445,797    | 13,531,696   |
|  |               | Settlement done by UEGl                    | (2,422,734)  | (12,442,901) |
|  |               | Dividends received from UEGl               | -            | -            |
| Lower Kothmale Oya Hydro Power (Pvt) Ltd (LKM) | Subsidiary    | Expenses incurred by VLL on behalf of LKM  | 6,537,486    | 16,071,311   |
|  |               | Funds Transfers to LKM                     | 26,730,000   | 10,450,000   |
|  |               | Repurchase of Shares                       | 108,070,000  | -            |
|  |               | Settlements by LKM                         | (85,253,174) | (42,814,501) |
|  |               | Dividends received from LKM                | -            | 9,624,000    |
| Muvumbe Hydro (U) Ltd (MVB)                    | Subsidiary    | Exports /Services provided to MVB          | -            | 27,331,246   |
|  |               | Funds Transfers to MVB (OIA)               | -            | 42,642,640   |
|  |               | Dividends received from MVB                | 216,764,896  | -            |

# Notes to the Financial Statements

| Company                                    | Relationship | Nature of Transactions                                   | 2018<br>Rs.  | 2017<br>Rs.  |
|--|--------------|--|--------------|--------------|
| Udawela Hydro (Pvt) Ltd (UDW)              | Subsidiary   | Funds Transfers to UDW                                   | 80,000,000   | 24,450,000   |
|  |              | Expenses incurred by VLL on behalf of UDW                | 7,414,266    | 14,672,315   |
|  |              | Settlement done by UDW                                   | (3,524,809)  | (20,000,000) |
| Vidul Biomass (Pvt) Ltd (VBL)              | Subsidiary   | Funds Transfers to VBL                                   | 85,785,423   | 13,244,347   |
|  |              | Expenses incurred by VLL on behalf of VBL                | 14,976,672   | 8,378,330    |
|  |              | Settlement done by VBL                                   | (2,747,832)  | -            |
| Vidul Plantations (Pvt) Ltd (VPL)          | Subsidiary   | Expenses incurred by VLL on behalf of VPL                | 193,890      | 1,107,007    |
|  |              | Funds Transfers to VPL                                   | 2,237,846    | 2,715,569    |
|  |              | Settlement done by VPL                                   | -            | (4,000,000)  |
| Nilwala Vidulibala Company (Pvt) Ltd (NVC) | Associate    | Expenses incurred by/Fund transfers VLL on behalf of NVC | 3,261,120    | 1,160,337    |
|  |              | Settlement/Fund Transfer done by NVC                     | (30,651,003) | 8,161,323    |

## 25.2 Transactions with Key Management Personnel of the Company

Key Management Personnel (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Such key management personnel of the Group are the members of its Board of Directors and the members of corporate management, that of its parent, and Chief Executive Officer, Independent Transactions with Key Management Personnel and transactions with the Close Family Members (CFMs) of the KMPs, if any, also been have taken into consideration in the following disclosure.

| Key Management Personnel Compensation | 2018<br>Rs. | 2017<br>Rs. |
|---------------------------------------|-------------|-------------|
| Short - Term Employee Benefits        | 49,300,000  | 41,139,800  |
| Other transactions - Dividend Payment | 69,161,220  | 13,148,137  |
| Other benefits paid by the company    | 3,405,000   | 3,507,930   |
| Share base payment                    | 21,843,908  |             |
|                                       | 143,710,128 | 57,795,867  |



## 26. FAIR VALUE DISCLOSURE

### 26.1 Fair Value of Financial Assets and Liabilities

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's and Group's financial instruments:

|                                      | Carrying Amount      |                      | Fair Value           |                      |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                      | 2018<br>Rs.          | 2017<br>Rs.          | 2018<br>Rs.          | 2017<br>Rs.          |
| <b>Company</b>                       |                      |                      |                      |                      |
| <b>Financial Assets</b>              |                      |                      |                      |                      |
| Other Financial Assets               | 2,500,000            | 153,647,689          | 2,500,000            | 153,647,689          |
| Trade and Other Receivables          | 586,615,632          | 256,578,657          | 586,615,632          | 256,578,657          |
| Cash and Bank Balances               | 36,687,715           | 7,346,696            | 36,687,715           | 7,346,696            |
|                                      | <b>625,803,347</b>   | <b>417,573,042</b>   | <b>625,803,347</b>   | <b>417,573,042</b>   |
| <b>Financial Liabilities</b>         |                      |                      |                      |                      |
| Financing and Lease (Ijara) Payables | 574,086,048          | 680,743,120          | 574,086,048          | 680,743,120          |
| Trade and Other Payables             | 128,451,950          | 62,849,735           | 128,451,950          | 62,849,735           |
|                                      | <b>702,537,998</b>   | <b>743,592,855</b>   | <b>702,537,998</b>   | <b>743,592,855</b>   |
| <b>Group</b>                         |                      |                      |                      |                      |
| <b>Financial Assets</b>              |                      |                      |                      |                      |
| Other Financial Assets               | 2,500,000            | 153,647,689          | 2,500,000            | 153,647,689          |
| Trade and Other Receivables          | 413,853,341          | 190,098,436          | 413,853,341          | 190,098,436          |
| Cash and Bank Balances               | 105,616,266          | 81,174,875           | 105,616,266          | 81,174,875           |
|                                      | <b>521,969,607</b>   | <b>424,921,000</b>   | <b>521,969,607</b>   | <b>424,921,000</b>   |
| <b>Financial Liabilities</b>         |                      |                      |                      |                      |
| Financing and Lease (Ijara) Payables | 2,629,451,224        | 2,604,609,287        | 2,629,451,224        | 2,604,609,287        |
| Trade and Other Payables             | 322,115,380          | 251,383,522          | 322,115,380          | 251,383,522          |
|                                      | <b>2,951,566,604</b> | <b>2,855,992,809</b> | <b>2,951,566,604</b> | <b>2,855,992,809</b> |

The management assessed that cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The significant interest bearing loans and borrowings are in floating rate which considered the carrying value as the fair value.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted shares are based on price quotations at the reporting date.

# Notes to the Financial Statements

## 26.2 Determination of Fair Value and Fair Value Hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:

**Level 1 :** Quoted market price (unadjusted) financial instruments with quoted price in active markets.

**Level 2 :** Valuation technique using observable inputs : financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

**Level 3 :** Valuation technique with significant unobservable inputs : financial instruments are valued using valuation techniques where one or significant inputs are observable.

The following tables shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

|                            | Group       |         |           |             | Company     |         |           |             |
|----------------------------|-------------|---------|-----------|-------------|-------------|---------|-----------|-------------|
|                            | Level 1     | Level 2 | Level 3   | Total       | Level 1     | Level 2 | Level 3   | Total       |
|                            | Rs.         | Rs.     | Rs.       | Rs.         | Rs.         | Rs.     | Rs.       | Rs.         |
| <b>As at 31 March 2018</b> |             |         |           |             |             |         |           |             |
| <b>Financial Assets</b>    |             |         |           |             |             |         |           |             |
| Other Financial Assets     | -           | -       | 2,500,000 | 2,500,000   | -           | -       | 2,500,000 | 2,500,000   |
|                            | -           | -       | 2,500,000 | 2,500,000   | -           | -       | 2,500,000 | 2,500,000   |
| <b>As at 31 March 2017</b> |             |         |           |             |             |         |           |             |
| <b>Financial Assets</b>    |             |         |           |             |             |         |           |             |
| Other Financial Assets     | 153,647,689 | -       | -         | 153,647,689 | 153,647,689 | -       | -         | 153,647,689 |
|                            | 153,647,689 | -       | -         | 153,647,689 | 153,647,689 | -       | -         | 153,647,689 |

During the reporting period ended 31 March 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

## 27. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the Reporting Period.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's investments, operations and to provide guarantees to support its operations. The Group has, trade and other receivables and cash and other short – term deposits that arrive directly from its operations. The Group also holds available-for-sale investments.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by the Audit committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Audit committee provides assurance to the Board of Directors that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

## 28.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits with financial institutions and available-for-sale investments.

### 28.1.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

#### Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. The Group's Profit before Tax is affected through the impact on floating rate borrowings as follows.

| Years | Increase/Decrease in Basis Points | Group Effect on Profit before Tax | Company Effect on Profit before Tax |
|-------|-----------------------------------|-----------------------------------|-------------------------------------|
| 2018  | 100                               | +/- 21.1Mn                        | +/- 1.8Mn                           |
| 2017  | 100                               | +/- 17.2Mn                        | +/- 1.4Mn                           |

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

### 28.1.2 Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates is significant as the Group now has a power plant located overseas. The electricity generation payment is linked to the USD, thus the transaction gain or loss is estimated to be minimal. The Group also imports electro-mechanical equipment in foreign currency as part of the investment in the renewable energy projects. The foreign currency related risks associated with the imports of plant & machinery are within the acceptable range of the Group's risk appetite and would be accommodated by the project contingency measures.

Since the functional currency of Muvumbe Hydro (U) Ltd is based on USD, the Group is subject to significant translation gain or loss arising from converting the USD to the LKR.

#### Foreign Currency Sensitivity

The Translation of USD based assets and liabilities to LKR would have significant impact on the value of Group assets and liabilities. The translation risk would decrease over time as the power plant start generating USD based revenue and payback the borrowings. The import of Fixed Assets for renewable energy projects would not have a direct impact on the income statement. The increase/decrease of the asset value due to the foreign exchange movement would be capitalized and would be depreciated over the useful life time of the asset, thus the impact would be immaterial.

|                              | Group                       |             |
|------------------------------|-----------------------------|-------------|
|                              | Effect on Profit before Tax |             |
| LKR Depreciation against USD | 2018<br>Rs.                 | 2017<br>Rs. |
| (+1%)                        | 2.3Mn                       | (12.15Mn)   |
| (-1%)                        | (2.3Mn)                     | 12.15Mn     |

# Notes to the Financial Statements

## 28.1.3 Commodity Price Risk

The Group is principally engaged in generating electricity using renewable energy sources i.e: Udaka Energy Group (Pvt) Ltd from the flow of Hal Oya and Walagamba Balashakthi (Pvt) Ltd from the flow of Koswathu Ganga. The project companies would pay pre-agreed unit prices for the use of the river flow to the respective government institutions, thus the impact of commodity prices would have immaterial impact on the earnings of the Group.

## 28.1.4 Equity Price Risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's Board of Directors on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions. The projected changes in the fair value of equity securities held by portfolios in response to assumed equity price movements of +/- 1%.

|       | Group                       |         | Company                     |         |
|-------|-----------------------------|---------|-----------------------------|---------|
|       | Effect on Profit before Tax |         | Effect on Profit before Tax |         |
|       | 2018                        | 2017    | 2018                        | 2017    |
|       | Rs.                         | Rs.     | Rs.                         | Rs.     |
| (+1%) | -                           | 1.5Mn   | -                           | 1.5Mn   |
| (-1%) | -                           | (1.5Mn) | -                           | (1.5Mn) |

## 28.2 Credit risk

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

### Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. The Group is selling the electricity to the state monopoly transmission licensee Ceylon Electricity Board (CEB). The customer regardless of its financial position is a state entity and has maintained a credit record throughout the period. The Subsidiary Vidul Engineering Ltd is involved in providing total turnkey key solutions to the developers of renewable energy projects. The Subsidiary evaluates the credit quality of the customer and enters written agreements before rendering the services.

### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's Finance Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the top management on a regular basis. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.



### 28.3 Liquidity risk

The Group monitors its risk to a shortage of funds using continuous cash flow forecasts & cash budgeting. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of working capital loans, short term loans, finance leases and hire purchase contracts.

The table below summarises the maturity profile of the Company's and Group's financial liabilities and financial assets based on contractual undiscounted payments.

| Company | Less than 3<br>Months | 4 to 12<br>Months | 2 – 3<br>Years | 4 – 5<br>Years | >5<br>Years | Total |
|---------|-----------------------|-------------------|----------------|----------------|-------------|-------|
|---------|-----------------------|-------------------|----------------|----------------|-------------|-------|

As at 31 March 2018

#### Financial Assets

|                             |             |   |   |   |   |             |
|-----------------------------|-------------|---|---|---|---|-------------|
| Other Financial Assets      | 2,500,000   | - | - | - | - | 2,500,000   |
| Trade and Other Receivables | 586,615,632 | - | - | - | - | 586,615,632 |
| Cash and Bank Balances      | 36,687,715  | - | - | - | - | 36,687,715  |
|                             | 625,803,347 | - | - | - | - | 625,803,347 |

#### Financial Liabilities

|                                      |             |             |             |             |             |               |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|
| Financing and Lease (Ijara) Payables | 110,743,649 | 333,093,045 | 834,634,923 | 573,317,409 | 247,579,307 | 2,099,368,333 |
| Trade and Other Payables             | 128,451,950 | -           | -           | -           | -           | 128,451,950   |
| Total                                | 239,195,599 | 333,093,045 | 834,634,923 | 573,317,409 | 247,579,307 | 2,227,820,283 |

As at 31 March 2017

#### Financial Assets

|                             |             |   |   |   |   |             |
|-----------------------------|-------------|---|---|---|---|-------------|
| Other Financial Assets      | 153,647,689 | - | - | - | - | 153,647,689 |
| Trade and Other Receivables | 254,941,505 | - | - | - | - | 254,941,505 |
| Cash and Bank Balances      | 7,346,696   | - | - | - | - | 7,346,696   |
|                             | 415,935,890 | - | - | - | - | 415,935,890 |

#### Financial Liabilities

|                                      |             |             |             |            |   |             |
|--------------------------------------|-------------|-------------|-------------|------------|---|-------------|
| Financing and Lease (Ijara) Payables | 274,531,526 | 264,842,473 | 126,215,035 | 30,015,999 | - | 695,605,033 |
| Trade and Other Payables             | 62,849,735  | -           | -           | -          | - | 62,849,735  |
| Total                                | 337,381,261 | 264,842,473 | 126,215,035 | 30,015,999 | - | 758,454,768 |

# Notes to the Financial Statements

| Group | Less than 3<br>Months | 4 to 12<br>Months | 2 – 3<br>Years | 4 – 5<br>Years | >5<br>Years | Total |
|-------|-----------------------|-------------------|----------------|----------------|-------------|-------|
|-------|-----------------------|-------------------|----------------|----------------|-------------|-------|

As at 31 March 2018

## Financial Assets

|                             |             |   |   |   |   |             |
|-----------------------------|-------------|---|---|---|---|-------------|
| Other Financial Assets      | 2,500,000   | - | - | - | - | 2,500,000   |
| Trade and Other Receivables | 413,853,341 | - | - | - | - | 413,853,341 |
| Cash and Bank Balances      | 105,616,266 | - | - | - | - | 105,616,266 |
|                             | 521,969,607 | - | - | - | - | 521,969,607 |

## Financial Liabilities

|                                      |             |             |             |             |             |               |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|
| Financing and Lease (Ijara) Payables | 110,743,649 | 333,093,045 | 834,634,923 | 573,317,409 | 247,579,307 | 2,099,368,333 |
| Trade and Other Payables             | 322,115,380 | -           | -           | -           | -           | 322,115,380   |
| Total                                | 432,859,029 | 333,093,045 | 834,634,923 | 573,317,409 | 247,579,307 | 2,421,483,713 |

As at 31 March 2017

## Financial Assets

|                             |             |   |   |   |   |             |
|-----------------------------|-------------|---|---|---|---|-------------|
| Other Financial Assets      | 153,647,689 | - | - | - | - | 153,647,689 |
| Trade and Other Receivables | 190,098,436 | - | - | - | - | 190,098,436 |
| Cash and Bank Balances      | 81,174,875  | - | - | - | - | 81,174,875  |
|                             | 424,921,000 | - | - | - | - | 424,921,000 |

## Financial Liabilities

|                                      |             |             |             |             |             |               |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|
| Financing and Lease (Ijara) Payables | 317,958,698 | 395,178,554 | 867,442,498 | 655,311,945 | 398,145,657 | 2,634,037,352 |
| Trade and Other Payables             | 251,383,522 | -           | -           | -           | -           | 251,383,522   |
| Total                                | 569,342,220 | 395,178,554 | 867,442,498 | 655,311,945 | 398,145,657 | 2,885,420,874 |

## 28.4 Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2016 and 31 March 2017.

The Group monitors capital using a gearing ratio, which is Interest - Bearing Loans and Borrowings divided by total Equity plus Interest - Bearing Loans and Borrowings. The Group's policy is to keep the gearing ratio below 65%.

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2018<br>Rs.   | 2017<br>Rs.   | 2018<br>Rs.   | 2017<br>Rs.   |
| Interest – Bearing Loans and Borrowings          | 2,629,451,223 | 2,604,609,287 | 574,086,048   | 680,743,120   |
| Equity   | 2,212,155,327 | 1,807,590,068 | 1,483,914,934 | 1,417,794,005 |
| Equity & Interest – Bearing Loans and Borrowings | 4,841,606,551 | 4,412,199,355 | 2,058,000,982 | 2,098,537,126 |
| Gearing Ratio                                    | 54.3%         | 59.0%         | 27.9%         | 32.4%         |

# Investor Information

## Market Capitalisation

The market capitalisation of the Company remained at Rs. 3,862,785,094/- as of 31 March 2018, compared to Rs.3,885,199,708/- as of 31 March 2017.

## Dividend Payout Ratio

The company declared two interim dividends of Rs.0.10 each representing a total distribution to the shareholders amounting to Rs.156,902,296/. This represents a dividend payout of 31.5% compared to dividend payout of 180%. The vast difference in the ratio is due to the modest performance during the last financial year, despite the fact the amount distributed as dividends have increased by 110%.

## Price to Book Value

The price to book ratio of the group as at 31st March 2018 was 1.79 compared to 2.16 reported as of 31 March 2017.

## Public Shareholding

|                      |   |                |
|----------------------|---|----------------|
| Issued Share Capital |   | 821,869,169    |
| 1)                   | Parent, subsidiary or any subsidiaries or associates of its parent entity   |                |
| 2)                   | Directors of the entity, spouses & their close family members   |                |
|                      | Mr. Osman Kassim  | 10,442,641     |
|                      | Mr. Riyaz M. Sangani  | 93,352,000     |
|                      | Mr. Shahid M. Sangani   | 2,302,569      |
|                      | Mr. S. Ranjan Mather  | 8,250,000      |
|                      | Mr. M. Zulficar Ghouse  | 4,163,999      |
|                      | Mr. S.S.V. Fernando   | 4,950,000      |
|                      | Mrs. B.R.I. Sangani   | 5,752,417      |
|                      | Mr. Sattar Kassim   | 73,637,368     |
|                      | Mr. C.F. Fuhrer   | 1,098,398      |
|                      | Mr. Sujendra Mather   | 19,827,892     |
|                      | Mrs. S.R. Sangani   | 418,934        |
|                      | Mrs. S.S. Sangani   | 2,819,955      |
|                      | Mrs. R.L. Mather  | 42,225,000     |
|                      | Mrs. Z.M. Sangani   | 18,963,654     |
|                      | Mr. Suhayb M. Sangani   | 17 288,204,844 |
| 3)                   | Chief Executive Officer and his close family members  | -              |
| 4)                   | Key management personnel and their close family members   | -              |
| 5)                   | Any party acting in concert with the parties set out in 1,2,3 & 4   | -              |
| 6)                   | Shares that have been allotted to employees, whereby the shares of the Entity are, directly or indirectly controlled by the management or the majority shareholder of the Entity. | -              |



|    |   |             |             |             |
|----|---|-------------|-------------|-------------|
| 7) | Shares that are in a locked account with the CDS due to statutory or regulatory requirement other than the shareholders exempted under (8) below. | -           |             |             |
| 8) | Entities, Single shareholders or Single shareholders jointly or severally holding 10% or more   | -           |             |             |
|    | Aberdeen Holdings (Pvt) Ltd   | 123,289,840 |             |             |
|    | Belmont Agents Ltd  | 123,755,000 |             |             |
|    | Wembley Spirit Ltd  | 108,943,372 | 355,988,212 | 644,193,056 |
|    | Public Shareholding   |             |             | 177,676,113 |
|    | Public Shareholding %   |             |             | 21.62%      |
|    | Public Shareholding - No. of Shareholders   |             |             | 1,448       |
|    | Non Public Shareholding   |             |             | 644,193,056 |
|    | Non Public Shareholding %   |             |             | 78.38%      |
|    | Non Public Shareholding - No. of shareholders   |             |             | 18          |
|    | Total No of Shareholders  |             |             | 1,466       |

#### Highest and Lowest Share prices for last five financial years

| Financial Year   | Highest price per share | Lowest price per share | Closing price per share |
|--|-------------------------|------------------------|-------------------------|
| FY 2017/18 (Capitalisation of reserves at the ratio of 1:10) | 5.90                    | 4.60                   | 4.70                    |
| FY 2016/17   | 6.20                    | 5.00                   | 5.20                    |
| FY 2015/16 (Capitalisation of reserves at the ratio of 1:2)  | 11.00                   | 5.80                   | 6.00                    |
| FY 2014/15   | 7.00                    | 3.50                   | 6.70                    |
| FY 2013/14   | 3.80                    | 3.40                   | 3.50                    |

# Investor Information

## Twenty Largest Shareholders of Vidullanka PLC as at 31 March 2018

| No. | Name                             | 2018          |        | 2017          |        |
|-----|----------------------------------|---------------|--------|---------------|--------|
|     |                                  | No. of Shares | %      | No. of Shares | %      |
| 01. | Belmont Agents Ltd               | 123,755,000   | 15.06% | 112,500,000   | 15.06% |
| 02. | Aberdeen Holdings (Pvt) Ltd      | 123,289,840   | 15.00% | 114,919,947   | 15.38% |
| 03. | Wembley Spirit Ltd               | 108,943,372   | 13.26% | 99,039,429    | 13.26% |
| 04. | Mr. Riyaz M. Sangani             | 93,352,000    | 11.36% | 78,467,353    | 10.50% |
| 05. | Mr. Sattar Kassim                | 73,637,368    | 8.96%  | 66,933,205    | 8.96%  |
| 06. | Mrs. R.L. Mather                 | 42,225,000    | 5.14%  | 36,750,000    | 4.92%  |
| 07. | ABC International Ltd            | 28,719,973    | 3.49%  | 26,204,463    | 3.51%  |
| 08. | Mrs. Yumna Kunimoto              | 25,275,451    | 3.08%  | 22,977,683    | 3.08%  |
| 09. | Mr. M.S. Mohideen                | 20,942,898    | 2.55%  | 18,708,998    | 2.50%  |
| 10. | Mr. Sujendra Mather              | 19,827,892    | 2.41%  | 18,025,356    | 2.41%  |
| 11. | Mrs. Z.M. Sangani                | 18,963,654    | 2.31%  | 17,239,685    | 2.31%  |
| 12. | Dynawash Ltd                     | 17,966,598    | 2.19%  | 16,333,271    | 2.19%  |
| 13. | Mrs. D.Z. Kathawala              | 16,837,250    | 2.05%  | 15,312,500    | 2.05%  |
| 14. | Jaywise (Construction) (Pvt) Ltd | 14,094,151    | 1.71%  | 12,812,636    | 1.71%  |
| 15. | Mr. R.B. Barmecha                | 11,880,003    | 1.45%  | 10,800,002    | 1.45%  |
| 16. | Mr. Osman Kassim                 | 10,442,641    | 1.27%  | 9,493,310     | 1.27%  |
| 17. | Mr. Ranjan Mather                | 8,250,000     | 1.00%  | 5,500,000     | 0.74%  |
| 18. | Vanguard Industries (Pvt) Ltd    | 7,606,012     | 0.93%  | 6,914,556     | 0.93%  |
| 19. | Mrs. B.R.I. Sangani              | 5,752,417     | 0.70%  | 7,598,708     | 1.02%  |
| 20. | Mr. S.S.V. Fernando              | 4,950,000     | 0.60%  | -             | -      |
| -   | Mr. M. Zulficar Ghouse           | -             | -      | 10,000,000    | 1.34%  |
|     | Top 20 Shareholders              | 776,711,520   | 94.51% | 706,531,102   | 94.56% |

### Shareholding Classification : Local & Foreign

| Description                 | Local Shareholders  |              |       | Foreign Shareholders |              |       | Total Shareholders  |              |        |
|-----------------------------|---------------------|--------------|-------|----------------------|--------------|-------|---------------------|--------------|--------|
|                             | No of share holders | No of Shares | %     | No of share holders  | No of Shares | %     | No of share holders | No of Shares | %      |
| 1 to 1,000 shares           | 711                 | 165,883      | 0.0%  | 3                    | 1,284        | 0.0%  | 714                 | 167,167      | 0.0%   |
| 1,001 to 10,000 shares      | 474                 | 1,676,306    | 0.2%  | 3                    | 11,055       | 0.0%  | 477                 | 1,687,361    | 0.2%   |
| 10,001 to 100,000 shares    | 197                 | 5,929,331    | 0.7%  | 4                    | 171,471      | 0.0%  | 201                 | 6,100,802    | 0.7%   |
| 100,001 to 1,000,000 shares | 38                  | 12,081,923   | 1.5%  | 1                    | 165,000      | 0.0%  | 39                  | 12,246,923   | 1.5%   |
| Over 1,000,001 shares       | 29                  | 502,687,868  | 61.2% | 6                    | 298,979,048  | 36.4% | 35                  | 801,666,916  | 97.5%  |
| Total                       | 1,449               | 522,541,311  | 63.6% | 17                   | 299,327,858  | 36.4% | 1,466               | 821,869,169  | 100.0% |

### Shareholding Classification : Entities & Individuals

| Description                 | Entities            |              |       | Individuals         |              |       | Total Shareholders  |              |        |
|-----------------------------|---------------------|--------------|-------|---------------------|--------------|-------|---------------------|--------------|--------|
|                             | No of share holders | No of Shares | %     | No of share holders | No of Shares | %     | No of share holders | No of Shares | %      |
| 1 to 1,000 shares           | 15                  | 5,697        | 0.0%  | 699                 | 161,470      | 0.0%  | 714                 | 167,167      | 0.0%   |
| 1,001 to 10,000 shares      | 18                  | 50,095       | 0.0%  | 459                 | 1,637,266    | 0.2%  | 477                 | 1,687,361    | 0.2%   |
| 10,001 to 100,000 shares    | 13                  | 458,001      | 0.1%  | 188                 | 5,642,801    | 0.7%  | 201                 | 6,100,802    | 0.7%   |
| 100,001 to 1,000,000 shares | 10                  | 3,238,965    | 0.4%  | 29                  | 9,007,958    | 1.1%  | 39                  | 12,246,923   | 1.5%   |
| Over 1,000,001 shares       | 13                  | 475,634,502  | 57.9% | 22                  | 326,032,414  | 39.7% | 35                  | 801,666,916  | 97.5%  |
| Total                       | 69                  | 479,387,260  | 58.3% | 1,397               | 342,481,909  | 41.7% | 1,466               | 821,869,169  | 100.0% |

# Five Year Summary

(in '000 otherwise stated)

|                                      | 2018<br>Rs.      | 2017<br>Rs.      | Group<br>2016<br>Rs. | 2015<br>Rs.      | 2014<br>Rs.      |
|--------------------------------------|------------------|------------------|----------------------|------------------|------------------|
| <b>ASSETS</b>                        |                  |                  |                      |                  |                  |
| <b>Non-Current Assets</b>            |                  |                  |                      |                  |                  |
| Property, Plant and Equipment        | 4,057,474        | 3,519,594        | 2,267,305            | 1,151,869        | 835,398          |
| Investment in Joint Ventures         | 319,172          | 327,305          | 313,587              | 391,574          | 280,466          |
| Other Project Investments            | 112,929          | 134,519          | 79,022               | 118,528          | 125,272          |
| Goodwill                             | 215,879          | 215,879          | 215,879              | 55,081           | 54,499           |
| Other assets                         | 10,008           | 3,541            | -                    | -                | -                |
|                                      | 4,715,463        | 4,200,839        | 2,875,794            | 1,717,051        | 1,295,635        |
| <b>Current Assets</b>                |                  |                  |                      |                  |                  |
| Inventories                          | 17,633           | 12,804           | 1,161                | 443              | -                |
| Trade and Other Receivables          | 462,113          | 256,579          | 342,960              | 235,545          | 264,418          |
| Other Financial Assets               | 2,500            | 153,648          | 196,267              | 190,839          | 16,978           |
| Cash and Bank Balances               | 105,616          | 81,175           | 92,823               | 92,019           | 9,851            |
|                                      | 587,862          | 504,205          | 633,211              | 518,846          | 291,247          |
| <b>Total Assets</b>                  | <b>5,303,325</b> | <b>4,705,043</b> | <b>3,509,005</b>     | <b>2,235,897</b> | <b>1,586,882</b> |
| <b>Non-Current Liabilities</b>       |                  |                  |                      |                  |                  |
| Financing and Lease (Ijara) Payables | 1,728,356        | 1,906,785        | 963,765              | 496,169          | 271,726          |
| Defined Benefit Liability            | 22,675           | 21,946           | 17,898               | 17,118           | 12,785           |
| Deferred Taxation                    | 112,761          | 14,270           | 20,381               | 18,277           | 12,982           |
|                                      | 1,863,792        | 1,943,002        | 1,002,044            | 531,565          | 297,494          |
| <b>Total Equity</b>                  | <b>2,212,155</b> | <b>1,807,590</b> | <b>1,870,400</b>     | <b>1,450,452</b> | <b>1,138,643</b> |
| <b>Revenue</b>                       | <b>974,838</b>   | <b>534,754</b>   | <b>723,224</b>       | <b>563,348</b>   | <b>465,290</b>   |
| Gross Profit                         | 726,369          | 391,062          | 601,700              | 434,822          | 338,527          |
| Operating Profit                     | 908,559          | 199,934          | 479,792              | 429,741          | 223,677          |
| Profit before Tax                    | 649,490          | 40,715           | 392,464              | 388,304          | 182,422          |
| Profit after Tax                     | 509,220          | 41,677           | 371,591              | 354,997          | 165,371          |
| Output (GWh)                         | 92.6             | 48.5             | 68.0                 | 63.0             | 39.0             |
| <b>Key Indicators</b>                |                  |                  |                      |                  |                  |
| Total Assets / Equity (Times)        | 2.40             | 2.60             | 1.88                 | 1.54             | 1.39             |
| Net Profit Margin (%)                | 52.2             | 7.8              | 51.4                 | 63.0             | 35.5             |
| Turnover /Assets (Times)             | 0.18             | 0.11             | 0.21                 | 0.25             | 0.29             |
| Return on Equity (%)                 | 23.0             | 2.3              | 19.9                 | 24.5             | 14.5             |
| Return on Assets (%)                 | 17.1             | 4.2              | 13.7                 | 19.2             | 14.1             |
| Current Ratio (Times)                | 0.5              | 0.5              | 1.0                  | 2.0              | 1.9              |
| Debt/(Debt + Equity) (%)             | 54.3             | 59.0             | 43.6                 | 30.3             | 24.1             |
| Earning per Share (Rs.)              | 0.60             | 0.05             | 0.52                 | 0.49             | 0.34             |
| Dividend per Share (Rs.)             | 0.20             | 0.10             | 0.23                 | 0.18             | 0.13             |
| Net Asset Value per Share (Rs.)      | 2.66             | 2.41             | 2.50                 | 3.04             | 2.39             |



# Notice of Meeting

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of shareholders of Vidullanka PLC will be held on 31 July 2018 at 10.30am, at Bougainvillea Ballroom, Galadari Hotel, Colombo 01 for the following purposes:

1. To consider and adopt the Audited Financial Statements for the year ended 31st March 2018 together with the Annual Report of the Directors thereon.
2. Re-Election of Directors
  - I. To re-elect Mr. Shahid M. Sangani as a Director of the Company, who retires by rotation and has offered himself for re-election
  - II. To re-elect Mrs. B. R. I. Sangani as a Director of the Company, who retires by rotation and has offered herself for re-election
  - III. To re-elect Mr. C. F. Fuhrer as a Director of the Company, who retires by rotation and has offered himself for re-election
3. Re-election of Directors in terms of section 211 of the Companies Act no 7 of 2007

Mr. S. Ranjan Mather, who is 72 years of age as a Director in terms of Section 211 of the Companies Act No. 07 of 2007. Accordingly, the following resolution to be passed for this purpose, if thought fit.

IT IS HEREBY RESOLVED to re-elect Mr. S. Ranjan Mather, who is 72 years of age as a Director in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. S. Ranjan Mather.
4. To re-appoint the retiring auditors M/s Ernst & Young, Chartered Accountants for the ensuing year and authorize the Directors to determine their remuneration.
5. Any other business.

By order of the Board  
VIDULLANKA PLC



MANAGERS & SECRETARIES (PRIVATE) LIMITED  
*Secretaries*

06 July 2018

## Note:

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

## Notes

# Form of Proxy

I/We, the undersigned .....  
 of..... being member/s of  
 Vidullanka PLC, do hereby appoint.....  
 of.....  
 as my/our Proxy to represent me/us, vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 31 July 2018  
 and at any adjournment thereof.

| Ordinary Resolution  | For | Against |
|--|-----|---------|
| 1. To, consider and adopt the Audited Financial Statements for the year ended 31st March 2018 together with the Annual Report of the Directors thereon.        |     |         |
| 2. To re-elect Mr. Shahid M. Sangani as a Director of the Company, who retires by rotation.  |     |         |
| 3. To re-elect Mrs. B. R. I. Sangani as a Director of the Company, who retires by rotation.  |     |         |
| 4. To re-elect Mr. C. F. Fuhrer as a Director of the Company, who retires by rotation.   |     |         |
| 5. To re- elect Mr. S. Ranjan Mather as a Director of the Company, who is over 70 years of age.  |     |         |
| 6. To re-appoint the retiring auditors M/s. Ernst & Young, Chartered Accountants for the ensuing year and authorize directors to determine their remuneration. |     |         |

Signed this ..... day of ..... 2018.

.....  
 Signature

Please see overleaf for Instructions for completion.

#### **Instructions for completion 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 the Company at Vidullanka PLC, Level 04, Access Tower, No. 278, Union Place, Colombo 2.



# Corporate Information

## Company Status

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

## Re-Registration Date & Number

27th September 2007  
PQ 83

## Stated Capital

Rs. 1,342,608,484/-

## Issued Number of Shares

821,869,169 shares

## Board of Directors

Mr. Osman Kassim (Chairman)  
Mr. Riyaz M.Sangani (CEO)  
Mr. Shahid M. Sangani  
Mr. Ranjan Mather  
Dr. A.A.M. Haroon  
Mr. M. Zulficar Ghouse  
Mrs. B.R.I. Sangani  
Mr. C.F. Fuhrer  
Mr. S.S.V. Fernando  
Mr. Sattar Kassim  
Mr. Sujendra Mather

## Company Secretary

Managers & Secretaries (Pvt) Ltd  
No. 8, Tickell Road  
Colombo 08.

## Registered Office

Level 04, "Access Towers"  
No. 278, Union Place  
Colombo 02.  
Tel: 011 4760000  
Fax: 011 4760076  
Email: [info@vidullanka.com](mailto:info@vidullanka.com)  
Web: [www.vidullanka.com](http://www.vidullanka.com)

## Auditors

Messers. Ernst & Young,  
Chartered Accountants  
No. 201, De Saram Place  
Colombo 10.

## Bankers

Amana Bank PLC  
MCB Bank Limited  
Hatton National Bank PLC  
Commercial Bank of Ceylon PLC  
Bank of Ceylon  
NDB Bank PLC

