



**Connecting  
renewable  
energy for  
sustainable  
development**



# Connecting renewable energy for sustainable development

The year under review has been a positive and wonderful one for Vidullanka PLC. Your Company has efficiently and expertly ascertained growth and now has taken steps to further that evolution with responsibility and accountability.

Vidullanka's emphasis to expand operations on a global scale has proved fruitful and with punctiliously strategized projects your Company will make its mark internationally in time.

As part of our plan to ensure Vidullanka evolves in a manner that is socially, environmentally and culturally attuned and conscious, we will enhance sustainability to usher a brighter tomorrow to help build an energized yet responsible world.

# Content

Our Vision, Our Mission	03
About Vidullanka PLC	04
Financial Highlights	05
Our Plant Portfolio	06
Chairman's Review	12
Managing Director's Review	16
Board of Directors	20
Management Discussion and Analysis	26
Corporate Governance	48
Risk Management	56
Annual Report of the Board of Directors	
on the Affairs of the Company	66
Board Committees	70
Directors' Responsibility for Financial Reporting	75

## Financial Report

Independent Auditor's Report	79
Statement of Financial Position	80
Statement of Comprehensive Income	82
Statement of Changes in Equity	83
Cash Flow Statement	84
Notes to the Financial Statements	86
Investor Information	131
Five Year Summary	134
Notice of Meeting	136
Notes	137
Form of Proxy	139
Corporate Information	Inner Back Cover

# 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 maximize 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.

# About Vidullanka PLC

Established as a Board of Investment approved venture in 1997, Vidullanka is one of the key players in the Sri Lanka Renewable Energy Industry. The Company commissioned its first Mini Hydro Power Plant; Bambarabatuoya MHPP in 2001 and since then, it steadily built up its generation capacity. To date, Vidullanka PLC has developed, constructed and operates eight mini hydro power projects in Sri Lanka with the total installed capacity over 17MW and annually contributing 68 GWh of Clean Energy to the Sri Lankan national grid.

The Company employs a highly skilled team of Civil, Mechanical and Electrical engineers, in addition to Environmental and Social specialists who explore and identify potential locations for mini hydro power projects, assess the feasibility, design the power plants, construct, test, commission to the grid and operate them. This overall expertise and technical excellence gives Vidullanka PLC the cutting edge over industry peers.

Vidullanka PLC is the first hydro power company to be listed on the Colombo Stock (CSE) and is presently listed on the main board of the Colombo Stock Exchange (CSE). In 2015, the Company was rated as [SL] A – with a stable outlook by ICRA Lanka Limited, a testament to the Company's strong asset base and enhanced revenue generating potential.

Vidullanka PLC is in the process of actively expanding its areas of operation, both in terms of technology and geography and in that context has successfully embarked upon its first project on African soil with the construction of the Muvumbe Small Hydro Power Project, located in Kabale District of Uganda.

The company is poised to generate sustainable value for all stakeholders through generation of clean electricity from renewable energy sources. The future of Vidullanka is more promising than ever in the backdrop of the awakening global conscience with regard to the need for renewable energy to power sustainable development and to mitigate the detrimental effect of global warming caused by the use of fossil fuels. Thus, the existence and growth of the Company has been justified not only in terms of financial performance, but also on the grounds of sustainability, ethics and morality.

# Financial Highlights

Year Ended 31 <sup>st</sup> March	2016 Rs. '000	2015 Rs. '000
Revenue	723,224	563,348
Gross Profits	601,700	434,822
Operating Profits	479,792	429,741
Profit Before Tax	392,464	388,304
Profit After Tax	371,591	354,997
Generation (GWh)	68	63

Total Power Generation

68 GWh

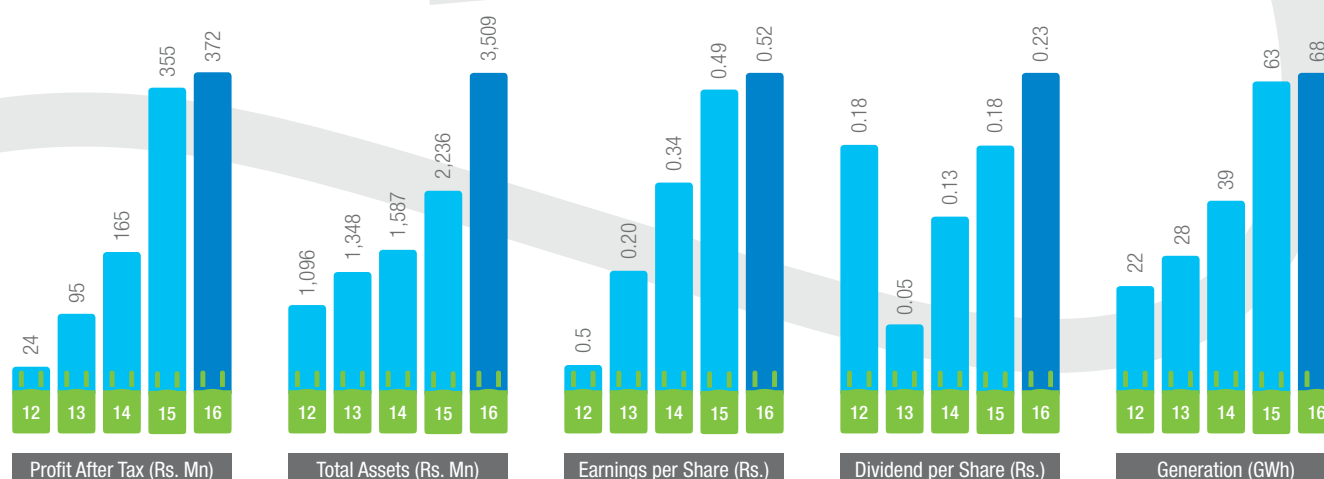
Return on Equity

19.9%

Year Ended 31 <sup>st</sup> March	2016	2015
Total Assets / Equity (Times)	1.88	1.54
Net Profit Margin (%)	51.4	63.0
Return on Equity (%)	19.9	24.5
Return on Assets (%)	13.7	19.2
Current Ratio (Times)	1.0	2.0
Gearing Ratio (%)	43.6	30.3
Earning per Share (Rs.)	0.52	0.49
Dividend per Share (Rs.)	0.23	0.18

Carbon Emission Reduction

42,686 tCO<sub>2</sub>e



# Our Plant Portfolio

	Projects in Operation		
	Local Projects		
Project	Bambarabatuoya MHPP	Batathota MHPP	Ganthuna MHPP
Description	The first project by Vidullanka PLC commissioned in June 2001 which marked the beginning of the Vidul Group.	The first project to be designed, constructed and operated by Vidul Engineering Ltd., the in-house engineering arm of the Company.	This is the first joint venture of Vidullanka. The Project is the High Head - Low Flow project with the highest head amongst all the Vidul projects.
Project Entity	Vidullanka PLC	Vidullanka PLC	Gurugoda Hydro (Pvt) Ltd
Plant Location	Ratnapura, Sri Lanka	Ratnapura, Sri Lanka	Kegalle, Sri Lanka
Project Cost	US\$ 3.4 mn	US\$ 2.5 mn	US\$ 1.6 mn
Installed Capacity	3.2 MW	2.0 MW	1.2 MW
Source River	Kalu Ganga - Bambarabatuoya	Kuru Ganga	Gurugodaoya
Catchment Area	76 km <sup>2</sup>	64 km <sup>2</sup>	5 km <sup>2</sup>
Plant Factor	44%	58%	38%
Designed Annual Energy	<b>12.33 GWh</b>	<b>10.25 GWh</b>	<b>4.0 GWh</b>
Head	47 m	41.6 m	220 m
Channel Length	2,850 m	1,700 m	220 m
Penstock Length	150 m	140 m	560 m
Turbines	Francis Turbines (4x800kW)	Francis Turbines (2x800kW+1x400kW)	Pelton Turbines (2x600kW)
Status	Commissioned on 1 <sup>st</sup> June 2001	Commissioned on 6 <sup>th</sup> March 2007	Commissioned on 26 <sup>th</sup> March 2010



	Haloya MHPP	Wembiyagoda MHPP	Madugeta MHPP
	The first project to be powered by the Vidul Control Solutions, including synchronised panels and governors.	Built on the cascade of the Koswathu Ganga, the project benefits from the higher rainfall in the region.	The first Low Head - High Flow project of the Group, catchment nourished by the Sinharaja Forest and the Dellawa proposed forest reserve.
	Udaka Energy Group (Pvt) Ltd	Walagamba Balashakthi (Pvt) Ltd	Vidul Madugeta (Pvt) Ltd
	Badulla, Sri Lanka	Ratnapura, Sri Lanka	Galle, Sri Lanka
	US\$ 1.2 mn	US\$ 2 mn	US\$ 4.4 mn
	800 kW	1.3 MW	2.5 MW
	Haloya	Koswathu Ganga	Gin Ganga
	57 km <sup>2</sup>	77 km <sup>2</sup>	179 km <sup>2</sup>
	38.5%	39.5%	46.1%
	<b>2.7 GWh</b>	<b>4.5 GWh</b>	<b>10.1 GWh</b>
	63 m	22.5 m	15 m
	207 m	440 m	660 m
	102 m	40 m	-
	Francis Turbines (2x400kW)	Francis Turbines (2x650kW)	Kaplan Turbines (2x1250kW)
	Commissioned on 30 <sup>th</sup> July 2012	Commissioned on 19 <sup>th</sup> March 2013	Commissioned on 1 <sup>st</sup> November 2013

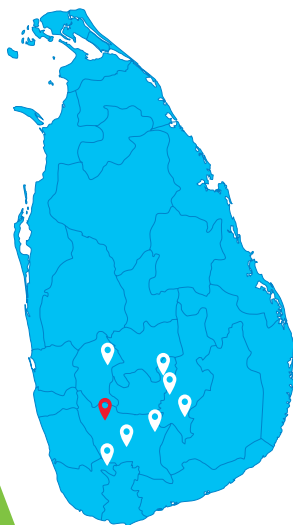
## Our Plant Portfolio

	Projects in Operation		Projects Under Construction
	Local Projects		
Project	Lower Kothmale Oya MHPP	Rideepana MHPP	Ethamala Ella MHPP
Description	This is the largest project to be designed and constructed by Vidullanka in Sri Lanka, located in between the Upper Kothmale and Kothmale Reservoirs.	This is the latest addition to the Vidullanka project portfolio and the second project to be constructed in Badulla District.	Vidullanka's First project in the Matara district.
Project Entity	Lower Kothmale Oya Hydro Power (Pvt) Ltd	Rideepana Hydro (Pvt) Ltd	Nilwala Vidulibala Company (Pvt) Ltd
Plant Location	Nuwara-Eliya, Sri Lanka	Badulla, Sri Lanka	Matara, Sri Lanka
Project Cost	US\$ 8.2 mn	US\$ 3.1 mn	US\$ 3.5 mn
Installed Capacity	4.0 MW	1.75 MW	2 MW
Source River	Kothmale Oya	Baduluoya	Nilwala Ganga
Catchment Area	89 km <sup>2</sup>	205 km <sup>2</sup>	118.5 km <sup>2</sup>
Plant Factor	37%	43.6%	44%
Designed Annual Energy	<b>13 GWh</b>	<b>5.94 GWh</b>	<b>7.8 GWh</b>
Head	71.5 m	30.5 m	40 m
Channel Length	1,430 m	590 m	300 m
Penstock Length	870 m	60 m	80 m
Turbines	Francis Turbines (2x1600kW + 1x800kW)	Francis Turbines (1x1250kW + 1x 500kW)	Francis Turbine (2x800kW + 1x400kW)
Status	Commissioned on 25 <sup>th</sup> June 2014	Commissioned on 15 <sup>th</sup> May 2015	Under Construction

Upcoming Projects	
Overseas Project	Local Projects
Muvumbe SHPP	Dehiattakandiya Dendro PP      Udawela MHPP
This marks the first overseas project by Vidullanka PLC.	This is the first fuelwood-based power project of the Company and marks the first diversification into a new renewable energy source.
Muvumbe Hydro (U) Ltd	Vidul Biomass (Pvt) Ltd
Uganda, Africa	Ampara, Sri Lanka
US\$ 13.5 mn	US\$ 6.3 mn
6.5 MW	3.0 MW
Muvumbe River	Badulu Oya
868 km <sup>2</sup>	241.76 km <sup>2</sup>
55.17%	45%
<b>31.42 GWh</b>	<b>5.52 GWh</b>
120 m	21 m
2,080 m	37 m
295 m	200 m
Francis Turbines (1x4000kW + 1x2500kW)	Kaplan Turbine (1x1400kW)
Under Construction	Construction to be commenced







### Batathota MHPP

*The first power plant to adopt the 5s principles in the group and consistently showcased continuous improvements, a fact proven by the awards and accolades won consecutively.*

# Chairman's Review

## Introduction

A warm welcome to all our valued shareholders to the 20th Annual General Meeting of the Vidullanka PLC. It is with great pleasure that I present the Annual Report of the Company for the financial year ended 31st March 2016.

Vidullanka has once again delivered a strong performance across all aspects of our business. The results achieved during the past year were a direct consequence of continuous strategic investments aimed at organic growth of the Company's revenue streams. Our approach yielded record profits for the Company during the 2015/16 financial year and helped to further consolidate our position as one of the Sri Lanka's most innovative and growth-oriented companies in the Power and Energy sector.

## The Sri Lankan Economy

The Sri Lankan economy underwent a period of correction in 2015 following the wake of two major national elections. In the backdrop of a weaker performance across most emerging economies in the region, Sri Lankan economic growth saw a slight reduction in pace, while the both current account deficit and inflation recorded a marginal increase during the year.

Gross Domestic Product (GDP) growth during the period in review declined from 4.9% in 2014 to 4.8% in 2015 as foreign investment across the region was redirected back into a stronger U.S economy and demand for Sri

Lankan exports in traditional markets waned. Nevertheless, domestic consumption rebounded as incomes grew, particularly among public sector workers. Agriculture and service-related activities grew by 5.5 % and 5.3 %, respectively, while industry-related activities grew by 3.0% during 2015.

Meanwhile, headline inflation rose slightly from 2.1% to 2.8% in 2015 while unemployment rates recorded a similar increase from 4.3 % to 4.6 %. Despite successful efforts to reverse the downward trend in Government tax and non-tax revenue, an increase in Government expenditure resulted in the national budget deficit widening to 7.4% of GDP, overshooting the Government's target of 4.4% of GDP during the year.

While the low international commodity prices and the resultant decline in fuel import costs during the year did help to ease pressure on the Sri Lankan economy, a slowdown in export earnings on the back of weaker international trade, declining worker remittances out of the Middle-East, and the exit of foreign funds caused challenges for the country's balance of payments. Despite the low level of net foreign inflows, the current account deficit in 2015 broadly remained unchanged compared to the 2014 level of US dollars 2 billion, but declined marginally to 2.4% of GDP.

While Sri Lanka was able to record a sustained period of growth over the past decade, many structural

vulnerabilities have also been built up over time and the past year has thrown such issues and the need for a deep-rooted programme of fiscal and policy reform into sharper focus. However this necessary period of correction is anticipated to deliver positive results over the medium-long term.

## The Power and Energy Sector

Demand for electricity consumption recorded substantial increases during the year in review as evidenced by an increase of 6.5% in overall sales by the Ceylon Electricity Board (CEB) of which the Domestic and Religious segment recorded a notable 10% increase in sales. In total, the sector witnessed a 5.9% increase in the amount of units generated during the year, standing at 13,090 Gigawatt hours (GWh) by the end of 2015.

By the end 2015, Sri Lanka's major hydropower installed capacity was 1,377 MW while fuel oil, coal and non-conventional renewable energy (NCRE) installed capacities were 1,115 MW, 900 MW and 458 MW, respectively. NCRE comprised 306.7 MW of mini-hydro, 126.9 MW of wind, 13.1 MW of biomass, 10.5 MW of dendro and 1.4 MW of solar-based installed capacities.

The cumulative effect of increased hydro and coal power generation helped to lower fuel-oil based generation by 47.1% to 2,276 GWh during the year. The share of power generated by the CEB within the total power generation increased to 79% in 2015, compared to 69% in 2014, while

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the remainder was purchased from Independent Power Producers (IPP’s).

While several significant developments in the overall power and energy sector took place during the year, it is encouraging to note that the NCRE sector, which includes mini-hydro was able to increase its total contribution to the generation mix from 9.9% in 2014 to 11.2% in 2015. By adding a further 18MW of installed capacity, the sector was able to generate 1,466 GWh in 2015, reflecting an increase of 20.4% Year-on-Year (YoY).

At present it is estimated that a further 186 MW of capacity can be added to the mix through major hydro power projects that are already underway. Beyond this, however, Sri Lanka is thought to have reached saturation point in terms of the utilisation of its hydro power potential.

Resorting to coal power through the Norochcholai Power Plant has resulted in the generation of 4,443 GWh to the national grid, amounting to 38.8%

YoY increase in the contribution of coal power to the generation mix. A further 500MW of capacity is to be commissioned by 2020 through the completion of the Sampur Coal Power Plant. The importance of switching over to renewable energy sources in preference to fossil fuels is increasingly gaining more attention.

Aside from the clear negative environmental implications of fossil fuel usage, which are being demonstrated through the increasing impact of climate change that are being felt across the globe, we believe that there exists a clear economic rationale for shifting towards renewable energy sources. Rapid advancements in technology over the last decade have been powering a dramatic resurgence in renewable energy generation. Since 2008, the cost of solar cells has fallen by 80% while the cost of wind energy has declined by 30% during the same time, making it one of the cheapest sources of new electricity to-date.

Given our nation’s long and successful history with renewable energy through hydro power generation, Sri Lankan policy makers too are aware of the importance of this sector and have increasingly expressed their support and commitment towards the development of renewable energy in the island. In that context, the efficiency and consistency of Sri Lanka’s energy policy remain as key challenges to this goal and we hope that in the coming year the Government works together with all pertinent stakeholders to remove such obstacles and foster a heightened level of growth in the NCRE sector.

### Company Performance

During the year, total revenue increased by 28% to Rs.723mn. This improvement was driven by concerted efforts to maintain optimal efficiency across all our plants, in addition to the installation of new capacity and diversity in terms of geographic location of our plants.

Consequently, the Company was able to generate a profit after tax of 372mn, as compared with Rs. 355mn in the previous year, reflecting an increase of 4.5%.

During the period in review the Company successfully added 1.75 MW of capacity through the commissioning of our Rideepana Mini Hydro project in May 2015. Through an investment of US\$ 3.1 million, the new plant is expected to generate approximately 6 GWh of energy per annum.

## Chairman's Review

The Company presently holds 26.6% equity stake in the Nilwala Vidulibala Company (Pvt) Ltd, the project entity constructing the 2.0MW Ethamala Ella Mini Hydro Power Plant. Vidullanka envisages to further increase its investment into the project company. Further, a 1.4 MW Mini Hydro Power Plant is ready to commence construction in Badulla. The 3.0 MW Dehiyattakandiya Dendro power project is also planned for construction on an EPC contract with a targeted commissioning in mid-2017.

One of the most significant developments for Vidullanka PLC has been the promising overseas venture in Uganda constructing 6.5 MW of capacity along the Nyakizumba River in Kabale District. Having committed to invest a substantial US\$ 13.5 million in this project, we are highly encouraged by the progress that has been made since construction commenced in 2015. The project is estimated to generate 31.4 GWh of energy per annum and is expected to be commissioned during the second half of the new financial year. Our experience working with the Ugandan Government and our partners in the country on the Muvumbe Small Hydro Power Plant has given Vidullanka PLC valuable experience, which we will leverage to explore further opportunities overseas and within the African continent in particular.

During the year under review, Vidullanka PLC paid two interim dividends of Rs. 0.225 per share in total, amounting to a distribution of Rs. 134.4mn.

### Sustainability

While sustainable practices are the cornerstone of our business model, being a company that is focused on the delivery of effective and reliable renewable energy solutions, we constantly strive to ensure that values of sustainability are inculcated across our organisation and integrated into our business processes at all levels of the value chain.

Our operations are also carefully planned in a manner that preserves and safeguards the environment and bio-diversity of the regions that we are based in. All our projects are designed and planned from the very outset to take into account and conserve such valuable natural resources. This is a commitment which we pledge to maintain in the years to come.

Naturally, such endeavours would not be possible without the efforts of a skilled and dedicated workforce. Hence, Vidullanka PLC takes extensive measures to ensure employee welfare and satisfaction by creating a positive environment where our team can work together through a set of shared values in order to develop and expand our Company to meet the future challenges.

### Strategic Outlook

The continuing success of Vidullanka PLC stems from a deeply strategic and proactive approach to our business model that concentrates on continual, organic expansion and constant exploration of new opportunities – both domestically and internationally. Over

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the years, we have developed strong expertise in the field of hydro power generation and expand our capacity to generate increased levels of turnover and profitability.

Moving forward the Company will continue to grow in this spirit by seeking out fresh opportunities wherever they may arise. In that context, we are working towards developing our own expertise in order to diversify into other sources of energy generation, with a specific focus on biomass, wind and solar energy. While



each of these sources will undoubtedly present their own unique set of challenges in terms of establishment and linkage to the national grid, we are confident that backed by our expanding expertise and the cooperation of the Government, and relevant state agencies, these will be overcome.

### Acknowledgements

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 Vidullanka on its path to success; to the management and staff, for their commitment and dedication and to our business partners, for the trust placed in us in creating sustainable power generation.

To our shareholders, I would like to convey my sincere gratitude for the loyalty and confidence placed in us throughout the years. Moving forward, we will continue to preserve your interests as we continue to transform the Sri Lankan energy landscape.



Osman Kassim  
*Chairman*

25 June 2016

# Managing Director's Review

## Introduction

Since its establishment in 1997, Vidullanka PLC has been at the vanguard of Sri Lanka's renewable energy sector for nearly two decades during which time we have consistently accomplished historic feats in the sector.

In the years that followed, we rapidly expanded generation capacities across the island, while raising industry standards through a combination of strategic innovation and decisive action that continues to transform the role of clean, efficient renewable energy today. It is through this compelling legacy and pioneering spirit that Vidullanka has been able to consistently deliver in terms of financial performance while setting the pace for industry-wide expansions across Sri Lanka, and more recently, onto the international stage.

In that context, the financial year which ended on 31st March 2016 was characterised by notable challenges and opportunities from an international, domestic and industry perspective.

## Global Developments

Parallel to increasing economic and geo-political changes during the year, climate change has become another crucial issue on the global agenda. Having commenced in 2015 with the hottest January on record (a level which only exceeded in January 2016) the following months saw global carbon-dioxide levels reach a million year high of 400 parts per million in the atmosphere; a development which UN

experts at the time predicted would shift the Earth's climate into a "new permanent reality" that would result in unprecedented heatwaves and extreme weather events in 2016, another prediction which has unfortunately been vindicated within the first five months of the year alone.

Such dire consequences played a leading role in bringing together 174 nations to sign the Paris COP21 Agreement in April 2016 as a result of the United Nations Climate Change Conference held in December 2015, a resolution which was billed as the "beginning of the end for the fossil fuel era". Responding to what this growing consensus, many states have taken bold measures to distance themselves from fossil fuels and switch over to clean, renewable energy sources in a major way. In that context, it is important to take cognizance of the substantial uptake of renewable energy capacity on an international scale during the past year.

Hence despite a historic drop in the price of fossil fuels and crude oil during the past year, global investments into renewables exceeded US\$ 329 billion during the year in review with 64GW of wind and 57GW of solar PV being commissioned, reflecting an increase of nearly 30% Year-on-Year (YoY).

## Domestic Conditions

Similar to the conditions witnessed across many regional emerging markets, Sri Lanka experienced a period of slow-down during the year

under review as the new Government sought to embark upon a programme of far-reaching reforms, particularly with a view of improving the Government revenue, rationalising tax policy and re-evaluating expenditure on several infrastructure development projects. Meanwhile fragile international trade, reduced expatriate remittances and disturbances across many traditional Sri Lanka's export destinations resulted in a weaker external sector position for the country as described in our Chairman's review.

The necessity for an intensive programme of structural reform to address rising imbalances within the Sri Lanka economy caused a period of uncertainty across all sectors through the second half of the last financial year. Nevertheless, certain macroeconomic factors such as low inflation and interest costs did provide positive momentum for the Company given the capital intensive nature of investments into the non-conventional renewable energy (NCRE) sector. This positive impact was partially negated by the fluctuations in the strength of the Sri Lankan Rupee relative to the US Dollar which resulted in an increased cost being borne by the Company with respect to our overseas investments which are carried out in US Dollars.

Meanwhile, construction of our current small hydro power plant in Uganda recorded excellent progress during the past year. However, our ability to carry out further investments was further limited by domestic exchange control

## *“Construction of our current small hydro power plant in Uganda recorded excellent progress during the past year.”*

regulations currently in place in focusing on retaining the reserves within the country. During the past financial year, the Government has announced plans to ease these restrictions as part of its reform package in order to facilitate Sri Lankan companies to make investments overseas and bring their earnings back into the country over the medium to long term, ultimately creating a stronger position for the Sri Lankan economy as a whole. We are poised to take the advantage of these relaxations to capitalise on the opportunities presented in the overseas markets.

### **Industry Dynamics**

Growing economic activities and the improved standard of living bring with it the increased demand for electricity. As noted by our Chairman, Sri Lanka was able to increase its generation capacity during the year in review with an increased contribution from major hydro and coal power sources being used to meet demand and lower reliance on thermal generation through fuel oil.

The contribution of the NCRE sector too showed positive growth. Nevertheless, the fact remains that the majority of the NCRE sector's contribution is composed of mini-hydro

projects. Given that Sri Lanka's demand for electricity is likely to continue on an upward trend, and that nearly all of the country's significant hydro power potentials have already been tapped. It is clear that diversification into other renewable energy sources such as wind, solar, and biomass – remains the only option for the country over the medium to long term horizon if the ambitious policy target of the Government of achieving 20% power generation from NCRE sources to be fulfilled by 2020. The following two key challenges must be considered in this regard;

- the severe difficulties related to private sector investment and development into the NCRE sector as a result of inefficient bureaucratic process.
- the reliance being placed by the Government on coal power generation at a time when other countries focus more on generating electricity through renewable energy sources.

While continuing to emphasize the importance of renewables at policy levels; however, the approach of the disparate state regulatory apparatus towards the facilitation of investments

and development of the NCRE segment remains deeply problematic and inefficient in their current form. Such inefficiencies create serious uncertainty when establishing timelines for new NCRE projects which ultimately discourages investment into the sector. This challenge is a factor which has been acknowledged by the Government on multiple occasions and we hope that steps are taken to clear such bottlenecks in the coming financial year.

Particularly given the fact that the country's hydro resources have reached saturation point, this analysis does carry weight. However, concern remains that the hidden cost of coal power in terms of its drastically negative impact on the immediate environment, more generally in terms of its impact of climate change and in terms of the dangerous health complications arising from the environmental pollution that could result in the nation's citizens paying much heavier price for our reliance on coal power over the long-term.

In that context, it is imperative that the Sri Lanka Government engage with all relevant stakeholder groups in order to formulate a clear and coherent policy towards the rapid development of renewable energy sources and the phasing out of fossil fuel-based generation sources as a matter of urgency.

# Managing Director's Review

## Operational Highlights

During the year under review, the Company was once again able to deliver several landmark achievements. Group marked another successful financial year with the operating profits of Rs. 479.8mn and a profit after tax of 371.6mn, as compared with Rs. 429.7mn and Rs. 354.9mn in the previous year, reflecting an increase of 11.6 % and 4.5% YoY respectively. This was supported by the increase in the power generation due to the capacity additions during the year under review.

As stated previously, construction on the 6.5 MW Small Hydro Power Plant along the Nyakizumba River in Uganda is proceeding on schedule and is expected to reach completion over the course of the FY 2016/17. This is really a milestone achievement for Vidullanka PLC. Given our country's deep involvement with hydropower generation over the years, it is clear that we have much to offer in terms of experience and expertise in establishing such projects overseas.

Our own involvement in working with the Ugandan Government and their relevant state authorities have been a rewarding experience. The foreign exchange earnings to be brought into the Company once this project is commissioned will aid us in our endeavours to explore more options to install hydro capacity within the African continent.

Meanwhile, locally, Vidullanka was able to install 1.75MW of capacity during the last financial year while investments

were also made into the construction a further 2MW of capacity which is to be grid connected during the FY 2016/17.

At present, only two of our eight power plants namely Bambarabatuoya MHPP and Batathota MHPP are directly owned by Vidullanka PLC, both of which are entitled to an avoided cost based tariff. Given the current low rates of crude oil prices, it is possible that this price will be reduced in the future.

Our first power project, Bambarabatuoya MHPP is set to complete the 15 year contractual period with the Ceylon Electricity Board as specified in the Standard Power Purchase Agreement. Having worked closely with pertinent regulatory agencies, we are confident that the power purchase agreement will be renewed.

Having continued our strategy towards organic growth, Vidullanka was also able to acquire a joint venture company through a share swap in October 2015. Further, Vidullanka PLC disposed of its equity investment in Co-energy (Pvt) Limited; an energy efficiency & consultation company during the year. Vidullanka also continued to hold a 12% equity stake in Panasian Power PLC in line with its core business of being a Renewable Energy Developer.

Meanwhile our efforts were also focused towards the consolidation of internal resources in order to focus on the development of our own projects. As a result, during the year, our engineering team phased out most of

*“Our business development unit continuously seeks out opportunities for new projects both locally and overseas and is currently engaged in studies towards the initiation of such projects in the coming financial years.”*

the contracts undertaken for external parties in order to place a much greater emphasis on the development of our own engineering requirements.

## Sustainability

During the year in review, we continued to maintain a vibrant engagement with communities across the island. In addition to one-off infrastructure development projects in and around communities in close proximity to our power plants across the island, we have also consistently worked to support and nurture the educational needs of children in these communities through on-going scholarship programmes for young achievers.

Notably, one of our scholarship recipients was able to achieve outstanding results at the local Advanced Level examinations. Additionally, the Company carries out regular programmes to support community schools, distributing stationary, uniforms, shoes and other educational requirements to students on an annual basis.

From an environmental perspective as well, Vidullanka strives to maintain the highest standards across the total spectrum of our operations. As a key NCRE developer, we are constantly contributing towards improving the carbon footprint of our nation.

### Strategic Outlook

Given the numerous timely investments made by the Company over the past 5 years, and the bold new initiatives entered into during the last financial year we are confident that our strategies have placed Vidullanka PLC on an even firmer footing to build and improve upon our excellent financial performance recorded during the year in review.

Our business development unit continuously seeks out opportunities for new projects both locally and overseas and is currently engaged in studies towards the initiation of such projects in the coming financial years. Backed by a team of highly skilled and dedicated engineers stationed across the island, we have been able to ensure minimum down-time at all our plants through stringent and effective

maintenance practices, a policy that will be continued into the new financial year and beyond.

Our success over the past decade has been a direct consequence of an intensive growth oriented strategy that ensured the commissioning of a new plant every year since 2011 utilising a proportion of our profits for such investments each year.

Moving forward we will continue to adopt such forward-thinking strategies while consolidating and branching out of hydro-power into other renewable energy sectors while seeking out potential acquisitions in order to further augment our generation capacity and bolster revenue streams.

Given Sri Lanka's tropical climate, there exists significant potential in the North and South of the country to exploit solar energy and such opportunities will be explored in the coming year. Similarly, Vidullanka is carefully evaluating the feasibility of wind power projects with which we have already begun to build up our own internal capacities. Working in concert with the Government of Sri Lanka, we are confident that we will be able to identify and develop new opportunities in this sector in the years to come.

### Acknowledgements

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 confidence placed on us. I am also grateful to the shareholders for the confidence and loyalty placed in us; to the fellow 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.

Moving forward, we remain as ever, deeply committed to our goals of creating a new paradigm in the Sri Lanka power and energy sector that will create value for all stakeholders while paving the way for a cleaner, more sustainable energy framework for the nation.



**Riyaz M. Sangani**  
*Managing Director*

25 June 2016

# Board of Directors

## **Mr. Osman Kassim**

### *Chairman*

The Chairman of Vidullanka PLC; Mr. Osman Kassim is the founder of Expolanka Holdings PLC, an entity that today stands as one of Sri Lanka's leading diversified conglomerates operating across a range of business sectors including transportation, manufacturing, travel & leisure and international trade and with subsidiary companies in 14 countries. He is a pioneering entrepreneur in Agro Exports, Commodity Trading, Freight Management, Islamic Banking and Insurance in Sri Lanka and possesses over 35 years of senior management experience.

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

## **Mr. Riyaz M. Sangani**

### *Managing Director*

Mr. Sangani is one of the founders of Vidullanka PLC, a pioneer in the Sri Lanka Small Hydro Power industry. In addition to all Vidul group of companies, Mr. Sangani serves the Board of Panasian Power PLC and several Companies of Lanka Equities Group including Lanka Equities (Pvt) Ltd, Tradefirst (Pvt) Ltd, Alankara SKR (Pvt) Ltd, Alankara Jewellery (Pvt) Ltd, Autus Chemicals (Pvt) Ltd, Icon Brands (Pvt) Ltd.

He is a graduate from the University of Colombo and holds an MBA from the prestigious Postgraduate Institute of Management (PIM), of the University of Sri Jayewardenepura. Mr. Sangani is also a Fellow Member of the Chartered Institute of Management Accountants (CIMA - UK), and serves as President of the Small Hydro Power Developers Association (SHPDA) and as a Board member of Sri Lanka Sustainable Energy Authority.

## **Mr. Ranjan Mather**

### *Non-Executive Director*

Mr. Ranjan Mather has been a Director of Vidullanka PLC since its inception and is the Chairman of all subsidiary companies of Vidullanka PLC. Additionally, he serves as a Director of Boruka Power (Pvt) Limited and Chinese Dragon Café (Pvt) Ltd. Mr. Mather holds over 20 years senior management experience in the textile industry. Mr. Mather serves the board as a Non-Executive Director

## **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 Restaurant (Pvt) Ltd.

### **Mr. Shahid M. Sangani**

#### *Non-Executive Director*

Mr. Shahid Sangani is the Managing Director of Lanka Equities (Pvt) Ltd., a family holding company with diverse business interests ranging from Apparel, Jewellery, Renewable Energy and Trading. He is also the Chief Operating Officer (COO) of the World Memon Organisation (WMO), a UK Registered Charity and Social Organization of the Worldwide Memon Community. He served as the CEO of Kenanga investment Corp Ltd., the Sri Lankan arm of a large investment Bank from Malaysia and currently works in the capacity of a Consultant to the Company. He has over 20 years of experience at Senior Management level in the private sector. He holds directorships on the board of Dynawash Ltd, Autus Chemicals (Pvt) Ltd, Icon Brands (Pvt) Ltd, Diamond Cutters Sales (Pvt) Ltd, Trade first (Pvt) Ltd., and Co-energi (Pvt) Ltd.

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

### **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.

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 also holds

directorships in Aberdeen Holdings (Pvt) Ltd, Fits Aviation (Pvt) Ltd, Fits Services (Pvt) Ltd, Denshun Industries (Pvt) Ltd, Lanka Commodity Holdings (Pvt) Ltd, Lanka Premier Foods (Pvt) Ltd, HiEnergy Services (Pvt) Ltd, Expolanka Pharmaceuticals (Pvt) Ltd, Expolanka Teas (Pvt) Ltd, Lanka Commodity Trading (Pvt) Ltd, S K Capital (Pvt) Ltd, Aberdeen Produce (Pvt) Ltd, Colombo Realty (Pvt) Ltd, Classic Enterprises (Pvt) Ltd, Neptune Recyclers (Pvt) Ltd, Tropical Exotics (Pvt) Ltd and Silver Wings (Pvt) Ltd, Classic Papers (Pvt) Ltd.

He is a pioneer in the commodity trading 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. He serves the Board as a Non-Executive Director.



# Board of Directors

## Dr. A.A. Mohamed Haroon

*Independent Non-Executive Director*

Dr. Haroon is a medical practitioner by profession who has a steadfast reputation as a successful businessman. Presently, he holds directorships in 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, Amana Takaful PLC, Amana Holdings PLC and Amana Bank PLC. His business experience encompasses a range of different industries including Islamic Banking & Finance, Takaful Insurance, 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 26 years of experience in senior management positions both internationally and locally in multinational and listed companies. He currently holds directorship in Norfolk Foods (Pvt) Ltd which is part of the Expolanka Group and also served as the Chairman of Liberty Plaza Management Corporation from 2002 to 2010. Presently, Mr. Ghouse serves the International Chamber of Commerce of Sri Lanka as the Senior Vice President and as a Committee Member of the National Chamber of Exporters of Sri Lanka.

He served in the Panel of Judges for the Best Quality Software award organized by British Computer Society from 2004-2012.

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

## Mrs. 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 the Lanka Equities Group including Lanka Equities Pvt Ltd, and Dynawash Limited.

Mrs. Roshini Sangani is a graduate of the Colombo Law Faculty and an Attorney-at-law. She serves the Board as an Independent Non-Executive Director.



### **Mr. Sidath Fernando**

#### *Independent Non-Executive Director*

Mr. Sidath Fernando is a successful 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, a family owned business established in 1938 and functions as the Managing Director of Crystal Holding (Pvt) Ltd.

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

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

### **Mr. Sujendra Mather**

#### *Non-Executive Director*

Mr. Sujendra Mather is currently 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 in the US, Sri Lanka and Singapore respectively.

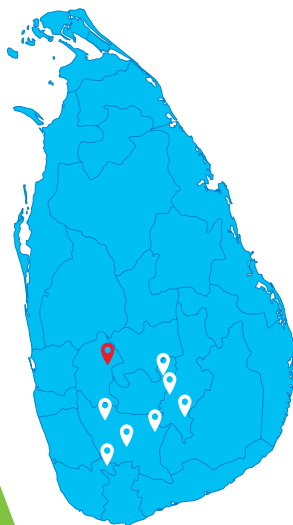
He has successfully managed and led several billion dollars of Mergers & Acquisitions, Fund Raising, Restructuring and Strategic Advisory transactions in the North America and Asia Pacific regions across the Consumer, Retail, Real Estate, Hospitality, Infrastructure, Technology, Mining and Financial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

Also, Mr. Mather is a board member of Asia Securities Pvt Ltd., a leading equity brokerage firm and other publicly listed and private companies in Sri Lanka. In addition he serves on the National Agenda Committee of the Ceylon Chamber of Commerce for 'Finance and Capital'.

Mr. Mather received a B.A. in Economics-Mathematics from Claremont McKenna College in California, USA, and serves the Board as a Non-Executive Director.







### Ganthuna MHPP

*The Power Plant with a 220 m head, the highest in Vidullanka Group is equipped with two Pelton turbines.*

# Management Discussion and Analysis



*With the expansion of Vidullanka's operations into foreign markets, the Company has also worked to forge close ties with the pertinent foreign regulatory agencies.*



# Operating Environment

The year in review has witnessed remarkable developments with respect to the expansion of renewable energy sources on both international and domestic fronts. This report will endeavour to provide an outline to some of these trends and their relationship to shifts in wider macro-economic trends before delving into a more detailed review of the operational highlights of the Company over the financial year ended 31<sup>st</sup> March 2016.

## International Operating Climate

Rising instability, largely as a result of increasing socio-political tension across several developed and emerging economies, continued to play a hindering role in the continuing fragile global economic recovery over the last year. Global GDP increased to a sluggish 3.1% in 2015 while current projections estimate a 0.1% increase in to 3.2% by the end of 2016, provided that several major downside risks do not come to pass in the coming year.

However, the international renewable energy industry sustained the momentum gained in 2014. Total global investments into the renewable energy industry during the last year topped US\$ 329 billion with 64GW of wind and 57GW of solar PV commissioned during the year, reflecting an increase of nearly 30% Year-on-Year (YoY).

Landmark expansions of renewable energy were witnessed in developing and emerging economies alike. The United States increased its investments into renewable energy by 17% up to US\$ 44 billion in 2015, outpaced only by China which invested a total of US\$

103 billion into renewable energy during the same period. Chinese solar and wind energy capacity increased by 74% and 34%, respectively, in 2015, while its coal consumption dropped by 3.7%.

It is currently forecast that China will install an additional 22GW of wind, 16GW of new hydro, another 6GW of nuclear, and 18GW of solar (60% utility scale, 40% distributed rooftop solar) in 2016. With electricity demand forecast to grow by 3.0%-3.5% YoY in 2016, this 62GW of additional zero carbon electricity capacity is expected to be sufficient to meet growing electricity demands in China likely leading to an even greater shift away from coal power by the end of 2016.

The potential for renewable energy is also expanding at a rapid pace across the African continent with a report from the International Renewable Energy Agency projecting phenomenal growth in the uptake of renewable energy across Africa from its current position of approximately 5% of total energy generated up to 22% in 2030.

Perhaps one of the most notable international developments in the context of increasing emphasis on the drive for renewable energy during the past year was the signing of the COP21 Paris Agreement between 174 countries in April 2016 followed by the United Nations Climate Change Conference in December 2015. The agreement set out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to a level below 2°C which will come into force by the year 2020.

## The Sri Lankan Economy

The Sri Lankan economy recorded GDP growth of 4.8% in 2015, as compared with 4.9% in the previous year. The marginal decline in growth was brought about as a result of weaker export performance, lower foreign remittances and increased Government spending during the period under review. Together with disruptions to business-as-usual flowing from the conclusion of two key national elections, the country witnessed a slight decrease in economic activity.

The Government enjoyed a certain degree of success in reversing the downward trend in tax and non-tax revenue. However, an increase in Government expenditure caused the national budget deficit to increase to 7.4% of GDP during the year in review, surpassing the Government's target of 4.4% of GDP. Meanwhile unemployment rates rose marginally from 4.3% to 4.6% during the year while headline inflation during the same period increased from 2.1% to 2.8% in 2015.

## Sri Lanka Power and Energy Sector

Demand for electricity consumption rose during the year with the Ceylon Electricity Board (CEB) recording a 6.5% increase in total sales, led by a 10% increase in sales within the 'domestic and religious' category.

The sector was able to increase its total generation to 13,090 Gigawatt hours (GWh) during the year, as compared to 12,357 GWh in the previous year of which the Non-conventional renewable energy (NCRE) sector accounted for 11.2% of total power generation or 1,466 GWh, an increase of 20.4% YoY.

# Management Discussion and Analysis

## Operating Environment

The country's hydropower stations (excluding the mini-hydro) were able to raise their generation by 35% YoY as a result of increased rainfall, increasing their overall contribution to 4,904 GWh. Meanwhile the contribution of coal power also increased from 25.9% in 2014 up to 33.9% in 2015 with a total of 4,443 GWh being generated from the Norochcholai power plant.

The cumulative effect of increased hydro and coal power generation helped to lower fuel oil based generation by 47.1% to 2,276 GWh during the year. The share of power generated by the CEB within total power generation increased to 79% in 2015, compared to 69% in 2014, while the remainder was purchased from Independent Power Producers (IPPs).

Meanwhile, construction of several major power projects recorded progress in 2015 with the 120 MW Uma Oya Hydro Power Plant crossing 53% physical completion during the year and proceeding for its targeted commissioning in 2017. Meanwhile, steps are being taken by the authorities to construct a 100MW wind farm in Mannar Island by 2018.

At present it is estimated that a further 186 MW of capacity can be added to the mix through major hydro power projects that are already underway. Beyond this however, Sri Lanka is thought to have reached saturation point in terms of the exploitation of its viable hydro potential.

### Regulatory Authorities

Vidullanka continues to work in close cooperation with all regulatory authorities concerned with oversight into the Sri Lanka Renewable Energy sector starting with the industry's apex institution, the Sri Lanka Sustainable Energy Authority (SLSEA). The SLSEA is the foremost state regulatory agency driving the utilisation of indigenous renewable energy resources and deployment of energy efficiency initiatives in the country. Included among the responsibilities assigned to the institution is the power to grant provisional approvals for projects and issue energy permits for project operations hence Vidullanka continues to place great emphasis on maintaining an open engagement with the SLSEA.

Given the fact that the Company's current and proposed projects are distributed over diverse locations across the island, the co-operation of local authorities is also crucial to the smooth running of operations. Hence, the Company continues to cultivate strong relationships with local authorities and we are grateful for the continued cooperation that has been extended to the Company without reservation by all of the local authorities we have engaged with.

The operations of Vidullanka PLC are closely linked with nature and the environment hence the Company takes strong consideration of its impact on the environment and rigorously strives to inculcate values of sustainability and minimal disruption to the natural habitats that we operate.

In that context, Vidullanka's steadfast commitment to safeguarding Sri Lanka's natural resources has been continuously refined through the guidance of the Central Environmental Authority (CEA).

The Company maintains strict conformity with all CEA directives pertaining to the construction of our power plants from compliance with required levels of environmental release from mini-hydro projects to regulations pertaining to the protection of flora and fauna in the areas surrounding our power projects. In addition to its strict compliance, the Company always strives to go beyond the stipulated minimum regulatory standards by maintaining and developing further environmental safeguards across all facets of our operations. The Company continues to deploy its own consultants to conduct periodic site inspections to ensure strict compliance with both internal and state regulatory standards.

With the expansion of Vidullanka's operations into foreign markets, the Company has also worked to forge close ties with the pertinent foreign regulatory agencies including the Electricity Regulatory Authority of Uganda, the National Environmental Management Authority of Uganda, Ugandan Electricity Generation Ltd. (UEGCL) and Ugandan Electricity Transmission Ltd. (UETCL). In the same manner as with our Sri Lankan operations, Vidullanka PLC also maintains the highest standards of compliance with foreign regulatory frameworks and environmental best practices in those nations.

# Financial Review

## Overview

Vidullanka PLC has recorded its highest ever profit after tax of Rs.371.6mn surpassing the last financial year's achievement of Rs.354.9mn. The continuing growth in the profits reported by the Group is the reflection of group efforts of continuous investment into new capacity additions and process improvements.

The ICRA Lanka Limited, the Sri Lankan arm of ICRA (India) Limited, a Moody's investor service and credit rating company assigned a long term credit rating of [SL]A- with stable outlook to Vidullanka PLC, a reflection of the financial strength backed by the asset growth and performance potential of the Group.

The key drivers of the performance of the year under review include the commissioning of the Rideepana Mini Hydro Power Project along with the acquisition of additional controlling stake in Lower Kothmale Oya Hydro Power (Pvt) Limited.

## Group Financial Performance

The Group experienced slightly lesser power generation from its power plants compared to the FY 2014/15 due to the changes in the rainfall. Yet the Group increased the overall output by 5 GWh, with the addition of Rideepana Mini Hydro Power Plant which was grid connected on 15<sup>th</sup> May 2015. On the other hand, both Bambarabatuoya and Batathota Mini Hydro Power Plants were able to enjoy improved feed-in-tariff rates. The expiry of the 15 year contractual period of Bambarabatuoya MHPP, and the anticipated downward

revision of the avoided cost tariff may impact the Group future performance. However, we are certain that the Company will be able to continue the operations of its Bambarabatuoya plant with the renewed Power Purchasing Agreement. Further profits generated from the Company's ongoing investments also expected to support and sustain the growth momentum in the Group performance.

The acquisition of the Lower Kothmale Oya Hydro Power (Pvt) Ltd resulted in a full consolidation of the Company into the Group balance sheet since 1st October 2015. This captured the full magnitude of the investment return in the financial statements. The acquisition of the controlling stake of the former Joint Venture enabled Vidullanka PLC to reflect the performance of the entire group in a more realistic manner.

The cost of sale of the Group has declined owing to the strategic decision that the consultation and project management arm of the Group, Vidul Engineering Limited to focus more on streamlining its operations and in the development of new projects. The decision was to cope up with the increased number of projects being on the development stage and also to focus on the renewable energy generation projects which generate more sustained value to the stakeholders as opposed to the provision of engineering services to external clients.

The significant increase in the group administrative and finance costs are due to the inclusion of the administration

Revenue

Rs.723mn

Operating Profit

Rs.479mn

Profit After Tax

Rs.372mn

and finance cost of Lower Kothmale Oya Hydro Power Project which were previously excluded from the group consolidated income statement. This was due to the fact that the joint venture accounting was based on an equity method of consolidation and the proportionate earnings were treated as an investment income.

The income tax expense of the group decreased owing to the reduction in the project management and consultation segmental profits, which was taxed at 28%, and during the year under review the Group generated 101.92% of the profit before tax from the power generation segment which is taxed at 12% leading to lower group income tax expenses.

# Management Discussion and Analysis

## Financial Review

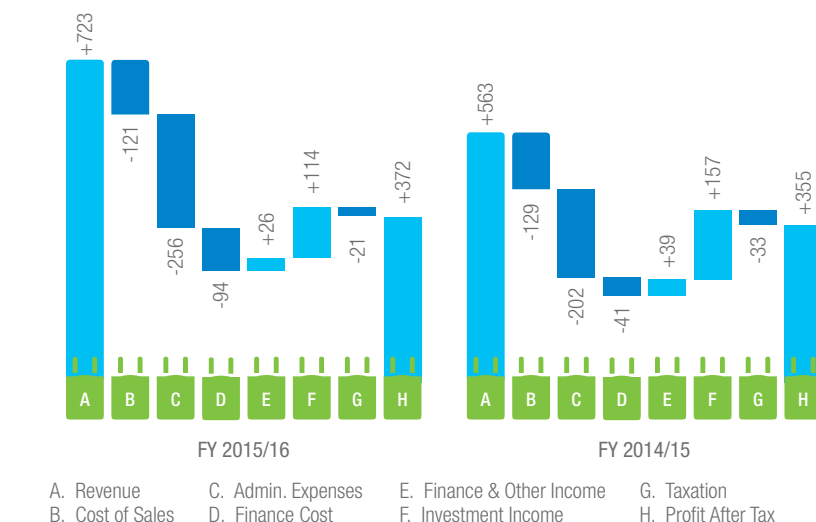
### Vidullanka PLC

The revenue marginally increased due to improved tariff rates despite the less favourable weather pattern resulting in marginal reduction in power generation. The Company managed to bring down its cost of sales by 16.6% through process improvements and effective man power deployments.

The other income of Vidullanka PLC was mostly generated through the dividends from the joint ventures and the subsidiaries of the Company along with dividends from the investment in Panasian Power PLC. Administrative Expenses remained relatively same while the finance expenses of the Company increased by 26.8% due to additional borrowings of both long term and short term nature. The tax expense of the Company decreased during the year under review, compared to the FY 2014/15 owing to the decline in the other income which is taxed at 28%. Overall, these factors have resulted in the profit after tax of the Company moving up by 4.7% from Rs. 204.6mn to Rs. 215.5mn.

### Vidul Engineering Ltd

The Engineering arm of the Vidullanka Group recorded a net loss of Rs. 7.4mn compared to the net profit of Rs. 9.3mn in the previous financial year. The loss is caused by the decision of the Group to focus on the increased number of renewable energy projects in the development stage, which requires more technical resources of the engineering arm. This decision is based on a bigger picture where deploying the human resources on capitalising on the emerging opportunities in overseas



Comparative Income Statements in Waterfall Diagram

markets, to develop more power projects which will generate sustainable value generation to the shareholders, as opposed to offering engineering services to the external client base.

### Walagamba Balashakthi (Pvt) Ltd

The fully-owned subsidiary of Vidullanka PLC owns Wembiyagoda MHPP, a 1.3MW mini hydro power project located in Kalawana, Ratnapura. During the FY 2015/16, the Company recorded a profit after tax of Rs. 49.6mn compared to Rs. 48.6mn generated during the previous financial year. The power plant recorded an output of 5.4GWh of electricity for the same period compared to the generation of 5.5GWh in FY 2014/15.

### Rideepana Hydro (Pvt) Ltd

The project company owns and operates the Rideepana MHPP, a 1.75MW mini hydro power project located in Badulla. The power plant was

commissioned on 15th May 2015 and generated 6.2GWh of clean energy and transmitted to the national grid. The project company generated a profit after tax of Rs. 66.2mn.

### Lower Kothmale Oya Hydro Power (Pvt) Ltd

Vidullanka PLC acquired the controlling stake of the project company from the joint venture partners on 1st October 2015 and consolidated the entity as a subsidiary. The project company owns the 4.0MW Lower Kothmale MHPP located in Kothmale, Nuwara-Eliya. The entity generated a profit of Rs.113mn compared to Rs.145mn generated during FY 2014/15. The Lower Kothmale MHPP recorded electricity generation of 16.4GWh compared to 17.5GWh during the same period.



## Joint Ventures

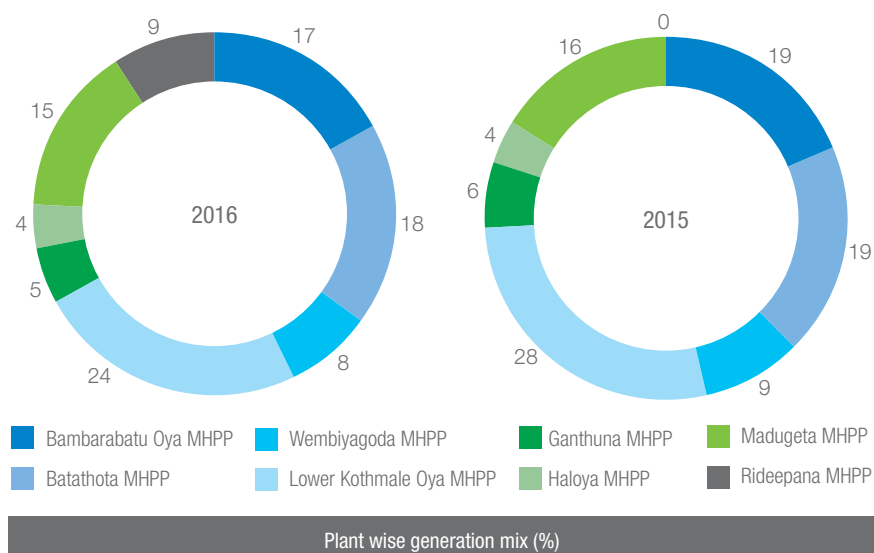
Gurugoda Hydro (Pvt) Ltd is a joint venture with Esna Power (Pvt) Ltd; which owns and operates the Ganthuna MHPP located in Aranayake, Kegalle. The Company recorded a profit after tax of Rs. 33.2mn compared to a profit after tax of Rs. 45.1mn in the FY 2014/15.

Vidul Madugeta (Pvt) Limited is also a joint venture with Esna Power (Pvt) Ltd; which owns the 2.5MW Madugeta MHPP located in Neluwa, Galle. The Company generated a profit of Rs.110.5mn during the year under review compared to the Rs.104.3mn profit reported for the previous financial year.

Udaka Energy Group (Pvt) Ltd, a joint venture entity with Vanguard Industries (Pvt) Ltd, which owns the 800kW Haloya MHPP in Uva-Paranagama in Badulla. The project company reported a profit after tax of Rs. 34.1mn during the FY 2015/16 compared to the Rs. 21.8mn generated during the previous financial year.

Vidullanka PLC disposed Co-energi (Pvt) Ltd; a joint venture firm involved in energy efficiency consultation on 31st March 2016. The disposal was with the perspective of the group focusing on

*Vidullanka PLC acquired the controlling stake of the Lower Kothmale Oya Hydro Power (Pvt) Ltd and consolidated the entity as a subsidiary.*



the core business of power generation. During the year under review, the company reported a profit after tax of Rs. 0.65mn compared to the loss of Rs. 0.6mn during the FY 2014/15.

## Segmental Performance

The Power generation segment of the Group generated 101.92% of the group profit after tax and the energy efficiency segment contributing a negligible 0.09%. The project management & consultation segment of the business generated loss of 2.01%. The power generation segment of the Group has been historically dominant, and continues to be dominant. The segment has 99.24% of the entire Group's assets while the project management and consultation, which is also a human resource intensive segment owning only 0.76% of the group assets. During the year under review, the investment and the performance of the power generation segment improved with the

commissioning of the Rideepana Mini Hydro Power Plant.

The key reason for the improved performance and growth of the segment is driven by the continuous investment into the capacity addition to the group portfolio. The demand for renewable energy is expected to increase at a faster rate, with more investment being made on the new technological innovations of renewable energy generation. This is further supported by the awakening of the global conscience about the detrimental environmental effects of the climate change; thereby creating long-term business opportunities compared to the services segment. Consequently, Vidullanka PLC made a key strategic decision to consolidate its resources and focus on power generation, which in turns adds sustainable value to the stakeholders over a continued period of time.

## Management Discussion and Analysis



The Hon. Prime Minister of Uganda, Dr. Ruhakana Rugunda at the ground breaking ceremony of Muvumbe SHPP.

*Vidullanka PLC continues to invest on its policy of organic growth through the aggressive capacity expansion, continuing on the momentum built up in the recent past. The Company will seek to capitalise on opportunities for investment in renewable energy projects locally and in the overseas markets.*

# Markets & Operations

During the last financial year, Vidullanka PLC continued to operate solely in the Sri Lankan market in terms of active power generation projects. However given the Company's most recent venture in Uganda with the construction of a Small Hydro Power Plant in Maziba, the next financial year will witness the Company expanding and diversifying its operations into overseas markets for the first time.

Projects in operation include:

- Bambarabatuoya MHPP, Balangoda, Ratnapura
- Batathota MHPP, Kuruwita, Ratnapura
- Ganthuna MHPP, Aranayaka, Kegalle
- Haloya MHPP, Welimada, Badulla
- Wembiyagoda MHPP, Kalawana, Ratnapura
- Madugeta MHPP, Neluwa, Galle
- Lower Kothmale Oya MHPP, Kothmale, Nuwara Eliya
- Rideepana MHPP, Andeniya, Badulla (commissioned in 15th May 2015)

Projects under constructed include:

- Muvumbe Small Hydro Power Plant (SHPP), Kabale, Uganda
- Ethamala Ella (MHPP), Matara

Upcoming Projects include:

- Udawela MHPP, Badulla
- Dehiattakandiya Dendro Power Project, Dehiattakandiya

## Changes to Organisational Structure

During the year under review, the Company disposed its stake in Co-energi (Pvt) Ltd, thereby discontinuing its energy consultation business segment. The year in review also saw the Company acquiring a joint-venture company through a share swap via a private placement in October 2015. The transaction was concluded in March 2016.

## Growth Strategies

Vidullanka PLC continues to invest on its policy of organic growth through the aggressive capacity expansion, continuing on the momentum built up in the recent past. The Company will seek to capitalise on opportunities for investment in renewable energy projects locally and in the overseas markets.

Accordingly, Vidullanka PLC is poised to start the construction of Udawela Mini Hydro Power Plant in Badulla in FY 2016/17. The project has a designed capacity of 1.4MW and expected to generate 5.5GWh of electricity per annum.

During the year under review the Company also acquired a significant interest in the 2MW Ethamala Ella MHPP through its acquisition of 26.6% equity stake in the project company - Nilwala Vidulibala Company (Pvt) Limited. The project which is situated along the Nilwala River, will add a further 7.8GWh of renewable energy to the national grid annually upon commissioning in first half of the new financial year.

Additionally, the Group embarked on expanding its operations across national borders by setting up the Muvumbe small hydro energy power plant in the Kabale district of Uganda. The plant which is being built through a US\$ 13.5 million investment by Vidullanka PLC, will generate 31.4 GWh of clean, renewable energy to the Ugandan national power grid. Construction of the Muvumbe Small Hydro Power Plant is proceeding on schedule and is expected to reach completion during the course of the next financial year. Moving forward, Vidullanka aims to continue its expansion into the overseas markets with a particular emphasis on the establishment of projects within the African continent.

Further, the Group is also focused on diversifying its project portfolio through the construction of the proposed 3MW Dehiattakandiya Dendro Power Project of Vidul Biomass (Pvt) Limited. Steps have been taken to implement the project through an EPC contract rather than the conventional method of construction, due to technical complexities and to expand the knowledge sharing with the internationally renowned EPC contractors & machinery suppliers. The construction of the power plant is set to start during the FY 2016/17 and upon commissioning the power plant will generate an annual energy of 20GWh.

# Management Discussion and Analysis

## Markets & Operations

### Organisational Knowledge and Expertise

The Company possesses wide range of expertise and knowledge in the construction and management of mini hydro power projects stemming from the extensive experience of a group of highly skilled 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 external consultants who hold high reputation in their respective fields in the country.

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.

The Power Plant Management Information System (PPMIS) - an innovative online, integrated information system, and Vidul Control Solutions - governors and control panels specific to mini hydro power plants developed and implemented by the Vidul Engineering connecting all the power plants operated by the Vidullanka PLC are noteworthy outcomes of the Group's expertise in the field.

### Value Delivery to the Nation

The Sri Lankan power and energy sector is structured in such a manner that the sole customer of all private energy producers is the Ceylon Electricity Board (CEB) which purchases the total power output of Vidullanka PLC through terms and

conditions established by Standardized Power Purchase Agreements. The Company places a high priority on establishing and maintaining total compliance with all salient features of the agreement.

At present the Company operates through two key business partnerships and we continue to seek out new strategies and opportunities to deliver further value to our business partners through optimized management of our joint venture projects, both in terms of improved cost savings and a stringent attention to detail in order to ensure optimal productivity and efficiency across all operational and administrative processes. Such efforts are further bolstered by Vidullanka's consistent emphasis on investment with a view of adopting and deploying new technologies in order to further improve the overall performance.

Having established itself as one of Sri Lanka's most efficient and productive renewable energy operators, Vidullanka continues to hold the trust and confidence of its industry peers, regulators and other stakeholders. We have also gained memberships in stakeholder and key industry associations such as, Small Hydro Power Developers' Association and Bio Energy Association of Sri Lanka. Presently, the Managing Director of the Group chairs the Small Hydro Power Developers' Association and represents the industry as a Board member of Sri Lanka Sustainable Energy Authority. Further the Chief Executive Officer of the Vidul Biomass (Pvt) Limited has

*Vidullanka's dynamic and skilled team of employees continues to be its most valuable asset. The significant contributions made by our dedicated and committed team have helped to ensure that Vidullanka PLC remains at the forefront of Sri Lanka's renewable energy sector, setting new benchmarks for operational excellence and paving the way for further expansion in the coming year.*

been appointed as the President of the Bio Energy Association of Sri Lanka.

Looking to the future, the Company is actively pursuing fresh business opportunities, particularly in relation to the African continent, where our ongoing project in Uganda is targeted to reach completion in the following financial year. Further project opportunities are also being explored that will be built on the expertise and goodwill arising out of our Ugandan venture in order to apply our renewable energy expertise to other projects across the African continent which we believe holds substantial potential for our capabilities.





### Human Capital

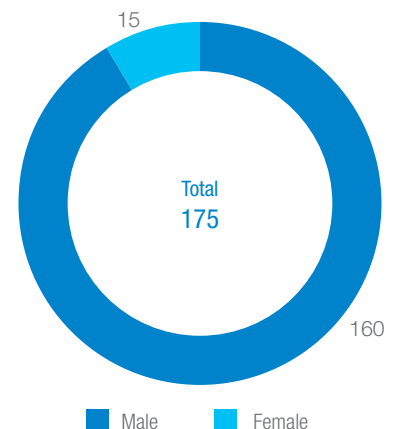
Vidullanka's dynamic and skilled team of employees continues to be its most valuable asset. The significant contributions made by our dedicated and committed team have helped to ensure that Vidullanka PLC remains at the forefront of Sri Lanka's renewable energy sector, setting new benchmarks for operational excellence and paving the way for further expansion in the coming year.

Given the vital contributions that our employees make to the success of our organisation, Vidullanka PLC strives to foster and develop an inclusive corporate culture that seeks to promote innovation through our business models while delivering optimal value to our employees through attractive benefits and opportunities for the development of technical skills and career advancement, complemented by a healthy work-life balance and an open, approachable and transparent organisational hierarchy.

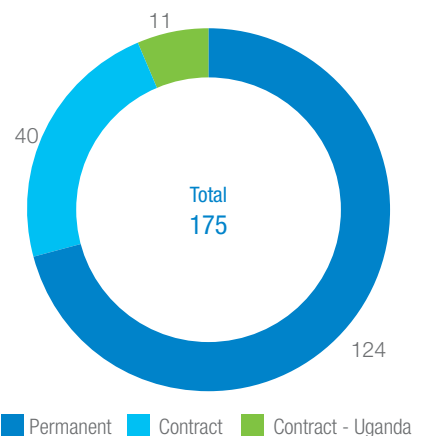
In this manner, Vidullanka seeks to empower its employees to reach new heights, supported by an equal employment opportunity policy to ensure that every employee is rewarded and given recognition based purely on their performance and deliver work at a professional standard. The Company continues to maintain a holistic and comprehensive Human Resources policy that ensures timely recruitment, continuous training and skills development, a pleasant working environment and comprehensive remuneration packages in order to ensure optimal employee retention rates. The Company's strong emphasis on delivering optimal value to its team of employees continues to yield numerous and substantial dividends for Vidullanka PLC and the Company will strive to further enhance its employee experience in the years to come.

### Our Team

As at the end of the financial year 2015/16, Vidullanka PLC's staff strength was comprised of 175 individuals, including 11 staff in Uganda. In terms of gender composition, the Company currently employs 160 male employees and 15 female employees of which approximately 80% of employees are within the age group of 20-40.



Employee Composition by Gender



Total Work Force by Employment Contract

# Management Discussion and Analysis

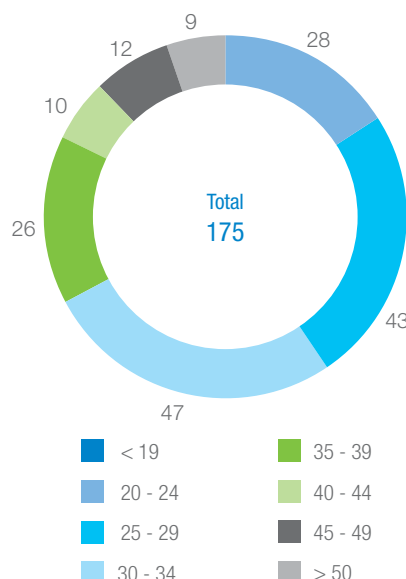
## Markets & Operations

### Equal Employment Opportunity Policy

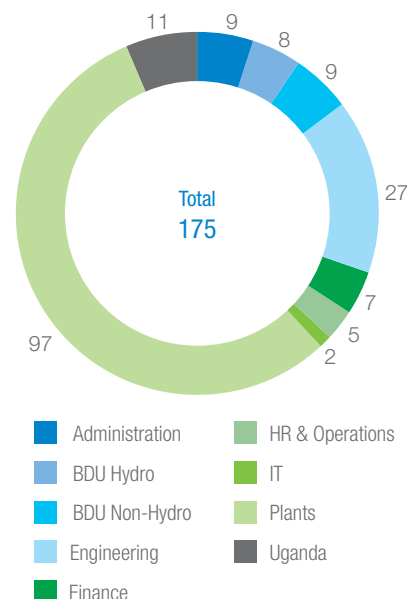
Vidullanka PLC prides itself on a continuously developing corporate culture that prioritises granting of equal opportunities for all team members irrespective of national origin, race, gender, sexual orientation, marital status, physical capabilities and any other factors which are intrinsic to each employee. The Group values diversity and to that end, works to ensure that all of its employees are afforded dignity, respect and equal opportunity in the workplace.

Further expanding on this policy, Vidullanka continuously strives to reinforce these values through the enactment of complimentary human resources policies in terms of affirmative action in recruitment, promotion, compensation, disciplinary procedures and other salient aspects of its human resources strategy.

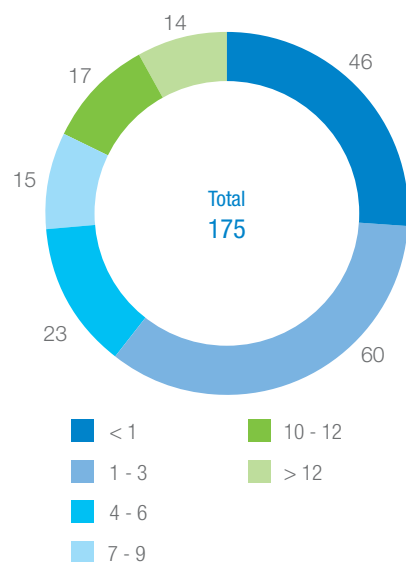
Each employee is evaluated purely in relation to their contributions to the Group's performance and their professional achievements in connection thereto. The management continues to be inspired by the concept of ensuring the well-being of each of its employees as a crucial pre-requisite to ensuring the continued success of the Group as a whole. Such employee-centric policies have enabled Vidullanka PLC to bring out the best performance from its team of employees thus resulting in a substantial competitive advantage for the Company, and moving forward the Management is fully committed to ensuring a working environment that is free from all forms of bias.



Employee Composition by Age



Employee Composition by Functional Areas



Employee Composition by Service Years

### Remuneration and Benefits

Remuneration packages are another important expression of Vidullanka's commitment towards its employees. By incentivising our team in a manner that is highly competitive and deeply equitable, we have continuously been able to draw the best talent to the Company. During the year in review, the Group allocated Rs. 127mn towards employee remuneration – an investment which the Group considers to be a fundamental to the continued prosperity of the Company.

In formulating our remuneration packages, the Company also takes into cognizance industry benchmarks and best-practices, ultimately resulting in a status quo where the Company is able to share its success among each of its

employees thereby ensuring that each of their contributions is recognised and rewarded in a measure commensurate to their performance and contribution while supporting them to achieve financial security and stability.

Consequently, the Company takes measures to ensure that each of its employees is also granted a host of benefits in addition to their remuneration in order to ensure that each member of our team feels valued and secure in their position. Such benefits include substantial medical insurance, annual bonuses, performance based increments and access to interest-free distress loans in emergency situations.

Additionally, the Company also provides comprehensive training and development, and sponsorships to professional bodies. Similarly, the Company provides opportunities and supports its employees to participate in sporting events, recreational and team building activities in addition to many other benefits which the Company believes contributes to a healthy, motivated, and satisfied team of employees.

### **Maintaining Work-Life Balance**

Vidullanka PLC is always cognizant of the importance of maintaining an optimal work-life balance. Hence the Company continues to encourage its employees at all levels of the organisational hierarchy to develop and pursue their interests and maintain reasonable working conditions that would allow them to fully realise their potential, both in their personal and professional life.

Additionally, the Company strives to maintain a corporate culture that is friendly and open in order to promote informal engagement that puts aside rank in favour of a team-building culture.

Initiatives of the Company promoting the work-life balance include:

- Professional/job training with soft skill development – such as motivational training and personal development.
- Vidul annual family get-together.
- Vidul Sports Club conducted calendar of events to foster recreation and promote healthy lifestyles.
- Inter-company cricket tournaments
- 5S and lean management programmes.





# Management Discussion and Analysis

## Markets & Operations

### Performance Appraisal

Vidullanka PLC continuously strives to maintain and nurture a performance-driven culture at all levels of its organisational hierarchy. In keeping with such efforts, the Company conducts periodic and comprehensive performance appraisals in order to objectively evaluate the contributions of each member of our team. By giving recognition to team members who are committed to the Company's ethos of continuous performance excellence. We are able to foster and reward the members of our team who excel in their performance criterion. As a result, the Company has been able to consistently motivate its employees to work within our inclusive and collaborative corporate culture to develop their own capacities and those of Vidullanka PLC.

Based on our stringent performance appraisal process, the Company takes all necessary measures to reward its best performers in terms of both monetary benefits and other perks. The Company also hosts an Annual Awards Ceremony in order to further reward and recognize its best employees for the year.

Vidullanka places significant emphasis on safety and productivity and to that end, our Annual Awards Ceremony has continued to reflect this emphasis through separate awards in both these areas. Additionally, the Group also seeks to recognize its best managerial performers through its 'Best Supervisor' award.





## Training and Development

A further pillar upon which the success of the Company's human resources policy has been established is a comprehensive programme of employee training and development. Comprising of multiple sessions designed to develop technical skills and soft skills, Vidullanka PLC has consistently utilised such initiatives to holistically develop the capacity of its team of employees in order to deliver tangible results in terms of its operational performance. In addition to technical expertise, the Company also works to develop competencies in project management, lean enterprise management, personal development and business etiquette in order to create well-rounded employees that are able to confidently interact with industry peers, regulators and stakeholders to present a strong corporate image for the Company.

*Vidullanka is pleased to report that it was able to deliver 485 hours of technical skills development sessions and a further 117 hours of soft skills development sessions during the year under review.*

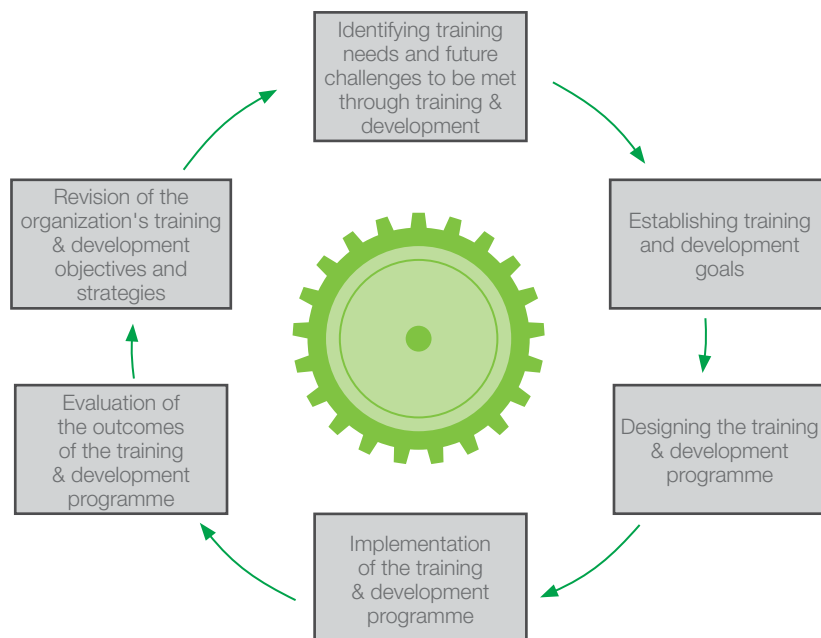
Additionally, the Company regularly undertakes motivational training sessions for its team in order to shape a positive attitude and outlook to their professional lives and which can also carry over to their personal lives and help them to become knowledgeable, flexible and focused in all their pursuits.

In that respect, the Company is pleased to report that it was able to deliver 485 hours of technical skills development sessions and a further 117 hours of soft skills development sessions during the year under review.

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 level of 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.

The Company adopts the following training and development process to achieve the above objectives.



# Management Discussion and Analysis

## Markets & Operations



### Health and Safety

The occupational health and safety of our employees and contractors is of paramount importance to Vidullanka PLC. Therefore, the Company places extreme importance on the prioritization of processes that ensure safe outcomes for all our stakeholders. The Company has formulated an extensive Health and Safety Policy that strives to ensure the well-being of all stakeholders with the ultimate target of zero accidents at site while paying careful and strict attention to the organisation of each of our facilities in a manner that is safe, risk free, and devoid of all hazards.

Given the numerous inherent risks factors to the enterprise of power generation, our Health and Safety policy comprehensively encompasses all relevant factors associated with the industry. The policy adopts an approach that provides technological safety in terms of the equipment used, as well as high-quality personal safety equipment needed to ensure that our employees are able to safely complete their daily tasks. The provision of equipment is further complimented by extensive training on health and safety practices and routine safety drills to ensure that each member of our team is regularly made aware of the procedural aspects needed to maintain a safe working environment while strict vigilance and constant open dialogue with staff is prioritized with a view to pre-empting any risks that may arise in future.

Collective efforts in all fronts have resulted in the Group achieving its target of zero accidents in consecutive years.

### Grievance Handling

The maintenance of harmonious and cordial relationships at all levels of the organisational hierarchy are a vital part of the Company's Human Resources Policy. Consequently, the Company takes all necessary measures to quickly and effectively address any employee grievances that may arise. We strive to address all such issues with empathy and in a manner that respects the dignity of each employee. Where necessary, the Company takes all required measures to redress any grievances and diffuse any tensions in order to ensure optimal employee satisfaction and prevent such incidents from affecting the morale of our employees, both as individuals and in respect to their role as a part of a team.

The Management of Vidullanka PLC maintains an Open Door Policy in order to encourage its team to bring grievances to light quickly, thus allowing the management to get involved at a preliminary stage and ensure that prompt solutions are provided when needed. In this manner, Vidullanka PLC has been able to foster an open, collaborative atmosphere where performance is fostered through an attitude of mutual trust and respect between employees and management. As a result of better HR practices, the management was able to maintain affable relationship with the staff during the year under review.



## Management Discussion and Analysis



*Vidullanka aims to provide children from Sri Lanka's rural communities with better opportunities to develop their knowledge and skills, thereby building a platform for future generations to empower themselves and play a greater role in building a better future for themselves and the country as a whole.*

# Sustainability

Values of sustainability remain at the core of Vidullanka PLC's business model. While the Company is primarily focused on the efficient and sustainable utilisation of renewable energy resources, we also work to ensure that these values remain a key driver across all our stakeholder interactions.

## Social Sustainability

As described in previous sections of this report, Vidullanka PLC operates in diverse geographic locations across the island. In that context, the Company often engages with communities in underserved rural areas. These regions often lack basic infrastructure such as roads, bridges, hospitals, and other public utilities and services.

While seeking to provide employment opportunities in these areas, the Company also maintains a vibrant engagement with such rural communities in order to better understand their requirements and extend support to improve the standard of living and create new opportunities to empower members of Sri Lanka's rural communities through infrastructure development and development of educational facilities that will serve to enrich the knowledge of future generations.



## Vidu Saviya

The Company continued to develop its flagship CSR project, Vidu Saviya. Through this pioneering initiative, Vidullanka has been able to support the educational development of schools in rural communities that the Company maintains a presence in. By developing educational facilities for these communities, Vidullanka aims to provide children from Sri Lanka's rural communities with better opportunities to develop their knowledge and skills, thereby building a platform for future generations to empower themselves and play a greater role in building a better future for themselves and the country as a whole.

During the year in review, the Company worked to provide better facilities for children in regional schools including the construction of a new playground, provision of new computers, and school bags and shoes for pre-schoolers. Additionally, the Company also continued its training and awareness building programmes targeted at improving knowledge and understanding of environmentally sustainable practices among with separate programmes for teachers and students.

The Company also encourages participants in its programmes to share the knowledge that they gain with village groups and facilitate them to work with other schools to develop a common agenda for the improvement of environmental standards in their villages.

# Management Discussion and Analysis

## Sustainability

### Environmental Sustainability

Vidullanka PLC remains firmly committed to values of environmental sustainability, not simply in terms of reducing waste and emissions but instead with a larger and more concerted effort towards the development of processes and policies that will result in a comprehensively sustainable business model.

Vidullanka's power plants are based on the run of the river methodology which diverts the water from a river through a conveyance channel to a powerhouse. The watermass is used to spin the turbines and generate electricity and the water flow is again diverted to same river at a lower elevation. This methodology has consistently proven to be a viable, clean, low-impact alternative to the burning of coal or natural gas to generate electricity. Unlike larger scale projects, submerging of the upper part of rivers and the construction of reservoirs, such practices are not required to run smaller scale hydro projects. Consequently, the impact on natural habitats, productive farmlands and communities is minimal.

Despite the comparatively minimal impact of such projects, Vidullanka undertakes a rigorous process of planning prior to the establishment of any power projects, both locally and overseas. Similarly, all of our projects are strictly monitored to ensure compliance with Vidullanka's strict environmental safeguards and the stringent and detailed adherence to all pertinent regulatory guidelines across all phases of operations.



The Company carries out stringent Environmental Impact Assessments (EIA) in order to ascertain all possible environmental impacts from the very outset of each of our projects and mitigate said impacts as much as possible in order to maintain minimal disturbance to the surrounding environment. Additionally, the Company also carried out further studies on each of its projects during the feasibility phase in order to determine social and economic impacts to the communities surrounding our projects. In so doing, the Company strives to ensure that it creates value and enhances the living standards of such communities as much as possible, both directly in terms of creating opportunities through the projects themselves, and through indirect social interventions arising out of a continuous and friendly engagement with all regional communities.

Furthermore, the Company takes every effort to ensure that the environment receives minimal disruption during the construction phase of each of our projects through the use of carefully controlled blasting techniques during excavation and several other techniques designed to avoid negative environmental impacts, while maintaining the strictest compliance with the regulations.

Notably, the Company has also sought to bring in international best practices into the construction of its Muvumbe SHPP in Uganda through the adoption of International Finance Corporation (IFC) guidelines on environmental and social performance standards in order to maintain the highest credentials for our overseas venture.



*The Company sought to bring in international best practices into the construction of its Muvumbe SHPP in Uganda through the adoption of International Finance Corporation (IFC) guidelines on environmental and social performance standards in order to maintain the highest credentials.*

As one of Sri Lanka's leading producers of clean and renewable energy, Vidullanka PLC is also able to contribute to the Clean Development Mechanism of the Kyoto Protocol. The protocol enables countries to work in partnership developing nations to establish emission-reduction projects in order to forge relationships whereby all parties are able to drive meaningful reductions to their overall emissions and help create sustainable development outcomes for all.

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

	Generation 2015/16 GWh	Carbon Emission Reduction (tCO <sub>2</sub> e)	Generation 2014/15 GWh	Carbon Emission Reduction (tCO <sub>2</sub> e)
Bambarabatuoya MHPP (3.2MW)	11.5	7,258	11.9	7,504
Batathota MHPP (2.0MW)	12.1	7,655	11.9	7,498
Wembiyagoda MHPP (1.3MW)	5.4	3,371	5.5	3,465
Rideepana MHPP (1.75MW)	6.3	3,938	-	-
Lower Kotmale Oya MHPP (4MW)	16.4	10,352	17.5	11,001
Ganthuna MHPP (1.2MW)	3.2	2,035	3.9	2,426
Haloya MHPP (800kW)	3.0	1,871	2.4	1,506
Madugeta MHPP (2.5MW)	9.9	6,206	10.0	6,282
<b>Total</b>	<b>67.75</b>	<b>42,686</b>	<b>62.98</b>	<b>39,681</b>

Further, Vidullanka continued to develop its reforestation and tree planting project as part of a long-term goal to enhance and strengthen the health of natural habitats surrounding the power plants. The project was continued through the joint efforts of our team of employees and other labour drawn from communities in the area. During the year under review, the Company continued its forestation activities in areas where the power plants are located.







### Lower Kothmale MHPP

*The plant helped to conserve the environment by the reduction of 10,352 metric ton of CO<sub>2</sub>e emission in FY 2015/16.*

# Corporate Governance

Corporate Governance simply refers to the system or framework by which organizations are controlled and managed. Corporate Governance evolved gradually due to the past corporate scandals and has now become a concept with greater importance in the corporate world. This determines the relationship between the Company management, Board of Directors and Shareholders. It is important to integrate accountability, fairness, independency and transparency into these relationships as these four concepts act as the pillars of Corporate Governance.

It has become immensely important to develop and practice a strong structure and earnest practice of Corporate Governance in order to increase the level of investor confidence in the Company, expand the business and reduce the chances of fraud thereby creating a robust business environment for investors.

Vidullanka PLC is committed to adhering to the best practices of Corporate Governance and has formed the Company policies and practices with the underlying concept of accountability and transparency in business operations.

## Role and Composition of the Board

The Board of Directors always plays a pivotal role in practicing Corporate Governance in every organization. In Vidullanka PLC, the Directors are committed in providing their best efforts in building a strong and prudent Corporate Governance framework. The Board ensures that the internal controls, processes and systems are in place to deal with conflicts of interest, transparency and accountability to shareholders while securing the integrity of quality information flow. Also the processes which are in place to assess the strategic risks have made it easier to understand the risk appetite of the Company, so that it becomes easier for the Board of Directors in making decisions.

At the end of the financial year, the Board of Directors comprised of 11 members including a Non-Executive Chairman, Managing Director, Five Non-Executive Directors and Four Independent Non-Executive Directors. The Company adhered to the necessities of best practices of corporate governance code, to have a balanced appointment of Executive and Non-Executive Directors by appointing Four Non-Executive Directors whilst the Managing Director being the only Executive Director represented in the Board.

The Company has separated the positions of Chairman and Managing Director so as to comply with the code of corporate governance best practices.

The role of Non-Executive Directors is highly important to the corporate governance practices of the organization as well as for the betterment of the Company since they bring independence, impartiality, expertise knowledge and wide variety of experiences and personal qualities into the organization. As per the requirements of CSE listing rules 7.10.2(b) all the Non-Executive Directors have submitted a declaration form declaring their independence or non-independence. Two Non Executive Directors whose declarations are complying with the code have been declared as Independent Non-Executive Directors. Two Non-Executive Directors, Mr. A.A.M. Haroon and Mr. M. Zulficar Ghouse having served the Board for 9 years consecutively, were resolved by the Board to be considered Independent, given their objective and unbiased approach to affairs of the Board.

## Board Committees

Vidullanka PLC has in place four sub-committees: Audit Committee, Investment and Strategy Committee, Remuneration Committee and Related Party Transaction Review Committee in order to fulfil mandatory requirements, ensure better governance practices while assisting the Board in the decision making process. These committees meet on a regular basis and ensure that the recommendations are passed on to the main Board.

### Audit Committee

The Audit Committee members of Vidullanka are as follows.

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

During the year the Audit Committee conducted four meetings. Adhering with the code, Mr. M. Zulficar Ghouse who is an Independent Non-Executive Director and a Fellow member of the CA Sri Lanka & CMA Sri Lanka chairs the Committee while CEO and CFO has also attended the Committee meetings.

The main purpose of the Audit Committee is to support the Board in keeping under review the scope and results of the audit in order to oversee whether the preparation, presentation and disclosures in the financial statements are in accordance with the prevailing accounting standards and statutory requirements whilst ensuring the internal controls are in place so as to manage risks and to assess the Company's ability to sustain in the foreseeable future.

### Investment and Strategy Committee

Investment and Strategy Committee consists of the following two Independent Directors, a Non-Executive Director, Chairman & Managing Director of the Company.

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

The Investment and Strategy Committee is established in order to focus on effective management of investment of the portfolio of the company through strategy formulation to expand and diversify the business while monitoring the performance of the management to ensure the shareholder wealth is protected.

### Remuneration Committee

Remuneration Committee is responsible for recommending to the Board of Directors on the remuneration package payable to the Executive Directors and senior management. The Board will make the ultimate decision on the remuneration package considering the recommendations and performance of the Directors.

Remuneration Committee also consists of three committee members.

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

The report of the Remuneration Committee is included in the Board Committees section in the annual report.

### Related Party Transactions Review Committee

The Related Party Transactions Review Committee was formed and commenced functioning in accordance with Section 9 of the listing rules and the SEC directive on Related Party Transactions. The Committee consists of the following Non-Executive Directors.

Mr. S.S.V. Fernando - Chairman  
Ms. B.R.I Sangani  
Mr. Sujendra Mather

The role of the Committee is to evaluate and where necessary, seek additional information and expert advice relating to the related party transactions and recommend to the Board on the best course of action.

### Compliance Control

Vidullanka PLC ensures that all the necessary measures are taken so as to carry out regular self-assessments and internal audits in light of the policies and key internal controls imposed by the Audit Committee. A periodic reporting process is in place to ensure the continuous monitoring of the status of the compliances. Carrying out the self assessments and internal audits regularly will also help to identify the extent to which the organization conforms to the regulatory and statutory requirements at all levels and to take corrective actions if any deviations are identified. Also the risk review programmes have been introduced at all levels of the organization so that the risks are identified and managed properly.

# Corporate Governance

Vidullanka PLC puts great effort in complying with employee related regulations and laws. Also, we have ensured that IT Security, Whistle Blowing and Grievance Handling processes are effectively in place at all levels of the organization to assist in creating an effective integrated internal control mechanism.

## Compliance with National Laws and Regulations

Vidullanka PLC operates in an industry where there are a number of compliance requirements with national laws and regulations imposed by several environmental, tax authorities, financial and welfare institutions. As our business operations are carried out with the utilization of natural resources, the Company adheres to rules and regulations set out by the environmental regulatory authorities. As a responsible corporate citizen, The Group seeks to ensure that it complies with the changes in the legal framework which may in turn create opportunities and minimize any threats for the organization.

Vidullanka places a higher degree of concern to comply with all the relevant laws and regulations so as to minimize compliance risk while fulfilling the responsibility lay upon us towards the society.

We have divided these laws and regulations into separate sections, so that these laws and regulations can be addressed in a better manner. The relevant business units keep monitoring the amendments for the laws and regulations and take immediate actions required.

## Risk Review and Management

Risk management is an integral part for any organization for the survival in a dynamic business environment.

Vidullanka PLC has established an effective integrated risk management system which helps to identify, evaluate and manage the present and potential risks through various strategies and continually revise the process to match with the new risks which the Company is exposed to.

Risks faced by the Company are managed department wise where each department maintains an individual checklist of risk triggers. Heads of Departments are responsible for the better management of the risks. However, the ultimate responsibility to review and manage risks lies with the Audit Committee and they ensure that effective measures are taken in order to manage the risk exposure of the Company.

The Company continually keeps monitoring the potential risks or hazards and gets the commitment of employees from all levels of the organization so that the risks are identified prior to the occurrence and preventive actions are taken.

## Attendance to the Board Meetings and Board Committee Meetings

Name of Directors	Directorship status	Board Meetings	Audit Committee meetings	Investment and Strategy Committee Meetings	Remuneration Committee Meetings	Related Party Transactions Review Committee
Mr. Osman Kassim	Chairman	5/5		3/3		
Mr. Riyaz M. Sangani	Managing Director	5/5	4/4	3/3		
Mr. Shahid M. Sangani	Non - Executive Director	5/5	4/4			
Mr. Ranjan Mather	Non - Executive Director	4/5		3/3	1/1	
Mr. C.F. Fuhrer	Non - Executive Director	5/5				
Mr. Sattar Kassim	Non - Executive Director	4/5				
Dr. A.A.M. Haroon	Independent Non - Executive Director	4/5		3/3		
Mr. M. Zulficar Ghouse	Independent Non - Executive Director	4/5	4/4	3/3	1/1	
Mrs. B.R.I. Sangani	Independent Non - Executive Director	5/5				2/2
Mr. S.S.V. Fernando	Independent Non - Executive Director	3/5	4/4		1/1	2/2
Mr. Sujendra Mather	Non - Executive Director & Alternate Director to Mr. Ranjan Mather & Mr. C.F. Fuhrer	2/5				1/2

## Corporate Governance Compliance Table

Rule	Requirement	Compliance	Explanatory Notes
<b>Board of Directors</b>			
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 48.
7.10.2 (b) Independent Directors	2 or 1/3 of Non-Executive Directors, whichever is higher should be independent	Yes	
7.10.2 (b) Independent Directors	Each Non-Executive Director should submit a declaration of Independence or Non-Independence	Yes	
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 66.
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	



# Corporate Governance

Rule	Requirement	Compliance	Explanatory Notes
7.10.3 (c) Disclosures regarding Directors	A brief resume of each Director should be included in the Annual Report.	Yes	Refer Profile of Board Directors on the page 20.
7.10.3 (c) Disclosures regarding Directors	Upon appointment of a new Director to the Board a brief resume of each Director should be provided to the CSE.	Yes	Profile of Mr. Sujendra Mathar provided to the CSE upon his appointment to the Board
<b>Remuneration Committee</b>			
7.10.5 Remuneration Committee	A listed Company shall have a Remuneration Committee.	Yes	Report of the Remuneration Committee is given on page 73.
7.10.5 (a) Composition of Remuneration Committee	The Remuneration Committee Shall comprise of Non-Executive Directors majority of whom shall be independent	Yes	
7.10.5 (b) Report of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of CEO and the Executive Directors	Yes	
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 73 provides the names of the Directors comprising the committee and the remuneration policy.  The aggregate remuneration to the Directors indicated in the Notes to the Financial Statements on Section 26.2 on page 124.
<b>Audit Committee</b>			
7.10.6 Audit Committee	The Company shall have an Audit Committee	Yes	Report of the Audit Committee on page 70.
7.10.6 (a) Composition of the Audit Committee	Shall comprise of Non-Executive Directors majority of whom shall be independent	Yes	
	The CEO and CFO should attend Audit Committee meetings	Yes	
	The Chairman of the Audit Committee or one member should be a member of a Professional Accountancy Body.	Yes	The Chairman of the Audit Committee is a fellow member of CA Sri Lanka & CMA 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 70.
	Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Yes	
	Processes to ensure that the internal controls and risk management are adequate, to meet the requirement of the Sri Lanka Financial Reporting Standards.	Yes	
	Assessment of the Independence and performance of the External Auditors.	Yes	
	Make Recommendations to the Board pertaining to the appointment, reappointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors.	Yes	
7.10.6 (c) 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 70.
	The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Yes	
	The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance of the functions.	Yes	Report of the Audit Committee on page 70.

# Corporate Governance

Rule	Requirement	Compliance	Explanatory Notes
<b>Related Party Transactions</b>			
9.1.1 (a) Non-recurring related party transactions	Shareholder approval if transaction value more than 1/3 of the total assets of the entity or the aggregate of the value of the similar transactions with the same related party within the given period.	N/A	
9.1.1 (b) Acquisition / Disposal of substantial asset from/to the related party or its associates	Shareholder approval by way of a special resolution for transactions other than the transactions specified under section 9.5 of the listing rule	Yes	Report on Related Party Transactions Review Committee presented on Page 74.
9.1.2 (a) Recurring Related Party Transactions	Shareholder approval if RPT transaction or the aggregate of the transaction with the same related party during the period exceeding the 1/3 of the group consolidated revenue. And Transaction/s not of the ordinary course of the business and on the opinion of the RPTRC, are on favourable terms than those generally available to the general public.	N/A	
9.1.3 Aggregation of Related Party Transactions	Transactions once approved need not to be aggregated with the future transactions with the same related party.	N/A	
9.1.4 Approval from shareholders	Shareholder approval where necessary should be obtained prior entering into the transaction or shall be conditional to shareholder approval	Yes	

Rule	Requirement	Compliance	Explanatory Notes
9.2 Related Party Transaction Review Committee (RPTRC)	The Board shall appoint/have a Related Party Transactions Review Committee (RPTRC)	Yes	Annual Report of the Board of Directors presented on page 66.
9.2.1 Review of Related Party Transaction	The Committee shall review all the RPT transactions other than the transactions specified under section 9.5 of the listing rule	Yes	Report on Related Party Transactions Review Committee presented on Page 74.
9.2.2 Composition of the committee	The Committee shall comprise of Non-Executive Directors and Independent Non-Executive Directors.	Yes	Annual Report of the Board of Directors presented on page 66.
	An Independent Non-Executive Director shall function as the Chairman of the Committee.	Yes	
9.2.5 Information Gathering & Approval	The Committee shall ensure they have enough knowledge/expertise to assess all the aspects of the transactions. The Committee may seek expert advice where necessary to better evaluate the related party transactions.	Yes	Report on Related Party Transactions Review Committee presented on Page 74.
9.3 Disclosures relating to the Related Party Transactions	The Board shall make immediate disclosures to the CSE, where necessary.	Yes	
	Annual Report shall contain a report from the Related Party Transaction Review Committee.	Yes	Report on Related Party Transactions Review Committee presented on Page 74.

# Risk Management

## Overview

The rapidly changing business and economic environment has made it more important than ever to have a keen eye on the risks and the opportunities that may emerge and impact the organization either adversely or favourably. The ability of the organization to adapt to this rapidly changing environment has become a key success factor in the modern business world. Effective management of risk is a crucial requirement for organizations to explore emerging opportunities while also assuming calculated risks within a defined risk appetite.

Therefore, it is of utmost importance to develop a systemic approach to risk management through a framework where risks are identified, assessed and properly managed in order to minimize or eliminate any adverse factors that may affect the organization. In pursuing this exercise, it is imperative that the risk management process is integrated into the value creation process of the Company in such a manner that the whole organization from top to bottom is focused on risk management.

Vidullanka PLC, being a pioneer in the Sri Lankan Non Conventional Renewable Energy (NCRE) Industry is exposed to several types of risks, such as weather risk, financial exposure risk, credit risk, regulatory risk, country & political risk, legal risk, social risk, exchange risk etc.

The Company believes in and encourages integrated cooperation and participation of its employees at all levels of the organization in managing risks systematically. The Company has worked to ensure that appropriate mechanisms are in place to identify, evaluate and effectively manage such risks in all our endeavors. We carefully monitor value addition of our economic activities to all stakeholders, with a view taking care of people and planet while making profits for our valuable shareholders.

## Weather Risk

The unpredictable nature of the weather patterns in Sri Lanka is the most critical risk facing the NCRE industry. Better understanding and management of risk associated with weather patterns is important for a Company operating in this industry. Vidullanka takes into consideration, the historic rainfall patterns in several stages of its value chain. This helps the Company to effectively plan construction timelines of new projects and undertake scheduled maintenance programs with minimal loss of revenue. Furthermore, geographical expansion into a portfolio of NCRE investments within the island as well as into other countries will also mitigate the risk associated with the changes in weather patterns. This will enable the Company to minimize any losses in earnings. Further risk mitigation and sharing approaches are also in place to curb the impact of extreme weather conditions, that might cause material losses to the Company.

## Credit Risk

Since the Ceylon Electricity Board, a state entity, is the main customer of Vidullanka PLC, this makes the credit risk of the Vidullanka PLC lower as the Company has entered into Standardized Power Purchase Agreements under which the transactions are carried out. With the introduction of Uganda Electricity Transmission Company Limited as the next customer to receive output from the Company, we have taken adequate measures such as Power Purchase Agreements and Payment Guarantees to reduce our credit risk further.

## Regulatory Risk

Being a recognized legal entity, Vidullanka PLC is obliged to comply with the regulatory framework of the countries it operates in. Regulatory breaches can occur during the phase of developing a project, investing in the construction of power plants, operations and in financial transactions. The corporate culture of Vidullanka PLC considers stringent compliance requirements and extensive reporting as a way to safeguard the interests of all stakeholders and improve standards of good corporate governance. The Board of Directors has appointed an Audit Committee and tasked it with overseeing the regulatory compliance of the company. The Committee also looks into the changes in the regulatory environment and periodically reviews and develops appropriate procedures to address them. Further, it has laid out a periodic reporting process to ensure compliance with regulatory requirements.



### Political & Economic Risk

Vidullanka PLC is in the process of constructing a 6.5 MW power plant in Uganda and in addition, actively seeking to develop small hydro power projects in the East African region. Political and macroeconomic risk is one of the key decision factors in making investment commitments and key aspects to monitor during continuous presence in the region.

Hence, the Company makes its overseas investment decisions through a rigorous risk assessment process involving multidisciplinary industry experts, due to the strategic importance of the decisions. The Board considers the political stability, economic environment and the future possible regulatory changes and weighs the risks and returns on a long term basis and makes the decisions.

### Exchange Rate Risk

Expanding operations into international market has increased the Company's exposure to the fluctuations in the exchange rate. The Company has placed the exchange rate risk at high level of priority and constantly monitors movements in exchange rates and takes mitigatory actions on an ongoing basis. With the evolving group operations matrix, the nature of exposure to the exchange rate risks moves from short term to long term, where the Group is now exposed

to foreign currency denominated borrowings as well as capital investment commitments. However, the Group expects to mitigate this risk by matching the projected foreign exchange earnings as well as foreign exchange denominated asset base.

### Country & Political Risk

The Company is also exposed to country risk as well as the political risk as a result of venturing into overseas markets. The culture and the social, political and legal background of such countries may differ from the domiciled country. Any differences in the practices of the countries may lead to various problems for the organization. In order to mitigate these risks, the Company carries out a comprehensive country risk analysis and assess whether the country risk can be manageable. In mitigating the cultural risks, the company employs officers in charge of public relations in liaising with any issues arising pertaining to the difference in cultural affairs.

### Stakeholder Risk

Stakeholders play an important role in any organization. Managing stakeholders is of paramount importance since they can influence the organization both positively and negatively. These stakeholders include shareholders, customers, community, government etc. Each of these stakeholder groups has different level

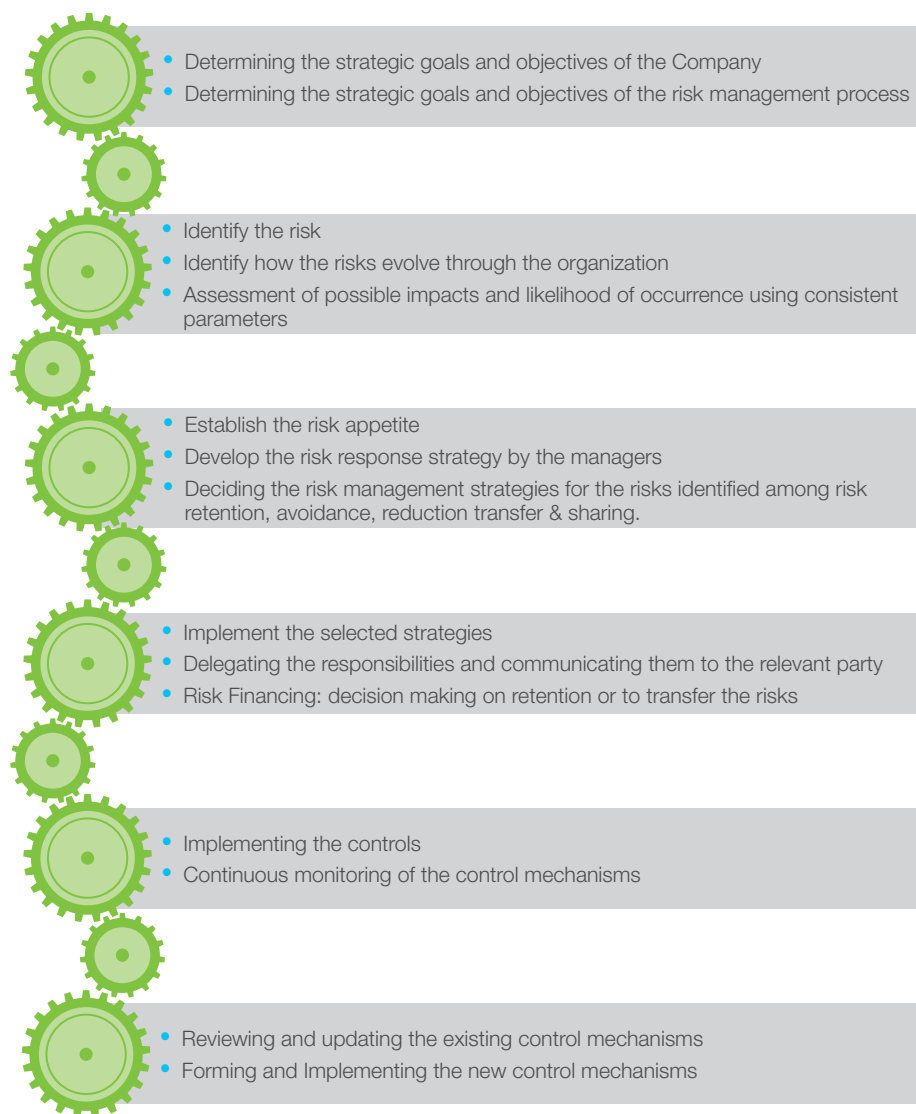
of interests and influence to impact the organization. Vidullanka PLC, being a renewable energy developer has presence in various locations of the country and is highly impacted by the actions of local residents located near our power plants. Therefore the Company takes necessary steps to minimize those interruptions by maintaining a healthy relationship with them.

### Operational Risk

Operational risk is the phenomena where the Company is unable to carry out its economic activities. This can occur due to the breakdown of machinery in the plants, or due to people issues or even by a natural hazard. The management placed high level of priority over the continued operation of the business and developed a detailed monitoring plan including preventive maintenance and assurance.

# Risk Management

## Risk Management Process



## Identified Risks and Mitigation Strategies

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
<b>Macroeconomic and Political Environment</b>					
<b>Economic Risk:</b> 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 & economic feasibility prior to project investments.	Yes	Adopted	Yes
<b>Financial Exposure</b>					
<b>Credit Risk:</b> 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, the transactions are done under Standardized Power Purchase Agreements. The Group carries out business transactions under formal contracts.  Additional risk mitigation measures in place with regard to overseas projects.	Yes	Adopted	Yes
<b>Financial Risk:</b> 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 reviews the debt position of the group as well as the contingent liabilities periodically.	Yes	Adopted	Yes

# Risk Management

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
<b>Exchange Rate Risk:</b> The risk of losses due to the fluctuation of exchange rates.	Medium	The Company constantly monitors the movements in exchange rate fluctuations take mitigation measures detailed under risk management report.	Yes	Adopted	Yes
<b>Environment and Health &amp; Safety</b>					
<b>Health &amp; Safety Risk:</b> The risk of the employees exposed to dangers while working in the power plant construction site and during the operation.	High	The power plant employees are provided with the required safety equipment during both construction and operation. Training is given for them periodically to encourage them to follow the safety measures. The Company follows higher standards in the health and safety provision.	Yes	Adopted	Yes
<b>Environmental Risk:</b> The risk of imposing actual and potential threats of adverse impacts on environment and inhabitants effluents and resource depletion arising from the organization's activities.	High	The Company employs environmental consultants internally and external consultants' advice also sought in times of need and carries out an extensive Initial Environment Examination Report before the initiation of projects & conducts Environmental Impact Analysis for the projects. The Company also adopts IFC performance standards for the studies and development of its overseas projects.	Yes	Adopted	Yes
<b>Weather Risk:</b> The risk associated with the changing weather pattern, resulting in operational, and financial losses to the Company.	Medium	The Company considers geographical diversification as well as incorporating the seasonal weather variations into construction plans.	Yes	Adopted	Yes

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
<b>Reputation of the Organization</b>					
<b>Public Relations Risk:</b> The 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 to project initiation.  The Operations Department and the site crew are engaged in continuous monitoring and implementation of mitigation measures.	Yes	Adopted	Yes
<b>Stakeholder Risk:</b> The risk occurs when the company fails to reasonably satisfy its stakeholder expectations.	Medium	The Company identifies the expectations of the stakeholders and these expectations are fulfilled based on the level of importance in the affairs of the Company. Since the power projects are located in the remote villages, the Company always ensures due care in the welfare of the villages, especially in the areas of education and infrastructure development.	Yes	Adopted	Yes
<b>Operations &amp; Internal Resources</b>					
<b>Operational Risk:</b> The risk incurred by an organization's internal activities. The risk of loss resulting from inadequate internal processes, people and systems, or from external events. The risks associated with errors or events in transaction processing or other business operations.	Medium	The compatibility of internal control mechanism is audited & assured by the internal auditors.	Yes	Adopted	Yes



# Risk Management

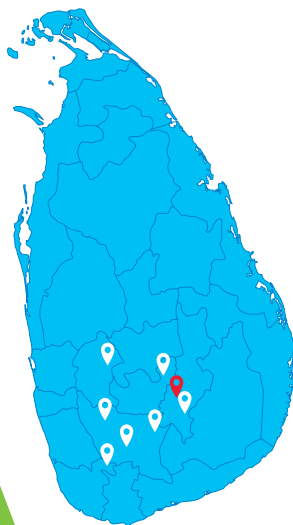
Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
<b>Fraud Risk:</b> Sub-optimal usage of company assets, fraudulent statements and corruption.	Low	The Company adopts the internal control mechanisms to optimize the utilization of assets, eliminate the chances of fraud and misuse of Company resources by segregation of duties and suitable approaches.	Yes	Adopted	Yes
<b>Information Technology Security</b>					
<b>Information Risk:</b> The risk of non-public or confidential information could be accessed and exploited by unauthorized parties.	Medium	<p>The access to sensitive and confidential information is limited only to authorized personnel.</p> <p>IT infrastructure is embedded with required software applications. The Company has placed firewall controls that enable IT administration to provide efficient corporate solutions to deal with the usage of wasteful and dangerous applications to increase network and user productivity. IT audits are done as a part of the external audit.</p>	Yes	Adopted	Yes
<b>Regulatory Environment</b>					
<b>Regulatory &amp; Legal Risk:</b> The risk of changes in laws and regulations with material impact on business in costs of operating and viability of investments.	High	<p>The Company adopts a proactive approach on possible changes in laws and regulations.</p> <p>The Company believes in voluntary compliance of regulations set by regulatory bodies.</p>	Yes	Adopted	Yes

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
<b>Global Business Environment</b>					
<b>Global Competition Risk:</b> The risk of increasing global competition and the failure of the Company to adopt to the changing environment.	Low	At the moment the Company has 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 acquire other resources as it adds further international projects to the portfolio.	Yes	Adopted	Yes
<b>Country &amp; Political Risk:</b> The Country risk is where the Company will have to face difficulties when expanding the business to another country due to the differences in culture, political and social environment.	Medium	The Company carries out a comprehensive country analysis covering legal, economic, regulatory and tax frameworks.	Yes	Adopted	Yes









### Rideepana MHPP

*The latest addition of Vidullanka contributed 6.2GWh of power and helped to sustain the growth momentum of the group.*



# 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 Auditor's Report and Financial Statements for the year ended 31<sup>st</sup> March 2016, to be presented at the 20<sup>th</sup> Annual General Meeting of the Company.

## Review of the Year Principal Activity of the Company / Core Activity

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

## Principal Activity of the Subsidiaries

The principal activity of Vidul Engineering Limited is the provision of construction and engineering services related to hydro power plants.

Walagamba Balashakthi (Pvt) Limited'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) Limited is to produce electrical energy and transmit to feed the national grid from its Rideepana Mini Hydro Power Plant in Badulla. The power plant was commissioned to the national grid on 15<sup>th</sup> May 2015.

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

The principal activity of Muvumbe Hydro (U) Limited 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 power plant is under construction as of 31<sup>st</sup> March 2016.

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

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

## Principal Activity of the Joint Ventures

The primary activity of Gurugoda Hydro (Pvt) Limited is to produce hydro electricity and transmit to the national grid. The company's power plant, Ganthuna Mini Hydro Power Plant is located in Aranayake, Kegalle.

The principal activity of Udaka Energy Group (Pvt) Limited is to generate hydro power 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) Limited. The power plant of the company, Madugeta Mini Hydro Power Plant is situated in Neluwa, Galle.

## Major Transactions & Material Business Transactions

Vidullanka PLC acquired the 200 equity shares of the Lower Kotmale Oya Hydro Power (Pvt) Limited held by the joint venture partners for a consideration of Rs. 258,425,354 of which Rs. 200,000,000 was made through a share swap by way of a private placement and the reminder was paid as a cash consideration.

The share swap was at the ratio of 156,250 shares of Vidullanka PLC at a per share value of Rs.6.40 for every share of Lower Kotmale Oya Hydro Power (Pvt) Limited. Subsequently the Lower Kotmale Oya Hydro Power (Pvt) Limited became a subsidiary of Vidullanka PLC with the ownership of 99.75%.

During the year under review, the Company embarked on the investment in the 6.5MW Muvumbe Small Hydro Power Project through its wholly owned subsidiary Muvumbe Hydro (U) Limited with an investment commitment of USD 13,500,000 of which USD 5,000,000 by way of equity investment and the remaining USD 8,500,000 through a syndicated project funding facility secured by Muvumbe Hydro (U) Limited guaranteed by the Vidullanka PLC.

## Financial Statements

The financial statements prepared in compliance with the requirements of Section 151 of the Companies Act No. 7 of 2007 are given on page 80 of this Annual Report.



### Independent Auditor's Report

The Auditor's Report on the financial statements is given on page 79 of this report.

### Accounting Policies

The Accounting Policies adopted in preparation of the financial statements is given on page 86. 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. 371,590,716 of which Rs. 370,614,115 is attributed to equity shareholders. During the year under review, the Company paid two interim dividends of Rs 0.125 and Rs. 0.10 per share amounting to a total distribution of Rs. 134,374,028 to the shareholders of the Company.

### Property, Plant & Equipment

During the year under review the Group invested a sum of Rs. 291,424,748 (2015 – Rs. 385,964,210) in Property, Plant & Equipment of which Rs. 54,195,425 (2015 - Rs. 322,460,504) was in plant & machinery, Rs. 4,214,783 (2015-Rs. 1,302,217) was in computer and other equipment and Rs.3,184,944 (2015 – Rs. 2,142,587) was in furniture and fixtures. Further Rs. 3,496,198 (2015 – Rs. 429,612) was invested in office equipment, Rs. 31,668,731 (2015 – Rs. 797,579) was in motor vehicles and Rs. 194,664,666 (2015 - 58,756,710) was in power plants work – in – progress. No investment was made in Freehold Land (2015 – 75,000).

In addition, the acquisition of Lower Kotmale Oya Hydro Power (Pvt) Limited resulted in an addition of Rs. 952,868,692 to the Group Property Plant & Equipments of which Rs. 936,543,458 was in plant and machinery, Rs. 177,700 in computer & other equipments, Rs. 641,821 was in office equipments, Rs. 233,780 was in motor vehicles and Rs.15,271,933 was in freehold land.

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

### Market Value of Freehold Land

There was no freehold land classified as investment properties.

### Investments

Details of long-term Investments held by the Group are given in Note 5 to the financial statements on page 102.

### Directors' Responsibilities

The Statement of the Directors' Responsibilities is given on page 75 of this report.

### Corporate Governance

The Company has complied with the corporate governance rules laid down under the listing rules of the Colombo Stock Exchange, and the report on corporate governance best practices given in page 48.

### Dividend

The company paid two interim dividends totaling a distribution of Rs. 134,374,028 (2015 – Rs. 83,522,109) during the year under review.

### Reserves

The Reserves and Accumulated Profits as at 31<sup>st</sup> March 2016 amount to Rs. 603,247,633 vs Rs. 617,737,438 as at 31st March 2015. The breakup and the movement are shown in the Statement of Changes in Equity in the financial statements.

### Stated Capital

As per the terms of the Companies Act No. 7 of 2007, the stated capital of the Company was Rs. 1,267,893,105. The movements are shown in the Statement of Changes in Equity in the financial statements.

### Post Balance Sheet Events

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

### Statutory Payments

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

### Interests Register

Details of the transactions with Director-related entities are disclosed in Note 26 to the financial statements on page 122 and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 7 of 2007.

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

## 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  
Mr. S. S. V. Fernando

The report of the Audit Committee on page 70 set out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10.6 of the Rules of the Colombo Stock Exchange on Corporate Governance.

### Remuneration Committee

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

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

The report of the Remuneration Committee on page 73 contain a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive, Non-Executive Directors and other Key Management Personnel during the financial year are given in Note 26.2 on page 124 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  
Mr. Ranjan Mather  
Mr. M. Zulficar Ghouse  
Mr. Riyaz M. Sangani

The report of the Investment and Strategy Committee on the strategic direction and the investment policy is given on page 72.

### Related Party Transaction Review Committee

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

Mr. S.S.V Fernando - Chairman  
Ms. Roshini Sangani  
Mr. Sujendra Mather

The report of the Related Party Transactions Review Committee is given on page 74.

## Investor Information and Shareholdings

The investor information is given on Page 131.

### Major Shareholders

Details of twenty largest shareholders of the company and percentage held by each of them are disclosed in page 133.

### Directors

The Directors of the Company as at 31<sup>st</sup> March 2016 and their brief profiles are given on page 20 in this report.

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

Mr. Shahid M. Sangani  
Mrs. B.R.I. Sangani  
Mr. S.S.V. Fernando

Mr. Sujendra Mather, being appointed since the last Annual General Meeting, being eligible has offered himself for re-election.

### Directors' Shareholding

The interest of the Directors in the shares of the Company as at 31<sup>st</sup> March of 2015 and 2016 were as follows:

Directors	No. of Ordinary Shares	
	As at 31.03.2016	As at 31.03.2015
Mr. Osman Kassim	7,626,321	4,126,902
Mr. Riyaz M. Sangani	78,841,789	48,360,919
Mr. Shahid M. Sangani	3,645,875	2,515,573
Mr. Ranjan Mather	4,500,000	2,184,428
Dr. A.A.M. Haroon	-	-
Mr. M. Zulficar Ghouse	10,000,000	8,100,000
Mrs. B.R.I. Sangani	9,119,958	6,467,657
Mr. C.F. Fuhrer	-	-
Mr. S.S.V. Fernando	4,500,000	11,000,000
Mr. Sattar Kassim	10,779,440	800,651
Mr. Sujendra Mather	18,025,356	-

### 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 or 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 Auditor. Details on the work on the Audit Committee are set out in the Audit Committee Report.

### Going Concern


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

### Notice of Meeting

The Annual General Meeting will be held at 10.30 am on Friday, 22nd July 2016 at Bougainvillea Auditorium, Galadari Hotel, Colombo 01.

The Notice of the Annual General Meeting appears on page 136.

For and on behalf of the Board.



Osman Kassim  
Chairman



Riyaz M. Sangani  
Managing Director



Managers & Secretaries (Pvt) Ltd  
Secretaries

Vidullanka PLC  
24 June 2016  
Colombo

# Board Committees

Being a Company, which considers good corporate governance as a core responsibility towards our stakeholders, we have placed higher importance on internal control mechanisms. As a result the Board of Vidullanka has delegated its responsibilities to four subcommittees in order to ensure better governance practices while assisting the board in the decision making process and also in adherence with the Colombo Stock Exchange (CSE) listing rule requirements 7.10.5, 7.10.6 and 9.2.

The reports of the Board subcommittees during the financial year under review are presented below.

## Audit Committee Report

Dear Shareholder,

*The report on the Audit Committee activities for the financial year 2015/16.*

During the financial year 2015/16, the Audit Committee has placed a greater importance on improving the effectiveness of internal control mechanisms that has been adopted by the company along with meeting compliance regulations when carrying out its business activities. Further, the Audit Committee reviewed the comments provided by our Company auditors Messrs Ernst & Young Chartered Accountants.

## Composition of the committee and the meetings

The Audit Committee comprised of Following Non-Executive Directors.

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

During the year the Audit Committee conducted four meetings and the meetings were attended by all the members of the committee. The Managing Director and senior management team participated by invitation.

## Role of the Committee

The Audit Committee assists the Board by overseeing the preparation, presentation and adequacy of disclosures in the financial statements of the Company in accordance with the SLFRS, monitoring the compliance with financial reporting requirements, information required by the Companies Act and other related reporting standards while ensuring that the internal controls and risk management adopted are adequate to meet the requirements of the Sri Lanka Auditing Standards.

Apart from the above said primary roles the Committee always observes and ensures that they are well updated on the recent developments of corporate governance practices.

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 year under review, the Audit Committee specifically engaged in the following activities.

- Reviewed and discussed the overall financial performance of the Company
- Discussed the progress of projects under construction and reviewed the effectiveness of the cost control mechanisms.
- Reviewed the learnings and shortcomings based on the post commissioning audit and suggested process improvements.
- Reviewed and discussed the business plan of the organization for the forthcoming period.
- Reviewed and discussed the risk assessment report on the major transactions to ensure the risks assumed in the course of the business are sustainable and within the risk appetite of the Company.
- Implemented an on-going reporting mechanism to ensure compliance with all the statutory and tax regulations.

Apart from the above mentioned activities, the Audit Committee is also vested with below mentioned responsibilities.

- Ensuring sound internal control mechanisms adopted by the organization is adequate to fulfill the requirements of the relevant regulatory bodies and propose corrective actions, if needed.
- Ensuring the adequacy and timeliness of the dissemination of financial information.
- Ensuring the risk management policies and practices are in place.
- Setting clear hiring policies for employees or former employees of the auditors.

#### External Audit

The Audit Committee has provided recommendations to the Board regarding the independence & appointment/re-appointment of the external auditors considering their terms of engagement and remuneration. Further, the Audit Committee paid attention and discussed the audit plan along with the key issues identified and put forward the suggestions for better implementation of the audit plan.

I confirm that over the financial year 2015/16, 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 2016



# Board Committees

## Investment and Strategy Committee Report

Dear Shareholder,

*The report on the Investment and Strategy Committee activities for the year 2015/16.*

The Investment and Strategy Committee carries the mandate of reviewing and enhancing the investment policies to ensure a sound investment portfolio while monitoring the compliance and managing them.

The Committee periodically monitors the status of the investment portfolio of the company and assesses the performance of the investments against the benchmark investments in the market and advises the Board if there are any changes for the portfolio which has to be made.

In addition, the Committee assists in managing the asset portfolio of the Company by formulating long term expansion and sustainable strategies and monitoring the performance against those strategies so as to ensure the maximization of shareholder wealth.

Further, the Committee critically evaluates the new investment proposals and the associated risks and advises the Board in making key investment decisions.

The Investment and Strategy Committee comprised of three Non-Executive Directors and Managing Director and the Chairman. The members of the Board are,

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

During the year the Committee held three meetings with the participation of all the Committee members.

Within the financial year, the Committee sought decisions and recommendation on the following matters related to the Company;

- Critical evaluation of the financial position and performance of the Company in light of funding for the new project developments.
- Acquisition of a majority stake in a joint venture company and disposal of its stake in another joint venture company
- Investing in overseas projects and funding proposals.
- Critical evaluation of the dynamics of in venturing into development of new sources of renewable energy generation.
- Evaluation of the performance of equity investments in shares of another listed entity.



Osman Kassim

*Chairman – Investment and Strategy Committee*

24 June 2016

## Remuneration Committee Report

Dear Shareholder,

*The report on the Remuneration Committee activities for the financial year 2015/16.*

The Remuneration Committee of Vidullanka PLC, along with the contribution of the Board, has continued to ensure that the Company's remuneration policies remain aligned with the best practices of corporate governance and competitive with the market players by establishing a formal and transparent procedure for developing policy for remuneration packages of individual Directors and Key Management Personnel of the group.

The Committee comprises of three Non-Executive Directors.

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

The Committee is responsible for designing fair and attractive compensation arrangement for Directors, Managing Director and other Key Personnel which may help the organization in achieving its objective of maximizing shareholder benefits by retaining a competent Board and a highly qualified management team.

During the year, the Committee has designed a performance related incentive scheme for the senior management team based on which the rewards, recognitions and promotions are decided.

The remuneration policy of the Company has set in a manner which helps the organization to attract, retain and motivate highly competent professionals who can guide the organization towards achieving its goals and objectives.

The Committee had one meeting for this financial year, which was attended by all the members.



Ranjan Mather

*Chairman – Remuneration Committee*

24 June 2016

# Board Committees

## Related Party Transactions Review Committee Report

In accordance with the code of best practice on related party transactions issued by the Securities & Exchange Commission (SEC) of Sri Lanka and in compliance with the section 9 of the listing rules, the Board of Vidullanka PLC has established the Related Party Transactions Review Committee.

The Committees responsible for the assessment of related party transactions and recommendations to the Board.

The Committee is comprised of the following three Non-Executive Directors, two of whom are Independent.

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

Related Party Transactions Review Committee is vested by the Board with the following duties and responsibilities.

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into, with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where

necessary, including, obtaining appropriate professional and expert advice from suitably qualified persons.

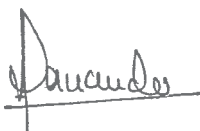
- To recommend, where necessary, to the Board and obtain their approval or shareholder approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not detrimental to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors, External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non-recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

The Committee reviewed the related party transactions and their compliances of Vidullanka PLC and its subsidiaries and communicated the same to the Board, including,

- Review of disposal of stake in a joint venture company
- Review and recommendation of acquisition of majority stake in a joint venture company.

The Committee in its review process recognised the adequacy of the content and quality of the information forwarded by the management.

The Committee met twice during the year under review. The attendance of Directors at meetings held is given on page 51 of the Annual Report.



S.S.V. Fernando  
*Chairman - Related Party Transactions Review Committee*

24 June 2016

# 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,

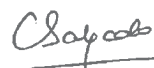
1. Appropriate accounting policies have been selected and applied on a consistent basis. Material anomalies, if any, are disclosed and explained.
2. Ensure that all applicable accounting standards have been followed.
3. The adjustments and estimates are reasonable and prudent.
4. The Directors are responsible 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 inspections 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, duties, levies and taxes payable on behalf of and in respect of employees of the Company and its group companies, and all other known statutory dues as were due and payable by the Company and its group companies as at the balance sheet date have been paid or where relevant provided for.

By order of the Board,



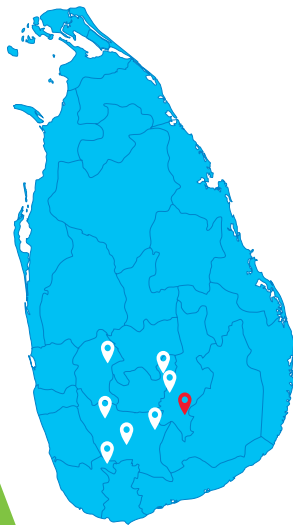
Managers & Secretaries (Pvt) Ltd  
Secretaries

Vidullanka PLC  
24 June 2016









### Haloya MHPP

*Located deep in the hill country, the project is yet another example of Vidullanka's technical excellence of constructing power plants in untamed terrains.*

# Financial Report

Independent Auditor's Report	79
Statement of Financial Position	80
Statement of Comprehensive Income	82
Statement of Changes in Equity	83
Cash Flow Statement	84
Notes to the Financial Statements	86

# Independent Auditor's Report



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## 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 2016, 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.

### Auditor's 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 auditor's 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 2016, 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:

- The basis of opinion, scope and limitations of the audit are as stated above.
- 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 2016, 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.

15 June 2016  
Colombo

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

A member firm of Ernst & Young Global Limited

# Statement of Financial Position

		Group		Company	
As at 31 March 2016	Note	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	4	2,267,305,432	1,151,868,526	517,452,643	529,200,189
Investments in Subsidiaries	5.1	-	-	883,334,127	130,600,080
Investment in Joint Ventures and Associates	5.2.2	313,587,225	391,573,976	220,912,412	248,482,767
Other Project Investments	6	79,021,852	118,527,779	79,021,852	118,527,779
Goodwill	5.2.1	215,879,382	55,081,089	-	-
		2,875,793,891	1,717,051,370	1,700,721,034	1,026,810,815
<b>Current Assets</b>					
Inventories		1,160,939	442,615	-	-
Trade and Other Receivables	7	342,959,973	235,545,296	230,396,859	323,012,360
Other Financial Assets	5.3	196,266,669	190,838,686	196,266,669	190,838,686
Cash and Bank Balances	21	92,823,126	92,019,456	22,816,481	69,246,226
		633,210,707	518,846,053	449,480,009	583,097,272
<b>Total Assets</b>		<b>3,509,004,598</b>	<b>2,235,897,423</b>	<b>2,150,201,043</b>	<b>1,609,908,087</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	8	1,267,893,105	829,258,508	1,267,893,105	829,258,508
Retained Earnings		603,247,633	617,737,438	234,065,162	397,755,781
Other components of equity		(5,709,736)	194,856	-	-
<b>Equity attributable to Equity Holders of the Parent</b>		<b>1,865,431,002</b>	<b>1,447,190,802</b>	<b>1,501,958,266</b>	<b>1,227,014,289</b>
Non Controlling Interest		4,968,730	3,261,138	-	-
<b>Total Equity</b>		<b>1,870,399,732</b>	<b>1,450,451,940</b>	<b>1,501,958,267</b>	<b>1,227,014,288</b>
<b>Non-Current Liabilities</b>					
Financing and Lease [Ijara] Payables	10	963,765,092	496,169,221	170,507,756	184,620,292
Defined Benefit Liability	13	17,897,827	17,118,145	15,788,028	11,905,536
Deferred Taxation	11.2	20,381,187	18,277,342	19,996,195	18,941,321
		1,002,044,106	531,564,708	206,291,979	215,467,149

As at 31 March 2016	Note	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Current Liabilities</b>					
Trade and Other Payables	12	147,057,046	109,208,459	126,929,539	53,483,679
Financing and Lease [Ijara] Payables	10	484,605,275	134,745,607	310,805,215	107,065,375
Income Tax Liabilities		4,898,439	9,926,709	4,216,043	6,877,596
		636,560,760	253,880,775	441,950,797	167,426,649
<b>Total Equity and Liabilities</b>		<b>3,509,004,598</b>	<b>2,235,897,423</b>	<b>2,150,201,043</b>	<b>1,609,908,087</b>
Net Asset Value Per Share (Rs.)		2.50	3.04	2.01	2.57

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



**Mafaz Ansar**  
Head of Finance & Treasury

The Board of Directors is responsible for 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 86 through 130 form an integral part of these financial statements.

15 June 2016  
Colombo



# Statement of Comprehensive Income

Year ended 31 March 2016	Note	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Revenue	14	723,224,440	563,348,047	366,948,890	364,715,487
Cost of Sales		(121,524,134)	(128,526,288)	(46,220,402)	(55,399,874)
<b>Gross Profit</b>		<b>601,700,306</b>	<b>434,821,759</b>	<b>320,728,488</b>	<b>309,315,613</b>
Other Income and Gains / (Losses)	18	19,480,857	37,467,881	101,767,579	101,499,037
Investment Income from					
Joint Ventures / Associates	5.2.3	114,639,610	157,023,294	-	-
Administrative Expenses		(256,028,447)	(201,563,898)	(157,248,827)	(158,200,266)
Finance Cost	16	(93,998,094)	(41,436,536)	(33,968,725)	(26,979,063)
Finance Income	17	6,669,465	1,991,853	4,332,398	7,154,261
<b>Profit Before Tax</b>		<b>392,463,697</b>	<b>388,304,354</b>	<b>235,610,913</b>	<b>232,789,582</b>
Income Tax Expense	11	(20,872,981)	(33,307,289)	(20,156,349)	(28,151,155)
<b>Profit for the Year</b>		<b>371,590,716</b>	<b>354,997,065</b>	<b>215,454,564</b>	<b>204,638,427</b>
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		2,368,126	(1,084,451)	2,382,199	(875,524)
Income Tax on Other Comprehensive Income		(299,537)	131,780	(285,864)	105,063
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Period					
Exchange differences on translation of foreign operations		(5,904,592)	194,856	-	-
Other Comprehensive Income for the Year, Net of Tax		(3,836,003)	(757,815)	2,096,335	(770,461)
<b>Total Comprehensive Income for the Year, Net of Tax</b>		<b>367,754,713</b>	<b>354,239,250</b>	<b>217,550,899</b>	<b>203,867,966</b>
<i>Profit attributable to:</i>					
Equity Holders of the Parent		370,614,115	353,139,705	215,454,564	204,638,427
Non-Controlling Interests		976,601	1,857,360	-	-
		<b>371,590,716</b>	<b>354,997,065</b>	<b>215,454,564</b>	<b>204,638,427</b>
<i>Total Comprehensive Income attributable to:</i>					
Equity Holders of the Parent		366,778,181	352,421,076	217,550,899	203,867,966
Non-Controlling Interests		976,532	1,818,174	-	-
		<b>367,754,713</b>	<b>354,239,250</b>	<b>217,550,899</b>	<b>203,867,966</b>
Earnings Per Share - Basic	19	0.52	0.49	0.30	0.29
Dividend Per Share		-	-	0.23	0.18

The accounting policies and notes on pages 86 through 130 form an integral part of these financial statements.

# Statement of Changes in Equity

Year ended 31 March 2016

		Stated Capital	Treasury Shares	Retained Earnings	Foreign Currency Translation Reserve	Non- Controlling Interest	Total
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Group</b>							
Balance as at 1 April 2014		829,258,508	(42,592,171)	349,072,512	-	2,903,778	1,138,642,627
Profit for the Year		-	-	353,139,705	-	1,857,360	354,997,065
Other Comprehensive Income		-	-	(952,671)	194,856	-	(757,815)
Total Comprehensive Income for the Year		-	-	352,187,034	194,856	1,857,360	354,239,250
Shares Purchased by the Employees		-	42,592,171	-	-	-	-
Dividend paid during the year	20	-	-	(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	1,450,451,939

Shares Issued during the year	8	200,000,000	-	-	-	1,500,000	201,500,000
Profit for the Year		-	-	370,614,115	-	976,601	371,590,716
Other Comprehensive Income		-	-	2,068,590	(5,904,592)	-	(3,836,003)
Total Comprehensive Income for the Year		-	-	372,682,705	(5,904,592)	976,601	367,754,713
Capitalisation of Reserves	8	238,634,597	-	(246,867,490)	-	-	(8,232,893)
Acquisition of Non - Controlling Interest	9	-	-	(5,930,991)	-	(769,009)	(6,700,000)
Dividend paid during the year	20	-	-	(134,374,028)	-	-	(134,374,028)
Balance as at 31 March 2016		1,267,893,105	-	603,247,633	(5,709,736)	4,968,730	1,870,399,732

	Note	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
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## Company

Balance as at 1 April 2014		829,258,508	277,409,924	1,106,668,432
Profit for the Year		-	204,638,427	204,638,427
Other Comprehensive Income		-	(770,461)	(770,461)
Total Comprehensive Income for the Year		-	203,867,966	203,867,966
Dividend paid during the year	20	-	(83,522,109)	(83,522,109)
Balance as at 31 March 2015		829,258,508	397,755,780	1,227,014,289

Profit for the Year		-	215,454,564	215,454,564
Other Comprehensive Income		-	2,096,335	2,096,335
Total Comprehensive Income for the Year		-	217,550,899	217,550,899
Capitalisation of Reserves	8	238,634,597	(246,867,490)	(8,232,893)
Shares Issued during the year	8	200,000,000	-	200,000,000
Dividend paid during the year	20	-	(134,374,028)	(134,374,028)
Balance as at 31 March 2016		1,267,893,105	234,065,161	1,501,958,267

The accounting policies and notes on pages 86 through 130 form an integral part of these financial statements.

# Cash Flow Statement

Year ended 31 March 2016	Notes	Group		Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Cash Flows From Operating Activities</b>					
Profit from Ordinary Activities Before Tax		392,463,698	388,304,354	235,610,913	232,789,582
<i>Adjustments for</i>					
Depreciation	15	50,010,268	41,331,040	24,740,847	29,143,073
(Profit) on Disposal of Property, Plant & Equipment	18	(2,657,168)	(2,244,396)	(2,368,502)	(2,849,500)
Fair value Loss on Investments in Quoted Shares		12,352,928	-	12,352,928	-
Loss on Share Disposal		2,968,173	-	2,968,173	-
Provision for Retiring Gratuity	13	3,888,738	3,325,232	3,236,726	2,217,178
Dividend Income	18	(25,554,813)	(442,448)	(114,720,178)	(54,446,105)
Impairment / Written off of other projects	6	4,194,211	715,958	4,194,211	715,958
Share of Profits from Joint Ventures	5.2.2	(114,639,610)	(157,023,294)	-	-
Finance Income	17	(6,669,465)	(1,991,853)	(4,332,398)	(7,154,262)
Finance Costs	16	93,998,094	41,436,536	33,968,725	26,979,063
<b>Operating Profit Before Working Capital Changes</b>		<b>410,355,053</b>	<b>313,411,128</b>	<b>195,651,444</b>	<b>227,394,988</b>
(Increase) / Decrease in Inventories		(718,327)	(442,613)	-	-
(Increase) / Decrease in Trade & Other Receivables		(107,481,999)	28,872,255	99,242,709	20,518,251
(Increase) / Decrease in Other Financial Assets		-	(173,860,194)	-	(173,860,194)
(Increase) / Decrease in Treasury shares		-	42,592,171	-	-
Increase / (Decrease) in Other Payables		37,848,588	56,236,442	73,445,859	20,050,530
Transfer of expenses from other project investment to relevant project companies		-	79,017,410	-	79,017,410
<b>Cash Generated from Operations</b>		<b>340,003,314</b>	<b>345,826,599</b>	<b>368,340,013</b>	<b>173,120,986</b>
Finance Costs Paid		(93,998,094)	(41,436,536)	(33,968,725)	(26,979,063)
Finance Income Received		6,669,465	1,991,853	927,554	7,154,262
Defined Benefit Plan Cost Paid	13	(820,800)	(75,520)	(194,400)	(75,520)
Income Tax Paid		(23,811,081)	(25,383,746)	(21,763,022)	(20,903,732)
<b>Net Cash from Operating Activities</b>		<b>228,042,805</b>	<b>280,922,650</b>	<b>313,341,420</b>	<b>132,316,932</b>

		Group		Company	
Year ended 31 March 2016		2016	2015	2016	2015
	Notes	Rs.	Rs.	Rs.	Rs.
Cash Flows Used in Investing Activities					
Acquisition of Property, Plant & Equipment		(267,191,999)	(361,384,133)	(14,074,844)	(6,817,303)
Proceeds from sale of Property Plant and Equipment		9,718,164	5,438,660	3,077,828	5,344,786
Net Proceeds from Investment in New projects		35,311,716	(72,989,516)	35,311,716	(72,989,516)
Net Investment on Other Financial assets		(17,737,738)	-	(17,737,738)	-
Net cash and cash equivalents on acquisition of subsidiary		(40,027,722)	-	(552,734,046)	-
Net proceeds from Investment in Joint Ventures and associates		(51,250,000)	(2,105,263)	24,645,355	(22,205,263)
Dividend Received		25,554,813	48,462,931	114,720,178	54,446,105
Net Cash Flows Used in Investing Activities		(305,622,766)	(382,577,321)	(406,791,551)	(42,221,191)
Cash Flows From / (Used in) Financing Activities					
Dividend Payments		(134,374,028)	(85,022,109)	(134,374,028)	(83,522,109)
Cost of Capitalisation of Reserve		(8,232,893)	-	(8,232,893)	-
Principal Payment Under Ijara Facilities / (Finance Leases)		(1,348,692)	(4,768,716)	(536,538)	(3,098,433)
Principal Payment Under Murabaha Facilities		(16,534,170)	(24,289,441)	(16,534,170)	(24,289,441)
Principal Payment Under Diminishing Musharakah Facilities		(205,702,011)	(80,741,611)	(104,852,757)	(45,540,420)
Principal Payment Under Wakala		(10,000,000)	-	(10,000,000)	-
Principal Payment Under Short term facilities		(54,113,899)	(71,546,107)	(54,113,899)	(71,546,107)
Proceeds from Murabaha Facilities		-	100,000,000	-	100,000,000
Proceeds from Wakala		128,073,715	-	128,073,715	-
Proceeds from Ijara Facilities		11,525,000	-	5,000,000	-
Proceeds from Diminishing Musharakah Facilities		126,499,654	246,153,423	-	-
Proceeds from short term facilities		242,590,954	104,037,774	242,590,954	104,037,774
Net Cash Flows From / (Used in) Financing Activities		78,383,630	183,823,213	47,020,385	(23,958,736)
Net Increase / (Decrease) in Cash & Cash Equivalents		803,670	82,168,542	(46,429,745)	66,137,004
Cash & Cash Equivalents at the Beginning of the year		92,019,456	9,850,914	69,246,226	3,109,222
Cash & Cash Equivalents at the End of the year	21	92,823,126	92,019,456	22,816,481	69,246,226

The accounting policies and notes on pages 86 through 130 form an integral part of these 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 Rathnapura District.

#### Subsidiaries

Vidul Engineering Limited is an 100% owned Subsidiary of Vidullanka PLC. Vidul Engineering Limited 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) Limited is a fully owned Subsidiary of Vidullanka PLC. Walagamba Balashakthi (Pvt) Limited was incorporated on 7 July 2008 under the Companies Act No.07 of 2007. The registered office of the subsidiary is located at Level 04, Access Tower, No, 278, Union Place, Colombo 02.

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

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

registered office of Muvumbe Hydro (U) Limited is located at KAA House, Plot 41, Nakasero Road, P.O Box 9566, Kampala.

Vidul Biomass (Pvt) Limited 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.

Vidul Plantation (Pvt) Limited 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.

Lower Kotmale Oya Hydro Power (Pvt) Limited is a limited liability company incorporated on 6 April 2010 under the Companies Act No 07 of 2007. The registered office of the company is located at Level 04, Access Towers, No.278, Union Place, Colombo 02. Vidullanka PLC holds 99.75% of the issues shares of the subsidiary.

#### Joint Ventures

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

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

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

#### Associates

Nilwala Vidulibala Company (Pvt) Limited is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Pahuruthota, Morawaka, Matara and the principal place of business is located at Morawaka, Matara. Vidullanka PLC has acquired 26.6% stake as of 31 March 2016.

## 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 hydro power plants at Bambarabatuoya Ratnapura and Batathota Kuruwita. Bambarabatuoya Mini Hydro Power Plant commenced its operation during June 2001 and the Batathota Mini Hydro Power Plant commenced its operation during February 2007.



### Subsidiary

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

The principal activity of Walagamba Balashakthi (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Wembiyagoda Mini Hydro Power Plant in Kalawana Rathnapura.

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

The principal activity of Muvumbe Hydro (U) Limited is to produce electrical energy and transmit to the national grid from the proposed Muvumbe small hydro power plant in Kabale District of Republic of Uganda. The power plant is under construction as of 31st March 2016.

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

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

### Joint Venture

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

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

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

### Associates

The principal activity of Nilwala Vidulibala Company (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Ethamala Ella mini hydro project in Morawaka, Matara. The power plant is under construction as of 31st March 2016.

### 1.3 Date of Authorization for Issue

The Financial Statements of Vidullanka PLC, for the year ended 31 March 2016 was authorized for issue in accordance with a resolution of the Board of Directors on 15 June 2016.

## 2.1 Basis of Preparation

### 2.1.1 Statement of Compliance

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

### 2.1.2 Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except financial instruments at fair value through profit or loss that have been measured at fair value and defined benefit obligations is recognised as the present value of the defined benefit obligation.

### 2.1.3 Functional and Presentation Currency

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

# Notes to the Financial Statements

## 2.1.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

## 2.1.5 Materiality and Aggregation

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

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

## 2.1.6 Comparative Information

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

## 2.2 Significant Accounting Judgments, Estimates and Assumptions

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

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

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

### 2.2.1 Going Concern

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

### 2.2.3 Defined Benefit Plan

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

available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

### 2.2.4 Useful lives of Property, Plant and Equipment

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

## 2.3 Summary of Significant Accounting Policies

### 2.3.1 Business Combinations and Goodwill

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

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

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

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

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

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

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control

# Notes to the Financial Statements

of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

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

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

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

The financial statements of the associate or 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 associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of comprehensive income.

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

## 2.3.3 Foreign Currency

### 2.3.3.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated 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 Lanka Rupees at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Sri Lanka Rupees at spot exchange rates at the dates of the transactions.

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

### 2.3.4 Taxation

#### Current Taxes

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

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

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

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

Udaka Energy Group (Pvt) Limited, is entitle for 5 years tax holiday under the provisions of subsection 16 of Inland Revenue Act 10 of 2006 having invested more than Rs.100mn in the development of a hydro power plant.

Rideepana Hydro (Pvt) Limited is entitle for a 6 year tax holiday under subsection 16 of the inland revenue act of 10 of 2006 having invested over Rs. 300mn by 31 March 2016. 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.

Management has used its judgment on the application of tax laws, including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

#### Deferred Taxation

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and



# Notes to the Financial Statements

tax laws) that have been enacted or substantively enacted at the reporting date.

## 2.3.5 Borrowing Costs

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

## 2.3.6 Inventories

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

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

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

## 2.3.7 Financial Instruments – Initial Recognition and Subsequent Measurement

### 2.3.7.1 Financial Assets

**Initial Recognition and Measurement**  
Financial assets within the scope of LKAS 39 are classified as financial

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

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### Subsequent Measurement

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

#### (a) Loans and Receivables

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

in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

#### (b) 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 comprehensive income 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 comprehensive income.

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

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near

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

### **De-recognition**

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

### **Impairment of Financial Assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as

a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial 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.

# Notes to the Financial Statements

## Subsequent Measurement

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

### Financing and Lease [Ijara] Payables

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

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

### De-recognition

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

### Fair value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for

long positions and ask price for short positions), without any deduction for transaction costs.

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

### 2.3.8 Cash and Cash Equivalents

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

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

### 2.3.9 Property, Plant and Equipment

#### a) Cost

All items of Property, Plant and Equipment are initially recorded at cost. Where items of Property, Plant and 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 and Equipment are carried at revalued amounts less any subsequent depreciation thereon. All other Property,

Plant and 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 and equipment other than freehold land, in order to write off such amounts over the following estimated useful lives by equal instalments.

Office Furniture	10 Years
Office Equipment	05 Years
Plant and Machinery	05 Years to 40 Years
Computer and Computer Equipments	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 fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

### **Group as a Lessee**

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

### **Group as a Lessor**

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

### **2.3.11 Other Project Investments**

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

### **2.3.12 Impairment of Non Financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Whereby, the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to assets. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

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

### **2.3.13 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

# Notes to the Financial Statements

certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

## 2.3.14 Defined Benefit Plan – Gratuity

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

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

### a) Recognition of Actuarial Gains and Losses

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

### b) Funding Arrangements

The gratuity liability is not externally funded.

## 2.3.15 Defined Contribution Plans – Employees’ Provident Fund & Employees’ Trust Fund

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

## 2.4 Statement of Comprehensive Income

### 2.4.1 Revenue Recognition

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

#### a) Energy Supplied

Revenue from energy supplied is recognized, upon delivery of energy from the power plant and the adjustment for transmission line losses shall be adjusted monthly upon receiving the meter reading by the 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) Interest

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

#### c) Rendering of Services

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

#### d) Others

Other income is recognized on an accrual basis. Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets, including investments have been accounted for in the statement of comprehensive income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

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

### 2.4.2 Expenditure Recognition

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

b) For the purpose of presentation of Statement of comprehensive income the Directors are of the opinion that function of expenses method presents fairly the elements of the Group’s performance, and hence such presentation method is adopted.

c) Finance expenses are recognized in the statement of comprehensive income on 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. Following the disposal of stake in Co-energi (Pvt) Limited, the energy efficiency segment was discontinued.

Details of the segment reporting are shown in Note 22 to the Financial Statements.

### 3. Sri Lanka Accounting Standards Issued But Not Yet Effective As At 31 March 2016

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

#### SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of

financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on the recognition and derecognition of financial instruments from LKAS 39.

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

#### SLFRS 14 Regulatory Deferral Accounts

SLFRS 14 is an interim standard, which provides relief for first time -adopters of SLFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

#### 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.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The following amendments and improvements are not expected to have a significant impact on the Group's consolidated financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38).
- Equity Method in Separate Financial Statements (Amendments to LKAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28).
- Annual Improvements to SLFRSs 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28).
- Disclosure Initiative (Amendments to LKAS 1).

# Notes to the Financial Statements

## 4. Property, Plant and Equipment

### 4.1 Group

#### 4.1.1 Gross Carrying Amounts

	Balance As at 01.04.2015 Rs.	*Acquisitions Rs.	Additions/ Transfers Rs.	Transfers/ Disposals Rs.	Balance As at 31.03.2016 Rs.
Freehold Land	33,460,625	15,271,933	-	-	48,732,558
Office Furniture and Fittings	9,111,585	-	3,184,944	(47,412)	12,249,117
Office Equipment	10,094,190	641,821	3,496,198	(2,550,551)	11,681,658
Computers and Computer Equipment	13,401,580	177,700	4,214,783	(688,664)	17,105,399
Plant and Machinery	1,208,690,275	936,543,458	54,195,425	(12,950)	2,199,416,208
Motor Vehicle	29,246,303	233,780	16,439,831	(18,270,473)	27,649,441
	1,304,004,558	952,868,692	81,531,182	(21,570,050)	2,316,834,382
On Finance Lease					
Motor Vehicle	15,998,830	-	15,228,900	(16,325,843)	14,901,887
	15,998,830	-	15,228,900	(16,325,843)	14,901,887
Total Value of Depreciable Assets	1,320,003,388	952,868,692	96,760,082	(37,895,893)	2,331,736,269

#### 4.1.2 In the Course of Construction

	Balance as at 01.04.2015 Rs.	*Acquisitions Rs.	Incurred During the Year Rs.	Transfers Rs.	Balance as at 31.03.2016 Rs.
Power Plant Work-in-Progress	58,838,045	-	194,664,666	(1,434,757)	252,067,954
	58,838,045	-	194,664,666	(1,434,757)	252,067,954
Total Gross Carrying Value	1,378,841,433	952,868,692	291,424,748	(39,330,650)	2,583,804,223

#### 4.1.3 Depreciation

	Balance As at 01.04.2015 Rs.	*Acquisition During the year Rs.	Charge for the year/ Transfers Rs.	Transfers/ Disposals Rs.	Balance As at 31.03.2016 Rs.
<b>At Cost</b>					
Office Furniture and Fittings	4,753,884	-	1,184,841	-	5,938,725
Office Equipment	5,574,916	108,803	1,791,245	(109,235)	7,365,729
Computers and Computer Equipment	10,846,809	84,705	1,652,201	(657,788)	11,925,927
Plant and Machinery	182,091,572	62,956,686	27,809,509	(385)	272,857,382
Motor Vehicle	14,909,466	174,887	15,439,966	(13,741,645)	16,782,674
	218,176,647	63,325,081	47,877,763	(14,509,053)	314,870,437
<b>On Finance Lease</b>					
Motor Vehicle	8,796,260	-	2,132,506	(9,300,412)	1,628,354
	8,796,260	-	2,132,506	(9,300,412)	1,628,354
<b>Total Depreciation</b>	<b>226,972,907</b>	<b>63,325,081</b>	<b>50,010,269</b>	<b>(23,809,465)</b>	<b>316,498,791</b>

#### 4.1.4 Net Book Values

	2016 Rs.	2015 Rs.
<b>At Cost</b>		
Freehold Land	48,732,558	33,460,625
Office Furniture and Fitting	6,310,392	4,357,701
Office Equipment	4,315,929	4,519,274
Computers and Computer Equipment	5,179,472	2,554,771
Plant and Machinery	1,926,558,826	1,026,598,703
Motor Vehicle	10,866,767	14,336,837
	2,001,963,945	1,085,827,911
<b>On Finance Lease</b>		
Motor Vehicle	13,273,533	7,202,570
	13,273,533	7,202,570
<b>In the Course of Construction</b>		
Power Plant Work-in-Progress	252,067,954	58,838,045
	252,067,954	58,838,045
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<b>2,267,305,432</b>	<b>1,151,868,526</b>

\* Vidullanka PLC acquired further 49.875% stake of Lower Kothmale Oya Hydro Power (Pvt) Ltd during the year.

# Notes to the Financial Statements

## 4. Property, Plant and Equipment (contd.)

### 4.1 Group (contd.)

**4.1.5** The carrying value of property, plant and equipment held under finance leases and ljarah at 31 March 2016 was Rs. 13,273,533/- (2015 - Rs. 7,202,570/-). Additions during the year include Rs. 15,228,900/- (2015 - Rs. 434,859/-) of property, plant and equipment under finance leases and ljarah.

**4.1.6** Property, plant and equipment include fully depreciated assets that are still in use, having a gross carrying amount of Rs. 26,907,637 (2015 - Rs. 9,615,108/-).

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

### 4.2 Company

#### 4.2.1 Gross Carrying Amounts

	Balance As at 01.04.2015 Rs.	Balance Additions / Transfers Rs.	Transfers / (Disposals) Rs.	As at 31.03.2016 Rs.
<b>At Cost</b>				
Freehold Land	27,839,175	-	-	27,839,175
Office Furniture and Fittings	7,365,285	3,151,750	(47,412)	10,469,623
Office Equipment	9,226,541	2,980,330	(2,346,759)	9,860,112
Computers and Computer Equipment	9,096,791	1,805,174	(650,664)	10,251,301
Plant and Machinery	637,714,620	807,719	(12,950)	638,509,389
Motor Vehicle	28,564,101	4,957,654	(10,846,031)	22,675,724
	719,806,513	13,702,627	(13,903,816)	719,605,325
<b>On Finance Lease</b>				
Motor Vehicle	4,679,290	7,470,643	(4,691,862)	7,458,071
	4,679,290	7,470,643	(4,691,862)	7,458,071
<b>Total Gross Carrying Value</b>	<b>724,485,803</b>	<b>21,173,270</b>	<b>(18,595,678)</b>	<b>727,063,396</b>

#### 4.2.2 Depreciation

	Balance As at 01.04.2015 Rs.	Charge for the year/ Transfers Rs.	Transfers/ (Disposals) Rs.	Balance As at 31.03.2016 Rs.
<b>At Cost</b>				
Office Furniture and Fittings	4,060,720	957,108	-	5,017,828
Office Equipment	5,148,670	1,450,518	(54,196)	6,544,992
Computers and Computer Equipment	7,896,175	778,987	(641,836)	8,033,326
Plant and Machinery	160,152,820	16,355,385	(385)	176,507,820
Motor Vehicle	14,455,336	8,519,644	(10,110,557)	12,864,423
	191,713,721	28,061,642	(10,806,974)	208,968,389
<b>On Finance Lease</b>				
Motor Vehicle	3,571,892	880,147	(3,809,675)	642,364
	3,571,892	880,147	(3,809,675)	642,364
<b>Total Depreciation</b>	<b>195,285,613</b>	<b>28,941,789</b>	<b>(14,616,649)</b>	<b>209,610,753</b>

#### 4.2.3 Net Book Values

	2016 Rs.	2015 Rs.
<b>At Cost</b>		
Freehold Land	27,839,175	27,839,175
Office Furniture and Fittings	5,451,795	3,304,565
Office Equipment	3,315,120	4,077,871
Computers and Computer Equipment	2,217,975	1,200,616
Plant and Machinery	462,001,570	477,561,799
Motor Vehicle	9,811,301	14,108,765
	510,636,936	528,092,791
<b>On Finance Lease</b>		
Motor Vehicle	6,815,707	1,107,398
	6,815,707	1,107,398
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<b>517,452,643</b>	<b>529,200,189</b>



# Notes to the Financial Statements

## 4. Property, Plant and Equipment (contd.)

### 4.1 Company (contd.)

**4.2.4** The carrying value of Property, Plant & Equipment held under finance leases and ljarah at 31 March 2016 was Rs.6,815,707/- (2015 -Rs.1,107,398/-). Additions during the year include Rs.7,470,643/- (2015 - Rs.434,859/-) of Property, Plant & Equipment under finance lease and ljarah.

**4.2.5** Property, Plant and Equipment include fully depreciated assets that are still in use, having a gross carrying amount of Rs. 21,754,991/- (2015 - Rs.9,615,108/-).

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

## 5. Investments - Group and Company

### 5.1 Investments in Subsidiaries (Company)

Non-Quoted	Relationship	2016 Percentage Holding	2015 Percentage Holding	2016 Cost Rs.	2015 Cost Rs.
Vidul Engineering Ltd	Subsidiary	100	80	26,700,080	20,000,080
Walagamba Balashakthi (Pvt) Ltd	Subsidiary	100	100	48,000,000	48,000,000
Rideepana Hydro (Pvt) Ltd	Subsidiary	95	100	62,500,000	62,500,000
Vidul Biomass (Pvt) Ltd	Subsidiary	100	100	101,000	100,000
Muvumbe Hydro (U) Ltd	Subsidiary	100	100	400,912,327	-
Vidul Plantation (Pvt) Ltd	Subsidiary	100	100	10	-
Lower Kothmale Oya Hydro Power (Pvt) Ltd	Subsidiary	99.75	50	345,120,710	-
				883,334,127	130,600,080

#### 5.1.1 Material Partially Owned Subsidiaries

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

## 5.2 Investments in Joint Ventures & Associates

Non-Quoted	Relationship	2016 Percentage Holding	2015 Percentage Holding	2016 Cost Rs.	2015 Cost Rs.
Gurugoda Hydro (Pvt) Ltd	Joint Venture	50	50	55,412,412	55,412,412
Co-energi (Pvt) Ltd (Pre-disposal)	Joint Venture	50	50	-	4,175,000
Udaka Energy Group (Pvt) Ltd	Joint Venture	50	50	5,000,000	5,000,000
Vidul Madugeta (Pvt) Ltd	Joint Venture	50	50	108,000,000	108,000,000
Lower Kothmale Oya Hydro Power (Pvt) Ltd (Pre-acquisition)	Joint Venture	50	50	-	75,895,355
Nilwala Vidulibala Company (Pvt) Ltd	Associate	26.6	-	52,500,000	-
				220,912,412	248,482,767

\* Co-energi (Pvt) Ltd was disposed on 31 March 2016

### 5.2.1 Goodwill

	Group	
	2016 Rs.	2015 Rs.
Balance as at 1 April	55,081,089	54,498,960
Goodwill arising from acquisition during the year	160,798,293	582,129
Balance as at 31 March	215,879,382	55,081,089
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	582,129
From Lower Kothmale Oya Hydro Power (Pvt) Ltd	160,798,294	-
	215,879,383	55,081,089

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

# Notes to the Financial Statements

## 5. Investments (contd.)

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

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

	Group	
	2016 Rs.	2015 Rs.
Investment in Gurugoda Hydro (Pvt) Ltd	76,779,827	81,284,239
Investment in Udaka Energy Group (Pvt) Ltd	39,000,683	24,410,401
Investment in Vidul Madugeta (Pvt) Ltd	145,306,715	137,562,399
Investment in Lower Kothmale Oya Hydro Power (Pvt) Ltd	-	148,149,200
Investment in Co-energi (Pvt) Ltd	-	167,738
Investment in Nilwala Vidulibala Company (Pvt) Ltd	52,500,000	-
<b>Total Investment in Joint Ventures</b>	<b>313,587,225</b>	<b>391,573,977</b>

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

	Group	
	2016 Rs.	2015 Rs.
Gurugoda Hydro (Pvt) Ltd	16,690,964	22,525,327
Udaka Energy Group (Pvt) Ltd	17,036,571	10,158,199
Vidul Madugeta (Pvt) Ltd	55,264,316	52,127,294
Lower Kothmale Oya Hydro Power (Pvt) Ltd (Pre-acquisition)	25,321,572	72,513,363
Co-energi (Pvt) Ltd (Pre-disposal)	326,187	(300,888)
Nilwala Vidulibala Company (Pvt) Ltd	-	-
<b>Total Share of Comprehensive Income from Joint Ventures</b>	<b>114,639,610</b>	<b>157,023,295</b>

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

	Group	
	2016 Rs.	2015 Rs.
Balance as at the beginning of the reporting Period	391,573,976	280,465,902
Investment in Joint Ventures	63,300,000	2,105,263
Share of total comprehensive Income	114,639,610	157,023,294
Dividends Received	(71,161,664)	(48,020,483)
Acquisition & Transfer / Disposal of Stake in the Joint Venture	(184,764,697)	-
<b>Balance as at the end of the reporting period</b>	<b>313,587,225</b>	<b>391,573,976</b>

**5.2.5** The Group has a 50% interest in Gurugoda Hydro (Pvt) Ltd, Udaka Energy Group (Pvt) Ltd and Vidul Madugeta (Pvt) Ltd. The Group's interest in those companies are accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint ventures, based on their SLFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below as at 31 March 2016.

	Gurugoda Hydro (Pvt) Ltd	*Co-energi (Pvt) Ltd	Udaka Energy Group (Pvt) Ltd	Vidul Madugeta (Pvt) Ltd	**Lower Kotmale Oya Hydro Power (Pvt) Ltd
	Rs.	Rs.	Rs.	Rs.	Rs.
Current assets	5,543,753	-	16,650,908	20,940,011	-
Non-current assets	136,518,086	-	135,554,861	545,163,721	-
Current liabilities	(1,425,351)	-	(28,607,822)	(59,425,455)	-
Non-current liabilities	(451,657)	-	(45,596,580)	(216,064,848)	-
Equity	140,184,831	-	78,001,366	290,613,429	-
Proportionate equity	70,092,415	-	39,000,683	145,306,715	-
Goodwill and other adjustments	6,687,412	-	-	-	-
Group carrying amount of the Investment	76,779,827	-	39,000,683	145,306,715	-

	Gurugoda Hydro (Pvt) Ltd	*Co-energi (Pvt) Ltd	Udaka Energy Group (Pvt) Ltd	Vidul Madugeta (Pvt) Ltd	**Lower Kotmale Oya Hydro Power (Pvt) Ltd
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Summarised statement of profit or loss for the year ended 31 March 2016</b>					
Revenue	52,507,316	18,176,744	52,595,810	173,084,822	117,738,738
Cost of Sales	(15,117,564)	(11,976,546)	(13,440,413)	(35,787,664)	(33,663,532)
Administrative Expenses	(1,310,631)	(5,658,143)	(253,816)	(1,252,504)	(3,030,172)
Finance Cost	-	(2,364)	(4,848,097)	(25,900,124)	(31,140,802)
Other Income	81,008	112,683	27,302	384,100	738,911
<b>Profit before tax</b>	<b>36,160,129</b>	<b>652,375</b>	<b>34,080,786</b>	<b>110,528,631</b>	<b>50,643,143</b>
Income tax expense	(2,778,200)	-	(7,645)	-	-
<b>Profit for the year</b>	<b>33,381,929</b>	<b>652,375</b>	<b>34,073,142</b>	<b>110,528,631</b>	<b>50,643,143</b>
<b>Total comprehensive income for the year</b>	<b>33,381,929</b>	<b>652,375</b>	<b>34,073,142</b>	<b>110,528,631</b>	<b>50,643,143</b>
<b>Group's share of profit/(loss) for the year</b>	<b>16,690,964</b>	<b>326,187</b>	<b>17,036,571</b>	<b>55,264,316</b>	<b>25,321,572</b>

\* Co-energi (Pvt) Ltd was disposed on 31 March 2016.

\*\* Vidullanka PLC acquired further 49.875% stake of Lower Kothmale Oya Hydro Power (Pvt) Ltd on 1 October 2015.

# Notes to the Financial Statements

## 5. Investments (contd.)

### 5.3 Other Financial Assets

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

	2016 Number of shares	2015 Number of shares	2016 Carrying Value Rs.	2015 Carrying Value Rs.
Investment in Quoted Shares				
Panasian Power PLC	60,427,149	54,542,220	193,366,877	185,443,548
Vallibel Power Erathna PLC	49,974	303,182	399,792	2,395,138
			193,766,669	187,838,686

#### 5.3.2 Financial Assets

	2016 Rs.	2015 Rs.
Non Quoted		
Investment in Shares - ADL Capital Ltd	2,500,000	3,000,000
	2,500,000	3,000,000
Other Financial Assets	196,266,669	190,838,686

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

## 6. Other Project Investments

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Summary				
Balance as at the beginning of the Year	118,527,779	125,271,631	118,527,779	125,271,631
Projects Costs incurred during the Year	15,051,123	72,989,516	15,051,123	72,989,516
Less: Transfers	(50,362,839)	(79,017,410)	(50,362,839)	(79,017,410)
Impairment / Written off	(4,194,211)	(715,958)	(4,194,211)	(715,958)
Balance as at the end of the Year	79,021,852	118,527,779	79,021,852	118,527,779



## 7. Trade and Other Receivables

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Trade Receivables	59,441,759	63,421,230	13,897,129	40,681,232
Other Receivables	73,381,092	31,151,299	36,722,989	27,387,507
Advances and Prepayment	163,848,988	33,658,350	19,095,055	15,073,548
Amounts Due from Related Parties (7.1)	38,674,723	98,394,555	153,068,276	235,944,546
Facilities given to Company Officers (7.2)	7,613,410	8,919,862	7,613,410	3,925,527
	342,959,973	235,545,296	230,396,859	323,012,360

### 7.1 Amounts Due from Related Parties

		Group		Company	
	Relationship	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Vidul Engineering Ltd	Subsidiary	-	-	16,426,138	6,361,167
Walagamba Balashakthi (Pvt) Ltd	Subsidiary	-	-	-	6,946,505
Rideepana Hydro (Pvt) Ltd	Subsidiary	-	-	34,139,766	68,123,657
Vidul Biomass (Pvt) Ltd	Subsidiary	-	-	25,343,375	3,198,748
Muvumbe Hydro (U) Ltd - Adv (OIA)	Subsidiary	-	-	-	52,972,464
Vidul Plantation (Pvt) Ltd	Subsidiary	-	-	9,842,523	-
*Co-energi (Pvt) Ltd	Joint Venture	-	3,341,244	-	3,341,244
Udaka Energy Group (Pvt) Ltd	Joint Venture	7,746,007	20,082,727	7,746,007	20,030,177
Vidul Madugeta (Pvt) Ltd	Joint Venture	3,790,000	-	3,790,000	-
**Lower Kotmale Oya Hydro Power (Pvt) Ltd	Joint Venture/ Subsidiary	-	74,970,584	28,641,751	74,970,584
Nilwala Vidulibala Company (Pvt) Ltd	Associate	27,138,716	-	27,138,716	-
		38,674,723	98,394,555	153,068,276	235,944,546

\* Co-energi (Pvt) Ltd was disposed on 31 March 2016.

\*\* Vidullanka PLC acquired further 49.875% stake in Lower Kothmale Oya Hydro Power (Pvt) Ltd on 1 October 2015.

# Notes to the Financial Statements

## 7. Trade and Other Receivables (contd.)

### 7.2 Loans to Company Officers

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance as at the beginning of the Year	4,156,794	4,156,794	3,925,527	2,758,234
Loans Granted/Transferred During the Year	6,397,679	7,499,146	6,397,679	2,651,376
Less: Repayments	(2,115,317)	(1,667,070)	(1,884,050)	(1,191,800)
Effective Interest Rate Adjustment	(825,746)	(1,069,008)	(825,746)	(292,283)
Balance as at the end of the Year	7,613,410	8,919,862	7,613,410	3,925,527

## 8. Stated Capital

### 8.1 Fully Paid Ordinary Shares

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance as at 1 April	829,258,508	829,258,508	829,258,508	829,258,508
Issue of Ordinary Shares	438,634,597	-	438,634,597	-
Balance as at 31 March	1,267,893,105	829,258,508	1,267,893,105	829,258,508

### 8.2 Movement in Number of Ordinary Shares

Balance as at 1 April	477,269,193	477,269,193	477,269,193	477,269,193
Issue of Ordinary Shares during the year	269,884,597	-	269,884,597	-
Balance as at 31 March	747,153,790	477,269,193	747,153,790	477,269,193

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

## 9. Acquisition of Additional Interest of Non - Controlling Interests

On 1 October 2015, the Group acquired an additional 20% interest in the voting shares of Vidul Engineering Ltd, increasing its total stake to 100%.

	Rs.
Cash consideration paid to the Non-controlling shareholders	6,700,000
Carrying value of the additional stake acquired	(769,009)
Difference recognised in Retained Earnings	5,930,991

## 10. Financing and Lease [Ijara] Payables - (Interest-Bearing Loans and Borrowings)

### 10.1 Group

	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2016 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2015 Total Rs.
Ijara Facilities/ Finance Leases (10.1.1)	2,787,292	7,492,668	10,279,960	103,652	-	103,652
Mudarabaha Facilities (10.1.2)	18,175,147	63,982,164	82,157,311	16,534,170	82,157,311	98,691,481
Diminishing Musharakah (10.1.3)	197,128,007	814,216,545	1,011,344,552	80,070,011	414,011,910	494,081,921
Wakala Facilities (10.1.4)	40,000,000	78,073,715	118,073,715	-	-	-
Short Term Working						
Capital Facilities (10.1.5)	226,514,829	-	226,514,829	38,037,774	-	38,037,774
	484,605,275	963,765,092	1,448,370,367	134,745,607	496,169,221	630,914,828

#### 10.1.1 Ijara Facilities (Finance Leases)

	As at 01.04.2015 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2016 Rs.
MCB Bank Ltd	103,652	-	(103,652)	-
Commercial Bank of Ceylon PLC	-	11,525,000	(1,245,040)	10,279,960
	103,652	11,525,000	(1,348,692)	10,279,960
Gross Liability	104,732			12,110,326
Finance Charges allocated to future periods	(1,080)			(1,830,366)
Net Liability	103,652			10,279,960

#### 10.1.2 Murabhaha Facilities

	As at 01.04.2015 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2016 Rs.
Amana Bank PLC	98,691,481	-	(16,534,170)	82,157,311
	98,691,481	-	(16,534,170)	82,157,311
Gross Liability	123,971,379			98,714,749
Finance Charges allocated to future periods	(25,279,898)			(16,557,438)
Net Liability	98,691,481			82,157,311

# Notes to the Financial Statements

## 10. Financing and Lease [Ijara] Payables - (Interest-Bearing Loans and Borrowings) (contd.)

### 10.1 Group (contd.)

#### 10.1.3 Diminishing Musharakah Facilities

	As at 01.04.2015 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2016 Rs.
Amana Bank PLC	75,000,003	-	(25,000,000)	50,000,003
MCB Bank Ltd	297,506,180	60,224,743	(91,431,012)	266,299,911
NDB Bank PLC	-	604,865,899	(64,267,000)	540,598,899
Syndicated Facility (BOC & HNB)	-	57,874,000	-	57,874,000
Hatton National Bank PLC (HNB)	121,575,738	-	(25,003,999)	96,571,739
	494,081,921	722,964,642	(205,702,011)	1,011,344,552
Gross Liability	589,002,469			1,278,967,594
Finance Charges allocated to future periods	(94,920,548)			(267,623,042)
Net Liability	494,081,921			1,011,344,552

#### 10.1.4 Wakala Facilities

	As at 01.04.2015 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2016 Rs.
Bank of Ceylon (BOC)	-	128,073,715	(10,000,000)	118,073,715
	-	128,073,715	(10,000,000)	118,073,715
Gross Liability	-			136,386,450
Finance Charges allocated to future periods	-			(18,312,735)
Net Liability	-			118,073,715

#### 10.1.5 Short Term Working Capital Facilities

	As at 01.04.2015 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2016 Rs.
ADL Capital	12,000,000	40,000,000	(52,000,000)	-
Amana - Candor Shariah Fund	26,037,774	22,590,954	(2,113,899)	46,514,829
Commercial Paper	-	100,000,000	-	100,000,000
Hatton National Bank PLC (HNB)	-	80,000,000	-	80,000,000
	38,037,774	242,590,954	(54,113,899)	226,514,829

## 10.2 Company

	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2016 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2015 Total Rs.
Ijara Facilities/						
Finance Leases (10.2.1)	1,115,240	3,451,874	4,567,114	103,652	-	103,652
Mudarabah Investment (10.2.2)	18,175,146	63,982,164	82,157,311	16,534,170	82,157,311	98,691,481
Diminishing Musharakah -						
Working Capital (10.2.3)	25,000,000	25,000,003	50,000,003	52,389,779	102,462,981	154,852,760
Wakala Facilities (10.2.4)	40,000,000	78,073,715	118,073,715	-	-	-
Short Term Working						
Capital Facilities (10.2.5)	226,514,829	-	226,514,829	38,037,774	-	38,037,774
	310,805,215	170,507,756	481,312,972	107,065,375	184,620,292	291,685,667

### 10.2.1 Ijara Facilities (Finance Leases)

	As at 01.04.2015 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2016 Rs.
MCB Bank Ltd	103,652	-	(103,652)	-
Commercial Bank of Ceylon PLC	-	5,000,000	(432,887)	4,567,114
	103,652	5,000,000	(536,538)	4,567,114
Gross Liability	104,732			5,452,955
Finance Charges allocated to future periods	(1,080)			(885,842)
Net Liability	103,652			4,567,114

### 10.2.2 Murabhaha Facilities

	As at 01.04.2015 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2016 Rs.
Amana Bank PLC	98,691,481	-	(16,534,170)	82,157,311
	98,691,481	-	(16,534,170)	82,157,311
Gross Liability	123,910,982			98,708,748
Finance Charges allocated to future periods	(25,219,501)			(16,551,438)
Net Liability	98,691,481			82,157,311



# Notes to the Financial Statements

## 10. Financing and Lease [Ijara] Payables - (Interest-Bearing Loans and Borrowings) (contd.)

### 10.2 Company (contd.)

#### 10.2.3 Diminishing Musharakah Facilities

	As at 01.04.2015 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2016 Rs.
Amana Bank PLC	75,000,003	-	(25,000,000)	50,000,003
MCB Bank Ltd	79,852,757	-	(79,852,757)	-
	154,852,760	-	(104,852,757)	50,000,003
Gross Liability	175,553,623			55,901,045
Finance Charges allocated to future periods	(20,700,863)			(5,901,042)
Net Liability	154,852,760			50,000,003

#### 10.2.4 Wakala Facilities

	As at 01.04.2015 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2016 Rs.
Bank of Ceylon	-	128,073,715	(10,000,000)	118,073,715
	-	128,073,715	(10,000,000)	118,073,715
Gross Liability	-			136,386,450
Finance Charges allocated to future periods	-			(18,312,735)
Net Liability	-			118,073,715

#### 10.2.5 Short Term Working Capital Facilities

	As at 01.04.2015 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2016 Rs.
ADL Capital	12,000,000	40,000,000	(52,000,000)	-
Amana - Candor Shariah Fund	26,037,774	22,590,954	(2,113,899)	46,514,829
Commercial Paper	-	100,000,000	-	100,000,000
Hatton National Bank	-	80,000,000	-	80,000,000
	38,037,774	242,590,954	(54,113,899)	226,514,829

## 11. Income Tax

The major components of income tax expense for the year ended 31 March 2016 are as follows:

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Current Income Tax</b>				
Current Tax Expense on Ordinary Activities for the year	20,172,991	27,260,851	19,752,131	22,087,059
(Over)/Under provision of current taxes in respect of prior years	(1,390,181)	619,604	(650,656)	-
	18,782,810	27,880,455	19,101,475	22,087,059
<b>Deferred Income Tax</b>				
Deferred Taxation Charge/(Reversal) (11.2)	2,090,172	5,426,834	1,054,874	6,064,096
	2,090,172	5,426,834	1,054,874	6,064,096
<b>Income Tax expense reported in the Income Statement</b>	<b>20,872,981</b>	<b>33,307,289</b>	<b>20,156,349</b>	<b>28,151,155</b>

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

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Accounting profit before income tax	392,463,697	388,304,354	235,610,913	232,789,583
At the statutory income tax rate of 12% (2015 : 12%)	47,611,337	27,934,750	28,162,186	27,934,750
At the statutory income tax rate of 28% (2015 : 28%)	(1,203,285)	2,600,303	259,289	-
Tax effect of Disallowable Expenses	9,106,638	6,882,393	6,234,795	14,537,948
Tax effect of Aggregate Allowable Items	(4,073,959)	(10,103,501)	(2,666,758)	(13,852,106)
Tax Effect of Income Exempt from Tax	(31,281,414)	(53,094)	(12,237,381)	(6,533,533)
At the effective income tax rate of 12% (2015 : 12%)	20,159,318	27,260,851	19,752,131	22,087,059
(Over)/Under Provision of Income Tax in respect of Prior Years	(1,390,181)	619,604	(650,656)	-
Deferred Taxation Charge/(Reversal)	2,103,845	5,426,834	1,054,874	6,064,096
	20,872,981	33,307,289	20,156,349	28,151,155
<b>Effective Tax Rate (%)</b>	<b>5</b>	<b>9</b>	<b>9</b>	<b>12</b>

# Notes to the Financial Statements

## 11. Income Tax (contd.)

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

	Statement of Financial Position		Statement of Comprehensive Income	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Group				
Deferred Tax Liability				
Capital allowances for tax purposes	22,525,747	20,980,388	1,545,359	6,888,836
	22,525,747	20,980,388		
Deferred Tax Assets				
Defined Benefit Plans	(2,144,560)	(2,703,046)	558,486	(1,593,782)
	(2,144,560)	(2,703,046)		
Deferred Tax (Reversal) / Charge	2,103,845	5,295,054		
Net Deferred Tax Liability/(Asset)	20,381,187	18,277,342		
Company				
Deferred Tax Liability				
Capital allowances for tax purposes	21,890,758	20,369,986	1,520,773	6,278,434
	21,890,758	20,369,986		
Defined Benefit Plans	(1,894,563)	(1,428,665)	(465,899)	(319,401)
	(1,894,563)	(1,428,665)		
Deferred Tax (Reversal) / Charge			1,054,874	5,959,033
Net Deferred Tax Liability/(Asset)	19,996,195	18,941,321		

## 12. Trade and Other Payables

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Amounts Due To Related Parties (12.1)	-	-	66,729,670	-
Sundry Creditors Including Accrued Expenses	145,452,462	99,139,731	50,526,297	43,414,951
Financial Guarantee	1,604,584	10,068,728	9,673,572	10,068,728
	147,057,046	109,208,459	126,929,539	53,483,679

### 12.1 Amounts Due to Related Parties

		Group		Company	
	Relationship	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Walagamba Balashakthi (Pvt) Ltd	Subsidiary	-	-	14,868,525	-
Muvumbe Hydro (U) Ltd	Subsidiary	-	-	51,861,145	-
		-	-	66,729,670	-

## 13. Defined Benefit Liability

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Balance as at the beginning of the year	17,118,145	12,785,145	11,905,536	9,243,863
Acquisition of Subsidiary (Lower Kothmale Oya Hydro Power (Pvt) Ltd )	147,492	-	-	-
Expenses on Defined Benefit Plan (13.1)	3,888,738	3,325,233	3,236,726	2,217,179
Net Actuarial (Gain)/ Loss recognized during the year	(2,368,426)	1,089,171	(2,382,199)	875,524
Payment During the year	(820,800)	(75,520)	(194,400)	(75,520)
Inter-Company Transfers during the Year	(67,322)	(5,884)	3,222,363	(355,509)
Balance as at the end of the year	17,897,828	17,118,145	15,788,028	11,905,536
<b>13.1 Expenses on Defined Benefit Plan</b>				
Current Service Cost	1,719,832	2,058,138	1,512,790	1,328,343
Interest Cost on Defined Benefit Liability	2,168,906	1,267,095	1,723,936	888,836
	3,888,738	3,325,233	3,236,726	2,217,179

# Notes to the Financial Statements

## 13.2 Principal Assumptions

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
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 Morality Table	A 1967/70 Morality Table	A 1967/70 Morality Table	A 1967/70 Morality Table

An actuarial valuation of the gratuity fund was carried out as at 31 March 2016 by Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries & valuation method used by the actuary to value the fund is the "Projected Unit Credit Method" recommended by Sri Lanka accounting Standards - LKAS 19 (Employee Benefits).

## 13.3 Sensitivity of assumptions employed in actuarial valuation

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

	Group		Company	
Increase/Decrease in Discount Rate	Increase /Decrease in Salary Increment	Sensitivity Effect on Employment Benefit Obligation	Sensitivity Effect on Employment Benefit Obligation	
1%		(1,049,688)	(910,514)	
-1%		1,169,205	1,011,313	
	1%	1,165,232	1,004,722	
	-1%	(1,063,517)	(919,841)	

## 14. Revenue

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Power Generation	678,470,022	451,729,667	366,948,890	364,715,487
Consultancy and Project Management	44,754,418	111,618,380	-	-
	723,224,440	563,348,047	366,948,890	364,715,487



## 15. Profit Before Tax

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Stated after Charging				
Included in Cost of Sales				
Depreciation	27,809,509	18,651,257	16,355,385	17,942,639
Included in Administrative Expenses				
Depreciation	22,200,759	22,679,783	8,086,110	11,200,434
Staff Costs (Include the following Costs)	127,078,492	100,648,061	81,701,062	68,587,801
Defined Benefit Plan Costs - Gratuity	3,888,738	3,325,233	2,914,677	2,217,179
Defined Contribution Plan Costs - EPF and ETF	9,659,906	7,527,440	5,840,631	4,676,613
Audit Fee	1,126,730	909,332	404,390	375,000
Impairment/Written off of Other Projects Investments	4,194,211	715,958	4,194,211	715,958

## 16. Finance Cost

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Lease Markup on Ijara / Murabaha/ Musharakah Facilities/Staff Loan	93,998,094	41,436,536	33,968,725	26,979,063
	93,998,094	41,436,536	33,968,725	26,979,063

## 17. Finance Income

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Profit from Mudarabah Savings Accounts	1,601,302	923,538	927,554	715,022
Finance Income - Staff Loan	871,383	570,560	825,746	314,016
Finance Income - EIR adjustment to inter-company advances	4,196,780	497,755	2,579,098	6,125,223
	6,669,465	1,991,853	4,332,398	7,154,261

# Notes to the Financial Statements

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

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Dividend Received	25,554,813	442,448	114,720,178	54,446,105
Profit on Disposal of Property, Plant & Equipment	2,657,168	2,244,396	2,368,502	2,849,500
Capital Gain on Quoted Share Disposal	(2,968,173)	801,534	(2,968,173)	801,534
Gain/(Loss) in Value of Investments in Quoted Shares	(12,352,928)	22,641,970	(12,352,928)	22,641,970
Administration Fee	-	566,666	-	566,666
Development Services Fee	-	4,316,000	-	18,076,963
Management Fee	-	(147,709)	-	(147,709)
Other Income	6,589,977	6,602,577	-	2,264,009
	19,480,857	37,467,881	101,767,579	101,499,037

## 19. Earnings Per Share

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

	Group		Company	
	2016	2015	2016	2015
Amounts Used as Numerator - Group				
Net Profit Attributable to Ordinary Shareholders of the parent for Basic Earnings per Share (Rs.)	370,614,115	353,139,705	215,454,564	204,638,427
Number of Ordinary Shares Used as Denominator				
Weighted Average Number of Ordinary Shares in Issue	718,507,957	715,903,790	718,507,957	715,903,790

## 20. Dividend Paid and Proposed

	2016 Rs.	2015 Rs.
Declared and paid during the year		
1st Interim Dividend - 2015/16 Rs.0.125 (2014/15 - Rs. 0.075 )	59,658,649	35,795,189
2nd Interim Dividend - 2015/16 Rs. 0.10 (2014/15 - Rs. 0.10 )	74,715,379	47,726,920
	134,374,028	83,522,109

## 21. Cash and Cash Equivalents

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Components of Cash and Cash Equivalents				
Favourable Cash and Cash Equivalents Balance				
Cash and Bank Balances	92,823,126	92,019,456	22,816,481	69,246,226
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	92,823,126	92,019,456	22,816,481	69,246,226

## 22. Segment Information

	Power Generation		Consultancy and Project Management		Energy Efficiency*		Group	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Segmental Revenue	678,470,022	451,729,667	44,754,418	111,618,380	-	-	723,224,440	563,348,047
Segmental Results								
Depreciation	(45,959,063)	(36,658,813)	(4,051,205)	(4,672,227)	-	-	(50,010,268)	(41,331,040)
Finance Cost	(90,527,123)	(35,864,771)	(3,470,971)	(5,571,764)	-	-	(93,998,094)	(41,436,536)
Finance Income	5,006,146	1,539,325	1,663,319	452,528	-	-	6,669,465	1,991,853
Profit share of Investment income from Joint Ventures	114,313,422	157,625,069	-	-	326,187	(601,775)	114,639,610	157,023,294
Profit/(Loss) before Tax	399,043,233	374,690,251	(6,905,723)	14,215,878	326,187	(601,775)	392,463,698	388,304,354
Income Tax Expense	(20,308,173)	(28,378,209)	(564,808)	(4,929,080)	-	-	(20,872,981)	(33,307,289)
Profit / (Loss) for the Year	378,735,060	346,312,042	(7,470,531)	9,286,798	326,187	(601,775)	371,590,716	354,997,065
Non-Current Assets	2,872,058,324	1,704,388,865	3,735,567	12,662,505	-	-	2,875,793,891	1,717,051,370
Current Assets	610,331,244	486,567,588	22,879,463	32,278,462	-	-	633,210,707	518,846,050
Total Assets	3,482,389,568	2,190,956,453	26,615,030	44,940,967	-	-	3,509,004,597	2,235,897,420
Non-Current Liabilities	1,001,815,239	527,013,346	228,867	4,551,362	-	-	1,002,044,106	531,564,708
Current Liabilities	616,090,223	227,370,383	20,470,537	26,510,395	-	-	636,560,760	253,880,778
Total Liabilities	1,617,905,462	754,383,729	20,699,404	31,061,757	-	-	1,638,604,867	785,445,486

\* The Energy Efficiency segment of the business was disposed as at 31 March 2016.

# Notes to the Financial Statements

## 23. Commitments & Contingencies

### 23.1 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.624 Mn (USD 4.19 Mn).

### 23.2 Letter of Credit

		Group	
		2016 Rs.	2015 Rs.
Bank of Ceylon	(USD 830,000)	121,827,400	-
		121,827,400	-

### 23.3 Corporate Guarantees

	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 2016	Loan Balance as at 31 March 2015
Lower Kothmale Oya Hydro Power (Pvt) Ltd	Subsidiary	610,000,000	610,000,000	540,598,899	599,467,984
Vidul Madugeta (Pvt) Ltd	Joint Venture	160,000,000	320,000,000	215,864,343	310,461,966
Udaka Energy Group (Pvt) Ltd	Joint Venture	35,000,000	70,000,000	57,534,246	70,850,686
Rideepana Hydro (Pvt) Ltd	Subsidiary	284,000,000	284,000,000	266,299,911	217,653,423
Muvumbe Hydro (U) Ltd	Subsidiary	1,247,630,000	57,874,000	57,874,000	-

## 24. Assets Pledged

The following assets have been pledged as security for liabilities.

### 24.1 Company

	Carrying Amount of Pledged Assets		Included under Assets
	2016 Rs.	2015 Rs.	
Nature of Liability			
Charge over Leased Assets on Finance Lease Liabilities	6,815,707	1,107,398	Property, Plant & Equipment
Extended Murabaha (Trade finance) & Diminishing Musharaka (Term Loan)	489,840,745	505,400,974	Property, Plant & Equipment
<b>Total Carrying Value of Assets Pledged</b>	<b>496,656,452</b>	<b>506,508,372</b>	

### 24.2 Group

Charge over Leased Assets on Finance Lease Liabilities	13,273,533	7,202,570	Property, Plant & Equipment
Ijara facilities, Murabaha Facilities & Diminishing Musharakah	1,975,291,384	1,060,059,328	Property, Plant & Equipment
<b>Total Carrying Value of Assets Pledged</b>	<b>1,988,564,917</b>	<b>1,067,261,898</b>	

## 25. Litigations

Following Court actions have been initiated against the Company.

a) D.C. Ratnapura Case No. 22020/L

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



# Notes to the Financial Statements

## 26. Related Party Disclosure

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

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

Company	Relationship	Nature of Transactions	2016 Rs.	2015 Rs.
Walagamba Balashakthi (Pvt) Ltd (WMB)	Subsidiary	Expenses incurred by VLL	5,023,133	4,543,317
		Expenses incurred by WMB On behalf of VLL	-	(12,949)
		Settlement/Fund Transfer done by WMB	(43,038,163)	(50,158,892)
		Fund Transfers from VLL	-	9,045,000
		Dividend from WMB	16,200,000	-
Rideepana Hydro (Pvt) Ltd (RHPL)	Subsidiary	Expenses incurred by VLL On behalf of RHPL	14,262,430	38,222,170
		Fund Transfers from VLL	8,300,000	26,616,667
		Settlement done by RHPL	(56,546,321)	(26,100,000)
Vidul Engineering Ltd (VEL)	Subsidiary	Expenses incurred by VLL on behalf of VEL	42,788,468	58,047,685
		Expenses incurred by VEL on behalf of VLL	(26,126,409)	(51,179,126)
		Settlements done by VLL	1,650,489	-
		Settlements done by VEL	(15,815,576)	(24,100,000)
		Dividends from VEL	-	6,000,006
		Fund transfer from VLL	7,568,000	-
Vidul Madugeta (Pvt) Ltd (VMPL)	Joint Venture	Expenses incurred by VLL on behalf of VMPL	1,793,048	5,342,321
		Fund Transfers from VMPL	-	(26,922,041)
		Settlements done by VMPL	(40,771,048)	(4,480,601)
		Dividends from VMPL	42,768,000	32,000,250
Gurugoda Hydro (Pvt) Ltd (GHPL)	Joint Venture	Expenses incurred by VLL on behalf of GHPL and Dividends from GHPL	19,322,452	19,773,023
		Settlement done by GHPL	(19,322,452)	(4,316,939)

Company	Relationship	Nature of Transactions	2016 Rs.	2015 Rs.
Udaka Energy Group (Pvt) Ltd (UEGL)	Joint Venture	Funds Transfers to UEGL	-	1,000,000
		Expenses incurred by VLL on behalf of UEGL	4,877,380	4,501,551
		Settlement done by UEGL	(19,366,550)	(22,051,254)
		Dividends received from UEGL	2,205,000	250,000
Lower Kothmale Oya Hydro Power (Pvt) Ltd (LKM)	Subsidiary	Expenses incurred by VLL on behalf of LKM	37,004,068	4,352,274
		Funds Transfers to LKM	-	1,500,000
		Issue of Shares	(10,800,000)	-
		Settlements by LKM	(72,532,901)	(36,573,910)
*Co-energi (Pvt) Ltd (CEPL)	Joint Venture	Expenses incurred by VLL on behalf of CEPL	-	8,240,187
		Settlements by CEPL	-	(7,708,992)
Muvumbe Hydro (U) Ltd (MVB)	Subsidiary	Services provided to MVB	5,422,043	13,626,545
		Funds Transfers to MVB (OIA)	34,905,182	20,791,434
		Issue of shares	400,912,327	-
Vidul Biomass (Pvt) Ltd (VBL)	Subsidiary	Funds Transfers to VBL	12,975,000	2,000,000
		Expenses incurred by VLL on behalf of VBL	9,923,612	1,198,748
		Settlement done by VBL	(753,985)	-
Vidul Plantations (Pvt) Ltd (VPL)	Subsidiary	Expenses incurred by VLL on behalf of VPL	8,508,780	-
		Funds Transfers to VPL	2,850,000	-
		Settlement done by VPL	(1,516,247)	-
		Issue of Shares	(10)	-
Nilwala Vidulibala Company (Pvt) Ltd (NVC)	Associate	Expenses incurred by/Fund transfers VLL on behalf of NVC	27,138,716	-
		Issue of Shares	(52,500,000)	-

\* Co-energi (Pvt) Ltd was disposed on 31 March 2016.

# Notes to the Financial Statements

## 26. Related Party Disclosure (contd.)

### 26.2 Transactions with Key Management Personnel of the Company

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

	2016 Rs.	2015 Rs.
Key Management Personnel Compensation		
Short-Term Employee Benefits	44,734,700	36,605,700
Other transactions - Dividend Payment	29,330,229	39,165,837
Other transactions - Share Based Payment	-	35,861,207
Other benefits paid by the Company	2,668,410	2,931,840
	76,733,339	114,564,584

## 27. Fair Value Disclosure

### 27.1 Fair Value of Financial Assets and Liabilities

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

	Carrying Amount		Fair Value	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Company				
Financial Assets				
Financial Assets at Fair Value through Profit or Loss	193,766,669	187,838,686	193,766,669	187,838,686
	193,766,669	187,838,686	193,766,669	187,838,686
Financial Liabilities				
Interest-Bearing Loans and Borrowings	481,312,972	291,685,667	481,312,972	291,685,667
	481,312,972	291,685,667	481,312,972	291,685,667

	Carrying Amount		Fair Value	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Group</b>				
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit or Loss	193,766,669	187,838,686	193,766,669	187,838,686
	<b>193,766,669</b>	<b>187,838,686</b>	<b>193,766,669</b>	<b>187,838,686</b>
<b>Financial Liabilities</b>				
Interest-Bearing Loans and Borrowings	1,448,370,367	630,914,828	1,448,370,367	630,914,828
	<b>1,448,370,367</b>	<b>630,914,828</b>	<b>1,448,370,367</b>	<b>630,914,828</b>

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

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

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

# Notes to the Financial Statements

## 27. Fair Value Disclosure (contd.)

### 27.2 Determination of Fair Value and Fair Value Hierarchy

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

Fair values are determined according to the following hierarchy:

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

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

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

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

	Group				Company			
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>As at 31 March 2016</b>								
<b>Financial Assets</b>								
Other Financial Assets	193,766,669	-	-	193,766,669	193,766,669	-	-	193,766,669
	<b>193,766,669</b>	<b>-</b>	<b>-</b>	<b>193,766,669</b>	<b>193,766,669</b>	<b>-</b>	<b>-</b>	<b>193,766,669</b>
<b>As at 31 March 2015</b>								
<b>Financial Assets</b>								
Other Financial Assets	187,838,686	-	-	187,838,686	187,838,686	-	-	187,838,686
	<b>187,838,686</b>	<b>-</b>	<b>-</b>	<b>187,838,686</b>	<b>187,838,686</b>	<b>-</b>	<b>-</b>	<b>187,838,686</b>

During the reporting period ended 31 March 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

## 28. 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.

## 29. Financial Risk Management Objectives and Policies

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

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

### 29.1 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.

#### 29.1.1 Interest Rate Risk

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

#### Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings.

The Group's profit before tax is affected through the impact on floating rate borrowings as follows.

Years	Increase/Decrease in Basis Points	Group Effect on Profit Before Tax	Company Effect on Profit Before Tax
2016	100	+/- 6.7 Mn	+/- 0.1.4 Mn
2015	100	+/- 3.67 Mn	+/- 0.96 Mn

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



# Notes to the Financial Statements

## 29. Financial Risk Management Objectives and Policies (contd.)

### 29.1.2 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 & 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 capitalized and would be depreciated over the useful life time of the asset, thus the impact would be immaterial.

### 29.1.3 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.

### 29.1.4 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.

## 29.2 Credit Risk

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

### Trade receivables

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

### Financial instruments and cash deposits

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

### 29.3 Liquidity Risk

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

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

Company	Less than 3 Months	4 to 12 Months	2 – 3 Years	4 – 5 Years	> 5 Years	Total
<b>As at 31 March 2016</b>						
Interest – Bearing Loans and Borrowings	257,139,714	79,053,360	166,170,882	24,065,415	-	526,429,370
Trade and Other Payables	126,929,539	-	-	-	-	126,929,539
<b>Total</b>	<b>384,069,253</b>	<b>79,053,360</b>	<b>166,170,882</b>	<b>24,065,415</b>	<b>-</b>	<b>653,358,909</b>
<b>As at 31 March 2015</b>						
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	53,483,679	-	-	-	-	53,483,679
<b>Total</b>	<b>114,091,445</b>	<b>66,244,234</b>	<b>128,955,937</b>	<b>56,414,598</b>	<b>23,177,627</b>	<b>388,883,841</b>
Group	Less than 3 Months	4 to 12 Months	2 – 3 Years	4 – 5 Years	>5 Years	Total
<b>As at 31 March 2016</b>						
Interest – Bearing Loans and Borrowings	326,671,222	280,875,438	654,480,955	410,084,744	84,040,902	1,756,153,260
Trade and Other Payables	147,057,046	-	-	-	-	147,057,046
<b>Total</b>	<b>473,728,268</b>	<b>280,875,438</b>	<b>654,480,955</b>	<b>410,084,744</b>	<b>84,040,902</b>	<b>1,903,210,307</b>
<b>As at 31 March 2015</b>						
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	109,208,459	-	-	-	-	109,208,459
<b>Total</b>	<b>187,039,670</b>	<b>139,584,621</b>	<b>313,445,895</b>	<b>193,444,769</b>	<b>24,013,695</b>	<b>857,528,650</b>

# Notes to the Financial Statements

## 29. Financial Risk Management Objectives and Policies (contd.)

### 29.4 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 2015 and 31 March 2016.

The Group monitors capital using a gearing ratio, which is Interest – Bearing Loans and Borrowings divided by total Equity plus Interest – Bearing Loans and Borrowings. The Group's policy is to keep the gearing ratio below 50%.

	Group		Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Interest – Bearing Loans and Borrowings	1,448,370,367	630,914,828	481,312,972	291,685,667
Equity	1,870,399,732	1,450,451,940	1,501,958,266	1,227,014,289
Equity & Interest – Bearing Loans and Borrowings	3,318,770,099	2,081,366,767	1,983,271,237	1,518,699,957
Gearing Ratio	43.6%	30.3%	24.3%	19.2%

# Investor Information

## Market Capitalisation

The market capitalization of the Company appreciated over 40% throughout the financial year and remained at Rs. 4,482,922,740/- as of 31 March 2016.

## Dividend Payout Ratio

The Company declared two interim dividends of Rs.0.125 and Rs.0.10 during the FY 2015/16. This represents the total payout ratio of 36% compared to the payout ratios of 24% and 22% in preceding two financial years.

## Price to Book Value

The price to book value ratio of the group as at 31 March 2016 is 2.40 compared to 2.20 as at 31 March 2015.

## Public Shareholding

Issued Share Capital		747,153,790
Parent, subsidiary, affiliated or associate entities or any subsidiaries or associates of its parent entity		
Trade First (Pvt) Limited	102,789	
Dynawash Limited	16,333,271	
Lanka Equities (Pvt) Limited	3,106,726	
Vanguard Industries (Pvt) Limited	6,914,556	26,457,342
Directors of the entity, spouses & their close family members		
Mr. Osman Kassim	7,626,321	
Mr. Riyaz M. Sangani	78,841,789	
Mr. Shahid M. Sangani	3,645,860	
Mr. Ranjan Mather	4,500,000	
Mr. M. Zulficar Ghouse	10,000,000	
Mr. S.S.V. Fernando	4,500,000	
Mrs. B.R.I. Sangani	9,119,958	
Mr. Sattar Kassim	10,799,470	
Mr. Sujendra Mather	18,025,356	
Mrs. S.R. Sangani	380,849	
Mrs. S.S. Sangani	4,345,232	
Mrs. R.L. Mather	36,750,000	
Mrs. Z.M. Sangani	17,052,385	
Mr. Suhayb M. Sangani	15	205,587,235

# Investor Information

## More than 10%

Aberdeen Holdings (Pvt) Limited	170,475,947		
Belmont Agents Limited	112,500,000		
Wembly Spirit Limited	99,039,429	382,015,376	614,059,953

Public Shareholding	133,093,837
Public Shareholding (%)	17.81
No of Public Shareholders	1,535

Non-Public Shareholding	614,059,953
Non-Public Shareholding (%)	82.19
No. of Non-Public Shareholders	23

## Classification of Shareholders: Local and Foreign

Description	Local Holders	Foreign Holders	Local Shares	Foreign Shares	Local %	Foreign %
1 to 1000 Shares	747	4	187,853	1,065	0.03	0.00
1001 to 10000 Shares	512	3	1,820,516	10,050	0.24	0.00
10001 to 100000 Shares	212	4	6,146,581	155,882	0.82	0.02
100001 to 1000000 Shares	43	-	13,626,068	-	1.82	-
Over 1,000,000 shares	28	5	454,314,333	270,891,442	60.81	36.26
	1542	16	476,095,351	271,058,439	63.72	36.28

## Highest and Lowest Share Prices for the last five financial years

Financial Year	Highest share price	Lowest share price	Closing price
2015/16 (Capitalization of Reserves at the ratio of 1:2)	11.00	5.80	6.00
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

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

No.	Name	2016		2015	
		No. of Shares	%	No. of Shares	%
01.	Aberdeen Holdings (Pvt) Limited	170,475,947	22.82	119,317,298	25.00
02.	Belmont Agents Limited	112,500,000	15.06	75,000,000	15.71
03.	Wembley Spirit Limited	99,039,429	13.26	66,026,286	13.83
04.	Mr. Riyaz M. Sangani	78,841,789	10.55	48,360,919	10.13
05.	Mrs. R.L. Mather	36,750,000	4.92	24,500,000	5.13
06.	ABC International Limited	26,204,463	3.51	17,469,642	3.66
07.	Mrs. Yumna Kunimoto	22,977,683	3.08	15,664,708	3.28
08.	Mr. M.S. Mohideen	18,708,998	2.50	12,472,665	2.61
09.	Mr. Sujendra Mather	18,025,356	2.41	4,016,904	0.84
10.	Mrs. Z.M. Sangani	17,052,385	2.28	11,259,274	2.36
11.	Dynawash Limited	16,333,271	2.19	10,525,097	2.21
12.	Mrs. D.Z. Kathawala	15,312,500	2.05	-	-
13.	Jaywise (Construction) (Pvt) Limited	12,812,500	1.71	-	-
14.	Mr. R.B. Barnecha	10,800,002	1.45	6,779,911	1.42
15.	Mr. Sattar Kassim	10,799,470	1.45	-	-
16.	Mr. M. Zulficar Ghouse	10,000,000	1.34	8,100,000	1.70
17.	Mrs. B.R.I. Sangani	9,119,958	1.22	6,467,657	1.36
18.	Mr. Osman Kassim	7,626,321	1.02	4,126,902	0.86
19.	Vanguard Industries (Pvt) Limited	6,914,556	0.93	4,612,334	0.97
20.	Mr. S.S.V. Fernando	4,500,000	0.60	11,000,000	2.30
20.	Mr. Ranjan Mather	4,500,000	0.60	2,184,428	0.46
	Lanka Equities (Pvt) Limited	-	-	2,204,484	0.46
	Mrs. S.S. Sangani	-	-	1,856,821	0.39
		709,294,628	94.93	451,945,330	94.69



# Five Year Summary

(in '000 otherwise stated)

	Group				
	2016*	2015*	2014*	2013*	2012**
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	2,267,305	1,151,869	835,398	749,396	667,084
Investment in Joint Ventures	313,587	391,574	280,466	198,907	-
Other Project Investments	79,022	118,528	125,272	94,584	171,057
Goodwill	215,879	55,081	54,499	11,625	6,687
	2,875,794	1,717,051	1,295,635	1,054,511	846,226
<b>Current Assets</b>					
Inventories	1,161	443	-	704	865
Trade and Other Receivables	342,960	235,545	264,418	201,485	89,828
Other Financial Assets	196,267	190,839	16,978	65,048	150,300
Cash and Bank Balances	92,823	92,019	9,851	25,811	8,796
	633,211	518,846	291,247	293,048	249,788
<b>Total Assets</b>	<b>3,509,005</b>	<b>2,235,897</b>	<b>1,586,882</b>	<b>1,347,560</b>	<b>1,096,014</b>
<b>Non-Current Liabilities</b>					
Financing and Lease [Ijara] Payables	963,765	496,169	271,726	200,618	196,046
Defined Benefit Liability	17,898	17,118	12,785	10,066	8,643
Deferred Taxation	20,381	18,277	12,982	8,881	-
	1,002,044	531,565	297,494	219,565	204,689
<b>Total Equity</b>	<b>1,870,400</b>	<b>1,450,452</b>	<b>1,138,643</b>	<b>1,030,301</b>	<b>809,288</b>

(in '000 otherwise stated)

	Group				
	2016*	2015*	2014*	2013*	2012**
	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	723,224	563,348	465,290	349,167	252,355
Gross Profits	601,700	434,822	338,527	258,276	200,791
Operating Profits	479,792	429,741	223,677	141,057	39,181
Profit Before Tax	392,464	388,304	182,422	118,725	25,080
Profit After Tax	371,591	354,997	165,371	94,633	23,524
Generation (GWh)	68.0	63.0	39.0	28.0	22.0
<b>Key Indicators</b>					
Total Assets / Equity (Times)	1.88	1.54	1.39	1.31	1.35
Net Profit Margin (%)	51.4	63.0	35.5	27.1	9.3
Turnover /Assets (Times)	0.21	0.25	0.29	0.26	0.23
Return on Equity (%)	19.9	24.5	14.5	9.2	2.9
Return on Assets (%)	13.7	19.2	14.1	10.5	3.6
Current Ratio (Times)	1.0	2.0	1.9	3.0	3.0
Gearing Ratio (%)	43.6	30.3	24.1	22.9	17.9
Earning per Share (Rs.)	0.52	0.49	0.34	0.20	0.05
Dividend per Share (Rs.)	0.23	0.18	0.13	0.05	0.18
Net Asset Value Per Share (Rs.)	2.50	3.04	2.40	2.17	1.87

\* The numbers include the joint ventures of the Group consolidated through the 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 20<sup>th</sup> Annual General Meeting of shareholders of Vidullanka PLC will be held on Friday 22<sup>nd</sup> July 2016 at Bougainvillea Auditorium, Galadari Hotel, Colombo 01 at 10.30a.m for the following purposes:

1. To consider and adopt the Audited Financial Statements for the year ended 31<sup>st</sup> March 2016 together with the Annual Report of the Directors thereon.
2. Re-election of Directors
  - I. To re-elect Mr. Shahid M. Sangani as a Director of the Company, who retires by rotation and has offered himself for re-election
  - II. To re-elect Mrs. B.R.I. Sangani as a Director of the Company, who retires by rotation and has offered herself for re-election
  - III. To re-elect Mr. S.S.V. Fernando as a Director of the Company, who retires by rotation and has offered himself for re-election
3. Election of Director
  - I. Mr. Sujendra Mather, who has been appointed to the Board since the last Annual General Meeting, being eligible offers himself for re-election
4. To re-appoint the retiring auditors M/s Ernst & Young, Chartered Accountants for the ensuing year and authorize the Directors to determine their remuneration.
5. Any other business.

By order of the Board  
VIDULLANKA PLC



Managers & Secretaries (Private) Limited  
*Secretaries*

24 June 2016

**Note:**

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

# Notes

# Notes

# Form of Proxy

I/We, the undersigned .....  
of .....  
being member/s of Vidullanka PLC, do hereby appoint .....  
of .....  
as my/our Proxy to represent me/us, vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 22<sup>nd</sup> July 2016 and at any adjournment thereof.

Ordinary Resolution	For	Against
1. To, consider and adopt the Audited Financial Statements for the year ended 31 <sup>st</sup> March 2016 together with the Annual Report of the Directors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Shahid M. Sangani as a Director of the Company, who retires by rotation.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mrs. B.R.I. Sangani as a Director of the Company, who retires by rotation.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. S.S.V. Fernando as a Director of the Company, who retires by rotation.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. Sujendra Mather as a Director of the Company, who has been appointed since last Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint the retiring auditors M/s. Ernst & Young, Chartered Accountants for the ensuing year and authorize Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... 2016.

.....  
Signature

*Please see overleaf for Instructions for completion.*



#### **Instructions for completion of Proxy**

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. In the case of a company/corporation, the proxy must be under its common seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at Vidullanka PLC, Level 04, Access Tower, No. 278, Union Place, Colombo 2.

# Corporate Information

## Company Status and Capital Legal Status

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

## Registration Date and Number

27 September 2007  
PQ 83

## Stated Capital

Rs. 1,267,893,105/-

## Issued No of Shares

747,153,790 Shares

## Board of Directors

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

## Company Secretary

Managers & Secretaries (Private) Limited.  
No. 8, Tickell Road, Colombo 08

## Registered Office

Level 04, 'Access Towers',  
No. 278, Union Place, Colombo 02.  
Tel: +94 (011) 476 0000  
Fax: +94 (011) 476 0076  
Email: info@vidullanka.com  
Web: www.vidullanka.com

## Auditors

Messers Ernst & Young,  
Chartered Accountants

## Bankers

Amana Bank PLC  
Hatton National Bank PLC  
MCB Bank Ltd  
Bank of Ceylon  
National Development Bank PLC



**VIDULLANKA PLC**

Building on Renewable Energy Sources

[www.vidullanka.com](http://www.vidullanka.com)