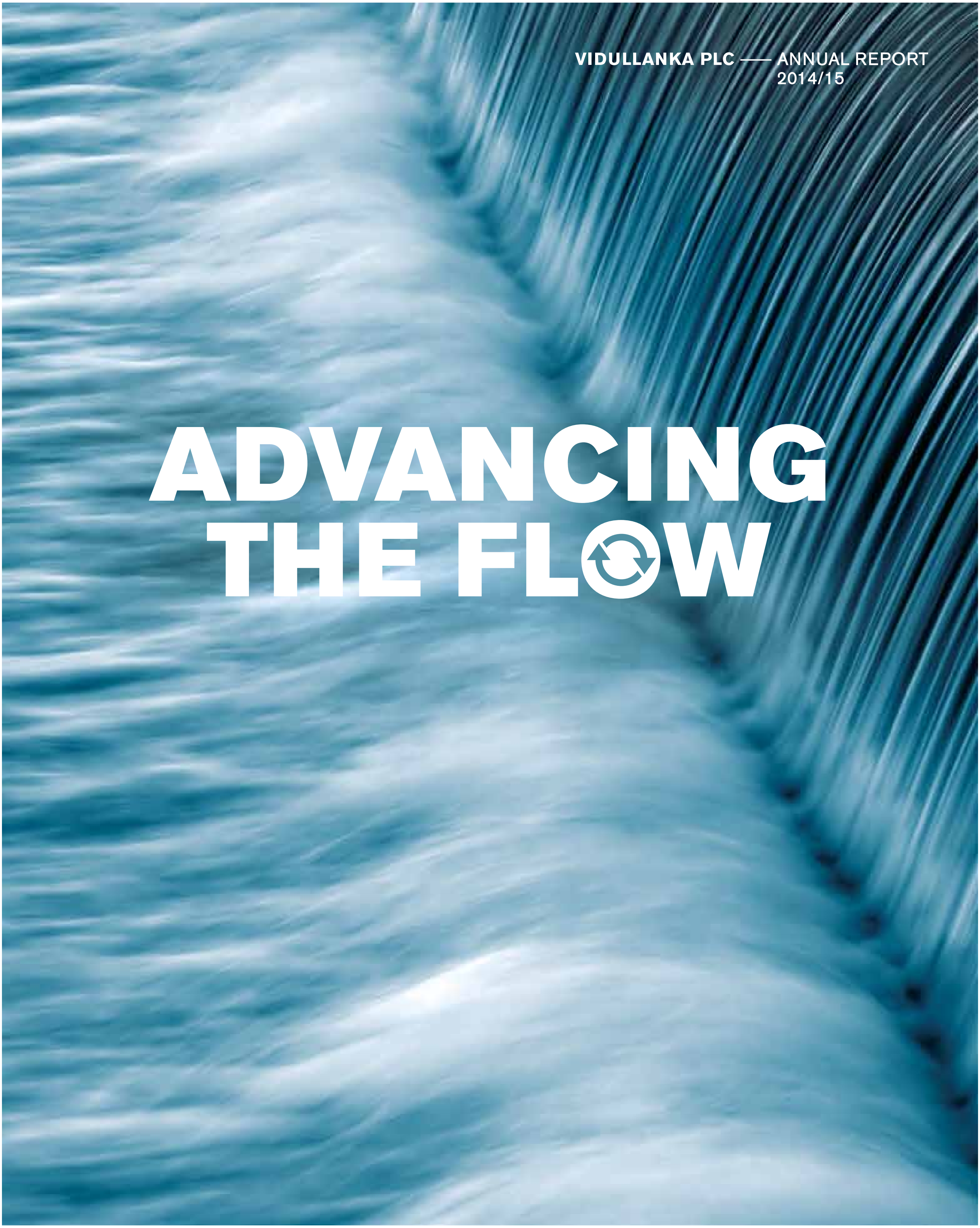
VIDULLANKA PLC — ANNUAL REPORT 2014/15

# ADVANCING THE FLOW



# Vidullanka in 2014/15

## Financial Data

| Year Ended 31 March | 2015 Rs. '000 | 2014 Rs. '000 |
|---|---|---|
| Revenue | 563,348 | 465,290 |
| Gross Profit | 434,822 | 338,527 |
| Operating Cost | 427,749 | 220,769 |
| Profit Before Tax | 388,304 | 182,422 |
| Profit After Tax | 354,997 | 165,371 |
| Generation (GWh) | 63.0 | 38.6 |

| Year Ended 31 March | 2015 | 2014 |
|---|---|---|
| Total Assets/Equity (Rs. '000) | 1.54 | 1.39 |
| Net Profit Margin (%) | 63.0 | 35.5 |
| Turn Over/Assets (Times) | 0.3 | 0.3 |
| Return on Equity (%) | 24.5 | 14.5 |
| Current Ratio (Times) | 0.98 | 0.98 |
| Earning Per Share (Rs.) | 0.74 | 0.34 |
| Debt/Equity (%) | 30.3 | 24.1 |

21%

**Growth in Revenue**

| | |
|---|---|
| 2015 | **563.3 mn** |
| 2014 | 465.3 mn |

117%

**Growth in Earnings Per Share**

| | |
|---|---|
| 2015 | **Rs. 0.74** |
| 2014 | Rs. 0.34 |

115%

**Growth in Profit After Tax**

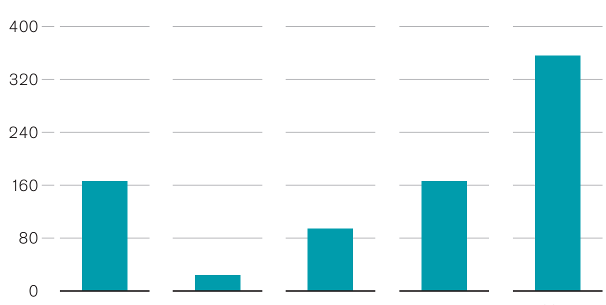
| | |
|---|---|
| 2015 | **355.0 mn** |
| 2014 | 165.3 mn |

63%

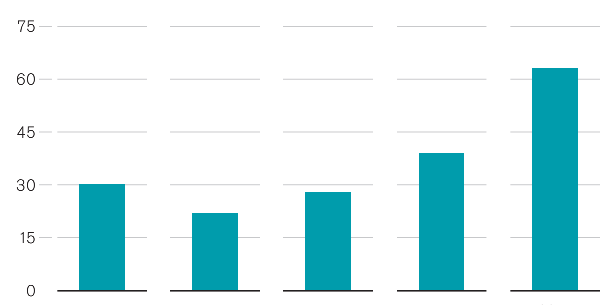
**Growth in Generation (GWh)**

| | |
|---|---|
| 2015 | **63.0 GWh** |
| 2014 | 38.6 GWh |

**Profit After Tax**
Rs. Mn




**Generation**
GWh



**Advancing the Flow...**

Vidullanka's fundamental interests lie in advancing the flow of green energy across the country. Our Company is firmly established as a renewable energy developer, with a focus on delivering value to society whilst safeguarding the environment. Such has been the sustainable success of our flows of business that, in this year of reporting, Vidullanka has earned its highest ever profits, doubling its YoY levels.

In tandem, we have set course on a growth trajectory that seeks diversification, both of energy source and geography, capacity enhancement and improved output. Our goal is the generation of exponentially increasing, sustained as well as sustainable value for all stakeholders.

The most important consideration of all, flowing across all enterprise, is environmental consciousness.

## About Vidullanka PLC

Incorporated in 1997 as a BOI venture, Vidullanka PLC plays a key role in developing Sri Lanka's renewable energy generation capacity and contributing to the National Grid. The Company constructs and operates renewable energy projects, using hydro sources. At present it operates eight mini hydro power projects.

Vidullanka PLC is listed on the Main Board of the Colombo Stock Exchange (CSE) at present, subsequent to being listed as the first hydro power company on the CSE in 2005. In 2014, Lanka Rating Agency (LRA) has upgraded Vidullanka's corporate credit ratings to A/P2 from A-/P2 in 2013.

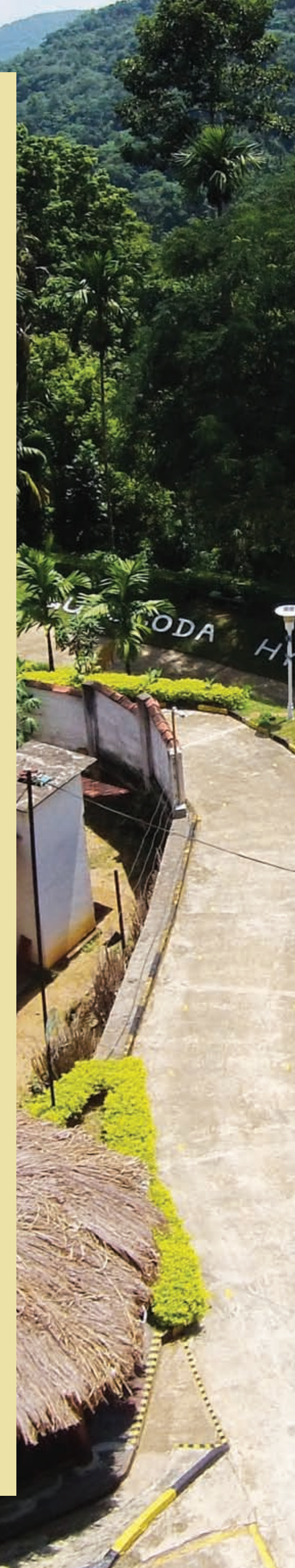
Since its inception, the Company has thrived to add value to its stakeholders whilst upholding highest standards of ethics, care and compassion for people and the planet. Accordingly, Vidullanka PLC continues to expand its operations through diversification and moving across national borders creating sustainable value to all stakeholders.

## Our Vision

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

## Our 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 market place. Use the strength of our engineering team to become the leader in supplying renewable energy.





## Our Plant Portfolio

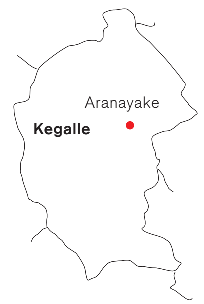
# We have eight mini hydro power plants supplying 63 GWh to the national grid

with two projects scheduled for construction, that include our first international venture, which will generate an additional 51 GWh of green energy.

# Our Plant Portfolio

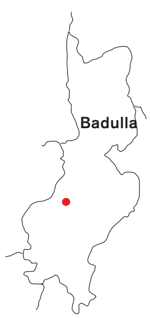
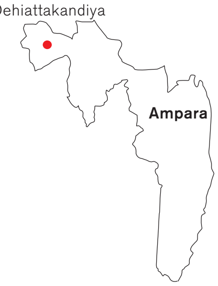
## LOCAL PROJECTS

### Projects Completed

| Project | Bambarabatuoya MHPP | Batathota MHPP | Ganthuna MHPP | Haloya MHPP | Wembiyagoda MHPP | Madugeta MHPP | Lower Kothmale Oya MHPP |
|---|---|---|---|---|---|---|---|
| | 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 the High Head - Low Flow project with the highest head amongst all the Vidul projects. | 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 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. | This is the largest project to be designed and constructed by Vidullanka, located in between the Upper Kothmale and Kothmale Reservoirs. |
| Project Company | Vidullanka PLC | Vidullanka PLC | Gurugoda Hydro (Pvt) Ltd. | Udaka Energy Group (Pvt) Ltd. | Walagamba Balashakthi (Pvt) Ltd. | Vidul Madugeta (Pvt) Ltd. | Lower Kothmale Oya Hydro Power (Pvt) Ltd. |
| Location | Ratnapura, Sri Lanka | Ratnapura, Sri Lanka | Kegalle, Sri Lanka | Badulla, Sri Lanka | Ratnapura, Sri Lanka | Galle, Sri Lanka | Nuwara-Eliya, Sri Lanka |
| |   |   |   |   |   |   |   |
| Project Cost | US$ 3.4 mn | US$ 2.5 mn | US$ 1.6 mn | US$ 1.2 mn | US$ 2 mn | US$ 4.4 mn | US$ 8.2 mn |
| Capacity | 3.2 MW | 2.0 MW | 1.2 MW | 800 kW | 1.3 MW | 2.5 MW | 4.0 MW |
| River | Kalu Ganga - Bambarabatuoya | Kuru Ganga | Gurugodaoya | Haloya | Koswathu Ganga | Gin Ganga | Kothmale Oya |
| Catchment Area | 76 km$^2$ | 64 km$^2$ | 5 km$^2$ | 57 km$^2$ | 77 km$^2$ | 179 km$^2$ | 89 km$^2$ |
| Plant Factor | **44%** | **58%** | **38%** | **38.5%** | **39.5%** | **46.1%** | **37%** |
| Designed Annual Energy | **12.33 GWh** | **10.25 GWh** | **4.0 GWh** | **2.7 GWh** | **4.5 GWh** | **10.1 GWh** | **13 GWh** |
| Head | 47 m | 41.6 m | 220 m | 63 m | 22.5 m | 15 m | 71.5 m |
| Channel Length | 2,850 m | 1,700 m | 220 m | 207 m | 440 m | 660 m | 1,430 m |
| Penstock Length | 150 m | 140 m | 560 m | 102 m | 40 m | – | 870 m |
| Turbines | Francis Turbines (4x800kW) | Francis Turbines (2x800kW+1x400kW) | Pelton Turbines (2x600kW) | Francis Turbines (2x400kW) | Francis Turbines (2x650kW) | Kaplan Turbines (2x1250kW) | Francis Turbines (2x1600kW + 1x800kW) |
| Status | Commissioned on 1 June 2001 | Commissioned on 6 March 2007 | Commissioned on 26 March 2010 | Commissioned on 30 July 2012 | Commissioned on 19 March 2013 | Commissioned on 1 November 2013 | Commissioned on 25 June 2014 |

## INTERNATIONAL PROJECTS

### Projects Under Construction

| Rideepana MHPP | Dehiattakandiya Dendro Power Project | Muvumbe SHPP |
|---|---|---|
| This is the latest addition to the Vidullanka project portfolio and the second project to be constructed in the Badulla District. | This is the first fuelwood-based power project of the Company and marks the first diversification into a new renewable energy source. | This marks the first overseas project by Vidullanka PLC. |
| Rideepana Hydro (Pvt) Ltd. | Vidul Biomass (Pvt) Ltd. | Muvumbe Hydro (U) Ltd. |
| Badulla, Sri Lanka | Ampara, Sri Lanka | Uganda, Africa |
|   |   |   |
| US$ 3.1 mn | US$ 6.3 mn | |
| 1.75 MW | 3.0 MW | 6.5 MW |
| Baduluoya | – | Muvumbe River |
| 205 km$^2$ | – | 868 km$^2$ |
| **43.6%** | **76%** | **55.17%** |
| **5.94 GWh** | **20 GWh** | **31.42 GWh** |
| 30.4 m | – | 120 m |
| 590 m | – | 2,080 m |
| 60 m | – | 295 m |
| Francis Turbines (1x1250kW + 1x 500kW) | – | Francis Turbines (1x4000kW + 1x2500kW) |
| Commissioned on 15 May 2015 | Construction to be commenced | Construction to be commenced |

# Chairman's Message

It is a great pleasure to welcome you to the 19th Annual General Meeting of the Company.

The year 2014/15 was another prosperous year for Vidullanka PLC. The Company posted results that reflect the soundness of our strategy and reflect the quality of our investments and the constant commitment of all of our people to achieve growth characterised by sustainability and innovation.

### Sri Lankan Economy during the Year

Sri Lanka's economy continued to grow robustly in 2014, inflation fell markedly, and the current account deficit narrowed. The election in January 2015 brought a new President to office on a mandate for political and economic change. With Parliamentary Elections scheduled for August, the year will be marked by political transition. The outlook is for a continued strong economic performance aided by generally favourable global conditions.

Sri Lanka's gross domestic product grew by 7.4% during 2014, up slightly from 7.2% a year earlier. Continued high growth was driven by faster expansion in the industry, which offset substantially weaker growth in agriculture. Provisional estimates show that industry provided the lift to the growth as it advanced by 11.4%, up from 9.9% a year earlier, reflecting the fast expansion in construction and an increase in manufacturing apparel for export.

An improved external environment, higher investments, and a recovery in domestic consumption will sustain a rapid pace of GDP growth in Sri Lanka in the next two years, according to Asian Development Outlook (ADO) 2015 – the flagship annual economic publication from the Asian Development Bank (ADB). ADO forecasts growth to sustain above 7% and expects the momentum to continue.

Inflation is expected to remain in the mid-single digits in 2015 and 2016. Broadly steady international fuel and stable food prices, assuming normal weather will help to keep inflation stable over the next two years.

### Renewable Energy Industry

During the year under review, the electricity generated through non-conventional renewable energy has increased by 3.3%. The total number of units of electricity generated through renewable energy industry is 1,217 GWh.

During the year, 12 mini hydro power projects, 3 wind power plants, a biomass power plant and a dendro power project have been commissioned adding approximately 23 MW, 30 MW, 2 MW and 5 MW, respectively, to the national grid. While several renewable energy projects being commissioned in the country, the mini hydro power industry has reached its saturation point as the available commercially viable potential mini hydro locations have been harnessed.

By the end of 2014, there were 291 MW capacity of mini hydro power, 131.5 MW capacity of wind power, 13 MW capacity of biomass power, 10.5 MW capacity of dendro power and 1.4 MW capacity of solar power connected to the national grid.

Apart from hydro, our country is blessed with an abundant scale of other sources of non-conventional renewable energy sources such as wind and solar, with the existing wind power projects showing promising results for a larger level of utilisation of these sources.

The non-conventional renewable energy (NCRE) industry may see growth going forward if more emphasis is to be placed on the environmental friendly nature of renewable energy projects, compared to fossil fuel based electricity generation. If an overall reduction in generation from thermal, coal and fossil fuel would be seen; this would bring more opportunities for the renewable energy industry, which would mean that the present renewable energy industry of Sri Lanka which mainly depends on the mini hydro power energy generation, would see more opportunity going forward in terms of diversification.

## Our Performance

The total revenue of the Group amounted to Rs. 563 mn in the current year, up 21% compared with the prior year. Revenue increased by Rs. 98 mn. The major factors that contributed towards the improved performance are increased capacity, diversity in locations of the projects and the improvement in the performance of plants.

The operating profit margin totalled Rs. 390 mn, a rise of 85.7% from the Rs. 210 mn posted for 2013/14.

The Company successfully commissioned its 4 MW power plant during the financial year under review. Lower Kothmale Oya Mini Hydro Power Plant (MHPP) is now grid connected and is estimated to generate 13 GWh per annum. Another project of the Company, Rideepana MHPP which was in the final stages of its completion at the end of the year under review, was also commissioned in May 2015. With the focus on rapid expansion, the Group has doubled its generation capacity within the past three years, enhancing the overall performance of the Company. The Company's first foreign project, Muvumbe Small Hydro Power Project (SHPP), has commenced its preliminary project works in Uganda now, which was delayed due to regulatory clearance. This has also led to the signing of the power purchase agreement deferred for a short period of time. Construction work is set to begin towards the end of year 2015.

The Company paid two interim dividends during the year under review totalling Rs. 0.175 per share, with a total distribution of Rs. 83.5 mn.

## Strategies that Enable Growth

Our continual focus has been on developing mini hydro power projects. In keeping with our overall goal of maintaining growth and expansion, we have been consistently adding projects during the last five years, thereby keeping the overall momentum up for growth and expansion. The consistent performance of all our plants have been instrumental in aiding the Company's smooth growth and expansion process on a gradual basis. The Company believes and capitalises on strategic partnerships and affiliations to bring synergy to the organisation.

Further, the Company has initiated diversification through its strategic investments in a biomass power project. Vidullanka PLC always ensures that it keeps abreast of the times in both its investments and sharing the returns with its stakeholders.

The Company also plans to diversify into the wind and solar power projects in the future. However, the present national grid cannot accommodate the energy from these renewable energy sources due to technical reasons and the Company has had to keep those initiatives on hold. We believe that the State is taking necessary steps to overcome these issues and soon would pave the way for the renewable energy developers to invest in these abundant environment friendly energy sources.

## Sustainability and the Company

Vidullanka PLC believes that the success of the organisation lies on the sustainability measures it takes over the short, medium and long-term. Our approach to sustainability is not limited to affirming its intrinsically 'green' nature, but rather it seeks to promote a strategy that integrates sustainability into business processes and throughout the value chain.

We seek to create value for the communities in which we operate, forging transparent and collaborative relationships with those communities. Consistent with this approach, we pursue projects to create opportunities for local economies and for social development, first and foremost by leveraging the impact of the Company's presence in the area on development and local industries. An additional focus of our attention at the local level is safeguarding biodiversity from the very outset of our projects and then developing and conserving that diversity through specific initiatives. We adopt a comprehensive approach to managing environmental issues. Being an ethical corporate player in the industry of clean energy production, our Company contributes to carbon emission reduction.

Our quest for technical and operational excellence continues. Beginning with our consolidated base of experience and know-how developed with our existing plants, our attention to technological innovation and the creation of shared value, as well as the commitment of all of our employees, enable us to look to the future with full understanding of the great potential we have for the continued development of both the scale and operating performance of the Company.

## A Responsible Corporate Citizen

We place great importance on proper business ethics, principles and the related standards of conduct that the Company has adopted for itself and with which it requires all employees to comply in order to avoid the risk of unethical behaviour. In this regard, we encourage regular self-assessments at the highest levels of the management, against policies and key controls as part of our established corporate culture. We strive to maintain good governance and transparency in our operation, and are committed to comply with all relevant standards and directives in order to maintain risks at a minimum level.

## Achievements during the Year

I congratulate the staff of the head office of Vidullanka PLC on securing the Japan-Sri Lanka Technical and Cultural Association (JASTECA) 5S Awards for the year 2014. It is noteworthy that this is the fourth consecutive year that the Vidullanka Group has bagged the coveted 5S Award. The Company was also awarded Silver at the Annual Report Awards of The Institute of Chartered Accountants of Sri Lanka under the Power and Energy sector, for excellence in annual financial reporting while encouraging effective communication to stakeholders through the publication of informative annual reports, promoting effective presentation of financial and non-financial information. All this augurs well for the continued growth and development of the Company.

## Acknowledgements

I take this opportunity to convey my most sincere gratitude to Dr. T. Senthilverl, who stepped down from his directorship following many years of service to the Vidullanka Board. I thank him for the great service rendered to the Company throughout the years.

As I conclude, I wish to express my heartfelt gratitude to my fellow Board members for the support extended in the implementation of the overall direction and strategy of the business; to the Managing Director – Mr. Riyaz Sangani, for the astute leadership provided in driving the Company on its path to success; to the management and staff, for the commitment and dedication; to our partners, for the trust placed in us in creating sustainable power generation; and finally to our shareholders for the loyalty and confidence placed in us throughout the years. We look forward to many years of fruitful partnership in 'advancing the flow'.

**Osman Kassim**
Chairman
1 July 2015

# Managing Director's Review

Having been a pioneer in the non-conventional renewable energy industry in Sri Lanka, Vidullanka PLC today, has become a well-established holding company, having doubled the installed capacity over the past three-year period whilst significantly growing financial strength. Over the years, we have aligned ourselves with the Government's goal for the energy sector, making key contribution to electricity generation from non-conventional renewable energy sources.

### Synopsis of the Operating Environment

Recording an economic growth of 7.4% in 2014, the Sri Lankan economy displayed its resilience in the face of domestic as well as external challenges. The industry and services sectors continued to perform well, whilst adverse weather conditions dampened the performance of the agriculture sector during the year.

Total electricity generation increased by 3.9% to 12,357 GWh in 2014, whilst the generation of electricity through non-conventional renewable energy (NCRE) sources including mini hydro generation, increased by 3.3% to 1,217 GWh during the year.

### Our Operations During the Year

Our expansion and diversification activities continued with full steam during the year. The 4 MW Lower Kothmale Oya MHPP – our seventh mini hydro power project, was commissioned in June 2014. The Rideepana MHPP which was at the final stages of construction during the end of the financial year 2014/15, was successfully commissioned in May 2015. We have also set up Vidul Biomass (Pvt) Ltd. to diversify into generating energy through biomass.

With an overall vision to grow through diversification and capitalising on the engineering excellence the Company has developed over the period of time, we have set to start the construction of the Muvumbe SHPP in Uganda. Although there was a delay in the initial stages of the project due to regulatory constraints, we are now about to commence construction of the plant. Muvumbe SHPP is proposed to have an installed capacity of 6.5 MW generating an annual energy of 31.5 GWh.

In addition, our performance was enhanced further during the year, through productivity and efficiency enhancement of our plant operations. This was on account of the efficient management services carried out and the innovative products introduced by Vidul Engineering Ltd.

### Our Performance

The continuous efforts made by the Company in developing new power plants over the past few years have gradually started to strengthen the profitability as well as the financial position of the Company. Hence, the financial year in review was one of reaping compared to investing. In tandem, the credit rating of our Company has been upgraded to an A rating with a stable outlook demonstrating the long-term stability of our organisation.

The revenue increased by 21% to Rs. 563 mn during the financial year. We also surpassed last year's best ever recorded profit after tax by 115% to Rs. 355 mn. We rewarded our shareholders by paying two interim dividends totalling Rs. 0.175 per share for the financial year under review.

The financial position of our Company remains solid through our well managed liquidity and profitability levels. We have maintained our gearing well within the Board defined levels and are rated as stable in the long-term. Reflecting the improved performance of the Group, the share price rose to Rs. 6.70 from Rs. 3.50 during the year under review.

### Towering Above Competition

Although there is no vast differentiation among renewable energy producers in terms of technology and operations, we stand out in the industry due to our capability – from identifying the viable project locations to commissioning and operating the power plants. The designing and construction works of projects are supported by our Subsidiary – Vidul Engineering Ltd.

Vidul Engineering Ltd.'s highly capable and skilled engineers provide the required services enabling us to keep our operational costs and downtime at minimal levels. Hence, the in-house engineering team and the rest of the staff members provide an edge to our Company.

We nurture a culture which is team oriented and innovative. This has led to innovative ideas being capitalised resulting in the introduction of several products through our in-house engineering arm.

We were awarded the Japan-Sri Lanka Technical and Cultural Association (JASTECA) 5S award for the fourth consecutive year. In addition, we were accoladed with a Silver Award in the Power and Energy Sector at the Annual Report Awards organised by The Institute of Chartered Accountants Sri Lanka demonstrating our transparency in business and responsible reporting.

## Our Sustainability Initiatives

We are focused on enriching and empowering the younger generation through education and also in the sustainable utilisation of natural resources. In this context, *Vidu Saviya*, the education development programme launched by us is aimed at uplifting children in the localities through education.

Our environmental conservation activities extend towards reforestation of the areas in which our power plants are located. In this regard, we support and contribute to Government initiatives towards reforestation. Our power plants also contribute towards reduction of carbon emission significantly as they do not emit carbon dioxide like conventional fossil fuel-based power generation.

## Supporting Government Initiatives

The Government of Sri Lanka aims to achieve 100% electrification by the year 2020, with 20% of electricity generation to be met by non-conventional renewable energy. We have set ourselves as an integral part of this initiative, with minimal disturbance to the environment. Our eight power plants supplied 63 GWh to the national grid during the financial year 2014/15. Apart from this, we help to reduce the utilisation of expensive thermal power generation, leading to reduction in carbon emission as well as saving of foreign exchange to the country.

## Our Culture

Our team of professionals are equipped with the necessary expertise and knowledge to face change and challenges unflinchingly. The top management provides the required guidance to conduct the operations of our organisation successfully. Irrespective of the position held, every employee works together for the betterment of the Company.

## Future Outlook

The demand for power is expected to grow at about 7% per annum attributed to the robust economic growth, mainly supported by the development of infrastructure facilities. Overall, the favourable economic prospects, increased investments in the manufacturing sector, coupled with the Government's long-term vision of electrifying all households, are expected to support the increase in the demand for the electricity in the country. As a fully-fledged renewable energy company, our strategic goal is to support the Government's goal of electrifying our Nation and meeting the energy demand through sustainable energy resources.

In this context, we seek to diversify our project portfolio beyond development of mini hydro power projects whilst ensuring the conservation and non-exploitation of the environment. This would result in maximising the economic value of the shareholders. As a step towards diversifying the project portfolio, we have planned to commence the construction of the Dehiattakandiya Dendro Power Project during the first half of the financial year 2015/16, which will generate electricity through sustainably grown fuelwood upon commissioning to the national grid in 2017. A dedicated business entity has been set up to conduct the project along with professionals who are well-equipped with knowledge and industry experience.

We also intend to expand beyond the national boundary by tapping international investment opportunities for renewable energy projects. Hence, the ensuing year would be one with an enhanced value generation and expansion beyond national boundaries. With the expansion of our overseas projects we aim to become a significant foreign exchange earner to our nation as well as a pioneer in delivering Sri Lankan engineering excellence to the world.

## Thank You

I take this opportunity to thank an astute Board Member – Dr. T. Senthilverl, who relinquished his directorship following years of valuable service to the Vidullanka Board.

As I conclude, I wish to thank both the regulators and Government authorities for the guidance and support extended to us. I deeply appreciate our business partners for their trust and understanding. I am also grateful to the shareholders for the confidence and loyalty placed in us; to the Board of Directors, for their unfailing advice and support; and to the staff members of the Group for their dedication, commitment and hard work at all times.

As we move ahead, we will remain committed to generating increased value for all our stakeholders, as the world increasingly depends on safe, sustainable non-conventional renewable energy.

**Riyaz M. Sangani**
Managing Director
1 July 2015

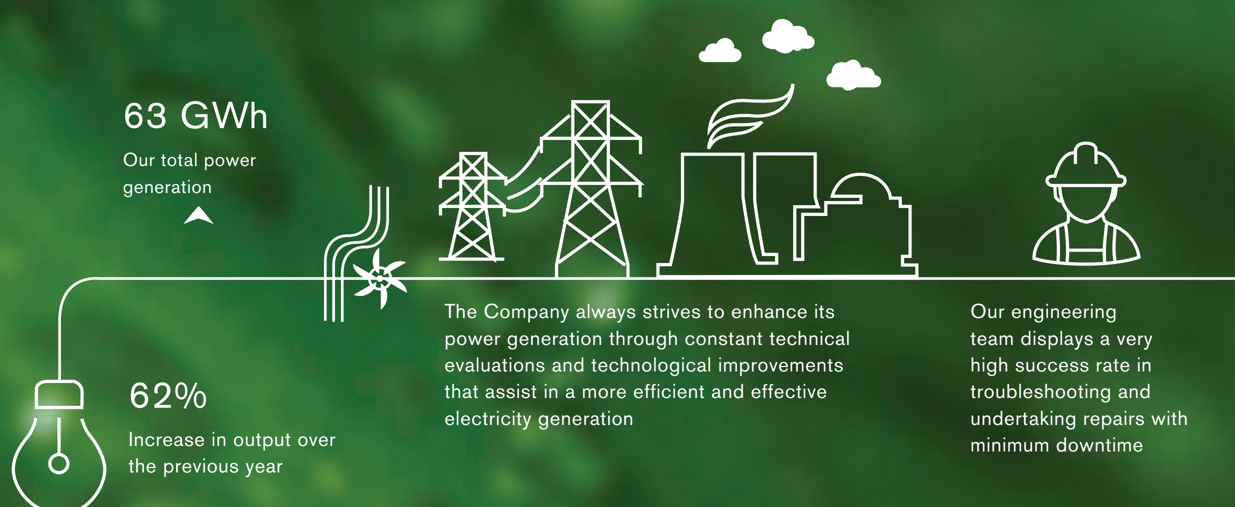
# Capacity

Prudent management of existing power generating capacities and a proactive search for new power sources has been the guiding philosophy of Vidullanka PLC.

We've leveraged technology to accrue efficiencies in our current power generation capacities, which has allowed us to deliver a steady supply to the national grid with minimal down time.

The commissioning of the Lower Kothmale Oya MHPP and the Rideepana MHPP has significantly enhanced the Company's power generating capacity.

Our total power generation at present stands at 63GWh, a significant increase from 39GWh last year.




**Business Model >**

# Organisational Profile

Vidullanka PLC was incorporated as a BOI venture in 1997, in response to the Government's initiatives to promote private sector participation in developing non-conventional renewable energy projects in Sri Lanka. The core business interest of the Company is grid connected electricity generation from non-conventional renewable energy sources.

On 10 June 2005, Vidullanka PLC was listed in the Colombo Stock Exchange and the Company was re-registered under the new Companies Act No. 07 of 2007 on 27 September 2007. The issued number of shares is 477,269,193. The Registered Office of the Company is at Level 04, Access Tower, No. 278, Union Place, Colombo 02.

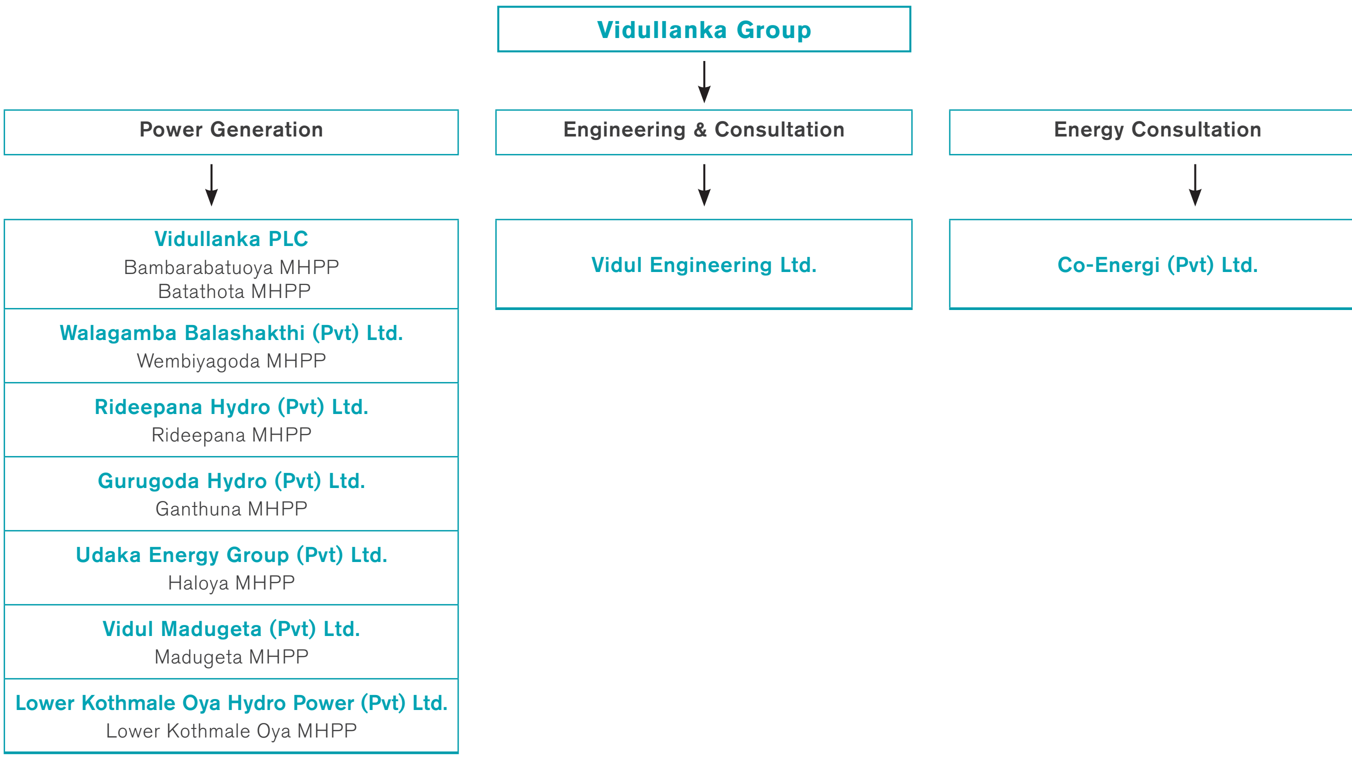
Vidullanka PLC operates 5 subsidiaries and 5 joint ventures. The Company continues to remain within the power and energy sector in Sri Lanka, promoting economically viable, environment friendly, non-conventional renewable energy resources. During the year, the Company has set-up new subsidiaries and more are planned to be commissioned in the future as well.

Lanka Rating Agency (LRA) has upgraded Vidullanka's long-term and short-term corporate credit ratings to A and P2 respectively from A- and P2. The long-term ratings carry a stable outlook. The rating upgrade was on account of the Group's notable improvement in cash flow generation and debt protection. These ratings were upheld by the Group's favourable contract terms with Ceylon Electricity Board (CEB) under the Standard Power Purchase Agreement (SPPA).

Main operational activities of the Group:

- Production and transmission of electrical energy to the national grid through mini hydro power plants (MHPPs)
- Engineering solutions covering:
  - Design and project management
  - Development Services
  - Feasibility studies
  - Operation and maintenance
- Control solutions
- Consultation on energy efficiency and conservation
- LEED Energy efficiency certification

# Organisational Structure




## Markets Served

At present, Vidullanka PLC operates only in Sri Lanka which is its major market. However, the Company plans to expand and diversify its operations by moving into overseas markets – the African continent in particular.

The power plants currently in operation are as follows:

1. Bambarabatuoya MHPP, Ratnapura
2. Batathota MHPP, Kuruwita, Ratnapura
3. Ganthuna MHPP, Aranayaka, Kegalle
4. Haloya MHPP, Welimada, Badulla
5. Wembiyagoda MHPP, Kalawana, Ratnapura
6. Madugeta MHPP, Neluwa, Galle
7. Lower Kothmale Oya MHPP, Kothmale, Nuwara Eliya
8. Rideepana MHPP, Andeniya, Badulla (commissioned in 15 May 2015)

The planned power plants are:

1. Muvumbe Small Hydro Power Plant (SHPP), Kabale, Uganda
2. Dehiattakandiya Dendro Power Project, Dehiattakandiya

## Subsidiaries

**Vidul Engineering Ltd.**

Incorporated on 3 September 2007, under the Companies Act No. 07 of 2007. Vidul Engineering Ltd., is an 80% owned subsidiary of Vidullanka PLC. Provision of engineering services related to hydro power plants is the principal activity of the Company.

**Walagamba Balashakthi (Pvt) Ltd.**

This is a fully-owned subsidiary of Vidullanka PLC. The Company was incorporated on 7 July 2008 to produce electrical energy and transmit to the national grid from its Wembiyagoda MHPP in Ratnapura.

**Rideepana Hydro (Pvt) Ltd.**

This is the newest addition to Vidullanka's investment portfolio. It is a fully-owned subsidiary. The Company has constructed a 1.75 MW mini hydro power plant in the Badulla District, which supplies 5.94 GWh of environment friendly electricity to the national grid. The project reduces Sri Lanka's carbon emission by 3,700 tonnes annually by utilising the flow of the Badulu Oya.

## Joint Ventures

The joint ventures invested by Vidullanka PLC:

| Joint Venture | Holdings Percentage | Joint Venture Partner | Business Venture |
|---|---|---|---|
| Gurugoda Hydro (Pvt) Ltd. | 50 | Esna Power (Pvt) Ltd. | Build, own and operate Ganthuna MHPP |
| Co-Energi (Pvt) Ltd. | 50 | Mr. & Mrs. Ralapanawe | Services relating to energy efficiency and conservation |
| Udaka Energy Group (Pvt) Ltd. | 50 | Vanguard Industries Ltd. | Build, own and operate Haloya MHPP |
| Vidul Madugeta (Pvt) Ltd. | 50 | Esna Power (Pvt) Ltd. | Build, own and operate Madugeta MHPP |
| Lower Kothmale Oya Hydro Power (Pvt) Ltd. | 50 | A consortium of investors led by Jaywise Constructions (Pvt) Ltd. | Build, own and operate Lower Kothmale Oya MHPP |

## Power Plants Commissioned During the Financial Year

Vidullanka PLC commissioned its seventh mini hydro power plant – the Lower Kothmale Oya MHPP at the beginning of the financial year. The installed capacity of the Company increased to 15 MW. Another power plant, Rideepana MHPP with an installed capacity of 1.75 MW was connected to the national grid in May 2015. This annually generates and transmits 5.94 GWh of environmentally friendly electricity under the standard power purchasing agreement with the CEB.

## Future Projects

Vidullanka continues to support the national goal of supplying 20% of the electricity generation of Sri Lanka through non-conventional renewable energy by the end of the year 2020. Accordingly, the Dehiattakandiya Dendro Power Project in Diyaviddagama, Dehiattakandiya is to be commissioned in the upcoming year. In addition, the Company aims to move across national borders by setting up a renewable energy power plant in Muvumbe, Kabale, Uganda – the Muvumbe SHPP.

Vidul Biomass (Pvt) Ltd., Vidullanka's investment wing in generating energy through sustainability grown fuelwood will commence construction during the financial year 2015/16.

# Operating Environment

### Macroeconomic Review

In 2014, the Sri Lankan economy showed its resilience in the face of domestic as well as external challenges. Real GDP grew by 7.4% in 2014, compared to 7.2% in 2013. As a result, GDP per capita increased to US $ 3,625 from US $ 3,280 in the previous year. The economy was driven by domestic consumption expenditure whilst investments, particularly on construction, provided for economic expansion during the year.

Industry and services sectors continued to perform well. However, the performance of the agriculture sector was affected due to adverse weather conditions during the year. Inflation remained at single digit levels for the sixth consecutive year.

Going forward, the Sri Lankan economy is projected to reach upper middle income levels and sustain the favourable high growth and low inflation regime in the medium term.

### Electricity Generation in Sri Lanka

Sri Lanka is moving towards becoming an internationally competitive middle-income country. The power and energy sector is a key component of our Nation's development drive, providing affordable, high quality and reliable energy for all citizens, whilst conserving the natural environment of the country. The Government's vision is to capture the full potential of all renewable and other indigenous resources in order for Sri Lanka to become a nation self-sufficient in energy.

During the year 2014, the total electricity generation increased by 3.9% to 12,357 GWh from 11,898 GWh in 2013. There was a decrease in electricity generation from hydro power sources (excluding mini hydro power generation) by 39.4% due to the drought which prevailed during the first half of the year. However, this trend was reversed towards the end of the year with the increased rainfall. On the other hand, electricity generation through fuel oil and coal increased significantly by 32.1% and 118.0% respectively during the year.

The sale of electricity increased by 4.2% year on year, with the bulk being absorbed by the industry category. The electricity tariff which was raised substantially in 2013, was revised downwards in 2014 following the commissioning of the second phase of the Norochcholai Coal Power Plant which increased Sri Lanka's coal power generation capacity to 900 MW.

### Non-Conventional Renewable Energy (NCRE) Review

As a result of the geo-climatic settings, Sri Lanka is endowed with several types of renewable energy resources. These include biomass, hydro power, solar and wind. In addition to these indigenous renewable resources, the availability of petroleum within Sri Lankan territory is being investigated as well.

The National Energy Policies and Strategies aims to increase the stake of NCRE in power generation by 10% by 2015. The goal is to further extend to 20% of renewable energy by 2020 as per the Development Policy Framework of the Government of Sri Lanka.

Proposed Targets for the NCRE Power Sector:

| NCRE | 2015 (MW) | 2020 (MW) |
|---|---|---|
| Small Hydro | 330 | 400 |
| Wind | 85 | 401 |
| Biomass | 40 | 153 |
| Solar | 5 | 161 |
| As a % | 10 | 20 |

Of the total power generation in Sri Lanka during 2014, 10% was met by NCRE sources which reflected an increase of 3.3% to 1,217 GWh. During the year, 12 mini hydro power projects, 3 wind power plants, a biomass power plant and a Dendro power project was commissioned. These have added approximately 23 MW, 30 MW, 2 MW and 5 MW respectively, to the national grid. In addition, CEB signed contracts for 42 NCRE projects, with a collective capacity of 105 MW, during 2014. The Sri Lanka Sustainable Energy Authority (SLSEA), has identified the potential of wind power generation in the Mannar region as approximately 375 MW.

Although, biomass is the most common source of energy supply in the country, its contribution to the generation of electricity is very minimal compared to the other NCRE sources. The most common form of biomass available in Sri Lanka is fuelwood and municipal/industrial and agricultural solid waste.

# Goals and Strategies

The Company intends to expand beyond the national boundary by tapping international investment opportunities for renewable energy projects. Further, the Company seeks to diversify its project portfolio beyond the development of mini hydro power projects.

As a step towards diversifying the project portfolio, the Company has planned to commence the construction of a power project which generates electricity through sustainability grown fuelwood – the Dehiattakandiya Dendro Power Project during the first half of the FY 2015/16. The Company has created a dedicated business entity to carry out this enterprise; with professionals who are well-equipped with knowledge and industry experience.

Also, Vidullanka PLC is about to commence the construction of its first foreign power project, Muvumbe SHPP in Uganda. The project is of 6.5 MW and would generate and transmit electricity to the Ugandan national grid. The project faced some delays in its initiation due to certain regulatory restrictions. However, we have successfully overcome such restriction through timely intervention, and have ensured that the project is back on track.

### Organisational Knowledge and Expertise

The Company possesses wide ranging expertise and knowledge in the construction and management of mini hydro power projects. The Company has a group of experienced engineers, technicians and managers, and is capable of carrying out engineering, construction and operation of renewable energy projects. In this regard, Vidullanka PLC works with a network of senior external consultants who hold high reputation in their respective fields in the country.

Vidul Engineering Ltd., a fully-owned subsidiary of Vidullanka PLC, offers construction consultancy services to external clients in addition to the Company's own projects.

The subsidiary has well-established on site operating systems to manage quality and cost of the construction works, to meet set targets. It is also equipped with a network of reliable suppliers and manufacturers locally and internationally. It further provides total turnkey solution to the electro mechanicals.

# Diversification

On one hand, for obvious reasons, the component of renewable energy is steadily increasing in the power generation mix of many countries. Clarity in government policies and regulations in future is expected to improve it further. On the other hand, enormous 'leeway' available for diversification makes renewable energy an attractive proposition.

We at Vidullanka are focused on diversifying ourselves to a multiple source – multiple geography enterprise. It is a means of managing risk and making our operations sustainable while helping the Nation achieve greater energy security.

We presently have eight fully operational mini hydro power plants in Sri Lanka, and have currently embarked on our first geographical diversification overseas to Uganda

We have also embarked on diversifying our energy source, from a purely hydropower portfolio, to also include a dendro power project

63 GWh

Our annual generation

Our first dendro power project – the Dehiattakandiya Dendro Power Project with 3 MW installed capacity, will be located in Dehiattakandiya, Sri Lanka

We are also diversified to provide an array of engineering solutions and consultation services, thereby being a complete end-to-end solutions provider to our industry

Management Discussion and Analysis >

# Financial Review

The Vidullanka Group has marked its highest ever profit of Rs. 355 mn in 2014/15, more than two fold of the profit after tax recorded for the financial year (FY) 2013/14. The financial performance of the Company is the reflection of the investments made in new power projects over the past few years.

The increase in the profit after tax is a direct contribution from the 2.5 MW Madugeta Mini Hydro Power Plant (MHPP), which was commissioned in November 2013 attributed to a full year cycle of generation and the 4 MW Lower Kothmale Oya MHPP, which was commissioned in June 2014. It is quite noteworthy that Vidullanka PLC always maintains the right balance of investment and profit appropriation. During the year under review, the Company paid two interim dividends totalling Rs. 0.175 per share on par with its industry peers.

The Group also maintained a healthy gearing ratio of 30.3% during the year under review (FY 2013/14 – 24.1%), sustaining a strong shareholder value creation, which was reflected from the share price of the Company which soared to Rs. 6.70 at the end of the FY 2014/15, compared to Rs. 3.50, as at the end of FY 2013/14.

### Vidullanka PLC

The Company directly owns two power plants with a total capacity of 5.2 MW located in Ratnapura District. Over time, the role of the Company has evolved from being a hydro power producer into a holding company with diverse investments in the renewable energy industry.

The revenue from the two power plants increased by 37.5% to Rs. 364.7 mn, during the year under review. This was as a result of the favourable rainfall pattern, decrease in the plant downtime and the increase in the avoided cost tariff for the year. The direct cost associated with the energy generation has also increased due to the increase in staff related cost.

The other income of the Company indicates a growth by 1.9 times, which is attributed to the dividend income the Company has received from the subsidiaries and the joint ventures it has invested in. This is a strong sign that the heavy investments the Company had made during the past years have now started to bear fruit for the Company. The administration expenses of the Company have increased by 24.8%. The significant portion of the administration expenses is staff related, as Vidullanka is equipped with a team of engineers of high calibre, who are continuously involved in the process of identifying potential projects, designing, constructing and commissioning renewable energy power plants. Unlike other industry peers, this technical team has enabled Vidullanka PLC to continuously expand its investment portfolio.

The finance cost of the Company fell by 17.1% to Rs. 27 mn. This is due to the refinancing of the expensive loan facilities and the decline of benchmark rates during the year. It should also be noted that the tax revenue to the country contributed by the Company has increased by 103.1% to Rs. 28.2 mn, in-line with the increase in profits.

### Vidul Engineering Ltd.

The engineering arm of Vidullanka PLC has recorded a profit after tax of Rs. 9.3 mn in FY 2014/15, compared to Rs. 14.5 mn during the FY 2013/14. This decrease is due to the diminishing new hydro power project development in Sri Lanka due to the saturation of commercially viable locations. The Company is presently focusing on the East African markets, which have a higher business potential.

### Walagamba Balashakthi (Pvt) Ltd.

The fully-owned Subsidiary of Vidullanka PLC owns the Wembiyagoda MHPP, a 1.3 MW power plant located in Kalawana, Ratnapura. The Company recorded a profit after tax of Rs. 48.6 mn, compared to Rs. 43 mn during the FY 2013/14. The increased performance is due to the favourable weather pattern, reduced finance cost and the fewer downtime of the power plant.

## Joint Ventures

Presently Vidullanka PLC has five joint ventures, namely Gurugoda Hydro (Pvt) Ltd., Udaka Energy Group (Pvt) Ltd., Vidul Madugeta (Pvt) Ltd., Lower Kothmale Oya Hydro Power (Pvt) Ltd. and Co-Energi (Pvt) Ltd.

Gurugoda Hydro (Pvt) Ltd. is a joint venture with Esna Power (Pvt) Ltd., which owns the Ganthuna MHPP located in Aranayake, Kegalle. The Company made a profit after tax of Rs. 45.1 mn, during FY 2014/15, compared to the profit after tax of Rs. 38.8 mn during FY 2013/14.

Udaka Energy Group (Pvt) Ltd. is a joint venture with Vanguard Industries Ltd., which owns the Haloya MHPP in Uva-Paranagama, Badulla, a 800 kW power plant. The Company generated a profit after tax of Rs. 21.8 mn during the year under review compared to the profit after tax of Rs. 8.46 mn during 2013/14.

Vidul Madugeta (Pvt) Ltd. is a joint venture with Esna Power (Pvt) Ltd. The project company owns the Madugeta MHPP a 2.5 MW power plant located in Neluwa, Galle District. The project company recorded a profit of Rs.104.3 mn during FY 2014/15 compared Rs. 19.5 mn, during FY 2013/14.

Lower Kothmale Oya Hydro Power (Pvt) Ltd. is a joint venture with Vidullanka PLC and a consortium of investors led by Jaywise Construction Ltd. The project company owns Lower Kothmale Oya MHPP, a 4 MW power plant located in Kothmale, Nuwara Eliya. The project company recorded a profit after tax of Rs. 145.1 mn during the year under review in comparison to the loss of Rs. 0.25 mn in FY 2013/14.

Co-Energi (Pvt) Ltd. is a joint venture of Vidullanka PLC with Mr. & Mrs. Ralapanawa. The entrepreneurship is involved in energy efficiency consultancy to industrial clients. The Company recorded a loss of Rs. 0.6 mn in FY 2014/15, compared to the loss of Rs. 0.1 mn during the FY 2013/14.

## Segmental Performance

The Group has performed exceptionally well in the core business segment of energy generation. The recorded profit after tax of the segment was Rs. 346.3 mn for FY 2014/15, which is an increase of 2.25 times compared to the segmental profit after tax for FY 2013/14. This increase is attributed to a full year performance of our 2.5 MW Madugeta MHPP and the commissioning of 4 MW Lower Kothmale Oya MHPP commissioned in June 2014. The Company is expected to grow strongly in this segment, supported with the commissioning of Rideepana MHPP in May 2015, as well as due to its ongoing endeavours in geographical diversification and diversification into other renewable energy sources.

The consultancy and project management segment shows a decrease in performance achieving a segmental revenue of Rs. 111.6 mn in FY 2014/15, a decline of 8.9% compared to last year. During the period, net profit was Rs. 9.3 mn in FY 2014/15, in comparison to Rs. 14.4 mn in FY 2013/14.

The energy efficiency segment of the Group has recorded a loss of Rs. 0.6 mn FY 2014/15, compared to the loss of Rs. 0.1 mn in FY 2013/14.

# Operational Review

## Customers and Business Partners

Vidullanka PLC has built-up a credible track record that testifies to a generous sharing of mutual benefit and well-being amongst our customer, business partners, fellow operators, colleagues and relevant concerned authorities.

## Delivering Value to the Customer and Business Partners

Our sole customer is the Ceylon Electricity Board (CEB). The total power output of our Company is channelled exclusively to the national grid. We are in full compliance with the terms and conditions of the power purchasing agreement that governs our relationship.

The Government of Sri Lanka encourages generation of power from renewable energy sources in pursuit of its goal of achieving 100% electrification of the country. Through our 'green' energy generation, we add significant value to this national effort.

We have five key business partnerships in operation. The latest was the commissioning of the 4 MW Lower Kothmale Oya Mini Hydro Power Project (MHPP) during the year in review, which is on average, expected to contribute 13 GWh annually to the national grid.

The Company seeks to deliver value to its business partners through optimal management of these projects and paying great attention to cost saving at every turn. Also, we invest in and deploy new technologies that increase efficiencies significantly.

Within a short span of 15 years we have earned the confidence and trust of our fellow operators, colleagues and authorities. The average length of partnership is approximately 25 years, which includes construction and operation of power plants. The Group represents a capacity of 5% of the non-conventional renewable energy industry in the country. We have also gained memberships in stakeholder and industry associations such as, Small Hydropower Developers' Association and Bio Energy Association of Sri Lanka.

We strongly believe in managing the limited resources effectively to reduce and control the operating expenses of the plants. Vidul Engineering Ltd., which is the engineering arm of the Group, manages the plants at the optimum level. The major operating cost component of the Company is wages and salaries. In addition, the Company has installed an online monitoring and controlling system for its power plants which facilitates efficient monitoring of the plants with minimal labour. This innovative technology provides dual control in managing the power plants.

## Vidul Engineering Ltd.

Vidul Engineering Ltd. is a Subsidiary of Vidullanka PLC, committed to providing end-to-end engineering solutions to the industry. The Company maintains solid relationships with its customers providing an array of engineering solutions and consultation services as follows:

- Research and feasibility studies;
- Design and engineering;
- Project management and consultation;
- Supply, installation and commissioning of panel boards and governors;
- Supply, installation of hydro and wind turbine generators; and
- Operation and maintenance services.

Several strategic alliances have been formed by the Company, including one with Woodward Inc. the international supplier of power station control systems, position sensors, power distribution control systems and power station services and other solutions related to energy controls.

Vidul Engineering Ltd. is a renowned provider of engineering solutions for power plants, where it enjoys a clear edge over competition that largely concentrates on addressing specialised areas rather than providing holistic solutions.

The establishment of Vidul Control Solutions under its aegis, has allowed for the manufacture of panel boards and governors whilst also providing for electrical controlling solutions for the management of power plants. This venture has been an unqualified success to date with our engineering teams displaying a very high success rate in troubleshooting and undertaking repairs with the minimum of downtime. Also, the many successfully executed contracts for the supply and installation of panel boards and governors existing in the market today stand testimony to the Company's prowess.

Looking to the future, the Company is actively pursuing business opportunities, particularly in the African continent, where a significant demand exists for our services.

# Employees

The empowered individual supported by an emancipated HR regime including an Equal Employment Opportunity Policy makes Vidullanka PLC an employer of choice.

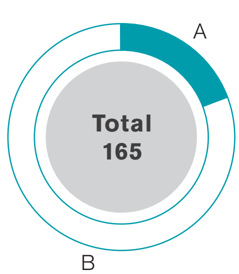
Employees are the most valuable asset of our Company. They have made a significant contribution to the success of our organisation through their dedication and commitment. Hence, we foster an inclusive culture that promotes innovation and team spirit. In addition, we deliver value to our employees through the offer of attractive benefits, promoting a healthy work life balance and developing and providing career advancement opportunities and more.

The empowered individual supported by an emancipated HR regime including an Equal Employment Opportunity Policy makes us an employer of choice. Guided by this core philosophy, we have enacted a premium HR regime, where recruitment, training and retention of people ensures that the Company is well-equipped at all times to meet present day as well as future exigencies of our business. We sincerely believe that the 'employee experience' in its entirety must be one of value to every person who works with us.

## Our Human Resource Statistics

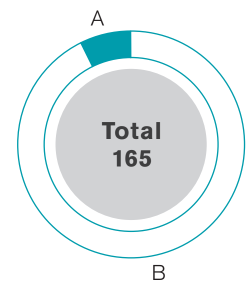
As at the end of the financial year in review, our staff strength stood at 165 employees. A total of 133 employees were of the permanent cadre whilst 93% of the total employees were males. In addition, approximately 80% of the staff members are in their prime age of 20 to 40-year age category. The staff details are illustrated below:

### Total Work Force by Employment Contract



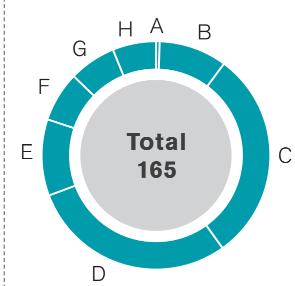

| | Employment Contract | Nos. | % Against Total Employment |
|---|---|---|---|
| A | Contract | 32 | 19 |
| B | Permanent | 133 | 81 |

### Employee Composition by Gender



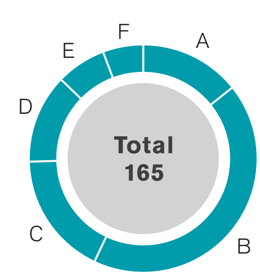

| | Gender | Nos. | % Against Total Employment |
|---|---|---|---|
| A | Female | 12 | 7 |
| B | Male | 153 | 93 |

### Employee Composition by Age



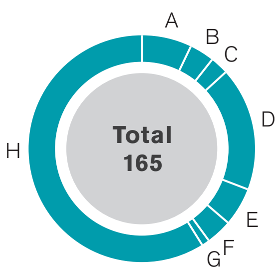

| | Age | Nos. | % Against Total Employment |
|---|---|---|---|
| A | < 19 | 1 | 1 |
| B | 20-24 | 16 | 10 |
| C | 25-29 | 49 | 29 |
| D | 30-34 | 48 | 29 |
| E | 35-39 | 18 | 11 |
| F | 40-44 | 12 | 7 |
| G | 45-49 | 11 | 7 |
| H | >50 | 10 | 6 |

### Employee Composition by Service Years




| | Service Years | Nos. | % Against Total Employment |
|---|---|---|---|
| A | < 1 | 24 | 15 |
| B | 1-3 | 70 | 42 |
| C | 4-6 | 29 | 18 |
| D | 7-9 | 21 | 13 |
| E | 10-12 | 12 | 7 |
| F | > 12 | 9 | 5 |

**Department (Functional Areas)**




| | Department | Nos. | % Against Total Employment |
|---|---|---|---|
| A | Administration | 12 | 7 |
| B | BDU Hydro | 6 | 4 |
| C | BDU Non-Hydro | 4 | 2 |
| D | Engineering | 29 | 18 |
| E | Finance | 9 | 5 |
| F | HR | 6 | 4 |
| G | IT | 2 | 1 |
| H | Plant Operations | 97 | 59 |

## Delivering Value to the Employee

### Equal Employment Opportunity Policy

A fundamental principle of our Company is the right to equal opportunity in employment. This is a founding principle and is respected and shared equally by management and staff alike. We understand the sentiments, attitudes and values of our workforce. Every employee values and expects self-respect, dignity and equal opportunities in the workplace. We not only respect these sentiments but also promote and provide opportunities to realise them.

We recognise the contribution of each employee as well as that of all employees collectively, to growth and well-being of the Company. In tandem, we are constantly aware of the multiplicity of perspectives and backgrounds that exist within the HR resource base and the role these factors play in shaping the competitive advantage that we enjoy in the industry today. We are committed to treating all employees fairly and without bias of any kind.

Thus, the Equal Employment Opportunity Policy of our Company eschews any considerations such as race, colour, religion, sex, sexual orientation, national origin, age, marital status and disability, veteran's status or any other like factor. The policy is aimed at ensuring that no employee is discriminated against on these or any other similar grounds.

We adhere to and are protected by applicable laws relating to discrimination. We ensure that decisions relating to employment are not only limited to the Human Resources Department. Due attention is paid and affirmative action is taken in all matters relating to recruitment, hiring, promotion, training, compensation, benefits, transfer, discipline and termination.

### Remuneration

For the year in review, our Group has expended Rs. 100.6 mn to remunerate employees. We consider this a completely valid and valuable investment in the most valuable resource of our organisation. It is people who take strategy from the drawing board and transform it into innovative products and services of premium quality. They form the backbone of our Company. We also remain guided by industry benchmarks when arriving at fair and equitable compensation for our employees.

### More Value Delivered – Benefits Enjoyed by Full-Time Employees

Full-time permanent employees of our Company enjoy a host of cash and non-cash benefits well-beyond their competitive remuneration scales.

Some of these benefits are – medical insurance for employee and family; Employee Share Options; annual bonuses and increments; cash disbursements for key life events (marriage/death); interest free distress loans; savings accounts opened for the new born of employees; paid leave for examinations/foreign training; sponsorship of subscription to professional bodies; transport; sports and recreational facilities; long service rewards; spot rewards; IT facilities and more.

### Promoting a Better Work-Life Balance

The vital need to achieve an optimal balance between one's work-life and social/recreational life is addressed effectively by our organisation. Therefore, we have made it a priority to address this issue and provide our employees with opportunities to fulfil this need in their lives. These initiatives promote informal interaction putting aside rank and file spurring team spirit in our Company.

Some of our initiatives in this area include:

- Professional/job training with soft skill development – such as motivational training and personal development
- Vidul Sports Club conducted calendar of events to foster recreation and promote healthy lifestyles
- Inter-company cricket tournaments

### Team Building Initiatives

A cohesive workforce is an eminently desirable trait for any company. We, at Vidullanka promote many activities that help us attain this goal. Some of these initiatives include job rotation programmes, sports activities, training workshops and 5S & Lean Management programmes.

### Performance Appraisal

Every employee performing to the best of their ability and potential is what any company seeks. A key element in the achievement of this objective is the performance appraisal process. Among the many outcomes of a good appraisal system are empowerment, motivation, productivity and reward. Vidullanka is no different and we use the inclusivity and collaborative nature of our performance appraisal process to help employees perform well, to foster empowerment, motivation and productivity and to reward performance commensurate with achievement.

Stemming from the findings of our appraisal process, we reward top performers with a host of monetary and non-monetary benefits. Our Annual Awards Ceremony recognises achievers across the Company.

In addition, we introduced safety and productivity awards to recognise employee contributions to the successful implementation of the 5S system in our power plants and Head Office. We also introduced the 'Most Supportive Supervisor' Award which recognises and rewards individuals who have encouraged great teamwork in our plants.

### Training and Development

In an increasingly competitive business place, we realise that the key differentiating factor we possess is the competence and motivation of our employees. Our training and development process is geared to hone the skills of our employees and is focused on skills development, project management, lean enterprise management, personal development and business etiquette and advancements in technology. In addition, we look to shape the desired attitude and outlook of our employees, to help them become more adaptive, flexible and focused.

The training and development policy of the Company seeks to:

- Assist employees to sharpen the competencies and skills required in their work.
- Minimise any gaps that exist between the actual and expected performance of employees.
- Enhance interpersonal skills of employees to achieve improved performance standards.
- Familiarise the staff with innovations and developments taking place in the renewable energy industry thus updating their knowledge on the industry.
- Enhance the morals and motivation of the workforce and their affection for and attachment to the Company.

Vidullanka PLC adopts the following process towards training and development:

**Health and Safety**

The occupational health and safety of our employees, contractors, third-party employees and supply chain workers is of paramount importance to us. Therefore, our Health and Safety Policy (H & S) was formulated to ensure the safety and well-being of all stakeholders within their different environments. Likewise, attention is paid to making all the premises under our purview safe and risk free of all hazards.

Given the nature of our enterprise, power generation, which has its own attendant risk factors, our H & S encompasses all factors associated with our industry, providing all the technological as well as personal safety equipment needed to ensure complete safety on the job. The staff members at power plants are equipped with high quality safety gear and are exposed to extensive training on health and safety practices regularly. In addition, routine safety drills are *de rigueur* at our Company. Strict vigilance and constant dialogue with staff often pre-empts risk.

We annually recognise the best performing MHPP in terms of safety and safety measures in operation as well. Wembiyagoda MHPP was the winner of 'The Safest Team – 2014/15'.

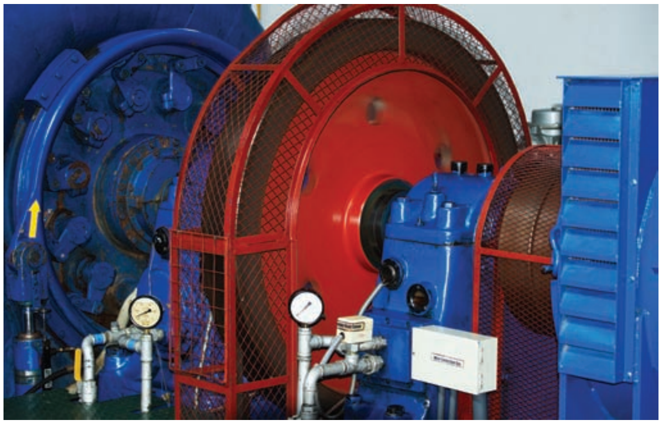
**Handling Grievance**

A grievance usually means that one or more persons are unhappy – with any number of factors at their workplace. We have always been mindful in nurturing a safe, harmonious and productive work environment for all our employees. Hence, we address any issue from a standpoint of empathy. A process of redress is put in place promptly as it could cause tension, low morale and poor performance and productivity of employees.

The whole process is significantly aided by the Company's avowed Open Door Policy; often a grievance does not go far, because people have access to all levels of management and solutions to issues are prompt. This has enabled us to foster a work environment which is collaborative, high performing with mutual respect and trust among employees and the management.

## Regulatory Authorities

When a relationship is built on trust and understanding, compliance becomes second nature.



Vidullanka continues to enjoy a close rapport and understanding with all regulatory authorities pertaining to its business. Our relationships are alive and well.

The Sri Lanka Sustainable Energy Authority (SLSEA) is the apex institution driving Sri Lanka's journey towards sustainability in renewable energy generation via the deployment of increasingly indigenous resources and encouraging improvement in energy efficiency.

It is the SLSEA that grants provisional approval for projects and issues energy permits for project operations.
The Company's current and proposed plants are widely distributed across different Local Authority (LA) administered areas. The co-operation of LAs is an absolute requirement for the smooth operations of our projects. We enjoy great relationships with all LAs and their co-operation is extended to us without reservation.

The very nature of our projects and their outcomes as embodied in our power plants necessarily brings us into close contact with nature and the environment. We are vitally aware of the fundamental principle – that sustainability of our operations is contingent upon a healthy appreciation of environmental factors and a steadfast commitment never to breach regulations pertaining to safeguarding the environment.

In this regard, Vidullanka gratefully appreciates the guidance received from the Central Environmental Authority (CEA) the key regulatory authority in the field. We can confirm that we have complied with CEA directives in the construction of our power plants. The CEA decides on the minimum level of environmental release the mini hydro power projects should adhere to. Regulation of environmental release ensures the protection of fauna and flora in surrounding areas and where pertinent, ensures sufficient levels of water flow.

Going beyond minimum regulatory provisions in this area, the Company has its own safeguards and concern for the environment inbuilt within its core. Vidullanka has deployed its own consultants who make periodic site visits to ensure that safety and compliance measures are firmly in place.

With our foray into foreign markets and the operation of our projects in foreign countries, Vidullanka has forged close ties with several regulatory authorities from those countries. These authorities include the Electricity Regulatory Authority of Uganda, the National Environmental Management Authority of Uganda, Ugandan Electricity Generation Ltd. (UEGCL) and Ugandan Electricity Transmission Ltd. (UETCL).

We are in full compliance with their regulatory frameworks and are careful to maintain project impacts well within permissible environmental parameters.

# Society and Environment

The only way planet Earth can survive is if every institution will look beyond its core pursuits and play a responsible role in safeguarding and furthering the well-being of society and the environment around us.

## Social Sustainability

Looked at from a macro perspective, there are many challenges in achieving social sustainability. Poverty, unemployment, social exclusion and discrimination, safety, health and so many more like factors challenge efforts to usher in true social sustainability at acceptable levels.

Vidullanka exists in a defined ecosystem – we live and work in defined areas. Our philosophy is that if we can make a difference for the better for the people and environment around us, that is an excellent start. Our project power plants are located in rural areas of the country. These regions lack proper infrastructure such as roads and bridges, hospital and other public services.

Often, locating one of our projects in an underdeveloped area leads to development of societies in such areas via employment in pre- and post-project phase activity. Also power generation facilitates the national grid.

Vidullanka is concerned about the community within which it operates. The Company as a policy contributes towards the improvement of the standard of living of the communities in project areas and is committed towards upgrading the educational levels of the future generation in those regions.

For the financial year under review, we put forward some progressive steps that made the lives of local people better and enriched the knowledge of our nation's future generation.

### Vidu Saviya

The Company continued with its far sighted project – *Vidu Saviya* – which seeks to uplift the education of rural communities.

*Vidu Saviya* operates in close proximity to the areas in which our power plants are located and whilst its pre-eminent goal is the enhancement of education in these areas, it also contributes towards enhancement of quality of life for these communities.

The chart below describes our efforts under this programme:

| Activity | Location | Power Plant Involved |
|---|---|---|
| Donated dry rations to people affected by drought | | Head office and all the power plants |
| Donated shoes to primary schoolchildren | Mini Muthu Preschool, Batathota | Batathota MHPP |
| Distributed school bags | Maldeniya Preschool | Lower Kothmale Oya MHPP |
| Distributed exercise books | Banagoda and Kampanawaththa Daham School | Bambarabatu Oya MHPP |
| Distributed computers and financed provision of school name boards | Ganthuna Udugama Primary School | Gantuna MHPP |
| Distributed uniforms and stationery to schoolchildren affected by flood | Mahaweli Zone 'C' (Sadunpura, Medagama and Nuwaragala) | Dehiattakandiya Dendro Power Project |

We continue to engage with schools situated in proximity to our projects to develop school infrastructure such as school buildings, roads, grounds, labs and to provide school uniforms, books and computers. The Company also addresses improving productivity via tools such as 5S, Kaizen, teacher training on sustainable planning whilst providing educational tools for them to compete in the global education marketplace.

Vidullanka trains teachers as well as students on sustainable living practices. Those teachings are to be introduced into the curriculum of schools so that students and teachers improve their productivity.

We encourage schools to extend those facilities to village groups and facilitate them to work with schools to develop a common agenda for the village environmental improvement programme.

## Environmental Sustainability

Vidullanka firmly believes that environmental sustainability is about making responsible decisions that will reduce a business negative impact on the environment. It is not simply about reducing the amount of waste we produce or using less energy, but is concerned with developing processes that will lead to businesses becoming completely sustainable in the future.

As we have been espousing for several years, run-of-the-river hydropower projects have emerged as a viable, low-impact alternative to larger scale projects of different methodology. Run-of-the-river facilities use conventional hydro power technology to produce electricity by diverting river flow through turbines that spin generators to produce the energy before returning water back to the river downstream. This type of project harnesses the natural potential energy of water, eliminating the need to burn coal or natural gas to generate the electricity needed by consumers and industry. Substantial flooding of the upper part of the river is not required for smaller-scale run-of-the-river projects as a large reservoir is not required. As a result, people living at or near the river do not need to be relocated and natural habitats and productive farmlands are not wiped out, which is a key reason for such projects are often referred to as environmentally friendly or green power generators.

Through all phases of construction and operation of our plants, we are mindful of the impacts of such work could cause on the environment. Thus, we follow stringent regulatory guidelines to the finest of detail.

During the feasibility phase, the Company carries out a detailed Environment Impact Assessment (EIA) of the possible environmental social and economic impacts a proposed project may have. In plant design, our objective is to keep the disturbance threshold low during operation. The powerhouse is designed with a noise control system and the powerhouse location is selected where minimum plantation clearance occurs. Excavations are carried out adopting a controlled blasting method to avoid negative environmental impacts and civil works are carried out while strictly adhering to the EIA.

Being an ethical corporate player in the industry of clean energy production Vidullanka contributes to the Clean Development Mechanism (CDM). The CDM, defined in Article 12 of the Kyoto Protocol, allows a country with an emission-reduction or emission-limitation commitment to implement an emission-reduction project in developing countries. CDM fulfils dual objectives as to assist developed and developing nations by fulfilling their commitments to reduce emissions and achieve sustainable development respectively.

### Reducing Carbon Emission

The chart below details our achievements in reducing carbon emission at our various plants during the year under review:

| Power Plant | Installed Capacity | Generation in FY 2014/15 | Carbon Emission Reduction ($tCO_2e$) |
|---|---|---|---|
| Bambarabatuoya MHPP | 3.2 MW | 11.9 GWh | 7,504 |
| Batathota MHPP | 2.0 MW | 11.9 GWh | 7,496 |
| Wembiyagoda MHPP | 1.3 MW | 5.5 GWh | 3,465 |
| Ganthuna MHPP | 1.3 MW | 3.9 GWh | 2,424 |
| Haloya MHPP | 800 kW | 2.4 GWh | 1,507 |
| Madugeta MHPP | 2.5 MW | 10.0 GWh | 6,283 |
| Lower Kothmale Oya MHPP | 4.0 MW | 17.5 GWh | 11,001 |
| Total carbon emission reduction | | | 39,681 |

### Greening the Environment

The Company continues to contribute towards reforestation and tree planting in project surroundings with a view to enhancing 'the health' of the environment as an initiative to promote sustainable management. In this undertaking we promote the coming together of employees as well as other labour thus fostering a team espousal of the overall cause.

During the year under review, the Company engaged in the following plantation and reforestation activities:

- Ganthuna MHPP continued to plant Mahogany in its surroundings.
- Lower Kothmale Oya MHPP planted bamboo trees in the project area.

### Waste Management

The Company continues to adopt the 3Rs (Reduce, Reuse and Reproduce) in managing its waste component. The power plants as a practice, produce fertilizer through biodegradable waste. The Company has very minimal quantities of non-biodegradable materials which are of an eco-hazard since the process does not produce any waste.

### Environmental Impact Assessment – Investment Policy and Projects

As a rule, Vidullanka carries out an Environmental Impact Assessment (EIA) on every project which would analyse its impact on the environment and society. The EIA would suggest solutions to mitigate any negative impacts that it perceives.

In Uganda, Vidullanka would adopt International Finance Corporation (IFC) Standards during the construction phase of the power plant with regard to the management of social and environmental concerns.

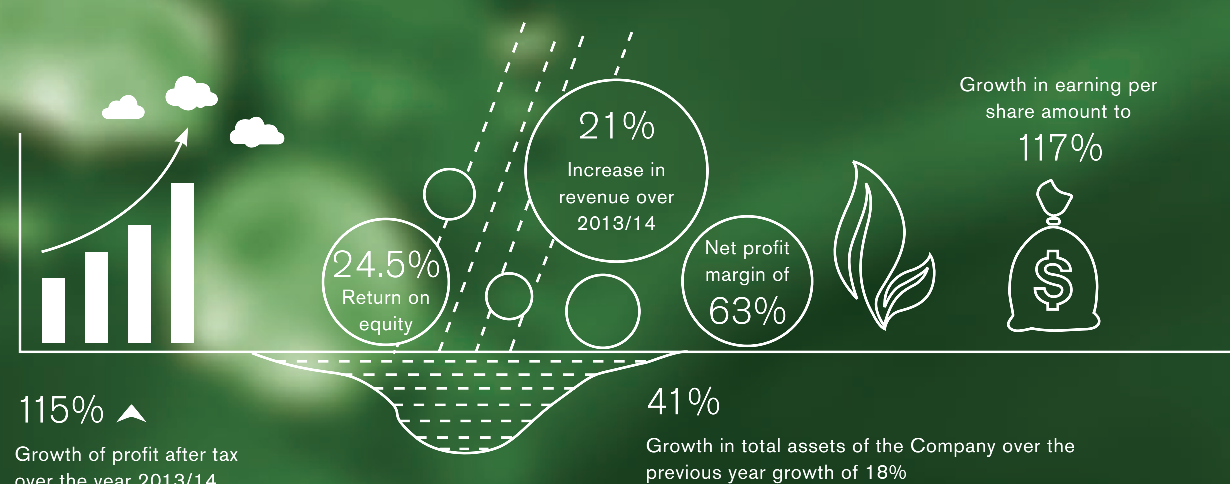
In this aspect, Vidullanka places the environment before profit and engages with all stakeholders on this basis. Vidullanka does not have any significant level of water footprint as the plants divert the water flow back to the river, thus avoiding any adverse effects.

# Profitability

Capacity enhancement and diversification within a fully inclusive sustainability framework are the prime drivers of our goal to ensure better returns to all our stakeholders.

Vidullanka is a fast growing organisation. We've grown not only in terms of capacity installed and power generated, but also in financial strength. The Company has recorded its highest ever profits for the year 2014/15 – at Rs. 355 mn. All our financial indicators have seen a very substantial growth during the year in review.

These results are a testimony to the validity of the Company's strategies and enterprise and in their achievement lies our ability to continue to provide better returns to our stakeholders.




Stewardship >

# Board of Directors

**Mr. Osman Kassim**

*Chairman*

The Chairman of Vidullanka PLC; Mr. Osman Kassim was the founder Chairman of Expolanka Holdings 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, with subsidiary companies in 14 countries. He is a pioneer entrepreneur in Agro Exports, Commodity Trading, Freight Management, Islamic Banking and Insurance in Sri Lanka and counts over 35 years of senior management experience.

Mr. Kassim is the visionary behind the Amãna Group of Companies and is Founder Chairman of Amãna Bank PLC and serves on the Board of Amãna Takaful PLC. He also serves in the Boards of several other companies both, locally and overseas. He is also renowned for his expertise in Islamic Banking & Financial Services and has participated in numerous international forums. Mr. Kassim has an Honorary Doctorate from the University of Staffordshire.

Further, Mr. Osman Kassim is the Director of the following business entities:

- Amãna Bank PLC
- Expolanka Holdings PLC
- Asia Pacific Institute of Information Technology Lanka (Pvt) Ltd.
- Alhasan Foundation
- Pak Kuwait Takaful Company Ltd. – Pakistan
- Crescentrating (Pte) Ltd. – Singapore
- Amãna Takaful Maldives Ltd.
- Aberdeen Holdings (Pvt) Ltd.

**Mr. Riyaz M. Sangani**

*Managing Director*

Mr. Riyaz Sangani is one of the founders of Vidullanka PLC, a pioneer in the Sri Lanka Small Hydro Power Industry. Mr. Riyaz Sangani serves on the Board of Several Companies of Lanka Equities Group. He is a graduate from the University of Colombo and holds an MBA from the prestigious Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. Mr. Riyaz Sangani is also a fellow member of the Chartered Institute of Management Accountants (CIMA – UK), and serves as the Vice-President in the Small Hydro Power Developers Association (SHPDA).

**Mr. Shahid M. Sangani**

*Non-Executive Director*

Mr. Shahid Sangani is the Managing Director of Lanka Equities (Pvt) Ltd., the family holding company with diverse business interests ranging from Apparel, Jewellery, Renewable Energy and Trading. He is also the Chief Operating Officer (COO) of World Memon Organisation (WMO), a UK Registered Charity and Social Organisation of the Worldwide Memon Community. He served as the CEO of Kenanga Investment Corp Ltd., the Sri Lankan arm of a Large Investment Bank from Malaysia and currently works in the capacity of a Consultant to the Company. He has over 10 years experience at Senior Management level in private sector. Mr. Shahid Sangani is an Attorney-at-Law of the Supreme Court of Sri Lanka. He serves the Board as a Non-Executive Director.

**Mr. S. Ranjan Mather**

*Non-Executive Director*

Mr. Ranjan Mather has been a Director of Vidullanka PLC from the inception and is the Chairman of all subsidiary companies of Vidullanka PLC. He is a Director of Chesa Swiss Restaurants (Pvt) Ltd. He also has over 20 years senior management experience in the textile industry.

### Dr. A.A. Mohamed Haroon

*Independent Non-Executive Director*

Dr. Haroon is a medical practitioner by profession and is a reputed businessman. He holds the Chairmanship of several private companies including Vanguard Industries Ltd., Vanguard Trading Company (Pvt) Ltd., Lucky Industries Ltd., Master Apparels, Colombo Medilab (Pvt) Ltd., Lucky Property Developers (Pvt) Ltd., Amãna Takaful PLC and Amãna Investments Ltd. His business experience encompasses different industries including Garments, Textiles manufacturing and exports, Health Care and Clinical Diagnostics. He serves the Board as an Independent Non-Executive Director.

### 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. A Fellow Member of The Institute of Chartered Accountants of Sri Lanka and Certified Management Accountants of Sri Lanka, with more than 23 years experience in senior management positions both internationally and locally in multinational and listed companies. He currently holds directorships in several companies including Norfolk Foods (Pvt) Ltd. and also served as the Chairman of Liberty Plaza Management Corporation from 2002 to 2010. He also serves as the Senior Vice-President of the International Chamber of Commerce – Sri Lanka and Hon. Treasurer of the National Chamber of Exporters of Sri Lanka. He served in the Panel of Judges for the Best Quality Software award organised by British Computer Society from 2004-2012.

He serves the Board as the Independent Non-Executive Director and holds directorship in Company's several subsidiaries.

### Mr. C.F. Fuhrer

*Non-Executive Director*

Mr. Christian Fuhrer serves the Board of Vidullanka PLC as a Non-Executive Director. He is also a Director of Chesa Swiss Restaurants (Pvt) Ltd.

### Mrs. M.B.R.I. Sangani

*Independent Non-Executive Director*

Mrs. Roshini Sangani is the Managing Director of Alankara Jewellery (Pvt) Ltd. She is also a Director of several companies within Lanka Equities Group including LEL Investments (Pvt) Ltd., Lanka Equities (Pvt) Ltd., GLK Trading (Pvt) Ltd., Autus Chemicals (Pvt) Ltd. and Lakota Ventures Ltd.

Mrs. Roshini Sangani is an Attorney-at-Law of the Supreme Court of Sri Lanka. She serves the Board as an Independent Non-Executive Director.

### Mr. Sidath Fernando

*Independent Non-Executive Director*

Mr. Sidath Fernando is an entrepreneur with business interests in Manufacturing, Real Estate, Property Management and Information Communications Technology sectors. Mr. Fernando is the principal shareholder and Chairman of V.D.P. Fernando & Co. Ltd., and has got extensive experience in the Real Estate and Property Development Sector. He holds the directorship in Crystal Holding (Pvt) Ltd., Crystal Condominium (Pvt) Ltd. and Crystal Palace (Pvt) Ltd. He also served as a Director of the Sri Lanka Telecom and a Director of Sky Network (Pvt) Ltd., SLT Manpower Solution (Pvt) Ltd. and People's Leasing & Finance PLC.

Mr. Fernando has more than 20 years of hands on experience in business management, finance, manufacturing and marketing gained while managing his own Small and Medium Enterprises; He also has served as 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. Sattar Kassim

*Non-Executive Director*

Mr. Sattar Kassim is one of the Founder Directors of the 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., which has diversified interests and is a leading player in Commodity Trading, Airline, Tea Exports, Corrugated Carton Manufacturing and Solar Energy. Aberdeen Holdings also has strategic investments in the Oceanic Fish Farming, a pioneering venture, fast food and Plantations in Sri Lanka, in addition to several international partnerships and ventures.

He is the Director of the International Trading Sector with more than 32 years of senior management experience in private sector organisations locally and overseas.

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 and also Expack Corrugated Cartons (Pvt) Ltd., the market leaders in corrugated cartons.

He is a pioneer in the commodity trading business in Sri Lanka and is also actively involved in trading, import & export of agricultural products and also an Executive Council Member of the Sri Lanka – Pakistan Business Council.

## Mr. Sujendra Mather

*Alternate Director*

Mr. Sujendra Mather is currently a Managing Director of York Street Partners (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.

Mr. Sujendra Mather has successfully managed and lead 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 CEOs and entrepreneurs as well as a principal investor throughout his career.

Also, he is a Board member of Asia Securities (Pvt) Ltd. and other publicly listed and private companies.

Mr. Sujendra Mather received a BA in Economics, Mathematics from Claremont McKenna College in California, USA.

He serve the Board as the Alternative Director to Mr. Ranjan Mather and C.F. Fuhrer.

# Corporate Governance

Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance provides the structure through which the objectives of the Company are set, and the means of attaining those objectives and monitoring performance are determined.

A strong structure, process and diligent practice of corporate governance is imperative for an organisation to inspire investor confidence, expand the business venture, stimulate economic growth and reduce opportunities for fraud thus creating a healthy and robust investment climate.

Vidullanka PLC considers the good corporate governance as an imperative factor for successful business venture. The Company has formed the policies and procedures with the underlying concept of accountability, transparency in dealings, responsibility in business transactions and driving the organisation to the correct direction.

Through good corporate governance we intend to increase the stakeholders' value by being efficient and professional to the business, to be transparent and accountable to the shareholders and to be responsible towards the society and the environment.

## Role and Composition of the Board

The Board of Directors is committed to accomplish the leadership to the business through prudent system and effective control. The Board of the Company ensures the adaptation of sound business strategy while ensuring the availability of systems to secure integrity of information, applicability of internal controls, business continuity and monitors the effective risk management. Both the Executive and Non-Executive Directors are committed to fulfil their fiduciary and statutory liability towards the stakeholders of the Company.

Throughout the financial year 2014/15, the Board with the assistance of the sub-committees monitored and made sure the legal compliance in its business decisions, all the stakeholders' interests are protected and made sure the sustainable business development in corporate strategy formulation and decisions.

At the end of financial year 2014/15, the Board of Directors of the Company has 11 members and chaired by Mr. Osman Kassim which comprises of a Chairman, a Managing Director, four Non-Executive Directors, four Independent Non-Executive Directors and an Alternate Director. The best practice on corporate governance necessitates the balanced appointment of Executive and Non-Executive Directors to avoid the Executive Directors dominating in the Company's decision-making. In Vidullanka's Board of Directors, Managing Director acts as the single Executive Director.

Non-Executive Directors maintain the degree of objectivity to the Board's deliberations and play a significant part in monitoring management decisions. They bring wide calibre of experience, expertise, independent and impartiality into the organisation. All the Non-Executive Directors make a formal declaration of all their interests annually and five Independent Non-Executive Directors are constituent of the Board in compliance with the Corporate Governance Best Practice Rule 7.10.4 of continuing listing requirement of Colombo Stock Exchange (CSE).

The Company has separated the Managing Director's and Chairman's positions as a pace to comply and practice the corporate governance best practices.

In another step towards creating value for shareholders, leading the Company, approving the Group's strategic objectives, the members of the Board attended the Board meetings and sub-committee meetings and to ensure the availability of resources for the business operation.

## Board Committees

Vidullanka PLC's corporate governance system consists of three sub-committees: Remuneration Committee, Audit Committee and Investment and Strategy Committee. The Company in compliance with the listing requirements of Colombo Stock Exchange (CSE) has formed the above-mentioned sub-committees for different purposes and have vested various responsibilities. These sub-committees assist the Board of Directors in strategic decision-making.

### Audit Committee

The Audit Committee of Vidullanka PLC supports the Board in keeping under review the scope and results of the audit and the effectiveness and the independence and objectivity of the Auditors. The Committee also kept the nature of the non-audit services of the Auditors under review seeking to balance objectivity, independence and value for money.

The Committee further assisted the Board oversight of the preparation and adequacy of disclosure in the Financial Statements in accordance with the Sri Lanka Accounting Standards, ensuring the adequacy of the internal controls and risk management and assessing the Company's ability to continue as a going concern in the foreseeable future.

The Committee also reviewed the audited Financial Statements are compliant and ensured the internal audit function is in place. In order to that, the Committee met up with the management, Auditors and Internal Auditors. It also ensures the established mechanism is in place for the treatment of complaints alleging frauds is in order.

**Remuneration Committee**

The Remuneration Committee with three Directors recommends the remuneration payable to the Executive Directors of the Company, which will make the final decision on the subject considering the recommendation and the performance of the top management.

The Report of the Remuneration Committee is included in the Board committees section in the Annual Report.

**Investment and Strategy Committee**

The Committee focuses on effectively managing the investment portfolio of the Group through formulating strategies for the expansion and diversification of the Company and monitoring performance of the management to ensure the maximisation of shareholder wealth. The Committee directs its recommendations to the Board that the final decisions will be taken by the Board.

The present Committee of the Company consists of two Independent Directors, an Executive Director, the Managing Director and the Chairman of the Company.

**Compliance Control**

Vidullanka PLC enforces on regular self-assessment considering the policies set and the key internal controls formed by the Audit Committee. This procedure enables to confirm compliance with regulatory and statutory requirements at all levels and avoidance of major deviation from the expected norms. Policies relevant to rights and privileges of employees, whistle-blowing and information and IT security are clearly formed and implemented to the staffs at all levels.

The Company's recruitment policy ensures the fairness, equality and standards of business conduct and the labour practices are continuously monitored and benchmarked against the standards.

**Compliance with National Laws and Regulations**

Vidullanka operates in the industry where there are various kinds of compliance requirements with national laws and regulations to adhere set by environmental, financial and welfare institutions etc. As the Company's business operations are carried out in the highly sensitive natural environment, the Company adheres to the rules and regulations set by the relevant regulatory authorities. The changes in legal environment bring opportunities and threats to the organisation and management of the Company is devoted to comply with them to keep the compliance risk to the minimum.

Vidullanka places a higher degree of concern in complying these set laws and regulations to demonstrate its role as a responsible corporate citizen. In the Company, the applicable national laws and regulations are examined and classified for different divisions so these laws and regulation requirements will be better addressed. The amendments to the laws are regularly monitored and required actions are made immediately by the responsible unit of business. In addition, the Audit Committee is committed to discuss and assess the changes in regulatory environment to ensure the compliance with the laws and regulations.

**Risk Review and Management**

Risk management is an important process of an organisation for its successful survival in the market. The organisation in this present dynamic business environment should have an established system of managing risks.

Vidullanka PLC has a well-formed risk management process which involves identifying the present and potential risks to manage the risks adopting the suitable risk management strategies and continuous revision of the process and communication. This organised risk management process keeps the risk appetite of the Company to a manageable level.

The risks are managed department-wise where each department maintains its individual check list of risk triggers and the better management of risks is ensured by the heads of departments. The ultimate responsibility of the risk review and management lies with the Audit Committee which ensures the measures taken for risk management are effective. When reviewing the remuneration structures, the Remuneration Committee considers whether any aspect of these might encourage behaviours that are incompatible with our Company's values and the long-term interest of the shareholders.

The Company continuously monitors the potential havocs that could arise throughout the Company operation and communicates with the related employees regarding the risk procedures. The Company also conducts training sessions to the staffs aiming to increase the awareness of the key principles of risk management, internal controls and corporate governance.

**Attendance at Board Meetings and Board Committee Meetings**

| Name of the Director | Directorship Status | Board Meetings | Audit Committee Meetings | Investment and Strategy Committee Meetings | Remuneration Committee Meetings |
|---|---|---|---|---|---|
| Mr. Osman Kassim | Chairman | 4/5 | | 1/2 | |
| Mr. Riyaz M. Sangani | Managing Director | 5/5 | | 2/2 | |
| Mr. Shahid M. Sangani | Non-Executive Director | 5/5 | 5/5 | | |
| Mr. S. Ranjan Mather | Non-Executive Director | 5/5 | | 1/2 | 2/2 |
| Dr. A.A. Mohammed Haroon | Independent Non-Executive Director | 5/5 | | 2/2 | |
| Mr. M. Zulficar Ghouse | Independent Non-Executive Director | 5/5 | 5/5 | 2/2 | 2/2 |
| Mr. C.F. Fuhrer | Non-Executive Director | 2/5 | | | |
| Mrs. B.R.I. Sangani | Independent Non-Executive Director | 4/5 | | | |
| Mr. Sidath Fernando | Independent Non-Executive Director | 5/5 | 4/5 | | |
| Mr. Sattar Kassim | Non-Executive Director | 4/5 | | | 2/2 |

**Corporate Governance Compliance Table**

| Rule | Requirement | Compliance | Explanatory Notes |
|---|---|---|---|
| 7.10.1 (a) 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 39. |
| 7.10.2 (b) Independent Directors | 2 or 1/3 of Non-Executive Directors, whichever is higher should be independent | Yes | Report on Corporate Governance on page 39. |
| 7.10.2 (b) Independent Directors | Each Non-Executive Director should submit a declaration of independence or non-independence | Yes | Profile of Board of Directors on page 34. |
| 7.10.3 (a) 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 46. |

| Rule | Requirement | Compliance | Explanatory Notes |
|---|---|---|---|
| 7.10.3 (b) 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 | Annual Report of the Board of Directors on the Affairs of the Company is given on page 46. |
| 7.10.3 (c) Disclosures regarding Directors | A brief résumé of each Director should be included in the Annual Report | Yes | Refer Profile of Board of Directors on page 34. |
| 7.10.3 (d) Disclosure regarding Directors | Upon appointment of a new Director to the Board, a brief résumé of each Director should be provided to the CSE | N/A | No new Directors appointed during the year. |
| **Remuneration Committee** | | | |
| 7.10.5 Remuneration Committee | A listed Company shall have a Remuneration Committee | Yes | Report of the Remuneration Committee is given on page 50. |
| 7.10.5 (a) Composition of Remuneration Committee | Shall comprise Non-Executive Directors majority of whom shall be independent | No | Report of the Remuneration Committee is given on page 50. |
| 7.10.5 (b) Report of Remuneration Committee | The Remuneration Committee shall recommend the remuneration of CEO and the Executive Directors | Yes | Report of the Remuneration Committee is given on page 50. |
| 7.10.5 (c) 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 50 provides the names of the Directors comprising the Committee and the remuneration policy.<br>Aggregate salary to the Directors indicated in the Notes to the Financial Statements on Section 27.1 on page 100. |
| **Audit Committee** | | | |
| 7.10.6 Audit Committee | The Company shall have an Audit Committee | Yes | Report of the Audit Committee on page 49. |
| 7.10.6 (a) Composition of the Audit Committee | Shall comprise Non-Executive Directors, a majority of whom can be independent | Yes | Report of the Audit Committee on page 49. |
| | The CEO and the CFO should attend Audit Committee meetings | Yes | Report of the Audit Committee on page 49. |
| | 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) 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 49. |
| | Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements | Yes | Report of the Audit Committee on page 49. |
| | Processes to ensure that the internal controls and risk management are adequate, to meet the requirement of the Sri Lanka Financial Reporting Standards | Yes | Report of the Audit Committee on page 49. |
| | Assessment of the independence and performance of the External Auditors | Yes | Report of the Audit Committee on page 49. |
| | 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 | Report of the Audit Committee on page 49. |
| 7.10.6 (c) 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 49. |
| | The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination | Yes | Report of the Audit Committee on page 49. |
| | 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 49. |

# Risk Management

Non-conventional renewable energy industry is an emerging business segment in the power and energy sector where the investment on such business is highly motivated as it is considered to be both profitable and environment friendly investment.

Vidullanka PLC being an active player in the non-conventional renewable energy industry is exposed to several risks of different nature.

The major success factor for a mini hydro power project is the reliable weather pattern and rainfall. The weather pattern of Sri Lanka remains unpredictable for the past few years. Despite the technological improvement the industry has endured, the uncertainty in the weather pattern imposes a greater risk on the power projects.

In addition to this, mini hydro power plants also face several other risks. The common risks the business is exposed to are of project and enterprise nature. The risks range from fluctuations in the financial market, project-related interruptions and possible failures from approval to operation, law suits, credit risk, social risks created by the public in the project area, possible accidents due to negligence and natural disasters.

In the dynamic business environment, we follow the prudent approach to tackle the risks the Company is exposed to safeguard the shareholders' wealth and to ensure the stakeholders' satisfaction.

Vidullanka PLC believes in the top management and employees' co-ordination and contribution to effectively manage the risks considering the degree of impact and the frequency of occurrence of the possible risks.

The Company has adopted a proper risk management mechanism that involves identifying the risk, analysing the risks identified, forming and implementing the strategies to manage the risks and developing an efficient risk management mechanism for early identification of potential risks and to manage them.

We adopt several strategies to manage the risks including reducing the possibility of risk occurrence and decreasing the impact of those risks through suitable mitigation measures, avoiding the risks through preventive measures and sharing or transferring the risks through business ties like insurance.

Risk communication practiced by the Company is found to be an important strategy followed to successfully manage the risks imposed. It is an integral and ongoing part of the risk management of the Company, ensures that risks of the Company, their significance and outcomes are clearly understood by the stakeholders.

We believe in continuous improvement in managing risks. The Audit Committee places a major concern on risk management and continuously reviews and recommends the Board of Directors on possible enhancements to the risk management process and strategy.

The Company also implements the risk control mechanisms such as crisis management, business continuity planning and contingency planning. The Company decides and implements the contemporaneous and prospective methods in risk financing considering the severity of the risks.

## Risk Management Process

| | |
|---|---|
| **Determination** | - Determining the strategic goals and objectives of the Company<br>- Determining the strategic goals and objectives of the risk management process |
| **Assessment** | - Identify the risk<br>- Identify how the risks evolve through organisation<br>- Assess possible impacts and likelihood of occurrence using consistent parameters |
| **Development** | - Establish the risk appetite<br>- Develop the risk response strategy by the managers<br>- Deciding the risk management strategies for the risks identified among risk retention, avoidance, reduction, transfer and sharing |
| **Implementation** | - Implement the selected strategies<br>- Delegating the responsibilities and communicating them to the relevant party<br>- Risk financing: decision making on retention or to transfer the risks |
| **Control** | - Implementing the controls<br>- Continuous monitoring of the control mechanisms |
| **Revision** | - Reviewing and updating the existing control mechanism<br>- Forming and implementing the new control mechanisms |

## Identified Risks and the Mitigation Strategies

| Type of Risk and Description | Risk Rating | Mitigation Strategy | Compliance | System Maintenance | Annual Control Review |
|---|---|---|---|---|---|
| **Macroeconomic and Political Environment** | | | | | |
| Economic risk: The likelihood of an investment getting affected by adverse macroeconomic conditions including Government regulations, exchange rates and political stability. | High | The Company carries out periodical in depth macroeconomic analysis and economic feasibility prior to project investments. | Yes | Adopted | Yes |
| **Financial Exposure** | | | | | |
| Credit risk: Risk of loss of principal or loss of financial reward stemming from a borrower's failure to repay a loan or to meet a contractual obligation | Low | As Vidullanka PLC's sole customer is CEB, a state entity and the transactions are done under Standardised Power Purchase Agreements. The Group carries out business transactions under formal contracts. | Yes | Adopted | Yes |
| Financial risk: 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 of the Company. Short- and long-term debt financing are adopted at the appropriate point of time. Audit Committee of the Company reviews the loan position of the Group as well as the contingent liabilities periodically. | Yes | Adopted | Yes |
| **Environment and Health & Safety** | | | | | |
| Health and safety: Risk of the employees exposed to dangers while working in the power plant construction site and during the operation | High | The power plants employees are provided with the required safety equipment during both the construction and operation. Training is given to them periodically to encourage them to follow the safety measures. The Company follows higher standards in the health and safety provision. | Yes | Adopted | Yes |
| Environmental risk: Risk of imposing actual and potential threats of adverse impacts on environment and inhabitants effluents and resource depletion arising from organisation's activities | High | The Company employs environmental consultants internally and external consultants' advice also sought in times of need and carries out extensive initial environment report before the initiation of projects and conducts Environmental Impact Analysis for the projects. The Company also adopts IFAC standards for the studies of overseas projects. | Yes | Adopted | Yes |
| **Reputation of the Organisation** | | | | | |
| Public relations risk: Adverse impact of business on the society and unfavourable response from the public | High | Conducting stakeholder meetings to identify the social opposition and concern prior project initiation.<br>The Engineering Department and the site crew are engaged in continuous monitoring and implementation of mitigation measures. | Yes | Adopted | Yes |

| Type of Risk and Description | Risk Rating | Mitigation Strategy | Compliance | System Maintenance | Annual Control Review |
|---|---|---|---|---|---|
| **Internal Resources** | | | | | |
| Operational risk: Risk incurred by an organisation'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 | The compatibility of internal control mechanism is audited and assured by the Internal Auditors. | Yes | Adopted | Yes |
| Fraud risk: Sub optimal usage of Company assets, fraudulent statements and corruption | Low | Company adopts the internal control mechanisms to optimise the utilisation of assets. | Yes | Adopted | Yes |
| **Information Technology Security** | | | | | |
| Information risk: Risk of non-public or confidential information could be accessed and exploited by unauthorised parties | Medium | The access to sensitive and confidential information is limited only to authorised people.<br>IT infrastructure is embedded with required software applications. The Company has placed firewall controls that enables IT administration to provide efficient corporate solutions to deal with the usage of wasteful and dangerous applications to increase network and user productivity. IT audits are done as a part of the external audit. | Yes | Adopted | Yes |
| **Regulatory Environment** | | | | | |
| Regulatory and legal risk: Risk of change in laws and regulation with material impact on business in costs of operating and attractiveness of investment | High | The company adopts proactive approach on possible changes in laws and regulation. Company believes in voluntary compliance of regulations set by regulatory bodies. | Yes | Adopted | Yes |
| **Global Business Environment** | | | | | |
| Global competition: Risk of increasing global competition as the Company is intending the diversification into the international market | Low | At the moment the Company has in-house expertise to compete with the international market players. Since the Company is in its initial international project, the Company plans to recruit the appropriate human resource and to acquire other resources as it adds further international projects to the portfolio. | Yes | Adopted | Yes |

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

The Board of Directors are pleased to submit their report together with the Independent Auditor's Report and Financial Statements for the year ended 31 March 2015, to be presented at the 19th 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 Ltd. is the provision of construction and engineering services related to hydropower plants and hydraulic structures.

Walagamba Balashakthi (Pvt) Ltd.'s principal activity is to produce hydro electricity through its Wembiyagoda Mini Hydro Power Plant located in Kalawana, Ratnapura and transmit to the national grid.

The principal activity of Rideepana Hydro (Pvt) Ltd. is to produce electrical energy and transmit to feed the national grid from its Rideepana Mini Hydro Power Plant in Badulla. The Rideepana Mini Hydro Power Plant was under construction as of the end of FY 2014/15 and commissioned to the national grid by 15 May 2015.

The principal activity of Muvumbe Hydro (U) Ltd. is to produce electrical energy and transmit to the national grid of Uganda from the proposed Muvumbe Small Hydro Power Plant in Kabale District of Republic of Uganda. The construction of the power plant is yet to commence.

The principal activity of the Vidul Biomass (Pvt) Ltd. is to produce electrical energy and transmit to feed the national grid. For this purpose the Company has proposed to construct a biomass power plant in Dehiattakandiya.

### Principal Activity of the Joint Ventures

The principal activity of Gurugoda Hydro (Pvt) Ltd. is to produce hydro electricity and transmit to the national grid. The Company's power plant, Ganthuna Mini Hydro Power Project is located in Aranayake, Kegalle.

The principal activity of Udaka Energy Group (Pvt) Ltd. is to generate hydropower and transmit to the national grid from its Haloya Mini Hydro Power Plant located in Welimada, Badulla.

Generating hydro energy and transmitting it to the national grid is the principal activity of Vidul Madugeta (Pvt) Ltd. The plant of the Company, Madugeta Mini Hydro Power Plant is situated in Neluwa, Galle.

The principal activity of Lower Kothmale Oya Hydro Power (Pvt) Ltd. is to produce electrical energy and transmit to feed the national grid from its Lower Kothmale Mini Hydro Power Plant in Kothmale, Nuwara Eliya.

The principal activities of Co-Energi (Pvt) Ltd. is the provision of energy efficiency consultancy to construction and industrial companies, LEED certification and import and sell innovative energy efficiency products to the local market.

## Financial Statements

The Financial Statements prepared in compliance with the requirements of Section 151 of the Companies Act No. 07 of 2007 are given on page 56 of this Annual Report.

### Independent Auditor's Report

The Independent Auditor's Report on the Financial Statements is given on page 55 of this Annual Report.

### Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements is given on page 63 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. 354,997,065/- of which Rs. 353,139,706/- is attributed to equity shareholders. During the year under review, the Company paid two interim dividends of Rs. 0.175 per share amounting to Rs. 83,522,109/-.

### Property, Plant & Equipment

During the year under review the Group invested a sum of Rs. 385,964,210/- (2014 – Rs. 127,124,189/-) in Property, Plant & Equipment of which Rs. 322,460,504/- (2014 – Rs. 75,874,739/-) is in plant & machinery, Rs. 1,302,217/- (2014 – Rs. 1,765,251/-) in computer and other equipment and Rs. 2,142,587/- (2014 – Rs. 500,406/-) in furniture and fixtures. Rs. 429,612/- (2014 – Rs. 571,808/-) in office equipment, Rs. 797,579/- (2014 – Rs. 24,821,367/-) in motor vehicles and Rs. 75,000/- (2014 – Rs. 150,000/-) in freehold land and Rs. 58,756,710/- (2014 – 23,440,618/-) in power plants work-in-progress.

Information relating to movement in Property, Plant & Equipment during the year is disclosed under Note 5 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 6 to the Financial Statements on page 81 of this Annual Report.

## Directors' Responsibilities

The Statement of the Directors' Responsibilities is given on page 52 of this Annual Report.

## Corporate Governance

The Company has complied with the corporate governance rules laid down under the Listing Rules of the Colombo Stock Exchange, and is given on page 37 of this Annual Report.

## Dividend

The Company paid two interim dividends totalling Rs. 0.175 per share for the year under review.

## Reserves

The reserves and accumulated profits as at 31 March 2015 amount to Rs. 617,737,438/- vs Rs. 349,072,512/- as at 31 March 2014. 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. 07 of 2007, the stated capital of the Company was Rs. 829,258,508/-.

## 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 27 to the Financial Statements on page 99 and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 07 of 2007.

## Board Committees

### Audit Committee

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

Mr. M. Zulficar Ghouse – Chairman
Mr. Shahid M. Sangani – Member
Mr. Sidath Fernando – Member

The Report of the Audit Committee on page 49 set out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10.6 of the Listing 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. Sattar Cassim – Chairman
Mr. Ranjan Mather – Member
Mr. M. Zulficar Ghouse – Member

The Report of the Remuneration Committee on page 50 contain a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive and Non-Executive Directors during the financial year are given in Note 27 on page 99 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 – Chairman
Dr. A. A. M. Haroon – Member
Mr. Ranjan Mather – Member
Mr. M. Zulficar Ghouse – Member
Mr. Riyaz M. Sangani – Member

The Report of the Investment and Strategy Committee on the strategic direction and the investment policy is given on page 51 of this Annual Report.

### Investor Information and Shareholdings

The investor information is given on page 108 of this Annual Report.

### Major Shareholders

Details of Twenty Largest Shareholders of the Company and percentage held by each of them are disclosed in page 110.

### Directors

The Directors of the Company as at 31 March 2015 and their brief profiles are given on page 34 of this Annual Report.

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

Mr. Ranjan Mather
Dr. A.A.M. Haroon
Mr. C.F. Fuhrer

Dr. T. Senthilverl tendered his resignation with effect from 11 February 2015.

### Directors' Shareholding

The interest of the Directors in the shares of the Company as at 31 March 2014/15 were as follows:

| Directors | No. of Ordinary Shares | |
|---|---|---|
| | **As at 31.03.2015** | As at 31.03.2014 |
| Mr. Osman Kassim | 4,126,902 | – |
| Mr. Riyaz M. Sangani | 48,360,919 | 18,426,804 |
| Mr. Shahid M. Sangani | 2,515,573 | 2,015,573 |
| Mr. Ranjan Mather | 2,184,428 | 2,000,000 |
| Dr. A.A.M. Haroon | – | – |
| Mr. M. Zulficar Ghouse | 8,100,000 | – |
| Mrs. B.R.I. Sangani | 6,467,657 | 6,764,657 |
| Mr. C.F. Fuhrer | – | – |
| Mr. Sidath Fernando | 11,000,000 | 11,000,000 |
| Mr. Sattar Kassim | 800,651 | – |

### Auditors

The resolutions to appoint the present Auditors, Messrs Ernst & Young Chartered Accountants, 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 on interest in the Company other than those disclosed above.

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

### Going Concern

The Directors are satisfied the Company, its subsidiaries and Joint Ventures 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 10.00 a.m. on 30 July 2015 at Galadari Hotel.

The Notice of the Annual General Meeting appears on page 112 of this Annual Report.

For and on behalf of the Board,

**Osman Kassim**
Chairman

**Riyaz M. Sangani**
Managing Director

**Managers & Secretaries (Pvt) Ltd.**
Secretaries

**Vidullanka PLC**
1 July 2015
Colombo

# Board Committees

The management of Vidullanka PLC values good corporate governance as a core responsibility towards its stakeholders and incorporated effective measures of checks and balances into its internal control mechanism. The management continuously adheres to the Colombo Stock Exchange (CSE) continuing listing requirements 7.10.5 & 7.10.6, and the Board has delegated its responsibilities to the sub-committees to ensure the better practice of good corporate governance.

The report of the Board sub-committees, regarding their activities during the year under review is presented below:

## Audit Committee Report

Dear Shareholder,

*The report on the Audit Committee activities for the financial year 2014/15*

During the financial year 2014/15, the Audit Committee has further expanded its attention towards the effectiveness of internal controls adopted by the Company, compliance in business activities, assurance and the work undertaken and the comments provided by our Company Auditors Messrs Ernst & Young Chartered Accountants.

### Role of the Committee

The Committee has always observed the recent development in the corporate governance practices and adopt the Code of Best Practices in corporate governance recommended by the corporate governance bodies. The Committee primarily focuses on overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements of the Company in accordance with SLFRS, monitoring the compliance with financial reporting requirements, information requirements of the Companies Act and other related reporting standards and ensuring that the Entity's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards. The Committee further assist the Board to assess the Company's ability to continue as a going concern in the predictable future.

We further discuss the Company's audited accounts for the year and the quarterly accounts with the management of Vidullanka PLC and the Auditors. During the financial year under review the Committee specifically engaged in the following activities:

- Reviewed and discussed the overall financial performance of the Company.
- Discussed about the project under construction and reviewed the cost control mechanisms.
- Performed a post-commissioning audit.
- Discussed and commented on the new operation and maintenance contract.
- Carried out the presentation and discussion of the business plan.
- Discussed about the new project design contract and project management contracts.

The Committee is also responsible for the below-mentioned activities:

- Discussion of the Company's earning press release and financial information and earnings guidance provided to analysts and rating agencies.
- Discussion of risk management policies and practices in the Company.
- Ensuring that a sound system of internal control is in place.
- Conducting periodical meetings among the Internal and External Auditors.
- Establishing control mechanisms to confidentially manage the complaints regarding accounting and internal control received both internally and externally.
- Reporting the Board of Directors regarding the related party transactions on continuous basis.
- Setting clear hiring policies for employees or former employees of the Auditors.
- Reporting regularly to the Board of Directors.

The Committee has scrutinised and advised on financial governance issues of the Company. The credentials and expertise of our Committee members have been competent to meet the requirements set out in the Committee's terms of reference. We have a combination of individuals, expertise and qualifications relevant to the maturity of the Committee and to the nature of our Company.

### External Audit

We have constantly provided recommendations to the Board of Directors regarding the appointment of the Auditors every financial year considering the remuneration and terms of engagement of the External Auditor. The Audit Committee further discussed the audit plan and the key issues and their resolution and the management's response regarding the identified issues.

### Composition of the Committee and Meetings

The Committee had 5 meetings during the year under review and the Managing Director and the Senior Management Team can attend the meeting by invitation. It is comprised of the following Directors:

- Mr. M. Zulficar Ghouse
- Mr. Sidath Fernando
- Mr. Shahid M. Sangani

I hereby ensure that over the financial year the information that the Committee has received has been balanced, appropriate and timely and has enabled the Committee to fulfil its responsibilities and duties.

**M. Zulficar Ghouse**
Chairman - Audit Committee

24 June 2015

# Remuneration Committee Report

Dear Shareholder,

*The report on the Remuneration Committee activities for the financial year 2014/15*

The Remuneration Committee, along with the contribution of the Board, has continued to ensure that the Company's policies remain aligned to best practice and competitive with similar market players. Whilst being sensitive to the broader issues surrounding executive compensation and, in addition, in meeting the specific requirements of regulators' guidelines, we take an equitable approach on remuneration.

The Remuneration Committee for the financial year consists of the following Non-Executive Directors:

- Mr. M. Zulficar Ghouse
- Mr. Ranjan Mather
- Mr. Sattar Kassim

The Committee is in charge of evaluating and recommending compensation arrangements for the Directors, Managing Director and other Key Management Personnel. We focus on assessing the suitability of the nature and the amount of remuneration of Key Management Personnel on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximising shareholders' benefit from the retention of a high quality Board and management team.

The Committee met twice during the financial year. During the financial year, the Committee determined targets for performance-related pay schemes and incentives for the employees and decided on the promotions and appointments. The Committee also carried out discussion and decided on salaries and wages for the Ugandan project employees. Further, the discussions extend to the loan facilities provided to the employees of the Company and the policy on provision of vehicles to the employees was revised.

The remuneration policy of the Company is set to retain and motivate the competent professionals to attain the strategic goals of the organisation. The Committee along with the Board of Directors has structured the remuneration package which is striking balance and flexible enough to accommodate differing experience levels of employees. The policy ensures that the rewards are competitive in motivating, attracting and retaining executive talents to deliver continued and sustainable growth in total shareholder return.

**Sattar Kassim**
Chairman - Remuneration Committee

24 June 2015

# Investment and Strategy Committee Report

Dear Shareholder,

*The report on the Investment and Strategy Committee activities for the financial year 2014/15*

The Investment and Strategic Committee is committed to review and enhance the policies and guidelines related to the investment portfolio, managing and monitoring the compliance of them.

The Committee periodically reviews and approves any investment benchmarks or other measurement devices adopted by the Company to monitor the performance of the investment portfolios.

The Committee contributes to effectively manage the asset portfolio of the Company, formulating long-term strategy for the sustainment and expansion of the Company and monitoring performance management in relation to the established targets in order to enhance shareholder wealth.

During the current financial year, the Committee comprises of three Non-Executive Directors, the Managing Director and the Chairman and the members of the Committee are -

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

In the year 2014/15, the Committee made decisions and recommendations on -

- Raising funds for the project financing.
- Investing in the projects.
- Debenture issue for the additional funding.
- Share investment in another company.

The Committee conducted two meetings in the year under review.

**Osman Kassim**
Chairman - Investment and Strategy Committee

24 June 2015

# 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 and 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
1 July 2015

# Financial Reports >

# Independent Auditors' Report

Building a better working world

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VIDULLANKA PLC

### Report on the Financial Statements

We have audited the accompanying Financial Statements of Vidullanka PLC, ('the Company'), and the Consolidated Financial Statements of the Company and its subsidiaries ('Group'), which comprise the Statement of Financial Position as at 31 March 2015, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### Board's Responsibility for the Financial Statements

The Board of Directors ('Board') is responsible for the preparation of these Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 March 2015 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

(a) The basis of opinion, scope and limitations of the audit are as stated above.

(b) In our opinion:

- 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 Financial Statements of the Company give a true and fair view of its financial position as at 31 March 2015 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- the Financial Statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

24 June 2015
Colombo

# Statement of Financial Position

| As at 31 March | Note | Group 2015 Rs. | Group 2014 Rs. (Restated*) | Group 01.04.2013 Rs. (Restated*) | Company 2015 Rs. | Company 2014 Rs. (Restated*) | Company 01.04.2013 Rs. (Restated*) |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-Current Assets** | | | | | | | |
| Property, Plant & Equipment | 5 | 1,151,868,526 | 835,398,132 | 749,396,121 | 529,200,189 | 554,012,686 | 513,922,862 |
| Investments in Subsidiaries | 6.1 | – | – | – | 130,600,080 | 110,500,080 | 67,625,080 |
| Investment in Joint Ventures | 6.2.2 | 391,573,976 | 280,465,902 | 198,906,551 | 248,482,767 | 246,377,504 | 177,298,270 |
| Other Project Investments | 7 | 118,527,779 | 125,271,631 | 94,583,714 | 118,527,779 | 125,271,631 | 94,583,714 |
| Goodwill | 6.2.1 | 55,081,089 | 54,498,960 | 11,624,960 | – | – | – |
| | | 1,717,051,370 | 1,295,634,625 | 1,054,511,346 | 1,026,810,815 | 1,036,161,901 | 853,429,926 |
| **Current Assets** | | | | | | | |
| Inventories | | 442,612 | – | 704,404 | – | – | – |
| Trade and Other Receivables | 8 | 235,545,296 | 264,417,550 | 201,485,104 | 323,012,361 | 343,886,121 | 336,701,410 |
| Other Financial Assets | 6.3.2 | 190,838,686 | 16,978,492 | 65,047,893 | 190,838,686 | 16,978,492 | 65,047,893 |
| Cash and Bank Balances | 22 | 92,019,456 | 9,850,914 | 25,811,023 | 69,246,226 | 3,109,222 | 20,477,270 |
| | | 518,846,050 | 291,246,956 | 293,048,424 | 583,097,273 | 363,973,835 | 422,226,573 |
| **Total Assets** | | 2,235,897,420 | 1,586,881,581 | 1,347,559,770 | 1,609,908,088 | 1,400,135,736 | 1,275,656,499 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Capital and Reserves** | | | | | | | |
| Stated Capital | 9 | 829,258,508 | 829,258,508 | 829,258,508 | 829,258,508 | 829,258,508 | 829,258,508 |
| Treasury Shares | 10 | – | (42,592,171) | (46,618,722) | – | – | – |
| Retained Earnings | | 617,737,438 | 349,072,512 | 246,298,621 | 397,755,782 | 277,409,925 | 233,122,181 |
| Other Components of Equity | | 194,856 | – | – | – | – | – |
| **Equity Attributable to Equity Holders of the Parent** | | 1,447,190,802 | 1,135,738,849 | 1,028,938,407 | 1,227,014,290 | 1,106,668,433 | 1,062,380,689 |
| Non-Controlling Interest | | 3,261,138 | 2,903,778 | 1,362,852 | – | – | – |
| **Total Equity** | | 1,450,451,940 | 1,138,642,628 | 1,030,301,259 | 1,227,014,290 | 1,106,668,433 | 1,062,380,689 |
| **Non-Current Liabilities** | | | | | | | |
| Financing and Lease (Ijara) Payables | 11 | 496,169,221 | 271,726,275 | 200,618,141 | 184,620,292 | 166,664,333 | 126,492,123 |
| Defined Benefit Liability | 14 | 17,118,146 | 12,785,145 | 10,065,784 | 11,905,538 | 9,243,863 | 7,792,153 |
| Deferred Taxation | 12.2 | 18,277,342 | 12,982,288 | 8,880,878 | 18,941,321 | 12,982,288 | 8,880,878 |
| | | 531,564,709 | 297,493,708 | 219,564,803 | 215,467,151 | 188,890,484 | 143,165,154 |

| As at 31 March | Note | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | **2015** Rs. | 2014 Rs. (Restated*) | 01.04.2013 Rs. (Restated*) | **2015** Rs. | 2014 Rs. (Restated*) | 01.04.2013 Rs. (Restated*) |
| **Current Liabilities** | | | | | | | |
| Trade and Other Payables | 13 | 109,208,458 | 52,972,017 | 33,000,816 | 53,483,680 | 33,433,150 | 12,730,823 |
| Financing and Lease (Ijara) Payables | 11 | 134,745,607 | 90,343,231 | 46,081,773 | 107,065,375 | 65,457,962 | 42,617,308 |
| Income Tax Liabilities | | 9,926,706 | 7,429,997 | 18,611,119 | 6,877,592 | 5,685,707 | 14,762,524 |
| | | 253,880,771 | 150,745,245 | 97,693,708 | 167,426,647 | 104,576,819 | 70,110,655 |
| **Total Equity and Liabilities** | | 2,235,897,420 | 1,586,881,581 | 1,347,559,770 | 1,609,908,088 | 1,400,135,736 | 1,275,656,499 |
| Net Asset Value per Share | | 3.04 | 2.39 | 2.16 | 2.57 | 2.32 | 2.24 |

** Certain amounts shown here do not correspond to the 2014 Financial Statements and reflect adjustments made, refer Note 4.*

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 and Treasury

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by,

**Riyaz M. Sangani**
Director

**M. Zulficar Ghouse**
Director

The Accounting Policies and Notes on pages 62 through 106 form an integral part of these Financial Statements.

24 June 2015
Colombo

# Statement of Comprehensive Income

| For the Year ended 31 March | Note | Group 2015 Rs. | Group 2014 Rs. (Restated*) | Company 2015 Rs. | Company 2014 Rs. (Restated*) |
|---|---|---|---|---|---|
| Revenue | 15 | 563,348,047 | 465,289,596 | 364,715,487 | 265,333,191 |
| Cost of Sales | | (128,526,288) | (126,762,297) | (55,399,874) | (44,724,443) |
| Gross Profit | | 434,821,759 | 338,527,299 | 309,315,613 | 220,608,748 |
| Other Income and Gains/(Losses) | 19 | 37,467,881 | 10,577,484 | 101,499,037 | 35,102,451 |
| Investment Income from Joint Ventures | 6.2.2 | 157,023,294 | 33,213,467 | – | – |
| Administrative Expenses | | (201,563,897) | (161,549,072) | (158,200,266) | (114,021,862) |
| Finance Cost | 17 | (41,436,536) | (41,254,611) | (26,979,063) | (32,544,660) |
| Finance Income | 18 | 1,991,853 | 2,907,365 | 7,154,262 | 9,119,913 |
| Profit Before Tax | | 388,304,354 | 182,421,931 | 232,789,583 | 118,264,590 |
| Income Tax Expense | 12 | (33,307,289) | (17,050,690) | (28,151,155) | (13,854,662) |
| Profit for the Year | | 354,997,065 | 165,371,242 | 204,638,428 | 104,409,928 |
| Other Comprehensive Income | | | | | |
| Other Comprehensive Income Not to be Reclassified to Profit or Loss in Subsequent Period | | | | | |
| Net Actuarial Gain/(Loss) on Defined Benefit Plan | | (1,084,451) | 240,807 | (875,524) | (526,746) |
| Income Tax on Other Comprehensive Income | 12 | 131,780 | (138,582) | 105,063 | 63,210 |
| Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Period | | | | | |
| Exchange Differences on Translation of Foreign Operations | | 194,856 | – | – | – |
| Other Comprehensive Income for the Year, Net of Tax | | (757,815) | 102,225 | (770,461) | (463,535) |
| Total Comprehensive Income for the Year, Net of Tax | | 354,239,250 | 165,473,467 | 203,867,967 | 103,946,392 |
| Profit Attributable to: | | | | | |
| Equity Holders of the Parent | | 353,139,706 | 162,434,094 | 204,638,428 | 104,409,928 |
| Non-Controlling Interests | | 1,857,360 | 2,937,148 | – | – |
| | | 354,997,065 | 165,371,242 | 204,638,428 | 104,409,928 |
| Total Comprehensive Income Attributable to - | | | | | |
| Equity Holders of the Parent | | 352,421,076 | 162,432,540 | 203,867,967 | 103,946,392 |
| Non-Controlling Interests | | 1,818,174 | 3,040,927 | – | – |
| | | 354,239,250 | 165,473,467 | 203,867,967 | 103,946,392 |
| Earnings per Share - Basic | 20 | 0.74 | 0.34 | | |
| Dividend per Share | | | | 0.18 | 0.13 |

** Certain amounts shown here do not correspond to the 2014 Financial Statements and reflect adjustments made, refer Note 4.*

The Accounting Policies and Notes on pages 62 through 106 form an integral part of these Financial Statements.

# Statement of Changes in Equity

| Year ended 31 March 2015 | Note | Stated Capital Rs. | Treasury Shares Rs. | Retained Earnings Rs. | Foreign Currency Translation Reserve Rs. | Non-Controlling Interest Rs. | Total Rs. |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| Balance as at 1 April 2013 | | 829,258,508 | (46,618,722) | 253,155,716 | – | 1,362,852 | 1,037,158,353 |
| Adjustment on Correction of Error | 4.4 | – | – | (6,857,095) | – | – | (6,857,095) |
| Balance as at 1 April 2013 (Restated*) | | 829,258,508 | (46,618,722) | 246,298,621 | – | 1,362,852 | 1,030,301,259 |
| Profit for the Year | | – | – | 162,434,094 | – | 2,937,148 | 165,371,242 |
| Other Comprehensive Income | | – | – | (1,553) | – | 103,779 | 102,225 |
| Total Comprehensive Income for the Year | | – | – | 162,432,540 | – | 3,040,927 | 165,473,467 |
| Shares Purchased by the Employees | 10 | – | 4,026,551 | – | – | – | 4,026,551 |
| Dividend | 21 | – | – | (59,658,649) | – | (1,500,000) | (61,158,649) |
| Balance as at 1 April 2014 | | 829,258,508 | (42,592,171) | 349,072,512 | – | 2,903,778 | 1,138,642,628 |
| Profit for the Year | | – | – | 353,139,706 | – | 1,857,360 | 354,997,065 |
| Other Comprehensive Income | | – | – | (952,671) | 194,856 | – | (757,815) |
| Total Comprehensive Income for the Year | | – | – | 352,187,035 | 194,856 | 1,857,360 | 354,239,250 |
| Shares Purchased by the Employees | 10 | – | 42,592,171 | – | – | – | – |
| Dividend | 21 | – | – | (83,522,109) | – | (1,500,000) | (85,022,109) |
| Balance as at 31 March 2015 | | 829,258,508 | – | 617,737,438 | 194,856 | 3,261,138 | 1,450,451,940 |

| Year ended 31 March 2015 | Note | Stated Capital Rs. | Retained Earnings Rs. | Total Rs. |
|---|---|---|---|---|
| **Company** | | | | |
| Balance as at 1 April 2013 | | 829,258,508 | 239,979,276 | 1,069,237,784 |
| Adjustment on Correction of Error | 4.4 | – | (6,857,095) | (6,857,095) |
| Balance as at 1 April 2013 (Restated*) | | 829,258,508 | 233,122,182 | 1,062,380,689 |
| Profit for the Year | | – | 104,409,928 | 104,409,928 |
| Other Comprehensive Income | | – | (463,535) | (463,535) |
| Total Comprehensive Income for the Year | | – | 103,946,393 | 103,946,393 |
| Dividend | 21 | – | (59,658,649) | (59,658,649) |
| Balance as at 1 April 2014 | | 829,258,508 | 277,409,924 | 1,106,668,431 |
| Profit for the Year | | – | 204,638,428 | 204,638,428 |
| Other Comprehensive Income | | – | (770,461) | (770,461) |
| Total Comprehensive Income for the Year | | – | 203,867,967 | 203,867,967 |
| Dividend | 21 | – | (83,522,109) | (83,522,109) |
| Balance as at 31 March 2015 | | 829,258,508 | 397,755,781 | 1,227,014,289 |

** Certain amounts shown here do not correspond to the 2014 Financial Statements and reflect adjustments made, refer Note 4.*

The Accounting Policies and Notes on pages 62 through 106 form an integral part of the Financial Statements.

# Statement of Cash Flows

| Year ended 31 March | Note | Group 2015 Rs. | Group 2014 Rs. (Restated*) | Company 2015 Rs. | Company 2014 Rs. (Restated*) |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | |
| Profit from Ordinary Activities before Tax | | 388,304,354 | 182,421,931 | 232,789,583 | 118,264,590 |
| Adjustments for - | | | | | |
| Depreciation | 5 | 41,331,040 | 38,631,891 | 29,143,073 | 27,126,144 |
| (Profit) on Disposal of Property, Plant & Equipment | 19 | (2,244,396) | (6,735,319) | (2,849,500) | (7,091,431) |
| Provision for Retiring Gratuity | 14 | 3,325,232 | 3,220,526 | 2,217,178 | 2,157,097 |
| Dividend Received | 19 | (442,448) | (438,700) | (54,446,105) | (24,476,013) |
| Impairment/Written-off of Other Projects | | 715,958 | 1,327,292 | 715,958 | 1,327,292 |
| Share of Profit from Joint Ventures | 6.2.2 | (157,023,294) | (33,213,467) | – | – |
| Finance Income | 18 | (1,991,853) | (2,907,365) | (7,154,262) | (9,119,913) |
| Finance Costs | 17 | 41,436,536 | 41,254,611 | 26,979,063 | 32,544,660 |
| **Operating Profit before Working Capital Changes** | | 313,411,128 | 223,561,401 | 227,394,989 | 140,732,426 |
| (Increase)/Decrease in Inventories | | (442,612) | 704,404 | – | – |
| (Increase)/Decrease in Trade and Other Receivables | | 28,872,255 | (62,932,447) | 20,518,251 | (7,184,710) |
| (Increase)/Decrease in Other Financial Assets | | (173,860,194) | 48,069,401 | (173,860,194) | 48,069,401 |
| (Increase)/Decrease in Treasury Shares | | 42,592,171 | 4,026,551 | – | – |
| Increase/(Decrease) in Other Payables | | 56,236,442 | 19,971,201 | 20,050,530 | 20,702,255 |
| Transfer of Expenses from Other Project Investment to Relevant Companies | | 79,017,410 | 5,188,920 | 79,017,410 | 5,188,920 |
| **Cash Generated from Operations** | | 345,826,599 | 238,589,431 | 173,120,986 | 207,508,292 |
| Finance Cost Paid | | (41,436,536) | (41,254,611) | (26,979,063) | (31,816,670) |
| Finance Income Received | | 1,991,853 | 2,907,365 | 7,154,262 | 1,857,558 |
| Defined Benefit Plan Cost Paid | 14 | (75,520) | (344,550) | (75,520) | (80,300) |
| Income Tax Paid | | (25,383,746) | (22,534,506) | (20,903,732) | (18,766,871) |
| **Net Cash from Operating Activities** | | 280,922,651 | 177,363,129 | 132,316,932 | 158,702,009 |
| **Cash Flows Used in Investing Activities** | | | | | |
| Acquisition of Property, Plant & Equipment | | (361,384,133) | (181,229,881) | (6,817,303) | (72,182,388) |
| Proceeds from Sale of Property, Plant & Equipment | | 5,438,660 | 4,244,690 | 5,344,786 | 2,878,145 |
| Investment in New Project | | (72,989,516) | (37,204,129) | (72,989,516) | (37,204,129) |
| Disposal Proceeds from Investment | | – | 14,562,322 | – | 14,562,322 |
| Investment in Joint Ventures and Subsidiaries | | (2,105,263) | (69,079,234) | (22,205,263) | (111,954,234) |
| Dividend Received | | 48,462,931 | 21,172,050 | 54,446,105 | 24,476,013 |
| **Net Cash Flows Used in Investing Activities** | | (382,577,321) | (247,534,182) | (42,221,192) | (179,424,272) |

| Year ended 31 March | Note | Group 2015 Rs. | Group 2014 Rs. (Restated*) | Company 2015 Rs. | Company 2014 Rs. (Restated*) |
|---|---|---|---|---|---|
| **Cash Flows From/(Used in) Financing Activities** | | | | | |
| Dividend Payments | | (85,022,109) | (61,158,649) | (83,522,109) | (59,658,649) |
| Principal Payment Under Ijara Facilities/ (Finance Leases) | | (4,768,716) | (8,147,375) | (3,098,433) | (4,901,796) |
| Principal Payment Under Murabaha Facilities | | (24,289,441) | (13,024,628) | (24,289,441) | (13,024,628) |
| Principal Payment Under Diminishing Musharakah Facilities | | (80,741,611) | (31,128,042) | (45,540,420) | (28,230,349) |
| Principal Payment Under Short-Term Facilities | | (71,546,107) | (15,500,000) | (71,546,107) | (15,500,000) |
| Proceeds from Murabaha Facilities | | 100,000,000 | – | 100,000,000 | – |
| Proceeds from Ijara Facilities | | – | 6,000,000 | – | |
| Proceeds from Diminishing Murabaha Facilities | | 246,153,423 | 145,623,529 | – | 103,623,529 |
| Proceeds from Short-Term Facilities | | 104,037,774 | 31,546,107 | 104,037,774 | 21,046,107 |
| **Net Cash Flows From/(Used in) Financing Activities** | | 183,823,213 | 54,210,943 | (23,958,736) | 3,354,215 |
| **Net Increase/(Decrease) in Cash & Cash Equivalents** | | 82,168,542 | (15,960,110) | 66,137,004 | (17,368,048) |
| **Cash and Cash Equivalents at the beginning of the Year** | | 9,850,914 | 25,811,023 | 3,109,222 | 20,477,270 |
| **Cash and Cash Equivalents at the end of the Year** | 22 | 92,019,456 | 9,850,914 | 69,246,226 | 3,109,222 |

** Certain amounts shown here do not correspond to the 2014 Financial Statements and reflect adjustments made, refer Note 4.*

The Accounting Policies and Notes on pages 62 through 106 form an integral part of the Financial Statements.

# Notes to the Financial Statements

## 1. Corporate Information

### 1.1 General

Vidullanka PLC ('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 Ratnapura District.

**Subsidiaries**

Vidul Engineering Ltd. is an 80% owned Subsidiary of Vidullanka PLC. Vidul Engineering Ltd. was incorporated on 3 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) Ltd. is a fully-owned Subsidiary of Vidullanka PLC. Walagamba Balashakthi (Pvt) Ltd. 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) Ltd., 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.

Muvumbe Hydro (U) Ltd. is a company incorporated in Republic of Uganda under the Companies Act No. 110 of 2012. The Registered Office of Muvumbe Hydro (U) Ltd. is located at KAA House, Plot 41, Nakasero Road, P.O. Box 9566, Kampala.

Vidul Biomass (Pvt) Ltd. is a limited liability Company incorporated and domiciled in Sri Lanka. The Registered Office of the Company is located at Level 04, Access Towers, No. 278, Union Place, Colombo 02 and the principal place of business is to be situated at Dehiattakandiya.

**Joint Ventures**

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

| Joint Venture | Holding Percentage (%) | Joint Venture Partner |
|---|---|---|
| Gurugoda Hydro (Pvt) Ltd. | 50 | ESNA Power (Pvt) Ltd. |
| Co-Energi (Pvt) Ltd. | 50 | Mr. and Mrs. Ralapanawe |
| Udaka Energy Group (Pvt) Ltd. | 50 | Vanguard Industries Ltd. |
| Vidul Madugeta (Pvt) Ltd. | 50 | ESNA Power (Pvt) Ltd. |
| Lower Kothmale Oya Hydro Power (Pvt) Ltd. | 50 | Consortium of Investors led by Jaywise Constructions Ltd. |

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

### 1.2 Principal Activities and Nature of Operations

**Company**

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

**Subsidiary**

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

The principal activity of Walagamba Balashakthi (Pvt) Ltd. is to produce electrical energy and transmit to feed the national grid from its Wembiyagoda mini hydropower plant in Kalawana, Ratnapura.

The principal activity of Rideepana Hydro (Pvt) Ltd. is to produce electrical energy and transmit to feed the national grid from its Rideepana mini hydropower plant in Badulla. The Rideepana mini hydropower plant was under construction as of the end of FY 2014/15 and commissioned to the national grid by 15 May 2015.

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

The principal activity of the Vidul Biomass (Pvt) Ltd. is to produce electrical energy and transmit to feed the national grid. For this purpose the Company has proposed to construct a biomass power plant in Dehiattakandiya.

**Joint Venture**

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

The principal activities of Co-Energi (Pvt) Ltd. is the provision of energy efficiency consultancy to construction and industrial companies and LEED certification.

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

The principal activity of Lower Kothmale Oya Hydro Power (Pvt) Ltd. is to produce electrical energy and transmit to feed the national grid from its Lower Kothmale Oya mini hydropower plant in Kothmale, Nuwara Eliya. The plant was commissioned to the national grid by 25 June 2014.

### 1.3 Date of Authorisation for Issue

The Financial Statements of Vidullanka PLC, for the year ended 31 March 2015 was authorised for issue in accordance with a resolution of the Board of Directors on 24 June 2015.

## 2. Accounting Policies

### 2.1 Basis of Preparation

#### 2.1.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separated Financial Statements of the Company, which comprise the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow, 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. 07 of 2007. These Financial Statements also provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

#### 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 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 2015. 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 other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses 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 1 - '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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard.

#### 2.1.6 Comparative Information

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

### 2.2 Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements of the Group in conformity with Sri Lanka Accounting Standards (SLFRSs) requires the management to make judgements, 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 judgements in applying accounting policies that have 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 Company'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, Board is not aware of any material uncertainties that may cast significant doubt upon the Company'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 assets have been impaired by performing an impairment review. If any such indication exists or when annual impairment testing for 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 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 valuation. 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 & Equipment

The Group reviews the assets' residual values, useful lives and methods of depreciation at each Reporting date. Judgement by 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 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 circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### 2.3.2 Interest in a Joint Venture

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 unanimous consent of the parties sharing control.

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

The Group's investments in joint venture are accounted for using the equity method.

Under the equity method, the investment in 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 joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the 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 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 joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of Profit or Loss of a joint venture is shown on the face of the Statement of Profit or Loss outside operating profit.

The Financial Statements of the joint venture 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 joint venture. At each Reporting date, the Group determines whether there is objective evidence that the investment in the 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 joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the Statement of Profit or Loss.

Upon loss of significant influence over the 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 joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from 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.

#### 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 Lankan Rupees at spot exchange rates at the Reporting date. The income and expenses of foreign operations are translated into Sri Lankan Rupees at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised 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) Ltd., Vidul Madugeta (Pvt) Ltd., Lower Kothmale Oya Hydropower (Pvt) Ltd. and Walagamba Balashakthi (Pvt) Ltd. 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 Agreements dated 28 May 2009, 29 September 2011, 2 June 2011 and 28 October 2010 respectively. Currently, companies are in the tax holiday period.

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.

Udaka Energy Group (Pvt) Ltd., is entitle for 5 years tax holiday under the provisions of Subsection 16 of Inland Revenue Act No. 10 of 2006 having invested more than Rs. 100 mn in development of a hydropower plant.

Rideepana Hydro (Pvt) Ltd. is entitle for a 6 year tax holiday under Subsection 16 of the Inland Revenue Act No. 10 of 2006 having invested over Rs. 300 mn by 31 March 2015. An agreement with the Board of Investment also entered in this regard.

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 12%.

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

**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 realisable value, after making due allowances for obsolete and slow-moving items. Net realisable 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 cost incurred in bringing inventories to its present location and conditions are accounted as follows:

Raw Materials – At actual cost on first in, first out basis

### 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 market place (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 (EIR) method 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 Profit or Loss.

The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

*(b) Available-for-Sale Financial Investments*

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held-for-trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as Other Comprehensive Income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the Statement of Profit or Loss in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. If, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification of the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial assets accordingly.

*(c) 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 Profit or Loss.

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.

### Derecognition

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 risks and rewards of the asset, or the Group has neither transferred nor retained substantially all 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 have occurred since the initial recognition of the asset (an incurred 'loss event') and that 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 are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation 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, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

##### 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 Profit or Loss.

##### Financial Guarantee Contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the Reporting date and the amount recognised less cumulative amortisation.

##### Derecognition

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 Profit or Loss.

##### 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 & Equipment

#### (a) Cost

All items of Property, Plant & Equipment are initially recorded at cost. Where items of Property, Plant & Equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the Reporting date. Subsequent to the initial recognition as an asset at cost/revaluation Property, Plant & Equipment are carried at revalued amounts less any subsequent depreciation thereon. All other Property, Plant & Equipment are stated at historical cost less depreciation.

#### (b) Depreciation

The provision for depreciation is calculated by using a straight-line method on the cost or valuation of all Property, Plant & 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 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 Profit or Loss on a straight-line basis over the lease term.

#### Group as a Lessor

Hydropower plants in which the Group does not transfer substantially all risks and benefits of ownership of the assets are classified as operating leases. Lease income from all power plants is recognised in the Statement of Profit or Loss 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 Group's normal depreciation policy for similar assets.

### 2.3.11 Other Project Investments

The Group's investment in 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 realisable value. The Group assesses the viability of the projects at each Reporting date for any indications of impairment. Any impairment recognised will be charged to the Statement of Profit or Loss.

### 2.3.12 Impairment of 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 recognised in the Statement of Profit or Loss 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 recognised 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 recognised 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 recognised 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 recognised for the asset in prior years such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.3.13 Treasury Shares

Own equity instruments that are reacquired (Treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the Group equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

### 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 Profit or Loss 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 state under Defined Benefit Liability in the Statement of Financial Position.

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

Actuarial gains and losses are recognised 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 and 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% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

## 2.4 Statement of Profit or Loss

### 2.4.1 Revenue Recognition

Revenue is recognised 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 recognised, 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 Ceylon Electricity Board 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 a must run facility and the tariff/price is also governed by the same agreement.

#### (b) Finance Income

Finance Income  is recognised as the income receivable from the Mudarabha savings accounts and Murabaha deposits (taking into account the effective yield on the asset) unless collectibles is doubtful.

**(c) Rendering of Services**

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

**(d) Others**

Other income is recognised 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 Profit or Loss, 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 recognised 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 Profit or Loss, the Directors are of the opinion that the function of expenses method presents fairly the elements of the Group's performance and hence such presentation method is adopted.

**(c)** Finance expenses are recognised in the Statement of Profit or Loss on an accrual 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 the following major business segments: Power Generation, Energy Efficiency and Consultation and Project Management.

Details of the segment reporting are shown in Note 23 to the Financial Statements.

### 2.5 New Accounting Standards Became Effective During the Year

The following Sri Lanka Accounting Standards were issued by The Institute of Chartered Accountants of Sri Lanka and is effective for the periods commencing on or after of 1 January 2014.

#### 2.5.1 SLFRS 10 – Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 – 'Consolidated and Separate Financial Statements' that addresses the accounting for Consolidated Financial Statements. It also addresses the issues raised in SIC 12 - 'Consolidation of Special Purpose Entities'.

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require the management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent.

The new standard did not have any effect on the Consolidated Financial Statements of the Group as at the Reporting date.

#### 2.5.2 SLFRS 11 – Joint Arrangements

SLFRS 11 replaces LKAS 31 – 'Interests in Joint Ventures' and SIC 13 – 'Jointly Controlled Entities'.

SLFRS 11 removed the option to account for jointly controlled entities (JCEs) using proportionate consolidation method. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

Accordingly, the Group applied this standard with retrospective effect. The opening Statement of Financial Position of the earliest comparative period is 1 April 2013 and therefore the comparative figures have been restated with effect from 1 April 2013.

#### 2.5.3 SLFRS 12 – Disclosure of Interests in Other Entities

SLFRS 12 includes all disclosures that were previously in LKAS 27 – 'Consolidated and Separate Financial Statements' related to Consolidated Financial Statements, as well as all disclosures that were previously included in LKAS 31 – 'Interests in Joint Ventures' and LKAS 28 – 'Investments in Associates'. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities.

Necessary disclosures required by the new standard have been included in the Notes to the Financial Statements.

#### 2.5.4 SLFRS 13 – Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted.

The Group did not have any material impact from the implementation of SLFRS 13. Necessary disclosures required by the new standard have been included in the Notes to the Financial Statements.

## 3. Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Group's Financial Statements are listed below. The Group intends to adopt those standards when they become effective.

#### (i) SLFRS 9 – Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard was originally effective for annual periods commencing on or after 1 January 2018. However, the effective date has been deferred subsequently.

#### (ii) SLFRS 14 – Regulatory Deferral Accounts

The scope of this standard is limited to first time adopters of SLFRS that already recognise regulatory deferral account balances in their Financial Statements. Consequently, the Financial Statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 1 January 2016.

#### (iii) SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 – 'Revenue', LKAS 11 – 'Construction Contracts' and IFRIC 13 – 'Customer Loyalty Programmes'. This standard is effective for the annual periods beginning on or after 1 January 2018.

None of these new standards are expected to have an effect on the Financial Statements of the Company, except for SLFRS 9 and 15. Pending the detailed review of such standards, the extent of the impact has not been determined by the management.

## 4. Changes in Accounting Policies

The Group applied SLFRS 11 Joint Arrangements for the first time and it is required to be accounted for using the equity method. The transition was applied retrospectively as required by SLFRS 11 and the comparative information for the immediately preceding period is restated.

### 4.1 Impact of the Transition from Proportionate Consolidation to the Equity Method as at 31 March 2014

**Statement of Financial Position**

| | Before Restatement 2014 Rs. | Adjustments* 2014 Rs. | (Note 4.4) Other Adjustments 2014 Rs. | After Restatement 2014 Rs. |
|---|---|---|---|---|
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, Plant & Equipment | 1,562,736,277 | (727,338,145) | – | 835,398,132 |
| Investments in Subsidiaries and Joint Ventures | – | 280,465,902 | – | 280,465,902 |
| Other Project Investments | 125,271,631 | – | – | 125,271,631 |
| Goodwill | 101,375,964 | (46,877,004) | – | 54,498,960 |
| | 1,789,383,872 | (493,749,247) | – | 1,295,634,625 |
| Current Assets | | | | |
| Inventories | 483,861 | (483,861) | – | – |
| Trade and Other Receivables | 272,705,034 | (8,287,484) | – | 264,417,550 |
| Other Financial Assets | 16,978,492 | – | – | 16,978,492 |
| Cash and Bank Balances | 14,159,060 | (4,308,146) | – | 9,850,914 |
| | 304,326,447 | (13,079,491) | – | 291,246,956 |
| Total Assets | 2,093,710,319 | (506,828,740) | – | 1,586,881,581 |
| EQUITY AND LIABILITIES | | | | |
| Stated Capital | 829,258,508 | – | – | 829,258,508 |
| Treasury Shares | (42,592,171) | – | – | (42,592,171) |
| Retained Earnings | 357,207,111 | – | (8,134,599) | 349,072,512 |
| Equity Attributable to Equity Holders of the Parent | 1,143,873,448 | – | (8,134,599) | 1,135,738,849 |
| Non-Controlling Interest | 2,903,779 | – | – | 2,903,778 |
| Total Equity | 1,146,777,227 | – | (8,134,599) | 1,138,642,628 |
| Non-Current Liabilities | | | | |
| Finance and Lease (Ijara) Payables | 639,293,388 | (367,567,113) | – | 271,726,275 |
| Defined Benefit Liability | 12,998,476 | (213,331) | – | 12,785,145 |
| Deferred Taxation | 4,847,689 | – | 8,134,599 | 12,982,288 |
| | 657,139,553 | (367,780,444) | 8,134,599 | 297,493,708 |
| Current Liabilities | | | | |
| Trade and Other Payables | 161,543,011 | (108,570,994) | – | 52,972,017 |
| Finance and Lease (Ijara) Payables | 120,820,533 | (30,477,302) | – | 90,343,231 |
| Income Tax Liabilities | 7,429,995 | – | – | 7,429,997 |
| | 289,793,539 | (139,048,296) | – | 150,745,245 |
| Total Equity and Liabilities | 2,093,710,319 | (506,828,740) | – | 1,586,881,581 |

** The adjustments represents the recognition of interest in the joint venture as at the 31 March 2014. The initial investment is measured as the aggregate of the carrying amount of the assets and liabilities that the Group had previously proportionately consolidated.*

## 4.2 Impact of the Transition from Proportionate Consolidation to the Equity Method as at 31 March 2014

### Income Statement

| For the Year ended 31 March | Before Restatement 2014 Rs. | Adjustments* 2014 Rs. | (Note 4.4) Other Adjustments 2014 Rs. | After Restatement 2014 Rs. |
|---|---|---|---|---|
| Revenue | 547,474,724 | (82,185,128) | – | 465,289,596 |
| Cost of Sales | (154,717,097) | 27,954,800 | – | (126,762,297) |
| Gross Profit | 392,757,627 | (54,230,328) | – | 338,527,299 |
| Other Income and Gains/(Losses) | 10,766,425 | (188,941) | – | 10,577,484 |
| Investment Income from Joint Ventures | – | 33,213,467 | – | 33,213,467 |
| Administrative Expenses | (164,477,185) | 2,928,113 | – | (161,549,072) |
| Finance Cost | (59,548,791) | 18,294,180 | – | (41,254,611) |
| Finance Income | 2,923,856 | (16,491) | – | 2,907,365 |
| Profit Before Tax | 182,421,932 | – | – | 182,421,932 |
| Income Tax Expense | (15,773,182) | – | (1,277,508) | (17,050,690) |
| Profit for the Year | 166,648,750 | – | (1,277,508) | 165,371,242 |

** The adjustments represent the recognition of share of profits for the year ended 31 March 2014. The initial investment is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated.*

## 4.3 Impact of the Transition from Proportionate Consolidation to the Equity Method as at 31 March 2013

### Statement of Financial Position

| | Before Restatement 2013 Rs. | Adjustments* 2013 Rs. | (Note 4.4) Other Adjustments 2013 Rs. | After Restatement 2013 Rs. |
|---|---|---|---|---|
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, Plant & Equipment | 1,089,002,416 | (339,606,295) | – | 749,396,121 |
| Investments in Subsidiaries and Joint Ventures | – | 198,906,551 | – | 198,906,551 |
| Other Project Investments | 94,583,714 | – | – | 94,583,714 |
| Goodwill | 56,501,963 | (44,877,003) | – | 11,624,960 |
| | 1,240,088,093 | (185,576,747) | – | 1,054,511,346 |
| Current Assets | | | | |
| Inventories | 704,404 | – | – | 704,404 |
| Trade and Other Receivables | 174,622,249 | 26,862,855 | – | 201,485,104 |
| Other Financial Assets | 65,047,893 | – | – | 65,047,893 |
| Cash and Bank Balances | 39,890,252 | (14,079,229) | – | 25,811,023 |
| | 280,264,798 | 12,783,626 | – | 293,048,424 |
| Total Assets | 1,520,352,891 | (172,793,121) | – | 1,347,559,770 |

| | Before Restatement 2013 Rs. | Adjustments* 2013 Rs. | (Note 4.4) Other Adjustments 2013 Rs. | After Restatement 2013 Rs. |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| Stated Capital | 829,258,508 | – | – | 829,258,508 |
| Treasury Shares | (46,618,722) | – | – | (46,618,722) |
| Retained Earnings | 253,155,715 | – | (6,857,094) | 246,298,621 |
| Other Components of Equity | – | – | – | – |
| Equity Attributable to Equity Holders of the Parent | 1,035,795,501 | – | (6,857,094) | 1,028,938,407 |
| Non-Controlling Interest | 1,362,852 | – | – | 1,362,852 |
| Total Equity | 1,037,158,353 | – | (6,857,094) | 1,030,301,259 |
| **Non-Current Liabilities** | | | | |
| Finance and Lease (Ijara) Payables | 294,210,005 | (93,591,864) | – | 200,618,141 |
| Defined Benefit Liability | 10,249,770 | (183,986) | – | 10,065,784 |
| Deferred Taxation | 2,023,784 | – | 6,857,094 | 8,880,878 |
| | 306,483,559 | (93,775,850) | 6,857,094 | 219,564,803 |
| **Current Liabilities** | | | | |
| Trade and Other Payables | 101,561,646 | (68,560,830) | – | 33,000,816 |
| Finance and Lease (Ijara) Payables | 56,553,031 | (10,471,258) | – | 46,081,773 |
| Income Tax Liabilities | 18,596,301 | 14,818 | – | 18,611,119 |
| | 176,710,978 | (79,017,270) | – | 97,693,708 |
| Total Equity and Liabilities | 1,520,352,890 | (172,793,120) | – | 1,347,559,770 |

** The adjustments represent the recognition of interest in the joint venture as at the 31 March 2013. The initial investment is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated.*

### 4.4 Retrospective Restatement

Deferred tax charge for the year and closing balances for the financial years ended 31 March 2013 and 2014 were misstated due to an oversight. This has been rectified retrospectively during the year.

The opening Statement of Financial Position of the earliest comparative period presented (1 April 2013) and the comparative figures have been accordingly restated.

**Impact on Profit or Loss - Increase/(Decrease) in Profit:**

| | Group | Company |
|---|---|---|
| | 2014 Rs. | 2014 Rs. |
| Income Tax Expense | 1,277,505 | 1,277,505 |
| Profit for the Year | (1,277,505) | (1,277,505) |
| Total Comrehensive Income for the Year, Net of Tax | (1,277,505) | (1,277,505) |
| Profit Attributable to - | | |
| Equity Hoders of the Parent | (1,277,505) | – |
| Earnings per Share - Basic | 0.34 | |

Above corrections did not have impact on Statement of Cash Flows.

**Impact on equity - Increase/(Decrease) in net equity:**

| | Group | | Company | |
|---|---|---|---|---|
| As at | 31.03.2014 Rs. | 01.04.2013 Rs. | 31.03.2014 Rs. | 01.04.2013 Rs. |
| Deferred Taxation (Non-Current) | 1,277,505 | 6,857,095 | 1,277,505 | 6,857,095 |
| Total Liabilities | 1,277,505 | 6,857,095 | 1,277,505 | 6,857,095 |
| Net Impact on Equity | (1,277,505) | (6,857,095) | (1,277,505) | (6,857,095) |

## 5. Property, Plant & Equipment

### 5.1 Group

### 5.1.1 Gross Carrying Amounts

| | Balance as at 01.04.2014 Rs. | Additions/ Acquisitions Rs. | Transfers/ Disposals Rs. | Balance as at **31.03.2015** Rs. |
|---|---|---|---|---|
| Freehold Land | 33,385,625 | 75,000 | – | 33,460,625 |
| Office Furniture and Fittings | 6,968,998 | 2,142,587 | – | 9,111,585 |
| Office Equipment | 9,727,750 | 429,612 | (63,172) | 10,094,190 |
| Computers and Computer Equipment | 12,099,363 | 1,302,217 | – | 13,401,580 |
| Plant and Machinery | 896,723,927 | 322,460,504 | (10,494,156) | 1,208,690,275 |
| Motor Vehicles | 18,992,439 | 362,720 | 9,891,144 | 29,246,303 |
| | 977,898,102 | 326,772,640 | (666,184) | 1,304,004,558 |
| On Finance Lease | | | | |
| Motor Vehicles | 32,976,666 | 434,859 | (17,412,695) | 15,998,830 |
| | 32,976,666 | 434,859 | (17,412,695) | 15,998,830 |
| Total Value of Depreciable Assets | 1,010,874,768 | 327,207,499 | (18,078,879) | 1,320,003,388 |

### 5.1.2 In the Course of Construction

| | Balance as at 01.04.2014 Rs. | Incurred During the Year Rs. | Transfers Rs. | Balance as at **31.03.2015** Rs. |
|---|---|---|---|---|
| Power Plant Work-in-Progress | 24,667,295 | 58,756,710 | (24,585,960) | 58,838,045 |
| | 24,667,295 | 58,756,710 | (24,585,960) | 58,838,045 |
| Total Gross Carrying Value | 1,035,542,063 | 385,964,210 | (42,664,839) | 1,378,841,433 |

### 5.1.3 Depreciation

| | Balance as at 01.04.2014 Rs. | Charge for the Year Rs. | Transfers/ Disposals Rs. | Balance as at **31.03.2015** Rs. |
|---|---|---|---|---|
| At Cost | | | | |
| Office Furniture and Fittings | 3,708,476 | 1,045,408 | – | 4,753,884 |
| Office Equipment | 4,362,940 | 1,272,428 | (60,452) | 5,574,916 |
| Computers and Computer Equipment | 9,428,418 | 1,418,391 | – | 10,846,809 |
| Plant and Machinery | 163,783,440 | 26,924,945 | (8,616,813) | 182,091,572 |
| Motor Vehicles | 2,363,506 | 4,970,952 | 7,575,008 | 14,909,466 |
| | 183,646,780 | 35,632,124 | (1,102,257) | 218,176,647 |
| On Finance Lease | | | | |
| Motor Vehicles | 16,497,152 | 5,698,915 | (13,399,807) | 8,796,260 |
| | 16,497,152 | 5,698,915 | (13,399,807) | 8,796,260 |
| Total Depreciation | 200,143,932 | 41,331,040 | (14,502,064) | 226,972,907 |

### 5.1.4 Net Book Value

| For the Year Ended 31 March | **2015** Rs. | 2014 Rs. |
|---|---|---|
| **At Cost** | | |
| Freehold Land | 33,460,625 | 33,385,625 |
| Office Furniture and Fittings | 4,357,701 | 3,260,522 |
| Office Equipment | 4,519,274 | 5,364,810 |
| Computers and Computer Equipment | 2,554,771 | 2,670,945 |
| Plant and Machinery | 1,026,598,703 | 732,940,487 |
| Motor Vehicles | 14,336,837 | 16,628,933 |
| | 1,085,827,911 | 794,251,323 |
| **On Finance Lease** | | |
| Motor Vehicles | 7,202,570 | 16,479,514 |
| | 7,202,570 | 16,479,514 |
| **In the Course of Construction** | | |
| Power Plant Work-in-Progress | 58,838,045 | 24,667,295 |
| | 58,838,045 | 24,667,295 |
| **Total Carrying Amount of Property, Plant & Equipment** | 1,151,868,526 | 835,398,132 |

**5.1.5** The carrying value of Property, Plant & Equipment held under finance leases and Ijara at 31 March 2015 was Rs. 7,202,570/- (2014 - Rs. 16,479,514/-). Additions during the year include Rs. 434,859/- (2014 - Rs. 7,790,806/-) of Property, Plant & Equipment under finance leases and Ijara.

**5.1.6** Property, Plant & Equipment includes fully-depreciated assets that are still in use having a gross carrying amount of Rs. 9,615,108/- (2014 - Rs. 5,964,956/-).

**5.1.7** The Group holds a gross extent of 7.79 acres of land in Balangoda, Kalawana, and Kuruwita, Ratnapura District. The Group also owns the civil structures associated with the power plants in the above said locations.

## 5.2 Company

### 5.2.1 Gross Carrying Amounts

| | Balance as at 01.04.2014 Rs. | Additions Rs. | Transfers/ (Disposals) Rs. | Balance as at **31.03.2015** Rs. |
|---|---|---|---|---|
| At Cost | | | | |
| Freehold Land | 27,839,175 | – | – | 27,839,175 |
| Office Furniture and Fittings | 5,599,619 | 1,765,666 | – | 7,365,285 |
| Office Equipment | 9,016,436 | 273,277 | (63,172) | 9,226,541 |
| Computers and Computer Equipment | 8,575,461 | 521,330 | – | 9,096,791 |
| Plant and Machinery | 643,847,675 | 3,621,431 | (9,754,487) | 637,714,619 |
| Motor Vehicles | 17,517,330 | 200,740 | 10,846,031 | 28,564,101 |
| | 712,395,696 | 6,382,444 | 1,028,372 | 719,806,512 |
| On Finance Lease | | | | |
| Motor Vehicles | 21,657,126 | 434,859 | (17,412,695) | 4,679,290 |
| | 21,657,126 | 434,859 | (17,412,695) | 4,679,290 |
| Total Gross Carrying Value | 734,052,822 | 6,817,303 | (16,384,323) | 724,485,802 |

### 5.2.2 Depreciation

| | Balance as at 01.04.2014 Rs. | Charge for the Year/ Transfers Rs. | Transfers/ (Disposals) Rs. | Balance as at **31.03.2015** Rs. |
|---|---|---|---|---|
| At Cost | | | | |
| Office Furniture and Fittings | 3,213,498 | 847,222 | – | 4,060,720 |
| Office Equipment | 3,959,417 | 1,249,705 | (60,452) | 5,148,670 |
| Computers and Computer Equipment | 6,958,160 | 938,015 | – | 7,896,175 |
| Plant and Machinery | 150,873,515 | 17,886,150 | (8,606,845) | 160,152,820 |
| Motor Vehicles | 1,498,855 | 4,786,971 | 8,169,510 | 14,455,336 |
| | 166,503,445 | 25,708,063 | (497,787) | 191,713,721 |
| On Finance Lease | | | | |
| Motor Vehicles | 13,536,692 | 3,435,007 | (13,399,807) | 3,571,892 |
| | 13,536,692 | 3,435,007 | (13,399,807) | 3,571,892 |
| Total Depreciation | 180,040,137 | 29,143,070 | (13,897,594) | 195,285,613 |

### 5.2.3 Net Book Values

| For the Year Ended 31 March | 2015 Rs. | 2014 Rs. |
|---|---|---|
| At Cost | | |
| Freehold Land | 27,839,175 | 27,839,175 |
| Office Furniture and Fittings | 3,304,565 | 2,386,122 |
| Office Equipment | 4,077,871 | 5,057,019 |
| Computers and Computer Equipment | 1,200,616 | 1,617,301 |
| Plant and Machinery | 477,561,799 | 492,974,160 |
| Motor Vehicles | 14,108,765 | 16,018,475 |
| | 528,092,791 | 545,892,252 |
| On Finance Lease | | |
| Motor Vehicles | 1,107,398 | 8,120,434 |
| | 1,107,398 | 8,120,434 |
| Total Carrying Amount of Property, Plant & Equipment | 529,200,189 | 554,012,686 |

**5.2.4** The carrying value of Property, Plant & Equipment held under finance leases and Ijara at 31 March 2015 was Rs. 1,107,398/- (2014 - Rs. 8,120,434/-). Additions during the year include Rs. 434,859/- (2014 - Rs. 847,172/-) of Property, Plant & Equipment under finance leases and Ijara.

**5.2.5** Property, Plant & Equipment includes fully-depreciated assets that are still in use having a gross carrying amount of Rs. 9,615,108/- (2014 - Rs. 5,964,956/-).

**5.2.6** 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.

## 6. Investments

### 6.1 Investments in Subsidiaries (Company)

| | Relationship | Holding Percentage | 2015 Cost Rs. | 2014 Cost Rs. |
|---|---|---|---|---|
| Non-Quoted | | | | |
| Vidul Engineering Ltd. | Subsidiary | 80 | 20,000,080 | 20,000,080 |
| Walagamba Balashakthi (Pvt) Ltd. | Subsidiary | 100 | 48,000,000 | 48,000,000 |
| Rideepana Hydro (Pvt) Ltd. | Subsidiary | 100 | 62,500,000 | 42,500,000 |
| Vidul Biomass (Pvt) Ltd. | Subsidiary | 100 | 100,000 | – |
| Muvumbe Hydro (U) Ltd. | Subsidiary | 100 | – | – |
| | | | 130,600,080 | 110,500,080 |

### 6.1.1 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.

## 6.2 Investments in Joint Ventures (Group)

| | Relationship | Holding Percentage | **2015** Cost Rs. | 2014 Cost Rs. |
|---|---|---|---|---|
| Non-Quoted | | | | |
| Gurugoda Hydro (Pvt) Ltd. | Joint Venture | 50 | 55,412,412 | 55,412,412 |
| Co-Energy (Pvt) Ltd. | Joint Venture | 50 | 4,175,000 | 4,175,000 |
| Udaka Energy Group (Pvt) Ltd. | Joint Venture | 50 | 5,000,000 | 5,000,000 |
| Vidul Madugeta (Pvt) Ltd. | Joint Venture | 50 | 108,000,000 | 108,000,000 |
| Lower Kothmale Oya Hydro Power (Pvt) Ltd. | Joint Venture | 50 | 75,895,355 | 73,790,092 |
| | | | 248,482,767 | 246,377,504 |

### 6.2.1 Goodwill

| | Group | |
|---|---|---|
| | **2015** Rs. | 2014 Rs. |
| Balance as at 1 April | 54,498,960 | 11,624,960 |
| Goodwill Arising from Acquisition during the Year | 582,129 | 42,874,000 |
| Balance as at 31 March | 55,081,089 | 54,498,960 |
| | | |
| From Walagamba Balashakthi (Pvt) Ltd. | 11,999,960 | 11,999,960 |
| From Rideepana Hydro (Pvt) Ltd. | 42,499,000 | 42,499,000 |
| From Muvumbe Hydro (U) Ltd. | 582,129 | – |
| | 55,081,089 | 54,498,960 |

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

### 6.2.2 Investment in Joint Ventures

| | Group | |
|---|---|---|
| | **2015** Rs. | 2014 Rs. |
| **Share of Net Asset Value from Joint Ventures** | | |
| Investment in Gurugoda Hydro (Pvt) Ltd. | 81,284,239 | 74,286,336 |
| Investment in Udaka Energy Group (Pvt) Ltd. | 24,410,401 | 14,502,203 |
| Investment in Vidul Madugeta (Pvt) Ltd. | 137,562,399 | 117,685,105 |
| Investment in Lower Kothmale Oya Hydro Power (Pvt) Ltd. | 148,149,200 | 73,530,575 |
| Investment in Co-Energi (Pvt) Ltd. | 167,737 | 461,683 |
| Total Investment in Joint Ventures | 391,573,976 | 280,465,902 |
| **Share of Comprehensive Income from Joint Ventures** | | |
| Gurugoda Hydro (Pvt) Ltd. | 22,525,327 | 19,443,838 |
| Udaka Energy Group (Pvt) Ltd. | 10,158,199 | 4,246,069 |
| Vidul Madugeta (Pvt) Ltd. | 52,127,294 | 9,785,775 |
| Lower Kothmale Oya Hydro Power (Pvt) Ltd. | 72,513,363 | (124,076) |
| Co-Energi (Pvt) Ltd. | (300,889) | (138,140) |
| Total Share of Comprehensive Income from Joint Ventures | 157,023,294 | 33,213,467 |
| **Movement in Investment in Joint Ventures during the Period** | | |
| Balance as at the beginning of the Reporting Period | 280,465,902 | 198,906,551 |
| Investment in Joint Ventures | 2,105,263 | 69,079,234 |
| Share of Total Comprehensive Income | 157,023,294 | 33,213,467 |
| Dividends Received | (48,020,483) | (20,733,350) |
| Balance as at the end of the Reporting Period | 391,573,976 | 280,465,902 |

The Group has a 50% interest in Gurugoda Hydro (Pvt) Ltd., Co-Energi (Pvt) Ltd., Udaka Energy Group (Pvt) Ltd., Vidul Madugeta (Pvt) Ltd., and Lower Kothmale Oya Hydro Power (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 2015.

| | Gurugoda Hydro (Pvt) Ltd. Rs. | Co-Energi (Pvt) Ltd. Rs. | Udaka Energy Group (Pvt) Ltd. Rs. | Vidul Madugeta (Pvt) Ltd. Rs. | Lower Kothmale Oya Hydro Power (Pvt) Ltd. Rs. |
|---|---|---|---|---|---|
| Current Assets | 10,111,921 | 7,193,168 | 22,818,379 | 40,546,164 | 78,585,252 |
| Non-Current Assets | 140,198,835 | 666,597 | 137,808,193 | 557,439,283 | 902,945,245 |
| Current Liabilities | (747,568) | (7,217,405) | (54,781,131) | (59,537,803) | (209,735,797) |
| Non-Current Liabilities | (369,535) | (306,885) | (57,024,639) | (263,322,847) | (560,086,008) |
| Equity | 149,193,653 | 335,475 | 48,820,802 | 275,124,797 | 211,708,692 |
| Equity Proportionate | 74,596,827 | 167,737 | 24,410,401 | 137,562,399 | 105,854,346 |
| Goodwill or Other Adjustments | 6,687,412 | – | – | – | 42,294,855 |
| Group Carrying Amount of the Investment | 81,284,239 | 167,737 | 24,410,401 | 137,562,399 | 148,149,200 |
| Summarised Statement of Profit or Loss for the Year ended 31 March 2015 | | | | | |
| Revenue | 62,147,153 | 16,103,800 | 42,201,054 | 174,459,054 | 248,468,525 |
| Cost of Sales | (15,494,161) | (11,281,321) | (13,002,279) | (34,749,340) | (54,494,244) |
| Administrative Expenses | (803,618) | (5,424,256) | (295,678) | (1,161,622) | (1,391,121) |
| Finance Cost | (1,147,351) | – | (8,690,283) | (34,611,796) | (47,703,037) |
| Other Income | 208,458 | – | 106,400 | 448,698 | 341,080 |
| Profit before Tax | 44,910,481 | (601,777) | 20,319,214 | 104,384,994 | 145,221,203 |
| Income Tax Expense | – | – | – | – | – |
| Profit for the Year (Continuing Operations) | 44,910,481 | (601,777) | 20,319,214 | 104,384,994 | 145,221,203 |
| Total Comprehensive Income for the Year (Continuing Operations) | 45,050,654 | (601,777) | 20,316,398 | 104,254,587 | 145,026,725 |
| Group's Share of Profit/(Loss) for the Year | 22,525,327 | (300,889) | 10,158,199 | 52,127,294 | 72,513,363 |

### 6.3 Other Financial Assets

#### 6.3.1 Financial Assets at Fair Value Through Profit or Loss (Group and Company)

| | Number of Shares | | Carrying Value | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** Rs. | 2014 Rs. |
| Investment in Quoted Shares | | | | |
| Panasian Power PLC | 54,542,220 | – | 185,443,548 | – |
| Vallibel Power Erathna PLC | 303,182 | 582,320 | 2,395,138 | 3,260,992 |
| Amãna Bank PLC | – | 100,000 | – | 197,500 |
| Textured Jersey PLC | – | 12,500 | – | 520,000 |
| | | | 187,838,686 | 3,978,492 |

### 6.3.2 Financial Assets – Available-for-Sale

| For the Year Ended 31 March | 2015 Rs. | 2014 Rs. |
|---|---|---|
| Non-Quoted | | |
| Investment in Shares - ADL Capital Ltd. | 3,000,000 | 3,000,000 |
| | 3,000,000 | 3,000,000 |
| Financial Assets - Loan and Receivable | | |
| Investment - Mudarabah Deposits | – | 10,000,000 |
| | – | 10,000,000 |
| Other Financial Assets | 190,838,686 | 16,978,492 |

Unquoted available-for-sale equity investment is recorded at cost since the fair value of the investments cannot be reliably measured. There is no active market for this investment and the Company intends to hold for it in the long-term.

## 7. Other Project Investments

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March | 2015 Rs. | 2014 Rs. | 2015 Rs. | 2014 Rs. |
| Summary | | | | |
| Balance as at the Beginning of the Year | 125,271,631 | 94,583,714 | 125,271,631 | 94,583,714 |
| Projects Costs Incurred During the Year | 72,989,516 | 37,204,129 | 72,989,516 | 37,204,129 |
| Less: Transfers | (79,017,410) | (5,188,920) | (79,017,410) | (5,188,920) |
| Impairment/Written-off | (715,958) | (1,327,292) | (715,958) | (1,327,292) |
| Balance as at the End of the Year | 118,527,779 | 125,271,631 | 118,527,779 | 125,271,631 |

## 8. Trade and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March | 2015 Rs. | 2014 Rs. | 2015 Rs. | 2014 Rs. |
| Trade Receivables | 63,421,230 | 40,723,483 | 40,681,232 | 9,887,109 |
| Other Receivables | 31,151,299 | 10,679,880 | 27,387,507 | 9,818,309 |
| Advances and Prepayment | 33,658,350 | 36,582,675 | 15,073,548 | 15,179,977 |
| Employee Share Option Scheme | – | – | – | 38,544,997 |
| Amounts Due from Related Parties (8.1) | 98,394,555 | 172,274,719 | 235,944,547 | 267,697,494 |
| Facilities Given to Company Officers (8.2) | 8,919,862 | 4,156,794 | 3,925,527 | 2,758,234 |
| | 235,545,296 | 264,417,550 | 323,012,361 | 343,886,121 |

### 8.1 Amounts Due from Related Parties

| For the Year Ended 31 March | Relationship | Group 2015 Rs. | Group 2014 Rs. | Company 2015 Rs. | Company 2014 Rs. |
|---|---|---|---|---|---|
| Vidul Engineering Ltd. | Subsidiary | – | – | 6,361,167 | 23,592,608 |
| Walagamba Balashakthi (Pvt) Ltd. | Subsidiary | – | – | 6,946,505 | 43,530,029 |
| Rideepana Hydro (Pvt) Ltd. | Subsidiary | – | – | 68,123,657 | 29,384,820 |
| Vidul Biomass (Pvt) Ltd. | Subsidiary | – | – | 3,198,748 | – |
| Muvumbe Hydro (U) Ltd. - Adv (OIA) | Subsidiary | – | – | 52,972,464 | – |
| Gurugoda Hydro (Pvt) Ltd. | Joint Venture | – | 240,455 | – | 47,567 |
| Co-Energi (Pvt) Ltd. | Joint Venture | 3,341,244 | 2,810,049 | 3,341,244 | 2,810,049 |
| Udaka Energy Group (Pvt) Ltd. | Joint Venture | 20,082,727 | 36,734,118 | 20,030,177 | 36,579,880 |
| Vidul Madugeta (Pvt) Ltd. | Joint Venture | – | 26,130,371 | – | 26,060,321 |
| Lower Kothmale Oya Hydro Power (Pvt) Ltd. | Joint Venture | 74,970,584 | 106,359,726 | 74,970,584 | 105,692,220 |
| | | 98,394,555 | 172,274,719 | 235,944,547 | 267,697,494 |

### 8.2 Loans to Company Officers

| For the Year Ended 31 March | Group 2015 Rs. | Group 2014 Rs. | Company 2015 Rs. | Company 2014 Rs. |
|---|---|---|---|---|
| Balance as at the Beginning of the Year | 4,156,794 | 311,735 | 2,758,234 | 311,735 |
| Loans Granted During the Year | 7,499,146 | 5,779,132 | 2,651,376 | 3,703,132 |
| Less: Repayments | (1,667,070) | (487,135) | (1,191,800) | (427,135) |
| Effective Interest Rate Adjustment | (1,069,008) | (1,446,938) | (292,283) | (829,498) |
| Balance as at the End of the Year | 8,919,862 | 4,156,794 | 3,925,527 | 2,758,234 |

### 8.3 Employee Share Option Scheme (ESOS)

| | 2015 | 2014 |
|---|---|---|
| ESOS Position | | |
| Number of Shares as at 1 April | 16,942,211 | 17,707,748 |
| Number of Shares Vested and Claimed by the Employees | (16,942,211) | (765,537) |
| Number of Remaining Shares as at 31 March | – | 16,942,211 |

Employee Share Option Scheme (ESOS) of Vidullanka PLC was established as per the ESOS Trust Deed and 5% of issued share capital of the Company was issued to ESOS. The entitlement is based on a formula based on the completed years in employment, basic salary and it was approved by the Remuneration Committee.

The issue price was based on the volume weighted average market price that prevailed during the month of January 2010, rounded to the nearest twenty-five cents.

The ESOS ceased to exist from 28 February 2015.

## 9. Stated Capital

### 9.1 Fully-Paid Ordinary Shares

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March | **2015** Rs. | 2014 Rs. | **2015** Rs. | 2014 Rs. |
| Balance as at 1 April | 829,258,508 | 829,258,508 | 829,258,508 | 829,258,508 |
| Balance as at 31 March | 829,258,508 | 829,258,508 | 829,258,508 | 829,258,508 |

### 9.2 Movement in Number of Ordinary Shares

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March | **2015** | 2014 | **2015** | 2014 |
| Balance as at 1 April | 477,269,193 | 477,269,193 | 477,269,193 | 477,269,193 |
| Balance as at 31 March | 477,269,193 | 477,269,193 | 477,269,193 | 477,269,193 |

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

## 10. Treasury Shares

| For the Year Ended 31 March | **2015** Rs. | 2014 Rs. |
|---|---|---|
| As at 1 April | 42,592,171 | 46,618,722 |
| Value of Shares Purchased by the Employees | (42,592,171) | (4,026,551) |
| As at 31 March | – | 42,592,171 |

Shares purchased by each employee in each respective year have been settled using the Treasury Shares of the Group. The reduction in the Treasury Share equity component is equal to the cost incurred to acquire the shares, on a weighted average basis.

## 11. Finance and Lease (Ijara) Payables

### 11.1 Group

| | Amount Repayable Within 1 Year Rs. | Amount Repayable After 1 Year Rs. | **2015** Total Rs. | Amount Repayable Within 1 Year Rs. | Amount Repayable After 1 Year Rs. | 2014 Total Rs. |
|---|---|---|---|---|---|---|
| Ijara Facilities/Finance Leases (11.1.1) | 103,652 | – | 103,652 | 3,980,650 | 891,718 | 4,872,368 |
| Murabaha Facilities (11.1.2) | 16,534,170 | 82,157,311 | 98,691,481 | 16,822,450 | 6,158,472 | 22,980,922 |
| Diminishing Musharakah (11.1.3) | 80,070,011 | 414,011,910 | 494,081,921 | 63,994,024 | 264,676,085 | 328,670,109 |
| Wakala (Short-Term) Facilities (11.1.4) | 38,037,774 | – | 38,037,774 | 5,546,107 | – | 5,546,107 |
| | 134,745,607 | 496,169,221 | 630,914,828 | 90,343,231 | 271,726,275 | 362,069,506 |

### 11.1.1 Ijara Facilities (Finance Leases)

| | As at 01.04.2014 Rs. | Facilities Obtained Rs. | Repayments Rs. | As at **31.03.2015** Rs. |
|---|---|---|---|---|
| MCB Bank Ltd. | 4,314,179 | – | (4,210,527) | 103,652 |
| Lanka Orix Finance Company PLC | 558,189 | – | (558,189) | – |
| | 4,872,368 | – | (4,768,716) | 103,652 |
| Gross Liability | 5,143,915 | | | 104,732 |
| Finance Charges Allocated to Future Periods | (271,547) | | | (1,080) |
| Net Liability | 4,872,368 | | | 103,652 |

### 11.1.2 Murabaha Facilities

| | As at 01.04.2014 Rs. | Facilities Obtained Rs. | Repayments Rs. | As at **31.03.2015** Rs. |
|---|---|---|---|---|
| Amãna Bank PLC | 22,980,922 | 100,000,000 | (24,289,441) | 98,691,481 |
| | 22,980,922 | 100,000,000 | (24,289,441) | 98,691,481 |
| Gross Liability | 29,340,995 | | | 123,971,379 |
| Finance Charges Allocated to Future Periods | (6,360,073) | | | (25,279,898) |
| Net Liability | 22,980,922 | | | 98,691,481 |

### 11.1.3 Diminishing Musharakah Facilities

| | As at 01.04.2014 Rs. | Facilities Obtained Rs. | Repayments Rs. | As at **31.03.2015** Rs. |
|---|---|---|---|---|
| Amãna Bank PLC | 100,000,003 | – | (25,000,000) | 75,000,003 |
| Hatton National Bank PLC | 128,276,929 | 28,500,000 | (35,201,191) | 121,575,738 |
| MCB Bank Ltd. | 100,393,177 | 217,653,423 | (20,540,420) | 297,506,180 |
| | 328,670,109 | 246,153,423 | (80,741,611) | 494,081,921 |
| Gross Liability | 465,027,103 | | | 589,002,379 |
| Finance Charges Allocated to Future Periods | (136,356,994) | | | (94,920,458) |
| Net Liability | 328,670,109 | | | 494,081,921 |

### 11.1.4 Short-Term Facilities

| | As at 01.04.2014 Rs. | Facilities Obtained Rs. | Repayments Rs. | As at **31.03.2015** Rs. |
|---|---|---|---|---|
| ADL Capital Ltd. | 5,546,107 | 78,000,000 | (71,546,107) | 12,000,000 |
| Amãna - Candor Shariah Fund | – | 26,037,774 | – | 26,037,774 |
| | 5,546,107 | 104,037,774 | (71,546,107) | 38,037,774 |

### 11.2 Company

| | Amount Repayable Within 1 Year Rs. | Amount Repayable After 1 Year Rs. | **2015** Total Rs. | Amount Repayable Within 1 Year Rs. | Amount Repayable After 1 Year Rs. | 2014 Total Rs. |
|---|---|---|---|---|---|---|
| Ijara Facilities/Finance Leases (Note 11.2.1) | 103,652 | – | 103,652 | 3,098,433 | 103,652 | 3,202,085 |
| Murabaha Investment (Note 11.2.2) | 16,534,170 | 82,157,311 | 98,691,481 | 14,822,540 | 8,158,382 | 22,980,922 |
| Diminishing Musharakah – Working Capital (Note 11.2.3) | 52,389,779 | 102,462,981 | 154,852,760 | 41,990,882 | 158,402,299 | 200,393,181 |
| Wakala (Short-Term Facilities) (Note 11.2.4) | 38,037,774 | – | 38,037,774 | 5,546,107 | – | 5,546,107 |
| | 107,065,375 | 184,620,292 | 291,685,667 | 65,457,962 | 166,664,333 | 232,122,295 |

### 11.2.1 Ijara Facilities (Finance Leases)

| | As at 01.04.2014 Rs. | Facilities Obtained Rs. | Repayments Rs. | As at **31.03.2015** Rs. |
|---|---|---|---|---|
| MCB Bank Ltd. | 2,643,896 | – | (2,540,244) | 103,652 |
| Lanka Orix Finance Company PLC | 558,189 | – | (558,189) | – |
| | 3,202,085 | – | (3,098,433) | 103,652 |
| Gross Liability | 3,432,935 | | | 104,732 |
| Finance Charges Allocated to Future Periods | (230,850) | | | (1,080) |
| Net Liability | 3,202,085 | | | 103,652 |

### 11.2.2 Murabaha Facilities

| | As at 01.04.2014 Rs. | Facilities Obtained Rs. | Repayments Rs. | As at **31.03.2015** Rs. |
|---|---|---|---|---|
| Amãna Bank PLC | 22,980,922 | 100,000,000 | (24,289,441) | 98,691,481 |
| | 22,980,922 | 100,000,000 | (24,289,441) | 98,691,481 |
| Gross Liability | 25,418,023 | | | 123,910,982 |
| Finance Charges Allocated to Future Periods | (2,437,101) | | | (25,219,501) |
| Net Liability | 22,980,922 | | | 98,691,481 |

### 11.2.3 Diminishing Musharakah Facilities

| | As at 01.04.2014 Rs. | Facilities Obtained Rs. | Repayments Rs. | As at **31.03.2015** Rs. |
|---|---|---|---|---|
| Amãna Bank PLC | 100,000,003 | – | (25,000,000) | 75,000,003 |
| MCB Bank Ltd. | 100,393,177 | – | (20,540,420) | 79,852,757 |
| | 200,393,180 | – | (45,540,420) | 154,852,760 |
| Gross Liability | 253,614,463 | | | 175,553,623 |
| Finance Charges Allocated to Future Periods | (53,221,283) | | | (20,700,863) |
| Net Liability | 200,393,180 | | | 154,852,760 |

### 11.2.4 Short-Term Facilities (Wakala)

| | As at 01.04.2014 Rs. | Facilities Obtained Rs. | Repayments Rs. | As at **31.03.2015** Rs. |
|---|---|---|---|---|
| ADL Capital Ltd. | 5,546,107 | 78,000,000 | (71,546,107) | 12,000,000 |
| Amãna – Candor Shariah Fund | – | 26,037,774 | – | 26,037,774 |
| | 5,546,107 | 104,037,774 | (71,546,107) | 38,037,774 |

## 12. Income Tax

The major components of Income Tax Expense for the year ended 31 March 2015 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March | **2015** Rs. | 2014 Rs. | **2015** Rs. | 2014 Rs. |
| Current Income Tax | | | | |
| Current Tax Expense on Ordinary Activities for the Year | 27,260,851 | 13,773,523 | 22,087,059 | 9,690,042 |
| (Over)/Under Provision of Current Taxes in Respect of Prior Years | 619,604 | (685,661) | – | – |
| | 27,880,455 | 13,087,862 | 22,087,059 | 9,690,042 |
| Deferred Income Tax | | | | |
| Deferred Taxation Charge/(Reversal) (Note 12.2) | 5,426,834 | 3,962,828 | 6,064,096 | 4,164,620 |
| | 5,426,834 | 3,962,828 | 6,064,096 | 4,164,620 |
| Income Tax Expense Reported in the Income Statement | 33,307,289 | 17,050,690 | 28,151,155 | 13,854,662 |
| Deferred Tax Related to Items Charged or Credited Directly to Other Comprehensive Income During the Year: | | | | |
| Deferred Tax on Actuarial Gains and Losses | (131,780) | 138,582 | (105,063) | (63,211) |
| Deferred Taxation Charge/(Reversal) (Note 12.2) | (131,780) | 138,582 | (105,063) | (63,211) |
| Total Income Tax Expense | 33,175,509 | 17,189,271 | 28,046,092 | 13,791,452 |

**12.1** A Reconciliation between Tax Expense and the Accounting Profits Multiplied by Statutory Tax Rate is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March | **2015** Rs. | 2014 Rs. | **2015** Rs. | 2014 Rs. |
| Accounting Profit Before Income Tax | 388,304,354 | 182,421,931 | 232,789,583 | 118,264,590 |
| At the Statutory Income Tax Rate of 12% (2014 – 12%) | 27,934,750 | 13,590,192 | 27,934,750 | 13,590,192 |
| At the Statutory Income Tax Rate of 28% (2014 – 28%) | 2,600,303 | 6,672,517 | – | 1,403,637 |
| Tax effect of Disallowable Expenses | 6,882,393 | 2,148,379 | 14,537,948 | 5,148,677 |
| Tax effect of Aggregate Allowable Items | (10,103,501) | (5,700,443) | (13,852,106) | (7,515,344) |
| Tax Effect of Income Exempt from Tax | (53,094) | (2,937,122) | (6,533,533) | (2,937,122) |
| At the Effective Income Tax Rate of 12% (2014 – 12%) | 27,260,851 | 13,773,523 | 22,087,059 | 9,690,042 |
| (Over)/Under Provision of Income Tax in Respect of Prior Years | 619,604 | (685,661) | – | – |
| Deferred Taxation Charge/(Reversal) | 5,426,834 | 3,962,828 | 6,064,096 | 4,164,620 |
| | 33,307,289 | 17,050,690 | 28,151,155 | 13,854,662 |
| Effective Tax Rate (%) | 9 | 9 | 12 | 12 |

**12.2** Deferred Tax Assets, Liabilities and Income Tax relates to the following:

| **Group** | Statement of Financial Position | | Statement of Comprehensive Income | |
|---|---|---|---|---|
| For the Year Ended 31 March | **2015** Rs. | 2014 Rs. | **2015** Rs. | 2014 Rs. |
| Deferred Tax Liability | | | | |
| Capital Allowances for Tax Purposes | 20,980,388 | 14,091,552 | 6,888,836 | 4,275,615 |
| | 20,980,388 | 14,091,552 | | |
| Deferred Tax Assets | | | | |
| Defined Benefit Plans | (2,703,046) | (1,109,264) | (1,593,782) | (174,205) |
| | (2,703,046) | (1,109,264) | | |
| Deferred Tax (Reversal)/Charge | | | 5,295,054 | 4,101,410 |
| Net Deferred Tax Liability/(Asset) | 18,277,342 | 12,982,288 | | |

| **Company**<br>For the Year Ended 31 March | Statement of Financial Position<br>**2015**<br>Rs. | <br>2014<br>Rs. | Statement of Comprehensive Income<br>**2015**<br>Rs. | <br>2014<br>Rs. |
|---|---|---|---|---|
| Deferred Tax Liability | | | | |
| Capital Allowances for Tax Purposes | 20,369,986 | 14,091,552 | 6,278,434 | 4,275,615 |
| | 20,369,986 | 14,091,552 | | |
| Deferred Tax Assets | | | | |
| Defined Benefit Plans | (1,428,665) | (1,109,264) | (319,401) | (174,205) |
| | (1,428,665) | (1,109,264) | | |
| Deferred Tax (Reversal)/Charge | | | 5,959,033 | 4,101,410 |
| Net Deferred Tax Liability/(Asset) | 18,941,321 | 12,982,288 | | |

## 13. Trade and Other Payables

| For the Year Ended 31 March | Group<br>**2015**<br>Rs. | <br>2014<br>Rs. | Company<br>**2015**<br>Rs. | <br>2014<br>Rs. |
|---|---|---|---|---|
| Sundry Creditors Including Accrued Expenses | 99,139,730 | 52,972,017 | 43,414,951 | 25,996,034 |
| Financial Guarantee | 10,068,728 | – | 10,068,728 | 7,437,116 |
| | 109,208,458 | 52,972,017 | 53,483,680 | 33,433,150 |

## 14. Defined Benefit Liability

| For the Year Ended 31 March | Group<br>**2015**<br>Rs. | <br>2014<br>Rs. | Company<br>**2015**<br>Rs. | <br>2014<br>Rs. |
|---|---|---|---|---|
| Balance as at the Beginning of the Year | 12,785,145 | 10,065,784 | 9,243,863 | 7,792,153 |
| Expenses on Defined Benefit Plan (Note 14.1) | 3,325,233 | 3,220,526 | 2,217,178 | 2,157,097 |
| Net Actuarial (Gain)/Loss Recognised During the Year | 1,089,172 | (159,992) | 875,525 | 526,746 |
| Payment During the Year | (75,520) | (309,617) | (75,520) | (80,300) |
| Inter-Company Transfers During the Year | (5,884) | (31,554) | (355,509) | (1,151,833) |
| Balance as at the End of the Year | 17,118,146 | 12,785,145 | 11,905,538 | 9,243,863 |

### 14.1 Expenses on Defined Benefit Plan

| For the Year Ended 31 March | Group | | Company | |
|---|---|---|---|---|
| | **2015** Rs. | 2014 Rs. | **2015** Rs. | 2014 Rs. |
| Current Service Cost | 2,058,138 | 1,759,174 | 1,328,343 | 1,141,494 |
| Interest Cost on Defined Benefit Liability | 1,267,095 | 1,461,352 | 888,836 | 1,015,603 |
| | 3,325,233 | 3,220,526 | 2,217,178 | 2,157,097 |

### 14.2 Principal Assumptions

| For the Year Ended 31 March | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Discount Rate (%) | 10 | 10% | 10% | 10% |
| Salary Increment (%) | 7.5 | 7.5% | 7.5% | 7.5% |
| Retirement Age | 55 | 55 | 55 | 55 |
| Mortality | A 1967/70 Mortality Table | A 1967/70 Mortality Table | A 1967/70 Mortality Table | A 1967/70 Mortality Table |

An actuarial valuation of the gratuity fund was carried out as at 31 March 2015 by Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional Actuaries and the 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'.

### 14.3 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 measurement of the Group:

| Increase/Decrease in Discount Rate | Increase/Decrease in Salary Increment | Group<br>Sensitivity Effect on Employment Benefit Obligation Rs. | Company<br>Sensitivity Effect on Employment Benefit Obligation Rs. |
|---|---|---|---|
| 1% | | (956,679) | (696,679) |
| -1% | | 1,067,569 | 775,346 |
| | 1% | 1,057,131 | 762,899 |
| | -1% | (962,979) | (696,659) |

## 15. Revenue

| For the Year Ended 31 March | Group 2015 Rs. | Group 2014 Rs. | Company 2015 Rs. | Company 2014 Rs. |
|---|---|---|---|---|
| Power Generation | 451,729,667 | 342,776,657 | 364,715,487 | 265,333,192 |
| Construction and Project Management | 111,618,380 | 122,512,939 | – | – |
| | 563,348,047 | 465,289,596 | 364,715,487 | 265,333,192 |

## 16. Profit Before Tax

| For the Year Ended 31 March | Group 2015 Rs. | Group 2014 Rs. | Company 2015 Rs. | Company 2014 Rs. |
|---|---|---|---|---|
| Stated After Charging | | | | |
| Included in Cost of Sales | | | | |
| Depreciation | 18,651,257 | 25,158,152 | 17,942,639 | 18,127,627 |
| Included in Administrative Expenses | | | | |
| Depreciation | 22,679,783 | 13,473,739 | 11,200,434 | 8,998,517 |
| Staff Costs (Include the Following Costs) | 100,648,061 | 80,128,246 | 68,587,801 | 54,716,749 |
| Defined Benefit Plan Costs – Gratuity | 3,325,233 | 3,220,526 | 2,217,178 | 2,157,097 |
| Defined Contribution Plan Costs – EPF and ETF | 7,527,440 | 6,344,695 | 4,676,613 | 3,844,873 |
| Audit Fee | 1,536,146 | 803,000 | 375,000 | 377,400 |
| Impairment/Written-off of Other Projects Investments | 715,958 | 1,327,292 | 715,958 | 1,327,292 |

## 17. Finance Cost

| For the Year Ended 31 March | Group 2015 Rs. | Group 2014 Rs. | Company 2015 Rs. | Company 2014 Rs. |
|---|---|---|---|---|
| Lease Markup on Ijara/Murabaha/ Musharakah Facilities/Staff Loan | 41,436,536 | 41,254,611 | 26,979,063 | 32,544,660 |
| | 41,436,536 | 41,254,611 | 26,979,063 | 32,544,660 |

## 18. Finance Income

| For the Year Ended 31 March | Group | | Company | |
|---|---|---|---|---|
| | **2015** Rs. | 2014 Rs. | **2015** Rs. | 2014 Rs. |
| Profit from Mudarabah Savings Accounts | 923,538 | 373,817 | 715,022 | 373,817 |
| Profit from Murabaha Deposits | – | 1,483,741 | – | 1,483,741 |
| Finance Income – Staff Loan | 570,560 | 135,855 | 314,016 | 90,381 |
| Finance Income – EIR adjustment to Inter-Company Advances | 497,755 | 913,952 | 6,125,223 | 7,171,974 |
| | 1,991,853 | 2,907,365 | 7,154,262 | 9,119,913 |

## 19. Other Income and Gains/(Losses)

| For the Year Ended 31 March | Group | | Company | |
|---|---|---|---|---|
| | **2015** Rs. | 2014 Rs. | **2015** Rs. | 2014 Rs. |
| Dividend Received | 442,448 | 438,700 | 54,446,105 | 24,476,013 |
| Profit on Disposal of Property, Plant & Equipment | 2,244,396 | 6,735,319 | 2,849,500 | 7,091,431 |
| Capital Gain on Quoted Share Disposal | 801,534 | (324,156) | 801,534 | (324,156) |
| Gain/(Loss) in Value of Investments in Quoted Shares | 22,641,970 | (1,553,915) | 22,641,970 | (1,553,915) |
| Administration Fee | 566,666 | 2,942,857 | 566,666 | 2,942,857 |
| Development Services Fee | 4,316,000 | – | 18,076,963 | – |
| Management Fee | (147,709) | (239,078) | (147,709) | (239,078) |
| Other Income | 6,602,577 | 2,577,757 | 2,264,009 | 2,709,300 |
| | 37,467,881 | 10,577,484 | 101,499,037 | 35,102,451 |

## 20. 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 | |
|---|---|---|
| | **2015** | 2014 |
| Amounts Used as Numerator – Group | | |
| Net Profit Attributable to Ordinary Shareholders for Basic Earnings per Share (Rs.) | 353,139,706 | 162,434,094 |
| Number of Ordinary Shares Used as Denominator | | |
| Weighted Average Number of Ordinary Shares in Issue | 477,269,193 | 477,269,193 |

## 21. Dividend Paid and Proposed

| For the Year Ended 31 March | 2015 Rs. | 2014 Rs. |
|---|---|---|
| Declared and paid during the year | | |
| Interim Dividend 2014/15 – Rs. 0.175 (2013/14 – Rs. 0.075) | 83,522,109 | 35,795,189 |
| Final Dividend for 2012/13 – Rs. 0.05 | – | 23,863,460 |
| | 83,522,109 | 59,658,649 |

## 22. Cash and Cash Equivalents

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March | 2015 Rs. | 2014 Rs. | 2015 Rs. | 2014 Rs. |
| Components of Cash and Cash Equivalents | | | | |
| Favourable Cash and Cash Equivalent Balances | | | | |
| Cash and Bank Balances | 92,019,456 | 9,850,914 | 69,246,226 | 3,109,222 |
| Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement | 92,019,456 | 9,850,914 | 69,246,226 | 3,109,222 |

## 23. Segment Information

| | Power Generation | | Consultancy and Project Management | | Energy Efficiency | | Group | |
|---|---|---|---|---|---|---|---|---|
| For the Year Ended 31 March | 2015 Rs. | 2014 Rs. | 2015 Rs. | 2014 Rs. | 2015 Rs. | 2014 Rs. | 2015 Rs. | 2014 Rs. |
| Segmental Revenue | 451,729,667 | 365,506,920 | 111,618,380 | 99,782,676 | – | – | 563,348,047 | 465,289,596 |
| Segmental Results | | | | | | | | |
| Depreciation | (36,658,813) | (34,156,669) | (4,672,227) | (4,475,222) | – | – | (41,331,040) | (38,631,891) |
| Finance Cost | (35,864,771) | (37,529,573) | (5,571,764) | (3,725,038) | – | – | (41,436,536) | (41,254,611) |
| Finance Income | 1,539,325 | 2,309,387 | 452,528 | 597,978 | – | – | 1,991,853 | 2,907,365 |
| Profit Share of Investment Income from Joint Ventures | 157,625,069 | 33,351,607 | – | – | (601,775) | (138,140) | 157,023,294 | 33,213,467 |
| Profit/(Loss) Before Tax | 374,690,251 | 164,678,303 | 14,215,878 | 17,881,768 | (601,775) | (138,140) | 388,304,354 | 182,421,931 |
| Income Tax Expense | (28,378,209) | (13,652,868) | (4,929,080) | (3,397,822) | – | – | (33,307,289) | (17,050,690) |
| Profit/(Loss) for the Year | 346,312,042 | 151,025,435 | 9,286,798 | 14,483,946 | (601,775) | (138,140) | 354,997,065 | 165,371,242 |
| Non-Current Assets | 1,704,388,864 | 1,280,232,016 | 12,662,505 | 15,402,609 | – | – | 1,717,051,370 | 1,295,634,625 |
| Current Assets | 486,567,588 | 243,251,518 | 32,278,462 | 47,995,438 | – | – | 518,846,050 | 291,246,956 |
| Total Assets | 2,190,956,452 | 1,523,483,534 | 44,940,968 | 63,398,047 | – | – | 2,235,897,420 | 1,586,881,581 |
| Non-Current Liabilities | 527,013,347 | 290,982,096 | 4,551,362 | 6,511,612 | – | – | 531,564,709 | 297,493,708 |
| Current Liabilities | 227,370,376 | 106,173,870 | 26,510,395 | 44,571,375 | – | – | 253,880,771 | 150,745,245 |
| Total Liabilities | 754,383,723 | 397,155,966 | 31,061,757 | 51,082,987 | – | – | 785,445,480 | 448,238,953 |

## 24. Commitments and Contingencies

### 24.1 Capital Expenditure Commitments

During the year, the Group entered into several capital commitment contracts, mainly for the purpose of constructing the power plants, the total value of such contracts contracted but not provided for amounts to Rs. 20 mn.

### 24.2 Letter of Credit

| For the Year Ended 31 March | Group/Company | |
|---|---|---|
| | **2015** Rs. | 2014 Rs. |
| MCB Bank Ltd. | – | 923,057 |
| | – | 923,057 |

### 24.3 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 2015** Rs. | Loan Balance as at 31 March 2014 Rs. |
|---|---|---|---|---|---|
| Lower Kothmale Oya Hydro Power (Pvt) Ltd. | Joint Venture | 620,000,000 | 620,000,000 | 599,467,984 | 397,621,211 |
| Vidul Madugeta (Pvt) Ltd. | Joint Venture | 160,000,000 | 320,000,000 | 310,461,966 | 308,889,439 |
| Udaka Energy Group (Pvt) Ltd. | Joint Venture | 43,750,000 | 87,500,000 | 70,850,686 | 71,211,190 |
| Rideepana Hydro (Pvt) Ltd. | Subsidiary | 284,000,000 | 284,000,000 | 217,653,423 | – |

## 25. Assets Pledged

The following assets have been pledged as security for liabilities:

### 25.1 Company

| Nature of Liability<br>For the Year Ended 31 March | Carrying Amount Pledged Assets | | Included Under Assets |
|---|---|---|---|
| | **2015** Rs. | 2014 Rs. | |
| Charge Over Leased Assets on Finance Lease Liabilities | 1,107,398 | 8,120,434 | Property, Plant & Equipment |
| Extended Murabaha (Trade Finance) and Diminishing Musharakah (Term Loan) | 505,400,974 | 520,813,335 | Property, Plant & Equipment |
| Total Carrying Value of Assets Pledged | 506,508,372 | 528,933,769 | |

### 25.2 Group

| Nature of Liability<br>For the Year Ended 31 March | Carrying Amount Pledged Assets 2015 Rs. | 2014 Rs. | Included Under Assets |
|---|---|---|---|
| Charge Over Leased Assets on Finance Lease Liabilities | 7,202,570 | 16,479,514 | Property, Plant & Equipment |
| Ijara facilities, Murabaha Facilities and Diminishing Musharakah | 1,060,059,328 | 766,326,112 | Property, Plant & Equipment |
| Total Carrying Value of Assets Pledged | 1,067,261,898 | 782,805,626 | |

## 26. Litigations

Following court actions have been initiated against the Company:

(a) DC Ratnapura Case No. 22020/L

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

## 27. Related Party Disclosure

### 27.1 Details of Significant Related Party Disclosure are as follows:

The Company carries out transactions with related parties in the ordinary course of its business on an arm's length basis at commercial rates:

| Company | Relationship | Nature of Transactions | 2015 Rs. | 2014 Rs. |
|---|---|---|---|---|
| Walagamba Balashakthi (Pvt) Ltd. (WMB) | Subsidiary | Expenses incurred by Vidullanka PLC (VLL) | 4,543,317 | 4,094,608 |
| | | Expenses incurred by WMB on behalf of VLL | (12,949) | (34,933) |
| | | Settlement done by WMB | (50,158,892) | (80,920,000) |
| | | Funds Transfers from VLL | 9,045,000 | 13,235,000 |
| Rideepana Hydro (Pvt) Ltd. (RHPL) | Subsidiary | Expenses incurred by VLL on behalf of RHPL | 38,222,170 | 29,384,820 |
| | | Funds Transfers from VLL | 26,616,667 | – |
| | | Settlement done by RHPL | (26,100,000) | – |
| Vidul Engineering Ltd. (VEL) | Subsidiary | Expenses incurred by VLL on behalf of VEL | 58,047,685 | 43,623,980 |
| | | Expenses incurred by VEL on behalf of VLL | (51,179,126) | (27,239,582) |
| | | Settlement done by VLL | – | 1,100,000 |
| | | Settlement done by VEL | (24,100,000) | (20,000,000) |
| | | Dividends from VEL | 6,000,006 | 6,000,006 |
| Vidul Madugeta (Pvt) Ltd. (VMPL) | Joint Venture | Expenses incurred by VLL on behalf of VMPL | 5,342,321 | 2,394,926 |
| | | Issue of Shares | – | (31,179,234) |
| | | Funds Transfers from VMPL | (26,922,041) | – |
| | | Settlement done by VMPL | (4,480,601) | (630,203) |
| | | Funds Transfers from VLL | – | 40,240,000 |
| | | Dividends from VMPL | 32,000,250 | – |

| Company | Relationship | Nature of Transactions | **2015** Rs. | 2014 Rs. |
|---|---|---|---|---|
| Gurugoda Hydro (Pvt) Ltd. (GHPL) | Joint Venture | Expenses incurred by VLL on behalf of GHPL | 4,269,373 | 5,477,055 |
| | | Settlement done by GHPL | (4,316,939) | (5,429,488) |
| | | Dividends from GHPL | 15,503,650 | 20,708,145 |
| Udaka Energy Group (Pvt) Ltd. (UEGL) | Joint Venture | Funds Transfers to UEGL | 1,000,000 | 1,727,881 |
| | | Funds Transfers from UEGL | – | (8,253,893) |
| | | Expenses incurred by VLL on behalf of UEGL | 4,501,551 | – |
| | | Settlement done by UEGL | (22,051,254) | – |
| | | Dividends from UEGL | 250,000 | – |
| Lower Kothmale Oya Hydro Power (Pvt ) Ltd. (LKM) | Joint Venture | Expenses incurred by VLL on behalf of LKM | 4,352,274 | 411,746 |
| | | Funds Transfers to LKM | 1,500,000 | 74,915,509 |
| | | Issue of Shares | – | (33,600,000) |
| | | Settlement done by LKM | (36,573,910) | – |
| Co-Energi (Pvt) Ltd. (CEPL) | Joint Venture | Expenses incurred by VLL on behalf of CEPL | 8,240,187 | 7,406,964 |
| | | Settlement done by CEPL | (7,708,992) | (4,871,844) |
| | | Issue of Shares | – | (2,300,000) |
| Muvumbe Hydro (U) Ltd. (MVB) | Subsidiary | Expenses incurred by VLL on behalf of MVB | – | 23,565,268 |
| | | Services provided to MVB | 13,626,545 | – |
| | | Funds Transfers to MVB | 20,791,434 | 8,615,763 |
| Vidul Biomass (Pvt) Ltd. (VBL) | Subsidiary | Funds Transfers to VBL | 2,000,000 | – |
| | | Expenses incurred by VLL on behalf of VBL | 1,198,748 | – |

### 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

| For the Year Ended 31 March | **2015** Rs. | 2014 Rs. |
|---|---|---|
| Short-Term Employee Benefits | 36,605,700 | 28,524,700 |
| Other Transactions – Dividend Payment | 39,165,837 | 26,130,239 |
| Other Transactions – Share-Based Payment | 35,861,207 | 871,245 |
| Other Benefits Paid by the Company | 2,931,840 | 5,736,000 |
| | 114,564,584 | 61,262,184 |

## 28. Fair Value Disclosure

### 28.1 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:

| | Company | | | |
|---|---|---|---|---|
| | Carrying Amount | | Fair Value | |
| For the Year Ended 31 March | **2015** Rs. | 2014 Rs. | **2015** Rs. | 2014 Rs. |
| **Financial Assets** | | | | |
| Financial Assets at Fair Value Through Profit or Loss | 187,838,686 | 3,978,492 | 187,838,686 | 3,978,492 |
| Financial Assets – Loan and Receivable | – | 10,000,000 | – | 10,000,000 |
| | 187,838,686 | 13,978,492 | 187,838,686 | 13,978,492 |
| **Financial Liabilities** | | | | |
| Interest-Bearing Loans and Borrowings | 291,685,667 | 232,122,295 | 291,685,667 | 232,122,295 |
| | 291,685,667 | 232,122,295 | 291,685,667 | 232,122,295 |

| | Group | | | |
|---|---|---|---|---|
| | Carrying Amount | | Fair Value | |
| For the Year Ended 31 March | **2015** Rs. | 2014 Rs. | **2015** Rs. | 2014 Rs. |
| **Financial Assets** | | | | |
| Financial Assets at Fair Value Through Profit or Loss | 187,838,686 | 3,978,492 | 187,838,686 | 3,978,492 |
| Financial Assets – Loan and Receivable | – | 10,000,000 | – | 10,000,000 |
| | 187,838,686 | 13,978,492 | 187,838,686 | 13,978,492 |
| **Financial Liabilities** | | | | |
| Interest-Bearing Loans and Borrowings | 630,914,828 | 362,069,506 | 630,914,828 | 362,069,506 |
| | 630,914,828 | 362,069,506 | 630,914,828 | 362,069,506 |

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.

### 28.2 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 show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| As at 31 March 2015 | | | | Group | | | | Company |
|---|---|---|---|---|---|---|---|---|
| | Level 1 Rs. | Level 2 Rs. | Level 3 Rs. | Total Rs. | Level 1 Rs. | Level 2 Rs. | Level 3 Rs. | Total Rs. |
| **Financial Assets** | | | | | | | | |
| Other Financial Assets | 187,838,686 | – | – | 187,838,686 | 187,838,686 | – | – | 187,838,686 |
| | 187,838,686 | – | – | 187,838,686 | 187,838,686 | – | – | 187,838,686 |
| As at 31 March 2014 | | | | | | | | |
| **Financial Assets** | | | | | | | | |
| Other Financial Assets | 3,978,492 | – | – | 3,978,492 | 3,978,492 | – | – | 3,978,492 |
| | 3,978,492 | – | – | 3,978,492 | 3,978,492 | – | – | 3,978,492 |

During the reporting period ended 31 March 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

## 29. Events Occurring After the Reporting Date

There have been no material events occurring after the Reporting date that require adjustment to or disclosure in the Financial Statements.

## 30. 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 summarised below:

### 30.1 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.

### 30.1.1 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 Financing and Lease (Ijara) Payables.

The 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 Rs. | Company Effect on Profit Before Tax Rs. |
|---|---|---|---|
| 2015 | 100 | +/- 3.67 mn | +/- 0.96 mn |
| 2014 | 100 | +/- 3.40 mn | +/- 2.20 mn |

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

### 30.1.2 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 minimal as the Group does not have a significant foreign currency-related operations. However, the Group procures fixed assets as part of the investment in the renewable energy projects. The foreign currency-related risks associated with the imports of plant and machinery are within the acceptable range of the Group's risk appetite and would be accommodated by the project contingency measures.

**Foreign Currency Sensitivity**

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 capitalised and would be depreciated over the useful life time of the asset, thus the impact would be immaterial.

**30.1.3 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.

**30.1.4 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.

**30.2 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 minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

**30.3 Liquidity Risk**

The Group monitors its risk to a shortage of funds using continuous cash flow forecasts and 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 based on contractual undiscounted payments:

**Company**

| As at 31 March 2015 | Less than 3 Months Rs. | 4 to 12 Months Rs. | 1 - 3 Years Rs. | 4 - 5 Years Rs. | > 5 Years Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| Interest-Bearing Loans and Borrowings | 60,607,766 | 66,244,234 | 128,955,937 | 56,414,598 | 23,177,627 | 335,400,162 |
| Trade and Other Payables | 43,414,951 | – | – | – | – | 43,414,951 |
| Total | 104,022,717 | 66,244,234 | 128,955,937 | 56,414,598 | 23,177,627 | 378,815,113 |

| As at 31 March 2014 | Less than 3 Months Rs. | 4 to 12 Months Rs. | 1 - 3 Years Rs. | 4 - 5 Years Rs. | > 5 Years Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| Interest-Bearing Loans and Borrowings | 18,835,330 | 64,659,073 | 138,922,784 | 62,541,365 | – | 284,958,552 |
| Trade and Other Payables | 25,996,034 | – | – | – | – | 25,996,034 |
| Total | 44,831,364 | 64,659,073 | 138,922,784 | 62,541,365 | – | 310,954,586 |

**Group**

| As at 31 March 2015 | Less than 3 Months Rs. | 4 to 12 Months Rs. | 1 - 3 Years Rs. | 4 - 5 Years Rs. | > 5 Years Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| Interest-Bearing Loans and Borrowings | 77,831,210 | 139,584,621 | 313,445,895 | 193,444,769 | 24,013,695 | 748,320,191 |
| Trade and Other Payables | 99,139,730 | – | – | – | – | 99,139,730 |
| Total | 176,970,940 | 139,584,621 | 313,445,895 | 193,444,769 | 24,013,695 | 847,459,921 |

### 30.4 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 2014 and 31 March 2015.

The Group monitors capital using a gearing ratio, which is Finance and Lease (Ijara) Payables divided by total Equity plus Finance and Lease (Ijara) Payables. The Group's policy is to keep the gearing ratio below 50%.

| | Group | | Company | |
|---|---|---|---|---|
| For the Year Ended 31 March | **2015** Rs. | 2014 Rs. | **2015** Rs. | 2014 Rs. |
| Finance and Lease (Ijara) Payables | 630,914,828 | 362,069,506 | 291,685,667 | 232,122,295 |
| Total Equity | 1,450,451,940 | 1,138,642,628 | 1,227,014,289 | 1,106,668,432 |
| Equity and Finance and Lease (Ijara) Payables | 2,081,366,767 | 1,500,712,134 | 1,518,699,956 | 1,338,790,727 |
| Gearing Ratio (%) | 30.3 | 24.1 | 19.2 | 17.3 |

# Annexes >

# Investor Information

### Market Capitalisation

Market capitalisation of Vidullanka Group appreciated above 80% throughout the financial year and remained at Rs. 3,197,703,593/- as at 31 March 2015.

### Dividend Payout Ratio

The Company declared two interim dividends of Rs. 0.175 for the financial year 2014/15. Considering the total dividend paid out during the financial year, the dividend payout ratio is 24% for the financial year under review compared to the dividend payout ratio of 22% for the financial year 2013/14.

### Price to Book Value

Price to book value ratio of the Group as at 31 March 2015 is at 2.20 in comparison to 1.46 as at 31 March 2014.

### Public Shareholding as at 31 March 2015

| | | Cumulative Total | |
|---|---|---|---|
| Issued Share Capital | | | 477,269,193 |
| Parent, Subsidiary, Affiliated or Associate Entities or any Subsidiaries or Associates of its Parent Entity | | | |
| Dynawash Ltd. | 10,888,847 | | |
| Lanka Equities (Pvt) Ltd. | 2,204,484 | | |
| LEL Investments (Pvt) Ltd. | 640,855 | | |
| Vanguard Industries Ltd. | 4,612,334 | 18,346,520 | |
| Directors of the Entity, Spouses and Their Close Family Members | | | |
| Mr. Osman Kassim | 4,126,902 | | |
| Mr. Riyaz Sangani | 48,360,919 | | |
| Mr. Shahid Sangani | 2,515,563 | | |
| Mr. S. Ranjan Mather | 2,184,428 | | |
| Mr. M. Zulficar Ghouse | 8,100,000 | | |
| Mr. Sidath Fernando | 11,000,000 | | |
| Mrs. B.R.I. Sangani | 6,467,657 | | |
| Mrs. S.R. Sangani | 420,850 | | |
| Mrs. S.S. Sangani | 1,856,821 | | |
| Mrs. R.L. Mather | 24,500,000 | | |
| Mrs. Z.M. Sangani | 11,259,274 | | |
| Mr. Suhayb Sangani | 10 | 120,792,424 | |

| | | Cumulative Total | |
|---|---|---|---|
| **More than 10%** | | | |
| Aberdeen Holdings (Pvt) Ltd. | 119,317,298 | | |
| Belmont Agents Ltd. | 75,000,000 | | |
| Wembly Spirit Ltd. | 66,026,286 | 260,343,584 | 399,482,528 |
| Public Shareholding | | | 77,786,665 |
| Public Shareholding % | | | 16.30 |
| No. of Public Shareholders | | | 1,519 |
| Non-Public Shareholding | | | 399,482,528 |
| Non-Public Shareholding % | | | 83.70 |
| No. of Non-Public Shareholders | | | 20 |

## Classification of Shareholders: Local and Foreign

| | Local Shareholding | | | Foreign Shareholding | | | |
|---|---|---|---|---|---|---|---|
| Description | No. of Local Shareholders | Shares Held by Local Shareholders | Shareholding % | No. of Foreign Shareholders | Shares held by Foreign Shareholders | Shareholding % | Total % |
| 1 to 1,000 Shares | 853 | 232,955 | 0.05 | 5 | 2,400 | 0.00 | 0.05 |
| 1,001 to 10,000 Shares | 422 | 1,643,227 | 0.34 | 2 | 7,000 | 0.00 | 0.35 |
| 10,001 to 100,000 Shares | 185 | 5,417,207 | 1.14 | 8 | 399,602 | 0.08 | 1.22 |
| 100,001 to 1,000,000 Shares | 38 | 13,345,575 | 2.80 | – | – | 0.00 | 2.80 |
| 1,000,001 to 10,000,000 Shares | 21 | 275,280,680 | 57.67 | 5 | 180,940,547 | 37.91 | 95.58 |
| Total | | 295,919,644 | 62.00 | | 181,349,549 | 38 | 100.00 |

## Highest and Lowest Share Prices for the Last Five Financial Years

| Financial Year | Highest Share Price Rs. | Lowest Share Price Rs. | Closing Price Rs. |
|---|---|---|---|
| **2014/15** | 7.00 | 3.50 | 6.70 |
| 2013/14 | 3.80 | 3.40 | 3.50 |
| 2012/13 | 6.20 | 3.40 | 3.50 |
| 2011/12 | 11.00 | 5.50 | 5.90 |
| 2010/11 (Share split at the ratio of 1:10) | 59.00 | 5.00 | 6.30 |

### Twenty Largest Shareholders of Vidullanka PLC as at 31 March 2015

| Serial No. | Name | 2015 | | 2014 | |
|---|---|---|---|---|---|
| | | No. of Shares | % | No. of Shares | % |
| 1. | Dr. T. Senthilverl | – | – | 135,090,366 | 28.30 |
| 2. | Aberdeen Holdings (Pvt) Ltd. | 119,317,298 | 25.00 | – | – |
| 3. | Belmont Agents Ltd. | 75,000,000 | 15.71 | 75,000,000 | 15.71 |
| 4. | Wembley Spirit Ltd. | 66,026,286 | 13.83 | 66,026,286 | 13.83 |
| 5. | Mr. Riyaz Sangani | 48,360,919 | 10.13 | 18,426,804 | 3.86 |
| 6. | Mrs. R.L. Mather | 24,500,000 | 5.13 | 24,500,000 | 5.13 |
| 7. | ABC International Ltd. | 17,469,642 | 3.66 | 17,469,642 | 3.66 |
| 8. | Employee Share Options Scheme | – | – | 16,942,211 | 3.55 |
| 9. | Mrs. Y. Kunimoto | 15,664,708 | 3.28 | 15,664,708 | 3.28 |
| 10. | Mr. M.S. Mohideen | 12,472,665 | 2.61 | 12,612,665 | 2.64 |
| 11. | Mrs. Z.M. Sangani | 11,259,274 | 2.36 | 11,259,274 | 2.36 |
| 12. | Mr. Sidath Fernando | 11,000,000 | 2.30 | 11,000,000 | 2.30 |
| 13. | Dynawash Ltd. | 10,525,097 | 2.21 | 10,307,715 | 2.16 |
| 14. | Mrs. S.R Sangani | – | – | 10,257,883 | 2.15 |
| 15. | Adl Equities Ltd./M.Z.M. Ghouse | 8,100,000 | 1.70 | – | – |
| 16. | Mr. Ranjeet Bhanwarlal Barmecha | 6,779,911 | 1.42 | 7,200,001 | 1.51 |
| 17. | Mrs. B.R.I. Sangani | 6,467,657 | 1.36 | 6,764,657 | 1.42 |
| 18. | Vanguard Industries Ltd. | 4,612,334 | 0.97 | – | – |
| 19. | Mr. Osman Kassim | 4,126,902 | 0.86 | – | – |
| 20. | Mr. Sujendra R. Mather | 4,016,904 | 0.84 | – | – |
| 21. | Lanka Equities (Pvt) Ltd. | 2,204,484 | 0.46 | 2,454,734 | 0.51 |
| 22. | Mr. S. Ranjan Mather | 2,184,428 | 0.46 | 2,000,000 | 0.42 |
| 23. | LEL Investments (Pvt) Ltd. | – | – | 2,180,855 | 0.46 |
| 24. | Mr.Shahid Sangani | – | – | 2,015,573 | 0.42 |
| 25. | Rosewood (Pvt) Ltd. | – | – | 2,000,000 | 0.42 |
| 26. | Mrs. S.S. Sangani | 1,856,821 | 0.39 | – | – |
| | | 451,945,330 | 94.69 | 449,173,374 | 94.11 |

# Five Year Summary

Five Year Summary (in '000 otherwise stated)

| | Group | | | | |
|---|---|---|---|---|---|
| | 2015* Rs. | 2014* Rs. | 2013* Rs. | 2012** Rs. | 2011** Rs. |
| **Assets** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, Plant & Equipment | 1,151,869 | 835,398 | 749,396 | 529,200 | 554,013 |
| Investments in Subsidiaries | – | – | – | 130,600 | 110,500 |
| Investment in Joint Ventures | 391,574 | 280,466 | 198,907 | 248,483 | 246,378 |
| Other Project Investments | 118,528 | 125,272 | 94,584 | 118,528 | 125,272 |
| Goodwill | 55,081 | 54,499 | 11,625 | – | – |
| | 1,717,051 | 1,295,635 | 1,054,511 | 1,026,811 | 1,036,162 |
| **Current Assets** | | | | | |
| Inventories | 443 | – | 704 | – | – |
| Trade and Other Receivables | 235,545 | 264,418 | 201,485 | 323,012 | 343,886 |
| Other Financial Assets | 190,839 | 16,978 | 65,048 | 190,839 | 16,978 |
| Cash and Bank Balances | 92,019 | 9,851 | 25,811 | 69,246 | 3,109 |
| | 518,846 | 291,247 | 293,048 | 583,097 | 363,974 |
| **Total Assets** | 2,235,897 | 1,586,882 | 1,347,560 | 1,609,908 | 1,400,136 |
| **Non-Current Liabilities** | | | | | |
| Financing and Lease [Ijara] Payables | 496,169 | 271,726 | 200,618 | 184,620 | 166,664 |
| Defined Benefit Liability | 17,118 | 12,785 | 10,066 | 11,906 | 9,244 |
| Deferred Taxation | 18,277 | 12,982 | 8,881 | 18,941 | 12,982 |
| | 531,565 | 297,494 | 219,565 | 215,467 | 188,890 |
| **Total Equity** | 1,450,452 | 1,138,643 | 1,030,301 | 1,227,014 | 1,106,668 |
| **Revenue** | 563,348 | 465,290 | 349,167 | 252,355 | 362,854 |
| Gross Profits | 434,822 | 338,527 | 258,276 | 200,791 | 282,891 |
| Operating Profits | 429,741 | 223,677 | 220,955 | 171,542 | 181,901 |
| Profit Before Tax | 388,304 | 182,422 | 118,725 | 25,080 | 167,737 |
| Profit After Tax | 354,997 | 165,371 | 94,633 | 23,524 | 166,363 |
| Generation (GWh) | 63 | 39 | 28 | 22 | 30 |
| **Key Indicators** | | | | | |
| Total Assets/Equity (Times) | 1.54 | 1.39 | 1.31 | 1.31 | 1.27 |
| Net Profit Margin (%) | 63.0 | 35.5 | 27.1 | 9.3 | 45.8 |
| Turnover/Assets (Times) | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 |
| Return on Equity (%) | 24.5 | 14.5 | 9.2 | 1.9 | 15.0 |
| Return on Assets (%) | 15.9 | 10.4 | 7.0 | 1.5 | 11.9 |
| Current Ratio (Times) | 0.98 | 0.98 | 1.33 | 2.71 | 1.93 |
| Earning per Share (Rs.) | 0.74 | 0.34 | 0.20 | 0.05 | 0.41 |
| Debt/Equity (%) | 30.3 | 24.1 | 22.9 | 17.9 | 22.7 |
| Net Asset Value Per Share (Rs.) | 3.0 | 2.4 | 2.2 | 1.9 | 2.6 |

** The numbers included the joint ventures of the Group consolidated through equity method as per SLFRS 11.*
*** The numbers include the joint ventures of the Group consolidated through line by line basis as per LKAS 31.*

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of shareholders of Vidullanka PLC will be held on Thursday 30 July 2015 at Hotel Galadari, Colombo 1 at 10.00 a.m. for the following purposes:

1. To consider and adopt the Audited Financial Statements for the year ended 31 March 2015 together with the Annual Report of the Directors thereon.
2. Re-election of Directors
   (i) To re-elect Mr. Ranjan Mather as a Director of the Company, who retires by rotation and has offered himself for re-election
   (ii) To re-elect Dr. A. A. M. Haroon as a Director of the Company, who retires by rotation and has offered himself 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. To reappoint the retiring Auditors M/s Ernst & Young, Chartered Accountants for the ensuing year and authorise Directors to determine their remuneration.
4. Any other business.

By Order of the Board,

**Vidullanka PLC**

**Managers & Secretaries (Pvt) Ltd.**
Secretaries
6 July 2015

*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.*

# 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 Thursday 30 July 2015 and at any adjournment thereof.

**Ordinary Resolution**

| | | For | Against |
|---|---|---|---|
| 1. | To, consider and adopt the audited financial statements for the year ended 31 March 2015 together with the Annual Report of the Directors thereon. | | |
| 2. | To re-elect Mr. Ranjan Mather as a Director of the Company, who retires by rotation. | | |
| 3. | To re-elect Dr. A. A. M. Haroon 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 reappoint the retiring Auditors Messrs Ernst & Young, Chartered Accountants for the ensuing year and authorise Directors to determine their remuneration. | | |

Signed this ............................................................ day of ........................................................................... 2015.

.............................................................................
Signature

**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 4, Access Tower, No. 278, Union Place, Colombo 2.

# Corporate Information

## Company Status and Capital

### Legal Status
Public Limited Liability Company listed in the Colombo Stock Exchange on 10 June 2005.

### Reregistration Date and Number
27 September 2007
PQ 83

### Stated Capital
Rs. 829,258,508/-

### Issued No. of Shares
477,269,193 Shares

### Board of Directors
Mr. Osman Kassim (Chairman)
Mr. Riyaz M. Sangani (Managing Director)
Mr. Shahid M. Sangani
Mr. S. Ranjan Mather
Dr. A.A.M. Haroon
Mr. M. Zulficar Ghouse
Mr. C.F. Fuhrer
Mrs. B.R.I. Sangani
Mr. Sidath Fernando
Mr. Sattar Kassim
Mr. Sujendra Mather (Alternate Director to Mr. S. Ranjan Mather and Mr. C.F. Fuhrer)

### Company Secretary
Managers & Secretaries (Pvt) Ltd.

### Registered Office
Level 04, 'Access Towers',
No. 278, Union Place, Colombo 2.
Tel: +94 (011) 4760000
Fax: +94 (011) 4760076
Email: info@vidullanka.com
Web: www.vidullanka.com

### Auditors
Messrs Ernst & Young,
Chartered Accountants

### Bankers
Amãna Bank PLC
Hatton National Bank PLC
MCB Bank Ltd.
Commercial Bank of Ceylon PLC


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VIDULLANKA PLC
Building on Renewable Energy Sources

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Sri Lanka

www.vidullanka.com