



VIDULLANKA PLC
Building on Renewable Energy Sources

CULTIVATING EXCELLENCE

VIDULLANKA PLC | ANNUAL REPORT 2016/17



Table of Contents

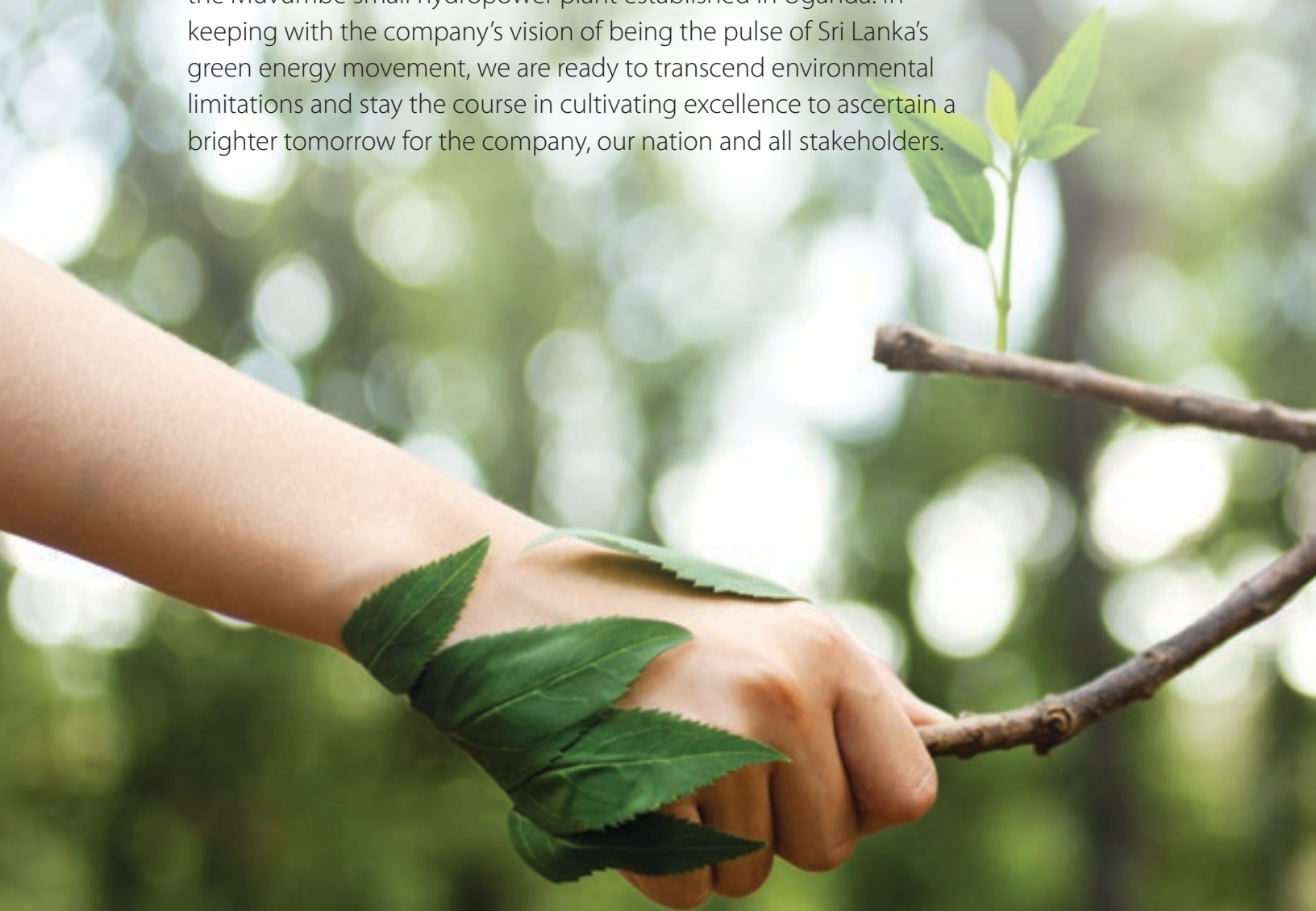
002 About Vidullanka PLC, Vision, Mission and Values	003 Financial Highlights	004 - 007 Our Plant Portfolio	010 - 013 Chairman's Message	016 - 018 Managing Director's Review
019 - 021 Board Committees	024 - 037 Management Discussion & Analysis	040 - 047 Corporate Governance	048 - 053 Risk Management	056 - 059 Annual Report of the Board of Directors On the Affairs of the Company
060 - 062 Board Committees	063 Directors' Responsibility for Financial Reporting			

Financial Report

067 Independent Auditor's Report	068 Statement of Financial Position	070 Statement of Comprehensive Income	071 Statement of Changes in Equity	072 Statement of Cash Flows
074 - 113 Notes to the Financial Statements				
114 - 116 Investor Information	117 Five Year Summary	118 Notice of Meeting	119 Form of Proxy	Inner Back Cover Corporate Information

CULTIVATING EXCELLENCE

Vidullanka PLC has been experiencing a significant gain in the momentum of its quest to be the nation's undisputed leader in the sustainable development and provision of renewable energy. The year in focus was an unprecedented test of the fortitude of your Company. We have maintained a steady eye on our targets to supply the national grid, generate returns for all stakeholders and make an impact in the field of sustainable energy, globally, with our first foray abroad being the Muvumbe small hydropower plant established in Uganda. In keeping with the company's vision of being the pulse of Sri Lanka's green energy movement, we are ready to transcend environmental limitations and stay the course in cultivating excellence to ascertain a brighter tomorrow for the company, our nation and all stakeholders.



About Vidullanka PLC

The seed for a renewable energy company was planted two decades ago and the company has grown into a major player in the local industry at present with 9 mini hydropower plants and has expanded its branch into the foreign earthen with its first overseas project in the continent of Africa. The power plants developed, constructed and operated by Vidullanka PLC have the total installed capacity of 25.25 MW with the estimated energy potential of 102 GWh power annually.

The company boasts of its internal skills and expertise it has accumulated throughout the decades by forming a highly skilled team of civil, mechanical and electrical Engineers, as well as environmental and social specialists for the successful identification of potential locations for the projects both locally and internationally, assess the feasibility in terms of technical, financial, social and environment, design the power plants, construct, test, connect to the grid and operate them throughout the contract period with the relevant government authorities.

Vidullanka PLC bears the pride as the first renewable energy company listed in the Colombo Stock Exchange (CSE) and presently listed on the main board of the exchange. In the year 2017, The Company rating was reaffirmed as (SL) A- with a negative outlook by ICRA Lanka Limited.

The company is committed to create sustainable value for all the stakeholders through the generation of electricity from the renewable energy sources. Since the global outlook is moving towards strengthening the global response to the threat of climate change through renewable energy sources, the company's future growth is promising and the existence and the growth of the company has been justified in terms of financial performance, sustainability, ethics and principles.

Vision

We foresee

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

Mission

We commit

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

Values

We hold on

Work with the passion for excellence while ensuring honesty and integrity with innovative mindset by taking risk while providing attention to details with the entrepreneurial drive through team work.

Financial Highlights

Year Ended 31st March	2017	2016
Revenue (Rs. '000)	534,754	723,224
Gross Profit (Rs. '000)	391,062	601,700
Operating Profit (Rs. '000)	199,934	479,792
Profit Before Tax (Rs. '000)	40,715	392,464
Profit After Tax (Rs. '000)	41,677	371,591
Generation (GWh)	48.5	68.0
Total Assets / Equity (Times)	2.60	1.88
Net Profit Margin (%)	7.79	51.38
Return on Equity (%)	2.31	19.87
Return on Assets (%)	4.25	13.67
Current Ratio (Times)	0.53	0.99
Debt/(Debt + Equity) (%)	59.03	43.64
Earning per Share (Rs.)	0.06	0.52
Dividend per Share (Rs.)	0.10	0.23

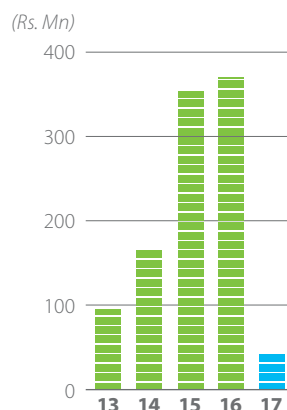
Rs. 391 Mn
Gross Profit

Rs. 41.7 Mn
Net Profit

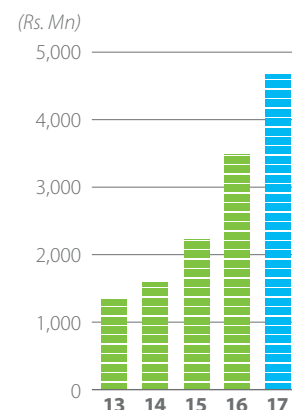
48.5 GWh
Power Generation

30,577 tCO₂e
Emission Reduction

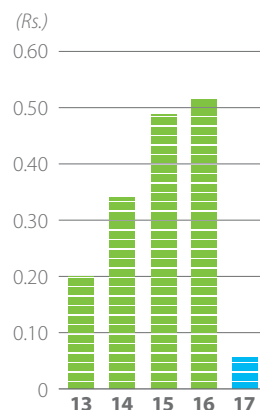
Profit After Tax



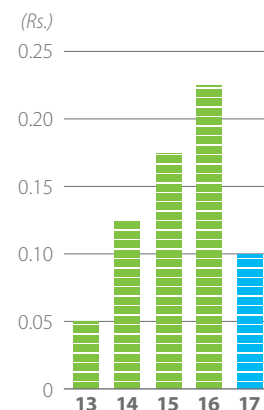
Total Assets



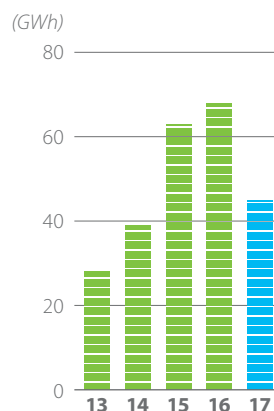
Earning Per Share



Dividend Per Share



Generation



Our Plant Portfolio

	Projects in Operation		
	Local Projects		
Plant Name	Bambarabatuoya MHPP	Batathota MHPP	Ganthuna MHPP
Description	The first project by Vidullanka PLC commissioned in June 2001 which marked the beginning of the Vidul Group.	The first project to be designed, constructed and operated by Vidul Engineering Ltd, the in-house engineering arm of the Company.	This is the first joint venture of Vidullanka. The project is the High Head - Low Flow project with the highest head amongst all the vidul projects.
Company Name	Vidullanka PLC	Vidullanka PLC	Gurugoda Hydro (Pvt) Ltd
Capacity	3.2 MW	2.0 MW	1.2 MW
Location	Ratnapura	Ratnapura	Kegalle
Project Cost	US\$ 3.4 mn	US\$ 2.5 mn	US\$ 1.6 mn
River	Kalu Ganga	Kuru Ganga	Gurugoda Oya
Catchment Area	76 km ²	64 km ²	5 km ²
Plant Factor	44%	58%	38%
Designed Annual Energy	12.33 GWh	10.25 GWh	4.0 GWh
Head	47 m	41.6 m	220 m
Channel Length	2,850 m	1700 m	220 m
Penstock Length	150 m	140 m	560 m
Turbine	Francis Turbines (4 x 800kW)	Francis Turbines (2 x 800kW + 1 x 400kW)	Pelton Turbines (2 x 600kW)
Status	Commissioned on 1st June 2001	Commissioned on 6th March 2007	Commissioned on 26th March 2010

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

Our Plant Portfolio contd.

	Projects in Operation		
	Local Projects		
Plant Name	Lower Kothmale Oya MHPP	Rideepana MHPP	Ethamala Ella MHPP
Description	This is the largest project to be designed and constructed by Vidullanka in Sri Lanka, located between the Upper Kothmale and Kothmale Reservoirs.	This is the second project to be constructed in Badulla District.	The power plant is designed and engineered to harness the energy from the flow of Nilwala Ganga.
Company Name	Lower Kothmale Oya Hydro Power (Pvt) Ltd	Rideepana Hydro (Pvt) Ltd	Nilwala Vidulibala Company (Pvt) Ltd
Capacity	4.0 MW	1.75 MW	2 MW
Location	Nuwara Eliya	Badulla	Matara
Project Cost	US\$ 8.2 mn	US\$ 3.1 mn	US\$ 3.5 mn
River	Kothmale Oya	Badulu Oya	Nilwala Ganga
Catchment Area	89 km ²	205 km ²	118.5 km ²
Plant Factor	37%	44%	44%
Designed Annual Energy	13 GWh	5.94 GWh	7.8 GWh
Head	71.5 m	30.5 m	40 m
Channel Length	1,430 m	590 m	300 m
Penstock Length	870 m	60 m	80 m
Turbine	Francis Turbines (2 x 1600kW + 1 x 800kW)	Francis Turbines (1 x 1250kW + 1 x 500kW)	Francis Turbines (2 x 800kW + 1 x 400kW)
Status	Commissioned on 25th June 2014	Commissioned on 15th May 2015	Commissioned on 30th September 2016

		Projects Under Construction	Upcoming Projects
	Overseas Project	Local Projects	
	Muvumbe SHPP	Udawela MHPP	Dehiattakandiya Dendro Power Project
	This marks the first overseas project by Vidullanka PLC.	The group's next local Mini Hydropower Project in Badulla District.	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) Limited	Udawela Hydro (Pvt) Ltd	Vidul Biomass (Pvt) Ltd
	6.5 MW	1.4 MW	3.0 MW
	Kabale, Uganda	Badulla	Ampara
	US\$ 13.5 mn	US\$ 3.1 mn	US\$ 8.4 mn
	Muvumbe River	Badulu Oya	-
	868 km ²	241.8 km ²	-
	55%	45%	76%
	31.42 GWh	5.5 GWh	20 GWh
	120 m	21 m	-
	2,080 m	37 m	-
	295 m	200 m	-
	Francis Turbines (1 x 4000kW + 1 x 2500kW)	Francis Turbines (1 x 1400kW)	-
	Commissioned on 15th March 2017	Under Construction	Construction to be commenced

Silver linings, **broadening** **horizons**

The first step is said to be the toughest. With Muvumbe SHPP, Vidullanka has gallantly embarked on new territory. This new beginning is poised to bring prosperity and stability to the organization whilst creating sustainable value for all the stakeholders.





Chairman's Message

Despite the challenges faced in Sri Lanka, the Company stepped forward in its journey of geographical diversification with the commissioning of Muvumbe Small Hydropower Project in Uganda, the first overseas project of the Company.

It is a great pleasure to meet our valued shareholders on the 21st Annual General Meeting of Vidullanka PLC and to present the Annual Report of the Company for the year ended 31st March 2017.

The year under review had been challenging in terms of financial performance to Vidullanka PLC as well as for the Small Hydropower industry as a whole due to the challenges posed by the adverse weather conditions.

The company recorded a continuous growth in terms of profits in the past as a result of constant strategic investments which had direct impact on the organization's source of revenue. The unprecedented level of adverse weather condition faced during the last year altered this trend and the company recorded a lower financial performance. Despite the challenges faced in Sri Lanka, the Company stepped forward in its journey of geographical diversification with the commissioning of Muvumbe Small Hydropower Project in Uganda, the first overseas project of the Company.

The Global Economy

Following the year long consolidation, the global economy gained new momentum that has uplifted the global economic growth forecast to 3.4% in 2017, compared with an estimated 3% annualized growth rate for 2016.

Global industrial production and goods trade growth continued to recover from pronounced weakness in the earlier months of 2016. Consumer spending hit a soft patch, but consumer and business confidence generally remained high across developed economies. The export activities continued to gain strong momentum. Policy uncertainty and geo-political concerns diminished market

sentiment, while global equity prices and capital flows to emerging markets remained solid.

Global Renewable Energy Industry

According to the Renewable Energy Policy Network, the year 2016 was the third consecutive year where global energy related CO₂ emissions from fossil fuels and industry remained stable despite a 3% growth in the global economy and an increased demand for energy. Renewable energy power generation assists nations in adapting to climate change whilst replacing the fossil based energy generation which has large amount of adverse externalities.

The emerging markets face significant challenges in developing the renewable energy industry. In Africa and South Asia, low levels of electrification, poor grid infrastructure, regional political instability and financial constraints are common and these factors hinder the investments in the development of renewable energy sources.

In order to overcome the issues, bi-lateral and regional arrangements have been taken to carry out collaborative projects fostering renewable power expansion. Further, international support and financial assistance are providing strong foundations to development.

Although legitimate environmental concerns still restrain renewable energy development, careful negotiation and planning along with sustainable technologies and practices, are lessening ecological impacts. While renewable energy development is certainly not without challenges, the industry's landscape is one driven by solutions, co-operation and a clear vision for the unquestionable role of hydropower for a clean energy future.

As of the end of year 2016, the renewable energy capacity remains at 2,017 GW of which hydropower contributes 1,096 GW. The solar PV contributed 47% of the total capacity addition during the year, whilst wind and hydro contributed 34% and 15.5% respectively. The developing world spearheaded by China, stayed in the forefront in the renewable energy capacity addition during the year 2016.

The Global awakening to the serious impact of climate change is also driving the growth of the global renewable energy industry. The large scale support to the green initiatives stem from the general public. This is evident despite the present US government proposing to withdraw from the Paris Climate Conference Accord and refusing to validate the mandatory emission reduction targets. This has led to an upsurge in American cities and the corporations declaring their commitments to adhere to the emission reduction targets voluntarily.

The Sri Lankan Economy

The Sri Lankan economy grew by 3.9% during the year 2016 in real terms, in comparison to 5.7% growth recorded in the corresponding period of 2015. The growth was mainly propelled by the continuous expansion in services followed by the industrial activities despite the contraction recorded in the agriculture sector activities. Among the three major sectors, services continued to be the dominant force in GDP growth, recording a 4.9% increase during 2016.

Consumer price inflation increased and stabilized around mid-single digits while core inflation also indicated some stabilization following an increasing trend.

The Central Bank tightened its monetary policy stance in several circumstances during the year with the view of containing the possible emergence of demand-driven inflationary pressures in the economy driven by high credit growth and excessive monetary expansion.

The Power and Energy Industry

Total electricity generation in 2016 increased by 8.1% in comparison to 2015. Although hydro based power generation gradually improved during the first quarter of the financial year with increased rainfall received during May 2016, the drought conditions that prevailed during rest of the financial year caused a reduction in the share of hydropower in the total annual power generation in 2016.

The generation of electricity through non-conventional renewable energy (NCRE) sources, including mini-hydro generation, decreased by 20.9% in 2016. Accordingly, the share of hydropower remained

at 25% during the year. Meanwhile, the contribution of the power plants owned by the CEB to the total power generation decreased to 76.5% in 2016 from 79.4% in 2015. As in the previous years, the remainder of the total power generation in 2016 was purchased from Independent Power Producers (IPPs).

During 2016, several appreciable measures were undertaken to enhance the electrification level in the country. The government initiated a program named 'Ratama Eliyai – Andura Duralai' with the aim of providing electricity at concessional rates to low-income families in order to achieve 100% electrification in the country.

Construction work of the Uma Oya Hydropower Project and Broadlands Hydropower Project is in progress and these power plants are expected to be connected to the national grid by 2018 and 2019, respectively. In addition, preliminary work is in progress to construct the Gin Ganga Hydropower Project, three hydropower units in the Moragahakanda Hydropower Project, Moragolla Hydropower Project and the Mannar Wind Power Project.

By end 2016, the CEB had signed agreements for 105 NCRE projects, with a total installed capacity of 288 MW. The Ministry of Power and Renewable Energy launched a new community based power generation project called 'Soorya Bala Sangramaya' in collaboration with the Sri Lanka Sustainable Energy Authority, CEB and the Lanka Electricity Company (Pvt) Limited in 2016 which is expected to bring upon more opportunities to the company in its journey of diversification.

There is an alarming and disappointing trend of unfounded malicious allegations spread through the social media regarding the small hydropower development in Sri Lanka by some parties with vested interest. These individuals attempt to create a false picture, blowing out of proportion that small hydropower projects are hazardous to the environment, adversely affect the local communities and the developers are stealing the country's resources. This false propaganda has on several occasions hindered obtaining regulatory approvals and caused public relations issues.

The small hydropower sector of Sri Lanka is considered to be of world class for its technical excellence and sustainability practices. The industry has helped the country reduce its carbon footprint, which otherwise would have been emitted by thermal power plants. Several small hydropower projects in Sri Lanka including the Lower Kotmale Oya MHPP of Vidullanka PLC are accredited to obtain Certified Carbon Emission Reductions by the United Nation's Framework Convention on Climate Change (UNFCCC). The industry also saves foreign exchange worth billions of rupees for the country, which otherwise would have been spent to purchase

Chairman's Message contd.

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

fossil fuel to generate electricity, apart from the employment opportunities created both during construction and operational lifespan of the power plants.

Company Performance

The company had a challenging year as both the South-West and the North-East Monsoons failed to deliver adequate rainfall, apart from the flood which devastated the western region of the country in May 2016. The fact that all of Vidullanka's power plants were located in Sri Lanka, together with the fixed operational & finance expenditures had reduced the profits of the group.

The Group revenue declined by 26% to Rs.534.7Mn, whilst the Profit After Tax decreased by 89% to Rs.41.7Mn. The decrease in profit after tax was primarily caused by the 77% reduction in the profit share from the joint ventures and the finance cost which soared by 71% to Rs.160.7Mn. The overseas income from the Muvumbe Small Hydropower Project (SHPP) was negligible during the year under review as it was commissioned during the month of March 2017.

Despite this, on a strategic scale Vidullanka achieved a key milestone by commissioning its first foreign project in Uganda. The Muvumbe SHPP is expected to deliver 31.42 GWh of clean energy to the national grid of Uganda. Our experience working with the Ugandan Government and our partners in the country on the Muvumbe SHPP has given Vidullanka PLC an invaluable experience and opened much greater potential for the company's growth in the region which we will leverage to add more investments to the existing portfolio. In line with the strategy, Vidullanka took steps to acquire Timex Bukinda Hydro (U) Ltd, which is awaiting regulatory approval. The entity was formed to construct and operate the 6.5MW Bukinda Small Hydropower Project in Uganda. The construction of the project is expected to commence during Q4 of the financial year 2017/18.

The completion of the Muvumbe SHPP is the initial step of the company's aim to broaden its revenue streams and enhance its financial stability. This reduces the over-reliance on the Ceylon Electricity Board, the monopoly customer and on the Sri Lankan weather conditions to generate revenues.

Vidullanka is also in the process of constructing a 1.4MW mini Hydropower project in Badulla district, which is expected to be completed in a few months. The project is expected to supply 5.5GWh of clean electricity to the grid upon commissioning.

We are also planning to make calculated investments in the coming year in biomass, solar and wind, in order to diversify our revenue sources. The company is open to embrace new renewable energy sources and innovative technologies which would then make clean electricity generation cost effective and commercially viable.

Despite the challenges faced during the financial year, the company adhered to its core philosophy of delivering value to all the stakeholders. In that line, Vidullanka paid an interim dividend of Rs.0.10 per share during the year.

Sustainability

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

Our operations are carefully planned in a manner that preserves and safeguards the environment and bio-diversity of the regions that we are based in and assure that the operational activities adhere to the plan of preserving the environment. All our projects are designed and planned from the very beginning to take into account and conserve such valuable natural resources. This is a commitment which we pledge to maintain in the future as well. Vidullanka's skilled and dedicated labour force plays a prominent role in such endeavors. In addition, Vidullanka 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 growth of Vidullanka originates from the strategic vision of organic, incremental addition of grid connected renewable energy projects to the existing portfolio which ultimately benefits all the stakeholders of the Company. The Company has justified its existence by delivering the expectations of all the stakeholders of the company throughout the past. Vidullanka has emerged as one of the key players in the renewable energy industry in Sri Lanka with constant and continuous capacity growth and now the company has successfully embarked on East-African soil with the commissioning of Muvumbe Small Hydropower Project.

The demand for clean energy due to the adverse effect of the climate change has grown phenomenally and both the states and the private sectors have geared up their resources to meet this challenge. The global scale vocal by the masses and the acknowledgement by the governments to prioritize the energy generation through renewable energy sources compared to the hydro-carbon fuel sources have offered Vidullanka tremendous growth prospects.

The company is determined to march ahead and continue to expand by utilizing the opportunities that it foresee in the renewable energy industry adopting its expertise and experience. The company plans to make its strategic investments in developing its skills and competency in-house to successfully capture the opportunity it finds in the industry.


Further, Vidullanka PLC focuses on diversifying its revenue sources to stabilize and strengthen financial performance while developing its in-house expertise to convert the opportunities into value generating assets. While each of these potential opportunities come with embedded challenges, the management of the company is confident that such challenges can be overcome through the expertise and the experience the company has accumulated throughout the years.

Acknowledgements

I take this opportunity to express my heartfelt gratitude to the members of Vidullanka, especially for the Board of Directors for the support extended in the implementation of the overall direction and strategy of the business; to the Managing Director – Mr. Riyaz Sangani, for taking the company to the global arena and opening up more opportunities; to the senior management and staff, especially for their relentless commitment and hard work which resulted in the construction and commissioning of the Muvumbe Small Hydropower Project in Uganda, and to our business partners, for the trust placed in us in our worthy ambition of generating clean electricity while delivering the value to all our stakeholders.

I would like to extend my appreciation to the Vidullanka team for winning the prestigious Taiki Akimo 5S merit award in the 5S competition held by Japan – Sri Lanka Technical and Cultural Association, Bronze Award in the Presidential Environmental Awards Competition, and for becoming the runner-up in the Sustainability Reporting Competition held by Association of Chartered Certified Accountants (ACCA- UK).

I would like to acknowledge and thank all the shareholders for the confidence placed on the Board of Directors and we assure you that the future will be harvesting the benefits of the strategic investments the company has made over the years, whilst continuing to grow in the realm of growing global renewable energy industry.



Osman Kassim
Chairman

27 June 2017





Living clean, **living green**

We place utmost priority on environmental conservation to sustain the flow and ensure energy generation. Nature is paramount in our quest to energize thousands of homes both in Sri Lanka and Uganda.

Managing Director's Review

Vidullanka PLC marks the two decades of existence in the Sri Lanka Non-Conventional Renewable Energy industry, where it has demonstrated growth from a start up to a pioneer developer in the Industry.

Introduction

Vidullanka PLC marks the two decades of existence in the Sri Lanka Non-Conventional Renewable Energy industry, where it has demonstrated growth from a start up to a pioneer developer in the Industry.

Throughout its journey thus far, Vidullanka has successfully added power plants to its portfolio while upholding industry standards and adopting a combination of strategic innovations and successful business decisions that have contributed towards the electrification of the country. Its compelling legacy and entrepreneurial will, have enabled the company to commission financially viable small hydropower plants and deliver efficient renewable energy across the country and beyond the border, whilst fulfilling its stakeholders' expectations.

The financial year 2016/17 brought in remarkable achievements and extreme challenges from the external environment.

International Industry Outlook

Renewable energy is a fundamental and growing part of the world's ongoing energy transformation. Renewables are now the first-choice option for expanding, upgrading and modernising power systems around the world. Institutional investors are increasingly moving into renewable energy investment, particularly in Europe, where several pension and growth funds have invested in large wind projects, indicating the long-term positive outlook on the sector.

The rapid growth of renewable energy reflects commitment by governments around the world in response to pressing challenges

and emerging opportunities. A majority of countries including Sri Lanka have adopted national targets, formulated ambitious policies, and devised innovative investment and technology strategies since renewable energy is considered to be an indigenous, financially viable and environmental friendly alternative for thermal and coal plants.

Access to sustainable, secure and cost-effective energy through renewables offer a tremendous and unique opportunity to simultaneously provide modern energy to a currently underserved population, and serve sustainable development imperatives such as avoiding catastrophic climate change. Hydropower accounted for the largest share of renewable generation, followed by wind power, bio-energy and solar PV. The share of renewables in global electricity generation has risen every year, even as total electricity consumption has continued to grow. In recent years, renewable power generation growth has greatly outpaced increases in both overall electricity demand and the generation of non-renewables.

Domestic Conditions

The Economy

The economic growth boomed during the post war era has slowed down, the economic growth in 2016 recorded a percentage of 4.4% YoY mainly due to the adverse weather conditions the country experienced. Agriculture contracted by 4.2% because of floods in May 2016 and a drought that is continuing since August 2016. Construction industry expansion at 14.9% provided the impetus for 6.7% growth in industrial sector since the large-scale private sector projects are being carried out in the country. Growth in manufacturing has slowed in pace compared to that of a year earlier, mainly because of weakness in the textile and

Moving forward, we will remain as ever, deeply committed to our goals of creating a new paradigm in the power and energy sector both in Sri Lanka and overseas more than we have ever been previously and ensure this will create value for all stakeholders whilst simultaneously, paving the way for a cleaner, more sustainable energy framework for the nation.

garment industries. Growth in services slackened to 4.2%. Average annual inflation was moderate at 4.0% in 2016 as measured by the National Consumer Price Index.

Recognising the importance of economic and social infrastructure in facilitating inclusive growth and development, the government continued its investment in enhancing the infrastructure base during 2016 amidst tight budgetary constraints.

Industry Dynamics

Hydropower is found to be a major source of energy in the power and energy sector in Sri Lanka with an estimated potential of hydro resource of about 2,000MW, of which more than half has already been developed. Further development of hydro resources is becoming increasingly difficult due to regulatory constraints as well as less financial viability. Apart from the aforesaid, there is significant potential for wind and solar power development that is yet to be realized in the nation.

The generation of electricity through non-conventional renewable energy (NCRE) sources, including mini-hydropower generation, decreased by 20.9% in 2016. Accordingly, the share of hydropower remained at 25% during the year. Meanwhile, the contribution of the power plants owned by the CEB to the total power generation decreased to 76.5% in 2016 from 79.4% in 2015. As in the previous years, the remainder of the total power generation in 2016 was purchased from IPPs.

Operational Highlights

The company's major revenue stream was severely impacted by the adverse weather conditions prevalent in the country during the year under review. The revenue of the company as well as the Group dampened since several power plants operated at minimal capacities due to diminished flow in the rivers in the plant locations.

During the year under review, the group generated the Profit After Tax of Rs. 41.7Mn in the backdrop of reduced generation from the severe drought. The gross power generation of the Group dropped by 28.7% compared to previous financial year, resulting the Profit After Tax (PAT) being reduced by 89% compared to the PAT of LKR 371.6 Mn for the year 2015/16.

In spite of the facts that local power plants have demonstrated reduced generation, and yielded a less favorable outcome for the year under review, the company reached its important milestone in the year 2016/17. The company's first overseas project, namely, Muvumbe Small Hydropower Plant, with an installed capacity of 6.5 MW was commissioned successfully in Uganda gearing the company's journey of geographical diversification. The plant is expected to generate and transmit the energy to the Uganda power grid under the power purchasing agreement with Uganda Electricity Transmission Company Limited. It is important to note that the first foreign project of the company is granted GETFIT premium administered by kfW Bank in recognition of the development of much needed clean energy for the African region. The project will serve as a source of stable cash inflow in the subsequent financial years and help Vidullanka reduce the impact of seasonal variations of rainfall in the financial performance of the Group.

The successful commissioning of the project has opened the door steps for advanced diversification into new regions and the company is looking into more investment opportunities for development and the provision of engineering services. In line with our strategy, we have entered into an agreement with Timex Garments (Pvt) Limited to acquire Timex Bukinda Hydro (U) Limited. The acquisition is presently pending regulatory approvals. Timex Bukinda Hydro (U) Limited is the project entity of the proposed 6.5MW Bukinda small hydropower project in Uganda.

Managing Director's Review contd.

Meanwhile, the construction of a 1.4 MW mini hydropower plant is on track in Badulla, with a total estimated investment of LKR 430 million. The project will be grid connected during mid financial year 2017/18 and is expected to generate 5.52 GWh clean energy per annum. Further, the Dehiattakandiya Dendro Power Project, the first fuel wood based power project of the company, will commence construction during the following financial year. The cost escalations due to significant rupee depreciation, abolishment of import tax exemptions and increase of levies imposed have contributed significantly to the increase of the project cost, thereby delaying the overall implementation of the project.

Sustainability

During the year under review, we have continued to maintain active 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. Further, the scholarship program has also been extended to the performing children of employees of the company. I am happy to note that one of our scholarship recipients was able to achieve outstanding results at the Local Advanced Level examinations in the Bioscience Stream and has been selected to attend the prestigious University of Colombo to pursue higher studies in Medical Science.

Additionally, the Company carries out regular programs to support community schools and distribute stationery, uniforms, shoes and other educational requirements to students on an annual basis.

From an environmental perspective, 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. The power projects of Vidullanka have contributed to the reduction of our carbon footprint by 30,577 tonnes in the year under review.

Furthermore, we have also contributed toward the local community of Kabale District in Uganda and taken measures to protect the environment from unjustifiable exploitation. The company in partnership with a local non-governmental organization has successfully implemented the livelihood restoration program that assists the inhabitants in their agricultural activities and encourages and supports sustainable farming. Further, we have constructed a health center in the project area for the community, providing better access to the much-needed health care services in the region.

Strategic Outlook

The company has continuously invested in widening its power-generating capacity over the past few years. Consequent to the commissioning of the first foreign project in Uganda and the local hydropower industry stagnating, the company intends to make calculated investments in the following years whilst gathering and retaining lessons of the past that have finally been learnt and the knowledge and skills essential for the successful journey ahead.

We continuously seek out opportunities locally and abroad to increase investment in the hydropower projects while looking for strategic investments for diversification into wind and solar projects in the background of a biomass power project already in our project pipeline.

Acknowledgements

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

Moving forward, we will remain as ever, deeply committed to our goals of creating a new paradigm in the power and energy sector both in Sri Lanka and overseas more than we have ever been previously and ensure this will create value for all stakeholders whilst simultaneously, paving the way for a cleaner, more sustainable energy framework for the nation.



Mr. Riyaz M. Sangani
Managing Director

27 June 2017

Board of Directors

Mr. Osman Kassim

Chairman

Mr. Osman Kassim was the founder Chairman of the Expolanka Group. He is an entrepreneur with vast experience in the fields of management and strategy. He is also renowned for his expertise in Islamic Banking and Insurance. He counts over 35 years of senior management experience. Osman Kassim is also the Chairman of Amana Bank and the Asia Pacific Institute of Information Technology (APIIT) in Sri Lanka. He also holds directorships in Pak-Kuwait Takaful Company Ltd - Pakistan, Crescentrating (Private) Limited, Singapore and Amana Takaful Maldives Limited, Maldives. He has an Honorary Doctorate from the Staffordshire University in recognition of his achievements as both a global entrepreneur and visionary educationalist.

Mr. Riyaz M. Sangani

Managing Director

Mr. Sangani is one of the founders of Vidullanka, a pioneer in the Sri Lanka small hydropower industry. In addition to all Vidul group companies, Mr. Sangani serves the Board of several companies of Lanka equities group including Lanka Equities (Pvt) Limited, Tradefirst (Pvt) Limited, Alankara SKR (Pvt) Limited, Autus Chemicals (Pvt) Limited and Icon Brands (Pvt) Limited.

Mr. Sangani, being a graduate from the University of Colombo, has also obtained his MBA at the Post-Graduate Institute of Management (PIM), University of Sri Jayewardenepura. He is a Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA) and currently serves as the President for the Grid Connected Small Hydropower Developers Association, as an Ex-officio Member of the Board of Management of the Sri Lanka Sustainable Energy Authority and as a member of the advising committee on Gem, Diamond & Jewellery of Sri Lanka Export Development Board.

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. 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 27 years of experience in senior management positions both internationally and locally in multinational and listed companies. He currently holds directorship of Aberdeen Holdings Pvt Ltd & HiEnergy Services (Pvt) Ltd.

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

Presently, Mr. Ghouse is the Assistant Treasurer 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 and Panel of Judges for the Entrepreneur of the Year in 2003 and 2004.

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

Board of Directors contd.

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., under its umbrella, comes the leading player in Commodity Trading, Airline, Tea Exports, UPS courier Agency & the largest Corrugated Carton Manufacturing and Solar Energy company.

Aberdeen Holdings also has strategic investments in the pioneering venture - oceanic fish farming, fast food, courier and related services and plantations in Sri Lanka, in addition to the several international partnerships and ventures in more than 30 countries.

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

He is a pioneer in the commodity trading in Sri Lanka, who have offices in Dubai, USA, Madagascar, Vietnam & Comoros Island 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.

Dr. A.A. Mohamed Haroon

Independent Non-Executive Director

Dr. Haroon is a family physician 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. S.S.V. Fernando

Independent Non-Executive Director

Mr. S.S.V. 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.

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. Shahid M. Sangani*Non-Executive Director*

Mr. 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 serves as Chief Executive Officer of Dynawash Limited and Co-Energi Private Limited. 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 Autus Chemicals (Pvt) Ltd, Icon Brands (Pvt) Ltd, Diamond Cutters Sales (Pvt) Ltd and Trade first (Pvt) Ltd.

Mr. Shahid M. Sangani is an Attorney-at-Law of the Supreme Court of Sri Lanka.

He serves the Board as a 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 several publicly listed and private companies in Sri Lanka and also 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.

Mr. C.F. Fuhrer*Non Executive Director*

Mr. C.F. Fuhrer is a non executive director of Vidullanka PLC. He is also the former Director of Chesa Swiss Restaurants (pvt) Limited and Ranmalu Fashions (pvt) Limited.





Driving value, **spearheading growth**

Vidullanka's expertise in the field is a key value driver of our business. It is also the organization's key resource which transformed it from a single power plant to a major player in the Sri Lanka renewable energy industry.

Management Discussion & Analysis

The Muvumbe SHPP represents 30% of Vidullanka's net generation capacity and is expected to contribute 32% of the total electricity output.

OPERATING ENVIRONMENT

The financial year under review has witnessed the important milestone of the company in terms of growth and diversification. The report intends to provide an insight of the changes in the external environment of the business that brought in numerous opportunities and challenges to the company. The report further presents more detailed review of the company's performance and operational highlights of the financial year 2016/17.

The Sri Lankan Economy

Over the past two years, growth has markedly slowed from the rapid pace of the economic boom that came with the end of civil conflict in May 2009. Economic growth in 2016 was affected by bad weather, with provisional estimates putting growth at 4.4% in 2016, lower than the 4.8% growth a year earlier.

On the supply side, agriculture contracted by 4.2% mainly because of floods in May 2016 and the drought that has prevailed since August 2016. Expansion of 14.9% recorded by the construction industry provided the impetus for 6.7% growth in industrial sector. Buoyant construction was driven by private sector projects supported by a rapid increase in bank credit to the private sector. Growth in manufacturing slowed from a year earlier, mainly because of weakness in the textile and garment industries. Services growth slackened to 4.2% from 5.7%, mainly with slowing in wholesale and retail trade and government-related services.

Export volume fell by 1% in 2016 on weak agricultural sales, reversing expanded export volumes in recent years even as prices languished. Average annual inflation moderated to 4.0% in 2016 as measured by the national consumer price index.

Sri Lankan Power and Energy Industry

Total electricity generation in 2016 increased to 14,149 GWh in comparison to 13,090 GWh recorded in 2015, recording an increase of 8.1%. The drought conditions that prevailed during the year caused a significant reduction in the share of hydropower generation in the total annual power generation in 2016.

The generation of electricity through non-conventional renewable energy (NCRE) sources, including mini-hydropower generation, decreased by 20.9% to 1,160 GWh in 2016 from 2015. Accordingly, the share of hydro, fuel oil, coal and NCRE in total power generation remained at 25%, 32%, 36% and 8%, respectively. Meanwhile, the contribution of the power plants owned by the Ceylon Electricity Board (CEB) to the total power generation decreased to 76.5 % in 2016 from 79.4 % in 2015. As in the previous years, the remainder of the total power generation in 2016 was purchased from Independent Power Producers (IPPs). Meanwhile, overall transmission and distribution loss as a percentage of total power generation reduced to 9.6% in 2016, from the 10% in the previous year due to improvements to the national grid.

During 2016, the government has taken several measures to enhance the electrification level in the country. The government initiated 'Ratama Eliyai - Andura Duralai' with the aim of providing electricity at concessional rates to low-income families in order to achieve 100% electrification in the country. According to CEB's provisional data, the level of electrification of the country has been raised to 99.3% by end 2016 from 98.5% at end 2015.

'Soorya Bala Sangramaya'; a new community based power generation project launched by the Ministry of Power and

As part of its diversification strategy, Vidullanka is actively seeking to add more overseas power plants to its portfolio. The company is awaiting for the regulatory clearances for the acquisition of the Timex Bukinda Hydro (U) Limited, which holds the approvals to develop 6.5MW Bukinda SHPP.

Renewable Energy in collaboration with the Sri Lanka Sustainable Energy Authority, CEB and the Lanka Electricity Company (Private) limited (LECo) in 2016. Sri Lanka Sustainable Energy Authority (SLSEA), which has been actively engaged in promoting increased adoption and sustainable use of renewable energy sources in the country, has taken steps to issue energy permits and provisional approvals for on-grid renewable energy projects aimed at accelerating the development of indigenous renewable energy resources into commercial scale projects.

By the end of the year 2016, 172 mini hydropower projects, 15 wind power plants, 9 biomass power plants and 5 solar power projects have been commissioned and connected to the national grid. The share of NCRE generation of the total power generation remained at 8% of the total power generation in 2016.

SLSEA implemented several energy conservation programmes, focusing on regulatory interventions and strengthening energy efficiency in the services sector. In addition, two major renewable energy initiatives, namely solar rooftop power generation project, and estate micro hydro rehabilitation and repowering project with financial assistance from the Asian Development Bank (ADB) are also in progress.

Regulatory Authorities

Vidullanka believes in building and maintaining better rapport with government authorities and other regulatory organizations when carrying out the development of projects and during the operational lifespan. Since the company has expanded the operation beyond the borders it is considered essential for the organization to work hand in hand with regulatory authorities for the successful project execution and flawless operation.

Vidullanka continues to work in close co-operation with all regulatory authorities concerned with oversight into the Sri Lanka Renewable Energy sector starting with the industry's apex institution, Sri Lanka Sustainable Energy Authority. SLSEA is the prime state regulatory agency driving the usage of indigenous renewable energy resources and deployment of energy efficiency

initiatives in the country. The authority grants provisional approvals and energy permits for project operations.

Vidullanka continues to cultivate strong relationships with local authorities and is grateful for the continued co-operation that has been extended to the Company.

Vidullanka is committed to work towards protecting the natural environment while carrying out the project operations. Hence, the Company allows only a minimal disruption to the nature in the project area and has taken efforts to inculcate values of sustainability while carrying out the business activities.

In that context, Vidullanka's steadfast commitment to safeguard 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-hydropower 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. Vidullanka 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 build close ties with the pertinent foreign regulatory agencies including the Electricity Regulatory Authority of Uganda, National Environmental Management Authority of Uganda, Ministry of Energy and Mineral Development (MEMD), Rural Electrification Agency, Directorate of Water Development and Uganda Electricity Transmission Ltd (UETCL). Since the project is entitled for GETFiT premium payments, it also works with GETFiT secretariat to ensure the project works are carried out in compliance with the IFC performance standards.

Management Discussion & Analysis contd.

FINANCIAL REVIEW

Overview

During the year under review, the company recorded Profit After Tax of Rs. 41.7 million, the lowest since the financial year 2011/12. The company recorded a profit of Rs. 371.5 million last year. The group's profit is hindered by decreased revenue and the investment income from Joint Venture power projects, due to adverse climatic changes and the increased operation and finance expenses. In the year 2017, Vidullanka PLC was reaffirmed as (SL) A- with a negative outlook by ICRA Lanka Limited, the Sri Lankan arm of ICRA India Limited, a Moody's investor service and credit rating company.

Group Financial Performance

The group experienced lower power generation from its power plants compared to the FY 2015/16 due to the unforeseen drought condition in the island. Despite addition of 8.5 MW in to the plant portfolio with the commissioning of Muvumbe Small Hydropower Project (SHPP) in Uganda and another local project, Ethamala Ella Mini Hydropower Project of 2 MW through an associate company, the revenue reduced by 26% contributing for the downward movement in profit after tax by 89% during the financial year. Further, the expiry of the standard power purchasing agreement of Bambarabatu Oya MHPP resulting in a much lower tariff also had a negative impact on the revenue of the group.

Although, the revision of the avoided cost under the standard power purchase agreement of Bambarabatu Oya MHPP would bring in lower revenue, the company is expecting to continue to operate the plant with the feed in tariff to be decided by the

relevant authorities. With cumulative gross installed capacity of 25.25 MW, the company will be able to sustain its organic growth in the future since they will bring in adequate revenue given the climatic condition is favourable.

The cost of sale of the group has increased by 18% due to the fact that Lower Kothmale Hydro Power (Pvt) Ltd.'s operational expenses added to the group for the whole year compared to just six months in the previous year. The entity owning the 4MW Lower Kothmale Oya MHPP was fully acquired in October 2015.

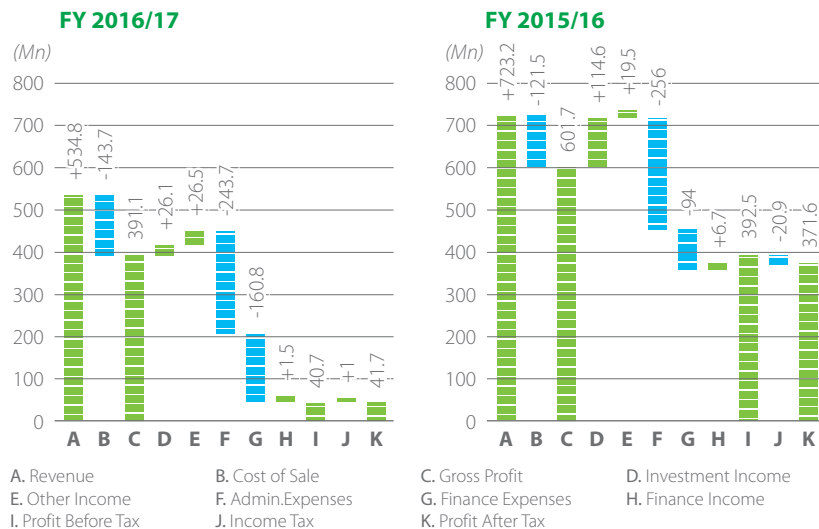
The group's finance cost has shown an increase of 71% mainly due to the increased short term borrowings and from the borrowings of the fully acquired Lower Kothmale Oya Hydro Power (Pvt) Ltd. The taxable losses by Vidullanka resulted in deferred tax reversal, impacting the group income tax expense as well.

All these major factors resulted in the reduction of profit after tax by 89%.

Vidullanka PLC

During the year under review, the revenue reduced due to the year long drought conditions, while one of the Company's power plant, Bambarabatuoya MHPP's standard power purchasing agreement with the CEB expired. These factors led the Company's revenue to decrease by 50%. The Company continues to reduce the cost of sale and annual reduction amounts to 13% through process improvements and effective man power deployments.

Comparative Income Statements in Waterfall Diagram



The other income of the company which mainly comprised of the dividends received from the joint ventures and subsidiaries and from other investments, development service fee and profit on sale of project stake. While, the administrative expenses continued to remain at the same range the finance cost increased due to increased borrowings. The Company's losses also resulted deferred tax assets leading to a reversal of deferred tax provisions.

All the above factors led the company to the after tax loss of Rs. 9.7 Mn compared to the profit of Rs. 215.5 Mn in FY 2015/16.

Vidul Engineering Limited

The engineering arm of Vidullanka generated a profit of Rs.13 Mn during the financial year under review compared to the loss of Rs.7.4 Mn generated for the last year. The entity has scaled down its operations and restructured it to focus on the selected power projects. The restructure along with the sale of revenue share rights led to higher profits in FY 2016/17.

Walagamba Balashakthi (Pvt) Limited.

The company is a wholly owned subsidiary of Vidullanka and owns the Wembiyagoda MHPP. The plant is of 1.3 MW capacity located in Kalawana, Ratnapura. During the FY 2016/17, the company generated a revenue of Rs.53 Mn and a Profit After Tax of Rs.20.8 Mn compared to the revenue of Rs.84.9mn and Profit After Tax of Rs.49.6 Mn in FY 2015/16. The plant generated 3.8 GWh during the year compared to the generation of 5.4 GWh in the previous year.

Rideepana Hydro (Pvt) Limited

The subsidiary owns Rideepana MHPP located in Badulla with an installed capacity of 1.75 MW. The power plant generated 3GWh during the financial year under review compared to the 6.25GWh in the previous year. The project company generated Rs.53 Mn revenue leading to a profit after tax of Rs.12 Mn.

Lower Kotmale Oya Hydro Power (Pvt) Limited

The former joint venture was fully acquired by the company during FY 2015/16. The Lower Kothmale Oya MHPP, the largest local project owned by Vidullanka with an installed capacity of 4MW, generated 15.23 GWh during the financial year compared to the last year generation of 16.4 GWh. The subsidiary generated revenue of Rs.199.7 Mn and gained a profit after tax of Rs.96.7 Mn against the profit of Rs. 113 Mn generated in the previous year.

Muvumbe Hydro (U) Limited

The Company generated a revenue equivalent to Rs.12 Mn during the financial year. The project is eligible for the GETFIT premium payment mechanism administered by kfW Bank of Germany. The project will bring in foreign currency cash inflow to the group and reduces Vidullanka's risk of over dependency on revenue streams from local projects. It is noteworthy that the company is entitled for a feed-in-tariff denominated in United States Dollars, significantly reducing the forex risk associated with overseas operations.

Joint Ventures

Gurugoda Hydro (Pvt) Limited is a joint venture of the company with RENEWGEN (Pvt) Limited, previously named as ESNA power (Pvt) Limited. The company owns the Ganthuna MHPP located in Aranayaka, Kegalle. It recorded a Profit After Tax of Rs.5.2 Mn compared to the Profit After Tax of Rs. 33.2 Mn reported last year.

Vidul Madugeta (Pvt) Ltd is also a joint venture of Vidullanka with RENEWGEN (Pvt) Limited which owns the Madugeta MHPP. The company generated a Profit After Tax of Rs. 23.4 Mn compared to the profit of Rs.110.5 Mn for the last financial year.

Udaka Energy Group (Pvt) Ltd is a joint venture with Vanguard Industries (Pvt) Limited to build and operate a power project of 800kW. The project was severely hindered by drought conditions and resulted in a loss of Rs. 3.3 Mn compared to the Profit After Tax of Rs. 34.1 million for the last financial year.

Associate

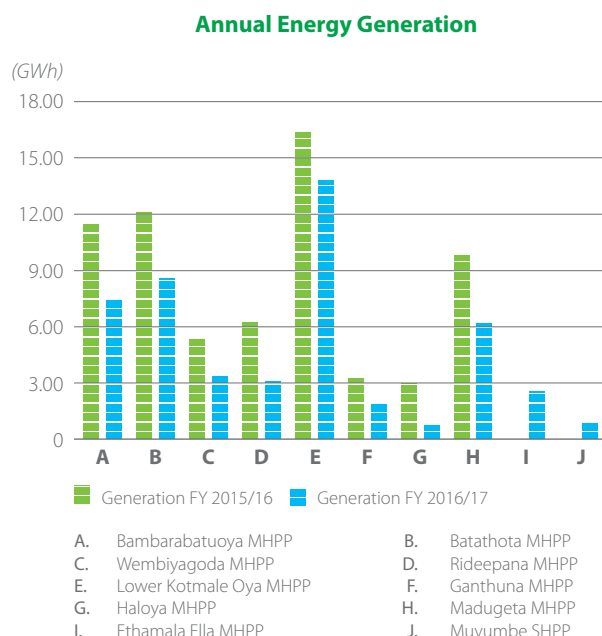
Vidullanka holds 26.3% of the stake in Nilwala Vidulibala Company (pvt) Limited, the project entity of Ethamala Ella MHPP, a 2MW installed capacity mini hydropower project. The entity generated a Profit After Tax of Rs.2.9 Mn during the year under review.

Segmental performance

The group's business is directed towards two major segments namely, power generation and project management and consultation. The power generation segment achieved a profit after tax of Rs. 28.5 million while the project management and consultation segment recorded a profit of Rs. 13 million. In terms of revenue, power generation accounts for 94% of the revenue of the group. Since Vidullanka's core business is grid connected renewable energy generation, the power generation segment continues to be a dominant segment of revenue generation.

Management Discussion & Analysis contd.

Due to the fact that the financial year under review was affected by prolonged drought conditions, the performance of the power plants got severely affected, the generation was lower by multi folds affecting the overall return of the group.



The Company's strategic direction towards expansion beyond the boundaries and diversification into other sources of renewable energy generation including biomass, wind and solar will improve the generation and yield in the future since they eradicate the dependency of business on a single source of renewable energy.

Globally, the renewable energy has attracted attention of investors, bringing more equity and debt funds for clean energy entrepreneurs. Vidullanka's strategic decision to consolidate its resources and focus on power generation would continue to add sustainable value to the stakeholders in the near future.

MARKETS & OPERATIONS

Vidullanka PLC commissioned the Muvumbe Small Hydropower Project (SHPP) in mid-March 2017. This is a significant milestone in the company's strategy to diversify its operations into overseas markets. However, due to the commissioning of the project at the latter part of the financial year, the Group revenue depended solely on the revenue from the local power plants.

As of the end of the financial year, the following plants are in operation;

- Bambarabatuoya MHPP, Balangoda, Ratnapura.
- Batathota MHPP, Kuruwita, Ratnapura.
- Wembiyagoda MHPP, Kalawana, Ratnapura.
- Rideepana MHPP, Andeniya, Badulla.
- Lower Kotmale Oya MHPP, Kothmale, Nuwara Eliya.
- Ganthuna MHPP, Aranayaka, Kegalle.
- Haloya MHPP, Welimada, Badulla.
- Madugeta MHPP, Neluwa, Galle.
- Ethamala Ella MHPP, Morawaka, Matara. (Commissioned in September 2016)
- Muvumbe SHPP, Maziba, Kabale District, Uganda. (Completed in March 2017)

Projects under construction include;

- Udawela MHPP, Badulla.

Upcoming Projects include;

- Dehaittakandiya Dendro Power Project, Dehiattakandiya.
- Bukinda SHPP, Kibale District, Uganda.

Growth Strategies

Vidullanka PLC presently generates its most of the revenue from its hydropower plants. The revenue and the profits fluctuate based on the rainfall pattern in Sri Lanka. However, the company was able to pose continuous growth in the profits through continuous capacity additions. Vidullanka added one hydropower plant to its portfolio each year, throughout the past six years.

The Standard Power Purchase Agreement of Bambarabatuoya MHPP, the first power plant of the group expired and the company is engaged in extending the agreement with CEB. Since Vidullanka has continued to add new capacity over the years, the plant's contribution to the gross electricity generation of the group reduced to 16% in FY 2016/17 from 40% in FY 2012/13.

The Group depended on the south-west monsoon prior to FY 2015/16 as all of its small hydropower plants were located on the south western slope of the central highlands of Sri Lanka. However, with the commissioning of Rideepana MHPP, the group was able to generate revenues even during the North- East monsoon season and stabilize the Group cash inflows. The unprecedented level of island wide adverse weather conditions during the FY 2016/17 severely affected the operation of the power plants of Vidullanka. The impact of the drought was reflected in the profits of the Group.

The commissioning of Muvumbe SHPP in Uganda will relieve Vidullanka being dependent on Sri Lankan weather conditions and the monopoly customer, the Ceylon Electricity Board. The Muvumbe SHPP represents 30% of Vidullanka's generation capacity and is expected to contribute 32% of the total electricity output. This will give Vidullanka more stability over its revenue streams and together with the USD revenue from this overseas power plant, the Group can retain its profit growth steadily.

As part of its diversification strategy, Vidullanka is actively seeking to add more overseas power plants to its portfolio. The company is awaiting for the regulatory clearances for the acquisition of the Timex Bukinda Hydro (U) limited, which holds the approvals to develop 6.5MW Bukinda SHPP. Presently the company is engaged in finalizing the grid connectivity, which is a prerequisite to enter into the Standard Power Purchasing Agreement with the Uganda Electricity Transmission Company Limited (UETCL).

Further, Vidullanka is in the process of diversifying the project portfolio into other renewable energy sources such as wind, solar and biomass. As part of this long term plan, the company is about to commence the construction of the 3 MW Dehiattakandiya Dendro Power Project under the project company, Vidul Biomass (Pvt) Ltd. The Company has collaborated with foreign entities as EPC contractors to construct the power plant due to the high level of technical complexities. The planning of the project is extensive and comprehensive due to the low success rates of the biomass projects in Sri Lanka. The project construction is expected to commence in FY 2017/18.

Organizational Knowledge and Expertise

The Company has dedicated business development units for both hydro and non-hydro based renewable energy projects. The teams are involved with identifying potential project locations both in Sri Lanka and overseas, carry out feasibility studies to determine the commercial viability of the proposed projects, obtain the approvals for construction. The Engineering team is tasked with executing the

project implementation and carrying out the maintenance work in the power plants ensuring continuous operation.

The experience and the expertise of the in-house work force have been instrumental in the phenomenal growth of the company in the past seven years. The company leapt from 6.9 MW gross capacity at the end of FY 2010/11 to 25.25 MW at the end of FY 2016/17. The expertise is the accumulation of the technical know-how gathered over the period of 20 years throughout the development and operations of 10 mini hydropower projects. The lessons were learnt from the setbacks and Vidullanka focused on incremental continuous improvement of its practices and focused on developing its internal work force based on a long term strategy.

The investment in the human resources has paid off with the new overseas ventures of the company where it exports its technical excellence and earn foreign exchange for the country. The Company is poised to develop its in-house human resources further and capitalize on the expertise to venture into the overseas markets.

Value Delivery to the Nation

The Small Hydropower sector of Sri Lanka's Non-conventional Renewable Energy Industry is well developed and of world class. The inception of the run-of-the river based small hydropower projects started with the government policy of opening its energy market to the private sector in the late 1990s, allowing the private entrepreneurs to develop the small scale hydropower potential of the country. Since these projects are of small scale and do not contribute significantly as a single project to the national grid, small hydropower projects do not produce scale of economies to the Ceylon Electricity Board to construct and operate on its own. Therefore, the industry is structured in a way that all the private producers generate and supply the energy to the CEB, which would be beneficial to all the stakeholders.

The small hydropower projects utilizes the flow of the rivers by diverting them to the power house through the channel and penstock pipes to rotate the turbines, and the utilized flow will be diverted to the river at a lower elevation. Compared to the large hydropower projects, small hydropower projects do not use a dam or store water. This method is considered to be of least environmental impact compared to all other sources of renewable energy projects.

It is inevitable that the projects cause changes in the riparian eco system and the environment during the construction period.

Management Discussion & Analysis contd.

However, every small hydropower project undergoes stringent environmental impact assessment in which the possible impact on the riparian eco system and the social environment by the project will be meticulously analyzed and mitigation strategies will be proposed to minimize the impact. State institutions scrutinize every construction activity of a small hydropower plant and check for compliance with the environmental and other regulatory approvals. The industry remains one of the highly regulated industries in the country. However, compared to other large scale infrastructure projects and plantations, the impact caused by the small hydropower project on the environment is minimal and justifiable based on the long term benefits it produces to the society and the country as a whole.

The industry employs thousands of Sri Lankan professionals in the fields of civil, mechanical, electrical engineering, environmental science and finance. Small Hydropower sector is also one of the few industries in Sri Lanka that exports its technical expertise overseas, compared to many other which rely on foreign technical assistance.

Small Hydropower projects reduce the carbon emission of the country by utilizing a renewable, environmental friendly indigenous energy source to generate electricity which unless otherwise would be generated through the fossil fuel. The industry also saves the outflow of billions of rupees worth foreign currency which is used to import the fossil fuel. During the period under review, the group power generation represents a reduction of the carbon emission equivalent of the country by 30,577 tonnes. With the commissioning of Muvumbe SHPP, Vidullanka entered into a new market. Uganda has a low electrification rate of 15%, one of the lowest in the African Continent. The project will enable thousands of families in Kabale district to get access to grid connected electricity.

The investment made in the development of the Muvumbe SHPP gave boost to economic growth in the Kabale District. 70% of the project cost was incurred in Uganda creating employment for hundreds of locals during the construction phase, while the balance 30% was incurred for the importation of penstock pipes and electromechanical equipments. The civil and mechanical contracts of the constructions were undertaken by Sri Lankan enterprises with the majority of the engineering talents sourced from Sri Lanka. Further Vidullanka's engineers have undertaken the electrical installation and commissioning of the power plant, capitalizing on their experience gained from the projects developed in Sri Lanka by the Company.

In addition, the electricity generation has enabled people access to internet and information technology in the region. The commissioning of Muvumbe SHPP is a key example how the small hydropower projects can positively change the livelihood of the local population and improve standard of living. The project will also contribute the government of Uganda in the form of taxes over the next 20 years.

HUMAN CAPITAL

The human resource of Vidullanka is the key factor which drives the business growth and deliver the value to all the stakeholders of the company. It is the skills and competence of the employees that creates a company's recognition in the industry it operates. Vidullanka in this perspective is recognized as the pioneer of the industry through retaining and motivating the human capital in the organization.

Being the unique and most valuable asset, Human resource contributes Vidullanka to thrive for excellence. The talent of Vidul team plays a prominent role in organizational success and competitive positioning. The company's multifaceted talented pool of human capital has enabled Vidullanka to expand itself from being a single small hydropower plant operator to a pioneer renewable energy developer with spanning operations in Uganda. The human resource of the Company has given the strategic apex the confidence to tap new unexplored markets and face the challenges successfully.

Passion for excellence, honesty and integrity, innovative mindset, taking risk, attention to details, entrepreneurial drive, and teamwork are the company's values, which direct and shape the employees' to practice and work in the Vidul Culture. Robust HR policies, governance structures, and processes are connected in a consistent manner to ensure a progressive development of the team.

The focus of Vidullanka's human resource functions is creating and aligning human resource management strategies to the business strategy in the process of delivering the value to the stakeholders. Having understood, the significance of its employees Vidullanka is rigorously involved in grooming its employees to reach new heights.

Our Team

Vidullanka had a total workforce of 186 employees including 13 employees in Uganda as at the end of the financial year. The Staff represent a highly diversified fields covering operations, mechanical, civil & electrical engineering, agriculture, environmental science and finance. In addition, the people in Vidullanka come from various religious, linguistic and cultural background which makes the work life more diverse, interesting and enjoyable.

The employability of female staff in the power plant operations is limited due to social constraints and career preferences. However, the Company has taken steps to have balanced gender composition in the fields of administration and support services.

Vidullanka cadre also comprises relatively young individuals and the company has a work culture of recruiting graduates and train in the small hydropower development field. This ambitious and specialized work force plays a vital role in the rapid expansion the company is presently undergoing and in the diversification process to tap investment opportunities in new sources of renewable energy.



Equal Employment Opportunity Policy

Vidullanka entirely precludes victimization of any employee in view of the person's race, religious belief, sexual orientation, nationality, age, physical ability, civil status, relationships, veteran status or any other factor.

The company also ensures that all work choices, including selection, recruitment, employment, promotion, salaries and wages, other benefits, transfer, training and termination are free from unlawful segregation.

Employee Composition by Gender (%)



Female - 9%

Male - 91%

Nature of Employment (%)



Contract - 25%

Permanent - 75%

Management Discussion & Analysis contd.

Employee Composition by Age (%)



20-24 - 15%	25-29 - 21%
30-34 - 23%	35-39 - 19%
40-44 - 7%	45-49 - 8%
>50 - 7%	

Employee Composition by Age (%)



20-24 - 15%	25-29 - 21%
30-34 - 23%	35-39 - 19%
40-44 - 7%	45-49 - 8%
>50 - 7%	

Employee Composition by Functional Areas (%)



Power Plants	- 66%	Administration	- 5%
• Bambarabatuoya MHPP	- 8%	BDU Hydro	- 4%
• Batathota MHPP	- 7%	BDU Non Hydro	- 4%
• Ganthuna MHPP	- 6%	Engineering	- 14%
• Haloya MHPP	- 5%	Finance	- 4%
• Lower Kotmale Oya MHPP	- 7%	HR	- 2%
• Madugeta MHPP	- 8%	IT	- 1%
• Wembiyagoda MHPP	- 5%		
• Rideepana MHPP	- 5%		
• Ethamala Ella MHPP	- 8%		
• Muvumbe SHPP	- 7%		

Remuneration and Benefits

Vidullanka's remuneration and benefit structure consists of market competitive offers to retain and attract the best talent. Employees are incentivized with number of monetary and non-monetary benefits. During the year under review, the company has made a payment of Rs. 134.3 Mn as employee remuneration.

Compensation strategy is formulated in a way ensuring fair balance between individual contribution of the employee as well as a method of sharing company's success among the employees. Compensation packages are also formulated considering industry benchmarks and best practices.

Notwithstanding the remuneration, employees at Vidullanka are privileged to enjoy other benefits offered by the company

including medical insurance coverage, annual bonus, performance based salary increments, access to interest free distress loans, performance based vehicle loans, free accommodation, meal allowance, subscription payment for professional bodies on behalf of the employees and spot rewards. The management of Vidullanka believes that the above benefits are vital to secure the employees' prolonged service and make them feel esteemed by their employment in the Company.

Maintaining Work Life Balance

Vidullanka always respects and values employees' success in both their personal life and career. It is the belief of the Company that only an employee who is happy and contented in his/her personal life can actively contribute to the success of the Company. Thus,

steps covering a wider scope of activities are taken to enrich the lives of the employees, which include;

- Annual family get-together
- Annual Intercompany cricket tournament.
- 5S and lean implementation programmes for work and home
- Various sports activities under Vidul sports club

Performance Appraisal

Vidullanka adopts a culture of fostering meritocracy and the Company has a comprehensive performance appraisal mechanism for all the employees, which would identify their achievement of the performance targets and identify the staff contribution to the overall corporate objective. Staff members who have performed outstandingly, recognized in the Annual Award Ceremony with gold and silver awards. During the year under review, the Company recognized twenty employees with Silver category awards and three with Gold Category Awards.

The performance appraisal of an individual or team is not limited to the annual performance evaluation. The nature of the business needs employees proactive and committed beyond the contractual obligations and Vidullanka members have shown remarkable dedication beyond their call of duty and the Company has taken steps to give them special rewards recognizing their exceptional professionalism and commitment.

The performance evaluation mechanism of the Company is also instrumental in identifying the skill gap which hinders an individual's performance. In that case, the Company has one to one discussion with the staff members and facilitate them to develop the skills.



Training & Development

The company has well recognized the importance of development of the human capital and considers staff training and professional development as an investment that produce knowledge, skills, and talent attributes which deliver tangible results in terms of operational performance. The focus of training and development function of Vidullanka is to give specific and timely opportunities that helps the employees to hone their skills and knowledge to accomplish their personal and career advancement objectives.

The training and development policy of the company entails the following objectives;

- Assist employees to sharpen the competencies and skills required in their work.
- Minimize any gaps that exist between the actual and expected level of performance of employees.
- Enhance interpersonal & leadership skills of employees to achieve improved performance standards.
- Familiarize 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

Presently in Vidullanka, training and development function is expanded in a way that employee productivity is enhanced to face the emerging business challenges.

During the last financial year combination of class room trainings, on the job training are carried out to address the identified training needs. Aligning with business strategy, last year's training agenda was mapped to arm the existing employees with the updated technical knowledge in their fields of work. As a result, number of technical trainings covering wide sphere of subject areas, were provided to the company's professionals. Soft skill development programmes were conducted with the involvement of both local and foreign trainers. The senior management team took part in a comprehensive tailor made professional development program along with a series of coaching sessions. As an initiative in the training and development function a series of knowledge sharing sessions were carried out to disperse the expertise knowledge of internal professional to other team members.

During the year under review, Vidullanka was able to deliver 312 hours of technical skills development sessions as well as 131 hours of soft skills development sessions to its employees.

Management Discussion & Analysis contd.

Health & Safety

Vidullanka believes that prevention is better than cure; thus has invested extensively in the employee health and safety arrangements. The Group is equipped with extensive health & safety policy that is focused on the well-being of all the stakeholders in our project locations.

The power generation industry is embedded with several possibilities of accidents both due to technical failure and natural hazards. Vidullanka encounters this challenges with a meticulously designed safety protocol based on continuous improvement, provision of health and safety training to the staff and investment in high-quality safety equipment. The staff are trained on health and safety immediately after recruitment and subjected to periodic trainings to update them on the latest health and safety risk management methodologies. Each power plant of the group carries out weekly health and safety drills. Also Vidullanka hires external consultants for annual health & safety inspections on its premises to evaluate the robustness of the safety protocols.

Vidullanka recorded zero accident and zero incident across all of its power plants during the financial year 2016/17.

Grievance Handling

Harmonious and cordial relationships within all levels of employees are always valued by the management of Vidullanka. Hence, the positive atmosphere within the company is being safeguarded through a systematic grievance handling procedure.

The company practices an open door policy providing the avenue for employees to take up their concerns and get the involvement of management to addresses their grievances without undue delays. This practice has been successful throughout the years in handling grievances at Vidullanka. Employees' trust has been built that their voice is being heard by the management when required and on the other hand this mechanism provides room for the management to attend to employees concerns before issues get escalated.

Apart, company uses this mechanism to improve employee engagement in order to support robust feedback culture.

SUSTAINABILITY

Sustainability is core feature of Vidullanka's business. The company is focused on the efficient and sustainable utilization of renewable energy sources and work to ensure that these values remain a key driver across all our stakeholders.

Social Sustainability

Vidullanka works towards eradicating poverty, unemployment, social exclusion and discrimination, safety and health to attain sustainability in the social perspective. The Company operates in the diverse geographic locations where it has to work hand in hand with the rural community during the project development as well as operation. The project areas normally lack proper infrastructure since those are underserved areas located in untapped rural areas of the country. The community in those are often found to be with a need of basic infrastructure such as roads, bridges, hospitals and other public utilities and services.

The company as a policy employs the people from local community during all phases of the project. This will not only create employment opportunities in the area, but also knowledge sharing to the community. This enables Vidullanka to interact with local community more closely and identify and serve their essential infrastructure needs. Further, the company plans on forming plants based training academy with the purpose of providing technical training required for the students who are seeking practical knowledge to complete their technical studies related to engineering field. Plant based trainings are provided under the supervision of competent technical staff in different plants around the country.



Vidu Saviya

Being the flagship project of the company since the year 2011, Vidu Saviya extends its helping hands to the school children for the betterment of their future. The company provides scholarships to the students in the project areas based on their performance in the studies.

Vidu Saviya, Vidullanka's exclusive CSR initiative for the betterment of education also extends its support to develop the rural schools and the pre-schools in the area.

During the year under review, the company reached out its assistance to several preschools and schools in Ratnapura district. In addition to that, the Company assisted the people affected by the land slide in Aranayaka last year through providing dry rations. The company also placed special concern on the employees affected by flood by supporting them financially to restore their livelihood.

As mentioned earlier in this report, the company has commissioned its first foreign project in Uganda. Vidullanka PLC carried out a plethora of initiatives during the construction of the project and plans to continue it during the operation. The initiatives include the permanent healthcare center, provision of seedlings for cultivation, guidance on agricultural activities, provision of cattle etc. Further, the company aided the people of the project area to build up a savings and loan association and extended a financial assistance to the local communities.



Environmental Sustainability

Vidullanka PLC ensures that business of the company remains environmentally sustainable. Apart from reducing waste and emissions, Vidullanka places a greater concern on its business model to be in line with the values of environmental sustainability.

Vidullanka's mini hydropower projects utilizes the river flow to spin its turbines to generate electricity by diverting the water flow through the channel and release it back to the origin of the river at a lower elevation while maintaining the minimum environmental flow determined by the regulatory authority. The run of the river technology is renowned for being an environment friendly, cost effective, clean, low impact and green alternative for generating power utilizing the coal or natural gas. Further, compared to larger scale hydropower projects which requires massive dam structure to block and retain the water flow of the river, small hydropower projects do not interrupt the river flow hence lower impact on the natural environment and the community utilizing river at lower elevation.

Despite the fact, the mini hydropower projects have minimal impact on the environment, Vidullanka lays serious concern on the possible impacts the project can bring to the surrounding during construction and operation phases of the projects. Further, Vidullanka ensures and heartily complies with the stringent regulations laid by the regulatory authorities to protect the fauna and flora of the landscape and to keep the adverse impacts to the limited.

During the preliminary phase of the project, the Company carries out Environmental Impact Assessment of the project by hiring industry experts to find out the possible impacts the project can create on the natural environment during the construction and operation. The company examines the social and environmental feasibility of the project during the feasibility stage through carrying out environment and social impact assessment to identify the project's economic and social impacts on the community and environment. 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.

Management Discussion & Analysis contd.

In addition, the company ensures minimal disruption to the environment during construction using carefully controlled blasting methods, pre-planned and managed transportation, strict controls on removal of trees to avoid adverse environmental impact while working hand in hand with authorities by strictly adhering to the regulations.

Upon the construction of Muvumbe small hydropower project, Vidullanka brought in international best practices of the environment protection and social sustainability. During the construction of the project, Vidullanka followed guidelines set by International Finance Corporation (IFC) environmental and social

performance standards in order to maintain the highest credentials to the overseas venture. Further, Vidullanka is committed to follow the IFC standards throughout the operation period.

As the pioneer of mini hydropower project of the nation, Vidullanka also contributes 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 form relationships whereby all parties are able to drive meaningful reductions to their overall emissions and help create sustainable development outcomes for all.

The below chart presents Vidullanka's achievement in reducing carbon emission in the power plants during the year under review:

Power projects	Generation 2016/17 (GWh)	Carbon Emission Reduction (tCO ₂ e)	Generation 2015/16 (GWh)	Carbon Emission Reduction (tCO ₂ e)
Bambarabatuoya MHPP	7.4	4,671	11.5	7,260
Batathota MHPP	8.6	5,428	12.1	7,655
Wembiyagoda MHPP	3.3	2,098	5.3	3,370
Rideepana MHPP	3.1	1,930	6.2	3,941
Lower Kotmale Oya MHPP	13.8	8,735	16.4	10,355
Ganthuna MHPP	1.9	1,187	3.2	2,038
Haloya MHPP	0.74	467	2.9	1,871
Madugeta MHPP	6.2	3,907	9.8	6,206
Ethamala Ella MHPP	2.5	1,595	-	-
Muvumbe SHPP	0.89	560	-	-
Total	48.5	30,577	67.7	42,696

Vidullanka continued to extend 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 and volunteers 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.

Further, Vidullanka PLC through Vidul Plantation private Limited is set to contribute toward the environment protection and carbon emission reduction throughout the year.



Our Achievements

During the year under review, Vidullanka has achieved recognition for its transparency, sustainability, environment friendliness and improvement in working environment.

Vidullanka received the bronze award in the presidential environmental awards 2016 for environment friendly renewable energy generation project category demonstrating Vidullanka's concern on the environment it operates. The award was presented to Wembiyagoda MHPP of Walagamba Balashakthi (Pvt) Limited for its contribution for the preservation of environment in the project area.

Further, Vidullanka won a merit award under Taiki Akimoto 5S Awards Competition for its Batathota MHPP for organizing a work space for efficiency and effectiveness.

The year under review was a year of pride as it won the runner up award under SME category in ACCA Sustainability reporting awards 2016. This demonstrates the transparency and accountability at all levels of business and Vidullanka was the winner for its fair business practices.



Taking care of our staff

The health and safety of our employees take precedence over all else. It is the Company policy to provide instructions, training and supervision along with a vigilant eye that is maintained to identify and access any risk involved in operations.





Corporate Governance

The Board of Directors of Vidullanka PLC, strives hard to integrate transparency, accountability, independence and fairness in the corporate policies and practices of the company.

Vidullanka, striving to be a highly ethical corporate citizen, gives an utmost importance in fulfilling the duties and responsibilities laid upon the Company towards the stakeholders and the entire society.

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community.

Board of Directors

Board of Directors is considered as the pinnacle of the corporate governance framework of any organization which strengthens the good governance practices of the company through their close relationship with shareholders, top management, Internal & External Auditors who will be responsible for contributing to the Company's Corporate Governance Framework.

Being the most important element of corporate governance, the Board of Directors of Vidullanka PLC, strives hard to integrate transparency, accountability, independence and fairness in the corporate policies and practices of the company.

Vidullanka Board of Directors for the financial year consisted of eleven members, including one executive director, four independent non-executive directors while others being non-executive directors.

The Company has separated the positions of Chairman and Managing Director complying with the code of best practices on corporate governance while clearly dividing the responsibilities of the company while maintaining the balance between power and authority.

The role of non-executive directors are 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), during the year under review, all the non-executive directors submitted a declaration disclosing their status of independence. Two Non-executive Directors whose declarations are in compliance with the code have been declared as Independent Non-Executive Directors. Two other Non-Executive Directors, Mr. A.A.M. Haroon and Mr. M. Zulficar Ghouse having served the board for 10 years consecutively, were resolved by the board to be considered independent, given their objective and unbiased approach towards the affairs of the Company.

During FY 2016/17, Board of Directors met five times with the objective of determining the future strategic direction of the company while reviewing the company's performance in both operational and financial perspectives.

Board Committees

In adherence with the code of best practice Vidullanka PLC has established four subcommittees to ensure that all the major and significant decisions of the company are taken with the utmost attention of expertise and with high transparency. The Board of Directors has delegated the responsibility to the following Board committees, which are tasked with meeting on a regular basis and make recommendations on the respective areas which are then passed on to the board of directors.

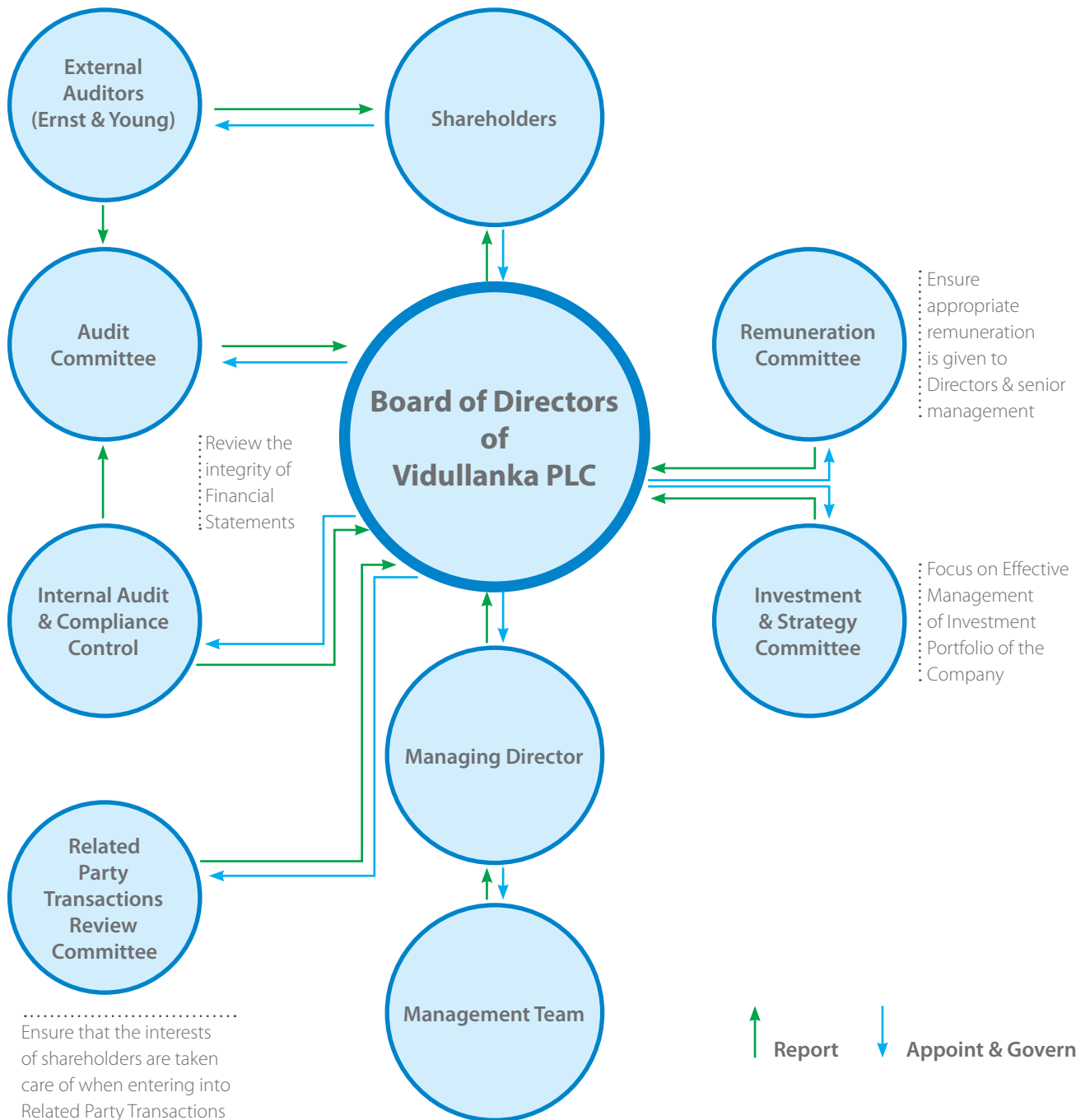
Audit Committee

The audit committee was formed in order to maintain integrity and transparency and to assist the board of directors in controlling and supervising the financial aspects of the company.

The main purpose of the audit committee is to ensure that the financial statements are prepared, presented and disclosed in accordance with the prevailing financial standards and statutory requirements.

The audit committee of Vidullanka PLC comprises of three members. Adhering with the code Mr. M. Zulficar Ghouse, an Independent Non-Executive director and a Fellow member of CA Sri Lanka and CMA Sri Lanka chairs the committee along with Mr. S.S.V. Fernando and Mr. Shahid M. Sangani.

Overview of Vidullanka Corporate Governance



Corporate Governance contd.

Four Audit committee meetings have been conducted throughout the financial year with the participation of all members along with the Managing Director and the senior management of the company.

Investment and Strategy Committee

The Investment and strategic committee was established with the major objective of determining the investment strategy of the group while reviewing and monitoring investment activities, internal risk controls and policies and providing the expertise ideas when required.

The committee consists of five members including the chairman of the company along with two Independent directors, a Non-Executive Director and the managing Director of the company.

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

The committee held five meetings during the year with the participation of the majority of the committee members to ensure that the company investments are carried out in proper manner while ensuring the shareholders' interest are taken care in the best way possible.

Remuneration Committee

A remuneration committee is established to ensure that remuneration arrangements support the strategic objectives of the business and enable the recruitment, motivation and retention of senior executives while also complying with the regulatory requirements.

Remuneration Committee of Vidullanka PLC consists of three committee members.

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

During the last financial year, the committee had two meetings with the presence of all the committee members.

Remuneration Committee makes recommendations on the company's policies and structure for all directors and senior management remuneration and try to ensure that a fair and transparent system is established within the organization.

Related Party Transactions Review Committee

Vidullanka PLC formed Related Party Transactions Review Committee in compliance with the section 9 of listing rules and the SEC directive on related party transactions consists of three non-executive directors.

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

The role of the committee is to evaluate and where necessary, seek additional information and expert advices relating to the related party transaction and recommend to the board on the best course of action.

Compliance Control

Vidullanka PLC places an utmost importance on the internal control mechanisms of the company. Company carries out self-assessments and internal audits in a regular manner so as to adhere with the policies and procedures recommended by the audit committee. The company is also in the process of establishing a Standard Operating Procedures (SOP) which was advised by the audit committee with the objective of establishing a streamlined and transparent system.

The Company maintains a periodic reporting process which helps the senior management in monitoring the extent to which the organization complies with the regulatory and statutory requirements and take corrective actions when needed. Apart from the internal controls related to the operations, Vidullanka places a greater emphasis regarding the employee related laws and regulations. Whistleblowing and Grievance Handling processes are in place in order to ensure that the Company operates in the best interest of the shareholders and the public.

Compliance with National Laws and Regulations

The Industry Vidullanka operates, consists of number of compliance requirements with national laws and regulations imposed by environmental authorities, tax and financial authorities and welfare institutions.

Since the Company's operations are directly connected with the environment and use of natural resources, Vidullanka has to place a great attention on the regulations set out by several authorities including Central Environmental Authority, Mahaweli Authority and local authorities of the relevant regions.

Vidullanka makes all the efforts in our capacity to comply with all the rules and regulations imposed and to adopt changes in the legal framework which may result in new opportunities as well as new threats to the organization.

The company continuously 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.

Risk Review and Management

Risk management is an important and integral part of the organization for the successful existence and operation of the business in the dynamic environment. Vidullanka has formed an effective integrated risk management system which enables the organization to identify at the earliest, evaluate and manage the existing and potential risks through various strategies and progressively revise the process to match with the new risks which the company is exposed to.

Through maintaining a department wise checklist of risk triggers, Vidullanka successfully identifies and manages the risk. Heads of department are responsible for the better management of risks. However, the ultimate responsibility to review and manage risks lies with the Board of Directors.

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

Corporate Governance contd.

Table: Corporate Governance Compliance

Rule	Requirement	Compliance	Explanatory Notes
Board of Directors			
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 40.
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 56.
7.10.3 (b) Disclosures regarding Directors	In the event a director does not qualify as independent, but the Board is of the view that the particular Director is nevertheless independent, shall specify the criteria not met and the basis for the determination in the annual report.	Yes	Annual Report of the Board of Directors on the affairs of the company is given on page 56. Refer the subsection "Board of Directors on Corporate Governance report given on page 40.
7.10.3 (c) Disclosures regarding Directors	A brief of resume of each director should be included in the annual report.	Yes	Refer Profile of board Directors on the page 19.
7.10.3 (c) Disclosures regarding Directors	Upon appointment of a new director to the board a brief of resume of each director should be provided to the CSE.	N/A	
Remuneration Committee			
7.10.5 Remuneration Committee	A listed Company shall have a Remuneration Committee.	Yes	Report of the remuneration committee is given on page 61.
7.10.5 (a) Composition of 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	

Rule	Requirement	Compliance	Explanatory Notes
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 61 provides the names of the Directors comprising the committee and the remuneration policy. Aggregate Salary to the Directors indicated in the Notes to the Financial Statements on Section 25.2 on page 106.
Audit Committee			
7.10.6 Audit Committee	The company shall have an audit committee.	Yes	Report of the audit committee on page 60.
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	
7.10.6 (b) Functions of the Committee	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.
	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 60.
	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	

Corporate Governance contd.

Rule	Requirement	Compliance	Explanatory Notes
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 60.
	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 60.
Related Party Transactions Review Committee			
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 62.
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 business and on the opinion of the RPTRC, are on favorable terms than those generally available to the general public.	N/A	
9.1.3 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 Transaction Review Committee (RPTRC).	Yes	Annual Report of the Board of Directors presented on page 58.
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 62.
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 58.
	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 62.
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 62.
9.3.2 (d) Affirmative statement of compliance	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Yes	A negative statement indicating there weren't any major related party transaction within the year under review is included in the report on Related Party Transactions Review Committee presented on page 62.

Risk Management

Vidullanka follows a holistic approach in formulating its Risk Management Process to counter the risks faced by the business. It stems from the very early stage of evaluating the feasibility of a potential renewable energy project and involves identifying, assessing, managing and controlling all risks and covers the entire Group of companies with a comprehensive and integrated vision at all levels of the organization.

Risk Management Process

Overview

In the backdrop of countries' urge to fulfil 100% of their energy needs through renewable energy and the international scale canvassing for facing the problem of global warming, global scale of investment in renewable energy projects are higher than ever. The factors driving this investment include a need to meet carbon emissions reduction targets, secure long-term energy supplies and reducing dependence on fossil fuels. China is leading the clean energy investment boost to bolster its clean-tech industry, and in the wake of Japan's Fukushima crisis, Germany is phasing out nuclear power, increasing the focus on renewable energies.

However, despite the technological advancement in the field, the Renewable Energy Industry operates in volatile environments which greatly depend on the weather conditions and the climate. While the climatic change imposes risks in the business, the renewable energy business is also vulnerable to many other types of risks stemming out from the political, economic, social, technological, and legal and the operational factors of its environment.

Vidullanka follows a holistic approach in formulating its Risk Management Process to counter the risks faced by the business. It stems from the very early stage of evaluating the feasibility of a potential renewable energy project and involves identifying, assessing, managing and controlling all risks and covers the entire Group of companies with a comprehensive and integrated vision at all levels of the organization.

Determining the strategic goals and objectives of the company

Determining the strategic goals and objectives of the risk management process

Identify the risk

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

Establish the risk appetite

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

Implement the selected strategies

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

Implementing the controls

Continuous monitoring of the control mechanisms

Reviewing and updating the existing control mechanism

Forming and Implementing the new control mechanisms

Risk Management Structure and Process

The management is responsible for identifying risks and ensuring that they are properly managed. Vidullanka is currently undergoing a period of extensive expansion and it is inevitable that the Company would face risks from diverse factors. During such times, the Audit Committee is duly responsible for reviewing the effectiveness of the risk management process adopted by the Company.

Under the existing Process, the risks are prioritized and the Company uses both preventive and mitigatory controls to manage risk exposures. Risks are assessed based on their probability of occurrence and the magnitude of their impacts on the business as a whole. Risks are then ranked as high, moderate and low considering impact and likelihood factors. The magnitude of the impact is determined based on the loss or damage it would cause and the extent of the impact. Likelihood of occurrence is assessed on the basis of past experience and the preventive measures in place.

The Company places a substantial concern on risk control methods such as business continuity planning and contingency planning. The risk management process aims to attain excellence in all functions of the organization always maintaining a vision focused on building a sustainable business. The principal risks the Company has to face on the path of achieving the core objective of enhancing shareholder value and safeguarding its assets have been identified below.

Political and Economic Risk

The potential policy and the macro-economic changes by the political leaderships of the countries where Vidullanka operates create the political and the economic risks. Presently Vidullanka operates in Sri Lanka and Uganda. The Sri Lankan political and economic risks are well assessed and mitigated through the existing risk management system based on the company's experience.

The Board of Directors took an extensive risk assessment regarding the first overseas venture of the Company, Muvumbe SHPP. The Company conducted comprehensive studies on the political and economic environment of Uganda during the planning phase of the project. In addition, the project company has entered into the Implementation Agreement with Ministry of Energy and Mineral Development on behalf of the Government of Uganda to protect the developer from the political risk including expropriation and to regulate the company's implementation of the project.

Credit Risk

The sole customer of Vidullanka PLC's plants in Sri Lanka is the Ceylon Electricity Board (CEB). Since this is a state owned entity, the Company faces a low risk of default. For each project in operation, the Company has entered into a Standard Power Purchase Agreement with CEB and this governs and protects both parties. In the same manner, Vidullanka's first foreign project has entered into a standard power purchase agreement with Uganda Electricity Transmission Company Limited (UETCL) to supply energy to the national grid, which reduces the risk of default thus reducing the credit risk. In addition to the power purchasing agreement the payments are secured by way of bank guarantees.

Financial Risk

The Financial Risk of the company involves the potential liquidation of the company due to the inability to meet the debt repayments using the cash inflows by its economic activity. Vidullanka PLC maintains a gearing ratio within the board mandated threshold and has taken steps to reduce the dependency on the Sri Lanka based revenue sources. This will reduce the financial risks which are posed by the possible reduction in the revenues due to adverse weather conditions.

Exchange Rate Risk

As Vidullanka has expanded its business across the borders, the company is exposed to exchange rate risk, which can be categorized into two, namely; transaction risk and translation risk. Muvumbe SHPP will be paid in US Dollars (USD) for the energy fed into national grid according to the SPPA entered by the project company with UETCL, which significantly reduces the exchange risk relating to Uganda Shilling, a relatively weaker currency compared to US dollar and Sri Lanka Rupees.

Presently the group has higher amount of foreign currency based liabilities than the current assets denominated in foreign currency. Although this might result in the translation losses when Sri Lanka rupee depreciate against the US Dollar, it is expected the net forex exposure would reverse over the years from the revenue generation and repayment of liabilities.

Risk Management contd.

Weather Risk

Weather conditions are risks inherent to most of the renewable energy sources, apart from geothermal and tidal power. During the past few years extreme weather conditions have been on the rise and global warming is also increasing. The Company suffered a major setback in terms of profits during the year under review due to prolonged drought which was considered to be the worst in last 40 years. But with the commissioning of a new hydropower project in a different geographical area the Company will be able to mitigate the adverse impacts in the following years, from adverse weather conditions.

Stakeholder Risk

Stakeholders play a vital role in shaping the strategy and the operation of an entity. Vidullanka has a policy of consulting the stakeholders such as local communities and state institutions and considering their feedback in its key decisions. The Company takes extensive measures to interact with state institutions, local communities of the project sites and the lenders during the planning and construction phases of a project and make sure that the stakeholder interests are safeguarded. In addition, Vidullanka collaborates with the stakeholders and carry out corporate social responsibility activities such as reforestation, local infrastructure development, Dengue prevention and enhancing the quality of education of the children in the project areas. During the year under review, certain stakeholder groups raised concerns on the impact to the natural habitat in the environment. Despite the challenges, we have continuously seeking out and engaging with such stakeholder group to provide more information to mend their perspectives, and where required, necessary changes to our operations to incorporate improvements. In general, Vidullanka adopts a balanced approach in serving the interest of all the stakeholders of the company leading to a win-win situation to all.

Operational Risk

Potential losses resulting from inadequate internal processes, people and even external events are termed as operational risk. These are innate to the renewable energy sector as its frequent dealings with machinery, people issues or even natural hazards can lead to possible operational risks. Therefore, operations department with the direction of the audit committee of the board has developed a detailed monitoring plan which includes sound preventive measures to counter these operational risks.

Regulatory Risk

Regulatory risks arise due to the changes in the existing regulations or due to the introduction of new legislations. The country is on the verge of enacting and implementing a new National Energy Policy. Therefore, the Company makes sure that such regulatory shifts does not significantly alter the business by continuous engagement and interaction with the authorities through trade associations like Small Hydropower Developers' Association (SHDPA). Vidullanka also ensures that all activities of the Company complies with the necessary regulatory requirements.

The regulatory compliances in Uganda are more voluminous and broad as it is monitored by GETFiT secretariat in accordance with the IFC performance standards. Therefore, the Audit Committee ensures that the Company conducts a more stringent reporting process to comply against the extensive IFC Standards and thus safeguard itself in the face of potential adverse regulatory issues.

Identified Risks and Mitigation Strategies

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
Macro economic and Political Environment					
Economic Risk: The likelihood of an investment getting affected by adverse macro economic conditions, including government regulations, exchange rates and political stability.	High	The Company carries out periodical in depth macro economic analysis & economic feasibility prior to project investments.	Yes	Adopted	Yes
Financial Exposure					
Credit Risk: Risk of loss of principal or loss of financial reward stemming from a borrower's failure to repay a loan or to meet a contractual obligation.	Low	Vidullanka sells electricity to CEB in Sri Lanka and UETCL in Uganda. The transactions are done under Standardized Power Purchase Agreements. Both Customers are backed by the state, reducing the credit risk. UETCL payments are further supported by a bank guarantee.	Yes	Adopted	Yes
Financial Risk: Risk of losing shareholders' wealth as a result of company's incompetence to match the liquidity and financial obligation.	Medium	The Company closely monitors changes in the macro economic environment, changes in weather and strategic investments to efficiently manage the liquidity. The Company has diversified its revenue streams geographically, giving more stable cash inflows. The Audit Committee periodically reviews the debt position of the group as well as the contingent liabilities.	Yes	Adopted	Yes
Exchange Rate Risk: The risk of losses due to the fluctuation of exchange rates. This further brings in translation and transaction risk to the business.	Medium	The company constantly monitors the movement in exchange rate fluctuations and take mitigation measures detailed under risk management report.	Yes	Adopted	Yes
Environment and Health & Safety					
Health & Safety Risk: The risk of employees getting exposed to dangers while working in the power plant construction site and during the operation.	High	The power plant employees are provided with the required safety equipment during both construction and operation. Training is given for them periodically and plant operating instructions are in place incorporating work place safety measures. The Company strives for a zero accident work place.	Yes	Adopted	Yes
Environmental Risk: 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 before the initiation of projects & conducts environmental impact analysis for the project. The Company also adopts IFC performance standards for the studies and development of its overseas project.	Yes	Adopted	Yes

Risk Management contd.

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
Weather Risk: The risk associated with the changing weather pattern, resulting in operational, and financial losses to the Company.	High	The Company considers geographical & technological diversification as the key mitigation strategy. This is initiated with the commissioning of Muvumbe SHPP in Uganda. The Company plans to further invest in building of new hydropower capacity overseas as well as other renewable power generating capacity in Sri Lanka.	Yes	Adopted	Yes
Reputation of the Organization					
Public Relations Risk/Stakeholder Risk: This is the risk of losing the reputation and the conflict with the members of the society.	High	The Company adopts comprehensive and interactive mechanism of reporting to the Stakeholders. The Company also consults the key stakeholders in its key decisions. Operations department is involved in extensive CSR projects to share the benefits of sustainable energy generation with the local communities.	Yes	Adopted	Yes
Stakeholder Risk: 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
Operations & Internal Resources					
Operational Risk: The risk incurred by an organization's internal activities. The risk of loss resulting from inadequate internal processes, people and systems, or from external events. The risks associated with errors or events in transaction processing or other business operations.	Medium	Standard operating procedures are in place for the critical areas of business operations and strict adherence to the procedures ensured. Periodic internal control assessments are carried out and the findings are reported to the Audit committee for the necessary actions.	Yes	Adopted	Yes
Fraud Risk: 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

Type of Risk & Description	Risk Rating	Mitigation Strategy	Compliance Status	System Maintenance	Annual Control Review
Information Technology Security					
Information Risk: The risk of non-public or confidential information could be accessed and exploited by unauthorized parties.	Medium	The access to sensitive and confidential information is limited only to authorized personnel. IT infrastructure is embedded with required software access control applications. The Company has placed firewall controls that enable IT administration to provide efficient corporate solutions to deal with the usage of wasteful and dangerous applications to increase network and user productivity. IT audits are done as a part of the external audit.	Yes	Adopted	Yes
Regulatory Environment					
Regulatory & Legal Risk: The risk of changes in laws and regulations with material impact on business in costs of operating and viability of Investments.	High	The Company adopts a proactive approach on possible changes in laws and regulations. The Company believes in voluntary compliance of regulations set by regulatory bodies.	Yes	Adopted	Yes
Global Business Environment					
Global Competition Risk: 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. Company is in the continuous lookout for industry developments in Sri Lanka, East Africa and other potential investment destinations to identify the emerging opportunities, in order to ensure the early mover advantage	Yes	Adopted	Yes
Country & Political Risk: Country risk is a collection of risks associated with investing in a foreign country including political risk, exchange rate risk, economic risk, sovereign risk and transfer risk.	Medium	The Company carries out a comprehensive country analysis covering legal, economic, and regulatory and tax frameworks. The political risk insurance and investment agreements with the respective governments are considered.	Yes	Adopted	Yes



Sustaining the **flow of success**

Like the continuous flow in the streams, Vidullanka will continue to move into new territories to generate value and sustain the growth of the business.



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 31st March 2017, to be presented at the 21st Annual General Meeting of the Company.

REVIEW OF THE YEAR

Principal Activity of the Company / Core Activity

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

Principal Activity of the Subsidiaries

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

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

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

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

The principal activity of Muvumbe Hydro (U) Limited is to produce electrical energy and transmit to the national grid of Uganda from the Muvumbe small hydropower plant in Kabale District of Republic of Uganda. The construction of the power plant was completed on 15th March 2017.

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 to ensure fuel wood supply to the proposed Dendro power plant by Vidul Biomass (Pvt) limited through its own fuelwood plantations and out-grower schemes.

Principal Activity of the Joint Ventures & Associates

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 Hydropower Plant is located in Aranayake, Kegalle.

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

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

The principal activity of Nilwala Vidulibala Company (Pvt) Limited is to generate hydropower and transmit to the national grid from its Ethamala ella Mini Hydropower Plant located in Morawaka, Matara. Nilwala Vidulibala Company (Pvt) Limited is a associate company of Vidullanka PLC.

Major Transactions & Material Business Transactions

During the financial year under review, the group did not enter into any major transaction.

The proposed acquisition of the Timex Bukinda Hydro (U) Limited is on hold subject to regulatory clearance.

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 68 of this annual report.

Independent Auditor's Report

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

Accounting Policies

The Accounting Policies adopted in preparation of the financial statements is given on page 74. 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. 41,676,947 of which Rs. 40,826,049 is attributed to equity shareholders. During the year under review, the Company paid one interim dividends of Rs 0.10 per share amounting to Rs. 74,715,379.

Property, Plant & Equipment

During the year under review the Group invested a sum of Rs. 1,342,385,594 (2016 – Rs. 291,424,747) in property, plant & equipment of which Rs. 1,251,452,431 (2016 – Rs. 54,195,425) is in plant & machinery, Rs. 1,740,613 (2016 – Rs. 4,214,783) is in Computer and other equipment and Rs. 533,057 (2016 – Rs. 3,184,944) is in Furniture and fixtures. Further Rs. 5,080,989 (2016 – Rs. 3,496,197) is invested in office equipment, Rs. 7,692,554 (2016 – Rs. 31,668,731) in Motor Vehicles and Rs. 34,500,627 (2016 – Rs. 194,664,666) in Power plants Work-in-progress. Investment in Freehold Land Rs. 6,884,695 (in 2016 No investment made in Freehold Land)

Information relating to movement in Property, Plant & Equipment during the year is disclosed under Note 5 to the financial statement.

Market Value of Freehold Land

There was no freehold land classified as investment properties.

Investments

Details of long-term Investments held by the Group are given in Note 5 to the financial statements on page 88.

Directors' Responsibilities

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

Corporate Governance

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

Directors' Independence

Based on the declarations made by the non-executive directors, following directors are declared to be independent.

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

Following non-executive directors whose declarations are not in compliant with the code due to having served the Board over 10 years.

Mr. M. Zulficar Ghouse
Dr. A.A.M. Haroon

Nevertheless they were resolved by the Board to be considered to be independent given their objective and unbiased approach towards the affairs of the Company.

Dividend

Company paid one interim dividends of Rs 0.10 per share amounting to Rs. 74,715,379 during the financial year.

Reserves

The Reserves and Accumulated Profits of the group as at 31st March 2017 amount to Rs. 569,026,544 vs Rs. 603,247,633 as at 31st March 2016. 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

The shareholders of the Company approved an Employee Share Options Scheme on 27 May 2017 in an Extra-ordinary General Meeting, which would result in issuance of 37,357, 687 share options to the employees entitled.

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

Statutory Payments

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

Interests Register

Details of the transactions with director-related entities are disclosed in Note 25 to the financial statements on page 105 and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 7 of 2007.

BOARD COMMITTEES

Audit Committee

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

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

Annual Report of the Board of Directors on the Affairs of the Company contd.

The report of the Audit Committee on page 60 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
Mr. M. Zulficar Ghouse
Mr. S.S.V. Fernando

The report of the Remuneration committee on page 61 contain a statement of the remuneration policy. The details of the aggregate remuneration paid to the Executive, Non-Executive Directors and other key management personal during the financial year are given in Note 25.2 on page 106 to the financial statement.

Investment and Strategy Committee

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

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

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

Related Party Transaction Review Committee

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

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

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

Investor Information and Shareholdings

The investor information is given on page 114.

Major Shareholders

Details of twenty largest shareholders of the company and percentage held by each of them are disclosed in page 116.

Directors

The Directors of the Company as at 31st March 2017 and their brief profiles are given on page 19 in this report.

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

Mr. Ranjan Mather
Mr. M. Zulficar Ghouse
Mr. Sattar Kassim
Dr. A. A. M. Haroon

Directors' Shareholding

The interest of the Directors in the shares of the Company as at 31st March of 2016 and 2017 were as follows:

Directors	No. of ordinary shares	
	As at 31.03.2017	As at 31.03.2016
Mr. Osman Kassim	9,493,310	7,626,321
Mr. Riyaz M. Sangani	78,467,353	78,841,789
Mr. Shahid M. Sangani	2,306,865	3,645,875
Mr. Ranjan Mather	5,500,000	4,500,000
Dr. A.A.M. Haroon	-	-
Mr. M. Zulficar Ghouse	10,000,000	10,000,000
Mrs. B.R.I. Sangani	7,598,708	9,119,958
Mr. C.F. Fuhrer	-	-
Mr. S.S.V. Fernando	4,500,000	4,500,000
Mr. Sattar Kassim	66,933,205	10,779,440
Mr. Sujendra Mather	18,025,356	18,025,356

Auditors

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

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

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

Going Concern

The directors are satisfied the company, its subsidiaries and 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 10.00 am on Friday 21st July 2017 at Bougainvillea Ballroom, Galadari Hotel, Colombo 01.

The Notice of the Annual General Meeting appears on page 118.

For and on behalf of the Board.



Osman Kassim
Chairman



Riyaz M. Sangani
Managing Director



Managers & Secretaries (Pvt) Limited
Secretaries

Vidullanka PLC
27 June 2017
Colombo

Board Committees

Vidullanka, being listed in the Colombo Stock Exchange bears more responsibility in terms of governance, transparency and ethics and has to undergo stringent requirement of safeguarding stakeholders' interest. The Company has incorporated these concepts right into its core values and committed to adopt the industry best practice.

Vidullanka Board of Directors has delegated its responsibilities related to governance, internal control and ethics to the Board Sub Committees in line with the Colombo Stock Exchange Listing Rule requirement 7.10.5, 7.10.6 and 9.2. The reports on Board subcommittees for the financial year 2016/17 are presented below;

Audit Committee Report

Dear Shareholders,

The Report on the Audit Committee activities for the financial year 2016/2017.

Vidullanka PLC has established the audit committee as a subcommittee under main board so as to adhere with the Colombo Stock exchange listing rule requirement 7.10.6.

As per the section 7.10.6, the audit committee of Vidullanka PLC comprises with the following three Non Executive Directors.

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

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

During the year, committee held four audit committee meetings with the presence of majority of the committee members while the Managing Director and Senior Management participated by invitation.

Role of the Committee

The Audit committee has been tasked with the objective of 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 by 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 objective audit committee also ensure that the company operations and future prospects are in accordance with the best interest of the shareholders.

During the financial year committee engaged in the following activities:

- Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.
- Reviewing of the internal control mechanisms and risk management processes adopted by the organization, are adequate to fulfill the requirements of the relevant regulatory bodies and propose corrective actions if needed.
- Reviewing the independence and performance of the external auditors (Ernst & Young) of Vidullanka PLC.
- Reviewing the overall company performance and progress of the organization through monthly management accounts and interim financial statements.
- Reviewing the decisions made by the management based on their significance impact to the organization.

During the year under review, the audit committee requested the management to establish standard operating procedures and implement it across the functions of the entity.

Independent External Auditors

Ernst & Young was re- appointed as the external auditor for the company and the group, except for Muvumbe Hydro (U) Limited after considering their scope of work, terms of engagement and remuneration. Muvumbe Hydro (U) Limited is audited by KPMG Uganda.

I confirm that over the financial year 16/17, the information that the committee received has been balanced, appropriate and timely and has enabled the committee to fulfill its responsibilities and duties.



M. Zulficar Ghouse
Chairman – Audit Committee

27 June 2017.

Remuneration Committee

Dear Shareholder,

The Report on the Remuneration Committee activities for the year 2016/2017.

The Remuneration Committee of Vidullanka PLC comprises of the following three Non-Executive Directors;

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

The committee was formed with the objective of ensuring that the remuneration setting process of Executive Director and the senior management is established in more rigorous and transparent manner aligning with the best practices of corporate governance. Through the remuneration committee we have segregated the management from the remuneration setting function so as to avoid the conflicts of interest.

Functions of the Committee

- Determine and recommend the remuneration arrangements to support the strategic goals and objectives of the organization
- Ensuring that the remuneration packages of the Executive Directors and the senior management are in par with the market benchmarks which would help to retain a competent Board and highly qualified management team
- Assist and advice the board on matters regarding the remuneration of the board and senior management

During the year committee evaluated and recommended the cost and merits of an Employee Share Option Scheme in the context of company's growth plans and the need for retention and building up of strong human capital.

Committee meetings and attendance

During the year committee held two meetings with the presence of all the members. The Managing Director of the Company participated in the meetings by invitation to discuss the performance of senior managers.

The minutes were circulated among the members and the matters and recommendations that were put forward by the committee have been also adopted during the year.



Ranjan Mather

Chairman – Remuneration Committee

27 June 2017.

Investment and Strategy Committee

Dear Shareholder,

The report on the Investment and Strategy Committee activities for the year 2016/17

The Investment & Strategy Committee is composed of the following directors;

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

The Investment and strategy Committee was formed in order to review and approve policies and procedures related to the Investment Portfolio of the company. Committee periodically monitors compliance with the policies and procedures set up by the committee.

During the year under review the committee had five meetings.

Further committee reviewed the company investments and compared the performance against the industry benchmarks.

Investment and Strategy Committee also played a major role in the effective management of the assets portfolio of the company through the formulation of long term strategies for the sustainability and expansion of the company.

During the year committee recommended to explore the investment opportunities in project development and provision for engineering services in other Asian countries.



Osman Kassim

Chairman – Investment and Strategy Committee

27 June 2017.

Board Committees contd.

Related Party Transactions Review Committee

Dear Shareholder,

The report on the Related Party Transactions Review Committee activities for the year 2016/17

The Related Party Transactions Review Committee was formed by Vidullanka PLC with the objective of assisting the Board in reviewing all Related Party transactions carried out by the Company and its Subsidiary, by adhering with the section 9 listing rules on Related Party Transactions, which was issued by the Securities and Exchange Commission of Sri Lanka (SEC) which became mandatory from January 01, 2016.

The Related Party Transactions Review Committee comprise of the following Directors;

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

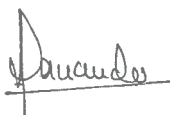
The committee is comprised of three Non-Executive Directors two of whom are Independent so as to comply with the Listing Rule 9.2 on Related Party Transactions Review Committee.

Related Party Transaction committee has been vested with the following duties and responsibilities.

- Review all proposed related party transactions in advance.
- Review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate
- Review and approve the proposed material changes in any previously reviewed related party transactions prior to the completion of the transaction.
- 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 whenever it is necessary to carry out the assigned duties
- Review the economic and commercial substance of both recurrent/ non – recurrent related party transactions
- Seek knowledge or expertise to assess all aspects of proposed related party transaction when and where required.

The committee met once during the year with the participation of all members.

The Committee reviewed the transactions of financial year 2016/17 and concluded that all the transactions of the Company are of ordinary nature and on arm's length and were not influenced by related parties.



S.S.V. Fernando

Chairman – Related Party Transactions Review Committee

27 June 2017

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

By order of the Board,



Managers & Secretaries (Pvt) Ltd
Secretaries

Vidullanka PLC
27 June 2017

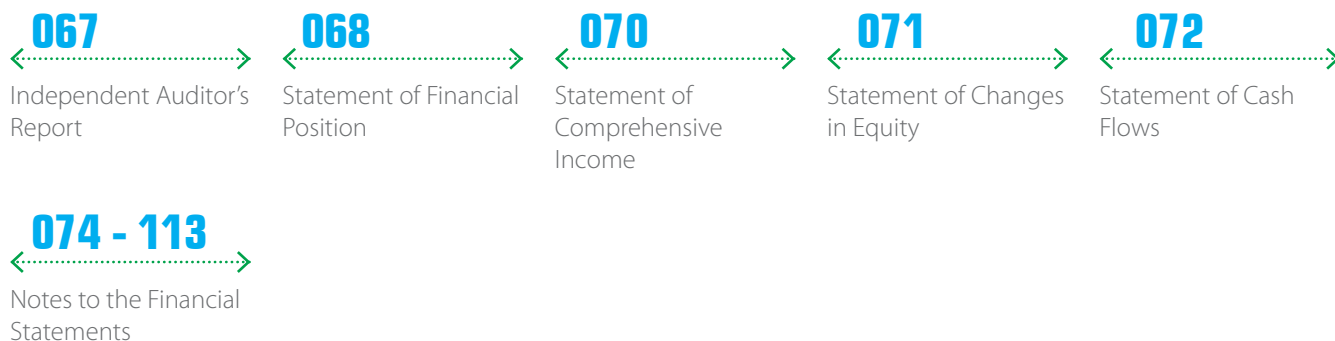
Transforming energy, **transforming lives**

Our business is not limited solely to transforming one form of energy to another. We also invested in transforming the lives of thousands by sharing the value generated with shareholders, members of the local communities and the state while conserving the nature for the next generation.





Financial Report



Independent Auditor's Report



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

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 2017, 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 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the financial statements of the Company give a true and fair view of its financial position as at 31 March 2017, 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 2017
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. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of Financial Position

As at 31 March 2017		Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Notes					
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4	3,519,593,686	2,267,305,432	492,847,734	517,452,643
Mature Bearer Biological Assets	4.1.8	3,541,008	-	-	-
Investments in Subsidiaries	5.1	-	-	903,334,126	883,334,127
Investment in Joint Ventures and Associate	5.2.2	327,305,102	313,587,225	220,912,412	220,912,412
Other Project Investments	6	134,519,339	79,021,852	134,519,339	79,021,852
Goodwill	5.2.1	215,879,382	215,879,382	-	-
		4,200,838,517	2,875,793,891	1,751,613,611	1,700,721,034
Current Assets					
Inventories		12,803,644	1,160,939	5,151,350	-
Trade and Other Receivables	7	256,578,658	342,959,973	276,091,075	230,396,859
Other Financial Assets	5.3	153,647,689	196,266,669	153,647,689	196,266,669
Cash and Bank Balances	21	81,174,875	92,823,126	7,346,697	22,816,481
		504,204,866	633,210,707	442,236,811	449,480,009
Total Assets		4,705,043,383	3,509,004,598	2,193,850,422	2,150,201,043
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	8	1,267,893,105	1,267,893,105	1,267,893,105	1,267,893,105
Retained Earnings		569,026,544	603,247,633	149,900,901	234,065,162
Other components of equity		(35,150,451)	(5,709,736)	-	-
Equity attributable to Equity Holders of the Parent		1,801,769,198	1,865,431,002	1,417,794,006	1,501,958,267
Non Controlling Interest		5,820,869	4,968,730	-	-
Total Equity		1,807,590,067	1,870,399,732	1,417,794,006	1,501,958,267

		Group		Company	
As at 31 March 2017		2017	2016	2017	2016
	Notes	Rs.	Rs.	Rs.	Rs.
Non-Current Liabilities					
Financing and Lease [Ijara] Payables	9	1,906,785,297	963,765,092	156,231,626	170,507,756
Defined Benefit Liability	12	21,946,500	17,897,827	18,080,258	15,788,028
Deferred Taxation	10.2	14,270,492	20,381,187	14,095,720	19,996,195
		1,943,002,289	1,002,044,106	188,407,604	206,291,979
Current Liabilities					
Trade and Other Payables	11	251,383,522	147,057,046	62,849,735	126,929,539
Financing and Lease [Ijara] Payables	9	697,823,990	484,605,275	524,511,494	310,805,215
Income Tax Liabilities		5,243,515	4,898,439	287,583	4,216,042
		954,451,027	636,560,760	587,648,812	441,950,797
Total Equity and Liabilities		4,705,043,383	3,509,004,598	2,193,850,422	2,150,201,043
Net Asset Value Per Share (Rs.)		2.41	2.50	1.90	2.01

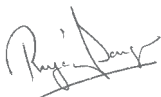
I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



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 074 through 113 form an integral part of these financial statements.

15 June 2017
Colombo

Statement of Comprehensive Income

Year ended 31 March	Notes	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revenue	13	534,753,809	723,224,440	183,286,476	366,948,890
Cost of Sales		(143,692,061)	(121,524,134)	(40,181,539)	(46,220,402)
Gross Profit		391,061,748	601,700,306	143,104,937	320,728,488
Other Income and Gains / (Losses)	17	26,537,942	19,480,857	70,689,869	101,767,579
Investment Income from Joint Ventures / Associates	5.2.3	26,085,760	114,639,610	-	-
Administrative Expenses		(243,751,088)	(256,028,447)	(154,289,549)	(157,248,827)
Finance Cost	15	(160,747,117)	(93,998,094)	(76,375,128)	(33,968,725)
Finance Income	16	1,527,478	6,669,465	1,107,819	4,332,398
Profit/(Loss) Before Tax	14	40,714,724	392,463,697	(15,762,052)	235,610,913
Income Tax Expense	10	962,223	(20,872,981)	5,966,212	(20,156,349)
Profit/(Loss) for the Year		41,676,947	371,590,716	(9,795,840)	215,454,564
Other Comprehensive Income (OCI)					
Other Comprehensive Income Not to be Reclassified to Profit or Loss in Subsequent Period					
Net Actuarial Gain/(Loss) on Defined Benefit Plan		(439,358)	2,368,126	420,555	2,382,199
Income Tax on Other Comprehensive Income		53,049	(299,537)	(73,597)	(285,864)
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Period					
Exchange differences on translation of foreign operations		(29,440,714)	(5,904,592)	-	-
Share of other comprehensive income of equity accounted investees (net of tax)		54,549	-	-	-
Other Comprehensive Income for the Year, Net of Tax		(29,772,474)	(3,836,003)	346,958	2,096,335
Total Comprehensive Income for the Year, Net of Tax		11,904,472	367,754,713	(9,448,882)	217,550,899
Profit attributable to:					
Equity Holders of the Parent		40,826,049	370,614,115	(9,795,840)	215,454,564
Non-Controlling Interests		850,898	976,601	-	-
		41,676,947	371,590,716	(9,795,840)	215,454,564
Total Comprehensive Income attributable to:					
Equity Holders of the Parent		10,997,784	366,778,181	(9,448,882)	217,550,899
Non-Controlling Interests		852,139	976,532	-	-
		11,904,472	367,754,713	(9,448,882)	217,550,899
Earnings Per Share - Basic	18	0.06	0.52	(0.01)	0.30
Dividend Per Share				0.10	0.23

The accounting policies and notes on pages 074 through 113 form an integral part of these financial statements.

Statement of Changes in Equity

Year ended 31 March 2017		Stated Capital	Retained Earnings	Foreign currency translation reserve	Non- Controlling Interest	Total
	Note	Rs.	Rs.	Rs.	Rs.	Rs.
Group						
Balance as at 31 March 2015		829,258,508	617,737,438	194,856	3,261,138	1,450,451,940
Shares Issued during the year		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		238,634,597	(246,867,490)	-	-	(8,232,893)
Acquisition of Non - Controlling Interest		-	(5,930,991)	-	(769,009)	(6,700,000)
Dividend paid during the year	19	-	(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
Profit for the Year		-	40,826,049	-	850,898	41,676,947
Other Comprehensive Income		-	(331,759)	(29,440,715)	1,241	(29,771,233)
Total Comprehensive Income for the Year		-	40,494,289	(29,440,715)	852,139	11,905,714
Dividend paid during the year	19	-	(74,715,379)	-	-	(74,715,379)
Balance as at 31 March 2017		1,267,893,105	569,026,544	(35,150,451)	5,820,869	1,807,590,067
Company						
	Note	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.		
Balance as at 31 March 2015		829,258,508	397,755,781	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		238,634,597	(246,867,490)	(8,232,893)		
Shares Issued during the year		200,000,000	-	200,000,000		
Dividend paid during the year	19	-	(134,374,028)	(134,374,028)		
Balance as at 31 March 2016		1,267,893,105	234,065,162	1,501,958,267		
Loss for the Year		-	(9,795,840)	(9,795,840)		
Other Comprehensive Income		-	346,958	346,958		
Total Comprehensive Income for the Year		-	(9,448,882)	(9,448,882)		
Dividend paid during the year	19	-	(74,715,379)	(74,715,379)		
Balance as at 31 March 2017		1,267,893,105	149,900,901	1,417,794,006		

The accounting policies and notes on pages 074 through 113 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March	Notes	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Operating Activities					
Profit/(Loss) Before Tax		40,714,724	392,463,698	(15,762,052)	235,610,913
<i>Adjustments for</i>					
Depreciation	14	85,370,283	50,010,268	25,752,940	24,740,847
Profit on Disposal of Property, Plant and Equipment	17	(19,195)	(2,657,168)	(19,195)	(2,368,502)
Fair value Loss on Investments in Quoted Shares		11,024,357	12,352,928	11,024,357	12,352,928
Loss on Share Disposal		1,316,939	2,968,173	1,316,939	2,968,173
Expenses on Defined Benefit Plan	12	4,299,357	3,888,738	3,513,485	3,236,726
Dividend Income	17	(8,912,827)	(25,554,813)	(31,788,821)	(114,720,178)
Impairment / Written off of other projects	6	2,508,897	4,194,211	2,508,897	4,194,211
Share of Profits from Joint Ventures	5.2.2	(26,085,760)	(114,639,610)	-	-
Finance Income	16	(1,527,478)	(6,669,465)	(1,107,819)	(4,332,398)
Finance Costs	15	160,747,117	93,998,094	76,375,128	33,968,725
Operating Profit Before Working Capital Changes		269,436,415	410,355,053	71,813,860	195,651,444
(Increase) / Decrease in Inventories		(11,642,705)	(718,327)	(3,474,282)	
(Increase) / Decrease in Trade & Other Receivables		86,381,315	(107,481,999)	(45,694,216)	99,242,709
Increase / (Decrease) in Other Payables		104,326,476	37,848,588	(64,079,804)	73,445,859
Transfer of expenses from other project investment to relevant project companies		16,502,417	-	16,502,417	-
Cash Generated from Operations		465,003,918	340,003,314	(24,932,024)	368,340,013
Finance Costs Paid		(160,747,117)	(93,998,094)	(76,375,128)	(33,968,725)
Finance Income Received		1,527,478	6,669,465	1,107,819	927,554
Defined Benefit Plan Cost Paid	12	(849,200)	(820,800)	(849,200)	(194,400)
Income Tax Paid		(3,930,931)	(23,811,081)	(3,930,931)	(21,763,022)
Net Cash from/(used in) Operating Activities		301,004,149	228,042,805	(104,979,465)	313,341,420
Investing Activities					
Acquisition of Property, Plant & Equipment		(1,358,857,650)	(267,191,999)	(2,824,150)	(14,074,844)
Proceeds from sale of Property Plant and Equipment		-	9,718,164	61,357	3,077,828
Investment in New projects		(74,508,802)	35,311,716	(74,508,802)	35,311,716
Net Investment on Other Financial assets		30,277,684	(17,737,738)	30,277,684	(17,737,738)
Net Cash and Cash Equivalents on Investment in subsidiary		-	(40,027,722)	(20,000,000)	(552,734,046)
Net proceeds from Investment in Joint Ventures and associates		-	(51,250,000)	-	24,645,355
Dividend Received		8,912,827	25,554,813	31,788,821	114,720,178
Net Cash Flows Used in Investing Activities		(1,394,175,941)	(305,622,766)	(35,205,089)	(406,791,551)

Year ended 31 March	Notes	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Financing Activities					
Dividend Payments		(74,715,379)	(134,374,028)	(74,715,379)	(134,374,028)
Cost of Capitalisation of Reserve		-	(8,232,893)	-	(8,232,893)
Principal Payment Under Ijara Facilities / (Finance Leases)		(2,610,254)	(1,348,692)	(1,115,240)	(536,538)
Principal Payment Under Murabaha Facilities		(18,175,147)	(16,534,170)	(18,175,147)	(16,534,170)
Principal Payment Under Diminishing Musharakah Facilities		(188,692,711)	(205,702,011)	(25,000,000)	(104,852,757)
Principal Payment Under Wakala		(39,999,996)	(10,000,000)	(39,999,996)	(10,000,000)
Principal Payment Under Short term facilities		(45,943,087)	(54,113,899)	(45,943,087)	(54,113,899)
Proceeds from Wakala		71,926,285	128,073,715	71,926,285	128,073,715
Proceeds from Ijara Facilities		-	11,525,000	-	5,000,000
Proceeds from Diminishing Musharakah Facilities		1,121,996,495	126,499,654	-	-
Proceeds from short term facilities		257,737,334	242,590,954	257,737,334	242,590,954
Net Cash Flows From Financing Activities		1,081,523,540	78,383,630	124,714,770	47,020,385
Net Increase / (Decrease) in Cash and Cash Equivalents		(11,648,252)	803,670	(15,469,783)	(46,429,745)
Cash and Cash Equivalents at the Beginning of the year		92,823,126	92,019,456	22,816,481	69,246,226
Cash and Cash Equivalents at the End of the year	20	81,174,874	92,823,126	7,346,697	22,816,481

The accounting policies and notes on pages 074 through 113 form an integral part of these financial statements.

Notes to the Financial Statements

1. Corporate Information

1.1 General

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

The Consolidated financial statements of the Company for the year ended 31 March 2017 comprise of the Company and its subsidiaries (together referred as the "Group").

Subsidiaries

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

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

Muvumbe Hydro (U) Limited is a fully owned subsidiary of Vidullanka PLC, incorporated as a limited liability company in the Republic of Uganda under the Companies Act No. 110 of 2012. The registered office of Muvumbe Hydro (U) Limited is located at 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 company is a fully owned subsidiary of Vidullanka PLC. The registered office of the Company is located at Level 04, Access Towers, No. 278, Union Place, Colombo 02.

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

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

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

Joint Ventures

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

Joint Venture	Holding Percentage	Joint Venture Partner
Gurugoda Hydro (Pvt) Limited	50%	Renewgen (Pvt) Limited (Previously named ESNA Power (Pvt) Limited
Vidul Madugeta (Pvt) Limited	50%	
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.

Associate

Nilwala Vidulibala Company (Pvt) Ltd is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the company is located at Pitabedara, Morawaka, Matara and the principal place of business is also located at the same place. Vidullanka PLC has acquired 26.3% stake as of 31 March 2017.

1.2 Principal Activities and Nature of Operations Company

The principal activity of the company is to produce electrical energy and transmit to feed the national grid. For this purpose the company has constructed two 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.

Subsidiaries

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 Muvumbe small hydro power plant in Kabale District of Republic of Uganda. The construction of the power plant was completed as of 31 March 2017.

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) Ltd, in Dehiattakandiya.

The principal activity of Udawela Hydro (Pvt) Limited is to produce electrical energy and transmit to feed the national grid from its Udawela mini hydro power plant in Badulla. As of 31 March 2017, the power plant is under construction.

Joint Ventures

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

Associate

The principal activity of Nilwala Vidulibala Company (Pvt) Ltd is to produce electrical energy and transmit to feed the national grid from its Eathamala Ella mini hydro project in Morawaka, Matara. The power plant was commissioned to the grid on 30 September 2016.

1.3 Date of Authorization for Issue

The Consolidated Financial Statements of Vidullanka PLC, for the year ended 31 March 2017 was authorized for issue in accordance with a resolution of the Board of Directors on 15 June 2017.

2.1 Basis of Preparation

2.1.1 Statement of Compliance

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

2.1.2 Basis of Measurement

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

2.1.3 Functional and Presentation Currency

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

2.1.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2017. 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

Notes to the Financial Statements contd.

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

2.2.2 Impairment loss on non financial assets

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

2.2.3 Defined Benefit Plan

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

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

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

2.3 Summary of Significant Accounting Policies

2.3.1 Business Combinations and Goodwill

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

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

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

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

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

2.3.2 Interest on Equity Accounted Investees – Joint ventures and Associates

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

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

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

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

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the

Notes to the Financial Statements contd.

investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of comprehensive income.

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

2.3.3 Foreign Currency

2.3.3.1 Foreign Currency Translation

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

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 2017. 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 tax laws) that have been enacted or substantively enacted at the reporting date.

2.3.5 Borrowing Costs

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

2.3.6 Inventories

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

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

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

2.3.7 Financial Instruments – Initial Recognition and Subsequent Measurement

2.3.7.1 Financial Assets

Initial Recognition and Measurement

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

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

Subsequent Measurement

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

(a) Loans and Receivables

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

Notes to the Financial Statements contd.

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

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

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

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

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

De-recognition

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

Impairment of Financial Assets

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

impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that 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, loans and borrowings, financial guarantee contracts.

Subsequent Measurement

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

Financing and Lease [Ijara] Payables

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

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

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on

substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Fair value of Financial Instruments

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

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

2.3.8 Cash and Cash Equivalents

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

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

2.3.9 Property, Plant and Equipment

a) Cost

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

b) Depreciation

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

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

The estimated useful life of the Mature Bearer Biological Assets is 5 years.

2.3.11 Leases

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

2.3.12 Other Project Investments

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

Notes to the Financial Statements contd.

2.3.13 Impairment of Non Financial Assets

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

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

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

2.3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will

be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

2.3.15 Defined Benefit Plan – Gratuity

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

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

a) Recognition of Actuarial Gains and Losses

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

b) Funding Arrangements

The gratuity liability is not externally funded.

2.3.16 Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributes 12 % and 3% 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) Dividend Income

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

e) 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 effective interest cost basis.

2.4.3 Segment Reporting

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

The Group comprises of two major business segments: Power Generation and Consultation & Project Management. Details of the segment reporting are shown in Note 21 to the Financial Statements.

2.4.4 Net Asset Per Share

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

2.4.5 Earning Per Share

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

2.4.6 Dividend Per Share

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

3. Sri Lanka Accounting Standards Issued But Not Yet Effective as at 31 March 2017

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

Notes to the Financial Statements contd.

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 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 impact on the implementation of the above Standard has not been quantified yet.

LKAS 7 Disclosure Initiative – Amendments to LKAS 7

The amendments to LKAS 7 Statement of Cash Flows are part of the ICASL's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ('lessee') and the supplier ('lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 – 'Leases' and related interpretations. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

SLFRS 16 will become effective on 1 January 2019. The impact on the implementation of the above Standard has not been quantified yet.

4. Property, Plant and Equipment

4.1 Group

4.1.1 Gross Carrying Amounts

	Balance As at 01.04.2016 Rs.	Additions/ Transfers Rs.	Transfers/ Disposals Rs.	Balance As at 31.03.2017 Rs.
Freehold Land	48,732,558	6,884,695	-	55,617,253
Office Furniture and Fittings	12,249,117	533,057	(277,009)	12,505,165
Office Equipment	11,681,658	5,080,989	(120,630)	16,642,017
Computers and Computer Equipment	17,105,399	1,740,613	(562,406)	18,283,606
Plant and Machinery	2,199,416,208	1,538,021,012	(5,376,828)	3,732,060,392
Motor Vehicles	27,649,441	7,692,554	(435,195)	34,906,800
	2,316,834,381	1,559,952,921	(6,772,068)	3,870,015,234
On Finance Lease				
Motor Vehicle	14,901,887	-	-	14,901,887
	14,901,887	-	-	14,901,887
Total Value of Depreciable Assets	2,331,736,268	1,559,952,921	(6,772,068)	3,884,917,121

4.1.2 In the Course of Construction

	Balance as at 01.04.2016 Rs.	Incurred During the Year Rs.	Transfers Rs.	Balance as at 31.03.2017 Rs.
Power Plant Work-in-Progress	252,067,954	1,295,242,011	(1,512,809,338)	34,500,627
	252,067,954	1,295,242,011	(1,512,809,338)	34,500,627
Total Gross Carrying Value	2,583,804,222	2,855,194,932	(1,519,581,406)	3,919,417,748

4.1.3 Depreciation

	Balance As at 01.04.2016 Rs.	Charge for the year/Transfers Rs.	Transfers/ Disposals Rs.	Balance As at 31.03.2017 Rs.
At Cost				
Office Furniture and Fittings	5,938,725	1,274,120	(277,009)	6,935,835
Office Equipments	7,365,729	2,357,745	(113,657)	9,609,817
Computers and Computer Equipments	11,925,928	2,090,471	(559,693)	13,456,705
Plant and Machinery	272,857,382	70,194,720	(798,980)	342,253,122
Motor Vehicles	16,782,675	6,469,024	(295,674)	22,956,025
	314,870,439	82,386,079	(2,045,013)	395,211,504
On Finance Lease				
Motor Vehicle	1,628,354	2,984,204	-	4,612,558
	1,628,354	2,984,204	-	4,612,558
Total Depreciation	316,498,793	85,370,283	(2,045,013)	399,824,062

Notes to the Financial Statements contd.

4.1.4 Net Book Values

At Cost	2017 Rs.	2016 Rs.
Freehold Land	55,617,253	48,732,558
Office Furniture and Fittings	5,569,330	6,310,392
Office Equipment	7,032,200	4,315,929
Computers and Computer Equipments	4,826,901	5,179,472
Plant and Machinery	3,389,807,270	1,926,558,826
Motor Vehicles	11,950,775	10,866,767
	3,474,803,730	2,001,963,943
On Finance Lease		
Motor Vehicles	10,289,329	13,273,533
	10,289,329	13,273,533
In the Course of Construction		
Power Plant Work-in-Progress	34,500,627	252,067,954
	34,500,627	252,067,954
Total Carrying Amount of Property, Plant and Equipment	3,519,593,686	2,267,305,432

4.1.5 The carrying value of property, plant and equipment held under finance leases and ljarah at 31 March 2017 was Rs.10,289,329 /- (2016 - 13,273,533/-). There are no addition (2016 - 434,859/-) of property, plant and equipment under finance leases and ljarah.

4.1.6 Property, plant and equipment includes fully depreciated assets that are still in use having a gross carrying amount of Rs.46,152,337 (2016- Rs.26,907,637/-).

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

4.1.8 Mature Bearer Biological Assets

	Balance As at 01.04.2016 Rs.	Additions/ Transfers Rs.	Transfers/ Disposals Rs.	Balance As at 31.03.2017 Rs.
Gross Carrying Amounts				
Gliricidia fuel wood	-	4,426,260	-	4,426,260
	-	4,426,260	-	4,426,260
	Balance As at 01.04.2016 Rs.	Charge for the Year Rs.	Transfers/ Disposals Rs.	Balance As at 31.03.2017 Rs.
Depreciation				
Gliricidia fuel wood	-	885,252	-	885,252
Total Depreciation	-	885,252	-	885,252
Written Down Value				3,541,008

4. Property, Plant & Equipment (contd.)

4.2 Company

4.2.1 Gross Carrying Amounts

	Balance As at 01.04.2016 Rs.	Additions/ Transfers Rs.	Transfers/ (Disposals) Rs.	Balance As at 31.03.2017 Rs.
At Cost				
Freehold Land	27,839,175	-	-	27,839,175
Office Furniture and Fittings	10,469,623	79,589	-	10,549,212
Office Equipments	9,860,112	2,274,639	-	12,134,751
Computers and Computer Equipments	10,251,300	209,510	-	10,460,810
Plant and Machinery	638,509,389	191,109	(1,677,068)	637,023,430
Motor Vehicles	22,675,724	69,303	(196,388)	22,548,639
	719,605,324	2,824,150	(1,873,456)	720,556,018
On Finance Lease				
Motor Vehicle	7,458,075	-	-	7,458,075
	7,458,075	-	-	7,458,075
Total Gross Carrying Value	727,063,399	2,824,150	(1,873,457)	728,014,093

4.2.2 Depreciation

	Balance As at 01.04.2016 Rs.	Charge for the year/ Transfers Rs.	Transfers/ (Disposals) Rs.	Balance As at 31.03.2017 Rs.
At Cost				
Office Furniture and Fittings	5,017,827	1,077,347	-	6,095,175
Office Equipments	6,544,994	1,731,835	-	8,276,829
Computers and Computer Equipments	8,033,326	852,129	-	8,885,455
Plant and Machinery	176,507,821	16,768,528	(43,110)	193,233,240
Motor Vehicle	12,864,423	3,826,028	(154,226)	16,536,225
	208,968,392	24,255,869	(197,336)	233,026,924
On Finance Lease				
Motor Vehicle	642,364	1,497,071	-	2,139,435
	642,364	1,497,071	-	2,139,435
Total Depreciation	209,610,756	25,752,940	(197,336)	235,166,359

Notes to the Financial Statements contd.

4.2.3 Net Book Values

At Cost	2017 Rs.	2016 Rs.
Freehold Land	27,839,175	27,839,175
Office Furniture and Fittings	4,454,037	5,451,796
Office Equipment	3,857,922	3,315,118
Computers and Computer Equipments	1,575,355	2,217,974
Plant and Machinery	443,790,191	462,001,568
Motor Vehicles	6,012,414	9,811,301
	487,529,094	510,636,932
On Finance Lease		
Motor Vehicles	5,318,640	6,815,711
	5,318,640	6,815,711
Total Carrying Amount of Property, Plant and Equipment	492,847,734	517,452,643

4.2.4 The carrying value of Property, Plant & Equipment held under finance leases and Ijara at 31 March 2017 was Rs. 5,318,640/- (2016 - Rs. 6,815,711/-)

4.2.5 Property, plant and equipment includes fully depreciated assets that are still in use having a gross carrying amount of Rs. 31,026,452 (2016 - Rs. 21,754,991/-).

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)

Year ended 31 March		2017 Holding Percentage	2016 Holding Percentage	2017 Cost Rs.	2016 Cost Rs.
Non Quoted	Relationship				
Vidul Engineering Ltd	Subsidiary	100%	100%	26,700,080	26,700,080
Walagamba Balashakthi (Pvt) Ltd	Subsidiary	100%	100%	48,000,000	48,000,000
Rideepana Hydro (Pvt) Ltd	Subsidiary	95%	95%	62,500,000	62,500,000
Vidul Biomass (Pvt) Ltd	Subsidiary	100%	100%	101,000	101,000
Muvumbe Hydro (U) Ltd	Subsidiary	100%	100%	400,912,327	400,912,327
Vidul Plantation (Pvt) Ltd	Subsidiary	100%	100%	10	10
Lower Kothmale Oya Hydro Power (Pvt) Ltd	Subsidiary	100%	99.75%	345,120,709	345,120,710
Udawela Hydro (Pvt) Ltd	Subsidiary	100%	-	20,000,000	-
				903,334,126	883,334,127

5. Investments (contd.)

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 separate disclosure.

5.2 Investments in Joint Ventures and Associates

		2017 Holding Percentage	2016 Holding Percentage	2017 Cost Rs.	2016 Cost Rs.
Non Quoted					
Gurugoda Hydro (Pvt) Ltd	Joint Venture	50%	50%	55,412,412	55,412,412
Udaka Energy Group (Pvt) Ltd	Joint Venture	50%	50%	5,000,000	5,000,000
Vidul Madugeta (Pvt) Ltd	Joint Venture	50%	50%	108,000,000	108,000,000
Nilwala Vidulibala Company (Pvt) Ltd	Associate	26.3%	26.3%	52,500,000	52,500,000
				220,912,412	220,912,412

5.2.1 Goodwill

	Group	
	2017 Rs.	2016 Rs.
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	160,798,294
	215,879,382	215,879,383

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

5.2.2 Investment in Joint Ventures & Associates (Group)

Share of Net Asset Value from Joint Ventures & Associates

	Group	
	2017 Rs.	2016 Rs.
Investment in Gurugoda Hydro (Pvt) Ltd	73,059,939	76,779,827
Investment in Udaka Energy Group (Pvt) Ltd	35,656,943	39,000,683
Investment in Vidul Madugeta (Pvt) Ltd	165,309,408	145,306,715
Investment in Nilwala Vidulibala Company (Pvt) Ltd	53,278,812	52,500,000
Total Investment in Joint Ventures	327,305,102	313,587,225

Notes to the Financial Statements contd.

5.2.3 Share of Comprehensive Income from Joint Ventures & Associate

	Group	
	2017 Rs.	2016 Rs.
Gurugoda Hydro (Pvt) Ltd	5,304,730	16,690,964
Udaka Energy Group (Pvt) Ltd	(3,353,506)	17,036,571
Vidul Madugeta (Pvt) Ltd	23,410,273	55,264,316
Nilwala Vidulibala Company (Pvt) Ltd	778,812	-
Lower Kothmale Oya Hydro Power (Pvt) Ltd (Pre-acquisition)	-	25,321,572
*Co-energi (Pvt) Ltd (Pre-disposal)	-	326,187
Total Share of Comprehensive Income from Joint Ventures	26,140,309	114,639,610

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

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

	Group	
	2017 Rs.	2016 Rs.
Balance as at the beginning of the reporting Period	313,587,225	391,573,976
Investment in Joint Ventures	-	63,300,000
Share of total comprehensive Income	26,140,309	114,639,610
Dividends Received	(12,422,433)	(71,161,664)
Acquisition & Transfer / Disposal of Stake in the Joint Venture	-	(184,764,697)
Balance as at the end of the reporting period	327,305,102	313,587,225

5.2.5 The Group has a 50% interest in Gurugoda Hydro (Pvt) Ltd, Udaka Energy Group (Pvt) Ltd and Vidul Madugeta (Pvt) Ltd. Nilwala Vidulibala Company (Pvt) Ltd is an associate entity of Vidullanka PLC with 26.3% stake. 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 2017.

	Gurugoda Hydro (Pvt) Ltd Rs.	Udaka Energy Group (Pvt) Ltd Rs.	Vidul Madugeta (Pvt) Ltd Rs.	Nilwala Vidulibala Company (Pvt) Ltd Rs.
Current assets	7,014,761	5,259,396	20,452,625	28,833,560
Non-current assets	131,034,523	131,350,039	531,695,129	334,816,265
Current liabilities	(1,030,112)	(30,282,866)	(58,280,219)	(41,039,795)
Non-current liabilities	(4,274,119)	(35,012,684)	(163,248,719)	(196,820,465)
Equity	132,745,053	71,313,885	330,618,817	125,789,565
Equity (Proportionate)	66,372,527	35,656,943	165,309,408	33,082,656
Goodwill or other adjustments	6,687,412	-	-	20,196,157
Group carrying amount of the Investment	73,059,939	35,656,943	165,309,408	53,278,812

5. Investments (contd.)

	Gurugoda Hydro (Pvt) Ltd	Udaka Energy Group (Pvt) Ltd	Vidul Madugeta (Pvt) Ltd	Nilwala Vidulibala Company (Pvt) Ltd
	Rs.	Rs.	Rs.	Rs.
Summarised statement of profit or loss for the year ended 31 March 2017				
Revenue	30,750,083	13,208,386	112,029,752	44,089,014
Cost of Sales	(16,185,716)	(14,799,491)	(34,014,751)	(20,657,588)
Administrative Expenses	(948,292)	(239,625)	(922,091)	(6,088,391)
Finance Cost	-	(4,936,391)	(30,517,855)	(14,401,644)
Other Income	158,612	102,296	177,926	19,872
Profit Before Tax	13,774,687	(6,664,825)	46,752,980	2,961,263
Income Tax Expense	(2,781,222)	-	-	-
Profit for the Year	10,993,465	(6,664,825)	46,752,980	2,961,263
Total Comprehensive Income for the Year	10,993,465	(6,664,825)	46,737,128	2,961,263
Group's Share of Profit/(Loss) for the Year	5,496,733	(3,332,412)	23,368,564	778,812

5.3 Other Financial Assets

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

	2017 Number of shares	2016 Number of shares	2017 Carrying Value Rs.	2016 Carrying Value Rs.
Investment in Quoted Shares				
Panasian Power PLC	50,282,563	60,427,149	151,147,689	193,366,877
Vallibel Power Erathna PLC	-	49,974	-	399,792
			151,147,689	193,766,669

5.3.2 Financial Assets

	2017 Number of shares	2016 Number of shares	2017 Rs.	2016 Rs.
Non Quoted				
Investment in Shares - ADL Capital Ltd	250,000	250,000	2,500,000	2,500,000
			2,500,000	2,500,000
Other Financial Assets			153,647,689	196,266,669

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.

Notes to the Financial Statements contd.

6. Other Project Investments

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Summary				
Balance as at the beginning of the Year	79,021,852	118,527,779	79,021,852	118,527,779
Projects Costs incurred during the Year	74,508,802	15,051,123	74,508,802	15,051,123
Less: Transfers	(16,502,417)	(50,362,839)	(16,502,417)	(50,362,839)
Written off	(827,438)	(4,194,211)	(827,438)	(4,194,211)
Impairment Provision	(1,681,460)	-	(1,681,460)	-
Balance as at the end of the Year	134,519,339	79,021,852	134,519,339	79,021,852

7. Trade and Other Receivables

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade Receivables	101,789,674	59,441,760	32,032,535	13,897,129
Other Receivables	51,380,072	73,381,093	55,519,985	36,722,989
Advances and Prepayment	66,480,221	163,848,988	21,149,570	19,095,054
Amounts Due from Related Parties (7.1)	30,038,988	38,674,723	160,949,682	153,068,276
Facilities given to Company Officers (7.2)	6,889,702	7,613,410	6,439,302	7,613,410
	256,578,658	342,959,973	276,091,075	230,396,859

7.1 Amounts Due from Related Parties

		Group		Company	
	Relationship	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Vidul Engineering Ltd	Subsidiary	-	-	1,066,299	16,426,138
Rideepana Hydro (Pvt) Ltd	Subsidiary	-	-	41,796,534	34,139,766
Vidul Biomass (Pvt) Ltd	Subsidiary	-	-	46,966,052	25,343,375
Vidul Plantation (Pvt) Ltd	Subsidiary	-	-	9,665,100	9,842,523
Gurugoda Hydro (Pvt) Ltd	Joint Venture	171,101	-	168,514	-
Udaka Energy Group (Pvt) Ltd	Joint Venture	8,981,189	7,746,007	8,913,631	7,746,007
Vidul Madugeta (Pvt) Ltd	Joint Venture	740,898	3,790,000	686,644	3,790,000
Lower Kotmale Oya Hydro Power (Pvt) Ltd	Subsidiary	-	-	12,426,863	28,641,751
Nilwala Vidulibala Company (Pvt) Ltd	Associate	20,145,800	27,138,716	20,137,730	27,138,716
Udawela Hydro (Pvt) Ltd	Subsidiary	-	-	19,122,315	-
		30,038,988	38,674,723	160,949,682	153,068,276

7. Trade and Other Receivables (contd.)

7.2 Loans to Company Officers

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance as at the beginning of the Year	7,613,410	4,156,794	7,613,410	3,925,527
Loans Granted/Transferred During the Year	1,500,296	6,397,679	938,205	6,397,679
Less: Repayments	(1,445,817)	(2,115,317)	(1,377,686)	(1,884,050)
Effective Interest Rate Adjustment	(778,187)	(825,746)	(734,626)	(825,746)
Balance as at the end of the Year	6,889,702	7,613,410	6,439,302	7,613,410

8. Stated Capital

8.1 Fully paid Ordinary Shares

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance as at 1 April	1,267,893,105	829,258,508	1,267,893,105	829,258,508
Issue of Ordinary Shares	-	438,634,597	-	438,634,597
Balance as at 31 March	1,267,893,105	1,267,893,105	1,267,893,105	1,267,893,105
8.2 Movement in Number of Ordinary Shares				
Balance as at 1 April	747,153,790	477,269,193	747,153,790	477,269,193
Issue of Ordinary Shares during the year	-	269,884,597	-	269,884,597
Balance as at 31 March	747,153,790	747,153,790	747,153,790	747,153,790

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

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

9.1 Group

	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2017 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2016 Total Rs.
Ijara Facilities/ Finance Leases (9.1.1)	2,867,276	4,802,430	7,669,707	2,787,292	7,492,668	10,279,960
Mudarabaha Facilities (9.1.2)	19,974,395	44,007,769	63,982,164	18,175,147	63,982,164	82,157,311
Diminishing Musharakah Facilities (9.1.3)	196,677,242	1,747,971,094	1,944,648,336	197,128,007	814,216,545	1,011,344,552
Wakala Facilities (9.1.4)	39,996,000	110,004,004	150,000,004	40,000,000	78,073,715	118,073,715
Short Term Working Capital Facilities (9.1.5)	438,309,076	-	438,309,076	226,514,829	-	226,514,829
	697,823,990	1,906,785,297	2,604,609,287	484,605,275	963,765,092	1,448,370,367

Notes to the Financial Statements contd.

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

	As at 01.04.2016 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2017 Rs.
9.1.1 Ijara Facilities (Finance Leases)				
Commercial Bank of Ceylon PLC	10,279,960	-	(2,610,254)	7,669,707
	10,279,960	-	(2,610,254)	7,669,707
Gross Liability	12,110,326			8,640,072
Finance Charges allocated to future periods	(1,830,366)			(970,365)
Net Liability	10,279,960			7,669,707
9.1.2 Murabhaha Facilities				
Amana Bank PLC	82,157,311	-	(18,175,147)	63,982,164
	82,157,311	-	(18,175,147)	63,982,164
Gross Liability	98,708,748			73,506,515
Finance Charges allocated to future periods	(16,557,438)			(9,524,351)
Net Liability	82,157,311			63,982,164
9.1.3 Diminishing Musharakah Facilities				
Amana Bank PLC	50,000,003	-	(25,000,000)	25,000,004
MCB Bank Ltd	266,299,911	29,800,000	(43,338,304)	252,761,607
NDB Bank PLC	540,598,919	-	(95,350,405)	445,248,514
Syndicated Facility (Bank of Ceylon & Hattat National Bank PLC)	57,874,000	1,092,196,495	-	1,150,070,495
Hattat National Bank PLC	96,571,719	-	(25,004,003)	71,567,716
	1,011,344,552	1,121,996,495	(188,692,711)	1,944,648,336
Gross Liability	1,278,967,594			3,033,594,396
Finance Charges allocated to future periods	(267,623,042)			(1,088,946,060)
Net Liability	1,011,344,552			1,944,648,336
9.1.4 Wakala Facilities				
Bank of Ceylon	118,073,715	71,926,285	(39,999,996)	150,000,004
	118,073,715	71,926,285	(39,999,996)	150,000,004
Gross Liability	136,386,450			186,353,253
Finance Charges allocated to future periods	(18,312,735)			(36,353,250)
Net Liability	118,073,715			150,000,004

9.1.5 Short Term Working Capital Facilities

	As at 01.04.2016 Rs.	Facilities Obtained Rs.	Repayments Rs.	As at 31.03.2017 Rs.
Amana - Candor Shariah Fund	46,514,829	12,737,334	(28,943,087)	30,309,076
Commercial Paper	100,000,000	145,000,000	-	245,000,000
Hatton National Bank PLC	80,000,000	20,000,000	-	100,000,000
Amana Bank PLC	-	50,000,000	-	50,000,000
ADL Comtrust	-	30,000,000	(17,000,000)	13,000,000
	226,514,829	257,737,334	(45,943,087)	438,309,076

9.2 Company

	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2017 Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	2016 Total Rs.
Ijara Facilities (Finance Leases) (9.2.1)	1,232,020	2,219,854	3,451,874	1,115,240	3,451,874	4,567,114
Mudarabah Investment (9.2.2)	19,974,395	44,007,769	63,982,164	18,175,146	63,982,164	82,157,311
Diminishing Musharakah -						
Working Capital (9.2.3)	25,000,003	-	25,000,003	25,000,000	25,000,003	50,000,003
Wakala Facilities (9.2.4)	39,996,000	110,004,004	150,000,004	40,000,000	78,073,715	118,073,715
Short Term Working Capital Facilities (9.2.5)	438,309,076	-	438,309,076	226,514,829	-	226,514,829
	524,511,494	156,231,626	680,743,120	310,805,215	170,507,756	481,312,972

9.2.1 Ijara Facilities (Finance Leases)

	As at 01.04.2016 Rs.	Facilities Obtained	Repayments Rs.	As at 31.03.2017 Rs.
Commercial Bank of Ceylon PLC	4,567,114	-	(1,115,240)	3,451,874
	4,567,114	-	(1,115,240)	3,451,874
Gross Liability	5,452,956			3,931,200
Finance Charges allocated to future periods	(885,842)			(479,326)
Net Liability	4,567,114			3,451,874

Notes to the Financial Statements contd.

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

	As at 01.04.2016 Rs.	Facilities Obtained	Repayments Rs.	As at 31.03.2017 Rs.
9.2.2 Murabhaha Facilities				
Amana Bank PLC	82,157,311	-	(18,175,147)	63,982,164
	82,157,311	-	(18,175,147)	63,982,164
Gross Liability	98,708,748			73,506,515
Finance Charges allocated to future periods	(16,551,438)			(9,524,351)
Net Liability	82,157,311			63,982,164
9.2.3 Diminishing Musharakah Facilities				
Amana Bank PLC	50,000,003	-	(25,000,000)	25,000,004
	50,000,003	-	(25,000,000)	25,000,004
Gross Liability	55,901,045			26,798,337
Finance Charges allocated to future periods	(5,901,042)			(1,798,333)
Net Liability	50,000,003			25,000,004
9.2.4 Wakala Facilities				
Bank of Ceylon	118,073,715	71,926,285	(39,999,996)	150,000,004
	118,073,715	71,926,285	(39,999,996)	150,000,004
Gross Liability	136,386,450			136,386,450
Finance Charges allocated to future periods	(18,312,735)			(36,353,250)
Net Liability	118,073,715			150,000,004
9.2.5 Short Term Working Capital Facilities				
Amana - Candor Shariah Fund	46,514,829	12,737,334	(28,943,087)	30,309,076
Commercial Paper	100,000,000	145,000,000	-	245,000,000
Hatton National Bank PLC	80,000,000	20,000,000	-	100,000,000
Amana Bank PLC	-	50,000,000	-	50,000,000
ADL Comtrust	-	30,000,000	(17,000,000)	13,000,000
	226,514,829	257,737,334	(45,943,087)	438,309,076

10. Income Tax

The major components of income tax expense for the year ended 31 March 2017 are as follows:

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Current Income Tax				
Current Tax Expense on Ordinary Activities for the year	5,736,633	20,172,991	448,826	19,752,131
(Over)/Under provision of current taxes in respect of prior years	(588,161)	(1,390,181)	(588,161)	(650,656)
	5,148,472	18,782,810	(139,335)	19,101,475
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (10.2)	(6,110,695)	2,090,172	(5,826,877)	1,054,874
	(6,110,695)	2,090,172	(5,826,877)	1,054,874
Income Tax expense reported in the Income Statement	(962,223)	20,872,981	(5,966,212)	20,156,349

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

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Accounting profit before income tax	40,714,724	392,463,697	(15,762,052)	235,610,913
At the statutory income tax rate of 12 % (2016 : 12%)	2,712,397	47,611,337	(1,891,446)	28,162,186
At the statutory income tax rate of 28 % (2016 : 28 %)	5,065,864	(1,203,285)	-	259,289
At the statutory income tax rate of 30 %	(15,935,977)	-	-	-
Tax effect of Disallowable Expenses	17,164,696	9,106,638	16,988,600	6,234,795
Tax effect of Aggregate Allowable Items	(11,231,908)	(4,073,959)	(6,165,544)	(2,666,758)
Tax Effect of Income Exempt from Tax	(3,130,291)	(31,281,414)	(8,482,784)	(12,237,381)
At the effective income tax rate of 12% (2016 : 12 %)	5,355,220	20,159,317	448,826	19,752,131
(Over)/ Under Provision of Income Tax in respect of Prior Years	(588,161)	(1,390,181)	(588,161)	(650,656)
Deferred Taxation Charge/(Reversal)	(5,729,281)	2,103,845	(5,826,877)	1,054,874
	(962,223)	20,872,981	(5,966,212)	20,156,349
Effective Tax Rate (%)	-2%	5%	38%	9%

Notes to the Financial Statements contd.

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

	Statement of Financial Position		Statement of Comprehensive Income	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Group				
Deferred Tax Liability				
Capital allowances for tax purposes	22,910,029	22,525,747	872,083	1,545,359
	22,910,029	22,525,747		
Deferred Tax Assets				
Defined Benefit Plans	(2,169,631)	(2,144,560)	(459,823)	558,486
Tax Losses brought forward	(6,469,906)	-	(6,469,906)	-
	(8,639,537)	(2,144,560)		
Deferred Tax Charge for OCI			(53,049)	-
Deferred Tax (Reversal) / Charge			(6,110,695)	2,103,845
Net Deferred Tax Liability/(Asset)	14,270,492	20,381,187		
Company				
Deferred Tax Liability				
Capital allowances for tax purposes	22,735,257	21,890,758	844,499	1,520,773
	22,735,257	21,890,758		
Defined Benefit Plans	(2,169,631)	(1,894,563)	(275,068)	(465,899)
Tax Losses brought forward	(6,469,906)	-	(6,469,906)	-
	(8,639,537)	(1,894,563)		
Deferred Tax Charge for OCI			73,597	-
Deferred Tax (Reversal) / Charge			(5,826,878)	1,054,874
Net Deferred Tax Liability/(Asset)	14,095,720	19,996,195		

11. Trade and Other Payables

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Amounts Due To Related Parties (11.1)	-	-	20,904,404	66,729,670
Sundry Creditors Including Accrued Expenses	250,083,335	145,452,462	33,963,043	50,526,297
Financial Guarantee	1,300,188	1,604,584	7,982,289	9,673,572
	251,383,522	147,057,046	62,849,735	126,929,539

11.1 Amounts Due To Related Parties

		Group		Company	
	Relationship	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Walagamba Balashakthi (Pvt) Ltd	Subsidiary	-	-	20,904,404	14,868,525
Muvumbe Hydro (U) Ltd	Subsidiary	-	-	-	51,861,145
		-	-	20,904,404	66,729,670

12. Defined Benefit Liability

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Balance as at the beginning of the year	17,897,828	17,118,145	15,788,028	11,905,536
Acquisition of Subsidiary (Lower Kothmale Oya Hydro Power (Pvt) Ltd)	-	147,492	-	-
Expenses on Defined Benefit Plan (12.1)	4,299,357	3,888,738	3,513,485	3,236,726
Net Actuarial (Gain)/ Loss recognized during the year	468,477	(2,368,426)	(420,555)	(2,382,199)
Payment During the year	(849,200)	(820,800)	(849,200)	(194,400)
Inter-Company Transfers during the Year	130,038	(67,322)	48,499	3,222,363
Balance as at the end of the year	21,946,500	17,897,828	18,080,258	15,788,028
12.1 Expenses on Defined Benefit Plan				
Current Service Cost	2,496,570	1,719,832	1,929,833	1,512,790
Interest Cost on Defined Benefit Liability	1,802,787	2,168,906	1,583,653	1,723,936
	4,299,357	3,888,738	3,513,485	3,236,726

Notes to the Financial Statements contd.

12.2 Principal Assumptions

	Group		Company	
	2017	2016	2017	2016
Discount Rate	12.5%	10%	12.5%	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 2017/2016 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).

12.3 Sensitivity of assumptions employed in actuarial valuation

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

Increase/Decrease in Discount Rate	Increase /Decrease in Salary Increment	Group		Company	
		Sensitivity Effect on Employment Benefit Obligation	Sensitivity Effect on Employment Benefit Obligation	Sensitivity Effect on Employment Benefit Obligation	Sensitivity Effect on Employment Benefit Obligation
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
(+1%)		(1,067,555)	(1,049,688)	(847,856)	(910,514)
(-1%)		1,177,140	1,169,205	931,246	1,011,313
	(+1%)	1,194,588	1,165,232	943,060	1,004,722
	(-1%)	(1,099,408)	(1,063,517)	(871,686)	(919,841)

13. Revenue

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Power Generation	502,068,037	678,470,022	183,286,476	366,948,890
Consultancy and Project Management	32,685,772	44,754,418	-	-
	534,753,809	723,224,440	183,286,476	366,948,890

14. Profit Before Tax

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Stated after Charging				
Included in Cost of Sales				
Depreciation	74,780,207	27,809,509	17,133,738	16,355,385
Defined Benefit Plan Costs - Gratuity	429,727	614,804	162,678	280,008
Included in Administrative Expenses				
Depreciation	10,590,077	22,200,759	8,619,200	8,086,110
Staff Costs (Include the following Costs)	97,378,682	127,078,492	89,701,932	81,701,062
Defined Benefit Plan Costs - Gratuity	3,879,492	3,888,738	3,350,808	2,634,669
Defined Contribution Plan Costs - EPF and ETF	9,177,891	9,659,906	8,878,610	5,840,631
Auditors' Remunerations - Audit fees	1,239,403	1,126,730	444,829	404,390
Impairment/Written off of Other Projects Investments	2,508,897	4,194,211	2,508,897	4,194,211

15. Finance Cost

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Lease Markup on Ijara / Murabaha/ Musharakah Facilities/Staff Loan	160,747,117	93,998,094	76,375,128	33,968,725
	160,747,117	93,998,094	76,375,128	33,968,725

16. Finance Income

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Profit from Mudarabah Savings Accounts	743,592	1,601,302	373,193	927,554
Finance Income - Staff Loan	783,886	871,383	734,626	825,746
Finance Income - EIR adjustment to inter-company advances	-	4,196,780	-	2,579,098
	1,527,478	6,669,465	1,107,819	4,332,398

Notes to the Financial Statements contd.

17. Other Income and Gains/(Losses)

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Dividend Received	8,912,827	25,554,813	31,788,821	114,720,178
Profit on Disposal of Property, Plant & Equipment	19,195	2,657,168	19,195	2,368,502
Capital Gain/ (Loss) on Quoted Share Disposal	(1,316,939)	(2,968,173)	(1,316,939)	(2,968,173)
Gain/(Loss) in Value of Investments in Quoted Shares	(11,024,357)	(12,352,928)	(11,024,357)	(12,352,928)
Profit / (Loss) from Sale of Project Stake	16,372,557	-	16,372,557	-
Development Services Fee	-	-	31,088,869	-
Management Fee	13,574,659	-	-	-
Other Income	-	6,589,977	3,740,214	-
Gain/(Loss) in Exchange Rate fluctuations	21,509	-	21,509	-
	26,537,942	19,480,857	70,689,869	101,767,579

18. Earnings Per Share

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

	Group		Company	
	2017	2016	2017	2016
Amounts Used as Numerator - Group				
Net Profit/(Loss) Attributable to Ordinary Shareholders of the parent for Basic Earnings per Share (Rs.)	40,826,049	370,614,115	(9,795,840)	215,454,564
Number of Ordinary Shares Used as Denominator				
Weighted Average Number of Ordinary Shares in Issue	747,153,790	718,507,957	747,153,790	718,507,957

19. Dividend Paid and Proposed

	2017 Rs.	2016 Rs.
Declared and paid during the year		
1st Interim Dividend - 2016/17 Rs.0.10 (2015/16 - Rs. 0.125)	74,715,379	59,658,649
2nd Interim Dividend - 2016/17 Rs. 0.00 (2015/16 - Rs. 0.10)	-	74,715,379
	74,715,379	134,374,028

20. Cash and Cash Equivalents

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Components of Cash and Cash Equivalents				
Favourable Cash and Cash Equivalents Balance				
Cash and Bank Balances	81,174,875	92,823,126	7,346,697	22,816,481
Total Cash and Cash Equivalents				
For the Purpose of Cash Flow Statement	81,174,875	92,823,126	7,346,697	22,816,481

21. Segment Information

	Power Generation		Consultancy and Project Management		Group	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Segmental Revenue	502,068,037	678,470,022	32,685,772	44,754,418	534,753,809	723,224,440
Segmental Results						
Depreciation	(83,410,073)	(45,959,063)	(1,960,210)	(4,051,205)	(85,370,283)	(50,010,268)
Finance Cost	(160,729,992)	(90,527,123)	(17,125)	(3,470,971)	(160,747,117)	(93,998,094)
Finance Income	1,478,218	5,006,146	49,260	1,663,319	1,527,478	6,669,465
Profit share of Investment Income						
from Joint Ventures	26,085,760	114,313,422	-	-	26,085,760	114,639,610
Profit/(Loss) Before Tax	22,622,354	399,043,233	18,092,371	(6,905,723)	40,714,724	392,463,698
Income Tax Expense	5,867,088	(20,308,173)	(4,904,865)	(564,808)	962,223	(20,872,981)
Profit / (Loss) for the Year	28,489,441	378,735,060	13,187,506	(7,470,531)	41,676,947	371,590,716
Non-Current Assets	4,198,928,692	2,872,058,324	1,909,824	3,735,567	4,200,838,517	2,875,793,891
Current Assets	476,273,007	610,331,244	27,931,859	22,879,463	504,204,866	633,210,707
Total Assets	4,675,201,699	3,482,389,568	29,841,683	26,615,030	4,705,043,383	3,509,004,598
Non-Current Liabilities	1,942,167,676	1,001,815,239	834,613	228,867	1,943,002,289	1,002,044,106
Current Liabilities	944,572,171	616,090,223	9,878,857	20,470,537	954,451,027	636,560,760
Total Liabilities	2,886,739,847	1,617,905,462	10,713,470	20,699,404	2,897,453,316	1,638,604,866

Notes to the Financial Statements contd.

22. Commitments & Contingencies

22.1 Capital Expenditure Commitments

During the year the Group entered into capital commitment contracts, mainly for the purpose of constructing a power plant, the total value of the contract contracted but not provided for amounts to Rs.133.75 Mn.

22.2 Letter of Credit

	Group	
	2017 Rs.	2016 Rs.
MCB Bank Ltd.	62,850,000	121,827,400
	62,850,000	121,827,400

22.3 Corporate Guarantees

Company Name	Relationship with Vidullanka PLC	Amount of Guarantee provided by the Vidullanka PLC	Amount of Loan Obtained by the Relevant Company	Loan Balance as at 31 March 2017	Loan Balance as at 31 March 2016
Lower Kothmale Oya Hydro Power (Pvt) Ltd	Subsidiary	610,000,000	610,000,000	445,248,514	540,598,899
Vidul Madugeta (Pvt) Ltd	Joint Venture	160,000,000	320,000,000	213,705,692	263,957,881
Udaka Energy Group (Pvt) Ltd	Joint Venture	35,000,000	70,000,000	46,331,865	57,534,246
Rideepana Hydro (Pvt) Ltd	Subsidiary	284,000,000	284,000,000	222,961,607	266,299,911
Muvumbe Hydro (U) Ltd	Subsidiary	1,291,915,000	1,150,070,495	1,150,070,495	57,874,000
Udawela Hydro (Pvt) Ltd	Subsidiary	293,000,000	60,057,609	60,057,609	-

23. Assets Pledged

The following assets have been pledged as security for liabilities.

Nature of Liability	Carrying Amount of Pledged Assets		
	2017 Rs.	2016 Rs.	Included under Assets
23.1 Company			
Charge over Leased Assets on Finance Lease Liabilities	5,318,640	6,815,707	Property, Plant and Equipment
Extended Murabaha (Trade finance) & Diminishing Musharaka (Term Loan)	471,629,366	489,840,745	Property, Plant and Equipment
Total Carrying Value of Assets Pledged	476,948,006	496,656,452	
23.2 Group			
Charge over Leased Assets on Finance Lease Liabilities	10,692,038	13,273,533	Property, Plant and Equipment
Ijara, Murabaha & Diminishing Musharakah Facilities	3,445,424,523	1,975,291,384	Property, Plant and Equipment
Total Carrying Value of Assets Pledged	3,456,116,561	1,988,564,917	

24. Litigations

Following Court actions have been initiated against the Company.

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

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

25. Related Party Disclosure

25.1 Details of significant Related Party Disclosure are as follows:

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

Company	Relationship	Nature of Transactions	2017 Rs.	2016 Rs.
Walagamba Balashakthi (Pvt) Ltd (WMB)	Subsidiary	Expenses incurred by VLL	8,806,496	5,023,133
		Settlement/Fund Transfer done by WMB	(14,812,572)	(43,038,163)
		Dividend from WMB	-	16,200,000
Rideepana Hydro (Pvt) Ltd (RHPL)	Subsidiary	Expenses incurred by VLL On behalf of RHPL	5,172,025	14,262,430
		Fund Transfers from VLL	11,100,000	8,300,000
		Settlement done by RHPL	(8,615,256)	(56,546,321)
		Dividend from RHPL	798,000	-
Vidul Engineering Ltd (VEL)	Subsidiary	Expenses incurred by VLL on behalf of VEL	20,143,865	42,788,468
		Expenses incurred by VEL on behalf of VLL	(34,003,703)	(26,126,409)
		Settlements done by VLL	7,500,000	1,650,489
		Settlements done by VEL	(9,000,000)	(15,815,576)
		Fund transfer from VLL	-	7,568,000
Vidul Madugeta (Pvt) Ltd (VMPL)	Joint Venture	Expenses incurred by VLL on behalf of VMPL	13,295,030	1,793,048
		Settlements done by VMPL	(12,608,386)	(40,771,048)
		Dividends from VMPL	3,348,000	42,768,000
Gurugoda Hydro (Pvt) Ltd (GHPL)	Joint Venture	Expenses incurred by VLL on behalf of GHPL	12,851,551	19,322,452
		Settlement done by GHPL	(12,683,038)	(19,322,452)
		Dividends from GHPL	8,624,325	-
		Expenses incurred by VLL on behalf of UEGL	13,531,696	4,877,380
		Settlement done by UEGL	(12,442,901)	(19,366,550)
		Dividends received from UEGL	-	2,205,000
Lower Kothmale Oya Hydro Power (Pvt) Ltd (LKM)	Subsidiary	Expenses incurred by VLL on behalf of LKM	16,071,311	37,004,068
		Funds Transfers to LKM	10,450,000	-
		Issue of Shares	-	(10,800,000)
		Settlements by LKM	(42,814,501)	(72,532,901)
		Dividends received from LKM	9,624,000	-

Notes to the Financial Statements contd.

Company	Relationship	Nature of Transactions	2017 Rs.	2016 Rs.
Lower Kothmale Oya Hydro Power (Pvt) Ltd (LKM) (contd.)		Exports /Services provided to MVB	27,331,246	5,422,043
		Funds Transfers to MVB (OIA)	42,642,640	34,905,182
Vidul Biomass (Pvt) Ltd (VBL)	Subsidiary	Funds Transfers to VBL	13,244,347	12,975,000
		Expenses incurred by VLL on behalf of VBL	8,378,330	9,923,612
		Settlement done by VBL	-	(753,985)
Vidul Plantations (Pvt) Ltd (VPL)	Subsidiary	Expenses incurred by VLL on behalf of VPL	1,107,007	8,508,780
		Funds Transfers to VPL	2,715,569	2,850,000
		Settlement done by VPL	4,000,000	(1,516,247)
		Issue of Shares	-	(10)
Nilwala Vidulibala Company (Pvt) Ltd (NVC)	Associate	Expenses incurred by/Fund transfers VLL on behalf of NVC	1,160,337	27,138,716
		Issue of Shares	-	(52,500,000)
		Settlement/Fund Transfer done by NVC	8,161,323	-

25.2 Transactions with Key Management Personnel of the Company

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

Key Management Personnel Compensation	2017 Rs.	2016 Rs.
Short-Term Employee Benefits	41,139,800	44,734,700
Other transactions - Dividend Payment	13,148,137	29,330,229
Other benefits paid by the company	3,507,930	2,668,410
	57,795,867	76,733,339

26. Fair Value Disclosure

26.1 Fair Value of Financial Assets and Liabilities

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

	Carrying Amount		Fair Value	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Company				
Financial Assets				
Other Financial Assets	153,647,689	196,266,669	153,647,689	196,266,669
Trade and Other Receivables	254,941,505	211,301,805	254,941,505	211,301,805
Cash and Bank Balances	7,346,697	22,816,481	7,346,697	22,816,481
	415,935,891	430,384,955	415,935,891	430,384,955
Financial Liabilities				
Financing and Lease [Ijara] Payables	680,743,120	608,242,511	680,743,120	608,242,511
Trade and Other Payables	62,849,735	126,929,539	62,849,735	126,929,539
	743,592,856	735,172,050	743,592,856	735,172,050
Group				
Financial Assets				
Other Financial Assets	153,647,689	196,266,669	153,647,689	196,266,669
Trade and Other Receivables	190,098,436	179,110,985	190,098,436	179,110,985
Cash and Bank Balances	81,174,875	92,823,126	81,174,875	92,823,126
	424,921,000	468,200,780	424,921,000	468,200,780
Financial Liabilities				
Financing and Lease [Ijara] Payables	2,855,992,809	1,595,427,413	2,855,992,809	1,595,427,413
Trade and Other Payables	251,383,522	147,057,046	251,383,522	147,057,046
	3,107,376,332	1,742,484,459	3,107,376,332	1,742,484,459

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 contd.

26.2 Determination of Fair Value and Fair Value Hierarchy

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

Fair values are determined according to the following hierarchy:

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

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

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

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

	Group				Company			
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
As at 31 March 2017								
Financial Assets								
Other Financial Assets	153,647,689	-	-	153,647,689	153,647,689	-	-	153,647,689
	153,647,689	-	-	153,647,689	153,647,689	-	-	153,647,689
As at 31 March 2016								
Financial Assets								
Other Financial Assets	196,266,669	-	-	196,266,669	196,266,669	-	-	196,266,669
	196,266,669	-	-	196,266,669	196,266,669	-	-	196,266,669

During the reporting period ended 31 March 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

27. Events Occurring After The Reporting Period

The shareholders of the Company approved a 5% Employee Share Options Scheme on 27 May 2017 in an Extra-ordinary General Meeting, which would result in issuance of 37,357,687 number of shares to the entitled employees.

There have been no material events occurring after the Reporting Period that require adjustment to or disclosure in the Financial Statements, other than the above mentioned.

28. Financial Risk Management Objectives and Policies

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

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

28.1 Market risk

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

28.1.1 Interest Rate Risk

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

Interest Rate Sensitivity

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

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

Years	Increase/Decrease in Basis Points	Group Effect on Profit Before Tax	Company Effect on Profit Before Tax
2017	100	+/- 17.2 Mn	+/- 1.4 Mn
2016	100	+/- 6.7 Mn	+/- 0.14 Mn

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

28.1.2 Foreign Currency Risk

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

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

Notes to the Financial Statements contd.

Foreign Currency Sensitivity

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

	Group	
	Effect on Profit Before Tax 2017 Rs.	Effect on Profit Before Tax 2016 Rs.
LKR Depreciation against USD		
(+1%)	(12.15 Mn)	(1.28 Mn)
(-1%)	12.15 Mn	1.28 Mn

28.1.3 Commodity Price Risk

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

28.1.4 Equity Price Risk

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

	Group		Company	
	Effect on Profit Before Tax 2017 Rs.	Effect on Profit Before Tax 2016 Rs.	Effect on Profit Before Tax 2017 Rs.	Effect on Profit Before Tax 2016 Rs.
(+1%)	1.5 Mn	2.0 Mn	1.5 Mn	2.0 Mn
(-1%)	(1.5Mn)	(2.0 Mn)	(1.5Mn)	(2.0 Mn)

28. Financial Risk Management Objectives and Policies (contd.)

28.2 Credit risk

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

Trade receivables

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

Financial instruments and cash deposits

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

28.3 Liquidity risk

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

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

Company	Less than 3 Months	4 to 12 Months	2 – 3 Years	4 – 5 Years	>5 Years	Total
As at 31 March 2017						
Financial Assets						
Other Financial Assets	153,647,689	-	-	-	-	153,647,689
Trade and Other Receivables	254,941,505	-	-	-	-	254,941,505
Cash and Bank Balances	7,346,697	-	-	-	-	7,346,697
	415,935,891	-	-	-	-	415,935,891
Financial Liabilities						
Financing and Lease [Ijara] Payables	274,531,526	264,842,473	126,215,035	30,015,999	-	695,605,034
Trade and Other Payables	62,849,735	-	-	-	-	62,849,735
Total	337,381,262	264,842,473	126,215,035	30,015,999	-	758,454,769

Notes to the Financial Statements contd.

Company	Less than 3 Months	4 to 12 Months	2 – 3 Years	4 – 5 Years	>5 Years	Total
As at 31 March 2016						
Financial Assets						
Other Financial Assets	196,266,669	-	-	-	-	196,266,669
Trade and Other Receivables	211,301,805	-	-	-	-	211,301,805
Cash and Bank Balances	22,816,481	-	-	-	-	22,816,481
	430,384,955	-	-	-	-	430,384,955

Financial Liabilities						
Financing and Lease [Ijara] Payables	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
Total	384,069,253	79,053,360	166,170,882	24,065,415	-	653,358,909

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

As at 31 March 2017

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

Financial Liabilities						
Financing and Lease [Ijara] Payables	317,958,698	395,178,554	867,442,498	655,311,945	398,145,657	2,634,037,352
Trade and Other Payables	251,383,522	-	-	-	-	251,383,522
Total	569,342,220	395,178,554	867,442,498	655,311,945	398,145,657	2,885,420,875

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

As at 31 March 2016

Financial Assets						
Other Financial Assets	196,266,669	-	-	-	-	196,266,669
Trade and Other Receivables	179,110,985	-	-	-	-	179,110,985
Cash and Bank Balances	92,823,126	-	-	-	-	92,823,126
	468,200,780	-	-	-	-	468,200,780

Financial Liabilities						
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
Total	473,728,268	280,875,438	654,480,955	410,084,744	84,040,902	1,903,210,306

28. Financial Risk Management Objectives and Policies (contd.)

28.4 Capital management

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

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

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

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

	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Interest – Bearing Loans and Borrowings	2,604,609,287	1,448,370,367	680,743,120	481,312,972
Equity	1,807,590,067	1,870,399,732	1,417,794,006	1,501,958,267
Equity & Interest – Bearing Loans and Borrowings	4,412,199,354	3,318,770,099	2,098,537,127	1,983,271,239
Gearing Ratio	59.0%	43.6%	32.4%	24.3%

Investor Information

Market Capitalisation

The market capitalization of the Company remained at Rs.3,885,199,708/- as of 31 March 2017, compared to Rs.4,482,922,740/- as of 31 March 2016.

Dividend Payout Ratio

The company declared an interim dividend of Rs.0.10 during the financial year 2016/17. This represents the total payout ratio of 180% compared to the payout ratios of 36% and 24% in previous two financial years.

Price to Book Value

The price to book value ratio of the group as at 31 March 2017 is 2.16 compared to 2.40 as at 31 March 2016.

Public Shareholding

Issued Share Capital		747,153,790
1.	Parent, subsidiary, affiliated or associate entities or any subsidiaries or associates of its parent entity	
	Trade First (Pvt) Ltd	204,667
	Dynawash Ltd	16,333,271
	Lanka Equities (Pvt) Ltd	2,008,520
	Vanguard Industries (Pvt) Ltd	6,914,556
		25,461,014
2.	Directors of the Entity, Spouses & Their Close Family Members	
	Mr. Osman Kassim	9,493,310
	Mr. Riyaz M.Sangani	78,467,353
	Mr. Shahid M.Sangani	2,306,880
	Mr. S Ranjan Mather	5,500,000
	Mr. M Zulficar Ghouse	10,000,000
	Mr. S.S.V Fernando	4,500,000
	Mrs. B.R.I. Sangani	7,598,708
	Mr. Sattar Kassim	66,933,205
	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	17,239,685
	Mr. Suhayb M. Sangani	15
		261,540,593
3.	Chief Executive Officer and his close family members	-
4.	Key management Personnel and their close family members	-

5.	Any party acting in concert with the parties set out in 1,2,3 & 4	-		
6.	Shares that have been allotted to employees, whereby the shares of the Entity are, directly or indirectly controlled by the management or the majority shareholder of the Entity.	-		
7.	Shares that are in a locked account with the CDS due to statutory or regulatory requirement other than the shareholders exempted under (8) below.	-		
8.	Entities, Single shareholders or Single shareholders jointly or severally holding 10% or more			
	Aberdeen Holdings (Pvt) Limited	114,919,947		
	Belmont Agents Limited	112,500,000		
	Wembley Spirit Limited	99,039,429	326,459,376	613,460,983
	Public Shareholding			133,692,807
	Public Holding			17.89%
	Public Holding - No of Shareholders			1,438
	Non Public Shareholding			613,460,983
	Non Public Shareholding			81.77%
	Public Holding - No of Shareholders			21
	Total Shareholders			1,459

Classification of Shareholders : Local and Foreign

Description	Company	Member	Company Shares	Member Shares	Company %	Member %
1 to 1,000 Shares	19	704	7,916	172,893	0.00%	0.02%
1,001 to 10000 Shares	16	448	56,079	1,596,284	0.01%	0.21%
10,001 to 100,000 Shares	8	192	317,829	5,763,745	0.04%	0.77%
100,001 to 1,000,000 Shares	7	31	1,997,868	10,043,952	0.27%	1.34%
1,000,001 to 10,000,000 Shares	14	20	444,900,926	282,296,298	59.55%	37.78%
	64	1395	447,280,618	299,873,172	59.87%	40.12%

Investor Information contd.

Highest and Lowest Share Prices for the last five financial years

Financial Year	Highest share price	Lowest share price	Closing price
2016/17	6.20	5.00	5.20
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

Twenty Largest Shareholders of Vidullanka PLC as at 31 March 2017

No	Name	2017		2016	
		No. of Shares	%	No. of Shares	%
1	Aberdeen Holdings (Pvt) Limited	114,919,947	15.38	170,475,947	22.82
2	Belmont Agents Limited	112,500,000	15.06	112,500,000	15.06
3	Wembley Spirit Limited	99,039,429	13.26	99,039,429	13.26
4	Mr. Riyaz M. Sangani	78,467,353	10.50	78,841,789	10.55
5	Mr. Sattar Kassim	66,933,205	8.96	10,799,470	1.45
6	Mrs. R.L. Mather	36,750,000	4.92	36,750,000	4.92
7	ABC International Limited	26,204,463	3.51	26,204,463	3.51
8	Mrs. Yumna Kunimoto	22,977,683	3.08	22,977,683	3.08
9	Mr. M.S Mohideen	18,708,998	2.50	18,708,998	2.5
10	Mr. Sujendra Mather	18,025,356	2.41	18,025,356	2.41
11	Mrs. Z.M.Sangani	17,239,685	2.31	17,052,385	2.28
12	Dynawash Limited	16,333,271	2.19	16,333,271	2.19
13	Mrs. D.Z.Kathawala	15,312,500	2.05	15,312,500	2.05
14	Jaywise (Construction) (Pvt) Limited	12,812,636	1.71	12,812,500	1.71
15	Mr. R.B Barmecha	10,800,002	1.45	10,800,002	1.45
16	Mr. M Zulficar Ghouse	10,000,000	1.34	10,000,000	1.34
17	Mr. Osman Kassim	9,493,310	1.27	7,626,321	1.02
18	Mrs. B.R.I Sangani	7,598,708	1.02	9,119,958	1.22
19	Vanguard Industries (Pvt) Limited	6,914,556	0.93	6,914,556	0.93
20	Mr. S. Ranjan Mather	5,500,000	0.74	4,500,000	0.60
20	Mr. S.S.V Fernando			4,500,000	0.60
	Top 20 Shareholders	706,531,102	94.56	709,294,628	94.95

Five Year Summary

(in '000 otherwise stated)

	Group				
	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	3,519,594	2,267,305	1,151,869	835,398	749,396
Investment in Joint Ventures	327,305	313,587	391,574	280,466	198,907
Other Project Investments	134,519	79,022	118,528	125,272	94,584
Goodwill	215,879	215,879	55,081	54,499	11,625
	4,197,298	2,875,794	1,717,051	1,295,635	1,054,511
Current Assets					
Inventories	12,804	1,161	443	-	704
Trade and Other Receivables	256,579	342,960	235,545	264,418	201,485
Other Financial Assets	153,648	196,267	190,839	16,978	65,048
Cash and Bank Balances	81,175	92,823	92,019	9,851	25,811
	504,205	633,211	518,846	291,247	293,048
Total Assets	4,701,502	3,509,005	2,235,897	1,586,882	1,347,560
Non-Current Liabilities					
Financing and Lease [Ijara] Payables	1,906,785	963,765	496,169	271,726	200,618
Defined Benefit Liability	21,946	17,898	17,118	12,785	10,066
Deferred Taxation	14,270	20,381	18,277	12,982	8,881
	1,943,002	1,002,044	531,565	297,494	219,565
Total Equity	1,807,590	1,870,400	1,450,452	1,138,643	1,030,301
Revenue	534,754	723,224	563,348	465,290	349,167
Gross Profits	391,062	601,700	434,822	338,527	258,276
Operating Profits	199,934	479,792	429,741	223,677	220,955
Profit Before Tax	40,715	392,464	388,304	182,422	118,725
Profit After Tax	41,677	371,591	354,997	165,371	94,633
Generation (GWh)	48.5	68.0	63.0	39.0	28.0
Key Indicators					
Total Assets / Equity (Times)	2.60	1.88	1.54	1.39	1.31
Net Profit Margin (%)	7.8	51.4	63.0	35.5	27.1
Turnover /Assets (Times)	0.11	0.21	0.25	0.29	0.26
Return on Equity (%)	2.3	19.9	24.5	14.5	9.2
Return on Assets (%)	4.3	13.7	19.2	14.1	16.4
Current Ratio (Times)	0.5	1.0	2.0	1.9	3.0
Debt/(Debt + Equity) (%)	59.0	43.6	30.3	24.1	22.9
Earning per Share (Rs.)	0.06	0.52	0.49	0.34	0.20
Dividend per Share (Rs.)	0.10	0.23	0.18	0.13	0.05
Net Asset Value Per Share (Rs.)	2.41	2.50	3.04	2.39	2.16

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting of shareholders of Vidullanka PLC will be held on 21 July 2017 at Bougainvillea Ballroom, Galadari Hotel at 10.30 am for the following purposes:

1. To consider and adopt the Audited Financial Statements for the year ended 31st March 2017 together with the Annual Report of the Directors thereon.
2. Re-Election of Directors
 - I. To re-elect Mr. Ranjan Mather as a Director of the Company, who retires by rotation and has offered himself for re-election
 - II. To re-elect Mr. M Z M Ghouse as a Director of the Company, who retires by rotation and has offered herself for re-election
 - III. To re-elect Mr. Sattar Kassim as a Director of the Company, who retires by rotation and has offered himself for re-election
 - IV. To re-elect Dr. A A M Haroon as a Director of the Company, who retires by rotation and has offered himself for re-election
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

27 June 2017

Note:

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

Form of Proxy

I/We, the undersigned

of being member/s of

Vidullanka PLC, do hereby appoint

of

as my/our Proxy to represent me/us, vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 21 July 2017 and at any adjournment thereof.

Ordinary Resolution	For	Against
1. To, consider and adopt the Audited Financial Statements for the year ended 31st March 2017 together with the Annual Report of the Directors thereon.		
2. To re-elect Mr. Ranjan Mather as a Director of the Company, who retires by rotation.		
3. To re-elect Mr. M. Zulficar Ghouse as a Director of the Company, who retires by rotation.		
4. To re-elect Mr. Sattar Kassim as a Director of the Company, who retires by rotation.		
5. To re-elect Dr. A. A. M. Haroon as a Director of the Company, who retires by rotation.		
6. To re-appoint the retiring auditors M/s. Ernst & Young, Chartered Accountants for the ensuing year and authorize directors to determine their remuneration.		

Signed this day of 2017.

.....
Signature

Please see overleaf for Instructions for completion.

Instructions for completion of Proxy

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

Corporate Information

Company Status

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

Re-Registration Date & Number

27th September 2007
PQ 83

Stated Capital

Rs. 1,267,893,105/-

Issued Number 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
Mrs. B.R.I. Sangani
Mr. C.F. Fuhrer
Mr. S.S.V. Fernando
Mr. Sattar Kassim
Mr.Sujendra Mather

Company Secretary

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

Registered Office

Level 04, "Access Towers"
No 278, Union Place
Colombo 02.
Tel: 011 4760000
Fax: 011 4760076
Email: info@vidullanka.com
Web: www.vidullanka.com

Auditors

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

Bankers

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

